Bashneft Group

Interim Condensed
Consolidated Financial Statements
for the three months ended 31 March 2013
(unaudited)

BASHNEFT GROUP

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013

The following statement, which should be read in conjunction with the independent auditors' report on review of the interim condensed consolidated financial statements set out on page 2, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the interim condensed consolidated financial statements of Joint Stock Oil Company Bashneft (the "Company"), its subsidiaries and its special purpose entities (the "Group").

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly in all material respects the consolidated financial position of the Group at 31 March 2013, its financial performance, cash flows and changes in equity for the three months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards in the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements for the three months ended 31 March 2013 were approved by:

A.L. Korsik
President

A.Y. Lisovenko
Chief Accountant

Ufa, Russian Federation
7 June 2013

ZAO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Joint Stock Oil Company Bashneft:

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Oil Company Bashneft and its subsidiaries (the "Group"), which comprise the interim condensed consolidated statement of financial position as of 31 March 2013 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Deloitte + Touche

Moscow, Russian Federation
7 June 2013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

Millions of Russian roubles

	Notes	Three months ended 31 March 2013	Three months ended 31 March 2012
Revenue	5	125,580	118,737
Export tariffs and excise		(36,577)	(30,250)
Cost of purchased crude oil, gas and petroleum products		(28,705)	(29,490)
Taxes other than income tax	7	(16,504)	(16,289)
Production and operating expenses		(12,459)	(11,297)
Transportation expenses		(6,759)	(5,425)
Depletion and depreciation		(4,411)	(4,432)
Selling, general and administrative expenses		(3,479)	(3,065)
Other operating income, net		126	2,012
Operating profit		**16,812**	**20,501**
Finance income	8	1,028	1,089
Finance costs	8	(2,736)	(2,857)
Foreign exchange gain, net		231	15
Share of (loss)/profit of associate and joint venture, net of income tax		(129)	351
Profit before income tax		**15,206**	**19,099**
Income tax	9	(3,184)	(4,123)
Profit for the period and total comprehensive income		**12,022**	**14,976**
Attributable to:			
Owners of the Company		11,992	13,333
Non-controlling interests		30	1,643
		12,022	**14,976**
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue during the period		157,085,505	149,148,846
Basic and diluted earnings per share attributable to shareholders of the parent company (Russian roubles per share)		62.87	72.61

The accompanying notes on pages 8-19 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013 (UNAUDITED)

Millions of Russian roubles

	Notes	31 March 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	10	277,496	277,149
Advances paid for acquisition of property, plant and equipment		489	632
Intangible assets		1,811	1,830
Financial assets	11	28,531	29,318
Investments in associate and joint ventures		29,972	28,619
Long-term inventories		2,248	2,351
Other non-current assets		1,994	1,998
		342,541	**341,897**
Current assets			
Inventories		28,442	23,839
Financial assets	11	21,462	18,635
Trade and other receivables		33,169	28,366
Advances to suppliers and prepaid expenses		6,423	5,649
Income tax prepaid		1,446	2,485
Other taxes receivable		22,273	22,534
Cash and cash equivalents		30,308	20,104
		143,523	**121,612**
TOTAL ASSETS		**486,064**	**463,509**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		2,501	2,501
Treasury shares		(38,147)	(38,147)
Additional paid-in capital		83,765	83,651
Retained earnings		206,967	194,975
Equity attributable to owners of the Company		**255,086**	**242,980**
Non-controlling interests		4,739	4,928
		259,825	**247,908**
Non-current liabilities			
Borrowings	12	92,053	78,201
Decommissioning provision		7,280	7,083
Deferred tax liabilities		37,770	37,561
Other non-current liabilities		5,955	5,931
		143,058	**128,776**
Current liabilities			
Borrowings	12	33,133	32,007
Trade and other payables		29,564	28,942
Dividends payable		217	224
Advances received		8,089	14,156
Provisions		623	718
Income tax payable		199	393
Other taxes payable		11,356	10,385
		83,181	**86,825**
TOTAL LIABILITIES		**226,239**	**215,601**
TOTAL EQUITY AND LIABILITIES		**486,064**	**463,509**

