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

You should read the following discussion and analysis of our financial condition and results of operations as of 31 December 2013 and for the year then ended (hereinafter referred to as "MD&A") in conjunction with our audited consolidated financial statements as of and for the years ended 31 December 2013 and 2012 (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 OAO SIBUR Holding and its consolidated subsidiaries (hereinafter jointly referred to as "we", "SIBUR" or the "Group").

SELECTED DATA[1]

Operating Results

The following table presents the Group's key operational measures for the years ended 31 December 2013 and 2012:

	Year ended 31 December		*Change*
Tonnes, except as stated	**2013**	**2012**	*%*
Processing and production volumes			
APG processing[2] (thousand cubic metres)	19,600,139	18,709,246	*4.8%*
APG processing, SIBUR's share[3] (thousand cubic metres)	13,869,949	12,986,326	*6.8%*
Natural gas production[2] (thousand cubic metres)	16,966,143	16,371,383	*3.6%*
Natural gas production, SIBUR's share[3] (thousand cubic metres)	11,548,022	10,993,627	*5.0%*
Raw NGL production[2]	5,294,895	4,662,593	*13.6%*
Raw NGL production, SIBUR's share[3]	3,759,589	3,116,230	*20.6%*
Sales volumes			
Natural gas sales volumes (thousand cubic metres)	11,841,787	10,572,284	*12.0%*
NGLs sales volumes	4,802,073	4,060,897	*18.3%*
MTBE, other fuels & fuel additives sales volumes	630,966	564,566	*11.8%*
Petrochemical products sales volumes	2,127,896	2,269,887	*(6.3%)*
Basic polymers	455,309	439,549	*3.6%*
Synthetic rubbers	430,128	438,587	*(1.9%)*
Plastics and organic synthesis products	769,414	781,793	*(1.6%)*
Intermediates and other chemicals	473,044	609,958	*(22.4%)*

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

(2) Including RN Holding's share in the processing / production volumes of OOO Yugragazpererabotka (see "Feedstock Sourcing and Mix" in the "Certain Factors Affecting Our Results of Operations" section for further details).

(3) Excluding RN Holding's share in the processing / production volumes of OOO Yugragazpererabotka.

Financial Results

The following table presents the Group's key financial measures for the years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December 2013	Year ended 31 December 2012	*Change %*
Financial results			
Income statement highlights			
Revenue (net of VAT and export duties)	269,814	271,330	*(0.6%)*
EBITDA	78,862	82,291	*(4.2%)*
EBITDA margin, %	*29.2%*	*30.3%*	
Profit for the year	45,458	60,085	*(24.3%)*
Profit margin, %	*16.8%*	*22.1%*	
Adjusted profit for the year [(1)]	50,939	60,085	*(15.2%)*
Adjusted profit margin, %	*18.9%*	*22.1%*	
Cash flow highlights			
Net cash from operating activities	72,741	62,661	*16.1%*
Net cash used in investing activities, *including*	(71,144)	(50,992)	*39.5%*
Purchase of property, plant and equipment	*(70,010)*	*(74,274)*	*(5.7%)*
Proceeds from disposal of the mineral fertilisers and tyres businesses and Amtel Group assets	-	*14,335*	*(100.0%)*
Net cash used in financing activities, *including*	(7,168)	(12,729)	*(43.7%)*
Dividends paid to SIBUR shareholders	*(14,008)*	*(29,192)*	*(52.0%)*

	As of 31 December 2013	As of 31 December 2012
Key ratios		
Debt / EBITDA	1.27x	1.17x
Net debt[(2)] / EBITDA	1.17x	1.00x
EBITDA / Interest[(3)]	17x	22x

In 2013, our revenue remained largely flat at RR 269,814 million compared to RR 271,330 million in 2012. Our energy product group delivered strong performance on higher volumes despite lower prices which followed international market prices. The healthy performance of our plastics & organic synthesis products was attributable to higher production following the commercial launch of the second production line of expandable polystyrene in Perm in 2012 and expansion of BOPP-films production capacity due to the consolidation of the BIAXPLEN group of companies from the second quarter of 2012 and the launch of the new capacity in Tomsk in the fourth quarter of 2013. This was fully offset by declining revenue from sales of synthetic rubbers, intermediates & other chemicals, processing services, trading and other sales. Our synthetic rubber business remained under significant pressure in a persistently negative market environment. The decommissioning of non-core and obsolete facilities in the Nizhny Novgorod region resulted in a decline in revenue from sales of intermediates & other chemicals. Following the deconsolidation of OOO Yugragazpererabotka (our joint venture with RN Holding) as of 12 March 2013, we deconsolidated the JV’s revenue, which affected our sales of processing services from the second quarter of 2013. The decrease in trading and other sales was attributable to a non-recurring trading activity in the first quarter of 2012, when we continued trading in favour of the mineral fertilisers business which had been divested at the end of 2011. In 2013, we benefited from the Russian rouble depreciation against the US dollar and the euro.

Our 2013 EBITDA amounted to RR 78,862 million, a year-on-year decline of 4.2% from RR 82,291 million in 2012. Our EBITDA margin totaled 29.2% compared to 30.3% reported a year earlier. The year-on-year decrease in EBITDA and EBITDA margin was primarily attributable to tighter spreads between feedstock and end-product prices, particularly in the synthetic rubber product group.

In July 2013, SIBUR announced an increase in the indirect interest of the Group’s former and current directors and key management in SIBUR from 5.5% to 17.5%. Following the increase and respective grant of equity-settled share-based payment plans, the Group must recognise current and past service costs associated with the payment plans as operating expenses in the statement of profit or loss, and also record the corresponding amounts as an increase in equity in the statement of changes in equity and the statement of financial position in accordance with IFRS 2 “Share-Based Payment”. There are no current

(1) Profit for the year net of equity-settled share-based payment plans and gain on deconsolidation of OOO Yugragazpererabotka.
(2) Net debt represents total debt less cash and cash equivalents.
(3) Interest represents accrued interest, i.e. includes interest expense and capitalised interest.

or future cash payments or liabilities under these plans. In 2013, we recorded a RR 7,894 million non-cash charge in relation to these payment plans.

Our profit for 2013 totaled RR 45,458 million versus RR 60,085 million in 2012, a decrease of 24.3% year-on-year. The decline was attributable to the non-cash charge discussed above, a foreign exchange loss on the revaluation of our USD-denominated debt versus a foreign exchange gain in 2012, as well as lower EBITDA. Our profit margin in the reporting period amounted to 16.8% versus 22.1% in 2012.

Net of the non-cash charge related to the equity-settled share-based payment plans discussed above and a non-cash gain on deconsolidation of OOO Yugragazpererabotka in 2013, our profit decreased by 15.2% year-on-year to RR 50,939 million in 2013 from RR 60,085 million a year earlier. The corresponding profit margin totaled 18.9% compared to 22.1% in 2013 and 2012, respectively.

Our net cash from operating activities increased by 16.1% year-on-year to RR 72,741 million from RR 62,661 million in 2012, as the decline in EBITDA was largely compensated by a positive impact from changes in working capital and lower income tax paid.

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

The following table provides a reconciliation of EBITDA to profit for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
RR millions	**2013**	**2012**
Profit for the year	**45,458**	**60,085**
Loss from disposal of the Amtel Group assets	-	315
Income tax expense	9,844	15,816
Gain on disposal of subsidiaries	(335)	(283)
Gain on deconsolidation of subsidiary	(2,413)	-
Share of net income of joint ventures and associates	(794)	(751)
Gain on acquisition of subsidiaries	-	(430)
Net finance expense / (income)	4,844	(3,040)
Equity-settled share-based payment plans	7,894	-
Impairment of property, plant and equipment	887	262
Depreciation and amortisation	13,477	10,317
EBITDA	**78,862**	**82,291**

OVERVIEW

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

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

As of 31 December 2013, SIBUR operated 26[1] production sites across Russia and employed more than 26,000 personnel[2]. We serve over 1,500 large customers operating in the energy, automotive,

[1] Including three gas processing plants (GPPs) operated by OOO Yugragazpererabotka, which we did not consolidate from the second quarter of 2013.

[2] Excluding the personnel of non-consolidated joint ventures.

construction, fast moving consumer goods (FMCG), chemical and other industries in approximately 60 countries.

RECENT DEVELOPMENTS

In March 2014, SIBUR and Rosneft agreed on a new format and terms of cooperation. SIBUR acquired from Rosneft a 49% interest in OOO Yugragazpererabotka, a joint venture that owns Nizhnevartovskiy, Belozerniy and Nyagan GPPs, gaining full control over the assets. New contracts with extended tenor through 2032 were signed for (i) APG supplies from Rosneft's fields to OOO Yugragazpererabotka's GPPs with guaranteed supply volumes increased to approximately 10 billion cubic metres per annum, and (ii) dry gas[(1)] sales from Nizhnevartovskiy and Belozerniy GPPs to Rosneft. See Appendix II for further details.

In February 2014, SIBUR divested its 100% interest in Oka Polymer industrial park located in Dzerzhinsk, the Nizhny Novgorod region, as a non-core asset to Tosol-Sintez, a resident of the park. Oka Polymer industrial park was established in the process of transformation of the production site of Caprolactam, an obsolete chlorine and caustic soda production facility decommissioned in April 2013.

In December 2013, SIBUR divested its 100% stake in Plastic located in the Tula region. The deal value amounted to RR 575 million. Following this divestment, SIBUR will deconsolidate production of styrene (with an annual nameplate production capacity of 60,000 tonnes), expandable polystyrene (with an annual nameplate production capacity of 11,000 tonnes), ABS plastics (with an annual nameplate production capacity of 23,000 tonnes) and several other products.

In December 2013, SIBUR and Gazprom Neft agreed to construct a new GPP with an annual nameplate APG processing capacity of 900 million cubic metres and a designed liquids recovery ratio of at least 95% on the basis of the existing Yuzhno-Priobskaya compressor station in the Khanty-Mansi Autonomous Area. The project will be implemented by OOO Yuzhno-Priobskiy GPP, a joint venture of Gazprom Neft and SIBUR (each having a 50% stake), which owns the Yuzhno-Priobskaya compressor station.

In December 2013, SIBUR completed the upgrade and expansion of its butyl rubber capacity at the Togliatti production site from 48,000 tonnes to 53,000 tonnes per annum. Total capital expenditures on the project amounted to approximately RR 1.2 billion (net of VAT).

In November 2013, SIBUR and Rail Garant, a freight transportation group, signed a memorandum of Understanding for the sale of SIBUR's fleet of liquefied petroleum gas (LPG) rail cars to Rail Garant, which was selected through a competitive bidding process. Under the terms of this memorandum, following the transaction, the entire fleet will be operated by SIBUR-Trans, SIBUR's freight operator. Half of the fleet will be leased, and the other half may be used by SIBUR-Trans for product transportation under six-year transportation contracts. The parties are in the process of obtaining all required approvals. The deal is expected to be closed in 2014.

In November 2013, SIBUR launched a new production facility of biaxially oriented polypropylene films (BOPP-films) within our production site in Tomsk. The new production line has an annual nameplate production capacity of 38,000 tonnes. As a result, SIBUR's total BOPP-film nameplate production capacity increased to 149,250 tonnes per annum. The launch of the new production facility will help SIBUR to fully meet demand for BOPP-films domestically. Total capital expenditures on the project amounted to approximately RR 2.4 billion (net of VAT).

In November 2013, SIBUR and Gazprom signed a Memorandum of Cooperation for a gas processing project in Belogorsk, the Far East, where Gazprom is considering construction of a GPP and SIBUR is considering construction of a petrochemical complex technologically connected with the GPP, to process ethane and produce monomers and polymers. The configuration and timeline of the project's implementation are to be determined at a later stage.

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(1) Equivalent to natural gas.

In October 2013, SIBUR paid RR 6,383 million in dividends for the first half of 2013 determined as 25% of the profit for the first half of 2013 in accordance with IFRS consolidated financial statements.

In October 2013, SIBUR held an official opening of Tobolsk-Polymer, a large scale world-class petrochemical complex with an annual nameplate production capacity of 510,000 tonnes of propylene and 500,000 tonnes of polypropylene. As a result, SIBUR's total basic polymers nameplate production capacity nearly doubled to reach 995,000 tonnes per annum[(1)], with polypropylene nameplate production capacity totaling 750,000 tonnes per annum[(1)]. Our capital expenditures in relation to the project totaled approximately RR 64 billion (net of VAT).

In September 2013, SIBUR and BASF signed a long-term cooperation agreement to supply additives used in polymer production and processing at SIBUR's production facilities. Under this agreement, additives used in production of polypropylene, polyethylene, synthetic rubbers, thermoplastic elastomers, and ABS plastics will be supplied to SIBUR's production facilities, with BASF also providing technical support.

In August 2013, SIBUR launched a new thermoplastic elastomers production facility with an annual nameplate production capacity of 50,000 tonnes of styrene-butadiene-styrene (SBS) thermoplastic elastomers at the Group's synthetic rubber plant in Voronezh, thus increasing the plant's SBS capacity to 85,000 tonnes per annum. Total capital expenditures on the project amounted to approximately RR 4.5 billion (net of VAT).

In August 2013, SIBUR and SINOPEC INTERNATIONAL (HONG KONG), Co., Limited ("SINOPEC") completed the establishment of a JV for nitrile-butadiene rubber (NBR) production in Krasnoyarsk, following the receipt of all the required approvals from Russian and Chinese regulatory authorities. The JV was established on the basis of SIBUR's existing plant with a total nameplate production capacity of 42,500 tonnes of NBR per annum. SINOPEC now holds a 25% plus one share in the JV, while SIBUR's interest is 75% minus one share.

In July 2013, SIBUR announced an increase in the indirect interest of the Group's former and current top management in SIBUR from 5.5% to 17.5%, with no individual manager owning in excess of 5%. Leonid Mikhelson and Gennady Timchenko decreased their joint beneficial holding in SIBUR to 82.5% from 94.5%, with Mr. Mikhelson retaining ultimate control over the Group. See Appendix III for further details and information on the treatment of this change in the shareholder structure.

In May 2013, SIBUR started test loadings of LPG and naphtha tankers at its newly built LPG and light oils transshipment facility at Ust-Luga sea port in the Leningrad region. The facility has an annual loading capacity of 1.5 million tonnes of LPG and 2.5 million tonnes of light oils, and is expected to support growth in LPG exports to premium Western European markets. The project was launched in 2013 year-end. Total capital expenditures on the project amounted to approximately RR 23 billion (net of VAT).

In April 2013, SIBUR paid RR 7,625 million in dividends for the second half of 2012 determined as 25% of the profit for the second half of 2012 in accordance with IFRS consolidated financial statements.

In April 2013, SIBUR completed the decommissioning of Caprolactam, an obsolete chlorine and caustic soda production facility located in the Nizhny Novgorod region. Caprolactam was owned and operated by SIBUR-Neftekhim until its divestment to Tosol-Sintez, a resident of the park, in January 2014. Caprolactam's PVC production capacity will be replaced by a modern and ecologically-friendly PVC production complex, which SIBUR is constructing together with SolVin Holding Nederland B.V. under a JV arrangement (RusVinyl). This new PVC complex, located in Kstovo, the Nizhny Novgorod region, is scheduled for commercial launch in 2014.

[(1)] Including 100% of the processing capacity of NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group.

In March 2013, Pavel Malyi, who had previously served on SIBUR's Board of Directors and was the Chairman of the Board's Finance Committee, was appointed SIBUR's Chief Financial Officer and Deputy Chairman of the Management Board.

In March 2013, SIBUR and RN Holding entered into a set of agreements that define the format of cooperation between the parties within our joint venture (JV) OOO Yugragazpererabotka for the period from 2017 through 2026. The parties extended the key agreements for supply of associated petroleum gas (APG) and purchase of products of APG processing and also revised the guaranteed APG volumes to be supplied by RN Holding to Nizhnevartovskiy and Belozerniy GPPs that are part of the JV. The parties extended the term of the JV to indefinite, while terminating SIBUR's call options. In March 2014, SIBUR acquired from Rosneft Group a 49% interest in OOO Yugragazpererabotka. See Appendix II for further details.

In February 2013, SIBUR's export trading arm SIBUR International GmbH registered trading subsidiaries in Turkey and Ukraine. These subsidiaries will support the expansion of SIBUR's export trading network with a particular focus on sales of basic polymers ahead of the launch of the Tobolsk-Polymer Plant. As of 31 December 2013, SIBUR had seven international sales desks in four countries outside of Russia.

In January 2013, SIBUR placed its debut five-year Eurobond due 2018, raising USD 1 billion in gross proceeds. The coupon rate was set at 3.914% per annum and will be paid semi-annually.

CERTAIN FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Macroeconomic and Other Economic Trends

The 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 subject to economic risks specific to the Russian Federation as all of our production assets are located in Russia.

The following table contains selected data on year-on-year GDP growth for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013	2012
European Union (EU-15)	0.0%	(0.4%)
United States	1.9%	2.8%
China	7.7%	7.7%
Russia	1.3%[1]	3.4%

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

Movements of the Russian rouble against the US dollar and the euro can have a significant effect on our financial performance.

The following table presents selected data on exchange rate movements for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013	2012
RR/USD rate at the end of the preceding period	30.3727	32.1961
RR/USD rate at the end of the reporting period	32.7292	30.3727
Average RR/USD rate	31.8480	31.0742
RR/EUR rate at the end of the preceding period	40.2286	41.6714
RR/EUR rate at the end of the reporting period	44.9699	40.2286
Average RR/EUR rate	42.3129	39.9083

Source: CBR

SIBUR's functional and reporting currency is the Russian rouble. However, our sales to countries outside of Russia (42.8% and 44.5% of total revenue in 2013 and 2012, respectively) are primarily denominated in US dollars and, to a lesser extent, in euros, while most of our expenses are denominated in Russian roubles. As a result, depreciation of the Russian rouble relative to the US dollar or the euro positively affects our operational results, while appreciation of the Russian rouble relative to these currencies has a negative effect on our operational results.

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

The Russian rouble on average depreciated by 2.5% relative to the US dollar and by 6.0% relative to the euro in 2013 compared to the average 2012 levels, which had a positive impact on our revenue. At the

[1] Preliminary data.

same time, the Russian rouble as of 31 December 2013 depreciated against the year-end level of 2012 by 7.8% relative to the US dollar, resulting in a financial loss reported in SIBUR's consolidated financial statements for 2013, which was largely attributable to the revaluation of our foreign currency-denominated debt. The Russian rouble as of 31 December 2012 appreciated against the year-end level of 2011 by 5.7% relative to the US dollar, resulting in a financial gain reported in SIBUR's consolidated financial statements for 2012, which was largely attributable to the revaluation of our foreign currency-denominated debt. SIBUR currently does not employ any financial instruments to hedge against currency fluctuations.

