TNK-BP INTERNATIONAL LIMITED
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTHS ENDED 31 MARCH 2013
(UNAUDITED)

pwc

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of TNK-BP International Limited

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of TNK-BP International Limited and its subsidiaries (the "Group") as of March 31, 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 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 statements 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 International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

22 May 2013
Moscow, Russian Federation

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TNK-BP INTERNATIONAL LIMITED
Interim Condensed Consolidated Income Statement and Statement of Comprehensive Income (Unaudited)
(expressed in millions of USD)

Interim Condensed Consolidated Income Statement

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
Gross Proceeds	6	14,216	16,089
Less: export duties		(3,705)	(4,632)
Sales and other operating revenues	**6**	**10,511**	**11,457**
(Loss)/earnings from equity-accounted investments	10	(12)	207
Taxes other than income tax	16	(3,157)	(3,224)
Operating expenses		(1,141)	(1,145)
Purchases of oil, oil products and other products		(1,157)	(1,627)
Transportation expenses		(1,379)	(1,347)
Depreciation, depletion and amortisation	11	(648)	(571)
Selling, distribution and administrative expenses		(440)	(340)
Loss on disposals and impairment of assets		(68)	(301)
Exploration expenses		(60)	(45)
Operating profit		**2,449**	**3,064**
Exchange gain/(loss), net		202	(71)
Finance cost		(75)	(70)
Interest income and net other financial expense		(14)	(22)
Profit before income taxes		**2,562**	**2,901**
Income tax benefit/(expense)	14	752	(475)
Profit for the period		**3,314**	**2,426**
Less: profit attributable to noncontrolling interest		(211)	(250)
Profit attributable to Group shareholders		**3,103**	**2,176**

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
Profit for the period		**3,314**	**2,426**
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences in relation to Group subsidiaries		(753)	202
Currency translation differences in relation to equity-accounted investments	10	(53)	230
Other comprehensive (loss)/income		**(806)**	**432**
Other comprehensive loss/(income) attributable to noncontrolling interest		53	(11)
Other comprehensive (loss)/income attributable to Group shareholders		**(753)**	**421**
Total comprehensive income		**2,508**	**2,858**
Less: total comprehensive income attributable to noncontrolling interest		(158)	(261)
Total comprehensive income attributable to Group shareholders		**2,350**	**2,597**

The accompanying notes are an integral part of these interim condensed consolidated financial statements

TNK-BP International Limited

Interim Condensed Consolidated Statement of Financial Position (Unaudited)
(expressed in millions of USD)

	Note	31 March 2013	31 December 2012
Assets			
Current assets			
Cash and cash equivalents	7	4,780	4,632
Restricted cash	7	2	2
Income tax receivable		182	245
Trade and other receivables, net	8	4,248	4,564
Inventories	9	1,664	1,522
Other current assets		116	109
		10,992	**11,074**
Non-current assets			
Loans and advances issued	10	443	541
Equity-accounted investments	10	3,589	3,565
Property, plant and equipment	11	26,156	26,318
Intangible assets		1,062	1,112
Deferred income tax assets	14	438	413
Other long-term assets		301	268
		31,989	**32,217**
Total assets		**42,981**	**43,291**
Liabilities and equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	967	1,646
Accounts payable and accrued liabilities	13	3,605	4,365
Income tax payable		71	82
Other taxes payable	16	2,216	1,806
		6,859	**7,899**
Non-current liabilities			
Long-term debt	12	5,923	6,248
Decommissioning, environmental and other provisions	15	1,054	1,063
Deferred income tax liabilities	14	1,959	3,278
Other non-current liabilities		80	205
		9,016	**10,794**
Total liabilities		**15,875**	**18,693**
Equity			
Ordinary share capital (authorised, issued and fully paid – 54,000 shares, USD 1.0 par value)	17	-	-
Additional paid-in capital		2,850	2,850
Retained earnings		22,705	19,602
Cumulative currency translation adjustment		(728)	25
Total Group shareholders' equity		**24,827**	**22,477**
Noncontrolling interest		2,279	2,121
Total equity		**27,106**	**24,598**
Total liabilities and equity		**42,981**	**43,291**

On 22 May 2012 the Board of Directors of TNK-BP International Limited authorised these financial statements for issue.

P. I. Lazarev
Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements

(expressed in millions of USD)

	Equity attributable to Group shareholders						
	Ordinary share capital	Additional paid-in capital	Retained earnings	Cumulative currency translation adjustment	**Total**	Non-controlling interest	**Total equity**
At 1 January 2012	-	2,978	14,816	(231)	**17,563**	1,714	**19,277**
Total comprehensive income	-	-	2,176	421	**2,597**	261	**2,858**
Dividends	-	-	(1,380)	-	**(1,380)**	-	**(1,380)**
At 31 March 2012	**-**	**2,978**	**15,612**	**190**	**18,780**	**1,975**	**20,755**
At 1 January 2013	**-**	2,850	19,602	25	**22,477**	2,121	**24,598**
Total comprehensive income/(loss)	-	-	3,103	(753)	**2,350**	158	**2,508**
At 31 March 2013	**-**	**2,850**	**22,705**	**(728)**	**24,827**	**2,279**	**27,106**

TNK-BP INTERNATIONAL LIMITED

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

(expressed in millions of USD)

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
Operating activities			
Profit before income taxes		2,562	2,901
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortisation		648	571
Finance cost		75	70
Interest income		(20)	(10)
Loss on disposals and impairment of assets		68	301
Earnings from equity-accounted investments	10	12	(207)
Dry hole expenses		11	5
Exchange loss from investing and financing activities		(5)	75
Net change of environmental provision		6	(6)
Tax and other provisions	20	152	-
Other non-cash adjustments, net		49	29
Changes in operational working capital, excluding cash and cash equivalents:			
Restricted cash		-	43
Trade and other receivables		60	(36)
Inventories		(66)	(257)
Accounts payable and accrued liabilities		(548)	69
Taxes payable		373	484
Other		(37)	41
Dividends received from equity-accounted investments		-	8
Interest received		19	-
Income taxes paid		(502)	(647)
Net cash provided by operating activities		**2,857**	**3,434**
Investing activities			
Capital expenditures		(1,143)	(1,432)
Interest capitalised paid		(40)	(92)
Grants used for capital expenditures		(23)	-
Grants received		23	-
Purchase of intangible assets		(11)	(13)
Acquisitions of subsidiaries, net of cash acquired	5	(8)	(157)
Settlement of deferred consideration for joint operations	5	(200)	-
Cash flows from sales of subsidiaries, net of cash disposed	5	-	15
Loans issued	10	(20)	(22)
Loans collected		4	-
Net cash used for investing activities		**(1,418)**	**(1,701)**
Financing activities			
Repayment of long-term debt	12	(733)	(681)
Net change in short-term debt		(190)	-
Interest paid net of the amounts capitalised		(145)	(120)
Dividends paid to noncontrolling interest shareholders		(150)	-
Dividends paid to Group shareholders	17	-	(1,380)
Net cash used for financing activities		**(1,218)**	**(2,181)**
Effect of exchange rate changes on cash and cash equivalents		(17)	23
Net change in cash and cash equivalents		**204**	**(425)**
Cash and cash equivalents at the beginning of period	7	4,632	1,164
Effect of translation to presentation currency		(56)	-
Cash and cash equivalents at the end of period	7	**4,780**	**739**

Note 1. Organisation

TNK-BP International Limited ("TNK-BP International" or the "Company") and its subsidiaries (jointly referred to as "the Group") conduct exploration and development activities and produce oil and gas, operate petroleum refineries and market oil and petroleum products in the Russian Federation and a number of other countries including Brazil, Venezuela, Vietnam and Ukraine.

Effective 29 August 2003, Alfa Group, Access Industries, and Renova Group (jointly referred to as "AAR") and BP plc. ("BP") formed TNK-BP Limited ("TNK-BP" or the "Parent"), a British Virgin Islands company, to hold their respective interests in their Russian and Ukrainian oil and gas assets. TNK-BP International is a wholly owned subsidiary of TNK-BP Limited.

TNK-BP International is a limited liability company registered and domiciled in the British Virgin Islands. The address of its registered office is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

On 21 March 2013 OAO "NK "Rosneft" (Rosneft) completed the acquisition of BP and AAR interests in TNK-BP and obtained control of the Company. As a result, Russian Federation became an ultimate controlling party of the Group starting from 21 March 2013.

Note 2. Basis of Presentation

These interim condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with the International Accounting Standard ("IAS") 34, "Interim financial reporting". These interim condensed consolidated financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for a complete set of financial statements. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The Group's subsidiaries registered in the Russian Federation maintain their accounting records in accordance with the Regulations on Accounting and Reporting in the Russian Federation. Subsidiaries outside the Russian Federation maintain their accounting records in accordance with local regulations. The accompanying interim condensed consolidated financial statements have been prepared from these accounting records and adjusted as necessary in order to comply with International Financial Reporting Standards.

