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

You should read the following discussion and analysis of our financial condition and results of operations as of 31 March 2013 and for the three 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 months ended 31 March 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 months ended 31 March 2013 and 2012:

	Three months ended 31 March		*Change*
Tonnes, except as stated	**2013**	**2012**	*%*
Processing and production volumes			
APG processing(2) (thousand cubic metres)	4,872,095	4,625,415	*5.3%*
APG processing, SIBUR's share(3) (thousand cubic metres)	3,428,147	3,184,674	*7.6%*
Natural gas production(2) (thousand cubic metres)	4,223,915	4,053,095	*4.2%*
Natural gas production, SIBUR's share(3) (thousand cubic metres)	2,863,610	2,694,456	*6.3%*
Raw NGL production(2)	1,285,394	1,147,171	*12.0%*
Raw NGL production, SIBUR's share(3)	910,478	759,172	*19.9%*
Sales volumes			
Natural gas sales volumes (thousand cubic metres)	3,523,923	2,780,495	*26.7%*
NGLs sales volumes	1,095,126	980,394	*11.7%*
MTBE, other fuels & fuel additives sales volumes	181,770	153,709	*18.3%*
Petrochemical products sales volumes	529,203	610,375	*(13.3%)*

(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 TNK-BP's 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 TNK-BP's share in processing / production volumes of OOO Yugragazpererabotka.

Financial Results

The following table presents the Group's key financial measures for the three months ended 31 March 2013 and 2012:

RR millions, except as stated	Three months ended 31 March 2013	2012	*Change %*
Income statement highlights			
Revenue (net of VAT and export duties)	66,184	71,597	*(7.6%)*
EBITDA	20,505	23,060	*(11.1%)*
EBITDA margin, %	*31.0%*	*32.2%*	
Profit for the reporting period	15,634	21,197	*(26.2%)*
Profit margin, %	*23.6%*	*29.6%*	
Earnings per share (in Russian roubles)	7.2	9.7	*(26.2%)*
Weighted average number of shares[(1)] (in thousands)	2,178,479	2,178,479	
Cash flow highlights			
Net cash from operating activities	23,105	21,849	*5.7%*
Net cash (used in) / from investing activities, including	(22,384)	1,515	*n/m*
Purchase of property, plant and equipment	*(21,507)*	*(11,884)*	*81.0%*
Proceeds from disposal of non-core businesses[(2)]	-	*13,673*	*(100.0%)*
Cash received from / (used in) financing activities	3,996	(12,264)	*n/m*
	As of 31 March 2013	**As of 31 December 2012**	**As of 31 March 2012**
Key ratios			
Debt / EBITDA	1.21x	1.17x	0.85x
Net debt[(3)] / EBITDA	0.98x	1.00x	0.56x
EBITDA / Interest expense	49x	118x	57x

In the first quarter of 2013, our revenue totaled RR 66,184 million compared to RR 71,597 million in the first quarter of 2012, a decrease of 7.6% year-on-year. The decrease was largely attributable to two factors. First, our revenues from sales of synthetic rubbers decreased on the back of low demand and a significant decline in prices. 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. 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 and organic synthesis products thanks to higher production and change in scope through consolidation of the BIAXPLEN group of companies.

Our EBITDA for the period amounted to RR 20,505 million, a year-on-year decline of 11.1% from RR 23,060 million in the first three months of 2012. Our EBITDA margin totaled 31.0% compared to 32.2% reported for the same period a year earlier. The year-on-year decrease in EBITDA and EBITDA margin is primarily explained by tighter spreads between feedstock and petrochemicals prices, particularly in the synthetic rubber product group.

Our cash from operating activities increased by 5.7% year-on-year and reached RR 23,105 million in the first quarter of 2013 compared to RR 21,849 million in the first quarter of 2012. The increase was primarily attributable to a positive impact from changes in working capital. Strong cash generation enabled us to finance our capital expenditures from internal sources and to keep our net debt to EBITDA ratio at below 1x as of 31 March 2013.

(1) Taking into account treasury shares cancelation in February 2012 and 1:100 stock split in June 2012.

(2) Includes proceeds from disposal of the mineral fertilisers business net of related income tax of RR 900 million, as well as proceeds from the disposal of ZAO Voronezh Tyre Plant and OAO Kirov Tyre Plant.

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

Net profit for the first quarter of 2013 totaled RR 15,634 million versus RR 21,197 million in the first quarter of 2012, a decrease of 26.2% year-on-year, while net margin in the reporting period amounted to 23.6% versus 29.6% in the first three months of 2012.

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 months ended 31 March 2013 and 2012:

	Three months ended 31 March	
RR millions	**2013**	**2012**
Profit for the reporting period	**15,634**	**21,197**
Loss from disposal of the Amtel Group assets	-	315
Income tax expense	2,843	4,164
Share of net (income) / loss of joint ventures	(277)	66
Gain on deconsolidation / acquisition of a subsidiary	(2,413)	(430)
Net finance (income) / expenses	1,962	(4,495)
Impairment of property, plant and equipment	181	-
Depreciation and amortisation	2,575	2,243
EBITDA	**20,505**	**23,060**

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 and other chemicals.

As of 31 March 2013, SIBUR operated 27 production sites across Russia and employed over 30,000 personnel. 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.

RECENT DEVELOPMENTS

In June 2013, SIBUR received a confirmation from the Federal Service for Environmental, Technological and Nuclear Supervision ("Rostekhnadzor") that newly constructed Tobolsk-Polymer Plant meets all the relevant technical criteria and fully complies with the design documentation. Tobolsk-Polymer Plant is currently at the commissioning stage. We successfully completed tests on shipping, packaging and extrusion facilities, started testing the propylene storage facility and have begun production of polypropylene in a test mode. The commissioning works will continue for several months and will focus primarily on the polymerisation and dehydrogenation units. 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 began commissioning of a new thermoplastic elastomers production facility with an annual capacity of 50,000 tonnes of styrene-butadiene thermoplastic elastomers at the Group's synthetic rubber plant in Voronezh. The project 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, more than ten 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 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 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 TNK-BP 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 "Gain on Deconsolidation / Acquisition of a Subsidiary" below 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 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 months ended 31 March 2013 and 2012:

	Three months ended 31 March	
	2013	2012
European Union (EU-15)	(0.7%)	0.0%
United States	1.8%	2.4%
China	8.1%	7.7%
Russia	1.6%	4.8%

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

Foreign Exchange Rate Fluctuations

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

The following table presents selected data on exchange rate movements for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March	
	2013	2012
RR/USD rate at the end of the preceding period	30.3727	32.1961
RR/USD rate at the end of the reporting period	31.0834	29.3282
Average RR/USD rate for the period	30.4142	30.2642
RR/EUR rate at the end of the preceding period	40.2286	41.6714
RR/EUR rate at the end of the reporting period	39.8023	39.1707
Average RR/EUR rate for the period	40.1908	39.6784

Source: CBR

SIBUR's functional and reporting currency is the Russian rouble. However, our sales to countries outside of Russia (40.8% and 50.3% of total revenue in the first quarter 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 average RR/USD exchange rate remained largely unchanged in the first quarter of 2013 compared to the average level of the first quarter of 2012, thus there was no significant impact on our export revenue and our operational results. At the same time, the Russian rouble as of 31 March 2013 depreciated against the year-end level of 2012, which resulted 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 in Russia for the three months ended 31 March 2013 and 2012 relative to the three months ended 31 March 2012 and 2011:

	31 March to 31 December		31 March to 31 March	
	2013/2012	2012/2011	2013/2012	2012/2011
Consumer price index (CPI)	1.9%	1.5%	7.0%	3.7%
Producer price index (PPI)	0.9%	3.0%	3.4%	7.5%

Source: Russian Federal State Statistics Service

Interest Rates

SIBUR borrows funds at both fixed and floating rates. As of 31 March 2013, 47.6% of our total borrowings were at fixed rates and 52.4% - 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 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 32.1% and 29.6% of our total revenue in the first quarter 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 prices have historically been volatile and dependent on a variety of factors including, among others, market supply and demand balances, geopolitical developments affecting the principal oil producing nations and force majeure events.

The following table presents average benchmark of world market prices for crude oil, naphtha and LPG for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March		*Change*
USD per tonne, except as stated	2013	2012	*%*
Brent (USD per barrel)	112.6	118.5	*(5.0%)*
Naphtha (average FOB Rotterdam / CIF NWE)	943.0	1,013.4	*(6.9%)*
LPG (DAF Brest)	694.0	782.3	*(11.3%)*
LPG (Sonatrach)	880.0	990.8	*(11.2%)*

Source: Platts, 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		
Export duties, USD / tonne	**2013**	**2012**	***Change, %***
LPG			
At the end of the period	131.4	157.3	*(16.5%)*
Average for the period	176.8	180.0	*(1.8%)*
Naphtha			
At the end of the period	378.6	370.1	*2.3%*
Average for the period	365.9	360.7	*1.4%*

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 Forecast of Socio-Economic Development of the Russian Federation for 2013 through 2015, indexation of the natural gas prices on the domestic market will take place annually as of 1 July. In April 2013, the Government of the Russian Federation approved the Fundamental Parameters of the Forecast of Socio-Economic Development of the Russian Federation for 2014 through 2016 that sets the average annual increase of natural gas wholesale prices by 15% in 2014 and 2015 and by 10% in 2016.

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.

The FTS under the Governmental decisions may modify the percentages published, as well as to potentially prolong the timetable towards domestic market natural gas price liberalisation based on market conditions and other factors.

The following table presents effective dates of regulated natural gas price increases:

Effective date of increase	**Regulated natural gas price increase** **%**
1 January 2009	5.0%
1 April 2009	7.0%
1 July 2009	7.0%
1 October 2009	6.2%
1 January 2010	15.0%
1 January 2011	15.0%
1 July 2012	15.0%
1 April 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 26.1% and 23.2% of our expenses related to third-party hydrocarbon feedstock purchases in the first quarter of 2013 and 2012, respectively. As a percentage of total feedstock and materials costs, APG accounted for 13.3% and 12.3% in the first quarter 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 73.9% and 76.8% of our expenses related to third-party hydrocarbon feedstock purchases in the first quarter of 2013 and 2012, respectively. As a percentage of total feedstock and materials costs, NGLs accounted for 37.7% and 40.8% in the first quarter of 2013 and 2012, respectively.

Feedstock Sourcing

A large portion of our hydrocarbon feedstock is obtained from TNK-BP, primarily through our arrangements related to the joint venture (JV) OOO Yugragazpererabotka, which was established in 2007. SIBUR owns a 51% stake in the JV, while TNK-BP'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 TNK-BP operate within a contractual network, under which TNK-BP supplies APG to OOO Yugragazpererabotka for processing into raw NGL and dry gas[1]. In addition to volumes from TNK-BP, OOO Yugragazpererabotka also processes APG supplied from other oil companies. SIBUR and TNK-BP 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. TNK-BP obtains the remaining volumes. Subsequently SIBUR purchases TNK-BP's share of NGLs and sells to TNK-BP its share of dry gas. In March 2013, SIBUR and TNK-BP changed the duration of the JV to indefinite, extended key supply contracts until 2026 and increased the guaranteed APG volumes to be supplied by TNK-BP to Nizhnevartovskiy and Belozerniy GPPs after 2016.

In the first quarter of 2013 and 2012, the APG supplies from TNK-BP accounted for 37.4% and 40.8% of SIBUR's total APG supplies in volume terms, respectively. The raw NGL supplies from TNK-BP accounted for 40.6% and 46.4% of SIBUR's total NGLs supplies in volume terms in the first quarter of 2013 and 2012, respectively. The acquisition of TNK-BP by Rosneft, which is also a large supplier of APG to SIBUR, has increased our supplier concentration in APG: the combined share of Rosneft and TNK-BP in our APG supplies totaled 64.1% in the first three 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 TNK-BP and Rosneft, 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.