The accompanying notes on pages 8-19 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

Millions of Russian roubles

	Notes	Three months ended 31 March 2013	Three months ended 31 March 2012
OPERATING ACTIVITIES			
Profit before income tax		**15,206**	**19,099**
Adjustments for:			
Depletion and depreciation		4,411	4,432
(Gain)/loss on disposal of property, plant and equipment		(120)	152
Finance income		(1,028)	(1,089)
Finance costs		2,736	2,857
Impairment of property, plant and equipment		126	161
Share of loss/(profit) of associate and joint venture, net of income tax		129	(351)
Foreign exchange gain, net		(67)	(284)
Change in provisions and allowances, net		(207)	(2,335)
Other, net		(216)	418
Operating cash flows before working capital changes		**20,970**	**23,060**
Movements in working capital:			
Inventories		(4,198)	(5,452)
Trade and other receivables		(4,234)	(6,072)
Advances to suppliers and prepaid expenses		(776)	(720)
Other taxes receivable		254	(1,553)
Trade and other payables		222	4,531
Advances received		(6,068)	(5,094)
Other taxes payable		972	2,561
Cash generated from operations		**7,142**	**11,261**
Interest paid		(2,047)	(1,876)
Income tax paid		(2,154)	(3,566)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**2,941**	**5,819**

The accompanying notes on pages 8-19 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

Millions of Russian roubles

	Notes	Three months ended 31 March 2013	Three months ended 31 March 2012
INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(5,820)	(4,914)
Proceeds from disposal of property, plant and equipment		1,042	117
Additional contribution to joint venture		(1,482)	-
Disposal of SPEs and subsidiaries		(9)	(61)
Payments for acquisition of intangible assets		(110)	-
Payments for acquisition of financial assets		(3,152)	(40,968)
Proceeds from disposal of financial assets		1,251	3,263
Interest received		654	146
NET CASH USED IN INVESTING ACTIVITIES		**(7,626)**	**(42,417)**
FINANCING ACTIVITIES			
Payments for acquisition of non-controlling interests in subsidiary and SPE		(105)	-
Proceeds from borrowings		30,950	22,318
Repayments of borrowings		(16,142)	(113)
Dividends paid by the Company		(7)	(22)
Dividends paid by subsidiaries		-	(6)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**14,696**	**22,177**
Net increase/(decrease) in cash and cash equivalents		**10,011**	**(14,421)**
Cash and cash equivalents at the beginning of the period		**20,104**	**28,354**
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		193	(269)
Cash and cash equivalents at the end of the period		**30,308**	**13,664**

The accompanying notes on pages 8-19 form an integral part of these interim condensed consolidated financial statements

BASHNEFT GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

Millions of Russian roubles

	Notes	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
Balance at 1 January 2012		**2,252**	**(13,241)**	**34,736**	**156,870**	**180,617**	**46,312**	**226,929**
Profit for the period		-	-	-	13,333	**13,333**	1,643	**14,976**
Total comprehensive income for the period		**-**	**-**	**-**	**13,333**	**13,333**	**1,643**	**14,976**
Disposal of special purpose entities		-	-	-	-	**-**	(80)	**(80)**
Balance at 31 March 2012		**2,252**	**(13,241)**	**34,736**	**170,203**	**193,950**	**47,875**	**241,825**
Balance at 1 January 2013		**2,501**	**(38,147)**	**83,651**	**194,975**	**242,980**	**4,928**	**247,908**
Profit for the period		-	-	-	11,992	**11,992**	30	**12,022**
Total comprehensive income for the period		**-**	**-**	**-**	**11,992**	**11,992**	**30**	**12,022**
Acquisition of additional interests in subsidiary and SPE		-	-	114	-	**114**	(219)	**(105)**
Balance at 31 March 2013		**2,501**	**(38,147)**	**83,765**	**206,967**	**255,086**	**4,739**	**259,825**

1. GENERAL INFORMATION

Organisation and operations

Joint Stock Oil Company Bashneft (the "Company" or "Bashneft"), its subsidiaries and special purpose entities (together referred to as the "Group" or the "Bashneft Group") are primarily involved in oil production, refining, marketing and distribution of petroleum products in the Russian Federation. The Group's oil production, refining, marketing and distribution base includes 171 oilfields, 4 refineries and 470 operating petrol stations. Bashneft is the parent company of a vertically integrated group of oil and gas companies.

