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 30 June 2013 and for the three and six months then ended (hereinafter referred to as "MD&A") in conjunction with our unaudited consolidated interim condensed financial information as of and for the three and six months ended 30 June 2013 and 2012 (hereinafter referred to as the "consolidated interim financial information"). The consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

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 three and six months ended 30 June 2013 and 2012:

Tonnes, except as stated	Three months ended 30 June 2013	Three months ended 30 June 2012	*Change %*	Six months ended 30 June 2013	Six months ended 30 June 2012	*Change %*
Processing and production volumes						
APG processing[2] (thousand cubic metres)	4,763,261	4,514,833	*5.5%*	9,635,356	9,140,248	*5.4%*
APG processing, SIBUR's share[3] (thousand cubic metres)	3,358,322	3,116,594	*7.8%*	6,786,469	6,301,268	*7.7%*
Natural gas production[2] (thousand cubic metres)	4,117,903	3,955,333	*4.1%*	8,341,818	8,008,428	*4.2%*
Natural gas production, SIBUR's share[3] (thousand cubic metres)	2,792,201	2,629,160	*6.2%*	5,655,811	5,323,616	*6.2%*
Raw NGL production[2]	1,287,050	1,097,596	*17.3%*	2,572,444	2,244,767	*14.6%*
Raw NGL production, SIBUR's share[3]	907,968	718,507	*26.4%*	1,818,446	1,477,679	*23.1%*
Sales volumes						
Natural gas sales volumes (thousand cubic metres)	2,687,591	2,463,872	*9.1%*	6,211,514	5,244,367	*18.4%*
NGLs sales volumes	1,239,435	1,012,646	*22.4%*	2,334,561	1,993,041	*17.1%*
MTBE, other fuels & fuel additives sales volumes	139,021	153,752	*(9.6%)*	320,791	307,461	*4.3%*
Petrochemical products sales volumes	535,233	543,708	*(1.6%)*	1,064,436	1,154,083	*(7.8%)*

(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 (formerly TNK-BP Holding) share in 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 (formerly TNK-BP Holding) share in processing / production volumes of OOO Yugragazpererabotka.

Financial Results

The following table presents the Group's key financial measures for the three and six months ended 30 June 2013 and 2012:

RR millions, except as stated	Three months ended 30 June 2013	Three months ended 30 June 2012	Change %	Six months ended 30 June 2013	Six months ended 30 June 2012	Change %
Income statement highlights						
Revenue (net of VAT and export duties)	63,846	65,330	*(2.3%)*	130,030	136,926	*(5.0%)*
EBITDA	17,612	19,502	*(9.7%)*	38,117	42,562	*(10.4%)*
EBITDA margin, %	*27.6%*	*29.9%*		*29.3%*	*31.1%*	
Profit for the reporting period	9,911	8,466	*17.1%*	25,545	29,662	*(13.9%)*
Profit margin, %	*15.5%*	*13.0%*		*19.6%*	*21.7%*	
Earnings per share (in Russian roubles)	4.5	3.9		11.7	13.7	
Weighted average number of shares outstanding (in thousands)	2,178,479	2,178,479		2,178,479	2,178,479	
Cash flow highlights						
Net cash from operating activities	13,890	16,998	*(18.3%)*	36,995	38,847	*(4.8%)*
Net cash used in investing activities, including	(14,333)	(17,336)	*(17.3%)*	(36,717)	(15,821)	*132.1%*
Purchase of property, plant and equipment	*(14,537)*	*(20,342)*	*(28.5%)*	*(36,044)*	*(32,226)*	*11.8%*
Proceeds from disposal of the mineral fertilisers and tyres businesses and Amtel Group assets	-	-	*n/m*	-	*13,673*	*(100.0%)*
Net cash used in financing activities, including	(13,596)	(21,624)	*(37.1%)*	(9,600)	(33,888)	*(71.7%)*
Dividends paid to SIBUR shareholders	*(7,625)*	*(21,786)*	*(65.0%)*	*(7,625)*	*(21,786)*	*(65.0%)*

	As of 30 June 2013	As of 31 March 2013	As of 31 December 2012
Key ratios			
Debt / EBITDA	1.21x	1.21x	1.17x
Net debt[1] / EBITDA	1.16x	0.98x	1.00x
EBITDA / Interest[2]	16x	16x	22x

In the first half of 2013, our revenue totaled RR 130,030 million compared to RR 136,926 million in the first six months of 2012, a decrease of 5.0% year-on-year. The decrease was largely attributable to three key factors. First, our synthetic rubber business continued to be under significant pressure due to weak demand on our key markets and persisting price correction for majority of synthetic rubber grades. Second, in the first quarter of 2012, we continued trading activities in favour of the mineral fertilisers business, which had been divested at the end of 2011. Revenue from such trading activities, which we reported as "trading and other sales" in the first quarter of 2012, is non-recurring, as these activities were discontinued from the second quarter of 2012. Third, following the deconsolidation of OOO Yugragazpererabotka (our joint venture with RN Holding[3]) as of 12 March 2013, we no longer consolidate the JV's revenue, which affected our sales of processing services in the second quarter of 2013. The above factors were only partially compensated by solid performance of our energy product group on strong volume growth despite lower prices and an increase in revenue from sales of plastics & organic synthesis products thanks to higher production and change in scope through consolidation of the BIAXPLEN group of companies.

Our EBITDA for the first half of 2013 amounted to RR 38,117 million, a year-on-year decline of 10.4% from RR 42,562 million in the corresponding period of 2012. Our EBITDA margin totaled 29.3% compared to 31.1% reported for the same period 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 synthetic rubber product group.

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

(2) Interest represents accrued interest, i.e. includes interest expense and capitalised interest. For the purposes of this MD&A, SIBUR changed its approach to reporting interest coverage ratio, as previously interest included only interest expense and excluded capitalised interest. We believe that the new approach is more conservative and provides our readers with more accurate metrics.

(3) Formerly TNK-BP Holding. Renamed RN Holding as of 30 July 2013 following the acquisition by Rosneft.

Net profit for the first half of 2013 totaled RR 25,545 million versus RR 29,662 million in the first half of 2012, a decrease of 13.9% year-on-year. The decline was largely attributable to lower EBITDA and the foreign exchange loss on the revaluation of our USD-denominated debt, which was materially higher than a year earlier. These factors were only partially compensated by gain on deconsolidation of OOO Yugragazpererabotka. Our net margin in the reporting period amounted to 19.6% versus 21.7% in the first six months ended 30 June 2012.

Our cash from operating activities decreased by 4.8% year-on-year to RR 36,995 million in the first half of 2013 compared to RR 38,847 million in the corresponding period of 2012, as the decline in EBITDA was largely offset by a positive impact from changes in working capital.

For 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 three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		**Six months ended30 June**	
RR millions	**2013**	**2012**	**2013**	**2012**
Profit for the reporting period	**9,911**	**8,466**	**25,545**	**29,662**
Loss from disposal of the Amtel Group assets	-	-	-	315
Income tax expense	1,636	2,468	4,479	6,633
Share of net (income)/loss of joint ventures	129	13	(148)	79
Gain on deconsolidation/acquisition of a subsidiary	-	-	(2,413)	(430)
Net finance expenses	3,308	6,081	5,270	1,586
Impairment of property, plant and equipment	-	262	181	262
Depreciation and amortisation	2,628	2,212	5,203	4,455
EBITDA	**17,612**	**19,502**	**38,117**	**42,562**

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 30 June 2013, SIBUR operated 27[(1)] production sites across Russia and employed more than 28,000 personnel[(2)]. We serve over 1,500 large customers operating in the energy, automotive, construction, fast moving consumer goods (FMCG), chemical and other industries in approximately 60 countries.

[(1)] Including three gas processing plants (GPPs) operated by OOO Yugragazpererabotka, our JV with RN Holding (formerly TNK-BP Holding), which we do not consolidate from the second quarter of 2013.
[(2)] Excluding personnel of non-consolidated joint ventures.

RECENT DEVELOPMENTS

In August 2013, SIBUR launched a new thermoplastic elastomers production facility with an annual 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.

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 set up on the basis of SIBUR's existing plant with a total production capacity of 42,500 tonnes of NBR per annum. SINOPEC holds 25% plus one share in the JV, while SIBUR's share 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 shareholder structure change in the IFRS consolidated interim financial information and consolidated financial statements for the full year.

In July 2013, the urban planning authority of Tobolsk issued its permission to commission the Tobolsk-Polymer Plant. In June 2013, SIBUR received a confirmation from the Federal Service for Environmental, Technological and Nuclear Supervision ("Rostekhnadzor") that Tobolsk-Polymer Plant meets all the relevant technical criteria and fully complies with the design documentation.

We successfully completed commissioning works and tests on propylene polymerisation and polypropylene extrusion units in July 2013. Earlier we finalised the testing of polypropylene packaging and shipping facilities as well as the propylene storage facility. The commissioning works now focus primarily on the propane dehydrogenation unit. The Tobolsk-Polymer Plant is scheduled for launch in 2013 upon completion of the commissioning stage and receipt of all the remaining regulatory approvals.

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 the premium Western European markets. The project is at the commissioning stage and is scheduled for launch in 2013.

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

In April 2013, SIBUR completed decommissioning of Caprolactam, an outdated chlorine and caustic soda production facility located near the city of Dzerzhinsk, owned and operated by SIBUR-Neftekhim. 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 complex, located in Kstovo, the Nizhny Novgorod region, is scheduled for commercial launch in 2014.

SIBUR is in the process of transforming the former Caprolactam's production site into the Oka Polymer industrial park, which is expected to accommodate polymer processing companies, R&D institutions and other tenants. As of today, 20 residents have confirmed their engagement, including Kazan Synthetic Rubber Plant, Tosol-Sintez, Boryszew Plastik Rus. SIBUR-Neftekhim will also retain its residence.

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 TNK-BP Holding (renamed RN Holding as of 30 July 2013 following its acquisition by Rosneft. Hereinafter referred to as “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. 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 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 March 2013, SIBUR had seven international sales desks in four countries outside 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 three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		Six months ended 30 June	
	2013	**2012**	**2013**	**2012**
European Union (EU-15)	(0.3%)	(0.4%)	(0.6%)	(0.2%)
United States	1.4%	2.8%[(1)]	1.4%	3.0%[(1)]
China	7.5%	7.6%	7.6%	7.9%
Russia	1.2%	4.3%[(2)]	1.4%	4.5%[(2)]

Source: Eurostat, U.S. Bureau of Economic Analysis, IMF, 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 three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		Six months ended 30 June	
	2013	**2012**	**2013**	**2012**
RR/USD rate at the end of the preceding period	31.0834	29.3282	30.3727	32.1961
RR/USD rate at the end of the reporting period	32.7090	32.8169	32.7090	32.8169
Average RR/USD rate	31.6130	31.0139	31.0169	30.6390
RR/EUR rate at the end of the preceding period	39.8023	39.1707	40.2286	41.6714
RR/EUR rate at the end of the reporting period	42.7180	41.3230	42.7180	41.3230
Average RR/EUR rate	41.2921	39.8088	40.7444	39.7436

Source: CBR

(1) In 2013, the data were revised by U.S. Bureau of Economic Analysis according to the comprehensive revision of the National Income and Product Accounts.
(2) In 2013, the data were revised by the Russian Federal State Statistics Service.

SIBUR's functional and reporting currency is the Russian rouble. However, our sales to countries outside of Russia (41.5% and 46.8% of total revenue in the first half of 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. When the Russian rouble depreciates against the US dollar, US dollar-denominated liabilities 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 1.2% relative to the US dollar in the six months ended 30 June 2013 compared to the average level of the first half of 2012, which had a positive impact on our export revenue and our operational results. At the same time, the Russian rouble as of 30 June 2013 depreciated against its 2012 year-end level by 7.7%, resulting in a financial loss reported in SIBUR's interim condensed financial information, 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 other.

The following table presents selected data on inflation rates for the three, six and twelve months ended 30 June 2013 and 2012:

	30 June to 31 March		**30 June to 31 December**		**30 June to 30 June**	
	2013	**2012**	**2013/2012**	**2012/2011**	**2013/2012**	**2012/2011**
Consumer price index (CPI)	101.6%	101.7%	103.5%	103.2%	106.9%	104.3%[1]
Producer price index (PPI)	98.3%	97.4%	99.1%	100.4%[1]	103.7%	104.3%[1]

Source: Russian Federal State Statistics Service

Interest Rates

SIBUR borrows funds at both fixed and floating rates. As of 30 June 2013, 48.4% of our total borrowings were at fixed rates and 51.6% - 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 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

[1] In 2013, the data were revised by the Russian Federal State Statistics Service.

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 as feedstock, and, as a result, we are a net seller of these products. External sales of raw NGL, LPG and naphtha accounted for 33.4% and 30.0% of our total revenue in the first half of 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 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 three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		*Change*	**Six months ended 30 June**		*Change*
USD per ton except as stated	**2013**	**2012**	*%*	**2013**	**2012**	*%*
Brent (USD per bbl)[(1)]	103.4	108.8	*(5.0%)*	107.8	113.6	*(5.1%)*
Naphtha (CIF NWE)[(2)]	830.6	879.3	*(5.5%)*	888.5	947.5	*(6.2%)*
LPG DAF Brest[(2)]	601.1	778.0	*(22.7%)*	647.6	780.1	*(17.0%)*
LPG Sonatrach[(2)]	709.2	844.1	*(16.0%)*	794.6	917.5	*(13.4%)*

Source:
(1) Bloomberg
(2) Argus

Export Duties on LPG and Naphtha

LPG (excluding butane and isobutane) and naphtha (excluding pentane and isopentane) we export are subject to export duties, which are set monthly by the Russian Government. Export sales to the members 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:

	Three months ended 31 March		**Three months ended 30 June**		**Six months ended 30 June**		*Change, %*
Export duties, USD per tonne	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	*H1 2013 / H1 2012*
LPG							
At the end of the period	131.4	157.3	72.2	237.1	72.2	237.1	*(69.5%)*
Average for the period	176.8	180.0	71.4	197.4	124.1	188.7	*(34.2%)*
Naphtha							
At the end of the period	378.6	370.1	323.3	377.8	323.3	377.8	*(14.4%)*
Average for the period	365.9	360.7	341.8	398.7	353.8	379.7	*(6.8%)*

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.

As of 1 July 2012, the FTS increased the wholesale prices for natural gas on the domestic market by 15%.

According to the Russian 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 range of maximum and minimum wholesale price. 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 European oil derivatives prices within a range of 3% from the average prices set previously.

The wholesale gas prices to end-customers on the domestic market (excluding residential customers) were decreased by 3% effective from 1 April 2013 to reflect changes in European oil derivatives prices. As of 1 July 2013, the wholesale natural gas prices on the domestic market were increased by 15%.

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 (defined as more than 5%) of natural gas prices for the previous quarter calculated using price formula from the average annual natural gas prices based on the average annual natural gas prices changes set by the Government of the Russian Federation.

In July 2013, the FTS made a decision to recalculate the minimum and maximum wholesale gas prices on the domestic market effective from 1 August 2013. As a result, as of 1 August 2013, the average wholesale natural gas prices were increased by 3%.

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	3.0%

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.

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 typically also are 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 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 26.4% and 21.9% of our expenses related to third-party hydrocarbon feedstock purchases in the first half of 2013 and 2012, respectively. As a percentage of total feedstock and materials costs, APG accounted for 13.4% and 11.8% in the first half of 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 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 73.6% and 78.1% of our expenses related to third-party hydrocarbon feedstock purchases in the first half of 2013 and 2012, respectively. As a percentage of total feedstock and materials costs, NGLs accounted for 37.2% and 42.3% in the first half of 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 (hereinafter referred to as "RN Holding") established a joint venture (JV) OOO Yugragazpererabotka. SIBUR owns a 51% stake in the JV, while RN Holding's share is 49%. OOO Yugragazpererabotka owns and operates three GPPs (Nizhnevartovskiy GPP, Belozerniy GPP and Nyagan GPP), three compressor stations and APG pipelines from compressor stations to the GPPs. SIBUR and RN Holding operate within a contractual network, under which RN Holding supplies APG to OOO Yugragazpererabotka for processing into raw NGL and dry gas[(1)]. In addition to volumes from RN Holding, OOO Yugragazpererabotka also processes APG supplied from other oil companies. SIBUR and RN Holding own the feedstock and refined products, while paying a processing fee to OOO Yugragazpererabotka. SIBUR pays for 51% of the total APG volumes supplied for processing to OOO Yugragazpererabotka and obtains 51% of the total NGLs and dry gas volumes produced by the JV. RN Holding obtains the remaining volumes. Subsequently SIBUR purchases RN Holding's share of NGLs and sells to RN Holding its share of dry gas. In March 2013, SIBUR and RN Holding changed the duration of the JV to indefinite, extended key supply contracts until 2026 and increased the guaranteed APG volumes to be supplied by RN Holding to Nizhnevartovskiy and Belozerniy GPPs after 2016.

In the first half of 2013 and 2012, the APG supplies from RN Holding accounted for 37.3% and 40.3% of SIBUR's total APG supplies in volume terms, respectively. The raw NGL supplies from RN Holding accounted for 40.7% and 45.2% of SIBUR's total NGLs supplies in volume terms in the six months of 2013 and 2012, respectively. The acquisition of RN Holding by Rosneft, 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 62.8% in the first six months of 2013. As legacy Rosneft did not supply NGLs to SIBUR, our supplier concentration in NGLs has not changed as a result of the above acquisition.

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, Gazprom Neft, Surgutneftegas, LUKOIL and RussNeft, primarily under long-term contracts.

As of 30 June 2013, approximately 74.1% of our planned APG supplies for 2013 were guaranteed under multi-year supply contracts[(2)]. Overall, as of 30 June 2013, our multi-year APG supply contracts had a weighted average maturity of 12.4 years[(2)].

As of 30 June 2013, approximately 78.6% of our planned NGLs supplies for 2013 were guaranteed under multi-year supply contracts[(2)]. Overall, as of 30 June 2013, our multi-year NGLs supply contracts had a weighted average maturity of 12.1 years[(2)].

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(1) Equivalent to natural gas.

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

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 program.

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 have to 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;
- 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 with 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 Rupec, the total volume of flared APG in Russia in 2012 was 17.1 billion cubic metres or 24% of total produced volumes, while Western Siberia represented 37% of total flared volumes. In the first quarter of 2013, APG flaring decreased to 18% as a percentage of total produced volumes in the respective period, according to Rupec.

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 a 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 (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.

Unlike APG, NGLs feedstock is priced with reference to international prices for LPG and naphtha. As the supply of NGLs significantly exceeds demand in Russia and particularly in Western Siberia, prices for NGLs are determined on an export netback basis, which reflects transportation costs and export duties. Transportation of NGLs out of Western Siberia is costly, with transportation costs consistently rising, reducing the prices at which NGLs are available 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 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 19.9% and 18.5% of our total operating expenses in the first half of 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.

According to the Forecast of Socio-Economic Development of the Russian Federation for 2013 announced in September 2012 by the Ministry of Economic Development of the Russian Federation, the transportation tariff for natural gas produced by independent producers will be increased in 2013, 2014 and 2015 effective 1 July and will not exceed the forecasted inflation rate (excluding an increase in the transportation tariffs as a result of possible property tax benefit cancellation for OAO Gazprom). According to preliminary estimates of the Ministry of Economic Development, the transportation tariff will be increased by 5.0% effective 1 July 2014 and by 4.8% effective 1 July 2015 (excluding an increase in the transportation tariffs as a result of possible property tax benefit cancellation for OAO Gazprom).

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 the first half of 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 volume of a delivery. The FTS reviews the Railway Tariff on an annual basis. The average increase in the Railway Tariff was 8.0% in 2011 and 6.0% in 2012. As of 1 January 2013, the FTS increased the Railway Tariff by another 7.0%.

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 in Perm. The plant is scheduled for launch within the next 24 months and is expected to meet approximately 40% of SIBUR-Khimprom'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 the first half of 2013) at our own production sites.