The interim condensed consolidated financial statements are presented in United States dollars ("US dollars" or "USD") and all values are rounded to the nearest million (USD million) except when otherwise indicated.

Changes in presentation

In order to present its financial statements in consistency with the accounting policies applied by the Company's new shareholder, OAO "NK Rosneft", management elected to make several reclassifications in the Group's financial statements. These reclassifications amended the presentation of advances for capital expenditures, capitalized Health Safety and Environment costs, crude oil transportation costs, processing fees, costs of purchased products. Management also considered whether presenting a balance sheet as at 1 of January 2012 is required, and concluded that its omission is not material to the financial statements.

Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

(expressed in USD, tabular amounts in millions)

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2012:

	As originally presented	Reclassifications	As reclassified at 31 December 2012
Property, plant and equipment	25,973	345	26,318
Other long-term assets	613	(345)	268
Accounts payable and accrued liabilities	4,395	(30)	4,365
Decommissioning, environmental and other provisions	1,033	30	1,063

The effect of reclassifications for presentation purposes was as follows on amounts for the three months ended 31 March 2012:

	As originally presented	Reclassifications	As reclassified for the three months ended 31 March 2012
Operating expenses	(1,347)	202	(1,145)
Purchases of oil, oil products and other products	(1,643)	16	(1,627)
Transportation expenses	(1,071)	(276)	(1,347)
Selling, distribution and administrative expenses	(398)	58	(340)

Functional currency of the subsidiaries operating in Russia and Ukraine

As discussed in Note 1, on 21 March 2013 Rosneft completed the acquisition of TNK-BP. Management has carried out a review of the impact on functional currency determination for 2013 of the changes to the Company's business which are currently being implemented as a result of the integration with Rosneft. On the basis of this review, management concluded that as a result of these changes, the functional currency should switch from the United States Dollars to the local currency for those Group entities operating primarily in Russia and Ukraine whose functional currency was not already the Russian Rouble and Ukrainian Hryvna, respectively. The functional currency change is effective 1 January 2013, given that the integration processes leading to this change have started immediately after the acquisition date and the factors supporting the local currencies as a functional currency for these subsidiaries will prevail for the remaining part of the year.

As of 31 March 2013 and 31 December 2012 exchange rates were 31.08 and 30.37 to the USD, respectively. Average exchange rates for the three months ended 31 March 2013 and 2012 were 30.41 and 30.24 RUR to the USD, respectively.

Note 3. Summary of significant accounting policies

The principal accounting policies followed by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2012 except for the effects of the adoption of new accounting standards as discussed below and income tax expense, which is recognised in the interim condensed consolidated financial statements based on management's best estimate of the weighted average annual income tax rate expected for the full financial year subject to adjustments for the tax effects of one-time events and other events which are difficult to anticipate, such as foreign exchange rate movements.

Standards issued and adopted

The Group has reviewed revised accounting pronouncements that have been issued and determined the impact on the Group.

In May 2011, the IASB issued IFRS 10, "Consolidated financial statements", IFRS 11, "Joint arrangements", IFRS 12, "Disclosure of interests in other entities", IAS 27, "Separate financial statements", and consequential amendments to IAS 28, "Investments in associates and joint ventures". These standards became effective for the Group as of 1 January 2013.

IFRS 10 replaces all of the guidance on control and consolidation of IAS 27, "Consolidated and separate financial statements", and SIC-12, "Consolidation – special purpose entities". The standard changes the definition of control so that the same criteria are applied to all entities to determine control.

IFRS 11 replaces IAS 31, "Interests in joint ventures", and SIC-13, "Jointly controlled entities – Non-monetary contributions by ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group analysed the nature of its joint arrangements and classified them as joint ventures except for the interests in operations in Vietnam and Brazil, previously accounted for as jointly controlled assets, which were classified as joint operations in accordance with IFRS 11. The adoption of IFRS 11 did not have a material impact on the Group's financial positions or operations.

IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

The adoption of IFRS 10 and IFRS 12 was assessed by the Group and does not have a material impact on the Group's financial position or operations. Required additional disclosures will be presented in the consolidated financial statements for the year ended 31 December 2013.

In May 2011, the IASB issued IFRS 13, "Fair value measurement", which aims to improve consistency and reduce complexity by providing a revised definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group adopted IFRS 13 from January 1, 2013. The adoption of IFRS 13 does not have a material impact on the Group's financial position or operations.

In May 2012, IASB issued *Improvements to IFRSs* introducing amendments to various standards. The following standards were primarily affected by the amendments: IAS 1, Presentation of Financial Statements; IAS 16, Property, Plant and Equipment; IAS 32, Financial Instruments: Presentation; IAS 34, Interim Financial Reporting. The amendments introduced relatively minor changes to clarify guidance in existing standards. The amendments were adopted from January 1, 2013. The adoption of amendments does not have a material impact on the Group's financial position or operations.

Standards issued but not yet effective

The Group has reviewed new accounting pronouncements that have been issued but are not yet effective for the Group and determined that the following may have an impact on the Group.

In November 2009, the IASB issued IFRS 9, "Financial instruments: classification and measurement", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortised cost and fair value. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is currently considering the timing of adoption of this standard and the impact on the Group's financial position or operations.

Note 4. Significant accounting judgements, estimates and assumptions

The Group makes estimates and assumptions concerning the future that affect the amounts recognised in the interim condensed consolidated financial statements and the carrying amounts of assets and liabilities. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Significant estimates and judgments made by management in the preparation of these interim condensed consolidated financial statements are outlined below.

Estimation of oil and gas reserves

Oil and gas development and production assets are depreciated on a unit-of-production (UOP) basis for each field at a rate calculated by reference to proved or proved developed reserves. Estimates of proved reserves are also used in the determination of whether impairments have arisen or should be reversed. Also, exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved and proved developed reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Changes to the Group's estimates of proved and proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of oil and gas properties. It is expected, however, that in the normal course of business the diversity of the Group's portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being recorded in the interim condensed consolidated income statement in that period.

The price assumptions used for the estimation of the Group's reserves for the purpose of UOP depreciation of the oil and gas development and production assets are based on a 12-month average price calculated as the unweighted arithmetic average of the first-day-of-the-month price of the previous fiscal year, unless prices are defined by contractual arrangements. Information about the carrying amounts of oil and gas properties and the amounts charged to the interim condensed consolidated income statement, including depreciation, depletion and amortisation, is presented in Note 11.

Impairments

The Group assesses its non-current assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. Such indicators include changes in the Group's business plans, changes in commodity prices leading to sustained unprofitable performance, an increase in the discount rate, low plant utilisation, evidence of physical damage and, for oil and natural gas properties, significant downward revisions of estimated hydrocarbon volumes or increases in estimated future development expenditure. The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. These calculations require the use of estimates and assumptions, including future oil prices, expected production volumes and refining margins. It is reasonably possible that these assumptions may change and may then require a material adjustment to the carrying value of the Group's assets.

Irrespective of whether there is any indication of impairment, the Group is required to test annually for impairment of goodwill acquired in a business combination. As of 31 March 2013, the Group carries goodwill of USD 275 million which relates to acquisitions of retail assets in Russia. In testing goodwill for impairment, the Group uses a similar approach to that described above for asset impairment. If there are low retail margins for an extended period, the Group may need to recognise goodwill impairment charges.

Information about impairments recognised is presented in Note 11.

Decommissioning and restoration costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Information about decommissioning and environmental provisions is presented in Note 15.

Taxation

Tax provisions are recognised when it is considered probable (more likely than not) that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgement as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognised in the interim condensed consolidated income statement for the period in which the change occurs.

The Group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognised in the interim condensed consolidated income statement both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Information about the Group's contingencies is presented in Note 20.

Note 5. Business combinations and acquisition of interests in joint arrangements

Acquisition of interest in exploratory blocks in Brazil

On 28 March 2012, the Group completed the acquisition from HRT O&G of a 45% interest in certain concession agreements for 21 exploratory blocks in the Brazilian Solimoes Basin. Under the farm-in agreement between the Group and HRT, the consideration to be paid amounts to USD 1 billion payable in five semi-annual instalments plus interest at Libor rate starting from April 2012. The Agreement also envisages additional payments subject to achieving certain milestones and exceeding certain hydrocarbon reserve targets. Milestone payments will not exceed a further USD 250 million while payments related to exceeding target reserves will depend on the amount of reserve additions. Furthermore, the parties also concluded an agreement which provides the Group with a call option to acquire an additional 10% interest and become the operator, while HRT has a put option to sell a 10% interest to the Group. The options will become exercisable in 910 days from the date of the acquisition of the initial 45% interest. The Group recognised these options as financial instruments at fair value through profit or loss with a zero value at both the acquisition and reporting dates.