(1) Equivalent to natural gas.

As of 31 March 2013, approximately 72.3% of our planned APG supplies for 2013 were guaranteed under multi-year supply contracts[1]. Overall, as of 31 March 2013, our multi-year APG supply contracts had a weighted average maturity of 12.3 years[1].

As of 31 March 2013, approximately 77.3% of our planned NGLs supplies for 2013 were guaranteed under multi-year supply contracts[1]. Overall, as of 31 March 2013, our multi-year NGLs supply contracts had a weighted average maturity of 12.2 years[1].

We continuously work with all the largest oil and gas producers in Western Siberia with the view of extending tenors of the existing agreements and/or entering into new long-term supply contracts on both APG and NGLs supplies. Multi-year supply contracts and joint venture arrangements enhance predictability of feedstock pricing and volumes and allow better planning of the Group's future operating expenses and investments, which is particularly important given the capital-intensive nature of the Group's investment 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 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, while Western Siberia represented 37% of that volume.

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.

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

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 19.7% and 18.5% of our total operating expenses in the first quarter 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%.

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 5.4% effective 1 July 2013, 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 quarter 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. However 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 quarter 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 months ended 31 March 2013 and 2012:

	Three months ended 31 March				*Change*	
	2013		2012		*%*	
	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff
Electricity (millions of kw/hour or RR per kw/hour), *including*	2,330	1.97	2,438	1.87	*(4.4%)*	*5.0%*
Internal use	*2,058*	*1.94*	*2,013*	*1.90*	*2.3%*	*1.9%*
Heat (thousands of gigacalories or RR per gigacalory)	2,812	737	2,925	665	*(3.9%)*	*10.8%*

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 and organic synthesis products as well as intermediates and other chemicals.

We define our operating and reportable segments on the basis of the principal production facilities operated by each of the segments and key customers that each segment supplies to. These operating and reportable segments vary significantly in their end-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 and organic synthesis products, and intermediates and other chemicals. The deviations between revenue split by product group and by segment are explained primarily by the following:

- most of our production facilities in both feedstock & energy and in petrochemicals segments provide a range of services to third parties. Such services primarily represent processing of feedstock and intermediates, rental services, energy supply, repairs and maintenance. Revenue from these services is not included in any product group revenue and is reported separately as sales of processing services and other sales; 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.

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

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

Services provided by third parties. Services provided by third parties comprise services related to environmental and industrial safety, R&D, design and engineering, security expenses and third-party processing services as well as legal, audit and consulting services. Processing services represent services we obtain from other petrochemical producers to process our feedstock into intermediates or refined products, which we subsequently use for production of higher value-added products or resell. Our decision to use such services depends on existing agreements, market trends, logistical issues and shortages of our own capacity.

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.

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 first quarter of 2013, revenue from sales of energy products amounted to RR 34,846 million compared to RR 32,602 million in the first quarter of 2012, an increase of 6.9% year-on-year on higher sales volumes in majority of our energy products, while effective selling prices declined across the product range, largely following lower international market prices, except for natural gas. The decline in effective average selling price for natural gas was solely attributable to a change in the delivery basis as discussed in detail below. Foreign exchange rate fluctuations had a negligible effect on our revenue with the average RR/USD exchange rate in the first quarter of 2013 largely unchanged from its average level in the respective period a year earlier.

In the first quarter of 2013, 50.7% of total external energy product sales was derived from the domestic market, while export sales accounted for 49.3%.

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

	Three months ended 31 March				Change
RR millions, except as stated	2013	*% of revenue*[(1)]	2012	*% of revenue*[(1)]	*%*
Energy products					
LPG	13,090	*19.8%*	13,467	*18.8%*	*(2.8%)*
Domestic	*2,466*	*18.8%*	*2,452*	*18.2%*	*0.6%*
Export	*10,623*	*81.2%*	*11,016*	*81.8%*	*(3.6%)*
Natural gas, domestic sales	7,230	*10.9%*	6,111	*8.5%*	*18.3%*
Naphtha	6,064	*9.2%*	6,954	*9.7%*	*(12.8%)*
Domestic	*1,660*	*27.4%*	*452*	*6.5%*	*267.1%*
Export	*4,404*	*72.6%*	*6,501*	*93.5%*	*(32.3%)*
MTBE	5,571	*8.4%*	4,422	*6.2%*	*26.0%*
Domestic	*4,332*	*77.8%*	*2,987*	*67.6%*	*45.0%*
Export	*1,238*	*22.2%*	*1,435*	*32.4%*	*(13.7%)*
Raw NGL	2,093	*3.2%*	788	*1.1%*	*165.6%*
Domestic	*1,165*	*55.7%*	*114*	*14.5%*	*920.5%*
Export	*928*	*44.3%*	*674*	*85.5%*	*37.7%*
Other fuels and fuel additives	798	*1.2%*	860	*1.2%*	*(7.2%)*
Domestic	*796*	*99.8%*	*860*	*100.0%*	*(7.4%)*
Export	*2*	*0.2%*	*-*	*-*	*n/m*
Energy products, total	**34,846**	***52.7%***	**32,602**	***45.5%***	***6.9%***
Domestic	***17,650***	***50.7%***	***12,976***	***39.8%***	***36.0%***
Export	***17,196***	***49.3%***	***19,626***	***60.2%***	***(12.4%)***

Liquefied Petroleum Gases (LPG)

In the first quarter of 2013, revenue from LPG sales decreased by 2.8% year-on-year to RR 13,090 million from RR 13,467 million in the first quarter of 2012 due to a lower effective average selling price despite higher sales volumes.

The effective average selling price decreased by 7.9% in Russian rouble terms or by 8.4% in US dollar terms largely due to lower selling prices on export sales, which followed international market prices. International markets' influence was partially offset by an increased share of separate fractions, particularly those that are not subject to export duties (butane) and an increase in the transportation component in our average export selling price due to longer delivery basis of seaborne sales. Our effective average selling price in Russia remained largely unchanged due to a certain time lag between movements in international market prices and the domestic market reaction.

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

In the three months ended 31 March 2013, our external LPG sales volumes increased by 5.5% year-on-year on a 4.7% production growth combined with lower internal use within the feedstock & energy segment and a decrease in intercompany sales to the petrochemicals business due to a partial replacement by raw NGL. 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. These factors were partially offset by lower third-party purchases as we discontinued a temporary arrangement with one of our counterparties and higher inventories due to an increased share of sales on Black Sea routes, which resulted in higher goods-in-transit balances.

In the first quarter of 2013, domestic sales accounted for 18.8% of total LPG revenue, while 81.2% was attributable to export sales.

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

	Three months ended 31 March		*Change*
Tonnes, except as stated	**2013**	**2012**	*%*
LPG			
Production	1,022,776	976,469	*4.7%*
Purchases from third parties, including	33,031	72,093	*(54.2%)*
Purchases for resale	-	*13,450*	*(100.0%)*
Total production and purchases	**1,055,808**	**1,048,561**	***0.7%***
(Internal use)[1]	(133,364)	(183,514)	*(27.3%)*
(Increase) / decrease in stock	(35,808)	9,901	*n/m*
Gross sales, including	886,636	874,948	*1.3%*
Intercompany sales to petrochemicals business	204,237	228,399	*(10.6%)*
External sales	**682,399**	**646,549**	***5.5%***
Domestic	***187,877***	***187,741***	***0.1%***
Export	***494,522***	***458,808***	***7.8%***

Naphtha

In the first quarter of 2013, revenue from naphtha sales decreased by 12.8% year-on-year to RR 6,064 million from RR 6,954 million in the first quarter of 2012 on both lower sales volumes and a decrease in the effective average selling price.

Our external naphtha sales volumes decreased by 9.0% year-on-year despite an almost flat production. The decrease in sales volumes was primarily attributable to higher inventories as we accumulated a large volume of naphtha at the port of Riga (the Baltic Sea) for a high-tonnage shipment since we are developing our seaborne sales in anticipation of the launch of our Ust-Luga transshipment facility. This factor was partially compensated for by higher third-party purchases attributable to several factors: (i) we entered into an agreement with a new supplier and (ii) expanded cooperation with an existing counterparty by entering into a product swap arrangement in September 2012 in order to optimise logistics. The effect of the product swap arrangement on available for external sale volumes was offset by increased intercompany deliveries of naphtha to our petrochemicals business.

The effective average selling price decreased by 4.2% in Russian rouble terms or by 4.6% in US dollar terms. The decrease was lower than the dynamics of the international market prices, which was primarily attributable to higher share of separate fractions that are not subject to export duties in total export sales volumes.

In the first quarter of 2013, domestic sales accounted for 27.4% of total naphtha revenue, while 72.6% 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 naphtha production, purchases and sales volumes for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March		Change
Tonnes, except as stated	**2013**	**2012**	*%*
Naphtha			
Production	320,595	321,422	*(0.3%)*
Purchases from third parties, including	115,505	104,656	*10.4%*
Purchases for resale	*-*	*1,314*	*(100.0%)*
Total production and purchases	**436,100**	**426,078**	***2.4%***
(Internal use)[1]	(1,207)	(208)	*480.5%*
(Increase) / decrease in stock	(17,426)	10,606	*n/m*
Gross sales, including	417,467	436,476	*(4.4%)*
Intercompany sales to petrochemical business	161,897	155,646	*4.0%*
External sales	**255,570**	**280,829**	***(9.0%)***
Domestic	***76,731***	***17,657***	***334.6%***
Export	***178,839***	***263,172***	***(32.0%)***

Natural Gas

In the three months ended 31 March 2013, revenue from natural gas sales increased by 18.3% year-on-year to RR 7,230 million from RR 6,111 million in the first quarter of 2012 on higher sales volumes despite a decrease in the effective average selling price.

Natural gas sales volumes surged 26.7% on higher production and a material decrease in inventories. Natural gas production increased by 6.3% year-on-year due to higher volumes of purchased and processed APG. The inventories decreased as we sold out the volumes of natural gas accumulated in the UGSS.

The effective average selling price decreased by 6.6% 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) 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 in the first quarter of 2012, the effective average selling price increased by 11.6% in the first quarter of 2013 compared to the first quarter of 2012 due to the indexation of the regulated natural gas prices as of 1 July 2012.

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 months ended 31 March 2013 and 2012:

	Three months ended 31 March		Change
Tonnes, except as stated	**2013**	**2012**	*%*
Natural gas (thousand cubic metres)			
Production[2]	4,223,915	4,053,095	*4.2%*
Production, SIBUR's share[3]	**2,863,610**	**2,694,456**	***6.3%***
Purchases from third parties	218,268	205,540	*6.2%*
Total production and purchases	**3,081,877**	**2,899,997**	***6.3%***
(Internal use)[1]	(357,954)	(349,129)	*2.5%*
(Increase) / decrease in stock	800,000	229,627	*248.4%*
External sales	**3,523,923**	**2,780,495**	***26.7%***
Domestic	***3,523,923***	***2,780,495***	***26.7%***
Export	***-***	***-***	***n/m***

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

(2) Including 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).

(3) Excluding 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).

Methyl Tertiary Butyl Ether (MTBE)

Revenue from MTBE sales increased by 26.0% year-on-year to RR 5,571 million in the first quarter of 2013 from RR 4,422 million in the first quarter of 2012 on higher sales volumes and largely flat effective average selling price.

In the first quarter of 2013 MTBE sales volumes surged 27.0% year-on-year on a 1.9% growth in production combined with inventory sale versus inventory accumulation in the first quarter of 2012. 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. Inventories decreased as we completed a large export delivery accumulated at the end of 2012.

The effective average selling price marginally decreased by 0.8%, following the international market prices for MTBE adjusted for a certain time lag.