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 2013 and 2012:

	Year ended 31 December	
	2013/2012	**2012/2011**
Consumer price index (CPI)	6.5%	6.6%
Producer price index (PPI)	3.3%	5.2%

Source: Russian Federal State Statistics Service

Interest Rates

SIBUR borrows funds at both fixed and floating rates. As of 31 December 2013, 48.5% of our total borrowings were at fixed rates and 51.5% - at floating rates. As a result, our financial results are sensitive to changes in interest rates on the floating portion of our debt. SIBUR currently does not use any derivative instruments to hedge its interest rate risk.

Crude Oil, Naphtha, Raw NGL and LPG Prices

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

Crude oil prices typically influence prices for raw NGL, LPG and naphtha which we purchase from third parties as feedstock. This correlation, however, is not perfect, as prices for LPG and naphtha are also influenced by supply and demand trends and other factors in their own markets, while prices for raw NGL, depending on its composition, are largely correlated with prices for LPG and naphtha. In addition to purchasing raw NGL, LPG and naphtha from third parties, however, we also produce these products at our GPPs and GFUs, and use them as feedstock for processing into petrochemical products or sell them externally. We ultimately only use a part of the overall volumes of raw NGL, LPG and naphtha that we produce and purchase from third parties, and, as a result, we are a net seller of these products. External sales of raw NGL, LPG and naphtha accounted for 35.8% and 31.1% of our total revenue in 2013 and 2012, respectively.

Oil prices have a significant impact on Russian rouble exchange rate fluctuations. Historically, the Russian rouble has typically, though not consistently, appreciated in real terms against the US dollar and the euro when oil prices increased and depreciated against these currencies when oil prices decreased. Because prices for a large portion of our products are linked to oil prices, rising oil prices tend to increase our revenue, mitigating the negative effect of the strengthening of the Russian rouble on export sales or domestic sales linked to the US dollar or the euro (see "Foreign Exchange Rate Fluctuations" above).

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

The following table presents average benchmark international market prices for crude oil, naphtha and LPG for the years ended 31 December 2013 and 2012:

USD per tonne, except as stated	**Year ended 31 December**		***Change***
	2013	**2012**	***%***
Brent (USD per bbl)[(1)]	108.8	111.8	*(2.7%)*
Naphtha (CIF NWE)[(2)]	903.2	937.1	*(3.6%)*
LPG DAF Brest[(2)]	699.4	778.1	*(10.1%)*
LPG Sonatrach[(2)]	825.5	895.6	*(7.8%)*
LPG CIF ARA (large)[(2)]	837.0	905.2	*(7.5%)*

Source:
[(1)] Bloomberg
[(2)] Argus

Export Duties on LPG and Naphtha

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

Export duty on LPG 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. Export duty on naphtha is calculated as a percentage of export duties on crude oil (Urals). In 2010, the export duty on naphtha was set at 67% of the crude oil export duty. As of 1 July 2011, the Russian Government raised export duty on naphtha to 90% of the crude oil export duty with the aim to restrain petroleum prices growth in Russia. The rate has remained unchanged since then.

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

Export duties, USD per tonne	**1 quarter**		**2 quarter**		**3 quarter**		**4 quarter**		**12 months**		***Change, %***
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	***2013 / 2012***
LPG (excl. butane and isobutane)											
At the end of the period	131.4	157.3	72.2	237.1	75.5	76.2	203.5	197.4	203.5	197.4	*3.1%*
Average for the period	176.8	180.0	71.4	197.4	53.7	92.7	159.7	187.4	115.4	164.4	*(29.8%)*
Naphtha (excl. pentane and isopentane)											
At the end of the period	378.6	370.1	323.3	377.8	360.6	354.4	347.1	356.8	347.1	356.8	*(2.7%)*
Average for the period	365.9	360.7	341.8	398.7	344.9	329.9	359.4	366.0	353.0	363.8	*(3.0%)*

Source: Russian Government

As Russia's domestic prices for raw NGL, LPG and naphtha are based on export netback prices, higher export duties reduce the domestic price for these products. This has a mixed impact on our performance: our sales of raw NGL, LPG and naphtha are negatively affected, at the same time our feedstock purchasing costs are lower. Additionally, this increases the attractiveness of raw NGL, LPG and naphtha as feedstock for the petrochemicals business and creates rationale for processing these energy products into petrochemicals.

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 effected by the Russian Government, through the Federal Tariff Service (FTS). Although this price regulation does not apply to independent gas producers, the regulated price significantly influences domestic market conditions and our effective selling prices.

According to the Russian Federation government Directive No.1205 on “Improvement of State Gas Price Regulation” as of 31 December 2010, starting from 2013 natural gas prices for sales to end-customers on the domestic market (excluding residential customers) are set for each region of the Russian Federation on a quarterly basis using a price formula within the maximum and minimum price range. The maximum and minimum wholesale gas prices may be revised semi-annually – as of 1 January and 1 July. In addition, the wholesale gas prices may be recalculated twice a year – as of 1 April and 1 October, based on changes in oil products prices in the European markets within a range of +/-3% from the prices set previously.

In May 2013, the FTS made changes to the Statement of Gas Price Formula Definition that provides for the possibility of adjusting the minimum and maximum wholesale gas prices for the next quarter of the calendar year, in case there was a significant deviation (more than 5%) of natural gas prices calculated using a price formula in the previous quarter from the annual wholesale price changes set by the Russian Federation government. As of 1 July 2012, the FTS increased the wholesale prices for natural gas sold to end-customers on the domestic market by 15.0%.

In 2013, average natural gas prices for sales to end-customers on the domestic market (excluding residential customers), as a result of the above pricing regulations becoming effective, were decreased by 3.0% from 1 April and increased by 15.0% from 1 July, by 3.1% from 1 August, and by 1.9% from 1 October. Effective from 1 January 2014, the FTS adjusted wholesale natural gas prices back to the August-September levels of 2013.

Based on the Ministry of Economic Development Forecast published in September 2013, wholesale natural gas prices for sales to all customers' categories on the domestic market (excluding residential customers) will remain at the same price level as the August-September 2013 prices, and, accordingly, in July 2015 and 2016, will be increased by 4.8% and 4.9%, respectively. The Russian Federation government continues discussions relating to the natural gas industry and natural gas pricing on the Russian domestic market.

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

Effective date of increase	**Regulated natural gas price changes** %
1 January 2009	5.0%
1 April 2009	7.0%
1 July 2009	7.0%
1 October 2009	6.2%
1 January 2010	15.0%
1 January 2011	15.0%
1 July 2012	15.0%
1 April 2013	(3.0%)
1 July 2013	15.0%
1 August 2013	3.1%
1 October 2013	1.9%
1 January 2014	(1.9%)

Prices for APG, one of our key raw materials, 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 gas prices because of the significant capital expenditures required to develop and maintain the processing and transportation infrastructure. At the same time, most 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. Under the new contract with Rosneft for APG supplies to the GPPs of OOO Yugragazpererabotka, the APG purchase price will be indexed in line with changes in prices for APG derivatives: natural gas and raw NGL

In addition, 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.

Cyclicality of the Petrochemicals Industry

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

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

Feedstock Sourcing and Mix

Types of Hydrocarbon Feedstock

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

APG is a by-product of oil production and represents a key feedstock for our feedstock & energy business. APG accounted for 26.9% and 22.7% of our expenses related to third-party hydrocarbon feedstock purchases in 2013 and 2012, respectively. As a percentage of total feedstock and materials costs, APG accounted for 14.0% and 11.5% in 2013 and 2012, respectively.

NGLs are used as a raw material for both the feedstock & energy business and for the petrochemicals business. Raw NGL is produced as a result of APG processing or through stabilisation of unstable gas condensate which is obtained from the processing of wet gas extracted from gas fields. LPG and naphtha are produced through fractionation of raw NGL. We produce NGLs at our own GPPs and GFUs and also purchase them from third parties. NGLs accounted for 73.1% and 77.3% of our expenses related to third-party hydrocarbon feedstock purchases in 2013 and 2012, respectively. As a percentage of total feedstock and materials costs, NGLs accounted for 38.1% and 39.3% in 2013 and 2012, respectively.

Feedstock Sourcing

A large portion of our hydrocarbon feedstock is obtained from Rosneft and particularly from its subsidiary RN Holding (formerly TNK-BP Holding; renamed RN Holding as of 30 July 2013 following its acquisition by Rosneft).

In 2007, SIBUR and TNK-BP Holding (renamed RN Holding as of 30 July 2013 following the acquisition by Rosneft) established a joint venture (JV) OOO Yugragazpererabotka. SIBUR owned a 51% stake in the JV, while RN Holding’s share was 49%. OOO Yugragazpererabotka owns and operates three GPPs with total APG processing capacity of 13.4 billion cubic metres per annum (Nizhnevartovskiy

GPP, Belozerniy GPP and Nyagan GPP), three compressor stations and APG pipelines from compressor stations to the GPPs. SIBUR and RN Holding operated within a contractual network, under which RN Holding supplied APG to OOO Yugragazpererabotka for processing into raw NGL and dry gas. In addition to volumes from RN Holding, dominant supplier of APG to the JV, OOO Yugragazpererabotka also processed APG supplied from other oil companies. SIBUR and RN Holding owned the feedstock and refined products, while paying a processing fee to OOO Yugragazpererabotka. SIBUR paid for 51% of the total APG volumes supplied for processing to OOO Yugragazpererabotka and obtained 51% of the total NGLs and dry gas volumes produced by the JV. RN Holding obtained the remaining volumes. Subsequently SIBUR purchased RN Holding's share of NGLs and sold to RN Holding its share of dry gas.

In March 2013, SIBUR and RN Holding changed the duration of the JV to indefinite.

In March 2014, SIBUR acquired from Rosneft a 49% interest in OOO Yugragazpererabotka. New contracts with extended tenor through 2032 were signed for (i) APG supplies from Rosneft's fields to OOO Yugragazpererabotka's GPPs with guaranteed supply volumes increased to approximately 10 billion cubic metres per annum, and (ii) dry gas sales from Nizhnevartovskiy and Belozerniy GPPs to Rosneft. See Appendix II for further details.

The acquisition of RN Holding by Rosneft in 2013, which is also a large supplier of APG to SIBUR, has increased our supplier concentration in APG: share of Rosneft (including RN Holding) in our APG supplies totaled 62.9% and 65.4% of SIBUR's total APG supplies in volume terms in 2013 and 2012, respectively. As legacy Rosneft did not supply NGLs to SIBUR, our supplier concentration in NGLs has not changed following the above acquisition. As a result the raw NGL supplies from Rosneft (including RN Holding) accounted for 41.8% and 44.9% in SIBUR's total NGLs supplies in volume terms in 2013 and 2012, respectively. Following the acquisition of OOO Yugragazpererabotka, share of Rosneft in our APG supplies will increase, while their share in NGLs supplies will decrease.

In addition to our arrangements with Rosneft and its subsidiary RN Holding, we purchase APG and NGLs from other major oil and gas companies in Western Siberia, including Gazprom Neft, Gazprom, RussNeft, LUKOIL and Surgutneftegas primarily under long-term contracts.

As of 31 December 2013, approximately 73.4% of our planned APG supplies for 2013 were guaranteed under multi-year supply contracts[(1)]. Overall, as of 31 December 2013, our multi-year APG supply contracts had a weighted average maturity of 12.2 years[(1)].

As of 31 December 2013, approximately 82.6% of our planned NGLs supplies for 2013 were guaranteed under multi-year supply contracts[(1)]. Overall, as of 31 December 2013, our multi-year NGLs supply contracts had a weighted average maturity of 12.0 years[(1)].

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

APG is one of the key raw materials for SIBUR, based on a number of factors:

- 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 increasingly high fines and potentially jeopardise an oil company's license to operate the field;

[(1)] Including all APG and NGL supplies from RN Holding (formerly TNK-BP Holding) under JV arrangements (OOO Yugragazpererabotka).

- 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; and
- 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 the preliminary estimates of CDU TEK, the total volume of flared APG in Russia in 2013 was 15.8 billion cubic metres or 20.6% of total produced volumes, while APG utilisation level totaled 79.4% as a percentage of produced volumes.

SIBUR provides oil companies with an attractive solution for APG utilisation, therefore, we are able to source APG at advantageous prices. Given the limited options for using APG and the lack of alternatives for evacuating it from oil fields, there is no market or benchmark price for APG. APG pricing is also not subject to government regulation. As a result, we purchase APG from oil companies at prices that are negotiated on a case-by-case basis and typically substantially differ from the FTS regulated natural gas prices. The magnitude of the difference and the absolute price for APG is dependent on the following key factors: the quality and composition of APG in terms of target liquid fractions content, distance of an APG source from our GPPs, availability of collection and transportation infrastructure and capital and operating expenditures needed to construct, expand and maintain that infrastructure. The price is also dependent on the potential capital expenditures that the oil company would need to incur to construct its own gas processing capacity as an alternative to selling APG to SIBUR. Once agreed upon in absolute terms, SIBUR's APG purchase price is typically regularly indexed to reflect changes in the FTS regulated prices for natural gas. Under the new contract with Rosneft for APG supplies to the GPPs of OOO Yugragazpererabotka, the APG purchase price will be indexed in line with changes in prices for APG derivatives: natural gas and raw NGL (see "Natural Gas Prices" above). Additional volumes of APG that we source from oil companies (new volumes under new agreements or volumes under existing agreements that exceed initially pre-agreed or guaranteed volumes) can be supplied at a higher price due to additional capital and operating expenses incurred by oil companies to produce and deliver such volumes. Also, modification of terms of the existing agreements, both at expiry or as a result of renegotiation, may cause material changes in our APG pricing levels.

Our NGLs feedstock is typically priced with reference to international prices for LPG and naphtha. 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. Export duties are also relatively high due to the Russian Government's current policy of encouraging domestic processing of energy products into higher value added products. Therefore, the domestic prices for NGLs feedstock in Western Siberia are substantially lower than those available to the majority of SIBUR's international petrochemical peers. The Group's NGLs supply contracts typically contain a formula where prices are determined by the respective netbacks and reflect the fraction content of NGLs, need for and cost of fractionation, capital expenditures required to construct and maintain the respective infrastructure as well as the availability and quality of alternative selling channels that the oil or gas company supplying the NGLs has.

Feedstock Trends

APG volumes from oil fields located in Western Siberia are expected to increase only moderately given the maturity profile of the region's oil fields, while concentration of liquid fractions in the APG may decline. We expect this trend to be partially offset by lower APG flaring rates and our efforts to increase the liquids recovery ratio at our GPPs. IHS CERA estimates that total flared APG volumes will be reduced to 10.4 billion cubic metres by 2015 and to 3.2 billion cubic metres by 2020.

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

Transportation Tariffs

We incur substantial transportation costs due to the geographic spread of our operations. For the transportation services we use railway and pipeline transportation as well as trucks and port facilities. 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 18.3% and 18.8% of our total operating expenses in 2013 and 2012, respectively. Changes in transportation tariffs and prices for third-party services have a significant effect on our operating expenses.

Pipeline Transportation Tariffs

In 2012 and in preceding years, we transported our natural gas through our own gas pipelines into the Unified Gas Supply System (UGSS), which is owned and operated by Gazprom. The FTS regulates tariffs for transportation of natural gas through the UGSS for independent gas producers and reviews these tariffs on an annual basis. As of 1 January 2011, the UGSS transportation tariff was raised by 9.3%, as of 1 July 2012 it was further increased by 7.0%, and as of 1 August 2013, the FTS approved a 6.4% increase of the UGSS transportation tariff.

Starting from 1 January 2013, we changed our approach to natural gas sales and now 100% of our natural gas is sold “ex-field”, hence in 2013 we did not incur any operational expenses associated with the transportation of natural gas through the UGSS.

Railway Transportation Tariffs

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

Our rail transportation costs comprise a transportation tariff charged for access to Russia's main railway and usage of locomotives (the “Railway Tariff”), which accounts for the majority of our total rail transportation costs. The Railway Tariff is charged by Russian Railways, Russia's state-owned monopoly, and is regulated by the FTS. The Railway Tariff is specific to types of products, types of carriers and their tonnage, transportation routes and the volume of a delivery. The FTS reviews the Railway Tariff on an annual basis. The average increase in the Railway Tariff was 6.0% in 2012 and 7.0% in 2013.

Historically, we have been able to obtain discounts from the FTS on the Railway Tariff charged on export deliveries of LPG from Tobolsk GFU, which is our largest LPG production facility, on an annual basis. In 2011, the amount of the discount was 32% of the Railway Tariff, while in 2012 the FTS approved a discount in the amount of 29% of the Railway Tariff, which was effective from 1 January 2012 until 27 January 2013. By 27 January 2013, the FTS had completed a tariff unification programme, which was approved by the Russian Government, with the aim to bring tariffs for domestic and export deliveries to a single basis. This effectively resulted in an abolishment of discounts on our export deliveries of LPG from Tobolsk, which, however, was largely compensated by a decrease in the base Railway Tariff applicable to all export deliveries of LPG.

In addition, the FTS has granted Russian Railways the authority to increase or decrease the Railway Tariff applied to individual customers for deliveries of particular products from/to particular geographies based on the economic rationale for Russian Railways (within limits set by the FTS) and subject to approval by the FTS and the Russian Government.

Electricity and Heat Tariffs

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

Electricity

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

The Russian electricity market has been liberalised gradually over the past few years. However, maximum levels of electricity prices remain under the supervision of the Federal Antimonopoly Service (FAS) and regional regulatory authorities. One of the most important factors that influence electricity prices is fuel cost (primarily natural gas and coal), and increases in natural gas prices tend to result in higher electricity prices. We also own and continue to expand our own electric power generating capacity in order to reduce our exposure to higher electricity prices from third-party suppliers. In September 2012, we launched a 7.2 MW power unit at the Vyngapurovskiy GPP's site to ensure the GPP's independence from third-party suppliers. In 2013, SIBUR has started construction of an 18 MW power plant at the Perm production site. The plant is scheduled for launch in 2014 and is expected to meet approximately 40% of the site's electric power needs. At the Group's level, internal electric power generation accounts for an insignificant share in total electricity consumption.

Heat Energy

We source heat energy in the form of steam and hot water from regional suppliers at regulated prices. Heat energy prices are also largely dependent on prices for natural gas. In order to minimise dependence on third-party providers, we generate a substantial portion of heat energy (approximately 50% of the total heat consumed in 2013) at our own production sites.

The following table presents volumes purchased and effective average prices for electricity and heat tariffs for the years ended 31 December 2013 and 2012:

	Year ended 31 December				Change %	
	2013		2012			
	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff
Electricity (millions of kw/hour or RR per kw/hour)	6,470	2.18	10,021	1.91	*(35.4%)*	*14.1%*
Heat (thousands of gigacalories or RR per gigacalorie)	9,072	749	9,856	689	*(8.0%)*	*8.7%*

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

DESCRIPTION OF SELECTED OPERATIONAL AND FINANCIAL ITEMS

Operating and Reportable Segments

Our business comprises two segments: feedstock & energy and petrochemicals.