(expressed in USD, tabular amounts in millions)

Pursuant to the Farm-In Agreement, the seller also agreed to fund ("to carry") the Group's share of exploration costs and expenses up to USD 175 million in expenditures incurred commencing 1 January 2012.

The interests acquired in Brazil are accounted for as joint operations as the Group has acquired undivided interests in the respective assets and liabilities, see Note 3. The cost of acquisition was allocated to exploration and evaluation assets (with USD 871 million allocated to unproved properties in Property, plant and equipment, see Note 11, and USD 129 million of the carry included in Other long-term assets). As of 31 March 2013, pursuant to the terms of the Agreement, the Group had paid USD 600 million in cash for the acquisition of the interest. The remaining consideration payable at 31 March 2013 is reflected in Accounts payable and accrued liabilities amounting to USD 400 million (see Note 13).

Other acquisitions

In March 2012, the Group completed the acquisition of a 100% interest in ZAO "TZK "Koltsovo", the operator of a jet fuel storage and into-wing fuelling services business at Yekaterinburg Airport, and OOO "TZK-Aktiv", the owner of the assets of the fuelling complex, for a total consideration of USD 112 million. The acquisition was accounted for as a business combination and the purchase price was allocated primarily to Intangible assets and related deferred tax liabilities.

In February and March 2012, the Group acquired a 100% interest in a number of retail assets in the Tver and Orel regions of Russia for a consideration of USD 32 million. The acquisition was accounted for as a business combination and the purchase price was allocated to Property, plant and equipment and related deferred tax liabilities.

In March 2012, the Group acquired for a consideration of USD 18 million a 100% interest in OOO "Abeks", a company holding a land plot with a license for construction of a product terminal near St. Petersburg in Russia. The purchase price was allocated to tangible and intangible assets.

Note 6: Sales and other operating revenues

Revenues for the three months ended 31 March 2013 and 2012 comprise the following:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Crude oil – export	5,274	7,130
Crude oil – domestic	1,681	1,349
Petroleum products – export	3,944	4,747
Petroleum products – domestic	2,748	2,364
Other proceeds	569	499
Gross proceeds	**14,216**	**16,089**
Less: export duties	(3,705)	(4,632)
Sales and other operating revenues	**10,511**	**11,457**

Note 7: Cash, Cash Equivalents and Restricted cash

	31 March 2013	31 December 2012
Cash and cash equivalents	4,780	4,632
Restricted cash	2	2
	4,782	**4,634**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits, included in cash and cash equivalents, are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates their carrying value. The Group only deposits cash surpluses with major banks of high quality credit standing.

(expressed in USD, tabular amounts in millions)

Note 8: Trade and Other Receivables, net

	31 March 2013	31 December 2012
Trade accounts and notes receivable (net of allowance for doubtful accounts of USD 2 million and USD 3 million as of 31 March 2013 and 31 December 2012 respectively)	1,339	1,606
Dividends receivable	33	9
Other receivables (net of allowance for doubtful accounts of USD 24 million and USD 23 million as of 31 March 2013 and 31 December 2012, respectively)	240	301
Trade and other financial receivables, net	**1,612**	**1,916**
Recoverable value-added tax	1,438	1,313
Advances issued	402	415
Export duty prepayments	546	800
Other taxes prepayments	250	120
Tax prepayments and advances issued	**2,636**	**2,648**
Total trade and other receivables, net	**4,248**	**4,564**

Note 9: Inventories

	31 March 2013	31 December 2012
Crude oil inventories	442	419
Petroleum products	697	648
Materials and supplies	519	446
Other inventories	6	9
Total inventories	**1,664**	**1,522**

Note 10: Long-Term Investments

Investments in associates and joint ventures:	31 March 2013	31 December 2012
OAO NGK Slavneft and its subsidiaries (“Slavneft”)	2,224	2,215
Investments in Venezuela	797	880
NVGRES Holding Limited (“NVGRES”)	303	309
OOO Yugragazpererabotka	107	-
OOO National Petroleum Consortium (“NPC”)	98	101
OOO TNK Sheremetyevo	51	51
OAO Messoyakhaneftegaz (“Messoyakha”)	-	-
Other	9	9
Total equity-accounted investments	**3,589**	**3,565**

Loans and advances issued:	31 March 2013	31 December 2012
OAO Messoyakhaneftegaz (“Messoyakha”)	158	166
OOO TNK Sheremetyevo	135	138
OOO Yugragazpererabotka (“YuGP”)	41	148
OOO National Petroleum Consortium (“NPC”)	19	19
Other	90	70
Total loans and advances issued	**443**	**541**

Slavneft

In December 2002, the Group joined OAO Gazpromneft (formerly known as OAO Sibneft) to obtain a 99.6% interest in Slavneft as a result of the Russian and Belorussian Governments privatisation auctions. The ownership and the control over Slavneft is divided equally between the Group and companies affiliated with

OAO Gazpromneft. The Group currently owns approximately 49.9% of Slavneft and accounts for this investment as an investment in a joint venture using the equity method of accounting. As of 1 January 2011, Slavneft adopted International Financial Reporting Standards. Also on January 1, 2011, Slavneft changed its functional currency from USD to RUR.

The Group's share of profit from its equity investment in Slavneft amounted to USD 80 million and USD 222 million for the three months ended 31 March 2013 and 2012, respectively. The Group's share of currency translation effect amounted to a loss of USD 46 million and gain of USD 203 million for the three months ended 31 March 2013 and 2012, respectively, which was included in currency translation differences in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2013 and 2012, respectively. During the three months ended 31 March 2013, Slavneft and its subsidiaries declared dividends amounting to USD 25 million (during the three months ended 31 March 2012 Slavneft and its subsidiaries did not declare dividends).

The Group's investment in Slavneft as presented within long-term investments above differs from its share in the equity of Slavneft primarily due to adjustments for depreciation, depletion and amortisation to align with the Group's accounting policy and the cost of share purchases in Slavneft.

NVGRES

In August 2008, pursuant to an agreement with OAO OGK-1 ("OGK-1"), a Russian power generating company, the Group entered into a venture in the Nizhnevartovsk region (NVGRES Holding Limited). Under the Agreement, OGK-1 contributed the two existing power units of the Nizhnevartovsk Power Plant and the Group invested Euro 230 million in the newly established venture in exchange for a 25% plus 1 share in the venture. The full purchase price of Euro 230 million (equivalent to USD 358 million) was paid in August 2008. The investment in NVGRES is accounted for as an investment in a joint venture using the equity method.

The goodwill of USD 47 million recognised on the acquisition of this investment relates to the value for the Group of a higher rate of utilisation of associated gas as a by-product of crude oil production as a result of the expansion of the power plant and is included in the carrying value of the investment.

The Agreement also provides an option for the Group to increase its share up to 50% less one share after the construction of the third power unit is completed which is planned for December 2013. The Group recognised the embedded option as a financial asset at fair value through profit or loss with a zero value at both the acquisition and reporting dates.

In 2009, the Group entered into long-term agreements with NVGRES for the sale of gas and purchase of electric power. According to the agreements, the prices for gas and electric power as well as other terms of agreements are determined based on current market conditions.

For the three months ended 31 March 2013 and 2012, the Group recognised a share of profit from its equity investment in NVGRES in the amount of USD 1 million and USD 2 million, respectively. For the three months ended 31 March 2013 and 2012, the Group recognised a currency translation loss of USD 7 million and gain of USD 27 million, respectively, which was included in currency translation differences in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2013 and 2012, respectively.

National Petroleum Consortium ("NPC")

In 2008, the Group and four other major Russian oil and gas companies formed the NPC, with each party receiving a 20% interest. In April 2010, a venture between NPC and PDVSA, a Venezuelan State owned oil company, was established in order to develop and operate an integrated heavy oil project at the JUNIN 6 oil field in Venezuela. NPC paid USD 600 million for a 40% interest in the venture to the Government of Venezuela and the Group loaned USD 120 million to NPC in respect of its 20% share of this payment. The loan was subsequently converted into an interest in the share capital of NPC. For the three months ended 31 March 2013 and 2012, the Group recognised a share of loss from its equity investment in NPC in the amount of USD 3 million and USD 13 million, respectively. The investment in NPC is accounted for as an investment in an associate using the equity method.

TNK-Sheremetyevo

In the first quarter of 2011, the Group issued a USD 212 million loan to OOO TNK-Sheremetyevo, a joint venture, to acquire a majority interest in ZAO "Toplivozapravochny Kompleks Sheremetyevo", the operator of jet fuel storage and into-wing fuelling services at Sheremetyevo International Airport in Moscow.