The Company was incorporated as an open joint stock company on 13 January 1995, following the privatisation of Bashneft production association. The Company's registered office is located at 30 Karl Marx Street, Ufa, 450008, Russian Federation.

The following principal subsidiaries incorporated in the Russian Federation were consolidated at 31 March 2013 and 31 December 2012:

		Group's effective interest	
Company	**Principal activities**	**31 March 2013**	**31 December 2012**
LLC Bashneft-Dobycha	Production of crude oil and gas	100%	100%
LLC Bashneft-Bureniye	Construction services	100%	100%
LLC Bashneft-Region	Petroleum products trading	100%	100%
OJSC Ufaorgsintez	Production of petrochemicals	67%	67%

At 31 March 2013, the Group had 8 special purpose entities ("SPEs") (31 December 2012: 10 SPEs) which were established to provide supporting services to the Company and its subsidiaries engaged in the production and refining of crude oil, and which have been consolidated.

JSFC "Sistema" ("Sistema") is the controlling shareholder of Bashneft. The controlling shareholder of "Sistema" and the ultimate controlling party of Bashneft Group is Mr. Vladimir P. Evtushenkov.

Going concern

In assessing its going concern status, the Group has taken into account its financial position, anticipated future trading performance, its borrowings and other facilities and its capital expenditure commitments and plans, together with other risks facing the Group. After making appropriate enquires, the Group considers that it has adequate resources to continue in operational existence for at least the next 12 months from the date of issuance of these interim condensed consolidated financial statements. Consequently, the Group has determined that it's appropriate to adopt the going concern basis in the preparation of these interim condensed consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). These interim condensed consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the years ended 31 December 2012, 2011 and 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The same accounting policies and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the years ended 31 December 2012, 2011 and 2010 except for amendments, related to application of new standards or interpretations described below.

Standards and interpretations effective in the current period

IAS 1 *Presentation of Financial Statements* – Amendment to revise the way other comprehensive income is presented. The amendments introduce new terminology for the statement of comprehensive income. Under the amendments to IAS 1 the statement of comprehensive income is renamed to the statement of profit or loss and other comprehensive income. The amendment also requires items of other comprehensive income to be grouped into two categories:

- Items that will not be reclassified subsequently to profit or loss; and
- Items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same bases. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 *Employee Benefits* – Amendment regarding accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and the fair value of plan assets when they occur, and eliminate the corridor approach permitted under the previous version of IAS 19 accelerating the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Another significant change to IAS 19 relates to the presentation of the changes in defined benefit obligations and plan assets with changes being split into three components:

- Service cost – recognised in profit or loss and includes current and past service costs as well as gains or losses on settlements;
- Net interest – recognised in profit or loss and calculated by applying the discount rate by reference to market yields at the end of the reporting period to the net defined benefit liability at the beginning of each reporting period; and
- Remeasurement – recognised in other comprehensive income and comprises actuarial gains and losses on the defined benefit obligation, the excess of the actual return on plan assets over the change in plan assets due to the passage of time and the changes, if any, due to the effect of the asset ceiling.

The application of amendments to IAS 19 has not resulted in any impact on financial position, profit or loss, other comprehensive income or total comprehensive income and Group's interim condensed consolidated financial statements as these disclosures are only required in annual financial statements.

IAS 27 *Consolidated and Separate Financial Statements* – Amendments to modify the consolidation principles in accordance with IFRS 10 *Consolidated Financial Statements*. The revised IAS 27 deals only with accounting for subsidiaries, associates and joint ventures in the separate financial statements of the parent company. The application of the Amendments to IAS 27 did not result in changes to the Group's interim condensed consolidated financial statements.

