

Management’s discussion and analysis of financial condition and results of operations

The following report represents discussion and analysis of the financial condition of OAO LUKOIL as of March 31, 2013 and results of its operations for the first quarter of 2013, compared to the first quarter of 2012, as well as significant factors that may affect its future performance. It should be read in conjunction with our interim US GAAP consolidated financial statements and notes thereto.

References to “LUKOIL,” “the Company,” “the Group,” “we” or “us” are references to OAO LUKOIL and its subsidiaries and equity affiliates. All dollar amounts are in millions of US dollars, unless otherwise indicated. Tonnes of crude oil and natural gas liquids produced are translated into barrels using conversion rates characterizing the density of crude oil from each of our oilfields and actual density of liquids produced at our gas processing plants. Tonnes of crude oil purchased as well as other operational indicators expressed in barrels were translated into barrels using an average conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet were made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil into barrels of oil equivalent (“BOE”) were made at the rate of 1 barrel per BOE and of cubic feet – at the rate of 6 thousand cubic feet per BOE.

This report includes forward-looking statements – words such as “believes,” “anticipates,” “expects,” “estimates,” “intends,” “plans,” etc. – that reflect management’s current estimates and beliefs, but are not guarantees of future results.

Key financial and operational results

	3 months of		Change, %
	2013	2012	
Sales (millions of US dollars)	33,770	35,261	(4.2)
Net income attributable to OAO LUKOIL (millions of US dollars)....	2,581	3,789	(31.9)
EBITDA (millions of US dollars).....	4,775	5,346	(10.7)
Taxes other than income taxes, excise and export tariffs (millions of US dollars)	(8,884)	(9,055)	(1.9)
Earning per share of common stock attributable to OAO LUKOIL (US dollars):			
Basic	3.42	4.90	(30.2)
Diluted	3.35	4.80	(30.2)
Hydrocarbon production by the Group including our share in equity affiliates (thousands of BOE).....	197,614	200,040	(1.2)
Daily hydrocarbon production by the Group including our share in equity affiliates (thousands of BOE per day)	2,196	2,198	(0.1)
Crude oil and natural gas liquids produced by the Group including our share in equity affiliates (thousands of barrels)	166,615	169,014	(1.4)
Gas available for sale produced by the Group including our share in equity affiliates (millions of cubic meters).....	5,267	5,272	(0.1)
Refined products produced by the Group including our share in equity affiliates (thousands of tonnes).....	14,993	15,043	(0.3)

During the first quarter of 2013, our net income was \$2,581 million, which is \$1,208 million, or 31.9%, less than in the same period of 2012. At the same time, our EBITDA decreased by only \$571 million, or 10.7%, as compared to the first quarter of 2012. Our net income for the first quarter of 2013 was affected by the decrease in hydrocarbon prices, increase in operating expenses and depreciation, depletion and amortization. Moreover, it was significantly affected by increased income tax expense as a result of unfavorable movements in taxable currency translation gains and tax deductible currency translation losses reported by Russian subsidiaries.

Business overview

The primary activities of OAO LUKOIL and its subsidiaries are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of a vertically integrated group of companies.

ОАО ЛУКОЙЛ was established in accordance with Presidential Decree 1403, issued on November 17, 1992. Under this decree, on April 5, 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution 861 issued on September 1, 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of 24 founding subsidiaries to 100%. From formation, the Group has expanded substantially through consolidation of interests, acquisition of new companies and establishment of new businesses. Now LUKOIL is a global energy company operating through its subsidiaries in 38 countries on four continents.

LUKOIL is one of the world's largest energy companies in terms of hydrocarbon reserves that amounted to 17.3 billion BOE as of January 1, 2013 and comprised of 13.4 billion barrels of crude oil and 23.5 trillion cubic feet of gas.

Our operations are divided into four main business segments:

- **Exploration and Production** – which includes our exploration, development and production operations relating to crude oil and gas. These activities are primarily located within Russia, with additional activities in Azerbaijan, Kazakhstan, Uzbekistan, the Middle East, South America, Northern and Western Africa and South-East Asia.
- **Refining, Marketing and Distribution** – which includes refining and transport operations, marketing and trading of crude oil, natural gas and refined products.
- **Chemicals** – which includes processing and trading of petrochemical products.
- **Power generation** – which includes generation, transportation and sales of electricity, heat and related services.

Each of our four main segments is dependent on the other, with a portion of the revenues of one segment being a part of the costs of the other. In particular, our Refining, Marketing and Distribution segment purchases crude oil from our Exploration and Production segment. As a result of certain factors considered in the “Domestic crude oil and refined products prices” section on page 7, benchmarking crude oil market prices in Russia cannot be determined with certainty. Therefore, the prices set for inter-segment purchases of crude oil reflect a combination of market factors, primarily international crude oil market prices, transportation costs, regional market conditions, the cost of crude oil refining and other factors. Accordingly, an analysis of either of these segments on a stand-alone basis could give a misleading impression of those segments’ underlying financial position and results of operations. For this reason, we do not analyze either of our main segments separately in the discussion that follows. However, we present the financial data for each in Note 20 “Segment information” to our interim consolidated financial statements.

Recent developments

On April 1, 2013, in line with the strategy to increase oil production in Russia the Company signed an agreement to purchase 100% of the shares of ZAO Samara-nafta for \$2.05 billion. The transaction was finalized on April 26, 2013 when it was approved by the Federal Anti-monopoly Service. ZAO Samara-nafta is an exploration and production company operating in the Samara and Uljanovsk regions of the Russian Federation.

In April 2013, a Group company acquired 49.99% of the shares of ZAO Kama-oil for \$400 million increasing the Group’s ownership up to 99.99% and obtaining control. ZAO Kama-oil is an exploration and production company operating in the Perm region of the Russian Federation.

In April 2013, a Group company issued two tranches of non-convertible bonds totaling \$3 billion. The first tranche totaling \$1.5 billion was placed with a maturity of 5 years and a coupon yield of 3.416% per annum. The second tranche totaling \$1.5 billion was placed with a maturity of 10 years and a coupon yield of 4.563% per annum. All bonds were placed at face value and have a half year coupon period.

In March 2013, we entered into an agreement with a third party to sell our 99.58% interest in the Odessa refinery. We expect the sale to close by June 2013.