The Group accounts for this investment as an investment in a joint venture using the equity method. For the three months ended 31 March 2013 and 2012, the Group recognised a share of profit from its investment in TNK-Sheremetyevo of USD 8 million and share of loss of USD 2 million, respectively. During the three months ended 31 March 2013, TNK-Sheremetyevo declared dividends amounting to USD 8 million (during the three months ended 31 March 2012 TNK-Sheremetyevo did not declare dividends). As of 31 March 2013 and 31 December 2012, the outstanding loan from TNK-Sheremetyevo amounted to USD 135 million and USD 138 million, respectively.

Investments in Venezuela

The acquisition of interests in the operations in Venezuela was completed in June 2011. Pursuant to the acquisition, the Group holds minority equity interests in three upstream producing entities, majority ownership and control in each case is held by Petroleos de Venezuela S.A ("PDVSA"), a state-owned oil company. The most significant of these interests is in PetroMonagas S.A. in which the Group holds a 16.7% equity share.

The interests in Venezuela are accounted for as Group's associates using the equity method. Although the Group's ownership interest in Petromonagas constitutes less than 20 percent, the Group is able to exercise significant influence over this entity through representation on the board of directors and participation in policy-making processes. For the three months ended 31 March 2013 and 2012, the Group recognised a share of loss from its equity investments in Venezuela in the amount of USD 83 million and a share of profit of USD 3 million, respectively.

Messoyakha

In December 2010, the Group and OAO "Gazpromneft" entered into agreements with Slavneft to each acquire a 50% interest in OAO "Messoyakhaneftegaz", owner of development licenses for the group of Messoyakha oil and gas fields in the north of Yamal region. This acquisition was accounted for as a legal reorganisation and no change in the carrying value of the Group's share in the Messoyakha net assets was recognised. For the three months ended 31 March 2013 and 2012, the Group recognised a share of loss from its equity investment in Messoyakha of USD 15 million and USD 3 million, respectively. As of 31 March 2013, the share of loss from investments in Messoyakha was recorded as a decrease in the amount of loans issued to Messoyakha. The Group accounts for this investment as an investment in a joint venture using the equity method. Loans issued to Messoyaka are accounted for as net investment and the losses from the Group's investment in Messoyakha are deducted from the amount of loans outstanding as of the balance sheet date.

OOO Yugragazpererabotka

YuGP controls three gas processing plants in Western Siberia. The Group uses these plants to process associated gas produced at its neighbouring oil fields. In the first quarter of 2013, the Group signed a new joint venture agreement pursuant to which the YuGP is jointly controlled by the partners. Consequently, from 1 January 2013, the Group accounts for this investment as an investment in a joint venture using the equity method. The carrying value of the Group's 49% share in the YuGP's net assets as of 31 March 2013 is USD 107 million, an amount which was considered a long term receivable under the previous arrangements. As of 31 March 2013 and 31 December 2012, the outstanding loans granted to Yugragazpererabotka amounted to USD 41 million and USD 148 million, respectively.

(expressed in USD, tabular amounts in millions)

Note 11. Property, plant and equipment

	Oil and gas	Refining, marketing and distribution	Corporate and other	Total
Cost				
At 1 January 2012	**26,517**	**5,276**	**295**	**32,088**
Capital expenditures	1,093	90	5	1,188
Acquisitions of subsidiaries and interest in joint arrangements (Note 5)	871	32	-	903
Translation adjustments	-	176	-	176
Disposals, retirements and other movements	(339)	(26)	(6)	(371)
At 31 March 2012	**28,142**	**5,548**	**294**	**33,984**
At 1 January 2013	**30,927**	**5,951**	**154**	**37,032**
Capital expenditures	1,220	139	1	1,360
Translation adjustments	(730)	(110)	(3)	(843)
Disposals, retirements and other movements	(131)	(28)	(7)	(166)
At 31 March 2013	**31,286**	**5,952**	**145**	**37,383**
Depletion, depreciation and amortisation, including impairments				
At 1 January 2012	**(7,761)**	**(1,864)**	**(115)**	**(9,740)**
Charge for the period	(476)	(87)	(3)	(566)
Impairment losses	-	(162)	-	(162)
Translation adjustments	-	(41)	-	(41)
Disposals, retirements and other movements	238	9	4	251
At 31 March 2012	**(7,999)**	**(2,145)**	**(114)**	**(10,258)**
At 1 January 2013	**(8,572)**	**(2,417)**	**(70)**	**(11,059)**
Charge for the period	(556)	(65)	(3)	(624)
Impairment losses	(4)	-	-	(4)
Translation adjustments	205	39	2	246
Disposals, retirements and other movements	94	11	4	109
At 31 March 2013	**(8,833)**	**(2,432)**	**(67)**	**(11,332)**
Prepayments for property, plant and equipment				
At 1 January 2012	**10**	**25**	**3**	**38**
At 31 March 2012	**191**	**33**	**8**	**232**
At 1 January 2013	**328**	**15**	**2**	**345**
At 31 March 2013	**76**	**18**	**11**	**105**
Net book value				
At 1 January 2012	**18,766**	**3,437**	**183**	**22,386**
At 31 March 2012	**20,334**	**3,436**	**188**	**23,958**
At 1 January 2013	**22,683**	**3,549**	**86**	**26,318**
At 31 March 2013	**22,529**	**3,538**	**89**	**26,156**

(expressed in USD, tabular amounts in millions)

Assets under construction included above:

	Oil and gas	Refining, marketing and distribution	Corporate and other	Total
At 1 January 2012	2,852	913	2	**3,767**
At 31 March 2012	3,103	897	2	**4,002**
At 1 January 2013	3,236	956	2	**4,194**
At 31 March 2013	3,769	947	2	**4,718**

The amount of interest capitalised during the three months ended 31 March 2013 and 2012 was USD 40 million and USD 43 million, respectively. The capitalisation rate used to determine the amount of interest capitalised was 5.0% and 5.4% for the three months ended 31 March 2013 and 2012, respectively.

Due to economic and industry conditions currently prevailing in the Ukraine, management decided to temporarily halt crude deliveries to the LINIK refinery from 1 March 2012. The Group is currently exploring several alternatives for LINIK, including mothballing. In view of the uncertainties over the recoverable value of LINIK, its property, plant and equipment were written down to zero, with an impairment loss of USD 162 million recognised during the three months ended 31 March 2012. Additionally, other current and non-current assets of LINIK in the amount of USD 68 million were written down to zero and recognised as impairment loss in the Group's interim condensed consolidated income statement for the three months ended 31 March 2012.

Note 12: Debt

Short-term debt and the current portion of long-term debt are as follows:

	31 March 2013	31 December 2012
Obligations to banks, US dollar denominated:		
Unsecured loans with composite variable interest	-	190
Current portion of long-term debt	931	1,335
Current portion of interest payable	36	121
Total short-term debt	**967**	**1,646**

Long-term debt is as follows:

	31 March 2013	31 December 2012
Obligations to banks, US dollar denominated:		
Medium-term unsecured finance - variable interest debt (composite variable interest: as of 31 March 2013 - Libor plus 1.82%; as of 31 December 2012 - Libor plus 1.71%)	2,976	3,105
Corporate bonds:		
Eurobond TNK-BP 2018 – fixed interest debt (coupon interest rate – 7.875%, effective interest rate – 8.06%)	1,092	1,092
Eurobond TNK-BP 2016 – fixed interest debt (coupon interest rate – 7.50%, effective interest rate – 7.55%)	998	998
Eurobond TNK-BP 2017 – fixed interest debt (coupon interest rate – 6.625%, effective interest rate – 6.74%)	797	797
Eurobond TNK-BP 2013 – fixed interest debt (coupon interest rate – 7.50%, effective interest rate – 7.69%)	-	600
Eurobond TNK-BP 2015 – fixed interest debt (coupon interest rate – 6.25%, effective interest rate – 6.45%)	498	498
Eurobond TNK-BP 2020 – fixed interest debt (coupon interest rate – 7.25%, effective interest rate – 7.50%)	493	493
Interest payable	36	121
Less: Current portion of long-term debt	(931)	(1,335)
Less: Current portion of interest payable	(36)	(121)
Total long-term debt	**5,923**	**6,248**

Obligations to banks

In October 2010, the Group signed a USD 2.0 billion unsecured medium-term loan facility with a consortium of international banks of which USD 1.0 billion was drawn down in November 2010. The second USD 1.0 billion tranche was made available to the Group in the form of a committed line, which was subsequently cancelled upon the Group's request. The loan bears interest at 1.75% over LIBOR with a one year grace period and is repayable in nine equal instalments on a quarterly basis starting from November 2011. In November 2011, February 2012, May 2012, August 2012, November 2012 and February 2013 there were six repayments in the amount of USD 111 million each in accordance with the schedule. The loan amount outstanding under this facility, net of debt issue costs, as of 31 March 2013, as of 31 December 2012 was USD 333 million and USD 444 million, respectively.