Feedstock & energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that we purchase from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that we produce internally or purchase from major Russian oil and gas companies, and (iii) production, marketing and sales of energy products, such as natural gas, liquefied petroleum gases (LPG), naphtha, raw NGL, methyl tertiary butyl ether (MTBE) and other fuels and fuel additives. We sell these energy products on the Russian and international markets and use some of them as feedstock for our petrochemicals segment.

Petrochemicals segment comprises production and sale of a wide range of petrochemical products, including basic polymers, synthetic rubbers, plastics & organic synthesis products as well as intermediates & other chemicals.

We define our operating and reportable segments on the basis of the principal production facilities operated by each of the segments and key customers that each segment supplies to. These operating and reportable segments vary significantly in their end-customer markets, supply and demand trends, value drivers and consequently current and long-term profitability. SIBUR management measures the performance of the operating and reportable segments based on the EBITDA contribution of each segment. The revenue and expenses of some of our subsidiaries, which provide primarily energy supply, transportation, processing, managerial and other services to SIBUR, are not allocated to operating and reportable segments and are reported as unallocated.

Key Product Groups and Products

In addition to our operating and reportable segments, we monitor our operational performance on the basis of our product groups or products, which we organise into two categories: energy products and petrochemical products. Energy products include LPG, naphtha, natural gas, raw NGL, MTBE, other fuels and fuel additives. Petrochemical products include such product groups as basic polymers, synthetic rubbers, plastics & organic synthesis products, and intermediates & other chemicals. The deviations between revenue split by product group and by segment are explained primarily by the following:

- most of our production facilities in both the feedstock & energy segment and in the petrochemicals segment provide a range of services to third parties. Such services primarily represent processing of feedstock and intermediates, rental services, energy supply, repairs and maintenance. Revenue from these services is not included in any product group revenue and is reported separately as sales of processing services and other sales; and
- our petrochemicals segment sells certain volumes of energy products, such as LPG and naphtha, to its established clients, which prefer “single window” service.

For a detailed discussion on revenue dynamics by product group see “Operational Review”. For segment analysis see “Segment Information”.

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). We also purchase other feedstock and materials. Other feedstock includes methanol, which is used in the production of MTBE, polypropylene, which is used in the production of BOPP-films, 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 supplementary raw materials, spare parts, materials for auxiliary workshops and other operating supplies.

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 and marine vessels, 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 ZAO Sibur-Trans (the Group's subsidiary) activities and maintenance of our own gas and product pipelines.

Energy and utilities. Energy and utilities costs primarily comprise expenses associated with purchases of electric power, heat and fuel from third-party suppliers.

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

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. 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.

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

Rent expenses. Rent expenses primarily represent rental of rolling stock for transportation of raw NGL and LPG, as we rent specialised rail cars and tank wagons, as well as general purpose rail cars. Rent expenses also include lease payments for land plots on which our facilities are located.

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.

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.

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

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 Tomsk and the Nizhny Novgorod regions, St. Petersburg 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, and St.Petersburg, 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.

Equity-settled share-based payment plans represent respective grants to certain current and former directors and members of the key management of the Group. In accordance with IFRS 2 “Share-based Payment”, the Group has to recognise current and past service costs associated with the plans as operating expenses in the statement of profit or loss, and also record the corresponding amounts as an increase in equity in the statement of changes in equity and the statement of financial position.

Net operating expenses represent total operating expenses less operating expenses related to equity-settled share-based payment plans.

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.

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.

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.

OPERATIONAL REVIEW

Energy Products

In 2013, our revenue from sales of energy products increased by 11.8% year-on-year to RR 144,716 million from RR 129,409 million in 2012, which was primarily attributable to higher sales volumes of the vast majority of products. Additionally, we benefited from the Russian rouble depreciation relative to the US dollar, which partially compensated the decline in global oil and oil derivative prices in US dollar terms. In 2013, 48.6% of our revenue from energy product sales was derived from the domestic market, while export sales accounted for 51.4%.

The following table presents a breakdown of our revenue from energy product sales for the years ended 31 December 2013 and 2012:

	Year ended 31 December				Change
RR millions, except as stated	**2013**	*% of revenue[1]*	**2012**	*% of revenue[1]*	*%*
LPG	60,823	*22.5%*	54,760	*20.2%*	*11.1%*
Domestic	*12,394*	*20.4%*	*11,931*	*21.8%*	*3.9%*
Export	*48,429*	*79.6%*	*42,829*	*78.2%*	*13.1%*
Natural gas, domestic sales	*26,673*	*9.9%*	*24,938*	*9.2%*	*7.0%*
Naphtha	26,256	*9.7%*	25,727	*9.5%*	*2.1%*
Domestic	*5,829*	*22.2%*	*3,264*	*12.7%*	*78.6%*
Export	*20,427*	*77.8%*	*22,463*	*87.3%*	*(9.1%)*
MTBE	18,596	*6.9%*	16,731	*6.2%*	*11.1%*
Domestic	*17,127*	*92.1%*	*12,419*	*74.2%*	*37.9%*
Export	*1,469*	*7.9%*	*4,312*	*25.8%*	*(65.9%)*
Raw NGL	9,405	*3.5%*	3,911	*1.4%*	*140.5%*
Domestic	*5,710*	*60.7%*	*946*	*24.2%*	*503.5%*
Export	*3,695*	*39.3%*	*2,965*	*75.8%*	*24.6%*
Other fuels and fuel additives	2,963	*1.1%*	3,342	*1.2%*	*(11.3%)*
Domestic	*2,637*	*89.0%*	*3,341*	*100.0%*	*(21.1%)*
Export	*326*	*11.0%*	*1*	*0.0%*	*n/m*
Energy products, total	**144,716**	***53.6%***	**129,409**	***47.7%***	***11.8%***
Domestic	***70,370***	***48.6%***	***56,839***	***43.9%***	***23.8%***
Export	***74,346***	***51.4%***	***72,570***	***56.1%***	***2.4%***

Liquefied Petroleum Gases (LPG)

In 2013, revenue from LPG sales increased by 11.1% to RR 60,823 million from RR 54,760 million in 2012 on higher sales volumes and a largely flat effective average selling price.

Our LPG sales volumes increased by 10.5%, which was attributable to a 6.2% production growth as a result of higher fractionation volumes due to (i) shorter maintenance shutdowns at our GFUs in 2013 compared to 2012, and (ii) higher capacity utilisation at Uralorgsintez, which had been constrained in the first quarter of 2012 by certain logistical problems. Additionally, as we are increasing supplies of raw NGL feedstock from gas fields, content of light fractions in our feedstock has increased, which results in higher LPG output within the same raw NGL volumes fractionated. The growth in sales volumes was also attributable to lower internal use, as well as lower intercompany sales to the petrochemical business due to the partial replacement of LPG by raw NGL as cracking feedstock. This was partially offset by substantial inventory accumulation to match higher seaborne sales related to the launch of Ust-Luga transshipment terminal in the end of 2013 as opposed to marginal increase in inventories in 2012.

Our effective average selling price remained largely flat in Russian rouble terms, while in US dollar terms it decreased by 1.9%. This reflected the negative dynamics of international market prices, which was mitigated by lower export duties and the Russian rouble depreciation.

[1] Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

In 2013, domestic sales accounted for 20.4% of total LPG revenue, while 79.6% was attributable to export sales.

The following table presents data on our LPG production, purchases and sales volumes for the years ended 31 December 2013 and 2012:

	Year ended 31 December		Change
Tonnes, except as stated	**2013**	**2012**	***%***
LPG			
Production	4,007,997	3,774,028	*6.2%*
Purchases from third parties, including	164,909	151,890	*8.6%*
Purchases for resale	*55,456*	*59,569*	*(6.9%)*
Total production and purchases	**4,172,906**	**3,925,918**	***6.3%***
(Internal use)[1]	(476,581)	(502,192)	*(5.1%)*
(Increase)/decrease in stock	(51,501)	1,288	*n/m*
Gross sales, including	3,644,824	3,425,014	*6.4%*
Intercompany sales to petrochemical business	659,047	723,548	*(8.9%)*
External sales	**2,985,777**	**2,701,466**	***10.5%***
Domestic	***852,512***	***858,052***	***(0.6%)***
Export	***2,133,265***	***1,843,414***	***15.7%***

Natural Gas

In 2013, revenue from natural gas sales increased by 7.0% to RR 26,673 million from RR 24,938 million in 2012 on higher sales volumes despite a lower effective average selling price.

Our natural gas sales volumes increased by 12.0% year-on-year on a 5.0% growth in production volumes, material change in inventories and higher third-party purchases. Growth in natural gas production was attributable to higher volumes of APG processing. The inventories substantially decreased as we sold out the volumes of natural gas accumulated in the UGSS in the first quarter of 2013. Since the second quarter of 2013, we did not report any movements in inventory balances following the change of delivery basis to “ex-field” starting from 1 January 2013 (see “Pipeline Transportation Tariffs” in the “Certain Factors Affecting Our Results of Operations” section above for further details). The increase in third-party purchases was largely attributable to higher supplies of natural gas from NOVATEK for internal use at our production sites, which resulted in a greater portion of internally produced volumes available for sale.

Our effective average selling price decreased by 4.5% year-on-year as a result of the change in delivery basis to “ex-field”, while in 2012 the cost of delivery via the UGSS was included in the selling price. If adjusted for the transportation cost, the effective average selling price increased by 13.3% in 2013 compared to 2012 largely in line with year-on-year growth in the domestic regulated natural gas prices (see “Natural Gas Prices” in the “Certain Factors Affecting Our Results of Operations” section above for further details).

We sell 100% of our natural gas in Russia.

[1] Including internal use at the segment’s production facilities and immaterial natural losses.

The following table presents data on our natural gas production, purchases and sales volumes for the years ended 31 December 2013 and 2012:

Thousands of cubic metres, except as stated	**Year ended 31 December**		***Change***
	2013	**2012**	***%***
Natural gas			
Production[1]	16,966,143	16,371,383	*3.6%*
Production, SIBUR's share[2]	**11,548,022**	**10,993,627**	***5.0%***
Purchases from third parties	845,337	698,472	*21.0%*
Total production and purchases	**12,393,359**	**11,692,099**	***6.0%***
(Internal use)[3]	(1,350,916)	(1,315,750)	*2.7%*
(Increase)/decrease in stock	799,344	195,935	*308.0%*
External sales	**11,841,787**	**10,572,284**	***12.0%***
Domestic	***11,841,787***	***10,572,284***	***12.0%***
Export	***-***	***-***	***n/m***

Naphtha

In 2013, revenue from naphtha sales increased by 2.1% year-on-year to RR 26,256 million from RR 25,727 million in 2012 on marginally higher sales volumes and the effective average selling price.

Our external naphtha sales volumes increased by 1.7% on largely flat production. The increase was primarily attributable to lower intercompany sales to petrochemical business in connection with lower naphtha purchases as feedstock, as we tend to substitute it with raw NGL as cracking feedstock. This was largely offset by substantial inventory accumulation on higher third-party purchases for resale, as we accumulated high-tonnage shipments for our developing northern seaborne sales pending the launch of our Ust-Luga transshipment terminal at the end of 2013.

Our effective average selling price overall increased by 0.4% in Russian rouble terms and in US dollar terms it decreased by 2.1%, while we observed mixed dynamics on export and domestic markets. Our export selling price increased by 4.6% despite lower international market prices, which was related to (i) higher share of separate fractions that are not subject to export duties in our exports, and (ii) increased seaborne sales and the respective growth in transportation components in the selling price. Our domestic selling price decreased by 14.1%, following international market prices, and was also affected by a new arrangement from September 2012 to optimise logistics at the price that is not linked to international benchmarks.

In 2013, domestic sales accounted for 22.2% of total naphtha revenue, while 77.8% was attributable to export sales.

(1) Including RN Holding’s (former TNK-BP) share in production volumes of OOO Yugragazpererabotka (see “Feedstock Sourcing and Mix” in the “Certain Factors Affecting Our Results of Operations” section for further details).

(2) Excluding RN Holding’s (former TNK-BP) share in production volumes of OOO Yugragazpererabotka (see “Feedstock Sourcing and Mix” in the “Certain Factors Affecting Our Results of Operations” section for further details).

(3) Including internal use at the segment’s production facilities and immaterial natural losses.

The following table presents data on our naphtha production, purchases and sales volumes for the years ended 31 December 2013 and 2012:

Tonnes, except as stated	Year ended 31 December 2013	2012	Change %
Naphtha			
Production	1,362,014	1,362,711	*(0.1%)*
Purchases from third parties, including	490,663	469,941	*4.4%*
Purchases for resale	*63,985*	*50*	*n/m*
Total production and purchases	**1,852,677**	**1,832,652**	*1.1%*
(Internal use)[1]	(5,430)	(5,230)	*3.8%*
(Increase)/decrease in stock	(75,341)	(1,577)	*n/m*
Gross sales, including	1,771,906	1,825,844	*(3.0%)*
Intercompany sales to petrochemical business	644,709	717,445	*(10.1%)*
External sales	**1,127,197**	**1,108,399**	*1.7%*
Domestic	***281,017***	***135,094***	*108.0%*
Export	***846,180***	***973,305***	*(13.1%)*

Methyl Tertiary Butyl Ether (MTBE)

In 2013, our revenue from MTBE sales increased by 11.1% year-on-year to RR 18,596 million from RR 16,731 million in 2012 as a result of higher sales volumes despite a lower effective average selling price.

The growth in our MTBE sales volumes by 18.4% year-on-year was attributable to a 12.4% increase in production as a result of capacity expansion at Uralorgsintez completed at the end of 2012, and shorter shutdowns in line with the biennial maintenance cycle, as well as higher inventory sales primarily in the first quarter of 2013, when we completed a large export delivery accumulated at the end of 2012.

The effective average selling price decreased by 6.1% largely driven by lower international market prices.

In 2013, our share of domestic sales increased to 92.1% of total MTBE revenue from 74.2% in 2012, while 7.9% and 25.8% was attributable to export sales in 2013 and 2012, respectively, as we increased our exposure to the domestic market selling most of our MTBE volumes locally.

The following table presents data on our MTBE production, purchases and sales volumes for the years ended 31 December 2013 and 2012:

Tonnes, except as stated	Year ended 31 December 2013	2012	Change %
MTBE			
Production	447,178	397,868	*12.4%*
Purchases from third parties	10,275	21,078	*(51.3%)*
Total production and purchases	**457,453**	**418,946**	***9.2%***
(Internal use)[1]	(424)	(309)	*37.6%*
(Increase)/decrease in stock	20,742	(15,045)	*n/m*
External sales	**477,771**	**403,592**	***18.4%***
Domestic	***438,540***	***292,700***	***49.8%***
Export	***39,231***	***110,892***	***(64.6%)***

Raw NGL

In 2013, our revenue from raw NGL sales increased by 140.5% year-on-year to RR 9,405 million from RR 3,911 million in 2012 on higher sales volumes despite a lower effective average selling price.

Our external sales volumes of raw NGL increased by 174.5% year-on-year on a 20.1% production growth and higher third-party purchases. The growth in production was attributable to the achievement of higher liquids recovery ratios at the Vyngapurovskiy and Yuzhno-Balykskiy GPPs as a result of the completion of the respective investment projects in 2012, as well as higher volumes of APG processing. Third-party purchases surged on growing deliveries of raw NGL from our existing supplier on increasing wet gas

[1] Including internal use at the segment's production facilities and immaterial natural losses.

extraction from one of their gas fields. These factors were only partially offset by higher volumes of raw NGL fractionation as well as higher intercompany sales to the petrochemicals business due to partial replacement of LPG and naphtha by raw NGL. Additional volumes of raw NGL were primarily sold in Russia. Overall, growth in total raw NGL volumes available for sale or fractionation is attributable to rising supplies of raw NGL in Western Siberia. To capitalise on this, SIBUR is expanding its gas fractionation capacity in Tobolsk through the construction of a second fractionation unit, bringing the total fractionation capacity of the Tobolsk production site to 6.6 million tonnes per annum already in 2014, up from the current 3.8 million tonnes per annum.

The effective average selling price decreased by 12.4%, which was attributable to (i) a higher share of volumes sold domestically, which implied a lower transportation component in the selling price, and (ii) weak market price dynamics for LPG and naphtha.

In 2013, the share of domestic sales increased to 60.7% of the total external sales as opposed to 24.2% in 2012, while 39.3% and 75.8% was attributable to export sales in 2013 and 2012, respectively.

The following table presents data on our raw NGL production, purchases and sales volumes for the years ended 31 December 2013 and 2012:

	Year ended 31 December		***Change***
Tonnes, except as stated	**2013**	**2012**	***%***
Raw NGL			
Production[1]	5,294,895	4,662,593	*13.6%*
Production, SIBUR's share[2]	3,759,589	3,116,230	*20.6%*
Purchases from third parties, including	3,087,956	2,843,668	*8.6%*
Purchases for resale	-	-	*n/m*
Total production and purchases	**6,847,545**	**5,959,899**	***14.9%***
(Fractionation)	(5,483,554)	(5,174,952)	*6.0%*
(Increase)/decrease in stock	(4,758)	1,261	*n/m*
Gross sales, including	1,359,233	786,208	*72.9%*
Intercompany sales to petrochemical business	670,134	535,177	*25.2%*
External sales	**689,099**	**251,031**	***174.5%***
Domestic	***433,960***	***60,556***	***616.6%***
Export	***255,139***	***190,475***	***33.9%***

Other Fuels and Fuel Additives

In 2013, our revenue from other fuels and fuel additives sales decreased by 11.3% year-on-year to RR 2,963 million from RR 3,342 million in 2012 on both lower effective average selling price and sales volumes.

The effective average selling price decreased by 6.8% year-on-year due to a weak market environment. The decrease in sales volumes by 4.8% year-on-year was attributable to lower production partially compensated for by lower internal use and lower inventory accumulation as opposed to 2012.

(1) Including RN Holding's (former TNK-BP)'s share in production volumes of OOO Yugragazpererabotka (see "Feedstock Sourcing and Mix" in the "Certain Factors Affecting Our Results of Operations" section for further details).

(2) Excluding RN Holding's (former TNK-BP) share in production volumes of OOO Yugragazpererabotka (see "Feedstock Sourcing and Mix" in the "Certain Factors Affecting Our Results of Operations" section for further details).