In September 2012, after the approval by European regulatory authorities, the Group acquired a 20% stake in the joint venture operating the ISAB refining complex (“ISAB”) for €494 million (approximately \$621 million) after final adjustments. The Group’s ownership in ISAB increased from 60% to 80% and the Group obtained control over the joint venture. This transaction was a partial exercise of ERG S.p.A. option to sell in full its stake in the joint venture established in 2008. In April 2011, within this option, the Group acquired an 11% stake in the joint venture for €241 million (approximately \$342 million).

Operational highlights

Hydrocarbon production

We undertake exploration for, and production of, crude oil, natural gas liquids and natural gas in Russia and internationally. In Russia, our major oil producing subsidiaries are OOO LUKOIL-Western Siberia, OOO LUKOIL-Komi and OOO LUKOIL-Perm. Exploration and production outside of Russia is performed by our 100% subsidiary LUKOIL-Overseas, that has stakes in PSA's and other projects in Kazakhstan, Azerbaijan, Uzbekistan, Iraq, Saudi Arabia, Egypt, Ghana, Cote d'Ivoire, Vietnam, Venezuela, Romania and Sierra Leone.

The table below summarizes the results of our exploration and production activities.

	3 months of	
	2013	2012
Crude oil and natural gas liquids production⁽¹⁾	(thousand BOE per day)	
Consolidated subsidiaries		
Western Siberia	1,009	1,018
Timan-Pechora	304	314
Ural region.....	291	284
Volga region	85	71
Other in Russia	37	38
Total in Russia.....	1,726	1,725
Total outside Russia	68	71
Total consolidated subsidiaries	1,794	1,796
Our share in equity affiliates		
in Russia	8	8
outside Russia	50	53
Total share in equity affiliates.....	58	61
Total crude oil and natural gas liquids.....	1,852	1,857
Natural gas production available for sale⁽²⁾		
Consolidated subsidiaries		
Western Siberia	194	194
Timan-Pechora	13	11
Ural region	18	17
Volga region	7	7
Other in Russia	0	0
Total in Russia.....	232	229
Total outside Russia.....	103	103
Total consolidated subsidiaries	335	332
Share in equity affiliates		
in Russia	1	1
outside Russia	8	8
Total share in production of equity affiliates.....	9	9
Total natural gas available for sale.....	344	341
Total daily hydrocarbon production	2,196	2,198
	(US dollar per BOE)	
Hydrocarbon extraction expenses	5.29	4.70
- in Russia	5.35	4.73
- outside Russia	4.67	4.33
	(millions of US dollars)	
Hydrocarbon extraction expenses	1,009	906
- in Russia	938	838
- outside Russia.....	71	68
Exploration expenses	63	43
- in Russia	43	26
- outside Russia	20	17
Mineral extraction tax	3,013	3,140
- in Russia	2,996	3,118
- outside Russia.....	17	22

⁽¹⁾ Natural gas liquids produced at the Group gas processing plants.

⁽²⁾ Including petroleum gas sold to third parties.

Crude oil production. In the first quarter of 2013, our daily crude oil production decreased to 1,852 thousand barrels, or by 0.3%, compared to the first quarter of 2012, and we produced (including the Company's share in equity affiliates) 22.1 million tonnes, or 163.2 million barrels of crude oil, compared to 22.4 million tonnes (165.4 million barrels) in the same period of 2012.

Some decrease in oil production in Western Siberia was due to natural depletion of reserves and an increase in watercut. The increasing water cut was also a reason for the decline of the production from Yuzhnoye Khylychuyu oilfield in Timan-Pechora. Nevertheless, as a result of the development the Yu. Korchagin field in the Caspian Sea and greenfields in Timan-Pechora, as well as of successful employment of a new technology and an increase in drilling footage in traditional regions, crude oil production was stabilized, and the Group's daily liquids production in Russia increased by 0.1%, compared to the first quarter of 2012.

The following table represents our crude oil production in the first quarter of 2013 and 2012 by major regions.

(thousands of tonnes)	Change from 2012				
	3 months of 2013	Total, %	Change in structure	Organic change	3 months of 2012
Western Siberia.....	12,014	(2.2)	–	(270)	12,284
Timan-Pechora.....	3,778	(4.2)	–	(167)	3,945
Ural region	3,386	2.2	–	72	3,314
Volga region	978	19.0	–	156	822
Other in Russia.....	462	(1.1)	–	(5)	467
Crude oil produced in Russia	20,618	(1.0)	–	(214)	20,832
Crude oil produced internationally.....	800	(6.2)	(38)	(15)	853
Total crude oil produced by consolidated subsidiaries	21,418	(1.2)	(38)	(229)	21,685
Our share in crude oil produced by equity affiliates:					
in Russia	95	–	–	–	95
outside Russia.....	577	(6.2)	–	(38)	615
Total crude oil produced	22,090	(1.4)	(38)	(267)	22,395

The main oil producing region for the Company is Western Siberia where in the first quarter of 2013 we produced 56.1% of our crude oil (56.6% in the first quarter of 2012).

The structural decrease of our international production was a result of sale of 1.5% (10.0% of our share) in Karachaganak Petroleum Operating consortium ("KPO"), an upstream project in Kazakhstan, to a state-owned KazMunayGaz in the end of the second quarter of 2012.

In addition to our production, we purchase crude oil in Russia and on international markets. In Russia, we primarily purchase crude oil from affiliated producing companies and other producers. Then we either refine or export purchased crude oil. Crude oil purchased on international markets is normally used for trading activities, for supplying our international refineries or for processing at third party refineries.

	3 months of			
	2013		2012	
	(thousand of barrels)	(thousand of tonnes)	(thousand of barrels)	(thousand of tonnes)
Purchases in Russia.....	205	28	1,092	149
Purchases for trading internationally.....	3,452	471	6,685	912
Purchases for refining internationally	15,394	2,100	18,875	2,575
Total crude oil purchased	19,051	2,599	26,652	3,636

Significant part of our crude oil purchases is for processing. Compared to the first quarter of 2012, our purchases for processing at international refineries decreased by 18.4% due to scheduled overhauls on our refineries in Italy, Romania and Bulgaria in the first quarter of 2013. Our purchases for trading also decreased significantly compared to the first quarter of 2012.

Production of gas and natural gas liquids. In the first quarter of 2013, we produced 5,267 million cubic meters (31.0 million BOE) of gas available for sale (including our share in equity affiliates), the same amount as in the first quarter of 2012.