IAS 28 *Investments in Associates* – Amendment to reissue as "Investments in Associates and Joint Ventures" after IFRS 11 *Joint Arrangements* was published. The amended IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The application of amendments to IAS 28 has not resulted in any impact on financial position, profit or loss, other comprehensive income or total comprehensive income.

IFRS 10 *Consolidated Financial Statements* – IFRS 10 was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements and SIC 12 *Consolidation* – Special Purpose Entities. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group assessed whether any consolidation conclusion under IFRS 10 differ from IAS 27 / SIC 12 as at 1 January 2013. The adoption of this standard did not result in any change in the consolidation status of the Group's subsidiaries

IFRS 11 *Joint Arrangements* – IFRS 11 was issued in May 2011 and supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary contributions by Venturers. IFRS 11 deals with how a joint arrangement in which two or more parties have an interest should be classified. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types are distinguished by parties' rights and obligations under the arrangements. Joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting. The adoption of this standard has not resulted in any impact on financial position, profit or loss, other comprehensive income or total comprehensive income.

IFRS 12 *Disclosure of Interests in Other Entities* – IFRS 12 was issued in May 2011 and provides disclosure requirements for interest in subsidiaries, associates, joint venture and unconsolidated structured entities. The application of amendments to IFRS 12 did not result in changes to the Group's interim condensed consolidated financial statements as these disclosures are only required in annual financial statements.

IFRS 13 *Fair Value Measurement* – IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 did not result in changes to the Group's interim condensed consolidated financial statements.

Several other amendments including amended IFRS 7 *Financial Instruments: Disclosures* and amendments resulting from "Annual Improvements to IFRSs" (2009-2011 cycle) were applied for the first time in these interim condensed consolidated financial statements. The application of these amendments did not result in significant changes to the Group's financial position or results of operations.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgements, estimates and assumptions made by management of the Group and applied in these interim condensed consolidated financial statements for the three months ended 31 March 2013 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the years ended 31 December 2012, 2011 and 2010.

4. SEGMENT INFORMATION

The Board of Directors (the "Board") is the Group's chief operating decision maker. Operating segments have been determined based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

The Board considers financial and operational results based on the stages of the production process and the marketing of associated products. The Group's reportable segments under IFRS 8 are therefore as follows:

- Extraction: The Extraction segment comprises subsidiaries and business units of the Company engaged in the exploration and production of crude oil and the wholesale of crude oil and oil products on export and domestic markets;
- Refining: The Refining segment comprises subsidiaries and business units of the Company engaged in processing crude oil and oil products; and
- Marketing: The Marketing segment comprises subsidiaries and business units of the Company engaged in wholesale and retail of oil products on the domestic market.

During 2012 operational and financial management of Ufaorgsintez was transferred to the management of OJSC Unified Petrochemical Company, a subsidiary of the Company. Since then Ufaorgsintez operations are not included in the reports provided to the Board of Directors and as a result the operations of Ufaorgsintez are included in the "Reconciling item" column below.

There are varying levels of integration between the Extraction, Refining and Marketing reportable segments. Before the Group reorganization in October 2012, refining services represented the inter-segment revenues of the Refining segment, and sales of oil products to the Marketing segment represented the inter-segment revenues of the Extraction segment. As a result of the reorganization OJSC Ufimsky refinery plant, OJSC Novoil and OJSC Ufaneftekhim included in Refining segment, and OJSC Bashkirnefteproduct and OJSC Orenburgnefteproduct, included in Marketing segment, were merged into Joint Stock Oil Company Bashneft. From the date of the reorganization, the Refining segment transfers refining costs to the Extraction segment at cost and has no significant external revenues and in its turn oil products from Extraction segment are transferred at cost to Bashkirnefteproduct and Orenburgnefteproduct. Before the reorganization inter-segment pricing was determined on an arm's length basis.

Information regarding the results of each reportable segment is reviewed by the Board of Directors. Segment OIBDA is used to measure segment performance for the Extraction and Marketing segment, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment Expenses is used to measure the segment performance for the Refining segment. The significant accounting policies of the reportable segments are the same as the Group's accounting policies.