In August 2011, the Group entered into and drew down a USD 1,500 million unsecured loan facility with a consortium of international banks. The loan matures in August 2015 and is repayable in seven equal instalments on a quarterly basis starting from February 2014. The facility bears interest at LIBOR plus 1.30% per annum. As of 31 March 2013 and 31 December 2012, the total outstanding amount under this loan facility, net of debt issue costs, was USD 1,495 million and USD 1,494 million, respectively.

In October 2011, the Group entered into a USD 200 million unsecured loan facility with Sumitomo Mitsui Banking Corporation. The loan matures in October 2014 and is repayable on maturity. The facility bears interest at LIBOR plus 1.50% per annum. As of 31 March 2013 and 31 December 2012, the total outstanding amount under this loan facility, net of debt issue costs, was USD 200 million and USD 199 million, respectively.

In November 2011, the Group entered into a USD 125 million unsecured loan facility with HSBC Bank PLC. The loan matures in November 2014 and is repayable in seven equal instalments on a quarterly basis starting from May 2013. The facility bears interest at LIBOR plus 1.60% per annum. As of 31 March 2013 and 31 December 2012, the total outstanding amount under this loan facility, net of debt issue costs, was USD 125 million and USD 125 million, respectively.

In November 2011, the Group entered into two unsecured loan facilities with Merrill Lynch International Bank Limited and Mizuho Corporate Bank for USD 100 million each. Both loans mature in November 2014 and are repayable in nine equal instalments on a quarterly basis starting from November 2012. The loan facilities bear interest at LIBOR plus 1.60% and 1.50% per annum, respectively. As of 31 March 2013 and 31 December 2012, the total outstanding amounts under these loan facilities, net of debt issue costs, were USD 77 million and USD 88 million, respectively, for each loan facility.

In September 2012, the Group entered into and drew down a USD 675 million unsecured loan facility with a consortium of international banks. The loan matures in September 2015 and is repayable in nine equal instalments on a quarterly basis starting from September 2013. The facility bears interest at LIBOR plus 2.70% per annum. As of 31 March 2013 and 31 December 2012, the total outstanding amount under this loan facility, net of debt issue costs, was USD 669 million and USD 667 million, respectively.

Eurobonds

As of 31 March 2013 and 31 December 2012 the Group had USD 3.9 billion and USD 4.5 billion of Eurobonds outstanding respectively.

In July 2006, the Group placed USD 1.5 billion Eurobonds split into 5 and 10-year tranches maturing in 2011 and 2016, respectively. The 5-year USD 0.5 billion issue bore interest of 6.875% per annum payable semi-annually and had been issued at a discount of 0.441% to the nominal value. In July 2011, this issue was repaid on maturity. The 10-year USD 1.0 billion issue bears interest of 7.5% per annum payable semi-annually and has been issued at a discount of 0.374% to the nominal value.

In March 2007, the Group placed USD 1.3 billion Eurobonds split into 5 and 10-year tranches maturing in 2012 and 2017, respectively. The 5-year USD 0.5 billion issue bore interest of 6.125% per annum payable semi-annually and had been issued at a discount of 0.124% to the nominal value. In March 2012, this issue was repaid on maturity. The 10-year USD 0.8 billion issue bears interest of 6.625% per annum payable semi-annually and has been issued at a discount of 0.799% to the nominal value.

(expressed in USD, tabular amounts in millions)

In October 2007, the Group placed USD 1.7 billion Eurobonds split into two tranches of USD 0.6 billion and USD 1.1 billion maturing in March 2013 and March 2018, respectively. The USD 0.6 billion issue bears interest of 7.5% per annum payable semi-annually and has been issued at a discount of 0.834% to the nominal value. In March 2013, this issue was repaid on maturity. The USD 1.1 billion issue bears interest of 7.875% per annum payable semi-annually and has been issued at a discount of 1.272% to the nominal value.

In February 2010, the Group placed USD 1.0 billion Eurobonds split into 5 and 10-year tranches maturing in 2015 and 2020, respectively. The 5-year USD 0.5 billion issue bears interest of 6.250% per annum payable semi-annually and has been issued at a discount of 0.840% to the nominal value. The 10-year USD 0.5 billion issue bears interest of 7.250% per annum payable semi-annually and has been issued at a discount of 1.740% to the nominal value.

The proceeds from the Eurobond issues described above have been used for general corporate purposes.

The outstanding long-term debt is subject to certain covenants as stipulated by the relevant borrowing agreement or the terms of the relevant Eurobond. The above agreements for the loan facilities include financial covenants which require the Group to maintain certain financial ratios, which are calculated in accordance with the consolidated financial statements. The loan facilities also include events of default in circumstances relating to a change of ownership. Upon the occurrence of circumstances constituting an event of default, the lender(s) under the relevant facility may take steps, including declaring the relevant loan(s) to be immediately due and payable or cancelling the relevant facilities. The terms of the borrowing agreements and the terms of the Eurobonds include cross default or cross acceleration provisions which could be triggered by a change of ownership as contemplated in the events of default in the loan facilities.

In relation to the acquisition of TNK-BP Ltd by Rosneft, Management has obtained all necessary consents and waivers from the lenders prior to the completion of the acquisition providing for the transfer of ownership of the TNK-BP Group to Rosneft without occurrence of any change of ownership event of default.

Note 13: Accounts payable and accrued liabilities

	31 March 2013	31 December 2012
Trade payables	1,477	1,370
Accounts payable for acquisition of property, plant and equipment and assets under construction	844	939
Current portion of deferred consideration for acquisition of interests in Brazil	400	400
Accounts payable for acquisition of interests in Venezuela and Vietnam	30	30
Dividends payable to noncontrolling interest shareholders	4	154
Other accrued liabilities	115	121
Trade and other financial payables	**2,870**	**3,014**
Advances from customers	407	782
Salaries payable and other related costs	224	438
Provisions (current portion)	104	131
Non-financial payables	**735**	**1,351**
Total accounts payable and accrued liabilities	**3,605**	**4,365**

(expressed in USD, tabular amounts in millions)

Note 14: Income Taxes

	Three months ended 31 March 2013	Three months ended 31 March 2012
Current tax expense	554	506
Deferred tax (benefit)/expense	(1,306)	(31)
Total income tax (benefit)/expense	**(752)**	**475**

The Group is not subject to a corporate income tax on a consolidated basis, rather the Group entities are assessed for corporate income taxes on an individual basis. The statutory corporate income tax rate in the Russian Federation is 20 percent, which is the rate applicable to the majority of the Group subsidiaries. Income taxes also include withholding tax on earnings to be distributed to foreign subsidiaries at 5 percent.

The Group is a party to agreements with the Tyumen, Orenburg and Irkutsk regional authorities which granted certain subsidiaries of the Group a tax concession by way of a four percent relief to the statutory corporate income tax rate subject to those subsidiaries making qualified capital investments in their respective regions.

Reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate of 20% for three months ended 31 March 2013 and 31 March 2012 is as follows:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Profit before income taxes	2,562	2,901
Notional income tax at Russian statutory rate (20%)	512	580
Increase (reduction) in income tax due to:		
Deferred tax on unremitted earnings of subsidiaries and withholding tax on intragroup dividends	(1,276)	125
Domestic tax rate differences	(90)	(92)
Ukraine impairment and losses	8	61
Foreign exchange movements	-	(241)
Penalties and fines	15	-
Other differences	79	42
Total income tax (benefit)/expense	(752)	475
Effective tax rate excluding the impact of withholding tax on unremitted earnings and foreign exchange movements	20.5%	20.4%

Deferred income tax reflects the impact of temporary differences between the carrying values of assets and liabilities recognised for financial reporting purposes and such amounts recognised for statutory tax purposes. Deferred income tax assets and liabilities primarily result from temporary differences related to property, plant and equipment, working capital and liabilities associated with undistributed earnings of subsidiaries.

During the three months ended 31 March 2013 the deferred income tax liability related to withholding tax on unremitted earnings of Group’s subsidiaries was reversed to the extent of those accumulated profits of the Group's subsidiaries which are either no longer expected to be distributed in the foreseeable future or to be subject to a withholding tax.