The following table sets data on our production, purchases and sales volumes of other fuels and fuel additives for the years ended 31 December 2013 and 2012:

Tonnes, except as stated	**Year ended 31 December** **2013**	**2012**	***Change*** ***%***
Other fuels and fuel additives			
Production	**280,031**	**293,148**	*(4.5%)*
Purchases from third parties	537	3,178	*(83.1%)*
Total production and purchases	**280,568**	**296,326**	***(5.3%)***
(Internal use)[1]	(126,616)	(130,869)	*(3.2%)*
(Increase)/decrease in stock	(756)	(4,483)	*(83.1%)*
External sales	**153,196**	**160,974**	***(4.8%)***
Domestic	***136,544***	***160,860***	***(15.1%)***
Export	***16,652***	***114***	***14,507.0%***

Petrochemicals

In 2013, revenue from sales of petrochemical products decreased by 8.2% to RR 116,018 million from RR 126,439 million in 2012. The decline was primarily attributable to the weak performance of the synthetic rubber product group, as our synthetic rubber business continued to be under significant pressure in a persistently negative market environment. We also reported a decline in intermediates & other chemicals revenue due to the decommissioning of Caprolactam. This was partially mitigated by healthy performance of plastics & organic synthesis products in a resilient pricing environment for certain products combined with a change in scope due to the organic capacity expansion and acquisition of the BIAXPLEN group of companies. Higher production and sales volumes in basic polymers group on extended trading and the launch of Tobolsk-Polymer additionally supported our revenue in 2013. Our revenue from petrochemicals sales was also positively affected by the Russian rouble's depreciation.

Basic Polymers

In 2013, revenue from sales of basic polymers increased by 2.9% year-on-year to RR 22,818 million from RR 22,179 million in 2012, which was primarily attributable to expanded PP trading activities as well as higher PP production following the launch of Tobolsk-Polymer plant in October 2013. This was partially offset by lower LDPE sales due to a higher base in 2012, marked with massive inventory sales. In 2013, domestic sales accounted for 65.6% of the total basic polymers revenue, while 34.4% was attributable to export sales.

The following table presents data on our revenue from basic polymer sales for the years ended 31 December 2013 and 2012:

	Year ended 31 December				
RR millions, except as stated	**2013**	***% of revenue***[2]	**2012**	***% of revenue***[2]	***Change %***
PE (LDPE)	12,009	*4.5%*	12,314	*4.5%*	*(2.5%)*
Domestic	*6,912*	*57.6%*	*7,086*	*57.5%*	*(2.5%)*
Export	*5,097*	*42.4%*	*5,228*	*42.5%*	*(2.5%)*
PP	10,809	*4.0%*	9,865	*3.6%*	*9.6%*
Domestic	*8,061*	*74.6%*	*8,607*	*87.2%*	*(6.3%)*
Export	*2,748*	*25.4%*	*1,258*	*12.8%*	*118.3%*
Basic polymers, total	**22,818**	***8.5%***	**22,179**	***8.2%***	***2.9%***
Domestic	***14,973***	***65.6%***	***15,693***	***70.8%***	***(4.6%)***
Export	***7,845***	***34.4%***	***6,486***	***29.2%***	***20.9%***

Low density polyethylene (LDPE)

In 2013, our revenue from LDPE sales decreased by 2.5% year-on-year to RR 12,009 million from RR 12,314 million in 2012 on lower sales volumes despite higher effective average selling price.

(1) Including internal use at the segment's production facilities and immaterial natural losses.
(2) Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

Our LDPE sales volumes decreased by 4.6%, while production remained largely flat. Longer maintenance shutdown at our Tomsk production site in line with our biennial cycle resulted in lower production volumes, which was partially mitigated by an increase in production in the fourth quarter of 2013, as a result of certain upgrades during the maintenance works. Lower sales volumes were attributable to (i) substantial inventory sales in 2012 on the back of a temporary shortage on the supply side, while in 2013 we recorded a marginal decrease in stock; (ii) lower third-party purchases due to the termination of a temporary trading arrangement.

Our effective average selling price increased by 2.2% year-on-year, reflecting positive price dynamics on international markets, which was largely offset by lower selling prices on the domestic market due to the continued price correction from the high base of 2012, which was marked by a temporary LDPE shortage on the supply side.

In 2013, domestic sales accounted for 57.6% of total LDPE revenue, while 42.4% was attributable to export sales.

Polypropylene (PP)

In 2013, our revenue from PP sales increased by 9.6% year-on-year to RR 10,809 million from RR 9,865 million in 2012 on higher sales volumes despite a decrease in the effective average selling price.

The growth in PP sales volumes by 14.9% was primarily attributable to (i) a 12.6% increase in production following the launch of Tobolsk-Polymer plant (annual nameplate capacity of 500,000 tonnes) in the second half of 2013, which was partially offset by a longer maintenance shutdown at our Tomsk production site in line with the biennial maintenance cycle, and (ii) higher third-party purchases as a result of expanded PP trading activities to reinforce our market position. This was largely offset by (i) higher internal use due to the reclassification of a large portion of our PP volumes from external sales to intercompany following the consolidation of the BIAXPLEN group of companies starting from the second quarter of 2012, and (ii) substantial inventory accumulation compared to inventory sales in 2012 as a result of higher goods-in-transit balances on higher exports.

Our effective average selling price decreased by 4.7% despite higher international market prices due to (i) increased PP supply in Russia following the launch of a new PP plant by OOO Poliom in the first half of 2013, a member of the Titan group, as well as the Tobolsk-Polymer plant launch in the second half of 2013, which substantially increased supply and imposed pressure on PP prices in 2013, (ii) an increase in export sales with a higher share of exports to China, where prices are generally lower than in the CIS, and (iii) PP price correction on the domestic market from the high base of 2012, when domestic prices rose substantially as a result of temporary PP shortages caused by an unscheduled shutdown of a local third-party production facility.

In 2013, our share of export sales increased to 25.4% of the total PP revenue from 12.8% in 2012, while domestic sales decreased to 74.6% from 87.2% in 2012. With the growth in PP supply in Russia in 2013 we increased our export sales.

The following table presents data on our basic polymer production, purchases and sales volumes for the years ended 31 December 2013 and 2012:

Tonnes, except as stated	Year ended 31 December 2013	2012	*Change %*
Production	403,251	385,794	*4.5%*
PE (LDPE)	250,892	250,456	*0.2%*
PP	152,359	135,338	*12.6%*
Purchases from third parties	180,693	109,452	*65.1%*
Total production and purchases	**583,944**	**495,246**	***17.9%***
(Internal use)[1]	(115,643)	(74,081)	*56.1%*
(Increase)/decrease in stock	(12,993)	18,384	*n/m*
External sales			
PE (LDPE)	244,221	255,894	*(4.6%)*
Domestic	*139,626*	*135,470*	*3.1%*
Export	*104,595*	*120,424*	*(13.1%)*
PP	211,087	183,655	*14.9%*
Domestic	*154,790*	*159,292*	*(2.8%)*
Export	*56,297*	*24,363*	*131.1%*
External sales	**455,308**	**439,549**	***3.6%***
Domestic	***294,416***	***294,762***	***(0.1%)***
Export	***160,892***	***144,787***	***11.1%***

Synthetic Rubbers

In 2013, revenue from synthetic rubber sales decreased by 21.2% year-on-year to RR 32,432 million from RR 41,134 million in 2012 due to weak market performance throughout 2013. The decline in revenue for the period was reported across all our synthetic rubber product groups, with commodity rubbers being affected the most. In 2013, domestic sales accounted for 40.8% of total synthetic rubber revenue, while 59.2% was attributable to export sales.

The following table presents a breakdown of revenue from our synthetic rubber sales for the years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December 2013	*% of revenue[2]*	2012	*% of revenue[2]*	*Change %*
Commodity rubbers	21,676	*8.0%*	29,473	*10.9%*	*(26.5%)*
Domestic	*9,644*	*44.5%*	*12,874*	*43.7%*	*(25.1%)*
Export	*12,032*	*55.5%*	*16,599*	*56.3%*	*(27.5%)*
Specialty rubbers	7,912	*2.9%*	8,677	*3.2%*	*(8.8%)*
Domestic	*1,272*	*16.1%*	*1,534*	*17.7%*	*(17.1%)*
Export	*6,640*	*83.9%*	*7,143*	*82.3%*	*(7.0%)*
Thermoplastic elastomers	2,844	*1.1%*	2,983	*1.1%*	*(4.7%)*
Domestic	*2,308*	*81.2%*	*2,468*	*82.7%*	*(6.5%)*
Export	*536*	*18.8%*	*516*	*17.3%*	*4.0%*
Synthetic rubbers, total	**32,432**	***12.0%***	**41,134**	***15.2%***	***(21.2%)***
Domestic	***13,224***	***40.8%***	***16,876***	***41.0%***	***(21.6%)***
Export	***19,208***	***59.2%***	***24,258***	***59.0%***	***(20.8%)***

Commodity rubbers

In 2013, revenue from sales of commodity rubbers decreased by 26.5% to RR 21,676 million from RR 29,473 million in 2012 on a material decrease in the effective average selling price and lower sales volumes.

Our effective average selling price for commodity rubbers declined by 23.3% year-on-year, following the negative dynamics in market prices for butadiene and natural rubber, which was partially compensated for

[1] Including internal use at the segment's production facilities and immaterial natural losses.
[2] Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

by positive year-on-year dynamics in market prices for styrene. European prices for butadiene, the key raw material and price driver for butadiene-based synthetic rubbers, were down more than 37% year-on-year. Asian prices for natural rubber, the price benchmark for polyisoprene rubber (IR), as they are largely substitute products, decreased by more than 19% in 2013. The decrease was only partially mitigated by a 6% growth in European prices for styrene.

Our commodity rubber sales volumes decreased by 4.2% year-on-year on a 5.8% decrease in production as well as substantially lower third-party purchases for resale, which were partially mitigated by focused destocking. In 2013, we decreased production volumes of commodity rubbers on the back of an unfavorable market environment. The decline was attributable to butadiene-based commodity rubbers, while polyisoprene rubber (IR) production volumes increased due to the lower base of 2012, marked by an unscheduled shutdown at our Togliatti production site in the second quarter. We also reduced product purchases under arrangements, where we use third-party capacity to produce rubbers from our own feedstock, as tighter spreads between feedstock and end-product prices, combined with weak demand, virtually eliminated the economic rationale of such arrangements. By the end of 2013, we ceased operations under these arrangements. This was partially compensated for by focused destocking that began in the second quarter of 2013 and continued through the end of 2013 in the persistently negative market environment, while in 2012 we accumulated substantial inventories.

In 2013, domestic sales accounted for 44.5% of total commodity rubber revenue, while 55.5% was attributable to export sales.

Specialty rubbers

In 2013, revenue from sales of specialty rubbers decreased by 8.8% year-on-year to RR 7,912 million from RR 8,677 million in 2012 on a lower effective average selling price and largely flat sales volumes.

Our effective average selling price for specialty rubbers decreased by 8.4% year-on-year, following the decline in Asian market prices for nitrile-butadiene rubber (NBR), which was down almost 25% year-on-year. This was partially compensated for by stronger prices for butyl rubber (IIR) that were up by 4%.

Our specialty rubber sales volumes marginally decreased by 0.4% year-on-year on relatively flat production, substantial decrease in third-party purchases, which was largely compensated by lower inventory accumulation. The decrease in third-party purchases was attributable to the termination of a temporary trading arrangement.

In 2013, we observed mixed dynamics across specialty rubber grades. Our NBR production volumes decreased year-on-year due to a prolonged maintenance shutdown at our Krasnoyarsk production site in the second half of 2013, which was partially compensated by inventory sales, while a year ago we accumulated stock. At the same time our IIR production increased following the completion of the IIR capacity expansion project at our Togliatti production site in the fourth quarter of 2013 (annual nameplate IIR production capacity increase from 48,000 tonnes to 53,000 tonnes). The increase was also attributable to the lower base of 2012, marked by an unscheduled shutdown at the same production site in the second quarter.

In 2013, domestic sales accounted for 16.1% of total specialty rubber revenue, while 83.9% was attributable to export sales.

Thermoplastic elastomers

In 2013, revenue from sales of thermoplastic elastomers (SBS) decreased by 4.7% to RR 2,844 million from RR 2,983 million in 2012 on lower effective average selling price despite higher sales volumes.

Our effective average selling price for thermoplastic elastomers decreased by 19.7% year-on-year following the negative market price dynamics for butadiene on the global markets, which was partially compensated for by stronger styrene prices (butadiene and styrene are key feedstock for SBS).

Our sales volumes of thermoplastic elastomers increased by 18.8% year-on-year on a 40.3% increase in production following the commercial launch of the new thermoplastic elastomers production facility with an annual nameplate production capacity of 50,000 tonnes in Voronezh in August 2013. The growth in production was largely offset by higher inventory accumulation as a result of ongoing product homologation by end-customers, as well as the termination of third-party purchases used under a pre-marketing programme in the first half of 2012 in anticipation of our new production launch.

In 2013, domestic sales accounted for 81.2% of total thermoplastic elastomers revenue, while 18.8% was attributable to export sales.

The following table presents data on our synthetic rubber production, purchases and sales volumes for the three months and years ended 31 December 2013 and 2012:

Tonnes, except as stated	**Year ended 31 December 2013**	**2012**	***Change %***
Production	418,146	423,348	*(1.2%)*
Commodity rubbers	286,913	304,620	*(5.8%)*
Specialty rubbers	89,313	88,859	*0.5%*
Thermoplastic elastomers	41,920	29,869	*40.3%*
Purchases from third parties	7,394	32,287	*(77.1%)*
Total production and purchases	**425,540**	**455,635**	***(6.6%)***
(Internal use)[1]	(1,533)	(650)	*135.8%*
(Increase)/decrease in stock	6,121	(16,398)	*n/m*
External sales			
Commodity rubbers	308,007	321,422	*(4.2%)*
Domestic	*130,003*	*140,217*	*(7.3%)*
Export	*178,004*	*181,205*	*(1.8%)*
Specialty rubbers	88,256	88,647	*(0.4%)*
Domestic	*13,277*	*14,342*	*(7.4%)*
Export	*74,979*	*74,305*	*0.9%*
Thermoplastic elastomers	33,865	28,518	*18.8%*
Domestic	*27,234*	*23,083*	*18.0%*
Export	*6,631*	*5,435*	*22.0%*
External sales	**430,128**	**438,587**	***(1.9%)***
Domestic	***170,514***	***177,642***	***(4.0%)***
Export	***259,614***	***260,945***	***(0.5%)***

Plastics & Organic Synthesis Products

In 2013, revenue from sales of plastics & organic synthesis products increased by 4.9% to RR 41,583 million from RR 39,633 million in 2012. The increase was primarily attributable to (i) the commercial launch of the second production line of expandable polystyrene in Perm in July 2012, which resulted in a year-on-year revenue growth in the first half of 2013, (ii) the consolidation of the results of the BIAXPLEN group of companies from the second quarter of 2012, which positively affected our revenue for the first quarter of 2013 as well as the launch of the new BOPP-film production in Tomsk in November 2013, and (iii) higher glycols sales. These factors were partially offset by lower revenue from sales of PET, plastic compounds, acrylates, and alcohols primarily due to longer maintenance shutdowns as compared to 2012.

[1] Including internal use at the segment's production facilities and immaterial natural losses.

The following table presents a breakdown of revenue from sales of our plastics & organic synthesis products for the years ended 31 December 2013 and 2012:

	Year ended 31 December				
RR millions, except as stated	**2013**	***% of revenue***[(1)]	**2012**	***% of revenue***[(1)]	***Change %***
PET	9,734	*3.6%*	11,488	*4.2%*	*(15.3%)*
Domestic	*9,703*	*99.7%*	*11,427*	*99.5%*	*(15.1%)*
Export	*31*	*0.3%*	*61*	*0.5%*	*(49.3%)*
BOPP-films	8,100	*3.0%*	6,091	*2.2%*	*33.0%*
Domestic	*6,512*	*80.4%*	*5,255*	*86.3%*	*23.9%*
Export	*1,588*	*19.6%*	*836*	*13.7%*	*90.1%*
Glycols	6,893	*2.6%*	6,587	*2.4%*	*4.6%*
Domestic	*4,824*	*70.0%*	*4,785*	*72.6%*	*0.8%*
Export	*2,069*	*30.0%*	*1,802*	*27.4%*	*14.8%*
Expandable polystyrene	6,577	*2.4%*	4,153	*1.5%*	*58.4%*
Domestic	*4,336*	*65.9%*	*2,821*	*67.9%*	*53.7%*
Export	*2,241*	*34.1%*	*1,332*	*32.1%*	*68.3%*
Alcohols (including 2-ethylhexanol)	5,583	*2.1%*	5,815	*2.1%*	*(4.0%)*
Domestic	*2,675*	*47.9%*	*2,175*	*37.4%*	*23.0%*
Export	*2,908*	*52.1%*	*3,640*	*62.6%*	*(20.1%)*
Acrylates	2,800	*1.0%*	3,039	*1.1%*	*(7.9%)*
Domestic	*1,169*	*41.7%*	*782*	*25.7%*	*49.3%*
Export	*1,631*	*58.3%*	*2,257*	*74.3%*	*(27.7%)*
Plastic compounds[(2)]	1,896	*0.7%*	2,460	*0.9%*	*(22.9%)*
Domestic	*1,727*	*91.1%*	*2,296*	*93.3%*	*(24.8%)*
Export	*169*	*8.9%*	*164*	*6.7%*	*2.8%*
Plastics & organic synthesis products, total	**41,583**	***15.4%***	**39,633**	***14.6%***	***4.9%***
Domestic	***30,946***	***74.4%***	***29,542***	***74.5%***	***4.8%***
Export	***10,637***	***25.6%***	***10,091***	***25.5%***	***5.4%***

Polyethylene terephthalate (PET)

In 2013, revenue from PET sales decreased by 15.3% to RR 9,734 million from RR 11,488 million in 2012 on a 16.7% decrease in sales volumes despite a 1.7% increase in the effective average selling price. Our PET sales volumes decreased primarily on lower production, which was attributable to a lengthy scheduled shutdown at Polief as part of the PET capacity expansion investment project, while in 2012 maintenance shutdown was substantially shorter. In 2013, we marginally increased stock compared to the material inventory sales, primarily in the first half of 2012. The effective average selling price was largely in line with price dynamics on Asian markets. In 2013, domestic sales accounted for 99.7% of total PET revenue.

BOPP-films

In 2013, revenue from BOPP-film sales increased by 33.0% year-on-year to RR 8,100 million from RR 6,091 million in 2012 on a 36.9% increase in sales volumes, despite a 2.9% decrease in the effective average selling price. The increase in sales volumes was primarily attributable to the change in scope due to the acquisition of control of the BIAXPLEN group of companies and consolidation of its results from the second quarter of 2012, lengthy unscheduled shutdowns in 2012 and the launch of a new BOPP-film production in Tomsk in November 2013 (annual nameplate capacity of 38,000 tonnes). The decline in the effective average selling price was attributable to (i) a lower share of certain high-priced grades in our sales structure and (ii) the implementation of an import-substitution marketing strategy to strengthen our positions on the domestic market. In 2013, share of domestic sales decreased to 80.4% of total BOPP-films revenue from 86.3% in 2012, while 19.6% and 13.7% was attributable to export sales in 2013 and 2012, respectively.