Millions of Russian roubles

Information about reportable segments for the three months ended 31 March 2013 is as follows:

	Extraction	Refining	Marketing	Total reportable segments	Reconciling item	Elimina-tions	Consoli-dated
External revenues	99,787	156	21,941	**121,884**	3,696	-	**125,580**
Inter-segment revenues	21,375	8,350	756	**30,481**	1,182	(31,663)	**-**
External expenses	(98,304)	(6,854)	(1,844)	**(107,002)**	(1,766)	-	**(108,768)**
Inter-segment expenses	(9,289)	(1,604)	(18,099)	**(28,992)**	(2,671)	31,663	**-**
Segment OIBDA	15,464	1,872[1]	3,063	**20,399**	824	-	**21,223**
Depletion and depreciation	(1,895)	(1,824)	(309)	**(4,028)**	(383)	-	**(4,411)**
Finance income	916	25	50	**991**	37	-	**1,028**
Finance costs	(2,732)	(2)	(1)	**(2,735)**	(1)	-	**(2,736)**
Foreign exchange gain, net							**231**
Share of loss of associate and joint venture, net of income tax							**(129)**
Profit before income tax							**15,206**
Income tax expense							**(3,184)**
Profit for the period							**12,022**

Information about reportable segments for the three months ended 31 March 2012 is as follows:

	Extraction	Refining	Marketing	Total reportable segments	Reconciling item	Elimina-tions	Consoli-dated
External revenues	92,532	181	25,943	**118,656**	81	-	**118,737**
Inter-segment revenues	22,236	9,870	831	**32,937**	2,523	(35,460)	**-**
External expenses	(87,094)	(6,306)	(3,410)	**(96,810)**	(1,426)		**(98,236)**
Inter-segment expenses	(12,842)	(1,414)	(20,438)	**(34,694)**	(766)	35,460	**-**
Segment OIBDA	16,767	4,197[1]	3,195	**24,159**	774	-	**24,933**
Depletion and depreciation	(1,935)	(1,866)	(269)	**(4,070)**	(362)	-	**(4,432)**
Finance income	957	85	34	**1,076**	13	-	**1,089**
Finance costs	(2,840)	(14)	(2)	**(2,856)**	(1)	-	**(2,857)**
Foreign exchange gain, net							**15**
Share of profit of associate and joint venture, net of income tax							**351**
Profit before income tax							**19,099**
Income tax expense							**(4,123)**
Profit for the period							**14,976**

Substantially all of the Group's operations are conducted in the Russian Federation. Therefore, the Group has not presented any geographical disclosure about its non-current assets by geographical area, as amounts not pertaining to the Russian Federation are wholly immaterial.

The Group's revenue from external customers by geographical location is as follows:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Export outside the CIS	70,351	52,402
Russian Federation	50,865	51,688
CIS	4,364	14,647
Total	**125,580**	**118,737**

[1] This metric is not a segment measure for the Refining segment and is not regularly provided to the Board of Directors.

Millions of Russian roubles

5. REVENUE

	Three months ended 31 March 2013	Three months ended 31 March 2012
Petroleum products	95,881	86,857
Crude oil	27,078	28,020
Other revenue	2,621	3,860
Total	**125,580**	**118,737**

6. EMPLOYEE BENEFIT EXPENSES

	Three months ended 31 March 2013	Three months ended 31 March 2012
Wages and salaries	6,857	6,383
Contributions to Pension Fund of the Russian Federation	1,563	1,383
Other social contributions	444	411
Phantom shares granted	250	127
Total	**9,114**	**8,304**

7. TAXES OTHER THAN INCOME TAX

	Three months ended 31 March 2013	Three months ended 31 March 2012
Mineral extraction tax	13,843	13,882
Contributions to Pension Fund of the Russian Federation	1,563	1,383
Other social contributions	444	411
Property tax	406	442
Other taxes	248	171
Total	**16,504**	**16,289**