The following table presents volumes purchased and effective average prices for electricity and heat tariffs for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June				Change %		Six months ended 30 June				Change %	
	2013		2012				2013		2012			
	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff
Electricity (millions of kw/hour or RR per kw/hour)	1,364	2.10	2,380	1.86	*(42.7%)*	*13.0%*	3,694	2.02	4,877	1.84	*(24.3%)*	*9.8%*
Heat (thousands of gigacalories or RR per gigacalory)	1,904	714	2,077	652	*(8.3%)*	*9.5%*	4,716	728	5,001	660	*(5.7%)*	*10.3%*

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. Going forward, however, we anticipate that natural gas sales will decline as a percentage of our total sales as a result of lower share of APG feedstock in the overall feedstock mix. As a result, SIBUR is likely to have greater exposure to increases in energy and utility costs in the future (see “Natural Gas Prices” above).

DESCRIPTION OF SELETED 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 feedstock & energy and in petrochemicals segments provide a range of services to third parties. Such services primarily represent processing of feedstock and intermediates, rental services, energy supply, repairs and maintenance. Revenue from these services is not included in any product group revenue and is reported separately as sales of processing services and other sales; 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 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 its respective residual values over its respective estimated useful lives. Amortisation comprises amortisation of intangible assets calculated using a straight-line method to allocate the cost of relevant intangible assets over their estimated useful lives.

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

Goods for resale. Goods for resale include purchases of products from third parties for further resale externally, including refined products and intermediates.

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 promotion of SIBUR's corporate brand and are aimed at enhancing SIBUR's profile among our customers, suppliers, partners and general public. 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, 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 Internet.

Change in work-in-progress and refined products balances. 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 cost of production of such refined products incurred in the preceding periods while revenue from sale of these products were recognised in the reporting period.

Our volumes of refined product balances fluctuate from period to period depending on market conditions, changes in marketing and distribution strategy, as well as logistical constraints. They also tend to increase in the periods of completion of our major investment projects, which may trigger substantial inventory accumulation.

Operating Profit

Operating profit represents revenue less operating expenses.

EBITDA

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

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 the second quarter of 2013, revenue from sales of energy products reached RR 32,372 million compared to RR 30,840 million in the second quarter of 2012, an increase of 5.0% year-on-year on higher sales volumes in majority of our energy products, while effective average selling prices declined across the product range, largely following the international market prices. In the second quarter of 2013, our revenue from energy product sales was supported by the depreciation of the Russian rouble against both the US dollar and the euro.

In the first half of 2013, revenue from sales of energy products amounted to RR 67,219 million compared to RR 63,441 million in the first half of 2012, an increase of 6.0% year-on-year, as the factors discussed above largely prevailed both in the first and in the second quarter of 2013. Russian rouble depreciation had a marginally positive effect on our revenue from energy product sales. In the first half of 2013, 49.8% of our revenue from energy product sales was derived from the domestic market, while export sales accounted for 50.2%.

The following table presents a breakdown of our revenue from energy product sales for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June					**Six months ended 30 June**				
RR millions, except as stated	**2013**	***% of revenue***[1]	**2012**	***% of revenue***[1]	***Change %***	**2013**	***% of revenue***[1]	**2012**	***% of revenue***[1]	***Change %***
Energy products										
LPG	14,008	*21.9%*	13,224	*20.2%*	*5.9%*	27,098	*20.8%*	26,691	*19.5%*	*1.5%*
Domestic	*2,564*	*18.3%*	*3,108*	*23.5%*	*(17.5%)*	*5,031*	*18.6%*	*5,560*	*20.8%*	*(9.5%)*
Export	*11,444*	*81.7%*	*10,116*	*76.5%*	*13.1%*	*22,067*	*81.4%*	*21,131*	*79.2%*	*4.4%*
Natural gas, domestic sales	*5,505*	*8.6%*	*5,381*	*8.2%*	*2.3%*	*12,736*	*9.8%*	*11,491*	*8.4%*	*10.8%*
Naphtha	5,820	*9.1%*	5,821	*8.9%*	*(0.0%)*	11,884	*9.1%*	12,774	*9.3%*	*(7.0%)*
Domestic	*1,746*	*30.0%*	*569*	*9.8%*	*206.9%*	*3,406*	*28.7%*	*1,021*	*8.0%*	*233.6%*
Export	*4,074*	*70.0%*	*5,252*	*90.2%*	*(22.4%)*	*8,478*	*71.3%*	*11,753*	*92.0%*	*(27.9%)*
MTBE	4,105	*6.4%*	4,812	*7.4%*	*(14.7%)*	9,676	*7.4%*	9,234	*6.7%*	*4.8%*
Domestic	*3,901*	*95.0%*	*3,426*	*71.2%*	*13.9%*	*8,234*	*85.1%*	*6,413*	*69.5%*	*28.4%*
Export	*204*	*5.0%*	*1,386*	*28.8%*	*(85.3%)*	*1,442*	*14.9%*	*2,820*	*30.5%*	*(48.9%)*
Raw NGL	2,398	*3.8%*	820	*1.3%*	*192.4%*	4,491	*3.5%*	1,608	*1.2%*	*179.3%*
Domestic	*1,571*	*65.5%*	*13*	*1.6%*	*11,984.6%*	*2,736*	*60.9%*	*128*	*7.9%*	*2,037.5%*
Export	*827*	*34.5%*	*807*	*98.4%*	*2.5%*	*1,755*	*39.1%*	*1,481*	*92.1%*	*18.5%*
Other fuels and fuel additives	536	*0.8%*	782	*1.2%*	*(31.5%)*	1,334	*1.0%*	1,643	*1.2%*	*(18.8%)*
Domestic	*536*	*100.0%*	*781*	*99.8%*	*(31.4%)*	*1,332*	*99.9%*	*1,641*	*99.9%*	*(18.8%)*
Export	*-*	*-*	*1*	*0.2%*	*(100.0%)*	*2*	*0.1%*	*1*	*0.1%*	*23.8%*
Energy products, total	**32,372**	***50.7%***	**30,840**	***47.2%***	***5.0%***	**67,219**	***51.7%***	**63,441**	***46.3%***	***6.0%***
Domestic	***15,824***	***48.9%***	***13,278***	***43.1%***	***19.2%***	***33,474***	***49.8%***	***26,254***	***41.4%***	***27.5%***
Export	***16,548***	***51.1%***	***17,561***	***56.9%***	***(5.8%)***	***33,744***	***50.2%***	***37,187***	***58.6%***	***(9.3%)***

Liquefied Petroleum Gases (LPG)

In the second quarter of 2013, revenue from LPG sales increased by 5.9% year-on-year to RR 14,008 million from RR 13,224 million in the second quarter of 2012 on higher sales volumes despite a decrease in the effective average selling price.

In the three months ended 30 June 2013, our external LPG sales volumes increased by 11.0% year-on-year on a 3.4% production growth combined with lower intercompany deliveries to petrochemicals business and inventory sales in the second quarter of 2013 as opposed to inventory accumulation a year earlier. The growth in production was primarily attributable to generally higher fractionation volumes of raw NGL at our GFUs, inter alia due to improved capacity utilisation at Uralorgsintez, which was subdued in the first quarter of 2012 by certain logistical constraints. The decrease in intercompany sales

[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.

to the petrochemicals business is explained by a partial replacement of LPG by raw NGL. Inventories declined in the second quarter of 2013 as we partially sold out LPG volumes accumulated in Black Sea ports at the end of the first quarter of 2013. These factors were to a certain extent offset by lower LPG purchases for further resale.

The effective average selling price in the second quarter of 2013 decreased by 4.6% year-on-year in Russian rouble terms or by 6.4% in US dollar terms, largely following international market prices. Our effective selling prices were also affected by a higher share of propane in the sales mix, as market prices for propane were under significant pressure due to oversupply both domestically and in our key markets (see "Crude Oil, Naphtha, Raw NGL and LPG Prices" and "Natural Gas Prices" in the "Certain Factors Affecting Our Results of Operations" section above for further details).

In the first half of 2013, revenue from LPG sales increased by 1.5% year-on-year to RR 27,098 million from RR 26,691 million in the first six months of 2012 on a 8.4% increase in sales volumes, which was partially offset by a 6.3% decline in the effective average selling price in Russian rouble terms (a 7.4% decline in US dollar terms). The increase in sales volumes was largely attributable to the factors discussed above except for changes in inventory balances, as in the first quarter of 2013 we accumulated inventories in Black Sea ports, selling only part of them in the second quarter of 2013. Our effective average selling price for LPG moved largely in line with international market prices both in the first and in the second quarter of 2013. In the first half of 2013, domestic sales accounted for 18.6% of total LPG revenue, while 81.4% was attributable to export sales.

The following table presents data on our LPG production, purchases and sales volumes for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		***Change***	**Six months ended 30 June**		***Change***
Tonnes, except as stated	**2013**	**2012**	***%***	**2013**	**2012**	***%***
LPG						
Production	971,576	939,752	*3.4%*	1,994,353	1,916,221	*4.1%*
Purchases from third parties, including	33,942	36,416	*(6.8%)*	66,973	108,509	*(38.3%)*
Purchases for resale	*13,154*	*22,903*	*(42.6%)*	13,154	36,353	*(63.8%)*
Total production and purchases	**1,005,518**	**976,169**	***3.0%***	**2,061,326**	**2,024,730**	***1.8%***
(Internal use)[1]	(98,358)	(97,622)	*0.8%*	(231,721)	(281,136)	*(17.6%)*
(Increase)/decrease in stock	3,654	(2,366)	*n/m*	(32,154)	7,535	*n/m*
Gross sales, including	910,815	876,181	*4.0%*	1,797,450	1,751,129	*2.6%*
Intercompany sales to petrochemical business	148,354	189,244	*(21.6%)*	352,591	417,643	*(15.6%)*
External sales	**762,460**	**686,937**	***11.0%***	**1,444,860**	**1,333,486**	***8.4%***
Domestic	***198,170***	***226,944***	***(12.7%)***	***386,047***	***414,685***	***(6.9%)***
Export	***564,291***	***459,993***	***22.7%***	***1,058,813***	***918,801***	***15.2%***

Natural Gas

In the second quarter of 2013, revenue from natural gas sales increased by 2.3% year-on-year to RR 5,505 million from RR 5,381 million in the second quarter of 2012 on higher sales volumes despite a decrease in the effective average selling price.

Natural gas sales volumes increased by 9.1% primarily on higher production and third-party purchases. Our natural gas production increased by 6.2% year-on-year due to higher volumes of APG processing. 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 made a larger portion of internally produced volumes available for sale.

The effective average selling price decreased by 6.2% year-on-year as a result of a change in the delivery basis to "ex-field" (either at our access points to the UGSS or right at SIBUR's production sites) starting from 2013, while in 2012 we were responsible for handling substantial volumes of natural gas deliveries via the UGSS, which implied a high transportation component in our effective average selling price. If adjusted for the transportation component, the effective average selling price increased by 11.1% in the second quarter of 2013 compared to the second quarter of 2012 largely in line with changes in the

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

regulated natural gas prices (see “Natural Gas Prices” in the “Certain Factors Affecting Our Results of Operations” section above for further details).

In the first half of 2013, revenue from natural gas sales increased by 10.8% year-on-year to RR 12,736 million from RR 11,491 million in the first six months of 2012 as a result of a 18.4% increase in sales volumes due to higher production and sales of natural gas balances accumulated in the UGSS. Our effective average selling price decreased by 6.4% due to the change in the delivery basis discussed above, which more than offset the positive effect that the movements in the regulated natural gas prices had on our effective selling price (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.

The following table presents data on our natural gas production, purchases and sales volumes for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		***Change***	**Six months ended 30 June**		***Change***
Thousands of cubic metres, except as stated	**2013**	**2012**	***%***	**2013**	**2012**	***%***
Natural gas						
Production[1]	4,117,903	3,955,333	*4.1%*	8,341,818	8,008,428	*4.2%*
Production, SIBUR's share[2]	**2,792,201**	**2,629,160**	***6.2%***	**5,655,811**	**5,323,616**	***6.2%***
Purchases from third parties	186,039	134,954	*37.9%*	404,307	340,494	*18.7%*
Total production and purchases	**2,978,240**	**2,764,114**	***7.7%***	**6,060,117**	**5,664,110**	***7.0%***
(Internal use)[3]	(289,993)	(286,101)	*1.4%*	(647,947)	(635,230)	*2.0%*
(Increase)/decrease in stock	(656)	(14,141)	*(95.4%)*	799,344	215,487	*270.9%*
External sales	**2,687,591**	**2,463,872**	***9.1%***	**6,211,514**	**5,244,367**	***18.4%***
Domestic	***2,687,591***	***2,463,872***	***9.1%***	***6,211,514***	***5,244,367***	***18.4%***
Export	***-***	***-***	***n/m***	***-***	***-***	***n/m***

Naphtha

In the second quarter of 2013, revenue from naphtha sales remained largely flat at RR 5,820 million compared to the second quarter of 2012, as an increase in sales volumes was offset by lower effective average selling price.

Our external naphtha sales volumes increased by 2.7% year-on-year primarily due to lower intercompany sales to our petrochemicals business. At the same time, our sales volumes were restrained by a 1.9% decrease in production, lower third-party purchases and inventory accumulation versus inventory sales a year earlier. We intentionally decreased our third-party purchases of naphtha in order to accommodate growing volumes of raw NGL, which inter alia were used as naphtha substitute at our petrochemicals facilities. Increase in naphtha inventories is explained by accumulation of high-tonnage shipments for our developing northern seaborne sales in preparation for the launch of our Ust-Luga transshipment facility.

The effective average selling price decreased by 2.6% in Russian rouble terms or by 4.5% in US dollar terms, following international market prices for naphtha and gasoline (which is a reference price for isopentane).

In the first half of 2013, revenue from naphtha sales decreased by 7.0% year-on-year to RR 11,884 million from RR 12,774 million in the first six months of 2012, on a 3.9% decrease in the effective average selling price in Russian rouble terms (a 5.0% decrease in US dollar terms), following market prices, and a 3.2% decline in sales volumes primarily attributable to inventory accumulation compared to inventory sales a year earlier and lower third-party purchases, as discussed above. These factors were partially compensated by lower intercompany sales of naphtha to our petrochemicals business due to replacement by growing supplies of raw NGL (see “Raw NGL” below for further details). In the first half of 2013, domestic sales accounted for 28.7% of total naphtha revenue, while 71.3% was attributable to export sales.

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(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 three and six months ended 30 June 2013 and 2012:

Tonnes, except as stated	**Three months ended 30 June** 2013	2012	***Change*** *%*	**Six months ended 30 June** 2013	2012	***Change*** *%*
Naphtha						
Production	322,336	328,690	*(1.9%)*	642,931	650,113	*(1.1%)*
Purchases from third parties, including	107,633	125,165	*(14.0%)*	223,138	228,507	*(2.3%)*
Purchases for resale	-	*50*	*(100.0%)*	-	*50*	*(100.0%)*
Total production and purchases	**429,969**	**453,855**	***(5.3%)***	**866,069**	**878,620**	***(1.4%)***
(Internal use)[1]	(1,381)	(794)	*73.9%*	(2,588)	(1,002)	*158.3%*
(Increase)/decrease in stock	(9,176)	4,771	*n/m*	(26,602)	16,691	*n/m*
Gross sales, including	419,412	457,833	*(8.4%)*	836,879	894,309	*(6.4%)*
Intercompany sales to petrochemical business	137,710	183,481	*(24.9%)*	299,606	339,127	*(11.7%)*
External sales	**281,703**	**274,352**	***2.7%***	**537,272**	**555,181**	***(3.2%)***
Domestic	***81,615***	***19,678***	***314.8%***	***158,346***	***37,335***	***324.1%***
Export	***200,087***	***254,673***	***(21.4%)***	***378,926***	***517,846***	***(26.8%)***

Methyl Tertiary Butyl Ether (MTBE)

In the second quarter of 2013, revenue from MTBE sales decreased by 14.7% year-on-year to RR 4,105 million from RR 4,812 million in the second quarter of 2012 as a result of a decrease in both effective average selling price and sales volumes.

The effective average selling price in the second quarter of 2013 decreased by 9.7% year-on-year on lower MTBE prices on the European markets.

MTBE sales volumes decreased by 5.5% year-on-year despite a 12.4% increase in production. Production growth was primarily attributable to capacity expansion at Uralorgsintez completed at the end of 2012 and improved MTBE production unit utilisation at SIBUR-Khimprom. At the same time our MTBE sales volumes were affected by changes in inventory balances: an immaterial increase in the second quarter of 2013 compared to a significant decrease in the second quarter of 2012. In 2012, we needed to accumulate substantial goods-in-transit balances in MTBE due to long delivery basis for majority of our MTBE sales. This also led to material movements in inventories. In 2013, we changed our delivery terms, shortening our average delivery basis, which resulted in a reduced absolute levels and magnitude of changes in MTBE inventories.

In the first half of 2013, our revenue from MTBE sales increased by 4.8% year-on-year to RR 9,676 million from RR 9,234 million in the first six months of 2012 as a 10.4% increase in sales volumes was offset by a 5.0% decrease in the effective average selling price. Sales volumes increased on higher production both in the first and in the second quarter of 2013 and inventory sales in the first quarter of 2013, as we completed a large export delivery accumulated at the end of 2012. Average selling prices largely followed international market prices. In the first half of 2013, domestic sales accounted for 85.1% of total MTBE revenue, while 14.9% was attributable to export sales.

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

The following table presents data on our MTBE production, purchases and sales volumes for the three and six months ended 30 June 2013 and 2012:

Tonnes, except as stated	**Three months ended 30 June**		*Change*	**Six months ended 30 June**		*Change*
	2013	**2012**	*%*	**2013**	**2012**	*%*
MTBE						
Production	106,678	94,909	*12.4%*	221,207	207,279	*6.7%*
Purchases from third parties	3,281	6,885	*(52.3%)*	9,774	12,815	*(23.7%)*
Total production and purchases	**109,959**	**101,794**	***8.0%***	**230,981**	**220,094**	***4.9%***
(Internal use)[1]	(92)	(49)	*85.9%*	(186)	(142)	*30.6%*
(Increase)/decrease in stock	(870)	13,587	*n/m*	17,685	5,189	*240.8%*
External sales	**108,997**	**115,332**	***(5.5%)***	**248,480**	**225,141**	***10.4%***
Domestic	***103,212***	***80,752***	***27.8%***	***209,921***	***153,369***	***36.9%***
Export	***5,785***	***34,581***	***(83.3%)***	***38,559***	***71,772***	***(46.3%)***

Raw NGL

In the second quarter of 2013, our revenue from raw NGL sales increased by 192.4% year-on-year to RR 2,398 million from RR 820 million in the second quarter of 2012 due to higher volumes despite lower prices.

External sales volumes of raw NGL increased by 280.2% or 143,915 tonnes year-on-year on a 26.4% (189,460 tonnes) production growth as well as higher third-party purchases. The growth in raw NGL production is attributable to higher volumes of processed APG and an improvement in liquids recovery ratio at Vyngapurovskiy and Yuzhno-Balykskiy GPPs. Third-party purchases surged on growing supplies of raw NGL from our existing supplier on increasing wet gas extraction from one of their gas fields. These factors were only partially offset by higher volumes of raw NGL fractionation. Overall, the growth in the total raw NGL volumes available for sale is attributable to rising supplies of raw NGL in Western Siberia, which substantially increase available fractionation capacity. To address the issue, SIBUR is expanding its gas fractionation capacity in Tobolsk through construction of a second fractionation unit, 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 already in 2014.

The effective average selling price decreased by 23.1% in the second quarter of 2013 compared to the second quarter of 2012, following lower market prices for LPG and naphtha and also reflecting increased supply of raw NGL in the market.

In the first half of 2013, revenue from raw NGL sales increased by 179.3% year-on-year to RR 4,491 million from RR 1,608 million in the first six months of 2012 on a 237.7% increase in sales volumes despite a 17.3% decline in the effective average selling price, as we saw similar trends in the raw NGL market both in the first and in the second quarter of 2013. In the first half of 2013, domestic sales accounted for 60.9% of total raw NGL revenue compared to 7.9% in the corresponding period of 2012, while 39.1% was attributable to export sales to CIS.