Note 15: Decommissioning and environmental provisions

Decommissioning liabilities. The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2065. These provisions have been created based on the Group’s internal estimates. The underlying assumptions have been made based on the current economic environment and management believes that they form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

(expressed in USD, tabular amounts in millions)

As of 31 March 2013 and 31 December 2012 the Group has recorded decommissioning liabilities in the amount of USD 621 million and USD 625 million, respectively (including current portion of decommissioning liabilities of USD 22 million and USD 23 million as at 31 March 2013 and 31 December 2012, respectively).

Environmental liabilities. Environmental regulation in the Russian Federation is evolving as is the enforcement posture of the government authorities. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which may arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

The Group's estimated environmental liability was USD 528 million and USD 544 million as of 31 March 2013 and 31 December 2012, respectively (including current portion of environmental liability of USD 79 million and USD 108 million as at 31 March 2013 and 31 December 2012, respectively). The estimates used by management include uncertainties about a number of factors including the extent of necessary remediation, the technology to be used for remediation, and the standards that will constitute an acceptable remediation. As additional information becomes available, management will continue to assess, as necessary, its estimated provision, and estimates the maximum potential exposure to be USD 960 million.

Pursuant to Russian Federation legislation, Upstream companies are required to utilise 95% of associated gas produced by 2012. The Group continues to undertake appropriate actions to meet this requirement and does not believe that the compliance efforts will have a material impact on its financial position or results of operations.

Note 16: Taxes Other Than Income Tax and Other Taxes Payable

Taxes other than income tax expense for the three months ended 31 March 2013 and 31 March 2012, respectively, include:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Unified production tax	2,504	2,610
Excise taxes	466	435
Pension fund and other social taxes	91	80
Property tax	84	79
Non-recoverable VAT expenses/(benefit)	6	(3)
Other taxes	6	23
Total taxes other than income tax	**3,157**	**3,224**

Unified production tax is levied based on the quantities of hydrocarbon extracted. The rate of this tax in relation to crude oil produced is adjusted on a monthly basis depending on the market price of the Urals blend and the RUR/USD exchange rate. Average tax rates for the three months ended 31 March 2013 and 2012 were USD 23.29 per barrel and USD 24.00 per barrel, respectively.

Taxes payable as of 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013	31 December 2012
Unified production tax	820	823
Value-added tax	648	504
Excise taxes	286	126
Property tax	158	80
Pension fund and other social taxes	91	68
Tax penalties and interest	1	-
Other taxes	212	205
Taxes payable	**2,216**	**1,806**

(expressed in USD, tabular amounts in millions)

Note 17: Group Shareholders' Equity

The share capital of TNK-BP International comprises 54,000 authorised, issued and outstanding ordinary shares of USD 1 par value.

During the three months ended 31 March 2013 the Company did not declare dividends (during the three months ended 31 March 2012 the Company declared dividends of USD 1,380 million).

Note 18: Employee compensations

	Three months ended 31 March 2013	Three months ended 31 March 2012
Employee remuneration		
Included in operating expenses	132	115
Included in administrative expenses	295	254
	427	**369**
Related social taxes	91	81
Total employee compensations	**518**	**450**

Note 19: Related Party Transactions

As discussed in Note 1, on 21 March 2013, Rosneft completed the acquisition of BP and AAR interests in TNK-BP and obtained control of the Company and, from that date, the Russian Federation became the ultimate controlling party of the Group.

The Group has the following transactions and balances in the ordinary course of business with Rosneft:

	31 March 2013
Trade and other receivables, net	107
Accounts payable and accrued liabilities	3

	For the period from 21 March to 31 March 2013
Sales of crude oil	19
Volumes (millions of tons)	*0.1*
Sales of petroleum products	6
Volumes (millions of tons)	*0.01*

The Group has the following transactions and balances in the ordinary course of business with businesses controlled by Rosneft and companies directly or indirectly controlled by the Russian Government:

	31 March 2013
Cash and cash equivalents	2,420
Trade and other receivables, net	258
Other current assets	5
Accounts payable and accrued liabilities	42
Other non-current liabilities	74

(expressed in USD, tabular amounts in millions)

	For the period from 21 March to 31 March 2013
Sales of crude oil	32
Volumes (millions of tons)	*0.1*
Sales of petroleum products	5
Volumes (millions of tons)	*00.1*
Sales of gas	12
Volumes (billions of cubic meters)	*0.1*
Interest income	2
Production and operating expenses	(1)
Pipeline tariffs and transportation services	(51)
Other purchases	(3)
Other services	(33)

The Group has the following transactions and balances in the ordinary course of business with associates of Rosneft:

	31 March 2013
Trade and other receivables, net	1
Accounts payable and accrued liabilities	1

	For the period from 21 March to 31 March 2013
Sales of petroleum products	1
Volumes (millions of tons)	*0.001*

The balances with subsidiaries of TNK-BP Limited are as follows:

	31 March 2013	31 December 2012
Accounts receivable, other current assets and loans issued	150	143

The Group has the following transactions and balances in the ordinary course of business with BP:

	31 March 2013	31 December 2012
Trade and other receivables, net	223	303
Accounts payable and accrued liabilities	30	31

	Three months ended 31 March 2013	Three months ended 31 March 2012
Sales of crude oil export and petroleum products export	759	732
Volumes (millions of tons)	*0.9*	*0.8*
Other purchases	(1)	-

(expressed in USD, tabular amounts in millions)

The Group had the following transactions and balances in the ordinary course of business with businesses controlled by Alfa Group:

	31 December 2012
Cash and cash equivalents held at Alfa Bank	148
Restricted cash	2
Trade and other receivables, net	5
Accounts payable and accrued liabilities	15

	For the period from 1 January to 20 March 2013	Three months ended 31 March 2012
Other purchases	(3)	-
Insurance expenses	(2)	(2)
Drilling services capitalised	(28)	(24)

The Group has the following transactions and balances in the ordinary course of business with businesses controlled by Renova Group:

	31 December 2012
Trade and other receivables, net	18
Other long-term assets	210

	For the period from 1 January to 20 March 2013	Three months ended 31 March 2012
Sales of gas	98	65
Volumes (billions of cubic) meters)	*1.1*	*0.4*
Interest income	4	-
Other services	(13)	-
Acquisition of retail assets	-	(112)

The Group has the following transactions and balances in the ordinary course of business with the Slavneft Group:

	31 March 2013	31 December 2012
Trade and other receivables, net	93	60
Dividends receivable	33	9
Accounts payable and accrued liabilities	61	63

	Three months ended 31 March 2013	Three months ended 31 March 2012
Purchases of crude oil and petroleum products	(671)	(821)
Volumes (millions of tons)	*2.1*	*2.2*
Crude oil refining fee	(80)	(67)
Volumes (millions of tons)	*1.9*	*1.8*
Other services	(23)	(24)

(expressed in USD, tabular amounts in millions)

The Group has the following transactions and balances in the ordinary course of business with NVGRES and TNK-Sheremetyevo:

NVGRES

	31 March 2013	31 December 2012
Trade and other receivables, net	4	3

	Three months ended 31 March 2013	Three months ended 31 March 2012
Sales of gas	65	54
Volumes (billions of cubic meters)	*0.8*	*0.8*

TNK-Sheremetyevo

	31 March 2013	31 December 2012
Trade and other receivables, net	71	87
Loans including interest receivable and advances issued	177	138

	Three months ended 31 March 2013	Three months ended 31 March 2012
Sales of petroleum products	154	160
Volumes (millions of tons)	*0.2*	*0.2*
Interest income	4	-

The Group has the following balances in the ordinary course of business with other equity-accounted investees:

	31 March 2013	31 December 2012
Trade and other receivables, net	39	51
Loans and advances issued	241	352
Other long-term assets	4	-
Accounts payable and accrued liabilities	35	22

	Three months ended 31 March 2013	Three months ended 31 March 2012
Sales of gas	20	71
Volumes (billions of cubic meters)	*0.3*	*0.9*
Interest income	3	-
Gas processing fee	(40)	(39)
Volumes (billions of cubic meters)	*1.5*	*1.5*
Other services	(13)	-

Remuneration of key management personnel of the Group (members of the Company's Board of Directors and the Group Management Board):

	Three months ended 31 March 2013	Three months ended 31 March 2012
Short-term employee benefits	2	2
Long-term bonus scheme and other long-term employee benefits	1	2
Termination payments	9	
Total	**12**	**4**

(expressed in USD, tabular amounts in millions)

In addition to fees paid to the non-executive chairman and non-executive directors, short-term employee benefits comprise salary and benefits earned during the relevant period, plus bonuses accrued for that period. Short-term bonuses fall due wholly within the year after the end of the period in which management rendered the related services. Long-term bonus scheme represents bonuses awarded over a three-year service period.