Our major gas production field is the Nakhodkinskoe field, where we produced 2,056 million cubic meters of natural gas in the first quarter of 2013 (2,152 million cubic meters in the first quarter of 2012). This decrease was offset by the increased production in the other regions of Russia. Our international gas production decreased by 1.8%, mainly due to the decrease of our production from the Khauzak field by 52 million cubic meters, or by 5.6%, compared to the first quarter of 2012. At the same time, from our Gissar field, we produced 247 million cubic meters of gas compared to 233 million cubic meters in the first quarter of 2012. Both Khauzak and Gissar fields are located in Uzbekistan.

In the first quarter of 2013, the output of natural gas liquids at the Group gas processing plants in Western Siberia, Ural and Volga regions of Russia was 3.5 million BOE, compared to 3.6 million BOE in the first quarter of 2012.

Refining, marketing and trading

Refining. We own and operate four refineries located in European Russia and four refineries located outside of Russia – in Bulgaria, Romania, Italy and Ukraine. Moreover, we have a 45% interest in the Zeeland Refinery in the Netherlands.

In March 2013, we entered into an agreement with a third party to sell our 99.58% interest in the Odessa refinery, Ukraine. We expect the sale to close by June 2013.

In September 2012, we increased our interest up to 80% and obtained control over ISAB, in which we previously held 60% (49% before April 2011). Therefore, starting from September 2012, ISAB became our consolidated subsidiary.

Compared to the first quarter of 2012, the total volume of refined products produced by the Group (including our share in equity affiliates production) decreased by 0.3%. Production volumes at our Russian refineries increased by 0.4%, while the production of our international refineries decreased by 2.1%. The increase of our share in the ISAB production was offset by the effect of planned overhauls at our international refineries in March 2013.

We invested, and continue to invest, significant resources in our refineries aiming at taking the leading position in Russia in producing ecological fuel of high quality standards. Starting from July 1, 2012, all the gasoline and most of diesel fuel produced by the Group in Russia comply with Euro-5 standards.

Along with our own production of refined products we can refine crude oil at third party refineries depending on market conditions and other factors. In the first quarter of 2013 and 2012, we processed our crude oil at third party refineries in Kazakhstan and Belarus.

The following table summarizes key figures for our refining activities.

	3 months of	
	2013	2012
	(millions of US dollars)	
Refining expenses at the Group refineries.....	508	315
- in Russia	259	240
- outside Russia	249 ⁽¹⁾	75
Refining expenses at ISAB and Zeeland Refinery	57	240 ⁽²⁾
Refining expenses at third party refineries	20	23
Capital expenditures.....	579	294
- in Russia	434	116
- outside Russia	145	178
	(thousand barrels per day)	
Refinery throughput at the Group refineries	1,172	1,011
- in Russia	903	893
- outside Russia ⁽³⁾	269 ⁽¹⁾	118
Refinery throughput at ISAB and Zeeland Refinery ⁽³⁾	94	246 ⁽²⁾
Refinery throughput at third party refineries	43	51
Total refinery throughput	1,309	1,308
	(thousands of tonnes)	
Refined products produced at the Group refineries.....	13,839	11,947
- in Russia	10,612	10,566
- outside Russia	3,227 ⁽¹⁾	1,381
Production of ISAB and Zeeland Refinery	1,154	3,096 ⁽²⁾
Refined products produced at third party refineries	494	589
Total refined products produced	15,487	15,632

⁽¹⁾ Including 80% share of ISAB.

⁽²⁾ Including 60% share of ISAB.

⁽³⁾ Including refined product processed.

Marketing and trading. Our marketing and trading activities mainly include wholesale and bunkering operations in Western Europe, South-East Asia, Central America and retail operations in the USA, Central and Eastern Europe, the Baltic States and other regions. In Russia, we purchase refined products on occasion, primarily to manage supply chain bottlenecks.

The Group retails its refined products in 26 countries through nearly 5.6 thousand petrol stations (including franchisees). Most of the stations operate under the LUKOIL brand.

The table below summarizes figures for our trading activities.

	3 months of	
	2013	2012
	(thousands of tonnes)	
Retail sales	3,546	3,504
Wholesale sales	23,872	23,959
Total refined products sales	27,418	27,463
Refined products purchased in Russia.....	630	258
Refined products purchased internationally	13,540	13,189
Total refined products purchased.....	14,170	13,447

Exports of crude oil and refined products from Russia. The volumes of crude oil and refined products exported from Russia by our subsidiaries are summarized as follows:

	3 months of			
	2013		2012	
	(thousands of barrels)	(thousands of tonnes)	(thousands of barrels)	(thousands of tonnes)
Exports of crude oil using Transneft export routes	46,678	6,368	58,853	8,029
Exports of crude oil bypassing Transneft.....	9,813	1,339	6,377	870
Total crude oil exports	56,491	7,707	65,230	8,899
Exports of refined products.....	5,967		6,314	

In the first quarter of 2013, the volume of our export of crude oil from Russia decreased by 13.4% compared to the first quarter of 2012, and we exported 37.4% of our total domestic crude oil production (42.7% – in the first quarter of 2012). The decrease of crude oil export was a result of increased domestic sales and lower production.

Almost all the volume of crude oil exported bypassing Transneft in the periods considered was routed through our own export infrastructure.

In the first quarter of 2013, the volume of our export of refined products from Russia decreased by 347 thousand tonnes, or by 5.5%, compared to the first quarter of 2012 as a result of the increased domestic demand. Primarily, we export from Russia diesel fuel, fuel oil and gasoil. These products account for approximately 89.7% of our refined products export volumes.

In the first quarter of 2013, our revenue from export of crude oil and refined products from Russia both to Group companies and third parties amounted to \$5,592 million and \$4,598 million, respectively (\$6,866 million for crude oil and \$4,997 million for refined products in the first quarter of 2012).

Main macroeconomic factors affecting our results of operations

Changes in the price of crude oil and refined products

The price at which we sell crude oil and refined products is the primary driver of the Group's revenues. During the first quarter of 2013, the Brent crude oil price fluctuated between \$106 and \$119 per barrel and reached its peak of \$119.03 in February.

Substantially all the crude oil the Group exports is Urals blend. The following table shows the average crude oil and refined product prices in the first quarter of 2013 and 2012.