(1) Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.
(2) Including ABS plastics and PVC cable compounds.

Glycols

In 2013, revenue from glycols sales increased by 4.6% year-on-year to RR 6,893 million from RR 6,587 million in 2012 on a 3.0% increase in the effective average selling price and a 1.6% increase in sales volumes. The increase in the effective average selling price was largely in line with international market prices. The increase in our sales volumes was attributable to (i) higher production due to the maintenance shutdown at our Nizhniy Novgorod production site in 2012 and a higher utilisation rate in ethylene oxide (feedstock for glycols) production capacity, which was reached following a catalyst replacement during the shutdown, and (ii) lower volumes used internally, due to a decrease in PET production at Polief, where glycols are consumed as feedstock. These factors were largely offset by higher inventory accumulation during the shutdown at Polief. In 2013, domestic sales accounted for 70.0% of total glycols revenue, while 30.0% was attributable to export sales.

Expandable polystyrene

In 2013, our revenue from sales of expandable polystyrene increased by 58.4% to RR 6,577 million from RR 4,153 million in 2012 on a 35.6% increase in sales volumes and a 16.8% increase in the effective average selling price. The increase in our sales volumes of expandable polystyrene was attributable to a 33.2% growth in production following the commercial launch of the second production line of 50,000 tonnes per annum at SIBUR-Khimprom in July 2012. The effective average selling price was largely in line with international market prices. In 2013, domestic sales accounted for 65.9% of total expandable polystyrene revenue, while 34.1% was attributable to export sales.

Alcohols

In 2013, our revenue from sales of alcohols decreased by 4.0% year-on-year to RR 5,583 million from RR 5,815 million in 2012 on an 8.8% decrease in sales volumes, which was partially compensated by a 5.3% increase in the effective average selling price. The decline in our alcohols sales volumes was attributable to (i) an 11.0% decrease in production due to the biennial maintenance shutdown at our Perm production site in line with the two-year maintenance cycle, and (ii) the higher internal use of propylene (feedstock for certain alcohols) mostly for polypropylene production. This was partially compensated by lower internal use of alcohols and higher inventory sales. The increase in the effective average selling price of alcohols was a result of mixed dynamics on export and domestic markets. Our effective average domestic selling price increased by 10.7% driven by temporary supply constraints and healthy demand in Russia. Our effective average export selling price remained largely flat in line with international market prices. In 2013, our share of domestic sales increased to 47.9% of the total alcohols revenue from 37.4% in 2012, as we primarily focused our sales on the more attractive domestic market.

Acrylates

In 2013, our revenue from acrylates sales decreased by 7.9% to RR 2,800 million from RR 3,039 million in 2012 on a 16.7% decrease in sales volumes, which was partially mitigated by a 10.5% increase in the effective average selling price. Our sales volumes declined on a 3.6% decrease in production, which was attributable to changes in our product mix, as well as inventory accumulation as opposed to substantial inventory sales in 2012. The increase in the effective average selling price was largely driven by higher market prices. In 2013, we increased the share of domestic sales of acrylates to 41.7% of total revenue from 25.7% in 2012, while 58.3% and 74.3% was attributable to export sales in 2013 and 2012, respectively. In 2013, we specifically focused on the more attractive domestic market, where prices are higher than on export markets.

Plastic compounds[(1)]

In 2013, our revenue from sales of plastic compounds decreased by 22.9% to RR 1,896 million from RR 2,460 million in 2012 on a 19.5% decrease in sales volumes and a 4.3% decrease in the effective average selling price. Our sales volumes declined on a 20.6% decrease in production, which was

(1) Including ABS plastics and PVC cable compounds.

attributable to the longer scheduled maintenance shutdown at Plastic, partially mitigated by higher inventory sales in 2013. The decline in the effective average selling price reflected relatively stagnant price dynamics on global markets. In 2013, domestic sales accounted for 91.1% of total plastic compounds revenue, while 8.9% was attributable to export sales.

Following the divestment of Plastic at the end of 2013 (See "Recent developments"), plastic compounds will be deconsolidated from our product portfolio.

The following table presents data on our production, purchases and sales volumes in plastics & organic synthesis products for the years ended 31 December 2013 and 2012:

	Year ended 31 December		***Change***
Tonnes, except as stated	**2013**	**2012**	***%***
Production	858,970	844,836	*1.7%*
PET	192,749	211,093	*(8.7%)*
BOPP-films	95,869	68,467	*40.0%*
Glycols	248,825	240,847	*3.3%*
Expandable polystyrene	102,263	76,770	*33.2%*
Alcohols (including 2-ethylhexanol)	142,404	160,056	*(11.0%)*
Acrylates	41,519	43,085	*(3.6%)*
Plastic compounds(1)	35,341	44,518	*(20.6%)*
Purchases from third parties	6,403	8,565	*(25.2%)*
Total production and purchases	**865,373**	**853,400**	***1.4%***
(Internal use)(2)	(92,941)	(96,436)	*(3.6%)*
(Increase)/decrease in stock	(3,017)	24,829	*n/m*
External sales			
PET	191,724	230,213	*(16.7%)*
Domestic	*191,150*	*229,023*	*(16.5%)*
Export	*574*	*1,189*	*(51.7%)*
BOPP-films	95,983	70,094	*36.9%*
Domestic	*75,619*	*60,119*	*25.8%*
Export	*20,364*	*9,975*	*104.1%*
Glycols	172,251	169,618	*1.6%*
Domestic	*118,128*	*120,038*	*(1.6%)*
Export	*54,123*	*49,580*	*9.2%*
Expandable polystyrene	103,775	76,524	*35.6%*
Domestic	*68,263*	*51,077*	*33.6%*
Export	*35,512*	*25,447*	*39.5%*
Alcohols (including 2-ethylhexanol)	125,843	138,045	*(8.8%)*
Domestic	*55,243*	*49,741*	*11.1%*
Export	*70,600*	*88,304*	*(20.0%)*
Acrylates	44,189	53,025	*(16.7%)*
Domestic	*16,786*	*11,318*	*48.3%*
Export	*27,403*	*41,707*	*(34.3%)*
Plastic compounds(1)	35,650	44,274	*(19.5%)*
Domestic	*33,100*	*41,849*	*(20.9%)*
Export	*2,550*	*2,425*	*5.1%*
External sales	**769,415**	**781,793**	***(1.6%)***
Domestic	***558,289***	***563,165***	***(0.9%)***
Export	***211,126***	***218,628***	***(3.4%)***

Intermediates & Other Chemicals

In 2013, revenue from sales of intermediates & other chemicals decreased by 18.3% to RR 19,185 million from RR 23,493 million in 2012. The decline was largely attributable to (i) lower revenue from sales of other chemicals on lower production due to the divestment / shutdown of non-core and outdated facilities related to the decommissioning of Caprolactam – a chlorine and caustic soda and derivatives production near the city of Dzerzhinsk, the Nizhny Novgorod region and (ii) lower revenue from propylene sales as we increased internal use of propylene for polypropylene production. Out of 3.1 million tonnes of intermediates & other chemicals produced in 2013, approximately 85.3% were used internally for further intercompany processing compared to 82.5% in 2012.

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 blended Group margins.

(1) Including ABS plastics and PVC cable compounds.
(2) Including internal use at the segment's production facilities and immaterial natural losses.

As a result, the share of external sales of intermediates & other chemicals may fluctuate significantly period to period depending on market trends, shifts in supply and demand fundamentals, capacity constraints and other factors.

The following table presents a breakdown of revenue from sales of our intermediates & other chemicals for the years ended 31 December 2013 and 2012:

	Year ended 31 December				*Change*
RR millions, except as stated	**2013**	***% of revenue***[(1)]	**2012**	***% of revenue***[(1)]	***%***
Benzene	1,760	*0.7%*	1,356	*0.5%*	*29.8%*
Domestic	*1,760*	*100.0%*	*1,356*	*100.0%*	*29.8%*
Export	*-*	*-*	*-*	*-*	*n/m*
Styrene	1,826	*0.7%*	2,390	*0.9%*	*(23.6%)*
Domestic	*1,495*	*81.9%*	*1,297*	*54.3%*	*15.3%*
Export	*331*	*18.1%*	*1,093*	*45.7%*	*(69.7%)*
Terephthalic acid	2,625	*1.0%*	2,593	*1.0%*	*1.2%*
Domestic	*2,288*	*87.2%*	*2,593*	*100.0%*	*(11.8%)*
Export	*337*	*12.8%*	*-*	*-*	*n/m*
Propylene	319	*0.1%*	1,637	*0.6%*	*(80.5%)*
Domestic	*146*	*45.8%*	*1,251*	*76.4%*	*(88.3%)*
Export	*173*	*54.2%*	*386*	*23.6%*	*(55.2%)*
Ethylene oxide	2,993	*1.1%*	1,947	*0.7%*	*53.8%*
Domestic	*2,661*	*88.9%*	*1,699*	*87.3%*	*56.6%*
Export	*332*	*11.1%*	*248*	*12.7%*	*34.0%*
Butadiene	71	*0.0%*	420	*0.2%*	*(83.2%)*
Domestic	*71*	*100.0%*	*420*	*100.0%*	*(83.2%)*
Export	*-*	*-*	*-*	*-*	*n/m*
Isoprene	813	*0.3%*	1,482	*0.5%*	*(45.2%)*
Domestic	*13*	*1.6%*	*16*	*1.1%*	*(16.4%)*
Export	*800*	*98.4%*	*1,466*	*98.9%*	*(45.5%)*
Isobutylene	415	*0.2%*	936	*0.3%*	*(55.7%)*
Domestic	*394*	*95.0%*	*743*	*79.4%*	*(47.0%)*
Export	*21*	*5.0%*	*193*	*20.6%*	*(89.1%)*
Ethylene	-	-	-	-	*n/m*
Other intermediates	2,829	*1.0%*	2,931	*1.1%*	*(3.5%)*
Domestic	*1,680*	*59.4%*	*2,164*	*73.8%*	*(22.3%)*
Export	*1,149*	*40.6%*	*767*	*26.2%*	*49.7%*
Total intermediates	13,651	*5.0%*	15,692	*5.8%*	*(13.0%)*
Domestic	*10,508*	*77.0%*	*11,539*	*73.5%*	*(8.9%)*
Export	*3,143*	*23.0%*	*4,153*	*26.5%*	*(24.3%)*
Other chemicals	5,534	*2.0%*	7,801	*2.9%*	*(29.0%)*
Domestic	*5,349*	*96.7%*	*7,355*	*94.3%*	*(27.3%)*
Export	*185*	*3.3%*	*446*	*5.7%*	*(58.5%)*
Intermediates & other chemicals, total	**19,185**	***7.1%***	**23,493**	***8.7%***	***(18.3%)***
Domestic	***15,857***	***82.7%***	***18,894***	***80.4%***	***(16.1%)***
Export	***3,328***	***17.3%***	***4,599***	***19.6%***	***(27.7%)***

[(1)] Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table presents data on our production, purchases and sales volumes in intermediates & other chemicals for the years ended 31 December 2013 and 2012:

	Year ended 31 December		Change
Tonnes, except as stated	**2013**	**2012**	***%***
Production	3,106,319	3,445,000	*(9.8%)*
Intermediates, including	2,444,162	2,679,355	*(8.8%)*
Benzene	134,162	134,870	*(0.5%)*
Styrene	159,717	161,674	*(1.2%)*
Terephthalic acid	259,710	252,060	*3.0%*
Propylene	310,385	327,992	*(5.4%)*
Ethylene oxide	82,900	80,279	*3.3%*
Butadiene	195,894	212,082	*(7.6%)*
Isoprene	8,739	13,879	*(37.0%)*
Isobutylene	39,350	37,427	*5.1%*
Ethylene	533,330	540,382	*(1.3%)*
Other intermediates	719,975	918,710	*(21.6%)*
Other chemicals	662,157	765,646	*(13.5%)*
Purchases from third parties	4,867	13,127	*(62.9%)*
Total production and purchases	**3,111,186**	**3,458,128**	***(10.0%)***
(Internal use)[1]	(2,650,434)	(2,835,425)	*(6.5%)*
(Increase)/decrease in stock	12,292	(12,743)	*n/m*
External sales			
Benzene	58,995	47,001	*25.5%*
Domestic	*58,995*	*47,001*	*25.5%*
Export	*-*	*-*	*n/m*
Styrene	35,242	53,711	*(34.4%)*
Domestic	*28,698*	*28,693*	*0.0%*
Export	*6,544*	*25,018*	*(73.8%)*
Terephthalic acid	75,372	76,762	*(1.8%)*
Domestic	*66,098*	*76,762*	*(13.9%)*
Export	*9,274*	*-*	*n/m*
Propylene	10,355	47,953	*(78.4%)*
Domestic	*5,902*	*38,797*	*(84.8%)*
Export	*4,453*	*9,156*	*(51.4%)*
Ethylene oxide	84,276	60,298	*39.8%*
Domestic	*76,326*	*53,242*	*43.4%*
Export	*7,950*	*7,056*	*12.7%*
Butadiene	1,211	5,812	*(79.2%)*
Domestic	*1,211*	*5,812*	*(79.2%)*
Export	*-*	*-*	*n/m*
Isoprene	8,715	13,580	*(35.8%)*
Domestic	*152*	*149*	*1.6%*
Export	*8,563*	*13,431*	*(36.2%)*
Isobutylene	6,765	17,967	*(62.3%)*
Domestic	*6,379*	*14,512*	*(56.0%)*
Export	*386*	*3,455*	*(88.8%)*
Ethylene	-	-	*n/m*
Other intermediates	95,958	112,235	*(14.5%)*
Domestic	*37,080*	*77,954*	*(52.4%)*
Export	*58,878*	*34,281*	*71.8%*
Total intermediates	376,889	435,318	*(13.4%)*
Domestic	*280,841*	*342,921*	*(18.1%)*
Export	*96,048*	*92,397*	*4.0%*
Other chemicals	96,155	174,641	*(44.9%)*
Domestic	*92,895*	*166,238*	*(44.1%)*
Export	*3,260*	*8,403*	*(61.2%)*
External sales	**473,044**	**609,960**	***(22.4%)***
Domestic	***373,736***	***509,160***	***(26.6%)***
Export	***99,308***	***100,800***	***(1.5%)***

[1] Including internal use at the segment's production facilities and immaterial natural losses.

Other Revenue

In 2013, other revenue decreased by 41.4% year-on-year to RR 9,080 million from RR 15,482 million in 2012 due to a decrease both in sales of processing services and trading and other sales. The decrease in sales of processing services was primarily attributable to the deconsolidation of OOO Yugragazpererabotka. The decrease in trading and other sales primarily relates to the fact that in the first quarter of 2012, we continued trading activities in favour of the previously divested mineral fertilisers business, in order to sell accumulated stock of mineral fertilisers and also to meet our outstanding contractual obligations, while such trading activities were discontinued from the second quarter of 2012.

The following table presents a breakdown of our other revenue for the three months and years ended 31 December 2013 and 2012:

	Year ended 31 December				***Change***
RR millions, except as stated	**2013**	***% of revenue***	**2012**	***% of revenue***	***%***
Sales of processing services	1,393	*0.5%*	5,184	*1.9%*	*(73.1%)*
Trading and other sales	7,687	*2.8%*	10,298	*3.8%*	*(25.4%)*
Other revenue, total	**9,080**	***3.4%***	**15,482**	***5.7%***	***(41.4%)***

RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

The following table presents selected data on our results of operations for the years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December 2013	*% of revenue*	2012	*% of revenue*	*Change %*
Revenue	**269,814**	***100.0%***	**271,330**	***100.0%***	***(0.6%)***
Energy products	144,716	*53.6%*	129,409	*47.7%*	*11.8%*
Petrochemical products	116,018	*43.0%*	126,439	*46.6%*	*(8.2%)*
Other	9,080	*3.4%*	15,482	*5.7%*	*(41.4%)*
Operating expenses excluding equity-settled share-based payments plans	(205,316)	*(76.1%)*	(199,618)	*(73.6%)*	*2.9%*
Equity-settled share-based payment plans	(7,894)	*(2.9%)*	-	-	*n/m*
Operating expenses	(213,210)	*(79.0%)*	(199,618)	*(73.6%)*	*6.8%*
Operating profit	**56,604**	***21.0%***	**71,712**	***26.4%***	***(21.1%)***
Net finance (expenses) / income	(4,844)	*(1.8%)*	3,040	*1.1%*	*n/m*
Gain on acquisition of subsidiaries	-	-	430	*0.2%*	*(100.0%)*
Share of net income of joint ventures and associates	794	*0.3%*	751	*0.3%*	*5.7%*
Gain on deconsolidation of subsidiary	2,413	*0.9%*	-	-	*n/m*
Gain on disposal of subsidiaries	335	*0.1%*	283	*0.1%*	*18.4%*
Profit before income tax	**55,302**	***20.5%***	**76,216**	***28.1%***	***(27.4%)***
Income tax expense	(9,844)	*(3.6%)*	(15,816)	*(5.8%)*	*(37.8%)*
Profit from continuing operations	**45,458**	***16.8%***	**60,400**	***22.3%***	***(24.7%)***
Loss from disposal of Amtel Group's assets	-	-	(315)	*(0.1%)*	*(100.0%)*
Profit for the year, including attributable to:	**45,458**	***16.8%***	**60,085**	***22.1%***	***(24.3%)***
Non-controlling interest	(140)	*(0.1%)*	(41)	*(0.0%)*	*241.5%*
Shareholders of SIBUR	45,598	*16.9%*	60,126	*22.2%*	*(24.2%)*

Revenue

In 2013, our revenue remained largely unchanged at RR 269,814 million as compared to RR 271,330 million in 2012. The dynamics was attributable to the solid performance of energy products with an 11.8% year-on-year growth, which was compensated by lower revenue from sales of petrochemical products and other revenue that decreased by 8.2% and 41.4% year-on-year, respectively.

For a detailed discussion on our revenue dynamics see "Operational Review" above.