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

The following table presents data on our raw NGL production, purchases and sales volumes for the three and six months ended 30 June 2013 and 2012:

Tonnes, except as stated	Three months ended 30 June 2013	Three months ended 30 June 2012	*Change %*	Six months ended 30 June 2013	Six months ended 30 June 2012	*Change %*
Raw NGL						
Production[1]	1,287,050	1,097,596	*17.3%*	2,572,444	2,244,767	*14.6%*
Production, SIBUR's share[2]	907,968	718,507	*26.4%*	1,818,446	1,477,679	*23.1%*
Purchases from third parties	789,467	715,889	*10.3%*	1,542,113	1,376,736	*12.0%*
Total production and purchases	**1,697,434**	**1,434,396**	***18.3%***	**3,360,558**	**2,854,415**	***17.7%***
(Fractionation)	(1,341,118)	(1,286,240)	*4.3%*	(2,678,060)	(2,517,393)	*6.4%*
(Increase)/decrease in stock	165	321	*(48.5%)*	(1,394)	1,553	*n/m*
Gross sales, including	356,481	148,477	*140.1%*	681,104	338,575	*101.2%*
Intercompany sales to petrochemical business	161,209	97,119	*66.0%*	328,675	234,201	*40.3%*
External sales	**195,272**	**51,358**	***280.2%***	**352,429**	**104,374**	***237.7%***
Domestic	***133,304***	***1,376***	***9,589.9%***	***224,455***	***9,419***	***2,283.0%***
Export	***61,969***	***49,982***	***24.0%***	***127,974***	***94,955***	***34.8%***

Other fuels and fuel additives

In the second quarter of 2013, our revenue from other fuels and fuel additives sales decreased by 31.5% year-on-year to RR 536 million from RR 782 million in the second quarter of 2012 on both lower sales volumes and a decrease in the effective average selling price.

Decrease in sales volumes by 21.9% year-on-year despite flat production was attributable to higher inventories due to weak market environment. The effective average selling price decreased by 12.4% year-on-year following the decline in wholesale gasoline prices and reflecting the growing fuel additives supply in Russia.

In the first half of 2013, revenue from other fuels and fuel additives sales decreased by 18.8% year-on-year to RR 1,334 million from RR 1,643 million in the first half of 2012, due to the factors discussed above. We sell almost 100% of other fuels and fuel additives domestically.

The following table sets data on our production, purchases and sales volumes of other fuels and fuel additives for the three and six months ended 30 June 2013 and 2012:

Tonnes, except as stated	Three months ended 30 June 2013	Three months ended 30 June 2012	*Change %*	Six months ended 30 June 2013	Six months ended 30 June 2012	*Change %*
Other fuels and fuel additives						
Production	**66,282**	**65,999**	***0.4%***	**149,245**	**142,193**	***5.0%***
Purchases from third parties	182	180	*1.3%*	191	2,825	*(93.3%)*
Total production and purchases	**66,465**	**66,179**	***0.4%***	**149,436**	**145,018**	***3.0%***
(Internal use)[3]	(29,175)	(28,817)	*1.2%*	(67,286)	(63,091)	*6.6%*
(Increase)/decrease in stock	(7,266)	1,057	*n/m*	(9,839)	392	*n/m*
External sales	**30,024**	**38,419**	***(21.9%)***	**72,311**	**82,320**	***(12.2%)***
Domestic	***30,024***	***38,305***	***(21.6%)***	***72,187***	***82,206***	***(12.2%)***
Export	***-***	***114***	***(100.0%)***	***124***	***114***	***8.5%***

(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).

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

Petrochemicals

In the second quarter of 2013, our revenue from sales of petrochemical products decreased by 5.3% year-on-year to RR 29,659 million from RR 31,321 million in the second quarter of 2012. Mixed demand and pricing trends that we observed at the beginning of the year largely persisted in the second quarter of 2013. Our synthetic rubber business remained under significant pressure due to weak demand on our key markets and persisting price correction for all synthetic rubber grades with the exception of butyl rubber. We managed to partially mitigate the risk of further price declines by focused sale of synthetic rubber inventories, which also supported our revenue in the second quarter of 2013. Additionally, resilient market sentiment in certain petrochemical products coupled with increased production and sales volumes in plastics & organic synthesis product group partially compensated for the weak performance of the synthetic rubber business.

In the first half of 2013, our revenue from sales of petrochemical products decreased by 10.0% year-on-year to RR 57,984 million from RR 64,426 million in the first half of 2012 largely due to the factors discussed above. In addition, our revenue for the first six months of 2013 was positively impacted by the change of scope due to the consolidation of the BIAXPLEN group of companies, a BOPP-film producer, from the second quarter of 2012. The domestic sales accounted for 65.1% of total petrochemicals revenue, while 34.9% was attributable to export sales in the six months ended 30 June 2013. These percentages vary significantly depending on a product group, as discussed below.

Basic Polymers

In the second quarter of 2013, revenue from sales of basic polymers increased by 1.6% year-on-year to RR 5,551 million from RR 5,466 million in the second quarter of 2012. The increase was attributable to higher revenue from polypropylene (PP) sales largely due to expanded trading activities to reinforce our market position. This more than compensated the effects of lower selling prices and inventory accumulation in both LDPE and PP ahead of the biennial maintenance shutdown at our Tomsk production site in July – August 2013 in line with the two-year maintenance cycle.

In the first half of 2013, revenue from sales of basic polymers decreased by 9.4% year-on-year to RR 10,555 million from RR 11,653 million in the same period of 2012. In addition to PP and LDPE inventory accumulation ahead of the biennial maintenance shutdown, our sales volumes in the first half of 2013 were affected by the reclassification of a significant portion of external PP sales to intercompany following the consolidation of the BIAXPLEN group of companies from the second quarter of 2012. These factors were only partially compensated by expanded trading activities. In the first half of 2013, domestic sales accounted for 66.9% of total basic polymers revenue, while 33.1% was attributable to export sales.

The following table presents data on our revenue from basic polymer sales for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June					**Six months ended 30 June**				
RR millions, except as stated	**2013**	***% of revenue[1]***	**2012**	***% of revenue[1]***	***Change %***	**2013**	***% of revenue[1]***	**2012**	***% of revenue[1]***	***Change %***
PE (LDPE)	3,004	*4.7%*	3,229	*4.9%*	*(7.0%)*	5,775	*4.4%*	6,277	*4.6%*	*(8.0%)*
Domestic	*1,725*	*57.4%*	*1,999*	*61.9%*	*(13.7%)*	*3,408*	*59.0%*	*3,266*	*52.0%*	*4.3%*
Export	*1,279*	*42.6%*	*1,230*	*38.1%*	*4.0%*	*2,368*	*41.0%*	*3,011*	*48.0%*	*(21.4%)*
PP	2,547	*4.0%*	2,237	*3.4%*	*13.9%*	4,780	*3.7%*	5,376	*3.9%*	*(11.1%)*
Domestic	*1,791*	*70.3%*	*2,002*	*89.5%*	*(10.6%)*	*3,650*	*76.4%*	*4,725*	*87.9%*	*(22.8%)*
Export	*756*	*29.7%*	*235*	*10.5%*	*221.7%*	*1,130*	*23.6%*	*651*	*12.1%*	*73.6%*
Total revenue	**5,551**	***8.7%***	**5,466**	***8.4%***	***1.6%***	**10,555**	***8.1%***	**11,653**	***8.5%***	***(9.4%)***
Domestic	***3,516***	***63.3%***	***4,001***	***73.2%***	***(12.1%)***	***7,058***	***66.9%***	***7,991***	***68.6%***	***(11.7%)***
Export	***2,035***	***36.7%***	***1,465***	***26.8%***	***38.9%***	***3,497***	***33.1%***	***3,662***	***31.4%***	***(4.5%)***

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

Low density polyethylene (LDPE)

In the second quarter of 2013, our revenue from sales of LDPE decreased by 7.0% year-on-year to RR 3,004 million compared to RR 3,229 million in the second quarter of 2012 due to both lower sales volumes and a decline in the effective average selling price.

Our LDPE sales volumes decreased by 4.6% year-on-year despite a 1.5% increase in production and lower internal use. The decrease was largely driven by inventory accumulation in preparation for the biennial maintenance shutdown at our Tomsk production site as discussed above. Sales volumes were also affected by lower third-party purchases due to the termination of a temporary trading arrangement.

The effective average selling price for LDPE decreased by 2.5% year-on-year despite higher international market prices. This was attributable to lower selling prices on the domestic market due to the continuing price correction from a high base of 2012, when the domestic market experienced temporary LDPE shortage caused by unscheduled shutdowns of third-party facilities in Russia and CIS. This more than offset an increase in our effective average selling price on export markets.

In the first half of 2013, our LDPE revenue decreased by 8.0% year-on-year to RR 5,775 million compared to RR 6,277 million in the first six months of 2012 on a 9.2% decline in sales volumes despite a 1.3% increase in the effective average selling price. The decrease in sales volumes was largely attributable to inventory accumulation as discussed above. The selling price predominantly followed the positive dynamics of international market prices, which was only partially offset by a price correction on the domestic market as discussed above. In the first six months of 2013, domestic sales accounted for 59.0% of total LDPE revenue, while 41.0% was attributable to export sales.

Polypropylene (PP)

In the second quarter of 2013, our revenue from sales of PP increased by 13.9% year-on-year to RR 2,547 million from RR 2,237 million in the second quarter of 2012 on higher sales volumes despite a decrease in the effective average selling price.

Our PP sales volumes increased by 33.5% on almost flat production due to an increase in our PP trading activities to reinforce our market position. This was partially offset by (i) higher internal use by BIAXPLEN group of companies, which use PP as feedstock in the production of BOPP-films, and (ii) inventory accumulation in preparation for the biennial maintenance shutdown at our Tomsk production site as discussed above and higher goods-in-transit balances due to an increase in the delivery basis, as we raised our export volumes, particularly to China.

The effective average selling price for PP decreased by 14.7% in the second quarter of 2013 compared to the second quarter of 2012, which was attributable to (i) the continuing price correction on the domestic market from the high base of 2012, when domestic prices rose substantially due to temporary PP shortages caused by unscheduled shutdowns of third-party production facilities in Russia and CIS, (ii) increased PP supply in Russia following the launch of a new PP plant by OOO Poliom, a member of the Titan group (nameplate capacity of 180,000 tonnes per annum), and (iii) an increase in export sales with higher share of exports to the Chinese and Turkish markets, where prices are generally lower than in CIS.

In the first half of 2013, our revenue from sales of PP decreased by 11.1% year-on-year to RR 4,780 million from RR 5,376 million in the first half of 2012 on a 12.0% decrease in sales volumes despite a 1.1% increase in the effective average selling price. Lower sales volumes were primarily attributable 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. We also accumulated inventories in preparation for the biennial maintenance shutdown at our Tomsk production site and reported higher goods-in-transit balances due to increased exports and longer delivery basis of our export sales. In the first half of 2012, on the contrary, we sold PP stock to cover temporary PP shortages in the market caused by unscheduled shutdowns of third-party production facilities in Russia and CIS. The effective average selling price for the first half of 2013 was higher compared to the first half of 2012 despite the continuing price correction in the domestic market, which began in the second half of 2012. In the first six months of 2013, domestic sales accounted for 76.4% of total PP revenue, while 23.6% was attributable to export sales.

The following table presents data on our basic polymer production, purchases and sales volumes for the three and six months ended 30 June 2013 and 2012:

Tonnes, except as stated	Three months ended 30 June 2013	Three months ended 30 June 2012	*Change %*	Six months ended 30 June 2013	Six months ended 30 June 2012	*Change %*
Production	100,757	99,430	*1.3%*	201,047	196,193	*2.5%*
PE (LDPE)	66,811	65,797	*1.5%*	131,308	127,915	*2.7%*
PP	33,946	33,633	*0.9%*	69,739	68,278	*2.1%*
Purchases from third parties	55,441	29,750	*86.4%*	88,638	59,001	*50.2%*
Total production and purchases	**156,197**	**129,180**	***20.9%***	**289,685**	**255,194**	***13.5%***
(Internal use) [(1)]	(30,177)	(23,949)	*26.0%*	(53,413)	(28,828)	*85.3%*
(Increase)/decrease in stock	(14,233)	(3,316)	*329.2%*	(21,801)	13,093	*n/m*
External sales						
PE (LDPE)	60,858	63,768	*(4.6%)*	121,336	133,586	*(9.2%)*
Domestic	*34,029*	*37,078*	*(8.2%)*	*69,649*	*63,101*	*10.4%*
Export	*26,829*	*26,690*	*0.5%*	*51,686*	*70,485*	*(26.7%)*
PP	50,930	38,146	*33.5%*	93,135	105,872	*(12.0%)*
Domestic	*34,700*	*33,904*	*2.3%*	*69,396*	*92,174*	*(24.7%)*
Export	*16,230*	*4,242*	*282.6%*	*23,739*	*13,698*	*73.3%*
External sales volumes	**111,787**	**101,915**	***9.7%***	**214,471**	**239,458**	***(10.4%)***
Domestic	***68,729***	***70,982***	***(3.2%)***	***139,046***	***155,275***	***(10.5%)***
Export	***43,058***	***30,932***	***39.2%***	***75,425***	***84,183***	***(10.4%)***

Synthetic Rubbers

In the second quarter of 2013, revenue from synthetic rubber sales decreased by 14.7% year-on-year to RR 8,312 million from RR 9,739 million in the second quarter of 2012 primarily due to a decline in revenue from sales of commodity rubbers, which was partially compensated by higher revenue from sales of specialty rubbers. We continued to observe weak demand trends on our key markets and persisting price correction for majority of synthetic rubber grades in the second quarter of 2013 compared to the respective period a year earlier.

In the first half of 2013, revenue from synthetic rubber sales decreased by 24.3% year-on-year to RR 16,878 million from RR 22,303 million in the first six months of 2012. The decline in revenue for the period was reported across our synthetic rubber product groups, with commodity rubbers being affected most of all. Improved performance of specialty rubbers in the second quarter of 2013 only partially compensated for revenue declines in the first three months of the reporting year. In the first six months of 2013, domestic sales accounted for 42.3% of total synthetic rubber revenue, while 57.7% was attributable to export sales.

The following table presents a breakdown of revenue from our synthetic rubber sales for the three and six month ended 30 June 2013 and 2012:

RR millions, except as stated	Three months ended 30 June 2013	*% of revenue[(2)]*	2012	*% of revenue[(2)]*	*Change %*	Six months ended 30 June 2013	*% of revenue[(2)]*	2012	*% of revenue[(2,*	*Change %*
Commodity rubbers	5,498	*8.6%*	7,079	*10.8%*	*(22.3%)*	11,745	*9.0%*	16,330	*11.9%*	*(28.1%)*
Domestic	*2,666*	*48.5%*	*3,288*	*46.4%*	*(18.9%)*	*5,491*	*46.8%*	*7,037*	*43.1%*	*(22.0%)*
Export	*2,832*	*51.5%*	*3,791*	*53.6%*	*(25.3%)*	*6,254*	*53.2%*	*9,293*	*56.9%*	*(32.7%)*
Specialty rubbers	2,150	*3.4%*	1,809	*2.8%*	*18.9%*	3,899	*3.0%*	4,302	*3.1%*	*(9.4%)*
Domestic	*318*	*14.8%*	*403*	*22.3%*	*(21.0%)*	*637*	*16.3%*	*813*	*18.9%*	*(21.6%)*
Export	*1,832*	*85.2%*	*1,406*	*77.7%*	*30.2%*	*3,262*	*83.7%*	*3,489*	*81.1%*	*(6.5%)*
Thermoplastic elastomers	664	*1.0%*	851	*1.3%*	*(22.0%)*	1,234	*0.9%*	1,671	*1.2%*	*(26.2%)*
Domestic	*509*	*76.6%*	*713*	*83.8%*	*(28.6%)*	*1,018*	*82.5%*	*1,339*	*80.1%*	*(24.0%)*
Export	*155*	*23.4%*	*138*	*16.2%*	*12.3%*	*216*	*17.5%*	*332*	*19.9%*	*(34.9%)*
Total revenue	**8,312**	***13.0%***	**9,739**	***14.9%***	***(14.7%)***	**16,878**	***13.0%***	**22,303**	***16.3%***	***(24.3%)***
Domestic	***3,493***	***42.0%***	***4,404***	***45.2%***	***(20.7%)***	***7,146***	***42.3%***	***9,189***	***41.2%***	***(22.2%)***
Export	***4,819***	***58.0%***	***5,335***	***54.8%***	***(9.7%)***	***9,732***	***57.7%***	***13,114***	***58.8%***	***(25.8%)***

[(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.

Commodity rubbers

In the second quarter of 2013, revenue from sales of commodity rubbers decreased by 22.3% year-on-year to RR 5,498 million from RR 7,079 million in the second quarter of 2012 on a lower effective average selling price despite an increase in sales volumes.

The effective average selling price for commodity rubbers decreased by 25.7% year-on-year, largely following European and Asian market prices. For instance, Asian prices for natural rubber, which is a benchmark for polyisoprene rubber (IR) as they are largely substitute products, declined on average by more than 25% year-on-year; European prices for styrene-butadiene rubber (ESBR) declined on average by more than 33% year-on-year, while prices for butadiene, a key raw material and a price indicator for butadiene-based rubbers, declined by 37%. The decline in price for commodity rubbers reflects significant drop in demand for end-products, such as tires, and high inventory levels across the industry and particularly in China.

In the second quarter of 2013, sales volumes of commodity rubbers increased by 4.5% year-on-year despite a 1.3% decrease in production and lower third-party purchases. The increase in sales volumes was primarily attributable to focused inventory sales in a persistently negative market environment compared to inventory accumulation in the corresponding period of 2012. We intentionally decreased production of certain premium rubber grades due to weak demand and partially compensated this with an increased production of regular grades. We also reduced product purchases under third-party manufacturing arrangements, where we use third-party capacity to produce rubbers from our own feedstock, as tighter spreads between feedstock and end-product prices virtually eliminated the economic rationale of such arrangements.

In the first half of 2013, revenue from sales of commodity rubbers decreased by 28.1% year-on-year to RR 11,745 million compared to RR 16,330 million in the first half of 2012 on a 23.2% decrease in the effective average selling price, which followed international market prices for both respective rubber grades and feedstock, as well as a 6.4% decline in sales volumes. Sales volumes declined despite largely flat production. This was primarily attributable to lower third-party purchases both in the first and in the second quarter of 2013 and inventory accumulation in the first quarter of 2013, which was only partially offset by inventory sales in the second quarter of 2013. In the first six months of 2013, domestic sales accounted for 46.8% of total commodity rubber revenue, while 53.2% was attributable to export sales.

Specialty rubbers

In the second quarter of 2013, revenue from sales of specialty rubbers increased by 18.9% year-on-year to RR 2,150 million from RR 1,809 in the second quarter of 2012 due to higher sales volumes despite a decrease in the effective average selling price.

Specialty rubber sales volumes increased by 33.1% due to a 7.6% increase in production as well as inventory sales in the second quarter of 2013 compared to inventory accumulation in the corresponding period of 2012. Higher production in the second quarter of 2013 compared to the second quarter of 2012 was attributable to a 13-day unscheduled shutdown at our production site in Togliatti in April 2012. Inventory sales were primarily driven by butyl rubber (IIR) on a resilient demand coupled with temporary shutdowns of third-party facilities in Europe.

The effective average selling price for specialty rubbers decreased by 10.7% year-on-year, largely following the decline in market prices for nitrile-butadiene rubber (NBR), which fell by 30% year-on-year, partially compensated by stronger market prices for butyl rubber (IIR), posting an 11% increase year-on-year.

In the first half of 2013, revenue from sales of specialty rubbers amounted to RR 3,899 million compared to RR 4,302 million a year earlier, a 9.4% decline year-on-year on an 8.6% decline in the effective average selling price despite largely flat sales volumes. The decline in our selling prices reflects lower market prices for NBR, only partially compensated by resilience of IIR prices. In the first six months of

2013, domestic sales accounted for 16.3% of total specialty rubber revenue, while 83.7% was attributable to export sales.

Thermoplastic elastomers

In the second quarter of 2013, revenue from sales of thermoplastic elastomers decreased by 22.0% year-on-year to RR 664 million from RR 851 million in the second quarter of 2012 due to a decrease in the effective average selling price despite flat sales volumes.