	3 months of		Change, %
	2013	2012	
	(in US dollars per barrel, except for figures in percent)		
Brent crude.....	112.51	118.60	(5.1)
Urals crude (CIF Mediterranean) ⁽¹⁾	111.06	117.02	(5.1)
Urals crude (CIF Rotterdam) ⁽¹⁾	110.53	116.87	(5.4)
	(in US dollars per metric tonne, except for figures in percent)		
Fuel oil 3.5% (FOB Rotterdam).....	613.02	686.05	(10.6)
Diesel fuel 10 ppm (FOB Rotterdam)	974.06	1,011.11	(3.7)
High-octane gasoline (FOB Rotterdam).....	1,040.53	1,061.60	(2.0)

Source: Platts.

⁽¹⁾ The Company sells crude oil on foreign markets on various delivery terms. Thus, our average realized sale price of oil on international markets differs from the average prices of Urals blend on Mediterranean and Northern Europe markets.

Domestic crude oil and refined products prices

Substantially all crude oil produced in Russia is produced by vertically integrated oil companies such as ours. As a result, most transactions are between affiliated entities within vertically integrated groups. Thus, there is no concept of a benchmark domestic market price for crude oil. The price of crude oil that is produced but not refined or exported by one of the vertically integrated oil companies is generally determined on a transaction-by-transaction basis against a background of world market prices, but with no direct reference or correlation. At any time there may exist significant price differences between regions for similar quality crude oil as a result of the competition and economic conditions in those regions.

Domestic prices for refined products are determined to some extent by world market prices, but they are also directly affected by local demand and competition.

The table below represents average domestic wholesale prices of refined products in the first quarter of 2013 and 2012.

	3 months of		Change, %
	2013	2012	
	(in US dollars per metric tonne, except for figures in percent)		
Fuel oil.....	363.62	307.20	18.4
Diesel fuel.....	907.10	836.58	8.4
High-octane gasoline (Regular)	822.26	777.52	5.8
High-octane gasoline (Premium)	865.94	814.34	6.3

Source: InfoTEK (excluding VAT).

Changes in the US dollar-ruble exchange rate and inflation

A substantial part of our revenue is either denominated in US dollars or is correlated to some extent with US dollar crude oil prices, while most of our costs in the Russian Federation are settled in Russian rubles. Therefore, ruble inflation and movements of exchange rates can significantly affect the results of our operations. In particular, the appreciation of the ruble against the US dollar generally causes our costs to increase in US dollar terms, and vice versa. The devaluation of the purchasing power of the US dollar in the Russian Federation calculated on the basis of the ruble-dollar exchange rates and the level of inflation in Russia was 6.6% in the first quarter of 2013, compared to the first quarter of 2012.

The following table gives data on inflation in Russia and the change in the ruble-dollar exchange rate.

	3 months of	
	2013	2012
Ruble inflation (CPI), %	1.9	1.5
Average exchange rate for the period (ruble to US dollar)	30.41	30.26
Exchange rate at the end of the period (ruble to US dollar)	31.08	29.33

Tax burden

The following table represents average enacted rates for taxes specific to the oil industry in Russia for the respective periods.

		3 months of		Change, %
		2013 ⁽¹⁾	2012 ⁽¹⁾	
Export tariffs on crude oil	\$/tonne	406.61	400.96	1.4
Export tariffs on refined products				
Middle distillates (jet fuel), diesel fuel and gasoils .	\$/tonne	268.37	264.60	1.4
Light distillates.....	\$/tonne	365.96	360.84	1.4
Liquid fuels (fuel oil)	\$/tonne	268.37	264.60	1.4
Mineral extraction tax				
Crude oil	RUR/tonne	5,255.83	5,283.37	(0.5)
Natural gas	RUR/1,000 m ³	265.00	251.00	5.6

⁽¹⁾ Average values.

Tax rates set in rubles and translated at the average exchange rates are as follows:

		3 months of		Change, %
		2013 ⁽¹⁾	2012 ⁽¹⁾	
Mineral extraction tax				
Crude oil	\$/tonne	172.81	174.58	(1.0)
Natural gas	\$/1,000 m ³	8.71	8.29	5.1

⁽¹⁾ Average values.

The rates of taxes specific to the oil industry in Russia are linked to international crude oil prices and are changed in line with them. The methods to determine the rates for such taxes are presented below.

Crude oil extraction tax rate is determined by adjusting the base rate depending on the international market price of Urals blend and the ruble exchange rate. The tax rate is zero when the average Urals blend international market price for a tax period is less than or equal to \$15.00 per barrel. Each \$1.00 per barrel increase in the international Urals blend price over the threshold (\$15.00 per barrel) results in an increase of the tax rate by \$1.61 per tonne extracted (or \$0.22 per barrel extracted using a conversion factor of 7.33).

In the first quarter of 2013, the base rate was 470 rubles per metric tonne extracted (446 rubles in the first quarter of 2012).

The crude oil extraction tax rate varies depending on the development and depletion of a particular oilfield. The tax rate is zero for extra-heavy crude oil and for crude oil produced in certain regions of Eastern Siberia, the Caspian Sea and the Nenetsky Autonomous District, depending on the period and volume of production.

The Group produces crude oil in the Caspian Sea and benefits from application of zero extraction tax rate.

Natural gas extraction tax rate. The mineral extraction tax on natural gas produced by independent producers in Russia is calculated using a flat rate. The rate for 2013 is set at 265 rubles per thousand cubic meters, while in 2012 the rate amounted to 251 rubles.

Crude oil export duty rate is calculated on a progressive scale. The rate is zero when the average Urals blend international market price is less than or equal to approximately \$15.00 per barrel (\$109.50 per metric tonne). If the Urals blend price is between \$15.00 and \$20.00 per barrel (\$146.00 per metric tonne), each \$1.00 per barrel increase in the Urals blend price over \$15.00 results in an increase of the crude oil export duty rate by \$0.35 per barrel exported. If the Urals blend price is between \$20.00 and \$25.00 per barrel (\$182.50 per metric tonne), each \$1.00 per barrel increase in the Urals blend price over \$20.00 results in an increase of the crude oil export duty rate by \$0.45 per barrel exported. Each \$1.00 per barrel increase in the Urals blend price over \$25.00 per barrel results in an increase of the crude oil export duty rate no more than by \$0.65 per barrel exported. Starting from October 1, 2011, the maximum increase of export duty rate is \$0.60 per barrel for each \$1.00 per barrel increase in the Urals blend price.