The following table presents a breakdown of our revenue by product group for the years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December 2013	*% of revenue*	2012	*% of revenue*	*Change %*
Energy products					
LPG	60,823	*22.5%*	54,760	*20.2%*	*11.1%*
Natural gas	26,673	*9.9%*	24,938	*9.2%*	*7.0%*
Naphtha	26,256	*9.7%*	25,727	*9.5%*	*2.1%*
MTBE	18,596	*6.9%*	16,731	*6.2%*	*11.1%*
Raw NGL	9,405	*3.5%*	3,911	*1.4%*	*140.5%*
Other fuels and fuel additives	2,963	*1.1%*	3,342	*1.2%*	*(11.3%)*
Total energy product sales	**144,716**	***53.6%***	**129,409**	***47.7%***	***11.8%***
Petrochemical products					
Plastics and organic synthesis products	41,583	*15.4%*	39,633	*14.6%*	*4.9%*
Synthetic rubbers	32,432	*12.0%*	41,134	*15.2%*	*(21.2%)*
Basic polymers	22,818	*8.5%*	22,179	*8.2%*	*2.9%*
Intermediates and other chemicals	19,185	*7.1%*	23,493	*8.7%*	*(18.3%)*
Total petrochemical products sales	**116,018**	***43.0%***	**126,439**	***46.6%***	***(8.2%)***
Trading and other sales	7,687	*2.8%*	10,298	*3.8%*	*(25.4%)*
Sales of processing services	1,393	*0.5%*	5,184	*1.9%*	*(73.1%)*
Total revenue	**269,814**	***100.0%***	**271,330**	***100.0%***	***(0.6%)***

Operating Expenses

In 2013, our operating expenses increased by 6.8% year-on-year to RR 213,210 million from RR 199,618 million in 2012. As a percentage of total revenue, our operating expenses increased to 79.0% in 2013 from 73.6% in 2012. The growth in operating expenses was primarily attributable to a non-cash charge of RR 7,894 million related to equity-settled share-based payment plans for directors and key management, as the Group has started to recognise current and past service costs associated with the respective payment plans as operating expenses together with a corresponding increase in the shareholders' equity starting from the third quarter of 2013.

In 2013, our operating expenses before equity-settled share-based payment plans (the "Net operating expenses") increased by 2.9% year-on-year to RR 205,316 million from RR 199,618 million in 2012. As a percentage of total revenue, our net operating expenses increased to 76.1% in 2013 from 73.6% in 2012. The growth in operating expenses was primarily attributable to: (i) higher feedstock and materials costs on increased hydrocarbon feedstock purchasing volumes, as well as higher effective average APG purchase price, (ii) higher depreciation and amortisation on commissioning of new production facilities, primarily Tobolsk-Polymer and Ust-Luga transhipment terminal, (iii) higher transportation and logistics costs on growth in tariffs, volumes and delivery distances, and (iv) higher rent expenses on increased rolling stock and transported volumes.

The factors discussed above were partially offset by lower goods for resale as well as lower energy and utilities costs, services provided by third parties, staff and other operating expenses, inter alia due to deconsolidation of OOO Yugragazpererabotka from the second quarter of 2013. Overall, deconsolidation of OOO Yugragazpererabotka has resulted in a net decrease in operating expenses, as higher expenses for third-party processing services were offset by a decrease in energy and utilities, depreciation and amortisation, staff, and other costs.

The following table presents a breakdown of our net operating expenses for the years ended 31 December 2013 and 2012:

	Year ended 31 December				
RR millions, except as stated	**2013**	***% of revenue***	**2012**	***% of revenue***	***Change %***
Feedstock and materials	67,152	*24.9%*	62,989	*23.2%*	*6.6%*
Transportation and logistics	38,984	*14.4%*	37,525	*13.8%*	*3.9%*
Energy and utilities	25,823	*9.6%*	29,691	*10.9%*	*(13.0%)*
Staff costs	25,144	*9.3%*	26,116	*9.6%*	*(3.7%)*
Depreciation and amortisation	13,477	*5.0%*	10,317	*3.8%*	*30.6%*
Repairs and maintenance	7,468	*2.8%*	7,602	*2.8%*	*(1.8%)*
Goods for resale	6,446	*2.4%*	9,775	*3.6%*	*(34.1%)*
Rent expenses	5,783	*2.1%*	4,451	*1.6%*	*29.9%*
Processing services of third parties	5,225	*1.9%*	458	*0.2%*	*1,040.8%*
Services provided by third parties	5,082	*1.9%*	6,101	*2.2%*	*(16.7%)*
Taxes other than income tax	1,790	*0.7%*	2,118	*0.8%*	*(15.5%)*
Charity and sponsorship	1,257	*0.5%*	1,586	*0.6%*	*(20.7%)*
Impairment of property, plant and equipment	887	*0.3%*	262	*0.1%*	*238.5%*
Marketing and advertising	742	*0.3%*	871	*0.3%*	*(14.8%)*
Other	2,289	*0.8%*	2,751	*1.0%*	*(16.8%)*
Change in work-in-progress and refined products balances	(10)	*(0.0%)*	(1,267)	*(0.5%)*	*(99.2%)*
(Gain)/loss on disposal of property, plant and equipment	(2,223)	*(0.8%)*	(1,728)	*(0.6%)*	*28.6%*
Operating expenses before equity-settled share-based payments plans	**205,316**	***76.1%***	**199,618**	***73.6%***	***2.9%***

Feedstock and Materials

In 2013, our feedstock and materials costs increased by 6.6% year-on-year to RR 67,152 million from RR 62,989 million in 2012. As a percentage of total revenue, feedstock and materials costs increased to 24.9% in 2013 from 23.2% in 2012. The growth in expenses was primarily driven by larger volumes of APG and NGLs purchases and a higher effective average APG purchase price, as well as by a charge related to increased feedstock and materials inventories as compared to a reversal in 2012.

The following table presents information on our costs related to purchasing of feedstock and materials for the years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December				
	2013	***% of feedstock and materials expenses***	**2012**	***% of feedstock and materials expenses***	***Change %***
NGLs	25,613	*38.1%*	24,743	*39.3%*	*3.5%*
APG	9,402	*14.0%*	7,254	*11.5%*	*29.6%*
Paraxylene	5,522	*8.2%*	5,448	*8.6%*	*1.4%*
Other feedstock and materials	26,113	*38.9%*	26,255	*41.7%*	*(0.5%)*
Change of stock	502	*0.7%*	(711)	*(1.1%)*	*(170.6%)*
Feedstock and materials, total	**67,152**	***100.0%***	**62,989**	***100.0%***	***6.6%***

The following table presents selected data on our feedstock purchasing volumes for the years ended 31 December 2013 and 2012[1]:

Tonnes, except as stated	Year ended 31 December		***Change***
	2013	**2012**	***%***
NGLs	3,624,087	3,405,930	*6.4%*
APG (thousand cubic metres)	13,869,949	12,986,326	*6.8%*
Paraxylene	169,116	166,810	*1.4%*

In 2013, our expenses related to NGLs purchases rose by 3.5% year-on-year to RR 25,613 million from RR 24,743 million in 2012, decreasing as a percentage of total feedstock and materials to 38.1% from 39.3%. The growth in expenses was attributable to a 6.4% year-on-year increase in NGLs purchasing volumes that was largely mitigated by a 2.7% decrease in the effective average purchase price.

The increase in NGLs purchasing volumes was attributable to higher purchases of raw NGL and LPG on the back of lower purchases of naphtha. We increased purchasing volumes of raw NGL on expanded cooperation with our existing suppliers, inter alia on higher deliveries from one of the suppliers as a result of growing wet gas extraction from their gas field (see “Raw NGL” in the “Operational Review” above for further details). We increased LPG purchasing volumes on expanded cooperation with our existing suppliers. At the same time, we decreased purchasing volumes of naphtha, reducing its share in our crackers’ feedstock mix in favour of raw NGL and LPG.

The decrease in the effective average NGLs purchase price generally reflected (i) marginally lower export netbacks in 2013, (ii) changes in our purchases mix, with a higher share primarily attributable to raw NLG, and (iii) changes in the structure of our suppliers.

In 2013, our expenses related to APG purchases rose by 29.6% year-on-year to RR 9,402 million from RR 7,254 million in 2012, increasing as a percentage of total feedstock and materials expenses to 14.0% from 11.5%. The growth in expenses was attributable to a 21.3% year-on-year increase in the effective average APG purchase price and a 6.8% year-on-year increase in purchasing volumes.

The increase in the effective average APG purchase price was primarily attributable to: (i) regular indexation under existing contracts to reflect the changes in the regulated natural gas prices (see “Natural Gas Prices” in the “Certain Factors Affecting Our Results of Operations” section above for further details) and (ii) additional volumes of APG purchased from existing suppliers at higher prices, as production of additional volumes is more capital intensive for suppliers; this enabled us to achieve higher GPPs utilisation (see “Pricing” in the “Certain Factors Affecting Our Results of Operations” section above for further details). The increase in APG purchasing volumes was driven by expanded cooperation with oil producers and the development of APG processing infrastructure, in line with implementation of our investment programme.

In 2013, our expenses related to paraxylene purchases increased by 1.4% year-on-year to RR 5,522 million from RR 5,448 million in 2012, decreasing as a percentage of total feedstock and materials expenses to 8.2% from 8.6%. The growth in expenses was attributable to a 1.4% year-on-year increase in the effective average paraxylene purchase price, while purchasing volumes remained flat.

(1) Excluding volumes purchased for trading. These volumes are reported as goods for resale.

In 2013, our expenses related to purchases of other feedstock and materials remained generally flat year-on-year at RR 26,113 million as compared to RR 26,254 million in 2012, decreasing as a percentage of total feedstock and materials expenses to 38.9% from 41.7%.

In 2013, we recorded a charge of RR 502 million on increased feedstock and materials inventories, as compared to a reversal of RR 711 million in 2012.

Transportation and Logistics

In 2013, our transportation and logistics costs increased by 3.9% year-on-year to RR 38,984 million from RR 37,525 million in 2012, increasing as a percentage of total revenue to 14.4% from 13.8%.

The decline in expenses was primarily attributable to lower expenses related to transportation of natural gas through the UGSS, as we ceased to incur such expenses due to a change in natural gas delivery basis to "ex-field" starting from 2013 (that also resulted in a decline in our effective average selling price of natural gas, see "Natural gas" in the "Operational Review" section above for further details).

This factor was largely offset by (i) a 7% increase in the average railway tariff regulated by the FTS and charged by the Russian Railways effective 1 January 2013, (ii) longer delivery distances for a number of products, and (iii) higher transported volumes of feedstock and petrochemical products.

The Railway Tariff unification by the FTS and the abolishment of discounts on export deliveries of LPG from our Tobolsk GFU did not have a material effect on our transportation and logistics costs (see "Transportation Tariffs" in the "Certain Factors Affecting our Results of Operations" section above for further details).

Energy and Utilities

In 2013, our energy and utilities expenses decreased by 13.0% year-on-year to RR 25,823 million from RR 29,691 million in 2012, decreasing as a percentage of total revenue to 9.6% from 10.9%. The decline in expenses was primarily attributable to the deconsolidation of OOO Yugragazpererabotka from the second quarter of 2013 (see "Electricity and Heat Tariffs" in the "Certain Factors Affecting our Results of Operations" section and Appendix II for further details) and, to a lesser extent, to a decrease in purchases of energy for resale to the divested tyres and mineral fertilisers business, as we fully ceased these purchases during 2013.

These factors were partially offset by an increase in the effective average electricity and heat tariffs that were up by 13.9% and 8.7% year-on-year, respectively.

The following table presents data on our energy and utilities costs for the years ended 31 December 2013 and 2012:

	Year ended 31 December				
RR millions, except as stated	**2013**	***% of total energy and utilities***	**2012**	***% of total energy and utilities***	***Change %***
Electricity	14,041	*54.4%*	19,143	*64.5%*	*(26.7%)*
Heat	6,798	*26.3%*	6,694	*22.5%*	*1.6%*
Fuel	3,836	*14.9%*	3,150	*10.6%*	*21.8%*
Other	1,148	*4.4%*	704	*2.4%*	*62.9%*
Energy and utilities, total	**25,823**	***100.0%***	**29,691**	***100.0%***	***(13.0%)***

Staff Costs

In 2013, our staff costs decreased by 3.7% year-on-year to RR 25,144 million from RR 26,116 million in 2012, decreasing as a percentage of total revenue to 9.3% from 9.6% in 2012. The decline in expenses was primarily attributable to a one-off charge reported in the second quarter of 2012 due to the change in treatment of bonus provisions in 2012, when SIBUR started accruing provisions for bonuses to employees of our production facilities and accrued and paid bonuses, which were not accounted for in the annual provision created at the end of 2011. This factor was largely offset by the net increase in costs as a result of the change in scope, with the consolidation of BIAXPLEN group of companies from the second quarter of 2012, the deconsolidation of OOO Yugragazpererabotka from the second quarter of 2013, and the launch of the Tobolsk-Polymer plant in the fourth quarter of 2013. The change in scope resulted in a 5.6% year-on-year decrease in the headcount (on average, 28,916 employees in 2013).

Depreciation and Amortisation

In 2013, our depreciation and amortisation expenses increased by 30.6% to RR 13,477 million from RR 10,317 million in 2012, increasing as a percentage of total revenue to 5.0% from 3.8%. The growth in expenses was due to the commissioning of new production facilities, primarily Tobolsk-Polymer and Ust-Luga transhipment terminal, as well as the consolidation of the BIAXPLEN group of companies from the second quarter of 2012, with the offsetting factor being the deconsolidation of OOO Yugragazpererabotka from the second quarter of 2013.

As we have launched and plan to launch large-scale facilities in the mid-term, we expect this expense item to increase further going forward.

Repairs and Maintenance

In 2013, our repairs and maintenance expenses decreased by 1.8% to RR 7,468 million from RR 7,602 million in 2012, remaining flat as a percentage of total revenue at 2.8% in both periods. The decline in expenses was primarily attributable to the deconsolidation of OOO Yugragazpererabotka from the second quarter of 2013, as well as the higher base of 2012, reflecting implementation of initiatives aimed at further industrial and ecological safety improvements. These factors were largely offset by higher expenses related to SIBUR-Trans for maintenance of an increased number of rolling stock.

Goods for Resale

In 2013, our expenses related to purchases of goods for resale decreased by 34.1% year-on-year to RR 6,446 million from RR 9,775 million in 2012, decreasing as a percentage of total revenue to 2.4% from 3.6%. The decline in expenses was primarily attributable to (i) the discontinuation in the second quarter of 2012 of trading activities in favor of the mineral fertilisers business divested in 2011, (ii) lower purchases of synthetic rubbers under third-party processing arrangements, and (iii) the reclassification of a part of polypropylene (PP) purchases to other feedstock and materials from goods for resale as a result of the consolidation of the BIAXPLEN group of companies from the second quarter of 2012. These factors were partially offset by higher purchases of polypropylene (PP) for resale on expanded trading activities.

Rent Expenses

In 2013, our rent expenses increased by 29.9% year-on-year to RR 5,783 million from RR 4,451 million in 2012, increasing as a percentage of total revenue to 2.1% from 1.6%. The growth in expenses was largely driven by (i) a 30.0% year-on-year increase in the number of leased rolling stock (10,411 units as of 31 December 2013 as compared to 8,006 units as of 31 December 2012) due to a lower rolling stock turnover as a result of the Russian Railways' infrastructural bottlenecks, as well as due to higher transported volumes; and (ii) a 2.4% year-on-year increase in the average rental rate.

Processing Services of Third Parties

In 2013, our expenses related to third-party processing services increased to RR 5,225 million from RR 458 million in 2012, increasing as a percentage of total revenue to 1.9% from 0.2%. The growth in expenses was primarily attributable to the deconsolidation of OOO Yugragazpererabotka from the second quarter of 2013, when we started reporting our payments for APG processing to OOO Yugragazpererabotka as third-party processing services expenses, while before the deconsolidation they were treated as intercompany expenses and were eliminated from the consolidated interim financial information (see Appendix II for further details).

Services Provided by Third Parties

In 2013, our expenses related to services provided by third parties decreased by 16.7% year-on-year to RR 5,082 million from RR 6,101 million in 2012, decreasing as a percentage of total revenue to 1.9% from 2.2%. The decline in expenses was primarily attributable to the higher cost base of 2012 reflecting the decision on SAP ERP implementation and start of capitalising the project's expenses from 2013, as well as the deconsolidation of OOO Yugragazpererabotka from the second quarter of 2013.

Taxes other than Income Tax

In 2013, our taxes other than income tax decreased by 15.5% year-on-year to RR 1,790 million from RR 2,118 million in 2012, decreasing as a percentage of total revenue to 0.7% from 0.8%. The decline in expenses was primarily attributable to the higher base of 2012 on the back of a provision related to a challenged tax benefit, which we applied in 2011 and 2010 in one of the regions where we have operations; there was no such provision in 2013. The decline was partially offset by higher property taxes as a result of commissioning new fixed assets.

Charity and Sponsorship

In 2013, our expenses related to charity and sponsorship decreased by 20.7% year-on-year to RR 1,257 million from RR 1,586 million in 2012, decreasing as a percentage of total revenue to 0.5% from 0.6%. The decline in expenses was primarily attributable to reduced sponsorship of sports and other organisations on termination of certain contracts.

Marketing and Advertising

In 2013, our expenses related to marketing and advertising decreased by 14.8% year-on-year to RR 742 million from RR 871 million in 2012, remaining flat as a percentage of total revenue at 0.3%. The decline in expenses was primarily attributable to lower expenses related to sponsorship of sports organisations on termination of certain contracts.

Impairment of Property, Plant and Equipment

In 2013, we recognised an impairment charge of RR 887 million, primarily attributable to materials and equipment related to construction in progress. In 2012, we recognised an impairment charge of RR 262 million, which was attributable to a gradual decommissioning of Caprolactam, an outdated chlorine and caustic soda production facility located near the city of Dzerzhinsk, the Nizhny Novgorod region.

Gain on Disposal of Property, Plant and Equipment

In 2013, we recorded a gain of RR 2,223 million on disposal of property, plant and equipment compared to RR 1,728 million reported in 2012, which were attributable to divestments of non-core assets.

Change in Work-In-Progress and Refined Products Balances

In 2013, we recorded a reversal to our operating expenses in the amount of RR 10 million as compared to a reversal of RR 1,267 million in 2012, which was attributable to the growth in balances of refined products.

Equity-Settled Share-Based Payment Plans

In 2013, we recognised a charge in the amount of RR 7,894 million in relation to the equity-settled share-based payment plans.

Following an increase in the Group's directors and key management stake as of 28 June 2013 and the respective grant of equity-settled share-based payment plans, the Group must recognise current and past service costs associated with the payment plans as operating expenses in the statement of profit or loss, and also record the corresponding amounts as an increase in equity in the statement of changes in equity and the statement of financial position in accordance with IFRS 2 "Share-based Payment". The programme comprises two plans with different vesting conditions:

- Under the first plan the granted shares are vested to each participant in five tranches, each accounting for 20% of the total shares granted, provided that the participant is continuously employed by the Company from the grant date until the applicable vesting date. The tranches are distributed in equal amounts over certain time frames effective from the third quarter of 2013 and they vary by duration. In the second half of 2013, the Group recognised a RR 7,554 million non-cash charge under the first plan. We expect to report the same non-cash charge related to the first plan through the first half of 2014, after which the first tranche will be completed and the quarterly charge will decrease;
- Under the second plan the granted shares were immediately vested. In the third quarter of 2013, the Group recognised RR 340 million as past service costs under the second plan. We expect no further charges to be reported under the second plan.