Note 20: Capital commitments and other contingencies

Operating lease commitments

In May 2010, the Group entered into a lease contract for its office building in Moscow. The lease has an average life of 15 years. There are no restrictions placed upon the lessee by entering into this lease.

The future minimum lease payments under the lease are as follows:

	31 March 2013	31 December 2012
Not later than 1 year	31	31
Later than 1 year and not later than 5 years	139	137
Later than 5 years	385	395
Total operating lease commitments	**555**	**563**

Capital and other commitments

The Group has contractual capital expenditure commitments in respect of property, plant and equipment in the amount of USD 433 million and USD 300 million as of 31 March 2013 and 31 December 2012, respectively.

The Group’s share in capital commitments of equity-accounted investees amounted to USD 39 million and USD 53 million as of 31 March 2013 and 31 December 2012, respectively.

As part of the development of the Yamal group of fields, in order to secure the building of and access to a trunk oil pipeline for the crude oil to be produced in that region, TBH and Messoyakha have concluded contracts with OAO “Transneft” for the transportation during the period 2016-2025 of 109 million tons and 30 million tons (the Group’s share), respectively. The transportation tariffs are regulated by the Government and have not yet been set for these periods. Following a delay in the approval of certain Yamal project development activities, there is a risk that the Group may have to delay first oil deliveries and pay a penalty under the “take or pay” terms of the contract with OAO “Transneft”. Management considers that an adequate provision has been made in respect of this matter as at 31 March 2013.

In December 2012, in line with the approved Rospan gas fields development plan, the Group signed long-term gas supply agreements with two power plants controlled by Renova through KES Holding for a total volume of approximately 80 billion cubic metres till 2030. According to the terms of the agreements and with the aim to secure the gas off-take obligations of the counterparties, the Group made a long-term advance payment of USD 210 million for the amount of discount which is to be provided as these obligations are fulfilled. The advance payment is included in other long-term assets and amounted to USD 207 million and USD 210 million as of 31 March 2013 and 31 December 2012.

Contingencies

Gas production and marketing activities. Russian independent gas producers are currently only able to access the domestic gas transmission system upon agreement with Gazprom, which owns and operates the system. In September 2010, the Group concluded a long-term gas transportation agreement with Gazprom, which grants Rospan, a gas subsidiary, a 6-year access to the pipeline system gradually increasing that access to an annual amount of 14.8 billion cubic meters of gas by 2016. As of 31 March 2013 the Group has reached an agreement with Gazprom to extend the access to the pipeline system to 2019.

As of 31 March 2013 and 31 December 2012 the Group's capitalised costs related to its gas assets amounted to USD 1,418 million and USD 1,377 million, respectively.

Taxation. The Russian tax and customs legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities. Recent developments suggest that the authorities are becoming more active in seeking to enforce, through the Russian court system, interpretations of tax legislation which may be selective for particular taxpayers and different to the authorities' previous interpretations or practices. Different and selective interpretations of tax regulations by various government authorities and inconsistent enforcement create further uncertainties in the taxation environment in the Russian Federation.

Tax declarations, together with related documentation, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Fiscal periods in the Russian Federation remain open to review by the authorities for the three calendar years preceding the year of review (one year in the case of customs). Under certain circumstances reviews may cover longer periods. In addition, in some instances new tax regulations have taken retroactive effect. Additional taxes, penalties and interest which may be material to the financial position of the taxpayer may be assessed in the Russian Federation as a result of such reviews.

Tax audits. Pursuant to tax audits conducted in 2006 and 2007, the Russian tax authorities have presented a number of tax acts and decisions relating to 2004 and 2005 in respect of income tax and other taxes of Group subsidiaries. Currently, the Group is appealing, either with the higher tax authorities or in the courts, tax decisions with a total amount of claims of USD 6 million (RUR 0.2 billion).

Pursuant to tax audits conducted in 2008, the Russian tax authorities have presented a number of tax acts and decisions relating to 2006 and 2007 in respect of income tax and other taxes of a number of Group subsidiaries. Currently, the Group is appealing, either with the higher tax authorities or in the courts, tax decisions with a total amount of claims of USD 4 million (RUR 0.1 billion).

Pursuant to tax audits conducted in 2010, the Russian tax authorities have presented a number of tax acts and decisions relating to 2008 and 2009 in respect of income tax and other taxes of a number of Group subsidiaries. Currently, the Group is appealing, either with the higher tax authorities or in the courts, tax decisions with a total amount of claims of USD 63 million (RUR 1.9 billion).

During 2012 and 2013, the Russian tax authorities conducted tax audits of certain group subsidiaries for 2010-2011. While no tax acts or decisions have been received yet by the date of issue of these financial statements, management has reconsidered its risk assessment of the areas examined during the audits. In particular, this related to the routine practice of excise tax recoveries in respect of tolling operations of TBH, a Russian subsidiary, at the LINIK refinery, a Group's subsidiary in Ukraine.

The Group believes that it has made adequate provision for the outcome of the matters raised or expected to be raised by the tax authorities. As of 31 March 2013 and 31 December 2012 the Group recorded a provision in Accounts payable, accrued liabilities and Other taxes payable in the interim condensed consolidated statements of financial position in the amount of USD 80 million (RUR 2.5 billion) related to the matters discussed above (31 December 2012: nil).

Oilfield and gasfield licences. The Group is subject to periodic reviews of its activities by government authorities with respect to the requirements of its licences. Where appropriate, management of the Group liaise with government authorities to agree on remedial actions and resolve any findings resulting from these reviews. Failure to comply with the terms of a licence could result in fines, penalties or licence limitation, suspension or revocation by the Government of Russian Federation.

Legal contingencies. The Group is a named defendant in a number of lawsuits as well as a named party in numerous other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a materially adverse effect on the financial position or the operating results of the Group.

In February 2002, Norex Petroleum Limited filed a lawsuit against OAO Tyumen Oil Company ("TNK"), a predecessor company to TBH, and certain other defendants in the United States District Court for the Southern District of New York over the ownership of a company, which was owned by an associate of the Alfa Group, Access Industries, and Renova Group. In 2002, this company was acquired by TNK. In February 2004, the case was dismissed based on jurisdiction and venue. In July 2005, the Court of Appeals reversed the decision of the District Court and returned the case to the lower court where in September 2007 the case was dismissed. In October 2007, Norex Petroleum Limited petitioned the Court of Appeals for reconsideration of this decision. In September 2010, the Court of Appeals dismissed the case. On 28 September 2011, Norex withdrew a previously filed Petition for a hearing on this matter with the US Supreme Court, after which, on 19 July 2011, the Court of Appeals officially ended Norex's action in the federal court. On 7 March 2011, Norex filed a new claim in a New York state court under different statutes based on the same facts. On 16 September 2011, the Group filed a petition to dismiss Norex's amended complaint. In September 2012, Norex filed an appeal following the New York state court dismissal of the claim, oral argument occurred in April 2013 with the court decision to follow in June 2013.

In December 2011, the Russian Federal Antimonopoly Service ("FAS") found TBH, a subsidiary of the Group, in violation of Russian antimonopoly legislation in respect of gasoline retail pricing. A provision of USD 40 million (RUR 1.3 billion) was recorded in Accounts payable and accrued liabilities in the consolidated statement of financial position as of 31 December 2011. On 13 January 2012, FAS issued a decision against TBH and on 6 March 2012 issued a fine in the amount of USD 47 million (RUR 1.4 billion) which was settled in April 2012.

In September 2012, the Board Audit Committee of the Company launched an investigation into allegations made by a former employee regarding potential corrupt payments made by TNK-BP to state employees. The investigation is also examining allegations against the former employee as to whether he was involved in the embezzlement of assets of the Group.

The Board Audit Committee has appointed an external Law Firm to conduct the investigation and to conclude and report on its findings directly to the Board Audit Committee. At the date of issuing these financial statements, the investigation is ongoing.

It is not clear as at the date of these financial statements what the results of this investigation will be, and Management does not currently believe that there are grounds to make a reasonable assessment as to the impact, if any, that such items could have on the financial condition or results of operations of the Group, including costs, and/or regulatory fines and penalties. Further, management is continuing to assess the nature and scope of potential legal remedies available against the former employee whose activities may have caused harm to the Group.

Other matters

OAO "NK "Rosneft" announced that its Board of Directors has approved on 21 March 2013 the provision of loans by TNK–BP subsidiaries to OAO "NK "Rosneft" including rouble loans amounting up to RUR 152 billion and loans in USD amounting up to USD 4.8 billion for a period of up to 5 years.