In the first quarter of 2013, domestic sales accounted for 77.8% of total MTBE revenue, while 22.2% was attributable to export sales.

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

	Three months ended 31 March		*Change*
Tonnes, except as stated	**2013**	**2012**	*%*
MTBE			
Production	114,529	112,370	*1.9%*
Purchases from third parties	6,493	5,930	*9.5%*
Total production and purchases	**121,022**	**118,300**	***2.3%***
(Internal use)[1]	(94)	(93)	*1.2%*
(Increase) / decrease in stock	18,555	(8,398)	*n/m*
External sales	**139,483**	**109,808**	***27.0%***
Domestic	***106,709***	***72,617***	***46.9%***
Export	***32,774***	***37,191***	***(11.9%)***

Raw NGL

In the first quarter of 2013, our revenue from raw NGL sales increased by 165.6% year-on-year to RR 2,093 million from RR 788 million in the first quarter of 2012 due to higher volumes despite lower prices.

External sales volumes of raw NGL increased by 196.4% or 104,141 tonnes year-on-year on a 19.9% (151,306 tonnes) production growth as well as higher third-party purchases. The growth in raw NGL production is attributable to higher volumes of purchased and processed APG and an improvement in liquids recovery ratio at Vyngapurovskiy and Yuzhno-Balykskiy GPPs. Third-party purchases increased due to the following factors: (i) we began purchasing additional raw NGL volumes from an existing supplier due to growth in gas extraction from one of their gas fields and (ii) entered into a product swap arrangement with another counterparty in October 2012 in order to optimise logistics and ensure higher utilisation of our fractionation capacity outside of Western Siberia. 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 NGLs in Western Siberia, which outpaces fractionation capacity expansion.

The effective average selling price decreased by 10.4% in the first quarter of 2013 compared to the first 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 three months of 2013, domestic sales accounted for 55.7% of total raw NGL revenue compared to 14.5% in the corresponding period of 2012, while 44.3% 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 raw NGL production, purchases and sales volumes for the three months ended 31 March 2013 and 2012:

Tonnes, except as stated	Three months ended 31 March 2013	Three months ended 31 March 2012	*Change %*
Raw NGL			
Production[1]	1,285,394	1,147,171	*12.0%*
Production, SIBUR's share[2]	910,478	759,172	*19.9%*
Purchases from third parties	752,646	660,848	*13.9%*
Total production and purchases	**1,663,124**	**1,420,020**	***17.1%***
(Fractionation)	(1,336,942)	(1,231,154)	*8.6%*
(Increase) / decrease in stock	(1,559)	1,232	*n/m*
Gross sales, including	324,623	190,098	*70.8%*
Intercompany sales to petrochemicals business	167,467	137,082	*22.2%*
External sales	**157,157**	**53,016**	***196.4%***
Domestic	***91,152***	***8,043***	***1,033.3%***
Export	***66,005***	***44,973***	***46.8%***

Other fuels and fuel additives

Other fuels and fuel additives represent an insignificant share of our total revenue (1.2% both in the first quarter of 2013 and 2012). In the first quarter of 2013, our revenue from other fuels and fuel additives sales decreased by 7.2% year-on-year to RR 798 million from RR 860 million in the first quarter of 2012 on both lower volumes and a decrease in the effective average selling price.

The effective average selling price decreased by 3.7% year-on-year primarily due to a change in the product structure mix. Sales volumes decreased by 3.7% year-on-year as an 8.9% growth in production was offset by lower third-party purchases, higher internal use and an increase in inventories.

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

Tonnes, except as stated	Three months ended 31 March 2013	Three months ended 31 March 2012	*Change %*
Other fuels and fuel additives			
Production	**82,963**	**76,194**	***8.9%***
Purchases from third parties	8	2,645	*(99.7%)*
Total production and purchases	**82,971**	**78,839**	***5.2%***
(Internal use)[3]	(38,111)	(34,274)	*11.2%*
(Increase) / decrease in stock	(2,573)	(665)	*287.1%*
External sales	**42,287**	**43,901**	***(3.7%)***
Domestic	***42,163***	***43,901***	***(4.0%)***
Export	***124***	**-**	***n/m***

(1) Including 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 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).

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

Petrochemicals

In the first quarter of 2013, our revenue from sales of petrochemical products decreased by 14.4% year-on-year to RR 28,326 million from RR 33,104 million in the first quarter of 2012. We saw mixed trends in our key markets and end-customer industries and hence our performance varied between product groups. Results of our synthetic rubber business continued to be under significant pressure due to weak demand from the tyre and general rubber goods manufacturers both in Russia and in our key export markets. On the other hand, resilient market sentiment in certain petrochemical products combined with a change in scope due to the acquisition of the BIAXPLEN group of companies, a BOPP-film producer, as well as organic expansion of capacity and growth in production in the plastics and organic synthesis product group, partially compensated for weak performance of the synthetic rubber business. In the three months ended 31 March 2013, domestic sales accounted for 65.5% of total revenue from external sales of petrochemical products, while 34.5% was attributable to export sales.

Basic Polymers

In the first quarter of 2013, our revenue from external sales of basic polymers decreased by 19.1% year-on-year to RR 5,004 million from RR 6,187 million in the first quarter of 2012. The decrease was largely attributable to the reclassification of a significant portion of external polypropylene (PP) sales to intercompany following the consolidation of the BIAXPLEN group of companies, which uses PP for BOPP-film production, starting from the second quarter of 2012. In the first quarter of 2013, domestic sales accounted for 70.8% of total basic polymers revenue, while 29.2% was attributable to export sales.

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

	Three months ended 31 March				*Change*
RR millions, except as stated	**2013**	***% of revenue[(1)]***	**2012**	***% of revenue[(1)]***	***%***
PE (LDPE)	2,771	*4.2%*	3,049	*4.3%*	*(9.1%)*
Domestic	*1,682*	*60.7%*	*1,267*	*41.6%*	*32.8%*
Export	*1,089*	*39.3%*	*1,782*	*58.4%*	*(38.9%)*
PP	2,233	*3.4%*	3,139	*4.4%*	*(28.9%)*
Domestic	*1,860*	*83.3%*	*2,723*	*86.7%*	*(31.7%)*
Export	*373*	*16.7%*	*416*	*13.3%*	*(10.3%)*
Basic polymers, total	**5,004**	***7.6%***	**6,187**	***8.6%***	***(19.1%)***
Domestic	***3,542***	***70.8%***	***3,990***	***64.5%***	***(11.2%)***
Export	***1,462***	***29.2%***	***2,197***	***35.5%***	***(33.5%)***

Low density polyethylene (LDPE)

In the first quarter of 2013, our revenue from sales of LDPE decreased by 9.1% year-on-year to RR 2,771 million compared to RR 3,049 million in the first quarter of 2012 due to lower sales volumes despite an increase in the effective average selling price.

Our LDPE sales volumes decreased by 13.4% year-on-year despite a 3.8% production growth, primarily because of an increase in inventories in the first quarter of 2013 compared to inventory sales in the respective period a year earlier. Higher inventories in the first three months of 2013 were attributable to weaker demand trends in certain geographies as opposed to the same period a year earlier, when we sold out inventories in a positive market environment.

The effective average selling price for LDPE increased by 4.9% year-on-year on higher international market prices. Our selling prices were also supported by an increased share of export sales to premium markets such as CIS countries. At the same time, our domestic selling prices declined on the back of a price correction from a high base of 2012, when the domestic market experienced temporary LDPE shortages caused by unscheduled shutdowns of third-party facilities in Russia and the CIS.

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

In the first three months of 2013, domestic sales accounted for 60.7% of total LDPE revenue, while 39.3% was attributable to export sales.

Polypropylene (PP)

In the first quarter of 2013, our revenue from sales of PP decreased by 28.9% year-on-year to RR 2,233 million from RR 3,139 million in the first quarter of 2012. The decline was primarily attributable to the consolidation of the BIAXPLEN group of companies from the second quarter of 2012 as we sell a large portion of our PP to BIAXPLEN as feedstock.

Our PP sales volumes decreased by 37.7%, while PP production increased by 3.3%. Lower sales volumes were 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. We also reported an increase in PP inventories compared to inventory sales in the respective period a year earlier, which was attributable to the following key factors: (i) an increase in our PP trading activities to reinforce our market position, (ii) expansion of the grade range, and (iii) preparation for the planned maintenance shutdown at OOO NPP Neftekhimia, our joint venture with Gazprom Neft Group, where maintenance shutdown took place in May this year as opposed to September in 2012. In the first quarter of 2012, on the contrary, we sold PP stock to cover PP shortages in the market caused by unscheduled shutdowns of third-party production facilities in Russia and the CIS.

The effective average selling price for PP increased by 14.2% in the first quarter of 2013 compared to the first quarter of 2012, which reflects a specific market situation in Russia, where PP prices were still adjusting from their record highs reached in the middle of 2012 due to the shortages described above.

In the first three months of 2013, domestic sales accounted for 83.3% of total PP revenue, while 16.7% was attributable to export sales.

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

	Three months ended 31 March		***Change***
Tonnes, except as stated	**2013**	**2012**	***%***
Production	100,290	96,762	*3.6%*
PE (LDPE)	64,497	62,118	*3.8%*
PP	35,793	34,645	*3.3%*
Purchases from third parties	33,197	29,252	*13.5%*
Total production and purchases	**133,487**	**126,014**	***5.9%***
(Internal use)[1]	(23,236)	(4,879)	*376.3%*
(Increase) / decrease in stock	(7,568)	16,408	*n/m*
External sales			
PE (LDPE)	60,478	69,818	*(13.4%)*
Domestic	*35,620*	*26,023*	*36.9%*
Export	*24,858*	*43,795*	*(43.2%)*
PP	42,205	67,725	*(37.7%)*
Domestic	*34,696*	*58,269*	*(40.5%)*
Export	*7,509*	*9,456*	*(20.6%)*
External sales volumes	**102,684**	**137,544**	***(25.3%)***
Domestic	***70,317***	***84,293***	***(16.6%)***
Export	***32,367***	***53,251***	***(39.2%)***

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

Synthetic Rubbers

In the first quarter of 2013, revenue from synthetic rubber sales decreased by 31.8% year-on-year to RR 8,566 million from RR 12,564 million in 2012 led by a decline in revenue from sales of commodity rubbers. Our synthetic rubber results were affected by weak demand for synthetic rubbers on our key markets, which resulted both in increased inventories and material price corrections for majority of synthetic rubber grades in the first quarter of 2013 compared to the respective period a year earlier. In the first three months of 2013, domestic sales accounted for 42.6% of total synthetic rubber revenue, while 57.4% was attributable to export sales.

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

	Three months ended 31 March				*Change*
RR millions, except as stated	**2013**	***% of revenue***[1]	**2012**	***% of revenue***[1]	***%***
Commodity rubbers	6,247	*9.4%*	9,251	*12.9%*	*(32.5%)*
Domestic	*2,826*	*45.2%*	*3,750*	*40.5%*	*(24.6%)*
Export	*3,422*	*54.8%*	*5,502*	*59.5%*	*(37.8%)*
Specialty rubbers	1,749	*2.6%*	2,492	*3.5%*	*(29.8%)*
Domestic	*318*	*18.2%*	*410*	*16.4%*	*(22.3%)*
Export	*1,430*	*81.8%*	*2,083*	*83.6%*	*(31.3%)*
Thermoplastic elastomers	570	*0.9%*	820	*1.1%*	*(30.5%)*
Domestic	*509*	*89.3%*	*626*	*76.3%*	*(18.7%)*
Export	*61*	*10.7%*	*194*	*23.7%*	*(68.6%)*
Synthetic rubbers, total	**8,566**	***12.9%***	**12,564**	***17.5%***	***(31.8%)***
Domestic	***3,653***	***42.6%***	***4,785***	***38.1%***	***(23.7%)***
Export	***4,913***	***57.4%***	***7,779***	***61.9%***	***(36.8%)***

Commodity rubbers

In the first quarter of 2013, revenue from sales of commodity rubbers decreased by 32.5% year-on-year to RR 6,247 million from RR 9,251 million in 2012 due to both a decrease in the effective average selling price and lower sales volumes.