The effective average selling price for thermoplastic elastomers decreased by 21.9% year-on-year following lower prices for butadiene (key feedstock) coupled with weak demand from the construction industry due to belated spring.

Our thermoplastic elastomers sales volumes were almost flat year-on-year, as a 14.0% increase in production was offset by the termination of third-party purchases, while in the second quarter of 2012 we bought limited quantities of thermoplastic elastomers to resell under a pre-marketing programme in anticipation of our new production launch. The increase in production was attributable to the grade mix optimisation to minimise transitions between the grades and increase capacity utilisation. In the second half of 2013, SIBUR launched a new thermoplastic elastomers production facility with an annual capacity of 50,000 tonnes in Voronezh, thus increasing our SBS capacity to 85,000 tonnes. This addition did not have an effect on our second quarter or first half of 2013 results, but is expected to positively impact our synthetic rubber performance already in the third quarter of this year.

In the first half of 2013, revenues from sales of thermoplastic elastomers decreased by 26.2% to RR 1,234 million compared to RR 1,671 million in the first six months of 2012 on a 16.5% decline in the effective average selling price and an 11.5% decrease in sales volumes. Our selling price continuously declined in both the first and the second quarter of 2013 on weaker demand combined with intensified competition from Asian producers. Lower sales volumes were attributable to the termination of third-party purchases as discussed above and higher inventory accumulation. In the first six months of 2013, domestic sales accounted for 82.5% of total thermoplastic elastomers revenue, while 17.5% was attributable to export sales.

The following table presents data on our synthetic rubber production, purchases and sales volumes for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		*Change*	**Six months ended 30 June**		*Change*
Tonnes, except as stated	**2013**	**2012**	*%*	**2013**	**2012**	*%*
Production	97,302	95,758	*1.6%*	216,665	212,932	*1.8%*
Commodity rubbers	68,966	69,865	*(1.3%)*	156,850	155,198	*1.1%*
Specialty rubbers	19,961	18,549	*7.6%*	44,228	42,585	*3.9%*
Thermoplastic elastomers	8,376	7,344	*14.0%*	15,587	15,150	*2.9%*
Purchases from third parties	3,164	9,333	*(66.1%)*	6,554	18,262	*(64.1%)*
Total production and purchases	**100,467**	**105,090**	***(4.4%)***	**223,220**	**231,194**	***(3.4%)***
(Internal use)	(344)	(405)	*(15.2%)*	(526)	(405)	*29.8%*
(Increase)/decrease in stock	3,241	(10,201)	*n/m*	(12,129)	(7,516)	*61.4%*
External sales						
Commodity rubbers	73,034	69,871	*4.5%*	154,591	165,154	*(6.4%)*
Domestic	*34,495*	*32,273*	*6.9%*	*69,619*	*71,136*	*(2.1%)*
Export	*38,539*	*37,598*	*2.5%*	*84,972*	*94,018*	*(9.6%)*
Specialty rubbers	23,017	17,290	*33.1%*	42,341	42,708	*(0.9%)*
Domestic	*3,138*	*3,646*	*(13.9%)*	*6,259*	*7,196*	*(13.0%)*
Export	*19,879*	*13,644*	*45.7%*	*36,082*	*35,512*	*1.6%*
Thermoplastic elastomers	7,313	7,323	*(0.1%)*	13,633	15,412	*(11.5%)*
Domestic	*5,484*	*6,084*	*(9.9%)*	*11,072*	*12,042*	*(8.1%)*
Export	*1,830*	*1,238*	*47.8%*	*2,561*	*3,369*	*(24.0%)*
External sales volumes	**103,364**	**94,484**	***9.4%***	**210,565**	**223,274**	***(5.7%)***
Domestic	***43,116***	***42,003***	***2.6%***	***86,949***	***90,374***	***(3.8%)***
Export	***60,248***	***52,481***	***14.8%***	***123,615***	***132,900***	***(7.0%)***

Plastics & Organic Synthesis Products

In the second quarter of 2013, revenue from sales of plastics & organic synthesis products increased by 5.6% year-on-year to RR 11,175 million from RR 10,577 million in the second quarter of 2012. The increase was primarily attributable to the commercial launch of the second production line of expandable polystyrene in Perm in July 2012, as well as higher production and sales volumes of alcohols and BOPP-films. These factors were partially offset by a decrease in PET sales volumes as we built up stock to prepare for a lengthy shutdown aimed at capacity expansion as discussed below.

In the first half of 2013, revenue from sales of plastics & organic synthesis products increased by 9.9% year-on-year to RR 20,737 million from RR 18,872 million in the first six months of 2012. The increase was primarily attributable to 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, the launch of the second production line of expandable polystyrene and stronger sales of glycols and alcohols. These factors were partially offset by lower PET sales volumes.

The following table presents a breakdown of revenue from sales of our plastics & organic synthesis products for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June					**Six months ended 30 June**				
RR millions, except as stated	**2013**	*% of revenue*[1]	**2012**	*% of revenue*[1]	*Change %*	**2013**	*% of revenue*[1]	**2012**	*% of revenue*[1]	*Change %*
PET	2,922	*4.6%*	3,340	*5.1%*	*(12.5%)*	5,392	*4.1%*	6,452	*4.7%*	*(16.4%)*
Domestic	*2,911*	*99.6%*	*3,320*	*99.4%*	*(12.3%)*	*5,367*	*99.5%*	*6,413*	*99.4%*	*(16.3%)*
Export	*11*	*0.4%*	*20*	*0.6%*	*(45.0%)*	*25*	*0.5%*	*39*	*0.6%*	*(35.9%)*
BOPP-films	2,133	*3.3%*	1,993	*3.1%*	*7.0%*	3,864	*3.0%*	2,314	*1.7%*	*67.0%*
Domestic	*1,739*	*81.5%*	*1,618*	*81.2%*	*7.5%*	*3,202*	*82.9%*	*1,939*	*83.8%*	*65.1%*
Export	*394*	*18.5%*	*375*	*18.8%*	*5.1%*	*662*	*17.1%*	*375*	*16.2%*	*76.5%*
Glycols	1,372	*2.1%*	1,323	*2.0%*	*3.7%*	3,301	*2.5%*	2,914	*2.1%*	*13.3%*
Domestic	*1,087*	*79.2%*	*930*	*70.3%*	*16.9%*	*2,411*	*73.1%*	*2,021*	*69.4%*	*19.3%*
Export	*285*	*20.8%*	*393*	*29.7%*	*(27.5%)*	*890*	*26.9%*	*893*	*30.6%*	*(0.3%)*
Alcohols (including 2-ethylhexanol)	1,740	*2.7%*	1,579	*2.4%*	*10.3%*	3,198	*2.5%*	2,942	*2.1%*	*8.7%*
Domestic	*802*	*46.1%*	*651*	*41.2%*	*23.3%*	*1,410*	*44.1%*	*1,106*	*37.6%*	*27.5%*
Export	*938*	*53.9%*	*928*	*58.8%*	*1.1%*	*1,787*	*55.9%*	*1,836*	*62.4%*	*(2.7%)*
Expandable polystyrene	1,792	*2.8%*	954	*1.5%*	*87.7%*	2,697	*2.1%*	1,459	*1.1%*	*84.9%*
Domestic	*1,134*	*63.3%*	*692*	*72.5%*	*63.9%*	*1,762*	*65.3%*	*1,051*	*72.1%*	*67.6%*
Export	*658*	*36.7%*	*262*	*27.5%*	*150.7%*	*935*	*34.7%*	*407*	*27.9%*	*129.7%*
Acrylates	720	*1.1%*	748	*1.1%*	*(3.7%)*	1,362	*1.0%*	1,603	*1.2%*	*(15.0%)*
Domestic	*269*	*37.4%*	*259*	*34.6%*	*3.8%*	*416*	*30.6%*	*419*	*26.1%*	*(0.5%)*
Export	*451*	*62.6%*	*489*	*65.4%*	*(7.8%)*	*946*	*69.4%*	*1,184*	*73.9%*	*(20.1%)*
Plastic compounds[2]	497	*0.8%*	640	*1.0%*	*(22.3%)*	923	*0.7%*	1,188	*0.9%*	*(22.3%)*
Domestic	*459*	*92.3%*	*595*	*92.9%*	*(23.0%)*	*839*	*90.9%*	*1,095*	*92.2%*	*(23.4%)*
Export	*38*	*7.7%*	*45*	*7.1%*	*(15.6%)*	*84*	*9.1%*	*93*	*7.8%*	*(8.8%)*
Total revenue	**11,175**	***17.5%***	**10,577**	***16.2%***	***5.6%***	**20,737**	***15.9%***	**18,872**	***13.8%***	***9.9%***
Domestic	***8,400***	***75.2%***	***8,065***	***76.2%***	***4.2%***	***15,407***	***74.3%***	***14,045***	***74.4%***	***9.7%***
Export	***2,775***	***24.8%***	***2,512***	***23.8%***	***10.4%***	***5,330***	***25.7%***	***4,827***	***25.6%***	***10.4%***

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

(2) Including ABS plastics and PVC cable compounds.

Polyethylene terephthalate (PET)

In the second quarter of 2013, our revenue from PET sales decreased by 12.5% year-on-year to RR 2,922 million from RR 3,340 million in the second quarter of 2012 due to lower sales volumes despite an increase in the effective average selling price.

Our PET sales volumes decreased by 16.4% year-on-year despite a 1.1% increase in production volumes. The decline was attributable to the changes in inventories, with a materially lower decrease in the second quarter of 2013 compared to the second quarter of 2012. In the second quarter of 2013, we sold only part of accumulated inventories to meet our contractual obligations, and kept our inventory balances high in preparation for a lengthy shutdown at Polief, which started in July 2013 and is aimed at capacity expansion (there were no comparable shutdowns in 2012).

The effective average selling price increased by 4.7% year-on-year, which was primarily attributable to higher share of spot sales on seasonally strong demand.

In the first half of 2013, our revenue from PET sales decreased by 16.4% year-on-year to RR 5,392 million from RR 6,452 million in the first half of 2012 on a 15.7% decrease in sales volumes and a largely flat effective average selling price. Our sales volumes decreased primarily as a result of inventory accumulation in preparation for the planned shutdown at Polief as discussed above. Our effective average selling price moved in line with international market prices, which declined year-on-year in the first quarter of 2013 and bounced back in the second quarter of the year. In the first half of 2013, domestic sales accounted for 99.5% of total PET revenue, while 0.5% was attributable to export sales.

BOPP-films

In the second quarter of 2013, our revenue from BOPP-film sales increased by 7.0% year-on-year to RR 2,133 million from RR 1,993 million in the second quarter of 2012 on higher sales volumes despite a decrease in the effective average selling price.

BOPP-films sales volumes increased by 9.5% year-on-year primarily as a result of (i) a 11.4% growth in production volumes due to unscheduled shutdowns in the second quarter of 2012, and (ii) selective third-party purchases aimed at filling temporary BOPP-film shortages in the domestic market. These factors were partially offset by lower inventory sales in the second quarter of 2013 compared to the corresponding period of 2012, when we sold out inventories to meet our contractual obligations, while our production volumes were affected by the unscheduled shutdowns as discussed above.

The effective average selling price decreased by 2.2% year-on-year largely as a result of a lower share of certain high-priced grades in our sales structure.

In the first half of 2013, our revenue from BOPP-film sales increased by 67.0% year-on-year to RR 3,864 million from RR 2,314 million in the first six months of 2012, which was primarily attributable to the change of scope due to the acquisition of control of the BIAXPLEN group of companies and consolidation of its results from the second quarter of 2012. The effective average selling price remained largely flat year-on-year. In the first half of 2013, domestic sales accounted for 82.9% of total BOPP-film revenue, while 17.1% was attributable to export sales.

Glycols

In the second quarter of 2013, our revenue from glycols sales increased by 3.7% year-on-year to RR 1,372 million from RR 1,323 million in the second quarter of 2012 due to a higher effective average selling price despite a decrease in sales volumes.

The effective average selling price increased by 6.3% year-on-year on the back of higher European market prices helped by strong demand from manufacturers (producers of cooling liquids, polyester resins, etc.).

Sales volumes decreased by 2.4% year-on-year despite a 7.0% increase in production, which was attributable to an improvement in ethylene oxide (feedstock for glycols) production capacity utilisation, which was subdued in the respective period of 2012 due to a catalyst malfunctioning (replaced in mid-2012). The decrease in sales volumes was attributable to lower inventory sales in the first quarter of 2013 compared to the first quarter of 2012, as the planned maintenance shutdown at SIBUR-Neftekhim was shorter in the second quarter of 2013 compared to the respective period of 2012, and higher volumes used internally for PET production.

In the first half of 2013, our revenue from sales of glycols increased by 13.3% year-on-year to RR 3,301 million from RR 2,914 million in the first half of 2012 on a 8.5% increase in the effective average selling price, which reflected international market price dynamics, and a 4.4% increase in sales volumes largely attributable to an increase in production. In the first six months of 2013, domestic sales accounted for 73.1% of total glycols revenue, while 26.9% was attributable to export sales.

Alcohols

In the second quarter of 2013, our revenue from sales of alcohols increased by 10.3% year-on-year to RR 1,740 million from RR 1,579 million in the second quarter of 2012 due to higher sales volumes and a marginal increase in the effective average selling price.

Sales volumes increased by 9.3% year-on-year on higher production and an increase in inventory sales compared to the second quarter of 2012. The 6.3% growth in production was attributable to the planned maintenance shutdown at SIBUR-Khimprom in the second quarter of 2012, while a comparable shutdown is scheduled for the second half of the year in 2013. Inventories decreased in the second quarter of 2013 as we completed sales of goods-in-transit balances accumulated on the way to China in the first quarter of 2013.

The effective average selling price increased by 0.8% year-on-year despite lower international prices on strong demand from domestic manufacturers of plasticisers and diesel fuel additives.

In the first half of 2013, our revenue from sales of alcohols increased by 8.7% year-on-year to RR 3,198 million from RR 2,942 million in the first six months of 2012 on a 4.5% increase in the effective average selling price and a 4.0% increase in sales volumes. Average selling prices largely followed international market prices for 2-ethylhexanol and butyl alcohol. Sales volumes increased on higher production and lower internal use. In the first half of 2013, domestic sales accounted for 44.1% of total alcohols revenue, while 55.9% was attributable to export sales.

Expandable polystyrene

In the second quarter of 2013, our revenue from sales of expandable polystyrene rose 87.7% year-on-year to RR 1,792 million from RR 954 million in the second quarter of 2012 as a result of both higher sales volumes and an increase in the effective average selling price.

The increase in sales volumes by 62.1% year-on-year was attributable to a 64.5% growth in production following the commercial launch of the second production line of 50,000 tonnes per annum at SIBUR-Khimprom in Perm in July 2012 (which increased SIBUR's overall capacity in expandable polystyrene to 100,000 tonnes per annum).

The effective average selling price increased by 15.8% year-on-year on the back of higher market prices.

In the first half of 2013, our revenue from sales of expandable polystyrene surged 84.9% year-on-year to RR 2,697 million from RR 1,459 million in the first six months of 2012 on a 57.4% increase in sales volumes and a 17.5% growth in the effective average selling price. In the first half of 2013, domestic sales accounted for 65.3% of total expandable polystyrene revenue, while 34.7% was attributable to export sales.

Acrylates

In the second quarter of 2013, our revenue from sales of acrylates decreased by 3.7% year-on-year to RR 720 million from RR 748 million in the second quarter of 2012 as a result of a decrease in the effective average selling price on largely flat sales volumes.

The effective average selling price decreased by 3.1% year-on-year following lower international market prices and also reflecting an increased share of promotional sales to new market niches to support the development of domestic consumption of acrylates.

Sales volumes decreased by 0.7% year-on-year as a result of a 9.9% decrease in production and lower third-party purchases. The decline in production was attributable to changes in the product mix, while lower third-party purchases are explained by the termination of a product swap arrangement used in 2012. These factors were largely compensated by sales of inventories during maintenance shutdown at SIBUR-Neftekhim in April 2013 and due to logistical changes.

In the first half of 2013, our revenue from sales of acrylates decreased by 15.0% year-on-year to RR 1,362 million from RR 1,603 million in the first six months of 2012 on a 17.9% decrease in sales volumes despite a 3.5% increase in the effective average selling price. Lower sales volumes were largely attributable to inventory changes, as a decrease in inventories in the first half of 2013 was lower compared to the respective period a year earlier, when we sold out stock in a positive market environment. The increase in the effective average price is largely attributable to the first quarter of 2013, when we improved our selling terms on the export markets. In the first half of 2013, domestic sales accounted for 30.6% of total acrylates revenue, while 69.4% was attributable to export sales.

Plastic compounds[(1)]

In the second quarter of 2013, our revenue from sales of plastic compounds decreased by 22.3% year-on-year to RR 497 million from RR 640 million in the second quarter of 2012 as a result of both lower sales volumes and a decrease in the effective average selling price.

Sales volumes declined by 19.5% year-on-year despite a 22.5% increase in production largely due to an increase in inventories in the second quarter of 2013 on weak demand compared to inventory sales in the second quarter of 2012 in a positive market environment. The increase in production is explained by a planned maintenance shutdown at ABS plastics production line in the second quarter of 2012, which did not take place in the respective period of 2013.

The decrease in the effective average selling price by 3.7% year-on-year was attributable to weak market demand.

In the first half of 2013, our revenue from sales of plastic compounds decreased by 22.3% year-on-year to RR 923 million from RR 1,188 million in the first half of 2012 due to a 20.0% decrease in sales volumes and a 2.9% decline in the effective average selling price. Sales volumes decreased on inventory accumulation compared to inventory sales in the respective period a year earlier and a decline in production in the first quarter of 2013. The decrease in the effective average selling price reflects weak market sentiment. In the first six months of 2013, domestic sales accounted for 90.9% of total revenue from sales of plastic compounds, while 9.1% was attributable to export sales.

[(1)] Including ABS plastics and PVC cable compounds.

The following table presents data on our production, purchases and sales volumes in plastics & organic synthesis products for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		***Change***	**Six months ended 30 June**		***Change***
Tonnes, except as stated	**2013**	**2012**	***%***	**2013**	**2012**	***%***
Production	211,067	191,157	*10.4%*	447,670	393,288	*13.8%*
PET	53,170	52,596	*1.1%*	107,677	106,914	*0.7%*
BOPP-films	23,969	21,523	*11.4%*	46,440	25,579	*81.6%*
Glycols	48,508	45,344	*7.0%*	119,390	111,589	*7.0%*
Alcohols (including 2-ethylhexanol)	38,948	36,632	*6.3%*	79,377	78,004	*1.8%*
Expandable polystyrene	26,562	16,144	*64.5%*	53,731	28,831	*86.4%*
Acrylates	9,077	10,069	*(9.9%)*	21,009	21,144	*(0.6%)*
Plastic compounds[1]	10,835	8,849	*22.5%*	20,046	21,226	*(5.6%)*
Purchases from third parties	978	2,691	*(63.7%)*	2,366	3,593	*(34.2%)*
Total production and purchases	**212,045**	**193,848**	***9.4%***	**450,037**	**396,881**	***13.4%***
(Internal use)[2]	(24,658)	(20,228)	*21.9%*	(50,295)	(49,791)	*1.0%*
(Increase)/decrease in stock	19,162	30,717	*(37.6%)*	(9,914)	31,101	*n/m*
External sales						
PET	57,582	68,898	*(16.4%)*	105,323	124,907	*(15.7%)*
Domestic	*57,384*	*68,502*	*(16.2%)*	*104,847*	*124,153*	*(15.6%)*
Export	*198*	*396*	*(50.0%)*	*475*	*754*	*(36.9%)*
BOPP-films	24,981	22,814	*9.5%*	45,248	27,093	*67.0%*
Domestic	*20,084*	*18,270*	*9.9%*	*37,003*	*22,549*	*64.1%*
Export	*4,896*	*4,544*	*7.8%*	*8,245*	*4,544*	*81.5%*
Glycols	34,113	34,965	*(2.4%)*	81,137	77,728	*4.4%*
Domestic	*26,999*	*24,122*	*11.9%*	*58,684*	*52,686*	*11.4%*
Export	*7,114*	*10,843*	*(34.4%)*	*22,453*	*25,042*	*(10.3%)*
Alcohols (including 2-ethylhexanol)	39,452	36,088	*9.3%*	73,437	70,635	*4.0%*
Domestic	*15,998*	*14,223*	*12.5%*	*29,525*	*26,138*	*13.0%*
Export	*23,454*	*21,865*	*7.3%*	*43,912*	*44,497*	*(1.3%)*
Expandable polystyrene	29,245	18,041	*62.1%*	44,371	28,194	*57.4%*
Domestic	*18,476*	*12,881*	*43.4%*	*28,733*	*19,754*	*45.5%*
Export	*10,769*	*5,160*	*108.7%*	*15,638*	*8,440*	*85.3%*
Acrylates	11,783	11,865	*(0.7%)*	22,982	27,983	*(17.9%)*
Domestic	*4,056*	*3,606*	*12.5%*	*6,311*	*5,929*	*6.4%*
Export	*7,727*	*8,259*	*(6.4%)*	*16,671*	*22,054*	*(24.4%)*
Plastic compounds[1]	9,393	11,666	*(19.5%)*	17,330	21,652	*(20.0%)*
Domestic	*8,823*	*10,963*	*(19.5%)*	*16,049*	*20,200*	*(20.5%)*
Export	*571*	*703*	*(18.8%)*	*1,281*	*1,452*	*(11.8%)*
External sales volumes	**206,549**	**204,336**	***1.1%***	**389,827**	**378,192**	***3.1%***
Domestic	***151,820***	***152,567***	***(0.5%)***	***281,152***	***271,409***	***3.6%***
Export	***54,729***	***51,770***	***5.7%***	***108,675***	***106,783***	***1.8%***

[1] Including ABS plastics and PVC cable compounds.