8. FINANCE INCOME AND FINANCE COSTS

	Three months ended 31 March 2013	Three months ended 31 March 2012
Finance income		
Interest income on loans, promissory notes and bonds	648	452
Interest income on cash and deposits	380	637
Total	**1,028**	**1,089**
Finance costs		
Interest expense on borrowings	2,515	2,617
Unwinding of discount	197	224
Other accretion expenses	24	16
Total	**2,736**	**2,857**

Millions of Russian roubles

9. INCOME TAX

	Three months ended 31 March 2013	Three months ended 31 March 2012
Current period income tax expense	2,999	3,025
Adjustments relating to current income tax of prior years	3	(51)
Current income tax expense	**3,002**	**2,974**
Deferred tax expense	182	1,149
Income tax expense	**3,184**	**4,123**

10. PROPERTY, PLANT AND EQUIPMENT

	Three months ended 31 March 2013	Three months ended 31 March 2012
Cost / deemed cost		
Balance at the beginning of the period	**351,779**	**306,674**
Disposal of SPEs and subsidiaries	-	(10)
Constructions and additions	6,075	4,402
Disposals	(1,205)	(290)
Balance at the end of the period	**356,649**	**310,776**
Accumulated depletion, depreciation and impairment		
Balance at the beginning of the period	**(74,630)**	**(52,917)**
Disposal of SPEs and subsidiaries	-	4
Charge for the period	(4,680)	(4,855)
Disposals	283	21
Impairment	(126)	(161)
Balance at the end of the period	**(79,153)**	**(57,908)**
Net book value		
At the beginning of the period	**277,149**	**253,757**
At the end of the period	**277,496**	**252,868**

Millions of Russian roubles

11. FINANCIAL ASSETS

	31 March 2013	31 December 2012
Non-current investments		
Loans given, at amortised cost	21,125	20,912
Available-for-sale investment in OJSC "Bashkirian Power Grid Company" held at cost	7,406	7,406
Deposits	-	1,000
Total	**28,531**	**29,318**
Current investments		
Loans given, at amortised cost	16,338	14,491
Deposits	5,120	4,136
Other financial assets	4	8
Total	**21,462**	**18,635**

12. BORROWINGS

	31 March 2013		31 December 2012	
	Rate, %	Outstanding balance	Rate, %	Outstanding balance
Non-current liabilities				
Unsecured non-convertible bonds issued in December 2009	8.35%	5,267	8.35%	5,266
Unsecured non-convertible bonds issued in February 2012	9.00%	9,987	9.00%	9,985
Unsecured non-convertible bonds issued in February 2013	8.65-8.85%	29,945		
Secured floating rate borrowings	Libor 1M+1.55%	1,934	Libor 1M+1.55%	3,022
Unsecured fixed interest rate borrowings	8.90%-9.53%	44,920	8.90%-9.53%	59,928
Total		**92,053**		**78,201**
Current liabilities				
Current portion of unsecured fixed interest rate borrowings	7.75%	17,500	7.75%	17,483
Unsecured non-convertible bonds issued in December 2011	9.35%	9,993	9.35%	9,990
Current portion of secured floating rate borrowings	Libor 1M+1.55%	4,641	Libor 1M+1.55%	4,534
Short-term unsecured fixed interest rate borrowings	6.66%	999		-
Total		**33,133**		**32,007**

Unsecured non-convertible bonds

On 12 February 2013, the Group issued 10,000,000 non-convertible RUB-denominated bonds Series 06, 10,000,000 non-convertible RUB-denominated bonds Series 07, 5,000,000 non-convertible RUB-denominated bonds Series 08 and 5,000,000 non-convertible RUB-denominated bonds Series 09 at par value of RUB 1,000 maturing in 2023. The Series 06 and 08 have a coupon rate of 8.65% per annum and subsequent coupon rates are to be determined in February 2018. The Series 07 and 09 have a coupon rate of 8.85% per annum and subsequent coupon rates are to be determined in February 2020. When new coupon rates are determined bondholders have the right to redeem the bonds at par value.