The effective average selling price for commodity rubbers decreased by 21.1% compared to the respective period of 2012, following European and Asian market prices. For instance, European prices for styrene-butadiene rubber (ESBR) declined on average by more than 33% year-on-year; Asian prices for natural rubber, which is a benchmark for polyisoprene rubber (IR) as they are substitute products, declined on average by more than 20% year-on-year, while prices for butadiene, a key raw material and a price indicators for butadiene-based rubbers, declined by 29%.

Sales volumes of commodity rubbers decreased by 14.4% year-on-year despite a 3.0% increase in production. The decrease in sales volumes was attributable to higher inventories on weak market demand and also to lower third-party purchases as we reduced volumes under product swap arrangements, where we use third-party capacity to produce rubbers from our own feedstock, as tighter spreads between feedstock and end-product prices diminished such schemes' economic rationale.

In the first three months of 2013, domestic sales accounted for 45.2% of total commodity rubber revenue, while 54.8% was attributable to export sales.

Specialty rubbers

In the first quarter of 2013, our revenue from specialty rubber sales decreased by 29.8% year-on-year to RR 1,749 million from RR 2,492 million in the first quarter of 2012 due to both lower sales volumes and a decrease in the effective average selling price.

[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.

Our specialty rubber sales volumes decreased by 24.0% despite a 1.0% increase in production. The decrease in sales volumes was primarily attributable to higher inventories on weak market demand.

The effective average selling price for specialty rubbers decreased by 7.7% year-on-year, largely following the decline in prices for nitrile-butadiene rubber (NBR) by more than 25% year-on-year, partially compensated by the resilience of market price for butyl rubber (IIR), which increased by 3% year-on-year.

In the first quarter of 2013, domestic sales accounted for 18.2% of total specialty rubber revenue, while 81.8% was attributable to export sales.

Thermoplastic elastomers

In the first quarter of 2013, revenue from sales of thermoplastic elastomers decreased by 30.5% year-on-year to RR 570 million from RR 820 million in 2012 due to both lower sales volumes and a decrease in the effective average selling price.

Our thermoplastic elastomers sales volumes decreased by 21.9% year-on-year on a 7.6% decrease in production combined with higher inventories. The decrease in production was attributable to a production glitch associated with a shift from one grade to another. The increase in inventories was caused primarily by a delay of the construction season in Russia.

The effective average selling price for thermoplastic elastomers decreased by 11.1% year-on-year on weaker demand combined with intensified competition from Asian producers.

In the first quarter of 2013, domestic sales accounted for 89.3% of total thermoplastic elastomers revenues, while 10.7% was attributable to export sales.

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

	Three months ended 31 March		***Change***
Tonnes, except as stated	**2013**	**2012**	*%*
Production	119,363	117,175	*1.9%*
Commodity rubbers	87,884	85,333	*3.0%*
Specialty rubbers	24,267	24,036	*1.0%*
Thermoplastic elastomers	7,211	7,806	*(7.6%)*
Purchases from third parties	3,390	8,929	*(62.0%)*
Total production and purchases	**122,753**	**126,104**	***(2.7%)***
(Internal use)[1]	(182)	-	*n/m*
(Increase) / decrease in stock	(15,371)	2,685	*n/m*
External sales			
Commodity rubbers	81,557	95,283	*(14.4%)*
Domestic	*35,124*	*38,863*	*(9.6%)*
Export	*46,433*	*56,420*	*(17.7%)*
Specialty rubbers	19,324	25,417	*(24.0%)*
Domestic	*3,121*	*3,550*	*(12.1%)*
Export	*16,203*	*21,868*	*(25.9%)*
Thermoplastic elastomers	6,320	8,089	*(21.9%)*
Domestic	*5,589*	*5,958*	*(6.2%)*
Export	*731*	*2,131*	*(65.7%)*
External sales volumes	**107,200**	**128,789**	***(16.8%)***
Domestic	***43,833***	***48,370***	***(9.4%)***
Export	***63,367***	***80,419***	***(21.2%)***

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

Plastics and Organic Synthesis Products

In the first quarter of 2013, revenue from sales of plastics and organic synthesis products increased by 15.3% year-on-year to RR 9,563 million from RR 8,295 million in 2012. The increase was primarily attributable to the consolidation of the results of the BIAXPLEN group of companies from the second quarter of 2012 as discussed above, as well as the commercial launch of the second production line of expandable polystyrene in Perm in July 2012. We also benefited from positive market sentiment in glycols and alcohols. These factors were partially offset by weaker performance in PET, acrylates and plastic compounds.

The following table presents a breakdown of revenue from sales of our plastics and organic synthesis products for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March				***Change***
RR millions, except as stated	**2013**	***% of revenue***[(1)]	**2012**	***% of revenue***[(1)]	***%***
PET	2,471	*3.7%*	3,112	*4.3%*	*(20.6%)*
Domestic	*2,456*	*99.4%*	*3,093*	*99.4%*	*(20.6%)*
Export	*15*	*0.6%*	*19*	*0.6%*	*(22.4%)*
Glycols	1,930	*2.9%*	1,591	*2.2%*	*21.3%*
Domestic	*1,325*	*68.7%*	*1,091*	*68.6%*	*21.4%*
Export	*604*	*31.3%*	*500*	*31.4%*	*20.9%*
BOPP-films	1,731	*2.6%*	321	*0.4%*	*438.9%*
Domestic	*1,463*	*84.5%*	*321*	*100.0%*	*355.4%*
Export	*268*	*15.5%*	*-*	*-*	*n/m*
Alcohols (including 2-ethylhexanol)	1,458	*2.2%*	1,364	*1.9%*	*6.9%*
Domestic	*608*	*41.7%*	*456*	*33.4%*	*33.6%*
Export	*849*	*58.3%*	*909*	*66.6%*	*(6.5%)*
Expandable polystyrene	906	*1.4%*	504	*0.7%*	*79.5%*
Domestic	*628*	*69.3%*	*360*	*71.3%*	*74.6%*
Export	*278*	*30.7%*	*145*	*28.7%*	*91.8%*
Acrylates	642	*1.0%*	854	*1.2%*	*(24.9%)*
Domestic	*147*	*22.9%*	*159*	*18.6%*	*(7.5%)*
Export	*495*	*77.1%*	*695*	*81.4%*	*(28.8%)*
Plastic compounds[(2)]	426	*0.6%*	547	*0.8%*	*(22.1%)*
Domestic	*380*	*89.2%*	*500*	*91.4%*	*(24.0%)*
Export	*46*	*10.8%*	*47*	*8.6%*	*(2.0%)*
Plastics and organic synthesis products, total	**9,563**	***14.4%***	**8,295**	***11.6%***	***15.3%***
Domestic	***7,008***	***73.3%***	***5,981***	***72.1%***	***17.2%***
Export	***2,555***	***26.7%***	***2,314***	***27.9%***	***10.4%***

Polyethylene terephthalate (PET)

In the first quarter of 2013, our revenue from PET sales decreased by 20.6% year-on-year to RR 2,471 million from RR 3,112 million as a result of a 14.8% decrease in sales volumes and a 6.8% decline in the effective average selling price. The decrease in sales volumes despite flat production was primarily attributable to higher inventories in the first three months of 2013 largely due to the preparation for a planned lengthy shutdown in July 2013 aimed at capacity expansion, which did not take place in the respective period of 2012. In the first three months of 2012, on the contrary, we sold out inventories due to a very positive market environment. The decline in the effective average selling price, in addition to market price dynamics, was primarily attributable to a change in our sales structure in favour of formula-based contracts with large counterparties. In the first quarter of 2013, domestic sales accounted for 99.4% of total PET revenue, while 0.6% was attributable to export 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.

(2) Including ABS plastics and PVC cable compounds.

Glycols

In the first three months of 2013, our revenue from sales of glycols increased by 21.3% year-on-year to RR 1,930 million from RR 1,591 million in 2012 as a result of a 10.3% growth in the average selling price and a 10.0% increase in sales volumes. The effective average selling price increased on the back of higher European market prices helped by strong demand from manufacturers (producers of cooling liquids, polyester resins, etc.). Sales volumes increased due to a 7.0% production growth, which was attributable to an improvement in ethylene oxide (feedstock for glycols) production capacity utilisation as a result of a malfunctioning catalyst replacement in summer 2012. In the first three months of 2013, domestic sales accounted for 68.7% of total glycols revenue, while 31.3% was attributable to export sales.

BOPP-films

In the first quarter of 2013, our revenue from BOPP-film sales was materially impacted by a 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. As a result, our revenue from BOPP-film sales increased by 438.9% year-on-year to RR 1,731 million from RR 321 million in the first quarter of 2012 on a 373.7% increase in sales volumes. The effective average selling price increased by 13.8% primarily as a result of higher feedstock prices (PP) as well as due to an adjustment to our marketing policy to match current market trends. In the first quarter of 2013, domestic sales accounted for 84.5% of total BOPP-film revenue, while 15.5% was attributable to export sales.

Alcohols

In the first quarter of 2013, our revenue from sales of alcohols increased by 6.9% year-on-year to RR 1,458 million from RR 1,364 million in the first quarter of 2012 as a result of an 8.6% increase in the effective average selling price despite a 1.6% decrease in sales volumes due to marginally lower production. The increase in the effective average selling price was primarily attributable to higher international market prices for 2-ethylhexanol and butyl alcohol. In the first quarter of 2013, domestic sales accounted for 41.7% of total alcohols revenue, while 58.3% was attributable to export sales.

Expandable polystyrene

In the first quarter of 2013, our revenue from sales of expandable polystyrene rose 79.5% year-on-year to RR 906 million from RR 504 million in the first quarter of 2012 as a result of a 49.0% increase in sales volumes and a 20.5% growth in the effective average selling price. The increase in sales volumes was attributable to a 114.2% growth in production following the commercial launch of the second production line at SIBUR-Khimprom in Perm in July 2012 (with an annual capacity of 50,000 tonnes). This factor was partially offset by inventory accumulation in preparation for the high sales season in summer 2013, when construction works pick up. The effective average selling price increased on the back of higher market prices. In the first quarter of 2013, domestic sales accounted for 69.3% of total expandable polystyrene revenue, while 30.7% was attributable to export sales.

Acrylates

In the first quarter of 2013, our revenue from sales of acrylates decreased by 24.9% year-on-year to RR 642 million from RR 854 million in the first quarter of 2012 as a result of a 30.5% decrease in sales volumes, which was partially compensated for by an 8.2% increase in the effective average selling price. Sales volumes decreased despite a 7.7% growth in production due to inventory accumulation in preparation for the planned maintenance shutdown at SIBUR-Neftekhim in April 2013, while in 2012 such a shutdown took place in June. The increase in the average selling price was primarily attributable to an improvement of our selling terms on the export markets. In the first quarter of 2013, domestic sales accounted for 22.9% of total acrylates revenue, while 77.1% was attributable to export sales.

Plastic compounds (including ABS plastics and PVC cable compounds)

In the first quarter of 2013, our revenue from sales of plastic compounds decreased by 22.1% year-on-year to RR 426 million from RR 547 million in the first quarter of 2012 as a result of a 20.5% decrease in sales volumes and a 2.0% decrease in the effective average selling price. Sales volumes declined primarily due to a reduction in production volumes of PVC cable compounds on low market demand. The decrease in the effective average selling price was attributable to lower feedstock prices, particularly for dioctyl phthalate (DOP). In the first three months of 2013, domestic sales accounted for 89.2% of total revenue from sales of plastic compounds, while 10.8% was attributable to export sales.