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

Intermediates & Other Chemicals

In the second quarter of 2013, our revenue from sales of intermediates & other chemicals decreased by 16.6% year-on-year to RR 4,621 million from RR 5,539 million in the second quarter of 2012, largely due to a decline in revenues from sales of styrene, propylene and isobutylene on lower external sales volumes. The decline in external sales volumes was primarily attributable to higher share of internal processing, as we increased production of derivative products, including expandable polystyrene, polypropylene and alcohols. We also reported a decline in revenues from sales of other chemicals, partially attributable to lower production due to the divestment / shutdown of non-core and outdated facilities related to the decommissioning of Caprolactam – a chlorine and caustic soda production near the city of Dzerzhinsk. The above declines were to some extent compensated by higher revenue from sales of benzene and ethylene oxide on increased production and lower internal use, inter alia due to the disposal of ethylene chlorohydrin and cooling and hydraulic liquids production facilities (as part of Caprolactam decommissioning), which used ethylene oxide as feedstock.

In the first half of 2013, our revenue from sales of intermediates & other chemicals decreased by 15.4% year-on-year to RR 9,814 million from RR 11,598 million in the first six months of 2012, largely due to the factors discussed above. Out of 1.6 million tonnes of intermediates & other chemicals produced in the first half of 2013, approximately 85.2% were used internally for further intercompany processing compared to 82.5% in the respective period of 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. 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 three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June					Six months ended 30 June				
RR millions, except as stated	**2013**	***% of revenue*[1]**	**2012**	***% of revenue*[1]**	***Change %***	**2013**	***% of revenue*[1]**	**2012**	***% of revenue*[1]**	***Change %***
Benzene	370	*0.6%*	209	*0.3%*	*77.4%*	896	*0.7%*	624	*0.5%*	*43.7%*
Domestic	*370*	*100.0%*	*209*	*100.0%*	*77.4%*	*896*	*100.0%*	*624*	*100.0%*	*43.7%*
Export	*-*	*-*	*-*	*-*	*n/m*	*-*	*-*	*-*	*-*	*n/m*
Styrene	490	*0.8%*	772	*1.2%*	*(36.5%)*	984	*0.8%*	1,580	*1.2%*	*(37.7%)*
Domestic	*464*	*94.8%*	*375*	*48.6%*	*23.7%*	*805*	*81.8%*	*835*	*52.9%*	*(3.7%)*
Export	*26*	*5.2%*	*397*	*51.4%*	*(93.5%)*	*179*	*18.2%*	*745*	*47.1%*	*(76.0%)*
Terephthalic acid	644	*1.0%*	610	*0.9%*	*5.6%*	1,261	*1.0%*	1,306	*1.0%*	*(3.4%)*
Domestic	*634*	*98.4%*	*610*	*100.0%*	*3.9%*	*1,251*	*99.2%*	*1,306*	*100.0%*	*(4.2%)*
Export	*10*	*1.6%*	*-*	*-*	*n/m*	*10*	*0.8%*	*-*	*-*	*n/m*
Propylene	128	*0.2%*	305	*0.5%*	*(58.2%)*	287	*0.2%*	777	*0.6%*	*(63.0%)*
Domestic	*34*	*26.5%*	*217*	*71.1%*	*(84.4%)*	*114*	*39.8%*	*594*	*76.4%*	*(80.8%)*
Export	*94*	*73.5%*	*88*	*28.9%*	*6.2%*	*173*	*60.2%*	*183*	*23.6%*	*(5.6%)*
Ethylene oxide	577	*0.9%*	495	*0.8%*	*16.6%*	1,349	*1.0%*	982	*0.7%*	*37.3%*
Domestic	*524*	*90.8%*	*419*	*84.7%*	*25.0%*	*1,255*	*93.0%*	*843*	*85.8%*	*48.8%*
Export	*53*	*9.2%*	*76*	*15.3%*	*(29.9%)*	*94*	*7.0%*	*139*	*14.2%*	*(32.4%)*
Butadiene	6	*0.0%*	53	*0.1%*	*(87.9%)*	64	*0.0%*	128	*0.1%*	*(50.4%)*
Domestic	*6*	*100.0%*	*53*	*100.0%*	*(87.9%)*	*64*	*100.0%*	*128*	*100.0%*	*(50.4%)*
Export	*-*	*-*	*-*	*-*	*n/m*	*-*	*-*	*-*	*-*	*n/m*
Isoprene	334	*0.5%*	307	*0.5%*	*8.7%*	576	*0.4%*	971	*0.7%*	*(40.6%)*
Domestic	*-*	*-*	*4*	*1.5%*	*(100.0%)*	*4*	*0.7%*	*9*	*0.9%*	*(53.7%)*
Export	*334*	*100.0%*	*303*	*98.5%*	*10.4%*	*572*	*99.3%*	*962*	*99.1%*	*(40.5%)*
Isobutylene	80	*0.1%*	231	*0.4%*	*(65.4%)*	206	*0.2%*	508	*0.4%*	*(59.5%)*
Domestic	*80*	*100.0%*	*162*	*70.1%*	*(50.7%)*	*185*	*89.8%*	*373*	*73.5%*	*(50.5%)*
Export	*-*	*-*	*69*	*29.9%*	*(100.0%)*	*21*	*10.2%*	*135*	*26.5%*	*(84.5%)*
Ethylene	-	*-*	-	*-*	*n/m*	-	*-*	-	*-*	*n/m*
Other intermediates	708	*1.1%*	829	*1.3%*	*(14.7%)*	1,398	*1.1%*	1,370	*1.0%*	*2.0%*
Domestic	*435*	*61.5%*	*650*	*78.4%*	*(33.1%)*	*856*	*61.3%*	*1,057*	*77.1%*	*(19.0%)*
Export	*273*	*38.5%*	*179*	*21.6%*	*52.2%*	*542*	*38.7%*	*313*	*22.9%*	*72.9%*
Total intermediates	3,337	*5.2%*	3,811	*5.8%*	*(12.4%)*	7,021	*5.4%*	8,246	*6.0%*	*(14.9%)*
Domestic	*2,547*	*76.3%*	*2,699*	*70.8%*	*(5.6%)*	*5,430*	*77.3%*	*5,769*	*70.0%*	*(5.9%)*
Export	*790*	*23.7%*	*1,112*	*29.2%*	*(29.0%)*	*1,591*	*22.7%*	*2,477*	*30.0%*	*(35.8%)*
Other chemicals	1,284	*2.0%*	1,728	*2.6%*	*(25.7%)*	2,793	*2.1%*	3,352	*2.4%*	*(16.7%)*
Domestic	*1,254*	*97.6%*	*1,648*	*95.4%*	*(23.9%)*	*2,714*	*97.2%*	*3,187*	*95.1%*	*(14.8%)*
Export	*30*	*2.4%*	*80*	*4.6%*	*(62.1%)*	*79*	*2.8%*	*165*	*4.9%*	*(52.2%)*
Total revenue	**4,621**	***7.2%***	**5,539**	***8.5%***	***(16.6%)***	**9,814**	***7.5%***	**11,598**	***8.5%***	***(15.4%)***
Domestic	***3,801***	***82.3%***	***4,347***	***78.5%***	***(12.6%)***	***8,144***	***83.0%***	***8,956***	***77.2%***	***(9.1%)***
Export	***820***	***17.7%***	***1,192***	***21.5%***	***(31.2%)***	***1,670***	***17.0%***	***2,642***	***22.8%***	***(36.8%)***

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

The following table presents data on our production, purchases and sales volumes in intermediates & other chemicals for the three and six months ended 30 June 2013 and 2012:

Tonnes, except as stated	**Three months ended 30 June**		*Change*	**Six months ended 30 June**		*Change*
	2013	**2012**	*%*	**2013**	**2012**	*%*
Production	718,321	791,299	*(9.2%)*	1,609,638	1,709,220	*(5.8%)*
Intermediates, including	573,310	615,579	*(6.9%)*	1,263,617	1,328,162	*(4.9%)*
Benzene	30,795	29,090	*5.9%*	71,441	64,285	*11.1%*
Styrene	43,823	36,921	*18.7%*	86,972	79,517	*9.4%*
Terephthalic acid	61,506	65,824	*(6.6%)*	129,220	133,224	*(3.0%)*
Propylene	74,317	69,651	*6.7%*	152,876	157,159	*(2.7%)*
Ethylene oxide	17,509	16,644	*5.2%*	37,427	39,106	*(4.3%)*
Butadiene	42,340	56,055	*(24.5%)*	97,412	114,380	*(14.8%)*
Isoprene	3,096	2,147	*44.2%*	5,564	7,843	*(29.1%)*
Isobutylene	8,286	7,679	*7.9%*	16,597	16,359	*1.5%*
Ethylene	128,055	124,265	*3.0%*	270,082	269,446	*0.2%*
Other intermediates	163,584	207,302	*(21.1%)*	396,027	446,842	*(11.4%)*
Other chemicals	145,011	175,721	*(17.5%)*	346,020	381,058	*(9.2%)*
Purchases from third parties	443	2,244	*(80.3%)*	2,940	6,850	*(57.1%)*
Total production and purchases	**718,764**	**793,543**	***(9.4%)***	**1,612,578**	**1,716,069**	***(6.0%)***
(Internal use)[1]	(613,128)	(663,976)	*(7.7%)*	(1,371,077)	(1,409,269)	*(2.7%)*
(Increase)/decrease in stock	7,896	13,406	*(41.1%)*	8,072	6,359	*26.9%*
External sales						
Benzene	12,473	7,608	*64.0%*	28,707	23,618	*21.6%*
Domestic	*12,473*	*7,608*	*64.0%*	*28,707*	*23,618*	*21.6%*
Export	*-*	*-*	*n/m*	*-*	*-*	*n/m*
Styrene	9,596	17,084	*(43.8%)*	19,547	36,903	*(47.0%)*
Domestic	*9,124*	*8,267*	*10.4%*	*15,871*	*19,316*	*(17.8%)*
Export	*472*	*8,817*	*(94.7%)*	*3,676*	*17,587*	*(79.1%)*
Terephthalic acid	19,113	18,454	*3.6%*	36,617	37,947	*(3.5%)*
Domestic	*18,814*	*18,454*	*2.0%*	*36,318*	*37,947*	*(4.3%)*
Export	*299*	*-*	*n/m*	*299*	*-*	*n/m*
Propylene	3,867	7,251	*(46.7%)*	9,709	21,896	*(55.7%)*
Domestic	*1,346*	*5,333*	*(74.8%)*	*5,256*	*17,522*	*(70.0%)*
Export	*2,521*	*1,918*	*31.4%*	*4,453*	*4,374*	*1.8%*
Ethylene oxide	16,853	14,070	*19.8%*	38,209	30,344	*25.9%*
Domestic	*15,570*	*12,043*	*29.3%*	*35,874*	*26,356*	*36.1%*
Export	*1,283*	*2,026*	*(36.7%)*	*2,335*	*3,987*	*(41.4%)*
Butadiene	64	643	*(90.0%)*	1,125	1,647	*(31.7%)*
Domestic	*64*	*643*	*(90.0%)*	*1,125*	*1,647*	*(31.7%)*
Export	*-*	*-*	*n/m*	*-*	*-*	*n/m*
Isoprene	3,657	2,526	*44.8%*	6,007	8,343	*(28.0%)*
Domestic	*-*	*37*	*(100.0%)*	*39*	*75*	*(48.3%)*
Export	*3,657*	*2,489*	*46.9%*	*5,968*	*8,269*	*(27.8%)*
Isobutylene	1,416	4,235	*(66.6%)*	3,460	9,685	*(64.3%)*
Domestic	*1,416*	*3,046*	*(53.5%)*	*3,074*	*7,282*	*(57.8%)*
Export	*-*	*1,189*	*(100.0%)*	*386*	*2,403*	*(84.0%)*
Ethylene	-	-	*n/m*	-	-	*n/m*
Other intermediates	25,277	32,372	*(21.9%)*	49,417	55,542	*(11.0%)*
Domestic	*11,357*	*25,808*	*(56.0%)*	*20,926*	*42,939*	*(51.3%)*
Export	*13,920*	*6,564*	*112.1%*	*28,491*	*12,603*	*126.1%*
Total intermediates	92,317	104,242	*(11.4%)*	192,798	225,924	*(14.7%)*
Domestic	*70,165*	*81,238*	*(13.6%)*	*147,190*	*176,702*	*(16.7%)*
Export	*22,152*	*23,004*	*(3.7%)*	*45,608*	*49,223*	*(7.3%)*
Other chemicals	21,215	38,731	*(45.2%)*	56,775	87,235	*(34.9%)*
Domestic	*20,691*	*37,907*	*(45.4%)*	*54,968*	*83,695*	*(34.3%)*
Export	*524*	*824*	*(36.4%)*	*1,807*	*3,540*	*(49.0%)*
External sales volumes	**113,532**	**142,973**	***(20.6%)***	**249,573**	**313,159**	***(20.3%)***
Domestic	***90,856***	***119,145***	***(23.7%)***	***202,158***	***260,397***	***(22.4%)***
Export	***22,676***	***23,828***	***(4.8%)***	***47,415***	***52,763***	***(10.1%)***

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

Other Revenue

In the second quarter of 2013, other revenue decreased by 42.7% year-on-year to RR 1,815 million from RR 3,169 million in the second quarter of 2012. The decline was mainly attributable to lower sales of processing services due to the deconsolidation of OOO Yugragazpererabotka.

In the three months ended 30 June 2013, our revenue from sales of processing services declined to almost null from RR 1,212 million in the respective period a year earlier. From 12 March 2013, SIBUR no longer consolidates OOO Yugragazpererabotka as a wholly owned subsidiary and accounts for the investment in OOO Yugragazpererabotka as investments in joint ventures. As a result in the second quarter of 2013, we did not consolidate RN Holding's[(1)] payments to OOO Yugragazpererabotka for APG processing, while in the second quarter of 2012 they were reported as sales of processing services in SIBUR's consolidated financial statements.

In the second quarter of 2013, our revenue from trading and other sales amounted to RR 1,793 million from RR 1,957 million in the second quarter of 2012 primarily due to lower sales of energy and transportation services.

In the first half of 2013, other revenue decreased by 46.7% year-on-year to RR 4,827 million from RR 9,059 million in the first six months of 2012 due to a decrease both in trading and other sales and sales of processing services. 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 decrease in sales of processing services was primarily attributable to the deconsolidation of OOO Yugragazpererabotka as discussed above.

The following table presents a breakdown of our other revenue for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June					**Six months ended 30 June**				
RR millions, except as stated	**2013**	***% of revenue***	**2012**	***% of revenue***	***Change %***	**2013**	***% of revenue***	**2012**	***% of revenue***	***Change %***
Sales of processing services	22	*0.0%*	1,212	*1.9%*	*(98.2%)*	1,370	*1.1%*	2,410	*1.8%*	*(43.2%)*
Trading and other sales	1,793	*2.8%*	1,957	*3.0%*	*(8.3%)*	3,457	*2.7%*	6,649	*4.9%*	*(48.0%)*
Total other revenue	**1,815**	***2.8%***	**3,169**	***4.9%***	***(42.7%)***	**4,827**	***3.7%***	**9,059**	***6.6%***	***(46.7%)***

(1) Formerly TNK-BP. Renamed RN Holding as of 30 July 2013 following the acquisition by Rosneft.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2013 AND 2012

The following table presents selected data on our results of operations for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June					Six months ended 30 June				
RR millions, except as stated	**2013**	*% of revenue*	**2012**	*% of revenue*	*Change %*	**2013**	*% of revenue*	**2012**	*% of revenue*	*Change %*
Revenue	**63,846**	***100.0%***	**65,330**	***100.0%***	***(2.3%)***	**130,030**	***100.0%***	**136,926**	***100.0%***	***(5.0%)***
Energy products	32,372	*50.7%*	30,840	*47.2%*	*5.0%*	67,219	*51.7%*	63,441	*46.3%*	*6.0%*
Petrochemical products	29,659	*46.5%*	31,321	*47.9%*	*(5.3%)*	57,984	*44.6%*	64,426	*47.1%*	*(10.0%)*
Other	1,815	*2.8%*	3,169	*4.9%*	*(42.7%)*	4,827	*3.7%*	9,059	*6.6%*	*(46.7%)*
Operating expenses	(48,862)	*(76.5%)*	(48,302)	*(73.9%)*	*1.2%*	(97,297)	*(74.8%)*	(99,081)	*(72.4%)*	*(1.8%)*
Operating profit	**14,984**	***23.5%***	**17,028**	***26.1%***	***(12.0%)***	**32,733**	***25.2%***	**37,845**	***27.6%***	***(13.5%)***
Net finance expense	(3,308)	*(5.2%)*	(6,081)	*(9.3%)*	*(45.6%)*	(5,270)	*(4.1%)*	(1,586)	*(1.2%)*	*232.3%*
Gain on deconsolidation / acquisition of a subsidiary	-	-	-	-	*n/m*	2,413	*1.9%*	430	*0.3%*	*461.2%*
Share of net income / (loss) of joint ventures	(129)	*(0.2%)*	(13)	*(0.0%)*	*892.3%*	148	*0.1%*	(79)	*(0.1%)*	*n/m*
Profit before income tax	**11,547**	***18.1%***	**10,934**	***16.7%***	***5.6%***	**30,024**	***23.1%***	**36,610**	***26.7%***	***(18.0%)***
Income tax expense	(1,636)	*(2.6%)*	(2,468)	*(3.8%)*	*(33.7%)*	(4,479)	*(3.4%)*	(6,633)	*(4.8%)*	*(32.5%)*
Profit from continuing operations	**9,911**	***15.5%***	**8,466**	***13.0%***	***17.1%***	**25,545**	***19.6%***	**29,977**	***21.9%***	***(14.8%)***
Loss from disposal of the Amtel Group assets	-	-	-	-	*n/m*	-	-	(315)	*(0.2%)*	*(100.0%)*
Profit for the reporting period, including attributable to:	**9,911**	***15.5%***	**8,466**	***13.0%***	***17.1%***	**25,545**	***19.6%***	**29,662**	***21.7%***	***(13.9%)***
Non-controlling interest	(19)	*0.0%*	(3)	*0.0%*	*533.3%*	4	*(0.0%)*	61	*(0.0%)*	*(93.5%)*
Shareholders of SIBUR	9,930	*15.6%*	8,469	*13.0%*	*17.3%*	25,541	*19.6%*	29,601	*21.6%*	*(13.7%)*

Revenue

In the second quarter of 2013, our revenue decreased by 2.3% year-on-year to RR 63,846 million from RR 65,330 million in the second quarter of 2012. Solid performance of our energy and plastics & organic synthesis product groups were more than offset by a decrease in revenue from sales of synthetic rubbers and lower sales of processing services.