There are no current or future cash payments or liabilities under both plans.

See Appendix III for further details.

Operating Profit

In 2013, our operating profit decreased by 21.1% year-on-year to RR 56,604 million from RR 71,712 million in 2012 due to the non-cash charge associated with the share-based equity-settled payment plans discussed above and higher net operating expenses. Our operating margin totaled 21.0% in 2013 and 26.4% in 2012.

Net of the non-cash charge related to the equity-settled share-based payment plans, our operating profit decreased by 10.1% year-on-year to RR 64,498 million in 2013 from RR 71,712 million in 2012. The corresponding operating margin totaled 23.9% in 2013 and 26.4% in 2012.

Net Finance (Expense) / Income

In 2013, we reported a net finance expense of RR 4,844 million compared to a net finance income of RR 3,040 million in 2012.

The expense was largely attributable to a foreign exchange loss in the amount of RR 3,870 million recorded in 2013 due to the Russian rouble depreciation, as the RR/USD rate increased by 7.8% to RR 32.7292 as of 31 December 2013 from RR 30.3727 as of 31 December 2012, and respective revaluation of our USD-denominated debt. Additionally, the absolute amount of our USD-denominated debt increased materially during 2013: to an equivalent of RR 85,254 million as of 31 December 2013 from an equivalent of RR 76,251 as of 31 December 2012. In 2012, we recorded a foreign exchange gain in the amount of RR 2,633 million attributable to Russian rouble appreciation and the respective revaluation of our USD-denominated debt which also increased during 2012.

The following table presents data on our finance income and expenses for the years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December 2013	2012	*Change %*
Interest income	745	870	*(14.4%)*
Interest expense	(1,538)	(696)	*121.0%*
Foreign exchange (loss)/gain	(3,870)	2,633	*n/m*
Other finance income/(expense)	(181)	233	*n/m*
Total finance (expense)/income, net	**(4,844)**	**3,040**	***n/m***

In 2013, our interest income amounted to RR 745 million compared to RR 870 million reported in 2012. The interest income reported in 2013 was primarily attributable to interest accrued on our bank deposits, as well as interest on loans issued to OOO Yugragazpererabotka reported as external following the deconsolidation. The interest income reported in 2012 was mainly attributable to a recovery of a discount on non-current receivables from the BIAXPLEN group of companies which the Group consolidated at the end of March 2012, as well as the revaluation of financial instruments, which was partially offset by an unwind of a discount on SIBUR's liabilities to third parties.

In 2013, our interest expense increased by 121% to RR 1,538 million from to RR 696 million reported in 2012. The increase was attributable to (i) a 4.7% higher total debt, and (ii) completion of certain investment projects, for which interest on borrowings was previously capitalised. Our weighted average interest rate on RR-denominated borrowings was 7.7% as of 31 December 2013 and 7.4% as of 31 December 2012. Our weighted average interest rate on USD-denominated borrowings was 3.1% as of 31 December 2013 and 2.8% as of 31 December 2012. Our weighted average interest rate on EUR-denominated borrowings was 1.7% as of 31 December 2013 and 1.8% as of 31 December 2012.

Gain on Acquisition of Subsidiaries

In 2013, we recognised no gains or losses on the acquisition of subsidiaries. In 2012, we recognised a gain on acquisition of subsidiaries in the amount of RR 430 million, which was primarily attributable to the revaluation of a previously acquired stake in the BIAXPLEN group of companies after SIBUR gained 100% control at the end of March 2012.

Share of Net Income of Joint Ventures and Associates

In 2013, our share of net income of joint ventures totaled RR 794 million as compared to a share of the net income of RR 751 million reported in 2012, as higher expenses related to servicing of RusVinyl debt were compensated by stronger performance of NPP Neftekhimia.

Gain on Deconsolidation of a Subsidiary

In 2013, we recognised a gain of RR 2,413 million on deconsolidation of OOO Yugragazpererabotka, our joint venture with RN Holding (see Appendix II for further details).

Gain on Disposal of Subsidiaries

In 2013, we recognised a gain of RR 335 million on disposal of OAO Plastic in the end of 2013. In 2012, we recognised a gain RR 283 million on divestment of non-core infrastructure assets.

Income Tax Expense

In 2013, our income tax expense decreased by 37.8% year-on-year to RR 9,844 million from RR 15,816 million in 2012. The decrease was attributable to lower pre-tax profit, as discussed above, and a reversal of a tax provision in the second quarter of 2013. Our effective income tax rate was 17.8% and 20.8% in 2013 and 2012, respectively.

Loss from Disposal of the Amtel Group Assets

In 2012, we recorded a loss of RR 315 million from disposal of the Amtel Group assets, which was related to the disposal of ZAO Voronezh Tyre Plant.

Profit for the Year and Profit Attributable to Shareholders of SIBUR

In 2013, our profit decreased by 24.3% year-on-year to RR 45,458 million from RR 60,085 million in 2012. The decrease was largely attributable to a lower operating profit, as discussed above, and the foreign exchange loss due to the Russian rouble depreciation and revaluation of our USD-denominated debt, as opposed to a foreign exchange gain a year earlier. These factors were only partially compensated by a gain on deconsolidation of OOO Yugragazpererabotka. Net margin totaled 16.8% in 2013 and 22.1% in 2012. In 2013, profit attributable to shareholders of SIBUR decreased by 24.2% year-on-year to RR 45,598 million from RR 60,126 million in 2012.

Net of the non-cash charge related to the equity-settled share-based payment plans and the non-cash gain on deconsolidation of OOO Yugragazpererabotka discussed above, our profit decreased by 15.2% year-on-year to RR 50,939 million in 2013 from RR 60,085 million in 2012. The corresponding net margin totaled 18.9% in 2013 and 22.1% in 2012.

SEGMENT INFORMATION

In 2013, our feedstock and energy segment's gross revenue increased by 2.0% year-on-year to RR 171,464 million from RR 168,091 million in 2012. EBITDA contribution of the feedstock and energy segment increased by 3.7% year-on-year to RR 77,587 million in 2013 from RR 74,831 million in 2012. EBITDA margin of the segment totaled 45.2% in 2013 compared to 44.5% in 2012.

In 2013, our petrochemicals segment's gross revenue decreased by 5.4% year-on-year to RR 128,333 million from RR 135,634 million in 2012. EBITDA contribution of the petrochemicals segment decreased by 52.7% year-on-year to RR 7,623 million in 2013 from RR 16,130 million in 2012. EBITDA margin of the segment decreased to 5.9% in 2013 from 11.9% in 2012 primarily due to tighter spreads between feedstock and end-product prices in the synthetic rubber product group.

The following table presents data on our segments' revenue and EBITDA contribution for the years ended 31 December 2013 and 2012:

	Year ended 31 December							
	2013				**2012**			
RR millions, except as stated	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**
Total segment revenue	171,464	128,333	15,058	314,855	168,091	135,634	21,298	325,023
Inter-segment transfers	(27,757)	(8,463)	(8,821)	(45,041)	(33,656)	(8,686)	(11,351)	(53,693)
External revenue	143,707	119,870	6,237	269,814	134,435	126,948	9,947	271,330
EBITDA	**77,587**	**7,623**	**(6,348)**	**78,862**	**74,831**	**16,130**	**(8,670)**	**82,291**
EBITDA margin	*45.2%*	*5.9%*		*29.2%*	*44.5%*	*11.9%*		*30.3%*

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table presents selected data on our net cash flows for years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December 2013	2012	*Change %*
Net cash from operating activities of continuing operations	72,741	62,661	*16.1%*
Operating cash flows before working capital changes	*77,916*	*82,580*	*(5.6%)*
Changes in working capital	*7,059*	*(1,586)*	*n/m*
Income tax paid	*(12,234)*	*(18,333)*	*(33.3%)*
Net cash used in investing activities, *including*	(71,144)	(50,992)	*39.5%*
Purchase of property, plant and equipment	*(70,010)*	*(74,274)*	*(5.7%)*
Additional contribution to the share capital of joint ventures	*(6,299)*	*(169)*	*3,627.2%*
Cash from investing activities of discontinued operations net of related income tax[1]	-	*14,335*	*(100.0%)*
Loans issued	*(946)*	*(2,041)*	*(53.7%)*
Other	*6,111*	*11,157*	*(45.2%)*
Net cash used in financing activities of continuing operations, *including*	(7,168)	(12,729)	*(43.7%)*
Dividends paid to the Company's shareholders	*(14,008)*	*(29,192)*	*(52.0%)*
Effect of exchange rate changes on cash and cash equivalents	(51)	(341)	*(85.0%)*
Net decrease in cash and cash equivalents	(5,622)	(1,401)	*301.3%*

Net Cash from Operating Activities

In 2013, our net cash from operating activities increased by 16.1% year-on-year to RR 72,741 million from RR 62,661 million in 2012. Operating cash flows before working capital changes decreased by 5.6% year-on-year to RR 77,916 million from RR 82,580 million in 2012 on the back of lower EBITDA. The effect of a 4.2% year-on-year decline in EBITDA was largely compensated by changes in working capital. In 2013, the positive impact of changes in working capital totaled RR 7,059 million, which was related to an increase in trade payables and higher VAT refunds received. The increase in trade payables was mainly attributable to expanded trading activity following the launch of our Ust-Luga transshipment terminal. In 2012, changes in working capital had a negative impact on our net cash from operating activities in the amount of RR 1,586 million. Income tax paid decreased by 33.3% and totaled RR 12,234 million as compared to RR 18,333 million in 2012, which was related to lower pre-tax profit reported in 2013.

The following table presents data on changes in working capital for the years ended 31 December 2013 and 2012:

RR millions, except as stated	Year ended 31 December 2013	2012
Decrease in trade and other receivables	649	1,720
Decrease/(increase) in prepayments and other current assets	2,226	(3,176)
Increase in inventories	(954)	(1,076)
Increase in trade and other payables	5,571	2,477
Decrease in taxes payable	(433)	(1,531)
Changes in working capital	**7,059**	**(1,586)**

SIBUR's management monitors its liquidity and operational efficiency on the basis of the adjusted working capital (see Appendix I for further details). Our adjusted working capital was positive at RR 31,278 million as of 31 December 2013 and RR 38,876 million as of 31 December 2012.

Our net working capital balance may fluctuate from period to period due to factors within or outside our control, such as market conditions, our tactical marketing initiatives in response to changes in market conditions, logistical constraints as well as completion of major investment projects, which could require substantial inventory accumulation.

Net Cash Used in Investing Activities

In 2013, our net cash used in investing activities increased by 39.5% year-on-year to RR 71,144 million from RR 50,992 million a year earlier despite lower capital expenditures. In 2013, our capital

[1] Proceeds from the disposal of ZAO Voronezh Tyre Plant and OAO Kirov Tyre Plant.

expenditures decreased by 5.7% to RR 70,010 million from RR 74,274 million a year earlier, as we completed several large-scale projects. This was largely offset by the following factors: (i) in 2012, our net cash flow from investing activities was positively impacted by cash proceeds from the disposal of mineral fertilisers business in the amount of RR 7,751 million and proceeds from the disposal of ZAO Voronezh Tyre Plant and OAO Kirov Tyre Plant in the amount of RR 6,584 million, (ii) an increase in contributions to the share capital of joint ventures to RR 6,299 million in 2013 from RR 169 million in 2012, inter alia related to the financing of RusVinyl's investment programme and Yuzhno-Priobskiy GPP construction (iii) proceeds from the settlement of receivables from the Amtel Group of RR 3,629 million in 2012, and (iv) proceeds received from the sale of a stake in OAO Phosagro in the amount of RR 2,273 million also in 2012.

Net Cash Used in Financing Activities

In 2013, our net cash used in financing activities decreased by 43.7% to RR 7,168 million from RR 12,729 million in 2012. The decrease was mainly attributable to lower dividend payment due to the adoption of the semi-annual dividend payment schedule from the second half of 2012. A payment of RR 14,008 million in 2013 represents dividends based on net profit for the second half of 2012 and the first half of 2013. A payment of RR 29,192 million in 2012 represents dividends based on net profit for the full year 2011 and the first half of 2012. This was largely offset by lower grants and subsidies received by SIBUR from various regional budgets as well as lower net proceeds from debt in 2013 compared to 2012.

Capital Expenditures

In 2013, our capital expenditures totaled RR 70,010 million compared to RR 74,274 million (both net of VAT) in 2012, a 5.7% decrease year-on-year.

The following table presents data on our key investment projects for the years ended 31 December 2013 and 2012:

RR millions, except as stated		Year ended 31 December		
Location	**Description**	**2013**	**2012**	**Completion**
Feedstock and Energy				
Transportation infrastructure development				
Western Siberia	Purovsk – Pyt-Yakh – Tobolsk pipeline	19,789	21,445	2014 / 2015
Leningrad region	Ust-Luga LPG and light oils transshipment facility	6,234	5,325	Completed
Gas processing / fractionation capacity modernisation and expansion				
Tobolsk	Second GFU at Tobolsk-Neftekhim	6,726	3,756	2014
Western Siberia	APG processing capacity expansion at Vyngapurovskiy GPP	2,443	-	2015
Petrochemicals				
Tobolsk	Tobolsk-Polymer Plant	9,067	16,958	Completed
Tobolsk	"ZapSib-2" project FEED stage	2,838	3,891	2014
Kstovo	Steam cracker upgrade at SIBUR-Neftekhim	2,015	1,636	2014
Tomsk	New BOPP-film production at Tomskneftekhim production site (BIAXPLEN group)	1,309	939	Completed
Tobolsk	Expansion of propylene intermediate depot at Tobolsk-Polymer	981	907	Completed
Blagoveshchensk	Expansion of PET production at Polief	759	791	2014
Novokuybyshevsk	Expansion of BOPP-film production at BIAXPLEN	715	690	2014
Dzerzhinsk	Reconstruction of ethylene oxide production	555	395	2014
Voronezh	New thermoplastic elastomers production at Voronezhsintezkauchuk	476	2,743	Completed
Togliatti	Expansion and upgrade of butyl rubber production at Togliattikauchuk	206	607	Completed

In 2013, we successfully completed and continued implementation of a number of investment projects in both feedstock&energy and petrochemicals businesses in line with SIBUR's strategic objectives. The description of our key investment projects is presented below.

Feedstock & Energy

Completed

Ust-Luga LPG and Light Oils Transshipment Facility

In December 2013, SIBUR launched its LPG and light oils transshipment facility at Ust-Luga sea port in the Leningrad region. The construction was completed in the first half of 2013 and test loadings started in May 2013. The facility has an annual loading capacity of 1.5 million tonnes of LPG and 2.5 million tonnes of light oils, and is aimed to support growth in LPG exports to the premium Western European markets. Total capital expenditures on the project amounted to approximately RR 23 billion (net of VAT).

Ongoing

Purovsk – Pyt-Yakh – Tobolsk Pipeline

SIBUR is in the process of construction of a 1,100 kilometre raw NGL pipeline connecting Purovskiy GCP owned by NOVATEK, Yuzhno-Balykskiy GPP near Pyt-Yakh and the Tobolsk production site, where SIBUR's flagship GFU is located (Purovsk – Pyt-Yakh – Tobolsk pipeline). The pipeline's throughput capacity between Purovskiy GCP and SIBUR's loading rack in Noyabrsk is expected to total approximately 4 million tonnes per annum, between the loading rack in Noyabrsk and Yuzhno-Balykskiy GPP – approximately 5.5 million tonnes per annum, and between Yuzhno-Balykskiy GPP and the Tobolsk production site – approximately 8 million tonnes per annum. The launch of the new pipeline will enable SIBUR to replace certain parts of the existing raw NGL pipeline and is expected to result in a substantial extension of SIBUR's raw NGL transportation infrastructure, an increase in its throughput capacity and reliability. The project is aimed at securing our long-term access to abundant raw NGL resources of Western Siberia, and particularly its northern parts, where projected growth in wet gas production is expected to support rising supplies of raw NGL. We expect that the creation of a single infrastructure for transportation of raw NGL to our flagship GFU will create a secure foundation for development of our petrochemicals business in Tobolsk. The project's implementation is synchronised with the expansion of our fractionation capacity in Tobolsk as discussed below. In 2013, SIBUR has finalised construction and started commissioning works at the section between Purovskiy GCP and Yuzhno-Balykskiy GPP as well as the southern part of the section between Yuzhno-Balykskiy GPP and the Tobolsk production site. Launch of these sections is scheduled for 2014 in line with the launch of Second GFU. The entire pipeline is scheduled for completion in 2015.

Second GFU at Tobolsk-Neftekhim

SIBUR expands its gas fractionation facility in Tobolsk through the construction of a second GFU, which is expected to increase the overall raw NGL fractionation capacity at the Tobolsk production site to 6.6 million tonnes per annum from the current 3.8 million tonnes per annum. The project is scheduled for completion in 2014 and is aimed at handling the growing volumes of raw NGL supplies. The launch of the project is synchronised with the launch of certain sections of the new pipeline.

Petrochemicals

<u>Completed</u>

Tobolsk-Polymer Plant

In October 2013, SIBUR launched Tobolsk-Polymer plant, a large scale world-class petrochemicals complex. SIBUR currently continues ramping up the production at the plant.

The complex is designed and built to apply the propane dehydrogenation technology provided by UOP to produce 510,000 tonnes of propylene per annum to be further processed into 500,000 tonnes of polypropylene using the technology of INEOS. The plant is located at the same production site as our flagship GFU in Tobolsk. The Tobolsk-Polymer Plant represents a major step in execution of SIBUR's strategy of creating a full-scale petrochemicals hub in Western Siberia in close proximity to the hydrocarbon resource base. Total capital expenditures on the project amounted to approximately RR 64 billion (net of VAT).

New BOPP-film Production at Tomskneftekhim Production Site

In November 2013, SIBUR launched a new BOPP-film production capacity of 38,000 tonnes per annum at its existing basic polymers production site in Tomsk. Total capital expenditures on the project amounted to approximately RR 2.4 billion (net of VAT).

New Thermoplastic Elastomers Production at Voronezhsintezkauchuk

In August 2013, SIBUR launched a new thermoplastic elastomers production facility with an annual nameplate capacity of 50,000 tonnes at the Group's synthetic rubber plant in Voronezh, thus increasing total thermoplastic elastomers production capacity to 85,000 tonnes per annum. Total capital expenditures on the project amounted to approximately RR 4.5 billion (net of VAT).