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

	Three months ended 31 March		***Change***
Tonnes, except as stated	**2013**	**2012**	*%*
Production	236,603	202,131	*17.1%*
PET	54,507	54,318	*0.3%*
Glycols	70,882	66,245	*7.0%*
BOPP-films	22,471	4,056	*454.0%*
Alcohols (including 2-ethylhexanol)	40,429	41,373	*(2.3%)*
Expandable polystyrene	27,170	12,687	*114.2%*
Acrylates	11,933	11,075	*7.7%*
Plastic compounds[1]	9,211	12,378	*(25.6%)*
Purchases from third parties	1,388	902	*53.9%*
Total production and purchases	**237,992**	**203,033**	***17.2%***
(Internal use)[2]	(25,637)	(29,563)	*(13.3%)*
(Increase) / decrease in stock	(29,076)	384	*n/m*
External sales			
PET	47,741	56,009	*(14.8%)*
Domestic	*47,463*	*55,652*	*(14.7%)*
Export	*277*	*358*	*(22.5%)*
Glycols	47,024	42,763	*10.0%*
Domestic	*31,685*	*28,563*	*10.9%*
Export	*15,339*	*14,199*	*8.0%*
BOPP-films	20,268	4,279	*373.7%*
Domestic	*16,919*	*4,279*	*295.4%*
Export	*3,348*	*-*	*n/m*
Alcohols (including 2-ethylhexanol)	33,984	34,547	*(1.6%)*
Domestic	*13,526*	*11,916*	*13.5%*
Export	*20,458*	*22,631*	*(9.6%)*
Expandable polystyrene	15,126	10,153	*49.0%*
Domestic	*10,257*	*6,873*	*49.2%*
Export	*4,869*	*3,280*	*48.5%*
Acrylates	11,198	16,118	*(30.5%)*
Domestic	*2,255*	*2,323*	*(2.9%)*
Export	*8,944*	*13,796*	*(35.2%)*
Plastic compounds	7,937	9,986	*(20.5%)*
Domestic	*7,227*	*9,236*	*(21.8%)*
Export	*710*	*750*	*(5.3%)*
External sales volumes	**183,278**	**173,855**	***5.4%***
Domestic	***129,332***	***118,842***	***8.8%***
Export	***53,946***	***55,013***	***(1.9%)***

[1] Including ABS plastics and PVC cable compounds.

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

Intermediates and Other Chemicals

In the first quarter of 2013, our revenue from sales of intermediates and other chemicals decreased by 14.3% year-on-year to RR 5,193 million from RR 6,058 million in the first quarter of 2012 as a result of a 20.1% decrease in sales volumes despite a 7.2% increase in the effective average selling price. The decrease in sales volumes is attributable to lower production and purchases from third parties as well as an increase in volumes of intermediates and other chemicals used internally. Out of 891.3 thousand tonnes of intermediates and other chemicals produced in the first three months of 2013, approximately 85.0% were used internally for further intercompany processing compared to 81.2% 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 and other chemicals may fluctuate significantly period to period depending on market trends, shifts in supply and demand fundamentals, capacity constraints and other factors.

The following table presents a breakdown of revenue from sales of our intermediates and other chemicals for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March				*Change*
RR millions, except as stated	**2013**	*% of revenue*[1]	**2012**	*% of revenue*[1]	*%*
Intermediates, including					
Benzene	526	*0.8%*	415	*0.6%*	*26.8%*
Domestic	*526*	*100.0%*	*415*	*100.0%*	*26.8%*
Export	*-*	*-*	*-*	*-*	*n/m*
Styrene	494	*0.7%*	808	*1.1%*	*(38.9%)*
Domestic	*340*	*68.9%*	*460*	*56.9%*	*(26.1%)*
Export	*153*	*31.1%*	*348*	*43.1%*	*(55.9%)*
Terephthalic acid	618	*0.9%*	697	*1.0%*	*(11.3%)*
Domestic	*618*	*100.0%*	*697*	*100.0%*	*(11.3%)*
Export	*-*	*-*	*-*	*-*	*n/m*
Propylene	160	*0.2%*	472	*0.7%*	*(66.2%)*
Domestic	*80*	*50.4%*	*377*	*79.9%*	*(78.7%)*
Export	*79*	*49.6%*	*95*	*20.1%*	*(16.5%)*
Ethylene oxide	771	*1.2%*	487	*0.7%*	*58.3%*
Domestic	*730*	*94.7%*	*424*	*87.0%*	*72.3%*
Export	*41*	*5.3%*	*63*	*13.0%*	*(35.4%)*
Butadiene	57	*0.1%*	75	*0.1%*	*(24.0%)*
Domestic	*57*	*100.0%*	*75*	*100.0%*	*(24.0%)*
Export	*-*	*-*	*-*	*-*	*n/m*
Isoprene	242	*0.4%*	663	*0.9%*	*(63.5%)*
Domestic	*4*	*1.7%*	*4*	*0.6%*	*(5.1%)*
Export	*238*	*98.3%*	*659*	*99.4%*	*(63.9%)*
Isobutylene	126	*0.2%*	277	*0.4%*	*(54.5%)*
Domestic	*105*	*83.4%*	*211*	*76.3%*	*(50.3%)*
Export	*21*	*16.6%*	*66*	*23.7%*	*(68.2%)*
Ethylene	-	*-*	-	*-*	*n/m*
Other intermediates	690	*1.0%*	541	*0.8%*	*27.6%*
Domestic	*421*	*61.0%*	*406*	*75.2%*	*3.6%*
Export	*269*	*39.0%*	*134*	*24.8%*	*100.4%*
Total intermediates	3,684	*5.6%*	4,435	*6.2%*	*(16.9%)*
Domestic	*2,882*	*78.2%*	*3,070*	*69.2%*	*(6.1%)*
Export	*802*	*21.8%*	*1,365*	*30.8%*	*(41.3%)*
Other chemicals	1,509	*2.3%*	1,624	*2.3%*	*(7.1%)*
Domestic	*1,461*	*96.8%*	*1,539*	*94.8%*	*(5.1%)*
Export	*49*	*3.2%*	*85*	*5.2%*	*(42.9%)*
Intermediates and other chemicals, total	**5,193**	***7.8%***	**6,058**	***8.5%***	***(14.3%)***
Domestic	***4,343***	***83.6%***	***4,608***	***76.1%***	***(5.8%)***
Export	***850***	***16.4%***	***1,450***	***23.9%***	***(41.4%)***

(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.

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

	Three months ended 31 March		*Change*
Tonnes, except as stated	**2013**	**2012**	*%*
Production	891,317	917,920	*(2.9%)*
Intermediates, including	690,307	712,583	*(3.1%)*
Benzene	40,646	35,196	*15.5%*
Styrene	43,149	42,596	*1.3%*
Terephthalic acid	67,714	67,400	*0.5%*
Propylene	78,559	87,508	*(10.2%)*
Ethylene oxide	19,918	22,462	*(11.3%)*
Butadiene	55,072	58,325	*(5.6%)*
Isoprene	2,468	5,695	*(56.7%)*
Isobutylene	8,311	8,680	*(4.2%)*
Ethylene	142,027	145,181	*(2.2%)*
Other intermediates	232,443	239,540	*(3.0%)*
Other chemicals	201,010	205,337	*(2.1%)*
Purchases from third parties	2,497	4,606	*(45.8%)*
Total production and purchases	**893,814**	**922,526**	***(3.1%)***
(Internal use)(1)	(757,900)	(745,293)	*1.7%*
(Increase) / decrease in stock	127	(7,047)	*n/m*
External sales			
Benzene	16,234	16,010	*1.4%*
Domestic	*16,234*	*16,010*	*1.4%*
Export	*-*	*-*	*n/m*
Styrene	9,952	19,819	*(49.8%)*
Domestic	*6,747*	*11,050*	*(38.9%)*
Export	*3,205*	*8,769*	*(63.5%)*
Terephthalic acid	17,504	19,493	*(10.2%)*
Domestic	*17,504*	*19,493*	*(10.2%)*
Export	*-*	*-*	*n/m*
Propylene	5,842	14,644	*(60.1%)*
Domestic	*3,910*	*12,188*	*(67.9%)*
Export	*1,932*	*2,456*	*(21.3%)*
Ethylene oxide	21,356	16,274	*31.2%*
Domestic	*20,304*	*14,313*	*41.9%*
Export	*1,052*	*1,961*	*(46.4%)*
Butadiene	1,061	1,005	*5.6%*
Domestic	*1,061*	*1,005*	*5.6%*
Export	*-*	*-*	*n/m*
Isoprene	2,350	5,817	*(59.6%)*
Domestic	*39*	*37*	*3.1%*
Export	*2,311*	*5,780*	*(60.0%)*
Isobutylene	2,043	5,450	*(62.5%)*
Domestic	*1,658*	*4,236*	*(60.9%)*
Export	*386*	*1,214*	*(68.2%)*
Ethylene	-	-	*n/m*
Other intermediates	24,139	23,170	*4.2%*
Domestic	*9,569*	*17,131*	*(44.1%)*
Export	*14,571*	*6,039*	*141.3%*
Total intermediates	100,480	121,682	*(17.4%)*
Domestic	*77,025*	*95,464*	*(19.3%)*
Export	*23,456*	*26,218*	*(10.5%)*
Other chemicals	35,561	48,505	*(26.7%)*
Domestic	*34,277*	*45,788*	*(25.1%)*
Export	*1,283*	*2,716*	*(52.8%)*
External sales volumes	**136,041**	**170,187**	***(20.1%)***
Domestic	***111,302***	***141,252***	***(21.2%)***
Export	***24,739***	***28,935***	***(14.5%)***

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

Other Revenue

In the first quarter of 2013, our other revenue decreased by 48.9% year-on-year to RR 3,012 million from RR 5,891 million in the first quarter of 2012. The decline was attributable to lower trading and other sales, which was partially compensated by higher revenues from sales of processing services.

Trading and other sales decreased by 64.6% year-on-year to RR 1,663 million in the first quarter of 2013 from RR 4,693 million in the first quarter of 2012. This decline 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. Such trading activities were discontinued from the second quarter of 2012.

Sales of processing services increased by 12.6% year-on-year to RR 1,349 million from RR 1,198 million in the first quarter of 2012. The increase was primarily attributable to higher volumes of APG processed by the GPPs controlled by OOO Yugragazpererabotka, SIBUR's JV with TNK-BP. In the first quarter of 2013, SIBUR consolidated OOO Yugragazpererabotka as a wholly owned subsidiary and TNK-BP's payments to OOO Yugragazpererabotka for APG processing were reported as sales of processing services in SIBUR's consolidated financial statements. In the second quarter of 2013, SIBUR will no longer consolidate OOO Yugragazpererabotka as a wholly owned subsidiary and will account for its investment in the company as investments in joint ventures. See "Feedstock Sourcing and Mix" above and "Gain on Deconsolidation / Acquisition of a Subsidiary" below for further details.