In the first half of 2013, our revenue decreased by 5.0% year-on-year to RR 130,030 million compared to RR 136,926 million in the respective period of 2012. In addition to the factors discussed above, in the first quarter of 2013, we saw a decrease in trading and other sales due to the discontinuation of trading activities.

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 three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June					Six months ended 30 June				
RR millions, except as stated	**2013**	*% of revenue*	**2012**	*% of revenue*	*Change %*	**2013**	*% of revenue*	**2012**	*% of revenue*	*Change %*
Energy products										
LPG	14,008	*21.9%*	13,224	*20.2%*	*5.9%*	27,098	*20.8%*	26,691	*19.5%*	*1.5%*
Natural gas	5,505	*8.6%*	5,381	*8.2%*	*2.3%*	12,736	*9.8%*	11,491	*8.4%*	*10.8%*
Naphtha	5,820	*9.1%*	5,821	*8.9%*	*(0.0%)*	11,884	*9.1%*	12,774	*9.3%*	*(7.0%)*
MTBE	4,105	*6.4%*	4,812	*7.4%*	*(14.7%)*	9,676	*7.4%*	9,234	*6.7%*	*4.8%*
Raw NGL	2,398	*3.8%*	820	*1.3%*	*192.4%*	4,491	*3.5%*	1,608	*1.2%*	*179.2%*
Other fuels and fuel additives	536	*0.8%*	782	*1.2%*	*(31.5%)*	1,334	*1.0%*	1,643	*1.2%*	*(18.8%)*
Total energy product sales	**32,372**	***50.7%***	**30,840**	***47.2%***	***5.0%***	**67,219**	***51.7%***	**63,441**	***46.3%***	***6.0%***
Petrochemical products										
Plastics & organic synthesis products	11,175	*17.5%*	10,577	*16.2%*	*5.6%*	20,737	*15.9%*	18,872	*13.8%*	*9.9%*
Synthetic rubbers	8,312	*13.0%*	9,739	*14.9%*	*(14.7%)*	16,878	*13.0%*	22,303	*16.3%*	*(24.3%)*
Basic polymers	5,551	*8.7%*	5,466	*8.4%*	*1.6%*	10,555	*8.1%*	11,653	*8.5%*	*(9.4%)*
Intermediates & other chemicals	4,621	*7.2%*	5,539	*8.5%*	*(16.6%)*	9,814	*7.5%*	11,598	*8.5%*	*(15.4%)*
Total petrochemical products sales	**29,659**	***46.5%***	**31,321**	***47.9%***	***(5.3%)***	**57,984**	***44.6%***	**64,426**	***47.1%***	***(10.0%)***
Trading and other sales	1,793	*2.8%*	1,957	*3.0%*	*(8.3%)*	3,457	*2.7%*	6,649	*4.9%*	*(48.0%)*
Sales of processing services	22	*0.0%*	1,212	*1.9%*	*(98.2%)*	1,370	*1.1%*	2,410	*1.8%*	*(43.1%)*
Total revenue	**63,846**	***100.0%***	**65,330**	***100.0%***	***(2.3%)***	**130,030**	***100.0%***	**136,926**	***100.0%***	***(5.0%)***

Operating Expenses

In the second quarter of 2013, our operating expenses increased by 1.2% year-on-year to RR 48,862 million from RR 48,302 million in the second quarter of 2012. As a percentage of total revenue, our operating expenses amounted to 76.5% compared to 73.9% in the three months ended 30 June 2013 and 2012, respectively. The growth in both absolute and relative terms was primarily attributable to higher feedstock and materials costs and an increase in transportation and logistics expenses. These factors were partially compensated by lower staff costs due to a non-recurring charge recorded in the second quarter of 2012 (see “Staff Costs” below for further details) and a net effect from the deconsolidation of OOO Yugragazpererabotka. The deconsolidation of OOO Yugragazpererabotka resulted in a net decrease in operating expenses, since charges for processing services of OOO Yugragazpererabotka that we record from the second quarter of 2013 as third-party processing services were more than offset by the deconsolidation of OOO Yugragazpererabotka’s operating expenses, such as energy and utilities, staff costs, depreciation and amortisation, repairs and maintenance, etc.

In the first half of 2013, our operating expenses decreased by 1.8% to RR 97,297 million from RR 99,081 million in the same period of 2012. The decline in absolute terms was primarily attributable to: (i) a decrease in expenses related to purchases of goods for resale in the first quarter of 2013, which more than offset a marginal increase in this cost item in the second quarter of 2013, (ii) a reversal to operating expenses reported in the first half of 2013 due to higher work-in-progress and refined product balances, as opposed to an additional charge reported in the first half of 2012 due to a decrease in inventories, (iii) lower staff costs due to a one-off charge recorded in the second quarter of 2012, and (iv) net effect from the deconsolidation of OOO Yugragazpererabotka in the second quarter of 2013 as discussed above. These factors more than compensated for higher feedstock and materials expenses and an increase in transportation and logistics costs. As a percentage of total revenue, our operating expenses amounted to 74.8% compared to 72.4% in the six months ended 30 June 2013 and 2012, respectively.

The following table presents a breakdown of our operating expenses for the three and six months ended 30 June 2013 and 2012:

RR millions, except as stated	Three months ended 30 June 2013	*% of revenue*	2012	*% of revenue*	*Change %*	Six months ended 30 June 2013	*% of revenue*	2012	*% of revenue*	*Change %*
Feedstock and materials	15,979	*25.0%*	14,485	*22.2%*	*10.3%*	33,257	*25.6%*	28,247	*20.6%*	*17.7%*
Transportation and logistics	9,808	*15.4%*	8,927	*13.7%*	*9.9%*	19,360	*14.9%*	18,304	*13.4%*	*5.8%*
Energy and utilities	5,251	*8.2%*	6,922	*10.6%*	*(24.1%)*	13,012	*10.0%*	14,505	*10.6%*	*(10.3%)*
Staff costs	5,929	*9.3%*	7,752	*11.9%*	*(23.5%)*	12,907	*9.9%*	14,204	*10.4%*	*(9.1%)*
Depreciation and amortisation	2,628	*4.1%*	2,212	*3.4%*	*18.8%*	5,203	*4.0%*	4,455	*3.3%*	*16.8%*
Repairs and maintenance	1,754	*2.7%*	2,098	*3.2%*	*(16.4%)*	3,151	*2.4%*	3,320	*2.4%*	*(5.1%)*
Goods for resale	1,776	*2.8%*	1,672	*2.6%*	*6.2%*	3,087	*2.4%*	6,700	*4.9%*	*(53.9%)*
Rent expenses	1,344	*2.1%*	1,063	*1.6%*	*26.4%*	2,689	*2.1%*	2,014	*1.5%*	*33.5%*
Services provided by third parties	1,323	*2.1%*	1,482	*2.3%*	*(10.7%)*	2,438	*1.9%*	2,753	*2.0%*	*(11.4%)*
Processing services of third parties	1,563	*2.4%*	117	*0.2%*	*1,235.9%*	1,632	*1.3%*	269	*0.2%*	*506.7%*
Taxes other than income tax	492	*0.8%*	402	*0.6%*	*22.2%*	911	*0.7%*	811	*0.6%*	*12.3%*
Charity and sponsorship	304	*0.5%*	617	*0.9%*	*(50.7%)*	581	*0.4%*	827	*0.6%*	*(29.8%)*
Marketing and advertising	181	*0.3%*	165	*0.3%*	*9.7%*	231	*0.2%*	247	*0.2%*	*(6.5%)*
Impairment of property, plant and equipment	-	-	262	*0.4%*	*(100.0%)*	181	*0.1%*	262	*0.2%*	*(30.9%)*
(Gain)/loss on disposal of property, plant and equipment	(123)	*(0.2%)*	381	*0.6%*	*n/m*	(463)	*(0.4%)*	283	*0.2%*	*n/m*
Other	144	*0.2%*	(194)	*(0.3%)*	*n/m*	599	*0.5%*	834	*0.6%*	*(28.0%)*
Change in work-in-progress and refined products balances	509	*0.8%*	(61)	*(0.1%)*	*n/m*	(1,479)	*(1.1%)*	1,046	*0.8%*	*n/m*
Total operating expenses	**48,862**	***76.5%***	**48,302**	***73.9%***	***1.2%***	**97,297**	***74.8%***	**99,081**	***72.4%***	***(1.8%)***

Feedstock and Materials

In the second quarter of 2013, our feedstock and materials costs increased by 10.3% year-on-year to RR 15,979 million from RR 14,485 million in the second quarter of 2012. As a percentage of total revenue, feedstock and materials costs increased to 25.0% in the second quarter of 2013 from 22.2% in the second quarter of 2012. The growth was primarily attributable to other feedstock and materials and change in stock.

The following table presents information on our costs related to purchasing of feedstock and materials for the three and six months ended 30 June 2013 and 2012:

RR millions, except as stated	Three months ended 30 June 2013	*% of feedstock and materials expenses*	2012	*% of feedstock and materials expenses*	*Change %*	Six months ended 30 June 2013	*% of feedstock and materials expenses*	2012	*% of feedstock and materials expenses*	*Change %*
NGLs	5,868	*36.7%*	6,336	*43.7%*	*(7.4%)*	12,385	*37.2%*	11,954	*42.3%*	*3.6%*
APG	2,149	*13.4%*	1,647	*11.4%*	*30.4%*	4,449	*13.4%*	3,345	*11.8%*	*33.0%*
Paraxylene	1,261	*7.9%*	1,328	*9.2%*	*(5.0%)*	2,767	*8.3%*	2,849	*10.1%*	*(2.9%)*
Other feedstock and materials	6,873	*43.0%*	5,697	*39.3%*	*20.6%*	13,506	*40.6%*	10,834	*38.4%*	*24.7%*
Change of stock	(173)	*(1.1%)*	(523)	*(3.6%)*	*(67.0%)*	150	*0.5%*	(735)	*(2.6%)*	*(120.4%)*
Total feedstock and materials	**15,979**	***100.0%***	**14,485**	***100.0%***	***10.3%***	**33,257**	***100.0%***	**28,247**	***100.0%***	***17.7%***

The following table presents selected data on our feedstock purchasing volumes for the three and six months ended 30 June 2013 and 2012[(1)]:

Tonnes, except as stated	Three months ended 30 June 2013	2012	*Change %*	Six months ended 30 June 2013	2012	*Change %*
NGLs	917,887	854,518	*7.4%*	1,819,070	1,677,350	*8.4%*
APG (thousand cubic metres)	3,358,322	3,116,594	*7.8%*	6,786,469	6,301,268	*7.7%*
Paraxylene	39,290	39,061	*0.6%*	83,094	86,990	*(4.5%)*

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

In the second quarter of 2013, our expenses related to purchasing of NGLs declined by 7.4% year-on-year to RR 5,868 million from RR 6,336 million in the second quarter of 2012, decreasing as a percentage of total feedstock and materials to 36.7% in the second quarter of 2013 from 43.7% in the second quarter of 2012. The decline was attributable to a 13.8% decrease in the effective average purchase price despite a 7.4% increase in purchasing volumes. Our average purchase price decreased on the back of lower international market prices for LPG and naphtha, in line with the respective netbacks. Lower prices for raw NGL also reflected continuously growing supply of raw NGL in Western Siberia. The growth in the purchasing volumes was driven by expanded cooperation with existing suppliers and new supply agreements.

In the second quarter of 2013, our APG purchasing expenses rose 30.4% year-on-year to RR 2,149 million from RR 1,647 million in the second quarter of 2012, increasing as a percentage of total feedstock and materials expenses to 13.4% from 11.4% in the second quarter of 2012. The growth was attributable to an increase in the effective average purchase price by 21.1% and an increase in purchasing volumes by 7.8%. The increase in the effective average 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) change in the APG purchasing mix due to additional volumes sourced from existing suppliers at higher prices, which enabled us to achieve higher GPPs utilisation. The increase in purchasing volumes was driven by expanded cooperation with oil producers and development of APG processing infrastructure as part of our investment programme implementation.

In the second quarter of 2013, our paraxylene purchasing expenses declined by 5.0% year-on-year to RR 1,261 million from RR 1,328 million in the second quarter of 2012, decreasing as a percentage of total feedstock and materials expenses to 7.9% from 9.2% in the second quarter of 2012.

In the second quarter of 2013, other feedstock and materials expenses rose 20.6% year-on-year to RR 6,873 million from RR 5,697 million in the second quarter of 2012, increasing as a percentage of total feedstock and materials expenses to 43.0% in the second quarter of 2013 from 39.3% in the second quarter of 2012. The growth in both absolute and relative terms was inter alia attributable to higher purchases of polypropylene for further processing at our BOPP-film production facilities and of methanol for MTBE production.

In the second quarter of 2013, we recorded a reversal of RR 173 million to our feedstock and materials costs compared to a reversal of RR 523 million in the respective period of 2012, reflecting increases in balances of feedstock and materials in both periods.

In the first half of 2013, our feedstock and materials costs increased by 17.7% year-on-year to RR 33,257 million from RR 28,247 million in the first six months of 2012. As a percentage of total revenue, our feedstock and materials costs increased to 25.6% from 20.6% a year earlier. The growth both in absolute and in relative terms was primarily attributable to the following factors: (i) higher hydrocarbon feedstock purchasing expenses, (ii) reclassification of polypropylene purchases from goods for resale following the consolidation of BIAXPLEN, which affected the results of the first quarter and the first half of 2013, and (iii) change in stock, as we recorded an additional charge in the first half of 2013 due to reduction in feedstock and materials balances as opposed to a reversal reported in the first half of 2012 on higher feedstock and materials inventories.

Transportation and Logistics

In the second quarter of 2013, our transportation and logistics costs increased by 9.9% year-on-year to RR 9,808 million from RR 8,927 million in the second quarter of 2012. As a percentage of total revenue, our transportation and logistics costs increased to 15.4% in the second quarter of 2013 from 13.7% in the respective period of 2012.

The increase in absolute and relative terms was attributable to (i) a 7% increase in the average Railway Tariff set by the FTS and charged by Russian Railways effective 1 January 2013, (ii) longer delivery distances for a number of products, (iii) higher transported volumes of feedstock and refined products, and (iv) increased usage of truck transportation for growing PP sales.

These factors were partially compensated by (i) a decline in expenses related to transportation of natural gas through the UGSS, since we ceased to incur such expenses due to a change in natural gas delivery basis to "ex-field" starting from 2013 (which 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) as well as (ii) a decrease in LPG rail cars/tankers used under short-term transportation contracts due to expansion in leased rolling stock.

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).

In the first half of 2013, our transportation expenses increased by 5.8% year-on-year to RR 19,360 million from RR 18,304 million in the six months ended 30 June 2012 due to the factors discussed above. As a percentage of total revenue our transportation costs totaled 14.9% in the first half of 2013 versus 13.4% a year earlier.

Energy and Utilities

In the second quarter of 2013, our energy and utilities expenses declined by 24.1% year-on-year to RR 5,251 million from RR 6,922 million in the second quarter of 2012, decreasing as a percentage of total revenue to 8.2% in the second quarter of 2013 from 10.6% in the second quarter of 2012. The decrease in both absolute and relative terms was primarily attributable to the deconsolidation of OOO Yugragazpererabotka, which operates three GPPs (see "Electricity and Heat Tariffs" in the "Certain Factors Affecting our Results of Operations" section and Appendix II for further details).

In the first half of 2013, our energy and utilities expenses declined by 10.3% year-on-year to RR 13,012 million from RR 14,505 million a year earlier, which was primarily attributable to a decrease reported in the second quarter of 2013 due to the deconsolidation of OOO Yugragazpererabotka, as discussed above. This more than offset the effect of higher energy tariffs on our energy and utilities expenses. As a percentage of total revenue energy and utilities costs decreased to 10.0% in the first half of 2013 from 10.6% in the first half of 2012.

The following table presents data on our energy and utilities costs for the three and six months ended 30 June 2013 and 2012:

	Three months ended					**Six months ended**				
RR million except as stated	**30 June 2013**	*% of total energy and utilities*	**30 June 2012**	*% of total energy and utilities*	*Change %*	**30 June 2013**	*% of total energy and utilities*	**30 June 2012**	*% of total energy and utilities*	*Change %*
Electricity	2,827	*53.8%*	4,437	*64.1%*	*(36.3%)*	7,393	*56.8%*	8,987	*62.0%*	*(17.7%)*
Heat	1,358	*25.9%*	1,385	*20.0%*	*(1.9%)*	3,385	*26.0%*	3,282	*22.6%*	*3.1%*
Fuel	959	*18.3%*	905	*13.1%*	*6.0%*	1,893	*14.5%*	1,856	*12.8%*	*2.0%*
Other	106	*2.0%*	195	*2.8%*	*(45.5%)*	341	*2.6%*	380	*2.6%*	*(10.3%)*
Total energy and utilities	**5,251**	***100.0%***	**6,922**	***100.0%***	***(24.1%)***	**13,012**	***100.0%***	**14,505**	***100.0%***	***(10.3%)***

Staff Costs

In the second quarter of 2013, our staff costs declined by 23.5% year-on-year to RR 5,929 million from RR 7,752 million in the second quarter of 2012, decreasing as a percentage of total revenue to 9.3% from 11.9% in the second quarter of 2013 and 2012, respectively. The decrease was primarily attributable to a one-off charge reported in the second quarter of 2012. This charge was associated with the change in treatment of bonus provisions in 2012, when SIBUR started accruing provisions for bonuses to employees of our production facilities. As a result, in the second quarter of 2012, SIBUR accrued and paid bonuses to the employees of the production facilities, which were not accounted for in the annual bonus provision created at the end of 2011, hence, this resulted in an extraordinary charge. Net of this charge, our staff costs decreased by 10.6% on lower average headcount and bonus provisions despite an increase in salaries. In the second quarter of 2013, our average headcount totaled 28,828 employees, a 4.6% decrease compared to the second quarter of 2012, which was largely attributable to the deconsolidation of OOO Yugragazpererabotka. Average monthly salary increased by 10.0% year-on-year primarily due to inflationary adjustment of wages.

In the first half of 2013, our staff costs declined by 9.1% year-on-year to RR 12,907 million from RR 14,204 million in the first six months of 2012, as a decrease in staff costs in the second quarter of 2013 more than compensated the effect of higher staff costs reported in the first quarter of 2013 due to the consolidation of BIAXPLEN group of companies. As a percentage of total revenue staff costs decreased to 9.9% in the first half of 2013 from 10.4% in the respective period of 2012.

Depreciation and Amortisation

In the second quarter of 2013, our depreciation and amortisation expenses rose 18.8% year-on-year to RR 2,628 million from RR 2,212 million in the second quarter of 2012, increasing as a percentage of total revenue to 4.1% in the second quarter of 2013 from 3.4% in the second quarter of 2012. The increase in both absolute and relative terms was attributable to the launch of new production facilities.

In the first half of 2013, our depreciation and amortisation expenses increased by 16.8% to RR 5,203 million from RR 4,455 million in the first half of 2012. As a percentage of total revenue these expenses rose to 4.0% in the first six months of 2013 from 3.3% a year earlier. The increase in both absolute and relative terms was attributable to the launch of new production facilities and the consolidation of the BIAXPLEN group of companies from the second quarter of 2012. As we plan to launch a number of large-scale facilities in mid-term, we expect to report further increases in our depreciation and amortisation expenses.

Repairs and Maintenance

In the second quarter of 2013, our repairs and maintenance expenses declined by 16.4% year-on-year to RR 1,754 million from RR 2,098 million in the second quarter of 2012, decreasing as a percentage of total revenue to 2.7% from 3.2% in the second quarter of 2013 and 2012, respectively. The decrease in both absolute and relative terms was primarily attributable to changes in maintenance schedules within our annual cycle as well as the deconsolidation of repairs and maintenance expenses of OOO Yugragazpererabotka from the second quarter of 2013.