Millions of Russian roubles

13. RELATED PARTIES

At 31 March 2013 and 31 December 2012, the Group had the following outstanding balances with related parties:

	Amount owed by related parties	
	31 March 2013	31 December 2012
OJSC Sistema-invest	25,880	23,920
Other Sistema Group companies	21,307	20,868
Associates and joint ventures of the Group	2,601	1,617
Total	**49,788**	**46,405**

	Amount owed to related parties	
	31 March 2013	31 December 2012
Associates and joint ventures of the Group	1,743	1,701
Sistema Group companies	381	537
Total	**2,124**	**2,238**

Amounts owed by related parties are unsecured and are expected to be net settled or settled in cash. No allowance for doubtful receivables in respect of amounts owed by related parties exists. No balances owed by related parties were past due but not impaired at the period end.

No expense has been recognised in the current period for bad debts in respect of amounts owed by related parties.

The Group entered into the following transactions with related parties:

	Three months ended 31 March 2013	Three months ended 31 March 2012
OJSC Sistema-invest		
Loans issued	3,138	-
Proceeds from repayment of loans issued	1,220	-
Interest income	214	192
Other Sistema Group companies and its affiliates		
Loans issued	-	3,500
Cash placed on bank deposits	31	17,095
Proceeds from repayment of bank deposits	15	3,095
Sale of goods and services	140	564
Purchase of goods and services	4,055	3,408
Purchase of property	59	82
Interest income	293	418
Associates and joint ventures of the Group		
Sale of goods and services	1,000	758
Purchase of property	7	-
Purchase of goods and services	461	402
Interest income	178	110

Millions of Russian roubles

Charity

During the three months ended 31 March 2013, the Group transferred RUB nil (three months ended 31 March 2012: RUB 251 million) as a donation to Charity Fund Sistema, a related party of the Group.

Compensation of key management personnel

The remuneration of directors and other key management personnel was as follows:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Wages and salaries	204	150
Share-based payments	141	118
Termination bonuses	4	-
Total	**349**	**268**

At 31 March 2013, outstanding balances in respect of wages and salaries of key management personnel were RUB 732 million (31 December 2012: RUB 471 million).

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 March 2013, contractual capital commitments of the Group amounted to RUB 8,533 million (31 December 2012: RUB 9,799 million). These commitments are expected to be settled during 2013 and 2014.

Operating leases: Group as a lessee

The Group leases certain production equipment, transport and office premises. The leases typically run for periods varying from 1 to 10 years with no renewal option at the end of the lease term. In addition to the above, the Group’s extraction, refining, marketing and distribution and other facilities are located on land under operating leases, which expire in various years through 2061.

The amount of rental expenses for the three months ended 31 March 2013 were RUB 372 million (for the three months ended 31 March 2012: RUB 802 million).

Future minimum rental expenses under non-cancellable operating leases are as follows:

	31 March 2013	31 December 2012
Due in one year	1,486	1,371
Due from one to five years	3,968	4,461
Thereafter	16,961	19,536
Total	**22,415**	**25,368**

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation is at a relatively early stage of development, and is characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax litigation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

Legal contingencies

At 31 March 2013, unresolved legal claims against the Group amounted to RUB 49 million (31 December 2012: RUB 49 million). Management estimates the unfavorable outcome of the legal claims to be possible.

Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in developed markets are not generally available.

The Group does not have full coverage for property damage, for business interruption and third party liabilities in respect of environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the losses could have a material adverse effect on the Group's operations and financial position.

Russian Federation economic environment

Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Russian Federation and the country's economy in general.

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of the Russian Federation is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Russia economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because Russia produces and exports large volumes of oil and gas, country's economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during the last years.

15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In May 2013, the Group entered into a pre-export finance term loan facility agreement with a group of international banks allowing borrowings of US Dollar 600 million. The facility has a three-year maturity and is to be repaid in equal monthly installments after a one-year grace period. The facility is secured with future revenue from the export of petroleum products for the duration of the facility. The interest rate is US Dollar Libor 1M + 2.35%.