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

	Three months ended 31 March				***Change***
RR millions, except as stated	**2013**	***% of revenue***	**2012**	***% of revenue***	***%***
Trading and other sales	1,663	*2.5%*	4,693	*6.6%*	*(64.6%)*
Sales of processing services	1,349	*2.0%*	1,198	*1.7%*	*12.6%*
Total other revenue	**3,012**	***4.6%***	**5,891**	***8.2%***	***(48.9%)***

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2013 AND 2012

The following table presents selected data on our results of operations for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March				*Change*
RR millions, except as stated	**2013**	*% of revenue*	**2012**	*% of revenue*	*%*
Revenue	**66,184**	***100.0%***	**71,597**	***100.0%***	***(7.6%)***
Energy products	34,846	*52.7%*	32,602	*45.5%*	*6.9%*
Petrochemical products	28,326	*42.8%*	33,104	*46.2%*	*(14.4%)*
Other	3,012	*4.6%*	5,891	*8.2%*	*(48.9%)*
Operating expenses	(48,435)	*(73.2%)*	(50,780)	*(70.9%)*	*(4.6%)*
Operating profit	**17,749**	***26.8%***	**20,817**	***29.1%***	***(14.7%)***
Net finance (expense) / income	(1,962)	*(3.0%)*	4,495	*6.3%*	*n/m*
Gain on deconsolidation / acquisition of a subsidiary	2,413	*3.6%*	430	*0.6%*	*461.2%*
Share of net income / (loss) of joint ventures	277	*0.4%*	(66)	*(0.1%)*	*n/m*
Profit before income tax	**18,477**	***27.9%***	**25,676**	***35.9%***	***(28.0%)***
Income tax expense	(2,843)	*(4.3%)*	(4,164)	*(5.8%)*	*(31.7%)*
Profit from continuing operations	**15,634**	***23.6%***	**21,512**	***30.0%***	***(27.3%)***
Loss from disposal of the Amtel Group assets	-	-	(315)	*(0.4%)*	*100.0%*
Profit for the reporting period, including attributable to:	**15,634**	***23.6%***	**21,197**	***29.6%***	***(26.2%)***
Non-controlling interest	23	*(0.0%)*	64	*0.1%*	*(63.8%)*
Shareholders of SIBUR	15,611	*23.6%*	21,133	*29.5%*	*(26.1%)*

Revenue

In the first quarter of 2013, our revenue decreased by 7.6% year-on-year to RR 66,184 million from RR 71,597 million in the first quarter of 2012. Strong results of our energy product group as well as an increase in revenue from sales of plastics and organic synthesis products were more than offset by a decrease in revenue from sales of synthetic rubbers and the discontinuation of trading activities in mineral fertilisers as discussed above.

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

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

	Three months ended 31 March				*Change*
RR millions, except as stated	**2013**	*% of revenue*	**2012**	*% of revenue*	*%*
Energy products					
LPG	13,090	*19.8%*	13,467	*18.8%*	*(2.8%)*
Natural gas	7,230	*10.9%*	6,111	*8.5%*	*18.3%*
Naphtha	6,064	*9.2%*	6,954	*9.7%*	*(12.8%)*
MTBE	5,571	*8.4%*	4,422	*6.2%*	*26.0%*
Raw NGL	2,093	*3.2%*	788	*1.1%*	*165.6%*
Other fuels and fuel additives	798	*1.2%*	860	*1.2%*	*(7.2%)*
Total energy product sales	**34,846**	***52.7%***	**32,602**	***45.5%***	***6.9%***
Petrochemical products					
Synthetic rubbers	8,566	*12.9%*	12,564	*17.5%*	*(31.8%)*
Plastics and organic synthesis products	9,563	*14.4%*	8,295	*11.6%*	*15.3%*
Basic polymers	5,004	*7.6%*	6,187	*8.6%*	*(19.1%)*
Intermediates and other chemicals	5,193	*7.8%*	6,058	*8.5%*	*(14.3%)*
Total petrochemical product sales	**28,326**	***42.8%***	**33,104**	***46.2%***	***(14.4%)***
Trading and other sales	1,663	*2.5%*	4,693	*6.6%*	*(64.6%)*
Sales of processing services	1,349	*2.0%*	1,198	*1.7%*	*12.6%*
Total revenue	**66,184**	***100.0%***	**71,597**	***100.0%***	***(7.6%)***

Operating Expenses

In the first quarter of 2013, our operating expenses decreased by 4.6% year-on-year to RR 48,435 million from RR 50,780 million in the first quarter of 2012. The decrease in absolute terms was primarily attributable to: (i) lower expenses related to purchases of goods for resale and (ii) a reversal to operating expenses reported in the first quarter of 2013 due to higher work-in-progress and refined products balances, as opposed to an additional charge reported in the first quarter of 2012 due to a decrease in inventories. Our operating expenses increased as a percentage of total revenue to 73.2% in the first quarter of 2013 from 70.9% in the same period a year earlier, which was largely a result of higher feedstock and materials costs and tighter spreads between feedstock and end-product prices.

The following table presents a breakdown of our operating expenses for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March				*Change*
RR millions, except as stated	**2013**	*% of revenue*	**2012**	*% of revenue*	*%*
Feedstock and materials	17,279	*26.1%*	13,762	*19.2%*	*25.5%*
Transportation and logistics	9,552	*14.4%*	9,377	*13.1%*	*1.9%*
Energy and utilities	7,761	*11.7%*	7,584	*10.6%*	*2.3%*
Staff costs	6,978	*10.5%*	6,452	*9.0%*	*8.2%*
Depreciation and amortisation	2,575	*3.9%*	2,243	*3.1%*	*14.8%*
Repairs and maintenance	1,397	*2.1%*	1,222	*1.7%*	*14.3%*
Rent expenses	1,345	*2.0%*	951	*1.3%*	*41.4%*
Goods for resale	1,311	*2.0%*	5,028	*7.0%*	*(73.9%)*
Services provided by third parties	1,184	*1.8%*	1,423	*2.0%*	*(16.8%)*
Taxes other than income tax	419	*0.6%*	408	*0.6%*	*2.5%*
Charity and sponsorship	276	*0.4%*	210	*0.3%*	*31.5%*
Impairment of property, plant and equipment	181	*0.3%*	-	-	*n/m*
Marketing and advertising	50	*0.1%*	82	*0.1%*	*(38.5%)*
Other	456	*0.7%*	1,028	*1.4%*	*(55.9%)*
Gain on disposal of property, plant and equipment	(340)	*(0.5%)*	(97)	*(0.1%)*	*251.4%*
Change in work-in-progress and refined products balances	(1,989)	*(3.0%)*	1,107	*1.5%*	*n/m*
Total operating expenses	**48,435**	***73.2%***	**50,780**	***70.9%***	***(4.6%)***

Feedstock and Materials

In the first quarter of 2013, our feedstock and materials costs rose 25.5% year-on-year to RR 17,279 million from RR 13,762 million in the first quarter of 2012. As a percentage of total revenue, feedstock and materials costs increased to 26.1% in the first three months of 2013 from 19.2% in the first quarter of 2012. The growth both in absolute and in relative terms was primarily attributable to higher hydrocarbon feedstock purchasing expenses and the reclassification of polypropylene purchases from goods for resale.

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

	Three months ended 31 March				
RR millions, except as stated	**2013**	*% of feedstock and materials expenses*	**2012**	*% of feedstock and materials expenses*	*Change %*
NGLs	6,516	*37.7%*	5,619	*40.8%*	*16.0%*
APG	2,300	*13.3%*	1,698	*12.3%*	*35.5%*
Paraxylene	1,506	*8.7%*	1,521	*11.0%*	*(1.0%)*
Other feedstock and materials	6,633	*38.4%*	5,136	*37.3%*	*29.1%*
Change of stock	324	*1.9%*	(212)	*(1.5%)*	*n/m*
Total feedstock and materials	17,279	*100.0%*	13,762	*100.0%*	*25.5%*

The following table presents selected data on our feedstock purchasing volumes for the three months ended 31 March 2013 and 2012[(1)]:

	Three months ended 31 March		*Change*
Tonnes, except as stated	**2013**	**2012**	*%*
NGLs	901,182	822,832	*9.5%*
APG (thousand cubic metres)	3,428,147	3,184,674	*7.6%*
Paraxylene	43,804	47,929	*(8.6%)*

In the first quarter of 2013, our expenses related to purchasing of NGLs rose 16.0% year-on-year to RR 6,516 million from RR 5,619 million in the first quarter of 2012, which was attributable to a 9.5% increase in purchasing volumes and a 5.9% increase in the effective average purchase price. The growth in the purchasing volumes was driven by expanded cooperation with existing suppliers and new supply agreements, in particular a product swap arrangement entered into with a supplier in the European part of Russia in the third quarter of 2012 in order to optimise logistics and increase capacity utilisation of our processing facilities outside of Western Siberia. This product swap arrangement was also the key reason for the increase in the average purchase price, as feedstock prices in the European part of Russia are generally higher than in Western Siberia (see "Energy Products" in the "Operational Review" section above for further details). As a percentage of total feedstock and materials costs, our NGLs purchasing expenses decreased to 37.7% in the first quarter of 2013 from 40.8% in the first quarter of 2012, which is explained by a higher share of other feedstock and materials purchased from third parties, particularly polypropylene, as well as a charge related to the change in stock of feedstock and materials as discussed further.

In the first quarter of 2013, our APG purchasing expenses rose 35.5% year-on-year to RR 2,300 million from RR 1,698 million in the first quarter of 2012, increasing as a percentage of total feedstock and materials expenses to 13.3% in the first quarter 2013 from 12.3% in the first quarter of 2012. The growth in both absolute and relative terms was attributable to an increase in the effective average purchase price by 25.8% and an increase in purchasing volumes by 7.6%. The increase in the effective average purchase price was primarily attributable to: (i) regular indexation under existing contracts to reflect the increase in 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 first quarter of 2013, other feedstock and materials expenses rose 29.1% year-on-year to RR 6,633 million from RR 5,136 million in the first quarter of 2012, increasing as a percentage of total feedstock and materials expenses to 38.4% in the first quarter 2013 from 37.3% in the first quarter of 2012. The growth in both absolute and relative terms was largely attributable to the reclassification of polypropylene purchases (primarily from NPP Neftekhimia, our JV with the Gazprom Neft Group) to other feedstock and materials from goods for resale following the consolidation of the BIAXPLEN group of companies from the second quarter of 2012, as BIAXPLEN uses polypropylene as feedstock in the production of BOPP-films.

In the first quarter of 2013, we recorded an additional charge of RR 324 million to our feedstock and materials costs compared to a reversal of RR 212 million in the first quarter of 2012, which was primarily related to a decrease in balances of feedstock and materials in the first quarter of 2013 as opposed to an increase in the first quarter of 2012.

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

Transportation and Logistics

In the first quarter of 2013, our transportation and logistics costs increased by 1.9% year-on-year to RR 9,552 million from RR 9,377 million in the first quarter of 2012. As a percentage of total revenue, our transportation and logistics costs increased to 14.4% in the first three months of 2013 from 13.1% in the first quarter 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, and (iii) higher transported volumes of feedstock and refined products. These factors were largely 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 revenue from sales 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).

Energy and Utilities

In the first quarter of 2013, our energy and utilities expenses rose 2.3% year-on-year to RR 7,761 million from RR 7,584 million in the first quarter of 2012, increasing as a percentage of total revenue to 11.7% in the first three months of 2013 from 10.6% in the first quarter of 2012. The growth in both absolute and relative terms was primarily attributable to higher heat tariffs.

The following table presents data on our energy and utilities costs for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March				
RR millions, except as stated	**2013**	***% of energy and utilities***	**2012**	***% of energy and utilities***	***Change %***
Electricity	4,566	*58.8%*	4,550	*60.0%*	*0.4%*
Heat	2,026	*26.1%*	1,897	*25.0%*	*6.8%*
Fuel	934	*12.0%*	952	*12.5%*	*(1.9%)*
Other	235	*3.0%*	186	*2.5%*	*26.4%*
Total energy and utilities	**7,761**	***100.0%***	**7,584**	***100.0%***	***2.3%***

Staff Costs

In the first quarter of 2013, our staff costs rose 8.2% year-on-year to RR 6,978 million from RR 6,452 million in the first quarter of 2012, increasing as a percentage of total revenue to 10.5% from 9.0% in the first quarter of 2013 and 2012, respectively. In the first three months of 2013, our average headcount totaled 30,421 employees, a 2.6% increase compared to the first quarter of 2012, while adjusted for the effect of change in scope following the consolidation of the BIAXPLEN group of companies, it decreased by 2.9%. Average monthly salary increased by 8.6%, which was primarily attributable to inflationary adjustment of wages.