In the first half of 2013, our repairs and maintenance expenses decreased by 5.1% year-on-year to RR 3,151 million from RR 3,320 million in the first half of 2012, flat as a percentage of total revenue at 2.4% in both periods. The decrease in the second quarter of 2013 due to the factors described above more than offset an increase reported in the first quarter of 2013 due to implementation of initiatives aimed at further industrial and ecological safety improvements, industrial infrastructure development and enhancement of the existing equipment efficiency in the first quarter of 2013.

Goods for Resale

In the second quarter of 2013, our expenses related to purchases of goods for resale increased by 6.2% year-on-year to RR 1,776 million from RR 1,672 million in the second quarter of 2012, rising as a percentage of total revenue to 2.8% in the second quarter of 2013 from 2.6% in the second quarter of 2012. The growth in both absolute and relative terms was mainly attributable to higher purchases of polypropylene (PP) for resale on increased PP trading activities aimed at reinforcement of our market position. The increase was largely compensated by the following factors: (i) discontinuation of an LPG trading arrangement with one of our counterparties, and (ii) reduced synthetic rubber purchases under third-party manufacturing arrangements, where we use third-party capacity to produce rubbers from our own feedstock, as tighter spreads between feedstock and end-product prices diminished the economic rationale of such arrangements.

In the first half of 2013, our expenses related to purchases of goods for resale decreased by 53.9% year-on-year to RR 3,087 million compared to RR 6,700 million in the first six months of 2012 largely due to 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. The increase in our expenses related to purchases of goods for resale, reported in the second quarter of 2013, was not sufficient to offset the above factor of the PP reclassification. As a percentage of total revenue these expenses decreased to 2.4% in the first half of 2013 from 4.9% in the respective period of 2012.

Rent Expenses

In the second quarter of 2013, our rent expenses rose 26.4% year-on-year to RR 1,344 million from RR 1,063 million in the second quarter of 2012, increasing as a percentage of total revenue to 2.1% in the second quarter of 2013 from 1.6% in the second quarter of 2012. The increase in both absolute and relative terms was largely driven by a 24% expansion of leased rolling stock: to 9,116 rail cars and tankers as of 30 June 2013 from 7,337 units as of 30 June 2012. This was related to the following factors: (i) partial substitution of rail cars/tankers used under short-term transportation contracts with leased rolling stock, and a higher share of specialised LPG rail cars/tankers in the rolling stock, (ii) longer delivery distances for a number of products, (iii) higher volumes of transported feedstock and refined products, and (iv) lower rolling stock turnover due to Russian Railways' infrastructural bottlenecks. In the second quarter of 2013, year-on-year changes in our rental rates did not have a material impact on the overall rent expenses.

In the first half of 2013, our rent expenses grew by 33.5% year-on-year to RR 2,689 million from RR 2,014 million in the corresponding period of 2012 primarily due to the factors described above. As a percentage of total revenue rent expenses totaled 2.1% versus 1.5% a year earlier.

Services Provided by Third Parties

In the second quarter of 2013, our expenses related to services provided by third parties decreased by 10.7% year-on-year to RR 1,323 million from RR 1,482 million in the second quarter of 2012, declining as a percentage of total revenue to 2.1% in the second quarter of 2013 from 2.3% in the second quarter of 2012.

In the first half of 2013, our expenses related to services provided by third parties amounted to RR 2,438 million compared to RR 2,753 million in the first half of 2012, a decrease of 11.4% year-on-year. As a percentage of total revenue, these expenses decreased to 1.9% from 2.0% in the respective period of 2012.

Processing Services of Third Parties

In the second quarter of 2013, our expenses related to third-party processing services amounted to RR 1,563 million compared to RR 117 million in the second quarter of 2012. Following the deconsolidation of OOO Yugragazpererabotka, we started reporting our payments to OOO Yugragazpererabotka for APG processing as processing services of third parties, while a year earlier they were eliminated in the consolidated interim financial information as intercompany (see Appendix II for further details). As a percentage of total revenue, third-party processing services amounted to 2.4% in the second quarter of 2013 compared to 0.2% in the second quarter of 2012.

In the first half of 2013, our expenses related to processing services of third parties amounted to RR 1,632 million compared to RR 269 million in the first half of 2012. As a percentage of total revenue, these expenses amounted to 1.3% in the first half of 2013, while in the first half of 2012 they totaled 0.2% of total revenue.

Taxes Other than Income Tax

In the second quarter of 2013, our taxes other than income tax increased by 22.2% year-on-year to RR 492 million from RR 402 million in the second quarter of 2012, increasing as a percentage of total revenue to 0.8% in the second quarter of 2013 from 0.6% in the second quarter of 2012. The increase in both absolute and relative terms was primarily attributable to higher property tax as new taxable properties were commissioned by SIBUR.

In the first half of 2013, our taxes other than income tax increased by 12.3% year-on-year to RR 911 million from RR 811 million in the first half of 2012 due to the factors described above, and remained largely flat as a percentage of total revenue at 0.7% in the first half of 2013 and at 0.6% in the first half of 2012.

Charity and Sponsorship

In the second quarter of 2013, our expenses related to charity and sponsorship declined by 50.7% year-on-year to RR 304 million from RR 617 million in the second quarter of 2012, decreasing as a percentage of total revenue to 0.5% in the second quarter of 2013 from 0.9% in the second quarter of 2012. The decrease in both absolute and relative terms is primarily explained by the schedule of implementation of our social initiatives in the regions, where we realise our large-scale investment projects.

In the first half of 2013, our expenses related to charity and sponsorship declined by 29.8% year-on-year to RR 581 million from RR 827 million in the first half of 2012, decreasing as a percentage of total revenue to 0.4% from 0.6% in the first six months of 2013 and 2012, respectively. The decrease is largely explained by the factors described above.

Marketing and Advertising

In the second quarter of 2013, our expenses related to marketing and advertising increased by 9.7% year-on-year to RR 181 million from RR 165 million in the second quarter of 2012, flat as a percentage of total revenue at 0.3% in both periods. The growth in absolute terms was attributable to the expansion of our sponsorship initiatives, particularly support of sports organisations, as well as other corporate brand promotion initiatives in Russia and internationally.

In the first half of 2013, our expenses related to marketing and advertising decreased by 6.5% to RR 231 million from RR 247 million in the first half of 2012. As a percentage of total revenue these expenses were flat year-on-year at 0.2% in both periods.

Impairment of Property, Plant and Equipment

In the second quarter of 2012, we recognised an impairment charge of RR 262 million, which was attributable to a decommissioning of Caprolactam, an outdated chlorine and caustic soda production facility located near the city of Dzerzhinsk, the Nizhny Novgorod region. The decommissioning process started in the second quarter of 2012 and in April 2013 we completed the shutdown of the facility. These expenses were nil in the second quarter of 2013 (see “Recent Developments” above for further details).

In the first half of 2013, we recognised an impairment charge of RR 181 million (reported in the first quarter of 2013) compared to the charge of RR 262 million in the first half of 2012, both attributable to the decommissioning of Caprolactam as discussed above.

(Gain)/Loss on Disposal of Property, Plant and Equipment

In the second quarter of 2013, we recorded RR 123 million in a gain on disposal of property, plant and equipment compared to a loss of RR 381 million reported in the second quarter of 2012, which in both periods was attributable to divestments of non-core assets.

In the first half of 2013, we recorded RR 463 million in a gain on disposal of property, plant and equipment compared to a loss of RR 283 million reported in the first half of 2012, both related to divestments of non-core assets.

Change in Work-In-Progress and Refined Products Balances

In the second quarter of 2013, we recorded an additional charge to our operating expenses in the amount of RR 509 million due to inventory sales as opposed to a reversal of RR 61 million reported in the second quarter of 2012 on inventory accumulation (See "Operational Review" above for further details).

In the first half of 2013, we recorded a reversal of RR 1,479 million to our operating expenses as opposed to an additional charge of RR 1,046 million in the first half of 2012. This is explained by accumulation of inventories in the first quarter of 2013, which was only partially offset by inventory sales, primarily in synthetic rubbers and LPG, in the second quarter of 2013. In the first half of 2012, we also saw mixed trends: in the first quarter of 2012 we sold out inventories in line with the prevailing market trends and accumulation of inventories in the second quarter of 2012 did not fully offset this effect.

Operating Profit

In the second quarter of 2013, our operating profit decreased by 12.0% to RR 14,984 million from RR 17,028 million in the second quarter of 2012 due to the factors discussed above. Our operating margin totaled 23.5% in the second quarter of 2013 and 26.1% in the second quarter of 2012.

In the first half of 2013, our operating profit decreased by 13.5% to RR 32,733 million from RR 37,845 million in the first half of 2012 due to the factors discussed above. Our operating margin totaled 25.2% in the first half of 2013 and 27.6% in the first half of 2012.

Net Finance Expense

In the second quarter of 2013 and 2012, we reported a net finance expense of RR 3,308 million and RR 6,081 million, respectively, a decrease of 45.6% year-on-year. The decline was largely attributable to a lower foreign exchange loss recorded in the second quarter of 2013 compared to the respective period of 2012.

The following table presents data on our finance income and expenses for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		*Change*	Six months ended 30 June		*Change*
RR millions, except as stated	**2013**	**2012**	*%*	**2013**	**2012**	*%*
Interest income	204	-	*n/m*	492	463	*6.3%*
Interest expense	(243)	(325)	*(25.2%)*	(659)	(600)	*9.8%*
Foreign exchange (loss)/gain	(3,255)	(5,523)	*(41.1%)*	(4,892)	(2,265)	*116.0%*
Other finance income/(expense)	(14)	(233)	*(93.9%)*	(211)	816	*n/m*
Total finance (expense)/income, net	**(3,308)**	**(6,081)**	***(45.6%)***	**(5,270)**	**(1,586)**	***232.1%***

In the second quarter of 2013, our interest income amounted to RR 204 million compared to nil reported in the second quarter of 2012. Income reported in the second quarter of 2013 was primarily attributable to interest accrued on the bank deposits as well as interest on loans issued to OOO Yugragazpererabotka, which following the deconsolidation are reported as external.

In the second quarter of 2013, our interest expenses decreased by 25.2% year-on-year to RR 243 million from RR 325 million in the second quarter of 2012. The decrease was mainly attributable to the capitalisation of a part of our interest expenses due to a higher share of borrowings associated with funding of SIBUR's investment programme. Our weighted average interest rate on RR-denominated borrowings was 7.5% as of 30 June 2013 and 7.4% as of 30 June 2012. Our weighted average interest rate on USD-denominated borrowings was 3.5% as of 30 June 2013 and 3.3% as of 30 June 2012. Our weighted average interest rate on EUR-denominated borrowings was 1.7% as of 30 June 2013 and 2.4% as of 30 June 2012.

In the second quarter of 2013, we recorded a net foreign exchange loss in the amount of RR 3,255 million compared to a foreign exchange loss of RR 5,523 million reported in the same period a year earlier, which in both periods was attributable to the Russian rouble depreciation and the respective revaluation of our USD-denominated debt.

In the first half of 2013, our net finance expense amounted to RR 5,270 million compared to RR 1,586 million in the first half of 2012, a threefold increase year-on-year. The increase was largely attributable to a higher foreign exchange loss reported in the first six months of 2013 and related to the revaluation of our USD-denominated debt, as RR/USD rate increased by 7.7% to 32.7090 as of 30 June 2013 from 30.3727 as of 31 December 2012, compared to a 1.9% increase in the RR/USD rate in the same period a year earlier (to 32.8169 as of 30 June 2012 from 32.1961 as of 31 December 2011). Additionally, the absolute amount of our USD-denominated debt increased materially: to an equivalent of RR 79,065 million as of 30 June 2013 from an equivalent of RR 54,268 as of 30 June 2012.

Gain on Deconsolidation / Acquisition of a Subsidiary

In the first quarter and the first half of 2013, we recognised a gain on deconsolidation of a subsidiary in the amount of RR 2,413 million as a result of the deconsolidation of OOO Yugragazpererabotka, our joint venture with RN Holding (see Appendix II for further details). In the first quarter and the first half of 2012, we recognised a gain on acquisition of a subsidiary in the amount of RR 430 million, which was mainly 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 / (Loss) of Joint Ventures

In the second quarter of 2013 and 2012, our share of net loss of joint ventures totaled RR 129 million and RR 13 million, respectively, which was primarily attributable to a foreign exchange loss recorded by RusVinyl as a result of the revaluation of its EUR-denominated debt.

In the first half of 2013, our share of net income of joint ventures totaled RR 148 million as opposed to a share of net loss of RR 79 million reported in the first half of 2012. The gain in the first half of 2013 was primarily attributable to the performance of OOO NPP Neftekhimia, while the charge recorded in the respective period a year ago was attributable to a foreign exchange loss of RusVinyl as described above.

Income Tax Expense

In the second quarter of 2013, our income tax expense decreased by 33.7% year-on-year to RR 1,636 million from RR 2,468 million in the second quarter of 2012. The decrease was largely attributable to a reversal of a certain tax provision upon receipt of a confirmation from the respective tax authorities that there were no obligations.

In the first half of 2013, our income tax expense decreased by 32.5% year-on-year to RR 4,479 million from RR 6,633 million in the first half of 2012. The decrease was attributable to a decrease in pre-tax profit in the first quarter of 2013 and the reversal of a tax provision in the second quarter of 2013 as discussed above.

Loss from Disposal of the Amtel Group Assets

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

Profit for the Reporting Period and Profit Attributable to Shareholders of SIBUR

In the second quarter of 2013, our profit increased by 17.1% year-on-year to RR 9,911 million from RR 8,466 million in the second quarter of 2012, as the decline in operating profit was more than compensated by lower foreign exchange loss as discussed above. Net margin totaled 15.5% compared to 13.0% in the second quarter of 2012. In the second quarter of 2013, profit attributable to shareholders of SIBUR increased by 17.3% year-on-year to RR 9,930 million from RR 8,469 million in the second quarter of 2012.

In the first half of 2013, our profit decreased by 13.9% year-on-year to RR 25,545 million from RR 29,662 million in the first half of 2012. The decrease was largely attributable to lower operating profit and the foreign exchange loss due to the revaluation of our USD-denominated debt, which was materially higher than a year earlier. These factors were only partially compensated by gain on deconsolidation of OOO Yugragazpererabotka. Net margin totaled 19.6% compared to 21.7% in the first half of 2012. In the first half of 2013, profit attributable to shareholders of SIBUR decreased by 13.7% year-on-year to RR 25,541 million from RR 29,601 million in the first half of 2012.

SEGMENT INFORMATION

In the second quarter of 2013, our feedstock & energy segment's gross revenue decreased by 7.7% year-on-year to RR 37,676 million from RR 40,831 million in the second quarter of 2012. EBITDA contribution of the feedstock and energy segment decreased by 10.8% year-on-year to RR 14,836 million in the second quarter of 2013 from RR 16,640 million in the second quarter of 2012. EBITDA margin of the segment totaled 39.4% in the second quarter of 2013 compared to 40.8% in the second quarter of 2012. The decrease in EBITDA margin of the feedstock & energy segment was primarily attributable to the following factor: prices for majority of our energy products significantly declined following international market prices for oil and oil derivatives, such as LPG and naphtha, which negatively affected our revenue. While this also decreased our cost base, the magnitude of this decrease was smaller, since prices for a large portion of our feedstock (APG) are not linked to international oil and oil derivative prices (see "Crude Oil, Naphtha, Raw NGL and LPG Prices", "Natural Gas Prices" and "Feedstock Sourcing and Mix" in the "Certain Factors Affecting Our Results of Operations" section for further details).

In the second quarter of 2013, our petrochemicals segment's gross revenue decreased by 2.6% year-on-year to RR 32,394 million from RR 33,244 million in the second quarter of 2012. EBITDA contribution of the petrochemicals segment decreased by 18.5% year-on-year to RR 3,733 million in the second quarter of 2013 from RR 4,583 million in the second quarter of 2012. EBITDA margin of the segment decreased to 11.5% in the second quarter of 2013 from 13.8% in the second quarter of 2012 primarily due to tighter spreads between feedstock and end-product prices, which particularly negatively affected our synthetic rubber product group.

In the first half of 2013, our feedstock and energy segment's gross revenue decreased by 2.0% year-on-year to RR 81,066 million from RR 82,721 million in the first half of 2012. EBITDA contribution of the feedstock and energy segment decreased by 10.0% year-on-year to RR 33,190 million in the first half of 2013 from RR 36,879 million in the first half of 2012. EBITDA margin of the segment totaled 40.9% in the first half of 2013 compared to 44.6% in the first half of 2012 largely due to the factor discussed above.

In the first half of 2013, our petrochemicals segment's gross revenue decreased by 6.9% year-on-year to RR 63,986 million from RR 68,712 million in the first half of 2012. EBITDA contribution of the petrochemicals segment decreased by 28.3% year-on-year to RR 7,614 million in the first half of 2013 from RR 10,620 million in the first half of 2012. EBITDA margin of the segment decreased to 11.9% in the first half of 2013 from 15.5% in the first half of 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 three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June							
	2013				2012			
RR millions, except as stated	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**
Total segment revenue	37,676	32,394	3,191	73,261	40,831	33,244	5,057	79,132
Inter-segment transfers	(5,441)	(1,912)	(2,062)	(9,415)	(8,592)	(2,083)	(3,127)	(13,802)
External revenue	32,235	30,482	1,129	63,846	32,239	31,161	1,930	65,330
EBITDA	14,836	3,733	(957)	17,612	16,640	4,583	(1,721)	19,502
EBITDA margin	*39.4%*	*11.5%*		*27.6%*	*40.8%*	*13.8%*		*29.9%*

	Six months ended 30 June							
	2013				2012			
RR millions, except as stated	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**
Total segment revenue	81,066	63,986	6,396	151,448	82,721	68,712	11,751	163,184
Inter-segment transfers	(13,340)	(4,016)	(4,062)	(21,418)	(17,050)	(4,187)	(5,021)	(26,258)
External revenue	67,726	59,970	2,334	130,030	65,671	64,525	6,730	136,926
EBITDA	33,190	7,614	(2,687)	38,117	36,879	10,620	(4,937)	42,562
EBITDA margin	*40.9%*	*11.9%*		*29.3%*	*44.6%*	*15.5%*		*31.1%*

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table presents selected data on our net cash flows for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		*Change*	Six months ended 30 June		*Change*
RR millions, except as stated	**2013**	**2012**	*%*	**2013**	**2012**	*%*
Net cash from operating activities	13,890	16,998	*(18.3%)*	36,995	38,847	*(4.8%)*
Operating cash flows before working capital changes	*16,024*	*21,053*	*(23.9%)*	*37,827*	*45,455*	*(16.8%)*
Changes in working capital	*1,441*	*683*	*111.0%*	*4,956*	*1,140*	*334.7%*
Income tax paid	*(3,575)*	*(4,738)*	*(24.5%)*	*(5,788)*	*(7,748)*	*(25.3%)*
Net cash used in investing activities, including	(14,333)	(17,336)	*(17.3%)*	(36,717)	(15,821)	*132.1%*
Purchase of property, plant and equipment	*(14,537)*	*(20,342)*	*(28.5%)*	*(36,044)*	*(32,226)*	*11.8%*
Proceeds from disposal of the mineral fertilisers business	-	-	*n/m*	-	*7,689*	*(100.0%)*
Cash from investing activities of discontinued operations net of related income tax[(1)]	-	-	*n/m*	-	*5,984*	*(100.0%)*
Loans issued	*(555)*	*(184)*	*201.6%*	*(628)*	*(1,415)*	*(55.6%)*
Other	*759*	*3,190*	*(76.3%)*	*(45)*	*4,147*	*n/m*
Net cash used in financing activities, including	(13,596)	(21,624)	*(37.1%)*	(9,600)	(33,888)	*(71.7%)*
Dividends paid to the Company's shareholders	*(7,625)*	*(21,786)*	*(65.0%)*	*(7,625)*	*(21,786)*	*(65.0%)*
Effect of exchange rate changes on cash and cash equivalents	105	195	*(46.2%)*	12	(154)	*n/m*
Net decrease in cash and cash equivalents	(13,934)	(21,766)	*(36.0%)*	(9,310)	(11,016)	*(15.5%)*

(1) Proceeds from the disposal of ZAO Voronezh Tyre Plant and OAO Kirov Tyre Plant.