The crude oil export duty rate is revised monthly on the basis of the immediately preceding one-month period of crude oil price monitoring.

A special export duty regime is in place for certain greenfields. The list of the oilfields where the reduced rate applies includes our Yu. Korchagin and V. Filanovsky oilfields located in the Caspian Sea.

Export duty rates on refined products prior to 2011 were set by the Russian government. The rate of export duty depended on internal demand for refined products and international crude oil market conditions. Starting from 2011, export duty rates on refined products are calculated by multiplying the current crude oil export duty rate by a coefficient according to the table below.

Multiplier for:

Light distillates (except for gasolines), middle distillates (jet fuel), diesel fuel, gasoils, liquid fuels (fuel oil), motor and other oils, other products.....	0.660
Gasolines.....	0.900

Crude oil and refined products exported to the member countries of the Custom Union – Belarus and Kazakhstan, are not subject to export duties.

Excise on refined products. The responsibility to pay excises on refined products in Russia is imposed on refined product producers (except for straight-run gasoline). Only domestic sales volumes are subject to excises.

In other countries where the Group operates, excises are paid either by producers or retailers depending on the local legislation.

Excise rates on refined products in Russia are tied to the ecological class of fuel. Excise tax rates for the first quarter of 2013 and 2012 are listed below:

		3 months of		Change, %
		2013	2012	
Gasoline				
Below Euro-3.....	RUR/tonne	10,100.00	7,725.00	30.7
Euro-3	RUR/tonne	9,750.00	7,382.00	32.1
Euro-4	RUR/tonne	8,560.00	6,822.00	25.5
Euro-5	RUR/tonne	5,143.00	6,822.00	(24.6)
Diesel fuel				
Below Euro-3.....	RUR/tonne	5,860.00	4,098.00	43.0
Euro-3	RUR/tonne	5,860.00	3,814.00	53.6
Euro-4	RUR/tonne	4,934.00	3,562.00	38.5
Euro-5	RUR/tonne	4,334.00	3,562.00	21.7
Motor oils.....	RUR/tonne	7,509.00	6,072.00	23.7
Straight-run gasoline.....	RUR/tonne	10,229.00	7,824.00	30.7

		3 months of		Change, %
		2013	2012	
Gasoline				
Below Euro-3.....	\$/tonne	332.08	255.25	30.1
Euro-3.....	\$/tonne	320.57	243.92	31.4
Euro-4.....	\$/tonne	281.45	225.42	24.9
Euro-5.....	\$/tonne	169.10	225.42	(25.0)
Diesel fuel				
Below Euro-3.....	\$/tonne	192.67	135.41	42.3
Euro-3.....	\$/tonne	192.67	126.02	52.9
Euro-4.....	\$/tonne	162.23	117.70	37.8
Euro-5.....	\$/tonne	142.50	117.70	21.1
Motor oils.....	\$/tonne	246.89	200.63	23.1
Straight-run gasoline.....	\$/tonne	336.32	258.52	30.1

Income tax. The federal income tax rate is 2.0% and the regional income tax rate varies between 13.5% and 18.0%. The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

Until January 1, 2012, there were no provisions in the taxation legislation of the Russian Federation to permit the Group to reduce taxable profits of a Group company by offsetting tax losses of another Group company against such profits. Tax losses could be fully or partially used to offset taxable profits in the same company in any of the ten years following the year of loss.

Starting from January 1, 2012, if certain conditions are met, taxpayers are able to pay income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG. Certain Group companies met the legislative requirements and pay income tax as a CTG starting from the first quarter of 2012.

Losses generated by a taxpayer before joining a CTG are not available for offset against taxable profits of other participants of the CTG. However, if a taxpayer leaves a CTG, such losses again become available for offset against future profits generated by the same taxpayer. The expiration period of the losses is extended to take account of any time spent within a CTG when the losses were unavailable for use.

Transportation of crude oil and refined products in Russia

The main Russian crude oil production regions are remote from the main crude oil and refined products markets. Therefore, access by crude oil production companies to the markets is dependent on the extent of diversification of the transport infrastructure and access to it. As a result, transportation cost is an important macroeconomic factor affecting our net income.

Transportation of crude oil produced in Russia to refineries and export destinations is performed primarily through the trunk oil pipeline system of state-owned OAO AK Transneft or by railway transport.

Transportation of refined products in Russia is performed by railway transport and the pipeline system of OAO AK Transnefteproduct. The Russian railway infrastructure is owned and operated by OAO Russian Railways. Both these companies are state-owned. We transport the major part of our refined products by railway transport.

In Russia, the gas is mostly sold at the wellhead and then transported through the Unified Gas Supply System ("UGSS"). The UGSS is responsible for gathering, transporting, dispatching and delivering substantially all natural gas supplies in Russia and is owned and operated by OAO Gazprom ("Gazprom"). The Federal Service for Tariffs of the Russian Federation regulates natural gas transportation tariffs. We are not able to sell our gas other than through UGSS.

Three months ended March 31, 2013, compared to three months ended March 31, 2012

The table below sets forth data from our consolidated statements of comprehensive income for the periods indicated.

	3 months of	
	2013	2012
	(millions of US dollars)	
Revenues		
Sales (including excise and export tariffs)	33,770	35,261
Costs and other deductions		
Operating expenses	(2,450)	(2,215)
Cost of purchased crude oil, gas and products	(15,103)	(16,368)
Transportation expenses	(1,650)	(1,605)
Selling, general and administrative expenses	(866)	(829)
Depreciation, depletion and amortization	(1,369)	(1,095)
Taxes other than income taxes	(3,383)	(3,478)
Excise and export tariffs	(5,501)	(5,577)
Exploration expense	(63)	(43)
Loss on disposals and impairments of assets	(7)	(9)
Income from operating activities	3,378	4,042
Interest expense	(97)	(161)
Interest and dividend income	61	66
Equity share in income of affiliates	158	181
Currency translation loss	(139)	(86)
Other non-operating income (expense)	13	(22)
Income before income taxes	3,374	4,020
Current income taxes	(646)	(487)
Deferred income taxes	(143)	120
Total income tax expense	(789)	(367)
Net income	2,585	3,653
Net (income) loss attributable to non-controlling interests	(4)	136
Net income attributable to OAO LUKOIL	2,581	3,789
Earning per share of common stock attributable to OAO LUKOIL (in US dollars):		
Basic	3.42	4.90
Diluted	3.35	4.80

The analysis of the main financial indicators of the financial statements is provided below.