Depreciation and Amortisation

In the first quarter of 2013, our depreciation and amortisation expenses rose 14.8% year-on-year to RR 2,575 million from RR 2,243 million in the first quarter of 2012, increasing as a percentage of total revenue to 3.9% in the first three months of 2013 from 3.1% in the first three months of 2012. The increase in both absolute and relative terms was attributable to the launch of new production facilities and 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 first quarter of 2013, our repairs and maintenance expenses rose 14.3% year-on-year to RR 1,397 million from RR 1,222 million in the first quarter of 2012, increasing as a percentage of total revenue to 2.1% from 1.7% in the first quarter of 2013 and 2012, respectively. The increase in both absolute and relative terms was primarily attributable to increased repairs and maintenance initiatives aimed at further industrial and ecological safety improvements, industrial infrastructure development and enhancement of the existing equipment efficiency.

Rent Expenses

In the first quarter of 2013, our rent expenses rose 41.4% year-on-year to RR 1,345 million from RR 951 million in the first quarter of 2012, increasing as a percentage of total revenue to 2.0% in the first quarter of 2013 from 1.3% in the first quarter of 2012. The increase in both absolute and relative terms was largely driven by a 26.5% expansion of leased rolling stock: to 9,352 rail cars and tankers as of 31 March 2013 from 7,393 units as of 31 March 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 addition, SIBUR's rental rates increased year-on-year in the range of 1% to 8% depending on a particular rail car or tanker type.

Goods for Resale

In the first quarter of 2013, our expenses related to purchases of goods for resale declined 73.9% year-on-year to RR 1,311 million from RR 5,028 million in the first quarter of 2012, decreasing as a percentage of total revenue to 2.0% in the first quarter of 2013 from 7.0% in the first quarter of 2012. The decline in both absolute and relative terms was mainly attributable to the following factors: (i) in the second quarter of 2012, we discontinued trading activity in favour of the mineral fertilisers business, which was divested in 2011, (ii) we reduced purchases of synthetic rubbers under product swap arrangements due to lower economic rationale of such schemes (see "Commodity rubbers" in the "Operational Review" section above for further details), and (iii) from the second quarter of 2012, we reclassified part of polypropylene purchases to other feedstock and materials from goods for resale as a result of consolidation of the BIAXPLEN group of companies, which use polypropylene as feedstock in the production of BOPP-films.

Services Provided by Third Parties

In the first quarter of 2013, our expenses related to services provided by third parties decreased by 16.8% year-on-year to RR 1,184 million from RR 1,423 million, declining as a percentage of total revenue to 1.8% in the first quarter of 2013 from 2.0% in the first quarter of 2012. The decline in both absolute and relative terms was primarily due to a decrease in third-party processing services.

Taxes Other than Income Tax

In the first quarter of 2013, our taxes other than income tax increased by 2.5% year-on-year to RR 419 million from RR 408 million in the first quarter of 2012, largely flat as a percentage of total revenue at 0.6%. The increase in absolute terms was primarily attributable to higher property tax as new taxable properties were commissioned by SIBUR.

Charity and Sponsorship

In the first quarter of 2013, our expenses related to charity and sponsorship rose 31.5% year-on-year to RR 276 million from RR 210 million in the first quarter of 2012, increasing as a percentage of total revenue to 0.4% in the first quarter of 2013 from 0.3% in the first quarter of 2012. The increase 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.

Impairment of Property, Plant and Equipment

In the first quarter of 2013, we recognised an impairment charge of RR 181 million, which was attributable to a gradual decommissioning of Caprolactam, an outdated chlorine and caustic soda production facility located near the city of Dzerzhinsk, the Nizhny Novgorod region. The decommissioning process started in the middle of 2012 and in April 2013 we completed the shutdown of the facility. See "Recent Developments" above for further details.

Marketing and Advertising

In the first quarter of 2013, our expenses related to marketing and advertising decreased by 38.5% year-on-year to RR 50 million from RR 82 million in the first quarter of 2012, flat as a percentage of total revenue at 0.1%.

Gain on Disposal of Property, Plant and Equipment

We recorded RR 340 million and RR 97 million in a gain on disposal of property, plant and equipment in the first quarter of 2013 and 2012, respectively, which in both periods was attributable to divestments of non-core assets.

Change in Work-In-Progress and Refined Products Balances

In the first quarter of 2013, we recorded a reversal of RR 1,989 million to our operating expenses as opposed to an additional charge of RR 1,107 million reported in the first quarter of 2012. This is explained by higher balances of refined products accumulated in the first quarter of 2013 compared to a sale of inventories in the first quarter of 2012. See "Operational Review" above for further details.

Operating Profit

As a result of the factors discussed above, our operating profit decreased by 14.7% to RR 17,749 million from RR 20,817 million in the first quarter of 2013 and 2012, respectively. Our operating margin totaled 26.8% in the first quarter of 2013 and 29.1% in the first quarter of 2012.

Net Finance (Expense) / Income

In the first quarter of 2013, we reported a net finance expense of RR 1,962 million as compared to a net finance income of RR 4,495 million in the first quarter of 2012. This was largely attributable to a foreign exchange loss recorded in the first three months of 2013 versus a foreign exchange gain recorded in the first quarter of 2012.

The following table presents data on our finance income and expenses for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March		*Change*
RR millions, except as stated	**2013**	**2012**	***%***
Interest income	288	585	*(50.8%)*
Interest expenses	(416)	(403)	*3.2%*
Foreign exchange (loss) / gain	(1,637)	3,258	*n/m*
Other finance (expense) / income	(197)	1,055	*n/m*
Net finance (expense) / income	**(1,962)**	**4,495**	***n/m***

In the first quarter of 2013, our interest income decreased by 50.8% year-on-year to RR 288 million from RR 585 million in the first quarter of 2012, which was largely attributable to lower average balances of cash and cash equivalents in the first three months of 2013 compared to the first quarter of 2012.

In the first quarter of 2013, our interest expenses increased by 3.2% year-on-year to RR 416 million from RR 403 million in the first quarter of 2012. This was mainly attributable to an increase in the principal amount of the total debt outstanding. Our weighted average interest rate on RR-denominated borrowings was 7.4% as of 31 March 2013 and 8.1% as of 31 March 2012. Our weighted average interest rate on USD-denominated borrowings was 3.7% as of 31 March 2013 and 3.5% as of 31 March 2012. Our weighted average interest rate on EUR-denominated borrowings was 1.7% as of 31 March 2013 and 3.4% as of 31 March 2012.

In the first quarter of 2013, we recorded a net foreign exchange loss in the amount of RR 1,637 million, which was attributable to the Russian rouble depreciation (RR/USD rate increased by 2.3% to 31.0834 as of 31 March 2013 from 30.3727 as of 31 December 2012) and the respective revaluation of our USD-denominated debt. In the first quarter of 2012, on the contrary we recorded a foreign exchange gain of RR 3,258 million due to the Russian rouble appreciation (RR/USD rate decreased by 8.9% to 29.3282 as of 31 March 2012 from 32.1961 as of 31 December 2011).

Gain on Deconsolidation / Acquisition of a Subsidiary

In March 2013, we changed the format of cooperation with TNK-BP and extended the term of our JV OOO Yugragazpererabotka to indefinite, while terminating SIBUR's call options that had entitled the Group to purchase TNK-BP'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 TNK-BP'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 31 March 2013.

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

Income from derecognition of TNK-BP'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**

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

Share of Net Income / (Loss) of Joint Ventures

In the first quarter of 2013, our share of net income of joint ventures totaled RR 277 million as opposed to RR 66 million in a loss recorded in the first quarter of 2012. The gain in the first quarter of 2013 was primarily attributable to the performance of OOO NPP Neftekhimia.

Income Tax Expense

In the first quarter of 2013, our income tax expense decreased by 31.7% year-on-year to RR 2,843 million from RR 4,164 million in the first quarter of 2012. The decrease was primarily attributable to lower pre-tax profit.

Loss from Disposal of the Amtel Group Assets

In the first quarter 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

Our profit for the first quarter of 2013 decreased by 26.2% year-on-year to RR 15,634 million from RR 21,197 million in the first quarter of 2012. Net margin totaled 23.6% compared to 29.6% in the first quarter of 2012. In the first quarter of 2013, profit attributable to shareholders of SIBUR decreased by 26.1% year-on-year to RR 15,611 million from RR 21,133 million in the first quarter of 2012.

(1) Includes principal amounts of debt owed by SIBUR to TNK-BP and accrued interest. Excludes debt owed by OOO Yugragazpererabotka to TNK-BP.

SEGMENT INFORMATION

In the first quarter of 2013, our feedstock and energy segment's gross revenue increased by 3.6% year-on-year to RR 43,389 million from RR 41,890 million in the first quarter of 2012. EBITDA contribution of the feedstock and energy segment decreased by 9.3% year-on-year to RR 18,354 million in the first quarter of 2013 from RR 20,239 million in the first three months of 2012. EBITDA margin of the segment totaled 42.3% in the first quarter of 2013 compared to 48.3% in the first quarter of 2012. The decrease in EBITDA margin of the feedstock and energy segment was primarily attributable to an increase in feedstock purchasing costs, which could not be completely passed on to the customers (see "Operating Expenses" in the "Results of Operations" section above for further details).

In the first quarter of 2013, our petrochemicals segment's gross revenue decreased by 10.9% year-on-year to RR 31,591 million from RR 35,468 million in the first quarter of 2012. EBITDA contribution of the petrochemicals segment decreased by 35.7% year-on-year to RR 3,881 million in the first quarter of 2013 from RR 6,037 million in the first quarter of 2012. EBITDA margin of the segment decreased to 12.3% in the first three months of 2013 from 17.0% in the first quarter of 2012 primarily due to tighter spreads between feedstock and end-product prices, which particularly negatively affected our synthetic rubber product group.

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

	Three months ended 31 March							
	2013				**2012**			
RR millions, except as stated	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**	**Feedstock & Energy**	**Petro-chemicals**	**Unallocated**	**Total**
Total segment revenue	43,389	31,591	3,207	78,187	41,890	35,468	6,695	84,053
Inter-segment transfers	(7,898)	(2,103)	(2,002)	(12,003)	(8,458)	(2,104)	(1,894)	(12,456)
External revenue	35,491	29,488	1,205	66,184	33,432	33,364	4,801	71,597
EBITDA	18,354	3,881	(1,730)	20,505	20,239	6,037	(3,216)	23,060
EBITDA margin	*42.3%*	*12.3%*			*48.3%*	*17.0%*		

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table presents selected data on our net cash flows for the three months ended 31 March 2013 and 2012:

	Three months ended 31 March		***Change***
RR millions, except as stated	**2013**	**2012**	*%*
Net cash from operating activities, including	23,105	21,849	*5.7%*
Operating cash flows before working capital changes	*21,803*	*24,402*	*(10.7%)*
Changes in working capital	*3,515*	*457*	*669.1%*
Income tax paid	*(2,213)*	*(3,010)*	*(26.5%)*
Net cash (used in) / from investing activities, including	(22,384)	1,515	*n/m*
Purchase of property, plant and equipment	*(21,507)*	*(11,884)*	*81.0%*
Proceeds from disposal of the mineral fertilisers business[(1)]	-	*7,689*	*(100.0%)*
Cash from investing activities of discontinued operations net of related income tax[(2)]	-	*5,984*	*(100.0%)*
Loans issued	*(73)*	*(1,231)*	*(94.1%)*
Other	*(804)*	*957*	*n/m*
Cash received from / (used in) financing activities	3,996	(12,264)	*n/m*
Effect of exchange rate changes on cash and cash equivalents	(93)	(349)	*(73.4%)*
Net increase in cash and cash equivalents	4,624	10,751	*(57.0%)*

[(1)] Net of related income tax of RR 900 million.