Net Cash from Operating Activities

In the second quarter of 2013, our net cash from operating activities decreased by 18.3% year-on-year to RR 13,890 million from RR 16,998 million in the second quarter of 2012, which was largely attributable to the year-on-year decline in EBITDA.

In the first half of 2013, our net cash from operating activities decreased by 4.8% year-on-year to RR 36,995 million from RR 38,847 million in the six months ended 30 June 2012. The effect of the decline in EBITDA was largely compensated by changes in working capital, which had a positive impact on our net cash from operating activities in the amount of RR 4,956 million in the first half of 2013 compared to a positive impact of RR 1,140 million in the first half of 2012. The majority of the positive impact was reported in the first quarter of 2013 and relates to higher VAT refunds received and a decrease in advances to Russian Railways, as SIBUR prepaid a material part of its first quarter expenses at the end of 2012 to guarantee an uninterrupted service during long holidays in January 2013.

The following table presents data on changes in working capital for the three and six months ended 30 June 2013 and 2012:

	Three months ended 30 June		Six months ended 30 June	
RR millions, except as stated	**2013**	**2012**	**2013**	**2012**
Decrease/ (increase) in trade and other receivables	1,487	5,766	3,760	4,528
(Increase)/decrease in prepayments and other current assets	(90)	(1,429)	4,457	(1,067)
(Increase) in inventories	(101)	(797)	(1,401)	(344)
(Decrease)/ increase in trade and other payables	572	(3,062)	(1,369)	(3,681)
(Decrease)/ increase in taxes payable	(427)	205	(491)	1,704
Changes in working capital	**1,441**	**683**	**4,956**	**1,140**

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 36,206 million as of 30 June 2013, RR 32,396 million as of 31 March 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 the second quarter of 2013, our net cash used in investing activities amounted to RR 14,333 million compared to RR 17,336 million in the second quarter of 2012, a 17.3% decrease year-on-year primarily due to lower capital expenditures, which decreased by 28.5% year-on-year to RR 14,537 million from RR 20,342 million in the second quarter of 2012. The decline was largely attributable to lower capital expenditures related to the Purovsk – Pyt-Yakh – Tobolsk raw NGL pipeline in line with the project implementation schedule and a decrease in investments in the Tobolsk-Polymer Plant as we completed construction and began commissioning works (see the "Capital Expenditures" section below for further details).

In the first half of 2013, our net cash used in investing activities increased by 132.1% year-on-year to RR 36,717 million from RR 15,821 million a year earlier. The increase was primarily attributable to two factors: (i) in the first quarter and in the first half of 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 7,689 million and proceeds from the disposal of ZAO Voronezh Tyre Plant and OAO Kirov Tyre Plant in the amount of RR 5,984 million, and (ii) our capital expenditures increased by 11.8% year-on-year to RR 36,044 million from RR 32,226 million in the first half of 2012 due to the implementation of our investment programme (see the "Capital Expenditures" section below for further details).

Cash Used in Financing Activities

In the second quarter of 2013, our net cash used in financing activities totaled RR 13,596 million, which was largely attributable to a dividend paid to the Group's shareholders and net debt repayment. SIBUR paid RR 7,625 million in a semi-annual dividend based on net profit for the second half of 2012. Net debt repayment amounted to RR 6,002, as SIBUR paid down its short-term debt.

In the second quarter of 2012, our net cash used in financing activities totaled RR 21,624 million. This amount is mainly represented by RR 21,786 million of a dividend payment. SIBUR has switched to a semi-annual dividend payment schedule only from the second half of 2012, hence the above dividend amount is based on the net profit for the full year 2011.

In the first half of 2013, our net cash used in financing activities totaled RR 9,600 million, as proceeds from the Eurobond placement received in the first quarter of 2013 were largely used for short-term debt repayment and the Group also paid its semi-annual dividend in the first half of 2013 as discussed above.

In the first half of 2012, our net cash used in financing activities totaled RR 33,888 million, which was mainly attributable to the dividend payment for the full year 2011 discussed above and net debt repayment.

Capital Expenditures

In the second quarter of 2013, our capital expenditures totaled RR 14,537 million (net of VAT) compared to RR 20,342 million in the second quarter of 2012, a 28.5% decrease year-on-year. In the first six months of 2013, our capital expenditures increased by 11.8% year-on-year to RR 36,044 million from RR 32,226 million in the corresponding period of 2012.

The following table presents data on our key investment projects for the three and six months ended 30 June 2013 and 2012:

RR millions, except as stated		Three months ended 30 June		Six months ended 30 June		Completion
Location	**Description**	**2013**	**2012**	**2013**	**2012**	
Feedstock and Energy						
Transportation infrastructure development						
Western Siberia	Purovsk – Pyt-Yakh – Tobolsk pipeline	4,627	9,043	12,107	9,470	2015
Leningrad region	Ust-Luga LPG and light oils transshipment facility	1,819	1,791	2,894	2,597	2013
Gas fractionation capacity modernisation and expansion						
Tobolsk	Second GFU at Tobolsk-Neftekhim	1,945	781	3,515	1,145	2014
Petrochemicals						
Tobolsk	Tobolsk-Polymer Plant	2,304	5,091	5,154	10,528	2013
Tobolsk	"ZapSib-2" project FEED stage	563	292	1,072	423	2013
Kstovo	Steam cracker upgrade at SIBUR-Neftekhim	519	419	953	817	2014
Tomsk	New BOPP-film production at Tomskneftekhim production site (BIAXPLEN group)	399	61	909	92	2013
Tobolsk	Expansion of propylene intermediate depot at Tobolsk-Polymer	279	147	688	165	2013
Novokuybyshevsk	Expansion of BOPP-film production at BIAXPLEN	314	229	468	342	2014
Voronezh	New thermoplastic elastomers production at Voronezhsintezkauchuk	343	655	439	1,010	Completed
Blagoveshchensk	Expansion of PET production at Polief	163	268	294	447	2014
Tobolsk	Propane purification facility to reduce methanol content at Tobolsk-Neftekhim	220	10	259	15	2014
Togliatti	Expansion / upgrade of butyl rubber production at Togliattikauchuk	41	123	117	381	2013
Perm	18 MW power plant at SIBUR-Khimprom	36	-	38	-	2014

In the first half of 2013, we continued implementation of a number of investment projects in line with SIBUR's strategic objectives. Description of our key investment projects is presented below.

Feedstock & Energy

Purovsk – Pyt-Yakh – Tobolsk Pipeline for Raw NGL Transportation

SIBUR is in the process of construction of a 1,100 kilometre raw NGL pipeline connecting Purovskiy GCP owned by NOVATEK, Yuzhno-Balykskaya main pumping station near Pyt-Yakh and the Tobolsk production site, where SIBUR's flagship GFU is located (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-Balykskaya main pumping station – approximately 5.5 million tonnes per annum, and between Yuzhno-Balykskaya main pumping station 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 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 its 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. The pipeline is scheduled for completion in 2015.

Ust-Luga LPG and Light Oils Transshipment Facility

SIBUR completed construction and has started the commissioning works at its 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 the premium Western European markets. In May 2013, SIBUR started test loadings of LPG and naphtha tankers. The project is scheduled for launch in 2013.

Second Gas Fractionation Unit (GFU) in Tobolsk

SIBUR expands its gas fractionation facility in Tobolsk through construction of a second GFU, which is expected to increase the overall raw NGL fractionation capacity at the Tobolsk production site to 6.6 million 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.

Petrochemicals

Tobolsk-Polymer Plant, an Integrated Propylene and Polypropylene Production Complex

SIBUR finalised construction and has started the commissioning works at the Tobolsk-Polymer Plant, a large scale world-class petrochemicals complex in Tobolsk. The complex applies 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 Tobolsk-Polymer Plant is located at the same production site as our flagship GFU. The Tobolsk-Polymer Plant is on the state top-priority project list in the region and represents a major step in execution of SIBUR's strategy of creating a full-scale petrochemicals hub in Western Siberia in close proximity to the hydrocarbon resource base.

In July 2013, the urban planning authority of Tobolsk issued its permission to commission the Tobolsk-Polymer Plant. In June, SIBUR received a confirmation from the Federal Service for Environmental, Technological and Nuclear Supervision ("Rostekhnadzor") that the Tobolsk-Polymer Plant meets all the relevant technical criteria and fully complies with the design documentation.

We successfully completed commissioning works and tests on propylene polymerisation and polypropylene extrusion units in July 2013. Earlier we finalised the testing of polypropylene packaging and shipping facilities as well as the propylene storage facility. The commissioning works now focus primarily on the propane dehydrogenation unit. The Tobolsk-Polymer Plant is scheduled for launch in 2013 upon completion of the commissioning stage and receipt of all the remaining regulatory approvals.

"ZapSib-2", an Integrated Ethylene, Polyethylene and Polypropylene Production Complex, FEED Stage

SIBUR plans to make a final investment decision on the ZapSib-2 project after completion of the FEED stage no earlier than the second half of 2013. 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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In December 2012, SIBUR's Board of Directors approved the 2013 capital expenditures budget in the aggregate amount of RR 74 billion (net of VAT). 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 these 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 30 June 2013, our total debt amounted to RR 94,409 million, a decrease of 1.8% from RR 96,122 as of 31 March 2013 and a decrease of 1.7% from RR 95,994 million as of 31 December 2012.

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

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(2) increased by 15.7% to RR 90,149 million as of 30 June 2013 from RR 77,928 million as of 31 March 2013. The increase was attributable to a decline in cash and cash equivalents due to the investment programme financing and a dividend payment in the amount of RR 7,625 million in the second quarter of 2013. Our net debt as of 30 June 2013 increased by 9.4% from RR 82,424 million as of 31 December 2012.

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

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

The following table presents data on our total debt, cash and cash equivalents and net debt position as of 30 June 2013, 31 March 2013 and 31 December 2012:

RR millions, except as stated	**As of 30 June 2013**	**As of 31 March 2013**	**As of 31 December 2012**	***Change, % vs 31 Mar 2013***	***Change, % vs 31 Dec 2012***
Total debt	94,409	96,122	95,994	*(1.8%)*	*(1.7%)*
Cash and cash equivalents	4,260	18,194	13,570	*(76.6%)*	*(68.6%)*
Net debt	90,149	77,928	82,424	*15.7%*	*9.4%*

As of 30 June 2013, all of our debt was unsecured with the exception of the USD equivalent of RR 16,621 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.

The following table presents detailed information on our borrowings as of 30 June 2013, 31 March 2013 and 31 December 2012:

RR millions, except as stated	**Currency**	**Due**	**As of 30 June 2013**	**As of 31 March 2013**	**As of 31 December 2012**
Variable rate loans					
Vnesheconombank	USD	2013-2023	16,621	15,499	17,844
Nordea Bank	USD	2013-2016	8,822	9,001	10,609
UniCredit Bank	USD, EUR	2013-2019	5,803	5,498	5,465
Rosbank	USD	2013	4,906	4,663	4,556
RaiffeisenBank	USD	2013	4,906	4,663	4,556
HSBC Bank plc	USD	2013-2014	4,205	4,663	4,556
Citibank Europe plc	USD	2013	-	3,108	7,593
KFW IPEX-Bank	USD	2013	1,963	1,865	1,822
ING Bank	USD, EUR	2008-2021	1,499	1,429	1,748
RBS, J.P. Morgan	USD	2013	-	-	9,112
The Royal Bank of Scotland	USD	2013	-	-	275
Fixed rate loans					
Eurobonds	USD	2018	32,533	30,913	-
Sberbank of Russia	RR	2012-2014	10,286	11,571	18,932
Mezhregiongaz	RR	2011-2014	2,351	2,361	2,285
NPP Neftekhimia	RR	2015	500	875	625
RN Holding	RR, USD	2013-2017	-	-	4,485
The Royal Bank of Scotland	USD	2013	-	-	1,519
Other	USD	2013	15	13	12
Total debt			**94,409**	**96,122**	**95,994**

SIBUR aims to maintain a diversified debt portfolio with a sound balance of fixed and floating interest rate instruments. Our share of fixed rate borrowings remained largely unchanged from 31 March 2013 at 48.4% of the total outstanding debt, increasing from 29.0% as of 31 December 2012. Variable rate borrowings accounted for 51.6% of the total outstanding debt as of 30 June 2013 and 52.4% as of 31 March 2013, decreasing as a percentage of total from 71.0% as of 31 December 2012. This was largely a result of the Eurobond placement in the first quarter of 2013 and redemption of floating rate instruments.

The following table presents scheduled maturities of our outstanding debt as of 30 June 2013, 31 March 2013 and 31 December 2012:

RR millions, except as stated	**As of 30 June 2013**	***% of total borrowings***	**As of 31 March 2013**	***% of total borrowings***	**As of 31 December 2012**	***% of total borrowings***	***Change, % vs. 31 Dec 2012***
Due for repayment:							
Within one year	27,091	*28.7%*	30,793	*32.0%*	54,936	*57.2%*	*(50.7%)*
Between one and two years	14,821	*15.7%*	14,387	*15.0%*	15,175	*15.8%*	*(2.3%)*
Between two and five years	43,719	*46.3%*	42,583	*44.3%*	12,679	*13.2%*	*244.8%*
After five years	8,778	*9.3%*	8,359	*8.7%*	13,204	*13.8%*	*(33.5%)*
Total debt	**94,409**	***100.0%***	**96,122**	***100.0%***	**95,994**	***100.0%***	***(1.7%)***

As of 30 June 2013, the share of long-term debt increased to 71.3% from 68.0% as of 31 March 2013 and from 42.8% as of 31 December 2012, while the share of short-term debt decreased to 28.7% from 32.0% as of 31 March 2013 and from 57.2% as of 31 December 2012.

The following table presents currency split of our outstanding debt as of 30 June 2013, 31 March 2013 and 31 December 2012:

RR millions, except as stated	**As of 30 June 2013**	***% of total borrowings***	**As of 31March 2013**	***% of total borrowings***	**As of 31 December 2012**	***% of total borrowings***	***Change, % vs 31 Dec 2012***
Denominated in:							
Russian rouble	13,136	*13.9%*	14,808	*15.4%*	17,573	*18.3%*	*(25.2%)*
Euro	2,208	*2.3%*	2,015	*2.1%*	2,171	*2.3%*	*1.7%*
US Dollar	79,065	*83.7%*	79,299	*82.5%*	76,250	*79.4%*	*3.7%*
Total debt	**94,409**	***100.0%***	**96,122**	***100.0%***	**95,994**	***100.0%***	***(1.7%)***

As of 30 June 2013, the USD-denominated debt as a percentage of total borrowings increased to 83.7% from 82.5% as of 31 March 2013 and from 79.4% as of 31 December 2012. The increase since the beginning of the year was largely due to the placement of the USD-denominated Eurobond, while the change in the second quarter of 2013 was attributable to partial repayment of RR-denominated debt and RR depreciation, which resulted in revaluation of our USD-denominated debt.

The following table presents our key liquidity and credit ratios as of 30 June 2013, 31 March 2013 and 31 December 2012:

	As of 30 June 2013	**As of 31 March 2013**	**As of 31 December 2012**
Current ratio	1.08x	1.20x	0.87x
Debt / Equity	0.44x	0.46x	0.49x
Debt / EBITDA	1.21x	1.21x	1.17x
Net debt(1) / EBITDA	1.16x	0.98x	1.00x
EBITDA / Interest(2)	16x	16x	22x

As of 30 June 2013, our net debt to EBITDA ratio was 1.16x compared to 0.98x as of 31 March 2013 and 1.00x as of 31 December 2012. EBITDA to interest(2) ratio was 16x as of 30 June 2013 compared to 16x as of 31 March 2013 and 22x as of 31 December 2012.

As of 30 June 2013, SIBUR had RR 69,006 million available under its existing credit facilities denominated in Russian roubles, US dollars and euro, both short- and long-term, of which an equivalent of RR 21,023 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. For the purposes of this MD&A, SIBUR changed its approach to reporting interest coverage ratio, as previously interest included only interest expense and excluded capitalised interest. We believe that the new approach is more conservative and provides our readers with more accurate metrics.

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 30 June 2013, 31 March 2013 and 31 December 2012:

RR millions, except as stated	**As of 30 June 2013**	**As of 31 March 2013**	**As of 31 December 2012**
Current assets	66,232	79,425	83,145
Current liabilities	(61,426)	(66,192)	(95,641)
Working capital	**4,806**	**13,233**	**(12,496)**
Adjustmets to assets, including:	**(10,518)**	**(24,073)**	**(18,960)**
Receivables for disposed businesses	-	-	-
Loans receivable	(3,654)	(3,215)	(1,222)
Cash and cash equivalents	(4,260)	(18,194)	(13,570)
Restricted cash	(1,696)	(1,765)	(890)
Assets classified as held for sale	(1,044)	(1,044)	(1,044)
Listed equity securities held for trading	-	-	-
Derivative financial instruments	-	-	-
Prepaid borrowing cost	-	-	(2,371)
Recoverable VAT related to assets under construction(1)	136	145	137
Adjustmets to liabilities, including:	**41,918**	**43,236**	**70,332**
Accounts payable to contractors and suppliers of property, plant and equipment	11,106	9,213	12,565
Payables for acquisition of subsidiaries	1,521	1,632	1,730
Short term promissory notes payable	639	607	2
Interest payable	983	413	521
Grants and subsidies	578	578	578
Short-term debt and current portion of long-term borrowings	27,091	30,793	54,936
Adjusted working capital	**36,206**	**32,396**	**38,876**

(1) Represents non-current portion.

APPENDIX II: Deconsolidation of OOO Yugragazpererabotka

In March 2013, we changed the format of cooperation with RN Holding (formerly TNK-BP Holding; renamed RN Holding as of 30 July 2013 following its acquisition by Rosneft) and extended the term of our JV OOO Yugragazpererabotka to indefinite, while terminating SIBUR's call options that had entitled the Group to purchase RN Holding's share in OOO Yugragazpererabotka. 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. OOO Yugragazpererabotka has also become a related party of the Group as of 30 June 2013.

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

Income from derecognition of RN Holding's share previously recognised as long-term debt	4,949[1]
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**

[1] Includes principal amounts of debt owed by SIBUR to RN Holding and accrued interest. Excludes debt owed by OOO Yugragazpererabotka to RN-Holding.

APPENDIX III: Equity-settled share-based payment plans for key management

On 28 June 2013, a company beneficially owned by Mr. Mikhelson and Mr. Timchenko granted equity-settled share-based payment plans (hereinafter referred to as the "Plans") to certain current and former members of the key management of the Group. As a result, indirect interest beneficially owned by Mr. Mikhelson and Mr. Timchenko in OAO SIBUR Holding's (hereinafter referred to as the "Company") share capital has decreased from 94.5% to 82.5%, and the total combined indirect equity interest held by the current and former members of the management of the Group has increased from 5.5% to 17.5%.

As the transactions that led to the above change in ownership were executed through a company beneficially owned by Mr. Mikhelson and Mr. Timchenko, and were not related to the companies that are under the control of the Group, these transactions did not and are not expected to result in any current or future cash outflows or liabilities at the Group level. However, in accordance with IFRS 2 ("*Share-based Payment")*, the Group has to recognise current and past service costs associated with the Plans as staff costs in its statement of profit or loss, and also record the corresponding amounts as an increase in equity in its statement of changes in equity and statement of financial position.

There are two Plans with different terms and conditions that apply to two different groups of the current and former members of the management of the Group (hereinafter referred to as the "Participants"):

- The Plan for the first group of the Participants (hereinafter referred to as the "First Plan") requires that the Participants provide services to the Group within a certain time period. In case the services are terminated before the end of such time period, the First Plan Participants retain rights under the First Plan pro rata to the period of service provided. The First Plan does not have any effect on the results of operations presented in this consolidated interim financial information. The Group will start to recognise costs under the First Plan from the consolidated interim financial information for the three and nine months ended 30 September 2013.

- The Plan for the second group of the Participants (the "Second Plan") is immediately vested. The Second Plan Participants partially paid for the shares granted with the remainder to be paid later at an interest. Based on the best Group's management estimate as of the date of this consolidated interim financial information, the past service cost under the Second Plan relates to the results of operations for the three and six months ended 30 June 2013 and comprises RR 340 million (an equivalent of USD 10.4 million). This amount is to be reflected in the consolidated financial information/statements for the nine months ended 30 September 2013.