Expansion and Upgrade of Butyl Rubber Production at Togliattikauchuk

In December 2013, SIBUR completed the upgrade and expansion of its butyl rubber capacity at the Togliatti production site from 48,000 tonnes to 53,000 tonnes per annum. Total capital expenditures on the project amounted to approximately RR 1.2 billion (net of VAT).

Ongoing

"ZapSib-2" Project FEED Stage

SIBUR continues FEED stage of the ZapSib-2 project, conducting further assessment of the project configuration. SIBUR plans to make a final investment decision on the project upon completion of the FEED no earlier than the first half of 2014. ZapSib-2 is a greenfield construction of an integrated light feed cracker/basic polymers production complex in Tobolsk and is projected to operate a steam cracker with a total annual capacity of 1.5 million tonnes of ethylene (technology provided by LINDE), four polyethylene production units with a total annual capacity of 1.5 million tonnes (technology provided by INEOS), and one polypropylene production unit with an annual capacity of 500,000 tonnes (technology provided by LyondellBasell). In case of a decision to proceed with the project, we believe that it will be the largest integrated facility for production of basic polymers in Russia.

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SIBUR's Board of Directors has approved the 2014 capital expenditures budget in the aggregate amount of RR 52.6 billion (net of VAT). This excludes investments under joint ventures, loans issued to joint ventures or acquisitions. In addition to projects that have been formally approved by the Group's Investment Committee and the "ZapSib-2" project described above, a number of other projects have not yet gone through the formal approval process and are at various stages of review by SIBUR's management. Therefore, the actual amount of capital expenditures that we may incur may alter from the amounts that have been formally approved.

We expect that we will finance the approved capital expenditures through a combination of cash and cash equivalents, cash flows from operations as well as new borrowings within the limits of our financial policy.

Borrowings

As of 31 December 2013, our total debt amounted to RR 100,474 million compared to RR 95,994 million as of 31 December 2012, an increase of 4.7% year-on-year.

On 31 January 2013, we placed our debut five-year Eurobond due 2018, raising USD 1 billion in gross proceeds. The coupon rate was set at 3.914% per annum and will be paid semi-annually. The placement enabled us to improve our debt maturity profile, as we used part of the proceeds to replace short-term borrowings.

Our net debt[(1)] increased by 12.3% to RR 92,526 million as of 31 December 2013 from RR 82,424 million as of 31 December 2012.

The following table presents data on our total debt, cash and cash equivalents and net debt position as of 31 December 2013 and 2012:

RR millions, except as stated	**As of 31 December 2013**	**As of 31 December 2012**	***Change, %***
Total debt	100,474	95,994	*4.7%*
Cash and cash equivalents	7,948	13,570	*(41.4%)*
Net debt	92,526	82,424	*12.3%*

As of 31 December 2013, all of our debt was unsecured with the exception of the USD equivalent of RR 15,729 million outstanding under the Tobolsk-Polymer Plant project finance facility. The financing is primarily secured by OOO Tobolsk-Polymer shares and property, plant and equipment.

(1) Net debt is calculated as total debt less cash and cash equivalents.

The following table presents detailed information on our borrowings as of 31 December 2013 and 2012:

RR millions, except as stated	**Currency**	**Due**	**As of 31 December 2013**	**As of 31 December 2012**
Variable rate loans				
Vnesheconombank	USD	2013-2023	15,729	17,844
ING Bank Group	USD, EUR	2008-2021	8,343	1,748
UniCredit Bank	USD, EUR	2013-2019	7,417	5,465
Nordea Bank	USD	2013-2016	7,359	10,609
Rosbank	USD	2013	-	4,556
RaiffeisenBank	USD	2014	4,909	4,556
Citibank	USD	2014-2023	3,495	7,593
HSBC Bank plc	USD	2013-2014	2,805	4,556
KFW IPEX-Bank	USD	2014	1,636	1,822
RBS, J.P. Morgan	USD	2013	-	9,112
The Royal Bank of Scotland	USD	2013	-	275
Fixed rate loans				
Eurobonds	USD	2018	32,585	-
Sberbank of Russia	RR	2014	10,636	18,932
Russian Agricultural Bank	USD	2014	3,273	-
NPP Neftekhimia	RR	2015	1,000	625
ZAO Sibgazpolimer	RR	2014	697	-
Mezhregiongaz	RR	2011-2014	573	2,285
RN Holding(1)	RR, USD	2013-2017	-	4,485
The Royal Bank of Scotland	USD	2013	-	1,519
Other	USD	2031	17	12
Total debt			**100,474**	**95,994**

SIBUR aims to maintain a diversified debt portfolio with a sound balance of fixed and floating interest rate instruments. Following the Eurobond placement, our share of fixed rate borrowings increased to 48.5% as of 31 December 2013 from 29.0% as of 31 December 2012, while the share of variable rate borrowings decreased to 51.5% as of 31 December 2013 from 71.0% as of 31 December 2012.

The following table presents scheduled maturities of our outstanding debt as of 31 December 2013 and 2012:

RR millions, except as stated	**As of 31 December 2013**	***% of total borrowings***	**As of 31 December 2012**	***% of total borrowings***	***Change, %***
Due for repayment:					
Within one year	42,743	*42.5%*	54,936	*57.2%*	*(22.2%)*
Between one and two years	6,344	*6.3%*	15,175	*15.8%*	*(58.2%)*
Between two and five years	42,454	*42.3%*	12,679	*13.2%*	*234.8%*
After five years	8,933	*8.9%*	13,204	*13.8%*	*(32.3%)*
Total debt	**100,474**	***100.0%***	**95,994**	***100.0%***	***4.7%***

As of 31 December 2013, the share of long-term debt increased to 57.5% from 42.8% as of 31 December 2012. The increase since the beginning of the year was largely due to the five-year Eurobond placement in the first quarter of 2013, as we partially used the proceeds from this placement for the refinancing of short-term debt. The share of short-term debt decreased to 42.5% as of 31 December 2013 from 57.2% as of 31 December 2012.

The following table presents the currency split of our outstanding debt as of 31 December 2013 and 2012:

RR millions, except as stated	**As of 31 December 2013**	***% of total borrowings***	**As of 31 December 2012**	***% of total borrowings***	***Change, %***
Denominated in:					
Russian rouble	11,270	*11.2%*	17,573	*18.3%*	*(35.9%)*
Euro	3,950	*3.9%*	2,171	*2.3%*	*81.9%*
US Dollar	85,254	*84.9%*	76,250	*79.4%*	*11.8%*
Total debt	**100,474**	***100.0%***	**95,994**	***100.0%***	***4.7%***

As of 31 December 2013, the USD-denominated debt as a percentage of total borrowings increased to 84.9% from 79.4% as of 31 December 2012. The increase was largely due to the placement of the USD-denominated Eurobond, as well as to the Russian rouble depreciation against the US dollar. At the same time we decreased the portion of Russian rouble-denominated loans in our credit portfolio.

(1) As of 31 March 2013, SIBUR deconsolidated RR 4,549 million in debt to RN Holding due to the deconsolidation of OOO Yugragazpererabotka (see Appendix II for further details).

The following table presents our key liquidity and credit ratios as of 31 December 2013 and 2012:

	As of 31 December 2013	As of 31 December 2012
Current ratio	0.91x	0.87x
Debt / equity	0.43x	0.49x
Debt / EBITDA	1.27x	1.17x
Net debt[(1)] / EBITDA	1.17x	1.00x
EBITDA / Interest[(2)]	17x	22x

As of 31 December 2013, our net debt to EBITDA ratio was 1.17x compared to 1.00x as of 31 December 2012. The EBITDA to interest[(2)] ratio decreased to 17x as of 31 December 2013 from 22x as of 31 December 2012.

As of 31 December 2013, SIBUR had RR 66,743 million available under its existing credit facilities denominated in Russian roubles, US dollars and euros, both short- and long-term, of which an equivalent of RR 20,674 million was committed.

Management considers SIBUR to have a strong financial position, supported by robust internal cash generation and sustainable access to external financing. These resources enable us to finance capital expenditure needs, while meeting our debt and other obligations.

(1) Net debt is calculated as total debt less cash and cash equivalents.
(2) Interest represents accrued interest, i.e. includes interest expense and capitalised interest.

APPENDIX I: Net Working Capital

SIBUR's net working capital position takes into account trade receivables net of advances from customers; inventory balances of refined products, goods for resale, feedstock and materials; VAT balance; trade payables net of prepayments and advances to suppliers; payables to employees; and other assets and liabilities listed in the table below.

The following table presents detailed calculation of our net working capital position as of 31 December 2013 and 2012:

RR millions, except as stated	**As of 31 December 2013**	**As of 31 December 2012**
Current assets	74,429	83,145
Current liabilities	(81,480)	(95,641)
Working capital	**(7,051)**	**(12,496)**
Adjustmets to assets, including:	**(16,640)**	**(18,960)**
Receivables for disposed businesses	-	-
Loans receivable	(1,735)	(1,222)
Cash and cash equivalents	(7,948)	(13,570)
Restricted cash	(1,106)	(890)
Assets classified as held for sale	(5,885)	(1,044)
Listed equity securities held for trading	-	-
Derivative financial instruments	-	-
Prepaid borrowing cost	-	(2,371)
Recoverable VAT related to assets under construction(1)	33	137
Adjustmets to liabilities, including:	**54,969**	**70,332**
Accounts payable to contractors and suppliers of property, plant and equipment	10,424	12,565
Payables for acquisition of subsidiaries	819	1,730
Short term promissory notes payable	1	2
Interest payable	982	521
Grants and subsidies	-	578
Short-term debt and current portion of long-term borrowings	42,743	54,936
Adjusted working capital	**31,278**	**38,876**

(1) Represents non-current portion.

APPENDIX II: OOO Yugragazpererabotka

Establishment of OOO Yugragazpererabotka in 2007

In 2007, SIBUR and TNK-BP Holding (renamed RN Holding as of 30 July 2013 following the acquisition by Rosneft) established a joint venture (JV) OOO Yugragazpererabotka. SIBUR owned a 51% stake in the JV, while RN Holding's share was 49%. OOO Yugragazpererabotka owns and operates three GPPs with total APG processing capacity of 13.4 billion cubic metres per annum (Nizhnevartovskiy GPP, Belozerniy GPP and Nyagan GPP), three compressor stations and APG pipelines from compressor stations to the GPPs. SIBUR and RN Holding operated within a contractual network, under which RN Holding supplied APG to OOO Yugragazpererabotka for processing into raw NGL and dry gas(1). In addition to volumes from RN Holding, dominant supplier of APG to the JV, OOO Yugragazpererabotka also processed APG supplied from other oil companies. SIBUR and RN Holding owned the feedstock and refined products, while paying a processing fee to OOO Yugragazpererabotka. SIBUR paid for 51% of the total APG volumes supplied for processing to OOO Yugragazpererabotka and obtained 51% of the total NGLs and dry gas volumes produced by the JV. RN Holding obtained the remaining volumes. Subsequently SIBUR purchased RN Holding's share of NGLs and sold to RN Holding its share of dry gas.

Deconsolidation of OOO Yugragazpererabotka in 2013

In March 2013, SIBUR's call options that had entitled the Group to purchase RN Holding's share in OOO Yugragazpererabotka were terminated, and the term of the JV was extended to indefinite. Following the termination of the call options, we started accounting for our investment in OOO Yugragazpererabotka as an investment in joint ventures, while previously OOO Yugragazpererabotka was consolidated as a wholly owned subsidiary and RN Holding's contribution was accounted for as interest-bearing long-term loans. As a result of the deconsolidation, we recognised a gain of RR 2,413 million (post-tax) in the first quarter of 2013, which was attributable to higher carrying amount of newly recognised balance sheet items of OOO Yugragazpererabotka compared to carrying amount of deconsolidated balance sheet items.

The following table presents calculation of the post-tax gain recognised on deconsolidation of OOO Yugragazpererabotka in the first quarter of 2013 and the year ended 31 December 2013:

Income from derecognition of RN Holding's share previously recognised as long-term debt	4,949(2)
Share of net assets recognised as investment in joint ventures (based on net assets of RR 5,176 million and a 51% ownership)	2,640
Total income from deconsolidation of a subsidiary	**7,589**
Less: Net assets deconsolidated	(5,176)
Post-tax gain on deconsolidation of a subsidiary	**2,413**

Acquisition of control in OOO Yugragazpererabotka and new supply and purchase contracts in 2014

On 6 March 2014, SIBUR acquired from Rosneft Group a 49% interest in OOO Yugragazpererabotka, gaining full control over the three GPPs and related infrastructure, at the same time the parties entered into new APG supply and natural gas purchase contracts. The deal value totaled USD 1.6 billion in cash with USD 0.6 billion paid in March 2014 and the remaining amount payable within one year after the acquisition date.

New contracts replace a number of supply and purchase contracts for APG, raw NGL and dry gas supplied to and produced at the GPPs of OOO Yugragazpererabotka, under which the parties previously operated. Tenor of the APG and natural gas contracts was extended from 2026 to 2032 (inclusive). Rosneft will increase guaranteed volumes of APG to be supplied to the three GPPs to approximately 10 billion cubic metres per annum from 6.6 billion cubic metres per annum. Under new arrangements,

(1) Equivalent to natural gas.

(2) Includes principal amounts of debt owed by SIBUR to RN Holding and accrued interest. Excludes debt owed by OOO Yugragazpererabotka to RN Holding.

SIBUR will pay for 100% of APG supplied to the GPPs of OOO Yugragazpererabotka with Rosneft remaining the dominant supplier. The new APG price will be formula-based and indexed in line with changes in prices for APG derivatives: dry gas and raw NGL. SIBUR will retain 100% of natural gas produced at the GPPs and will has an arrangement to sell all volumes produced at Nizhnevartovskiy GPP and Belozerniy GPP to Rosneft at a price directly linked to the regulated domestic gas price. The supply contracts for raw NGL produced at the the GPPs of OOO Yugragazpererabotka were terminated and SIBUR will retain 100% of raw NGL volumes produced at these GPPs.

SIBUR will consolidate OOO Yugragazpererabotka as a wholly owned subsidiary from the acquisition date. Following this, the arrangements are expected to have the following impact on our operational and financial results:

- *increase in APG purchasing volumes and costs*. SIBUR will be purchasing 100% of APG supplied to the GPPs of OOO Yugragazpererabotka, while previously we purchased 51% of the volumes.
- *increase in raw NGL production, decrease in raw NGL purchasing volumes and costs*. SIBUR will consolidate 100% of raw NGL produced by the GPPs of OOO Yugragazpererabotka, while previously we retained 51% of these volumes and purchased the remaining 49% from Rosneft.
- *increase in production volumes, sales volumes and revenue from sales of natural gas*. SIBUR will consolidate 100% of natural gas produced by the GPPs of OOO Yugragazpererabotka and has a right to sell all volumes produced at Nizhnevartovskiy GPP and Belozerniy GPP to Rosneft. Previously Rosneft obtained 49% of natural gas produced at the the GPPs of OOO Yugragazpererabotk, while SIBUR sold the remaining 51% to Rosneft.
- *increase in operating expenses other than feedstock & materials*. SIBUR will consolidate operating expenses of OOO Yugragazpererabotka, while the related processing fee will be treated as intercompany. Following the deconsolidation in March 2013, we paid processing fee to the JV and did not consolidate its operating expenses. The change will primarily affect energy & utilities, staff costs, depreciation & amortisation, repairs & maintenance that are expected to increase, as well as processing services of third parties that are expected to substantially decline.
- *increase in the value of PP&E, goodwill and other non-current assets*. The Group management is currently assessing the purchase price allocation.
- *increase in the value of accounts payable and total debt*.
- *non-cash gain on equity interest to be recorded in our statement of profit or loss*. It will relate to the difference between fair value of SIBUR's interest in the JV and the amount of the deconsolidated net assets, which represent SIBUR's share in the JV accounted for at historical cost. For the purpose of dividends calculation SIBUR's net profit will be adjusted for this charge.
- *increase in capital expenditures*. SIBUR will consolidate OOO Yugragazpererabotka's capital expenditures, while previously we paid 51% and reported them as loans issued or contributions to share capital of joint ventures.

APPENDIX III: Equity-Settled Share-Based Payment Plans

On 28 June 2013, a company beneficially owned by Mr. Mikhelson and Mr. Timchenko granted equity-settled share-based payment plans to certain current and former Group's directors and key management. Consequently, the indirect interest beneficially owned by Mr. Mikhelson and Mr. Timchenko in the Company's share capital decreased from 94.5% to 82.5%. Furthermore, the total combined equity interest held by the current and former members of the Group's management increased from 5.5% to 17.5%.

The transactions resulting in this change in ownership were made through companies that are not under the control of the Group but through a company jointly and beneficially held by the major shareholders. Thus, at the Group level, there are no current or future cash payments or liabilities under both plans to be discussed below. However, under IFRS 2 "Share-Based Payment", the Group must recognise current and past service costs in its statement of profit or loss with corresponding amounts recorded in a statement on changes in equity.

The final terms of the plans, which cover certain members of the directors and key management (hereinafter, the "Participants") of the Group, were approved by the Group's shareholders in July 2013. These plans' terms and conditions vary for different Participants.

The First Plan - The plan for one group of Participants (hereinafter, the "First Plan") requires that the Participants provide services to the Group within a certain time period. If the services are terminated before the vesting date, the First Plan Participants retain their rights under the First Plan pro rata to the period of service provided. The granted shares are vested to each Participant annually in tranches. Each tranche comes to 20% of the total shares granted provided that the participant is continuously employed by the Company from the grant date until the applicable vesting date. Each tranche is accounted as a separate arrangement and expensed, together with a corresponding increase in shareholders' equity, on a straight–line basis over the vesting periods.

In 2013, the Group recognised RR 7,554 million (USD 232 million) as expenses under the First Plan and a corresponding increase in other equity reserves. This charge related to the services provided for the six month ended 31 December 2013.

The Second Plan - The plan for the other participants (hereinafter, the "Second Plan") is immediately vested. The Second Plan Participants partially paid for the shares granted with the remainder to be paid at a later date with interest. For the year ended 31 December 2013, the Group recognised RR 340 million (USD 10.4 million) as past service costs under the Second Plan and a corresponding increase in other equity reserves.

The equity-settled share awards under the plans are measured at the fair value for the underlying shares calculated at the grant date using a valuation model.

As of the grant date, the calculation of the Group's equity value uses pre-tax cash flow projections based on a five-year financial forecast. Cash flows beyond the five-year period are extrapolated based on an estimated growth rate of 2.35%, which is the long-term average growth rate for the industry in which the Group operates. The following key assumptions are used in the equity value calculation: a pre-tax discount rate of 16.63%, oil price of USD 89-99 per bbl and Russian Federation Consumer Price Index of 5.0 – 6.5%.