[(2)] Proceeds from the disposal of ZAO Voronezh Tyre Plant and OAO Kirov Tyre Plant.

Net Cash from Operating Activities

In the first quarter of 2013, our net cash from operating activities increased by 5.7% year-on-year to RR 23,105 million from RR 21,849 million in the first quarter of 2012. Operating cash flows before working capital changes decreased by 10.7% year-on-year to RR 21,803 million from RR 24,402 million in the first quarter of 2012 on the back of lower EBITDA. Income tax paid decreased by 26.5% year-on-year, which was attributable to a high base effect due to the fact that the tax accrued on grants and subsidies received by SIBUR at the end of 2011 was paid only in the first quarter of 2012. Changes in working capital had a positive impact of RR 3,515 million in the first quarter of 2013 compared to a positive impact of RR 457 million in the first quarter of 2012. The positive impact reported in the first quarter of 2013 was primarily attributable to higher VAT refunds received and a decrease in advances to Russian Railways as we prepaid a material part of our first quarter railway 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 months ended 31 March 2013 and 2012:

	Three months ended 31 March	
RR millions, except as stated	**2013**	**2012**
Decrease / (increase) in trade and other receivables	2,273	(1,238)
Decrease in prepayments and other current assets	4,547	362
(Increase) / decrease in inventories	(1,300)	453
Decrease in trade and other payables	(1,941)	(619)
(Decrease) / increase in taxes payable	(64)	1,499
Changes in working capital	**3,515**	**457**

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 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) / from Investing Activities

In the first quarter of 2013, our net cash used in investing activities amounted to RR 22,384 million compared to the net cash received from investing activities in the amount of RR 1,515 million in the first three months of 2012.

Our net cash used in investing activities in the first three months of 2013 related primarily to capital expenditures, which rose 81.0% year-on-year to RR 21,507 million from RR 11,884 million in the first quarter of 2012 due to the implementation of our investment programme (see "Capital Expenditures" below for further details).

In the first quarter of 2012, our net cash flow from investing activities was positive, which was related to cash proceeds from the disposal of mineral fertilisers businesses 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.

Cash Received from / (Used in) Financing Activities

In the first quarter of 2013, we received RR 3,996 million in net cash from financing activities, which primarily reflects the receipt of proceeds from the Eurobond placement in the amount of USD 1 billion (gross), which we partially used for refinancing of short-term debt and for general corporate purposes. In the first quarter of 2012, net cash used in financing activities totaled RR 12,264 million as we partially repaid outstanding debt with proceeds from disposal of non-core businesses.

Capital Expenditures

In the first quarter of 2013, our capital expenditures increased by 81.0% year-on-year to RR 21,507 million compared to RR 11,884 million in the first quarter of 2012 (net of VAT). The increase was attributable to our investments in the development of our feedstock processing and transportation infrastructure as well as in our petrochemical projects in line with our strategic objectives.

The following table presents data on our key investment projects for the three months ended 31 March 2013 and 2012:

RR millions, except as stated		**Three months ended 31 March**		
Location	**Description**	**2013**	**2012**	**Completion**
Feedstock and Energy				
Transportation infrastructure development				
Western Siberia	Purovsk – Pyt-Yakh – Tobolsk pipeline	7,480	427	2015
Leningrad region	Ust-Luga LPG and light oils transshipment facility	1,075[1]	806	2013
Gas fractionation capacity modernisation and expansion				
Tobolsk	Second GFU	1,570	364	2014
Petrochemicals				
Tobolsk	Tobolsk-Polymer Plant	2,851	5,437	2013
Tomsk	New BOPP-film production	510	31	2013
Tobolsk	"ZapSib-2" project FEED stage	509	131	2013
Kstovo	Steam cracker upgrade	434	397	2014
Tobolsk	Expansion of propylene intermediate depot	409	18	End of 2013
Novokuybyshevsk	Expansion of BOPP-film production	154	114	2014
Blagoveshchensk	Expansion of PET production	130	179	2014
Voronezh	New thermoplastic elastomers production	96	355	2013
Togliatti	Expansion / upgrade of butyl rubber production	76	258	2013

In the first quarter 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.

[1] Including commissioning budget.

Ust-Luga LPG and Light Oils Transshipment Facility

SIBUR is in the process of construction of an LPG transshipment facility at Ust-Luga sea port in the Leningrad region with an annual loading capacity of 1.5 million tonnes of LPG and 2.5 million tonnes of light oils per annum. This project that is scheduled for completion in 2013 is expected to support growth in LPG exports to the premium Western European markets.

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 Tobolsk-Polymer Plant, a large scale world-class petrochemicals complex in Tobolsk. The complex will apply the propane dehydrogenation technology provided by UOP to produce 510,000 tonnes of propylene per annum to be further processed into 500,000 tonnes of polypropylene using the technology of INEOS. Tobolsk-Polymer Plant is located at the same production site as our flagship GFU. 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. The complex is scheduled for launch in 2013.

"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 31 March 2013, our total debt amounted to RR 96,122 million, almost unchanged compared to RR 95,994 million as of 31 December 2012. Our net debt[(1)] decreased by 5.5% to RR 77,928 million as of 31 March 2013 from RR 82,424 million as of 31 December 2012. As of 31 March 2013, SIBUR deconsolidated RR 4,549 million[(2)] in debt to TNK-BP due to deconsolidation of OOO Yugragazpererabotka. See "Gain on Deconsolidation / Acquisition of a Subsidiary" above 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.

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

RR millions, except as stated	**As of 31 March 2013**	**As of 31 December 2012**	**As of 31 March 2012**	***Change, % vs 31 Dec 2012***	***Change, % vs 31 Mar 2012***
Total debt	96,122	95,994	74,921	*0.1%*	*28.3%*
Cash and cash equivalents	18,194	13,570	25,722	*34.1%*	*(29.3%)*
Net debt	77,928	82,424	49,199	*(5.5%)*	*58.4%*

As of 31 March 2013, all of our debt was unsecured with the exception of the USD equivalent of RR 15,499 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 31 March 2013 and 31 December 2012:

RR millions, except as stated	**Currency**	**Due**	**As of 31 March 2013**	**As of 31 December 2012**
Variable rate loans				
Vnesheconombank	USD	2013-2023	15,499	17,844
Nordea Bank	USD	2013-2016	9,001	10,609
UniCreditBank	USD, EUR	2013-2019	5,498	5,465
Rosbank	USD	2013	4,663	4,556
HSBC Bank plc.	USD	2013-2014	4,663	4,556
RaiffeisenBank	USD	2013	4,663	4,556
Citibank International	USD	2013	3,108	7,593
KFW IPEX-Bank	USD	2013	1,865	1,822
ING Bank	USD, EUR	2008-2021	1,429	1,748
RBS, JP Morgan	USD	2013	-	9,112
The Royal Bank of Scotland	USD	2013	-	275
Fixed rate loans				
Eurobonds	USD	2018	30,913	-
Sberbank of Russia	RR	2012-2014	11,571	18,932
Mezhregiongaz	RR	2011-2014	2,361	2,285
NPP Neftekhimia	RR	2012-2015	875	625
TNK-BP	RR, USD	2013-2017	-	4,485
The Royal Bank of Scotland	USD	2013	-	1,519
Other	USD	20122013	13	12
Total debt			**96,122**	**95,994**

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

(2) Includes principal amounts of debt owed by SIBUR to TNK-BP and debt owed by OOO Yugragazpererabotka to TNK-BP. Excludes accrued interest.

SIBUR aims to maintain a diversified debt portfolio with a sound balance of fixed and floating interest rate instruments. Following the Eurobond placement, our share of fixed rate borrowings increased to 47.6% as of 31 March 2013 from 29.0% as of 31 December 2012, while the share of variable rate borrowings decreased to 52.4% as of 31 March 2013 from 71.0% as of 31 December 2012.

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

RR millions, except as stated	**As of 31 March 2013**	*% of total debt*	**As of 31 December 2012**	*% of total debt*	*Change, %*
Due for repayment:					
Within one year	30,793	*32.0%*	54,936	*57.2%*	*(43.9%)*
Between one and two years	14,387	*15.0%*	15,175	*15.8%*	*(5.2%)*
Between two and five years	42,583	*44.3%*	12,679	*13.2%*	*235.9%*
After five years	8,359	*8.7%*	13,204	*13.8%*	*(36.7%)*
Total debt	**96,122**	***100.0%***	**95,994**	***100.0%***	***0.1%***

As of 31 March 2013, the portion of long-term debt increased to 68.0% from 42.8% as of 31 December 2012, while the portion of short-term debt decreased to 32.0% as of 31 March 2013 from 57.2% as of 31 December 2012.

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

RR millions, except as stated	**As of 31 March 2013**	*% of total debt*	**As of 31 December 2012**	*% of total debt*	*Change, %*
Denominated in:					
RR	14,808	*15.4%*	17,573	*18.3%*	*(15.7%)*
Euro	2,015	*2.1%*	2,171	*2.3%*	*(7.2%)*
US Dollar	79,299	*82.5%*	76,250	*79.4%*	*4.0%*
Total debt	**96,122**	***100.0%***	**95,994**	***100.0%***	***0.1%***

As of 31 March 2013, the USD-denominated debt as a percentage of total borrowings increased to 82.5% from 79.4% as of 31 December 2012, which was mainly attributable to the placement of USD-denominated Eurobond.

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

	As of 31 March 2013	**As of 31 December 2012**	**As of 31 March 2012**
Current ratio	1.20x	0.87x	1.54x
Debt to equity	0.46x	0.49x	0.40x
Debt / EBITDA	1.21x	1.17x	0.85x
Net debt[(1)] / EBITDA	0.98x	1.00x	0.56x
EBITDA / Interest expense	49x	118x	57x

SIBUR's financial policy stipulates maintaining a net debt to EBITDA ratio of no higher than 2.5x and EBITDA to interest expense ratio of no lower than 7x. These objectives are stricter than the bank covenants included in the Group's most restrictive credit agreements. As of 31 March 2013, our net debt to EBITDA ratio was 0.98x compared to 1.00x as of 31 December 2012. EBITDA to interest expense ratio was 49x as of 31 March 2013 compared to 118x as of 31 December 2012.

As of 31 March 2013, SIBUR had RR 72,461 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 26,044 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.

APPENDIX I: Net Working Capital

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

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

RR millions, except as stated	**As of 31 March 2013**	**As of 31 December 2012**
Current assets	79,425	83,145
Current liabilities	(66,192)	(95,641)
Working capital	**13,233**	**(12,496)**
Adjustmets to assets, including:	**(24,073)**	**(18,960)**
Receivables for disposed businesses	-	-
Loans receivable	(3,215)	(1,222)
Cash and cash equivalents	(18,194)	(13,570)
Restricted cash	(1,765)	(890)
Assets classified as held for sale	(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)]	145	137
Adjustmets to liabilities, including:	**43,236**	**70,332**
Accounts payable to contractors and suppliers of property, plant and equipment	9,213	12,565
Payables for acquisition of subsidiaries	1,632	1,730
Short term promissory notes payable	607	2
Interest payable	413	521
Grants and subsidies	578	578
Short-term debt and current portion of long-term borrowings	30,793	54,936
Liabilities associated with non-current assets classified as held for sale	-	-
Adjusted working capital	**32,396**	**38,876**

[(1)] Represents non-current portion.