Sales revenues

Sales breakdown	3 months of	
	2013	2012
	(millions of US dollars)	
Crude oil		
Export and sales on international markets other than CIS	5,099	6,804
Export and sales to CIS.....	385	501
Domestic sales	538	383
	6,022	7,688
Refined products		
Export and sales on international markets		
Wholesale.....	18,936	19,523
Retail.....	2,443	2,402
Domestic sales		
Wholesale.....	1,921	1,652
Retail.....	2,196	1,973
	25,496	25,550
Petrochemicals		
Export and sales on international markets	223	276
Domestic sales	246	52
	469	328
Gas and gas products		
Export and sales on international markets	557	601
Domestic sales	286	271
	843	872
Sales of energy and related services.....	489	438
Other		
Sales on international markets	260	197
Domestic sales	191	188
	451	385
Total sales	33,770	35,261

Sales volumes	3 months of	
	2013	2012
	(thousands of barrels)	
Crude oil		
Export and sales on international markets other than CIS	46,194	58,567
Export and sales to CIS.....	7,528	8,767
Domestic sales	11,076	6,773
	64,798	74,107
	(thousands of tonnes)	
Crude oil		
Export and sales on international markets other than CIS	6,302	7,990
Export and sales to CIS.....	1,027	1,196
Domestic sales	1,511	924
	8,840	10,110
	(thousands of tonnes)	
Refined products		
Export and sales on international markets		
Wholesale.....	21,243	21,648
Retail.....	1,469	1,476
Domestic sales		
Wholesale.....	2,629	2,311
Retail.....	2,077	2,028
	27,418	27,463
Total sales volume of crude oil and refined products.....	36,258	37,573

Realized average sales prices	3 months of		
	2013	2012	
Average realized price international			
Oil (excluding CIS)	(\$/barrel)	110.37	116.18
Oil (CIS)	(\$/barrel)	51.20	57.10
Refined products			
Wholesale	(\$/tonne)	891.35	901.87
Retail.....	(\$/tonne)	1,663.53	1,626.90
Average realized price within Russia			
Oil.....	(\$/barrel)	48.56	56.47
Refined products			
Wholesale	(\$/tonne)	730.55	714.89
Retail.....	(\$/tonne)	1,057.54	973.02

During the first quarter of 2013, our revenues decreased by \$1,491 million, or by 4.2%, compared to the first quarter of 2012.

Our revenues from crude oil sales and sales of refined products decreased by \$1,666 million, or by 21.7%, and by \$54 million, or by 0.2%, respectively, compared to the first quarter of 2012. The decrease in sales revenue compared to the first quarter of 2012 was mostly due to the decrease in hydrocarbon prices and crude oil sales volumes.

Sales of crude oil

Compared to the respective period of 2012, our total crude oil sales revenues decreased by \$1,666 million, or by 21.7%, as a result of the decrease in sales volumes and prices. Our sales volumes outside of Russia decreased by 1,857 thousand tonnes, or by 20.2%, due to decreased export from Russia and a scale down of trading operations, while domestic sales volumes increased by 587 thousand tonnes, or by 63.5%, due to significant increase of supplies to third party refineries in the first quarter of 2013. As a result of these movements of sales volumes along with the decrease in crude oil prices compared to the first quarter of 2012, international sales revenue decreased by 24.9%, or by \$1,821 million, while domestic sales revenue increased by 40.5%, or by \$155 million.

During the first quarter of 2013, our revenue from crude oil export from Russia both to the Group companies and third parties amounted to \$5,592 million.

Sales of refined products

Compared to the same period of 2012, our revenue from the wholesale of refined products outside of Russia decreased by \$587 million, or by 3.0%, in the first quarter of 2013 as a result of a decrease in sales volumes by 1.9% and prices by 1.2%. Sales volumes decreased due to the decrease in export from Russia triggered by increased domestic demand.

Our revenue from international retail sales increased by \$41 million, or by 1.7%, in the first quarter of 2013 due to an increase in average prices by 2.3%. Retail sales volumes remained on the same level as in the first quarter of the previous year.

Our revenue from the wholesale of refined products on the domestic market increased by \$269 million, or by 16.3%, in the first quarter of 2013. Our average realized price increased by 2.2%. Our sales volumes also increased by 13.8% in the first quarter of 2013.

In the first quarter of 2013, our revenue from retail sales in Russia increased by \$223 million, or by 11.3%. Retail sales volumes increased by 2.4% resulting from the increase in domestic demand for motor fuels. Average retail prices in Russia increased by 8.7%, compared to the first quarter of 2012.

In the first quarter of 2013, our revenue from export of refined products from Russia both to Group companies and third parties amounted to \$4,598 million.

Sales of petrochemical products

In the first quarter of 2013, our revenue from sales of petrochemical products increased by \$141 million, or by 43.0%. That was mainly a result of an increase in domestic sales volumes by 254.4% after resuming the production at our petrochemical plant in Stavropol region of Russia. At the same time, in the first quarter of 2013, our international sales volumes decreased by 34.1% due to a temporary shutdown at our petrochemical plant Karpatnaftochim Ltd. in Ukraine, which resulted from unfavorable economic conditions. Our realized prices increased by 20.7% due to the change in product mix and the increase in market prices for petrochemicals.

Sales of gas and gas products

Sales of gas and gas refined products decreased by \$29 million, or by 3.3%, in the first quarter of 2013.

Gas products wholesales revenue decreased by \$30 million, or by 9.2%, in the first quarter of 2013. Average realized wholesale prices and sales volumes for gas products decreased by 4.6% and 4.7%, respectively.

Retail gas products revenue increased by \$10 million, or by 7.8%, in the first quarter of 2013, compared to the first quarter of 2012, as a result of the increase in the sales volumes outside of Russia.

Natural gas sales revenue decreased by \$23 million, or by 6.5%, in the first quarter of 2013. This revenue increased domestically by \$9 million, or by 8.2%, but decreased internationally by \$32 million, or by 13.3%. At the domestic market, this was mainly a result of the increase of sales price to Gazprom by 14.4%. The main reason for the decrease of revenue outside of Russia was the decrease of both sales prices and volumes in Uzbekistan.

Sales of energy and related services

Our revenue from sales of electricity, heat and related services increased by \$51 million, or by 11.6%, in the first quarter of 2013, as a result of the increase in own generation and the tariff growth.