(expressed in USD, tabular amounts in millions)

Note 21: Financial risk management

The accounting policies for financial instruments described in consolidated financial statements as of 31 December 2012 have been applied to the interim condensed consolidated financial statements line items below:

Financial assets	31 March 2013	31 December 2012
Loans and receivables		
Non-current		
Loans issued	443	541
Current		
Trade and other financial receivables, excluding commodity contracts	1,606	1,915
Cash and cash equivalents and Restricted cash	4,782	4,634
Other current financial assets	116	92
At fair value through profit and loss		
Current		
Commodity contracts (Note 22)	6	1
Total carrying amount	**6,953**	**7,183**

Financial liabilities	31 March 2013	31 December 2012
At amortised cost		
Non-current		
Long-term debt	5,923	6,248
Deferred consideration for acquisition of interests in Brazil	-	200
Other non-current liabilities	75	-
Current		
Current portion of long-term debt	967	1,646
Trade and other financial payables, excluding commodity contracts	2,870	3,014
Total carrying amount	**9,835**	**11,108**

Note 22: Fair value measurements

Fair value of financial assets and liabilities is determined as follows:

- Fair value of financial assets and liabilities quoted on active liquid markets is determined in accordance with the market quotes;
- Fair value of other financial assets and liabilities is determined in accordance with generally accepted models and is based on discounted cash flow analysis that relies on prices used for existing transactions in the current market;
- Fair value of derivative financial instruments is based on market quotes. If such quotes are unavailable, fair value is determined on the basis of valuation models that rely on assumptions confirmed by observable market prices or rates as of the reporting date.

Cash and cash equivalents, short-term bank deposits, accounts receivable and accounts payable excluding commodity contracts. The carrying amounts of these items are a reasonable approximation of their fair value.

Derivative instruments – commodity price swaps. The strategy of the Group is to obtain competitive prices for its hydrocarbons and allow operating results to reflect market price movements dictated by supply and demand. The Group seeks, however, to minimise the distorting effects of individual markets where, for example, it has to negotiate fixed prices within a narrow trading window. To mitigate the price risks of these markets, the Group employs derivative instruments – short-term price swaps.

(expressed in USD, tabular amounts in millions)

For the derivative instruments entered into during the three month periods ended 31 March 2013 and 2012, the Group did not apply hedge accounting under the provisions of IAS 39. Gains and losses related to changes in the fair value of derivatives were recognised in the interim condensed consolidated income statement within Interest income and net other financial income. The Group maintains a system of controls that includes the authorisation, reporting and monitoring of derivative activity. The limited derivative activities of the Group pose no material credit or market risks to its operations, financial condition or liquidity.

Derivatives are included at fair value in Trade and other receivables or Accounts payable and accrued liabilities in the interim condensed consolidated statement of financial position. Fair values are calculated by the Group based on quoted market prices for hydrocarbon futures.

The transactions and balances for derivatives are as follows:

Losses from derivatives	Three months ended 31 March 2013	Three months ended 31 March 2012
Commodity contracts – crude oil and oil products swaps	(36)	(31)

Fair value	31 March 2013	31 December 2012
Commodity contracts – crude oil and oil products swaps	6	1

The volumes for the above mentioned swap transactions where the Group was the fixed price payer were 2.8 million tonnes (15.0% of the total crude oil production) and 4.7 million tonnes (25.4% of the total crude oil production) for the three months ended 31 March 2013 and 2012, respectively. The volumes for the above mentioned swap transactions where the Group was the fixed price seller were 0.1 million tonnes (0,7% of the total crude oil production) and 0.5 million tonnes (2.8% of the total crude oil production) for the three months ended 31 March 2013 and 2012, respectively. There were no derivative liability positions as of 31 March 2013 and 31 December 2012.

Current portion of Long-term debt. Loan arrangements have variable interest rates that reflect the currently available terms for a similar debt. The carrying value of this debt is a reasonable approximation of its fair value.

Long-term debt. Loans under bank arrangements have variable interest rates that reflect currently available terms and conditions for a similar debt. The carrying value of this debt is a reasonable approximation of its fair value. Fair value of the corporate bonds was determined based on market quote prices. As of 31 March 2013 and 31 December 2012 these bonds have a fair value of approximately USD 4,524 million and USD 5,169 million, while the carrying values are USD 3,878 million and USD 4,478 million, respectively. The bonds are carried at amortised cost therefore changes in the fair value of the bonds have no accounting impact on the Group – see Note 12.

Note 23: Segment Information

Presented below is information about the Group's operations for the three months ended 31 March 2013 and 2012 in accordance with IFRS 8 "Operating Segments".

For management purposes, the Group is organised into business units based on the main types of activities and has two reportable operating segments as follows: exploration and production ("E&P") and refining, marketing, and distribution ("RM&D").

The E&P segment explores for, develops and produces crude oil and gas reserves. The E&P segment results include earnings/(losses) from the Venezuela, Messoyakha and NPC equity investments.

The RM&D segment processes crude oil into refined products and also purchases, sells and transports crude oil and refined petroleum products. The RM&D segment results include earnings/(losses) from TNK-Sheremetyevo.

(expressed in USD, tabular amounts in millions)

"Other" primarily includes corporate activities as well as gains on disposals of subsidiaries and earnings from Slavneft and NVGRES.

The Group's management reviews financial information prepared based on International Financial Reporting Standards adjusted to meet the requirements of internal reporting.

The Group's management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared using estimates of market prices and other forecasted factors and does not necessarily reflect the legal structure of the Group as well as the actual terms of the intragroup transactions entered into by the Group entities. Segment performance is evaluated based on EBITDA. Group financing (including finance costs, finance income and capitalised interest) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the purpose of the segment information, all crude and condensate volumes are assumed to be transferred from E&P to RM&D as intersegment sales at the marginal market netback for each particular product and blend. The E&P third parties revenue includes primarily sales of gas and gas products. RM&D external revenue primarily represents total Group consolidated revenue excluding gas sales. RM&D EBITDA includes full margin on petroleum products refining and marketing and performance-related margin on crude, i.e. channel optimisations. Distribution-related expenses (export duties, excises and transportation) are fully allocated to RM&D. Operating expenses, taxes other than income tax and directly attributable administrative expenses, including segment head office costs, are allocated as incurred to the respective segment. General and administrative expenses related to business support functions are not allocated to segments and presented within "Other".

For the three months ended 31 March 2013	**Exploration and Production**	**Refining, Marketing and Distribution**	**Other**	**Elimination**	**Consolidated**
Segment revenue					
Third parties	351	13,863	2		14,216
Inter-segment	6,265	-	-	(6,265)	-
Total Segment revenue	**6,616**	**13,863**	**2**	**(6,265)**	**14,216**
Less: export duties					(3,705)
Sales and other operating revenues					**10,511**
Segment earnings from equity investments	(101)	8	81		(12)
Segment impairment losses	(13)	(11)	-		(24)
EBITDA	**2,338**	**861**	**(62)**		**3,137**
Segment capital expenditures	**1,001**	**128**	**4**		**1,133**

(expressed in USD, tabular amounts in millions)

For the three months ended 31 March 2012	Exploration and Production	Refining, Marketing and Distribution	Other	Elimination	Consolidated
Segment revenue					
Third parties	381	15,706	2	-	16,089
Inter-segment	6,761	5	-	(6,766)	-
Total Segment revenue	**7,142**	**15,711**	**2**	**(6,766)**	**16,089**
Less: export duties					(4,632)
Sales and other operating revenues					**11,457**
Segment earnings from equity investments	(13)	(2)	222	-	207
Segment impairment losses	(10)	(230)	-	-	(240)
EBITDA	**3,079**	**384**	**142**	**-**	**3,605**
Segment capital expenditure	**990**	**114**	**1**	**-**	**1,105**

The reconciliation of Segment capital expenditure to the total Group's capital expenditure is presented below:

	For the three months ended 31 March 2013	For the three months ended 31 March 2012
Segment capital expenditure	1,133	1,105
Government grants used for construction	(23)	-
Inventory used for construction	259	90
Total Group's capital expenditure	**1,369**	**1,195**
Group's capital expenditure for acquisition of PPE (Note 11)	1,360	1,188
Group's capital expenditure for acquisition of Intangible assets	9	7
Total Group's capital expenditure	**1,369**	**1,195**

EBITDA, a non-IFRS measure, is reconciled to profit before income taxes for the three months ended 31 March 2013 and 2012 as follows:

	For the three months ended 31 March 2013	For the three months ended 31 March 2012
EBITDA	3,137	3,605
Depreciation, depletion and amortisation	(648)	(571)
Finance cost	(75)	(70)
Exchange gain/(loss), net	202	(71)
Interest income and net other financial income, excl. losses from derivatives	(54)	8
Profit before income taxes	**2,562**	**2,901**

Note 24: Events after the reporting date

Events after the reporting date were evaluated by the Group for the period from 1 April 2013 up to 22 May 2013 which is the date when these interim condensed consolidated financial statements were issued.