Sales of other products

Other sales include non-petroleum sales through our retail network, transportation services, rental revenue, crude oil extraction and refining services, and other revenue of our production and marketing companies from sales of goods and services not related to our primary activities.

In the first quarter of 2013, other sales increased by \$66 million, or by 17.1%. In the first quarter of 2013, other sales included \$49 million of revenue from refining services rendered by ISAB.

Operating expenses

Operating expenses include the following:

	3 months of	
	2013	2012
	(millions of US dollars)	
Hydrocarbon extraction expenses	1,009	906
Own refining expenses	508	315
Refining expenses at third parties and affiliated refineries.....	77	263
Cost of processing operations at ISAB	44	–
Expenses for crude oil transportation to refineries	338	287
Power generation and distribution expenses	192	178
Petrochemical expenses	79	74
Other operating expenses	203	192
Total operating expenses	2,450	2,215

The method of allocation of operating expenses above differs from the approach used in preparing the data for Note 20 “Segment information” to our interim consolidated financial statements. Expenditures in the segment reporting are grouped depending on the segment to which a particular company belongs. Operating expenses for the purposes of this analysis are grouped based on the nature of the costs incurred.

In the first quarter of 2013, our operating expenses increased by \$235 million, or by 10.6%.

Hydrocarbon extraction expenses

Our extraction expenses include expenditures related to repairs of extraction equipment, labor costs, expenses on artificial stimulation of reservoirs, fuel and electricity costs, cost of extraction of natural gas liquids, property insurance of extraction equipment and other similar costs.

In the first quarter of 2013, our extraction expenses increased by \$103 million, or by 11.4%, as a result of the increase in energy costs triggered by the tariffs growth, repairs and artificial stimulation of reservoirs. Our average hydrocarbon extraction cost increased from \$4.70 per BOE in the first quarter of 2012 to \$5.29 per BOE in the first quarter of 2013, or by 12.6%.

Own refining expense

Our own refining expenses increased by \$193 million, or by 61.3%, in the first quarter of 2013.

Refining expenses at our domestic refineries increased by \$19 million, or by 7.9%, compared to the first quarter of 2012, largely due to higher consumption and cost of additives.

Refining expenses at our international refineries increased by 232.0%, or by \$174 million, in the first quarter of 2013. The increase was mainly due to obtaining control over ISAB in September 2012 (see *Refining, marketing and trading* section for details).

Refining expenses at third party and affiliated refineries

Along with our own production of refined products we refine crude oil at third party and affiliated refineries.

In the first quarter of 2013, refining expenses at third party and affiliated refineries decreased by 70.7% due to obtaining control over ISAB in September 2012 (see *Refining, marketing and trading* section for details).

Expenses for crude oil transportation to refineries

Expenses for crude oil transportation to refineries include pipeline, railway, freight and other costs related to delivery of the Group's own crude oil to refineries for further processing.

In the first quarter of 2013, expenses for crude oil transportation to refineries increased by \$51 million, or by 17.8%, largely due to the increase of supplies of crude oil from Western Siberia to our international refineries, compared to the first quarter of 2012.

Power generation and distribution expenses

In the first quarter of 2013, our power generation and distribution expenses increased by \$14 million, or by 7.9%, compared to the first quarter of 2012, due to the increase in own generation.

Other operating expenses

Other operating expenses include expenses of the Group's upstream and downstream entities that do not relate to their core activities, namely rendering of transportation and extraction services, costs of other services provided and goods sold by our production and marketing companies, and of non-core businesses of the Group.

In the first quarter of 2013, other operating expenses increased by \$11 million, or by 5.7%.

Cost of purchased crude oil, gas and products

Cost of purchased crude oil, gas and products includes cost of crude oil and refined products purchased for trading or refining, gas and fuel oil to supply our power generation entities and the result of hedging of international crude oil and refined products sales.

Cost of purchased crude oil, gas and products decreased by \$1,265 million in the first quarter of 2013, or by 7.7%, compared to the same period of 2012, driven mainly by the decrease in hydrocarbon prices and lower volumes of crude oil purchases for refining.

In the first quarter of 2013, we recognized a \$65 million loss from hedging, compared to a \$452 million loss in the first quarter of 2012.

Transportation expenses

Our transportation expenses increased by \$45 million, or by 2.8%, compared to the first quarter of 2012.

Our actual transportation expenses related to crude oil and refined products deliveries to various export destinations, weighted by volumes transported, changed to the first quarter of 2012 as follows: crude oil pipeline tariffs decreased by 1.4%, railway tariffs for refined products transportation increased by 9.4%, crude oil freight rates increased by 3.3%, and refined products freight rates decreased by 2.8%.

Selling, general and administrative expenses

Selling, general and administrative expenses include payroll costs (excluding extraction entities' and refineries' production staff costs), insurance costs (except for property insurance related to extraction and refinery equipment), costs of maintenance of social infrastructure, movement in bad debt provision and other expenses.

Our selling, general and administrative expenses increased by \$37 million, or by 4.5%, in the first quarter of 2013.

Depreciation, depletion and amortization

Our depreciation, depletion and amortization expenses increased by \$274 million, or by 25.0%, compared to the first quarter of 2012. This was mainly caused by the increase of production from Yu. Korchagin field in the Caspian Sea and the effect of obtaining control over ISAB in September 2012.

Equity share in income of affiliates

The Group has investments in equity method affiliates and corporate joint ventures. These companies are primarily engaged in crude oil exploration, production, marketing and distribution operations in the Russian Federation, crude oil production and marketing in Kazakhstan and refining operations in Europe. Our largest affiliates are Turgai Petroleum and Tengizchevroil, exploration and production companies operating in Kazakhstan, and Zeeland Refinery. Starting from September 2012, we do not include the results of ISAB in equity share in income of affiliates (see *Refining, marketing and trading* section for details).

Compared to the first quarter of 2012, our share in income of affiliates decreased by \$23 million, or by 12.7%. The main reason for this was a decrease in income of Turgai Petroleum as a result of the decrease in crude oil production and hydrocarbon prices.

Taxes other than income taxes

	3 months of	
	2013	2012
	(millions of US dollars)	
In Russia		
Mineral extraction taxes	2,996	3,118
Social security taxes and contributions	166	148
Property tax	128	126
Other taxes	19	17
Total in Russia	3,309	3,409
International		
Mineral extraction taxes	17	22
Social security taxes and contributions	30	23
Property tax	8	5
Other taxes	19	19
Total internationally	74	69
Total	3,383	3,478

In the first quarter of 2013, taxes other than income taxes decreased by 2.7%, or by \$95 million, compared to the first quarter of 2012. This was mainly due to the increase of the share of production from the fields where either reduced, or zero tax rate was applied, as well as by the decrease in tax rate and crude oil production in Russia.

In the first quarter of 2013, application of the reduced rate for crude oil produced from depleted oilfields and zero rate for crude oil produced from oilfields with extra heavy crude oil and from greenfields led to \$468 million tax reduction (\$376 million in the first quarter of 2012). Of this amount, \$57 million refer to production from the Yu. Korchagin field in the Caspian Sea (\$17 million in the first quarter of 2012).

Excise and export tariffs

	3 months of	
	2013	2012
(millions of US dollars)		
In Russia		
Excise tax on refined products	436	459
Crude oil export tariffs	2,484	2,845
Refined products export tariffs.....	1,615	1,458
Total in Russia.....	4,535	4,762
International		
Excise tax on refined products	822	674
Crude oil export tariffs	62	79
Refined products export tariffs.....	82	62
Total internationally	966	815
Total	5,501	5,577

Export tariffs decreased by \$201 million, or by 4.5%, in the first quarter of 2013, mainly as a result of the decrease in crude oil export volumes. Nevertheless, this was outweighed by the increase in volumes of refined products export beyond the Customs union.

The increase in excise tax expense outside of Russia to the respective periods of 2012 was a result of higher volume of sales subject to excises.

Although the excise rates for motor fuels except for Euro-5 gasoline increased compared to the first quarter of 2012, the increase of the share of Euro-5 motor fuels in our production in Russia let us decrease our excise expenses in the first quarter of 2013 compared to the respective period of 2012. In the first quarter of 2013, all the gasoline produced by the Group in Russia complied with Euro-5 ecological class, while in the first quarter of 2012 the share of Euro-5 gasoline was much lower.

Income taxes

In the first quarter of 2013, our total income tax expense increased by \$422 million, or by 115.0%, compared to the first quarter of 2012. At the same time, our income before income tax decreased by \$646 million, or by 16.1%.

In the first quarter of 2013, our effective income tax rate was 23.4%, compared to 9.1% in the first quarter of 2012. The maximum statutory rate in Russia is 20%. The low level of our effective income tax rate in the first quarter of 2012 was caused by tax deductible currency translation losses reported by Russian subsidiaries, whereas currency translation gains reported by Russian subsidiaries in the first quarter of 2013 affected our income tax expense for the period.

Reconciliation of net income to EBITDA (earnings before interest, income taxes, depreciation and amortization)

	3 months of	
	2013	2012
	(millions of US dollars)	
Net income	2,581	3,789
Add back:		
Income tax expense.....	789	367
Depreciation and amortization	1,369	1,095
Interest expense.....	97	161
Interest and dividend income	(61)	(66)
EBITDA	4,775	5,346

EBITDA is a non-US GAAP financial measure. EBITDA is defined as net income before interest, taxes and depreciation and amortization. The Company believes that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered as operating costs under US GAAP, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. The EBITDA calculation is commonly used as a basis for some investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the oil and gas industry. EBITDA should not be considered in isolation as an alternative to net income, operating income or any other measure of performance under US GAAP. EBITDA does not include our need to replace our capital equipment over time.

Liquidity and capital resources

	3 months of	
	2013	2012
	(millions of US dollars)	
Net cash provided by operating activities.....	3,900	3,880
Net cash used in investing activities.....	(4,065)	(2,517)
Net cash used in financing activities.....	(41)	(137)

Operating activities

Our primary source of cash flow is funds generated from our operations. During the first quarter of 2013, cash generated from operating activities amounted to \$3,900 million, which was roughly the same as in the first quarter of 2012. Our working capital also did not change significantly during the first quarter of 2013.

Investing activities

In the first quarter of 2013, the increase in cash used in investing activities mainly resulted from increase in capital expenditures and acquisition of licenses, as compared to the respective period of the previous year.

Our capital expenditures, including non-cash transactions, amounted to \$3,404 million, which was 38.3% higher than in the first quarter of 2012.

	3 months of	
	2013	2012
	(millions of US dollars)	
Capital expenditures⁽¹⁾		
Exploration and production		
Russia.....	1,874	1,634
International.....	663	373
Total exploration and production.....	2,537	2,007
Refining, marketing and distribution		
Russia.....	471	167
International.....	159	179
Total refining, marketing and distribution.....	630	346
Chemicals		
Russia.....	3	6
International.....	–	4
Total chemicals.....	3	10
Power generation and distribution.....	121	57
Other.....	113	42
Total capital expenditures.....	3,404	2,462

⁽¹⁾ Including non-cash transactions and prepayments.

Capital expenditures in exploration and production segment increased by \$530 million, or by 26.4%. In Russia, the increase was due to development of the V. Filanovsky oilfield on the Caspian seashore and intense production drilling in Western Siberia and Komi Republic. Internationally, we increased investments in our project in Iraq.

The increase in our refining, marketing and distribution capital expenditures in Russia refers to construction of deep conversion unit at our refinery in Volgograd and construction of catalytic cracking unit at our Nizhny Novgorod refinery.

Capital expenditures in power generation sector increased as a result of fulfillment of our investment program, namely construction of 235 MW combined cycle gas turbine in Astrakhan with a completion scheduled for the third quarter of 2013.

The table below shows our exploration and production capital expenditures in promising new production regions.

	3 months of	
	2013	2012
	(millions of US dollars)	
Yamal.....	113	179
Caspian region ⁽¹⁾	444	350
Ghana.....	7	5
Cote d'Ivoire.....	7	14
Iraq.....	457	143
Uzbekistan	96	149
Total	1,124	840

⁽¹⁾ Russian and international projects.

Also, in the first quarter of 2013, a Group company paid \$835 million as a second 50% installment for the subsoil rights for the site that includes Imilorskoye, West Imilorskoye and Istochnoye fields in Western Siberia. The first 50% payment was made in December 2012.

During the periods considered, the Group did not make any significant acquisitions.

Financing activities

In the first quarter of 2013, net movements of short-term and long-term debt generated an outflow of \$7 million, compared to an inflow of \$13 million in the first quarter of 2012.