



BASHNEFT
JOINT STOCK OIL COMPANY

Bashneft Group

**IFRS results
for the first quarter of 2013**



Certain statements in this presentation may contain assumptions or forecasts with respect to forthcoming events within Bashneft Group. The words “expect”, “estimate”, “intend”, “will”, “could”, negations thereof and similar expressions identify forward-looking statements. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the above-mentioned date or to reflect the occurrence of unanticipated events. Many factors could cause the actual results of Bashneft Group to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to Bashneft Group and its operations.

Bashneft's key achievements in the first quarter of 2013

Operating results

- Average daily oil production increased by 0.5% to 311.8 thousand bbl/d, hitting a record high over the last 17 years;
- Average daily refining remained at the level of 423.1 thousand bbl/d;
- Refining depth increased to 84.5%;
- The share of light products added 0.7 p.p. and reached 60.2%.

Financial results

- EBITDA totalled 21.2 billion roubles, adding 9.2%;
- Net income increased by 11.5% to 12.0 billion roubles.

Main events

- Fitch Ratings confirmed Bashneft's long-term foreign and local currency ratings at 'BB'. The outlook for the ratings was revised from 'Stable' to 'Positive';
- The Group issued series 06, 07, 08 and 09 bonds worth a total of 30,000 million roubles;
- Bashneft has put a complex of sulphuric acid alkylation unit into full operation at Novoil



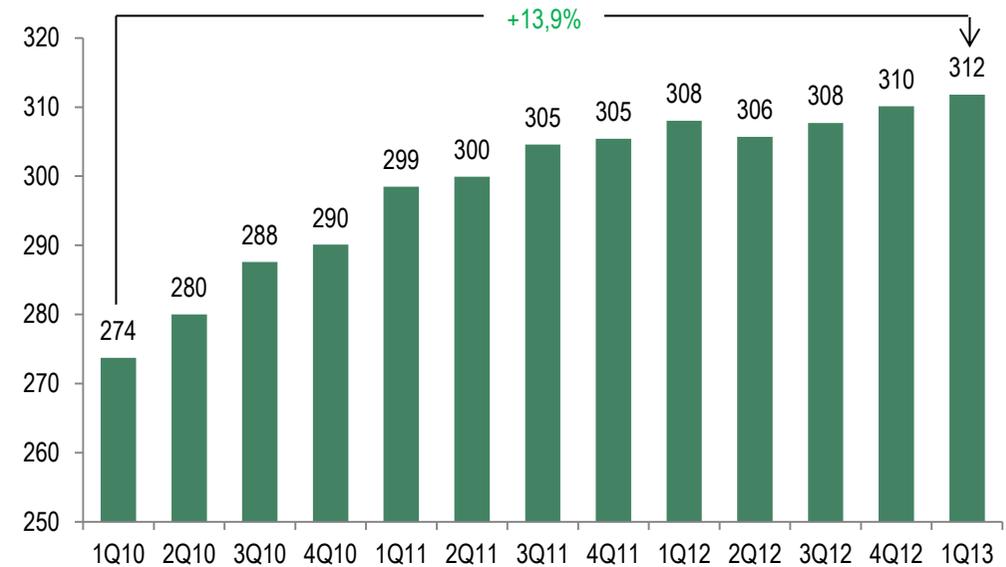
Bashneft Group's key indicators for 1Q 2013

1Q 2013	4Q 2012	Δ, %	Indicator	1Q 2013	1Q 2012	Δ, %
3.38	3.39	-0.2%	Urals price, thousand roubles/barrel	3.38	3.54	-4.6%
3,844	3,908	-1.6%	Crude oil production, thousand tonnes	3,844	3,840	0.1%
5,216	5,376	-3.0%	Oil refining, thousand tonnes	5,216	5,120	1.9%
4,437	4,871	-8.9%	Petroleum product sales, thousand tonnes	4,437	4,337	2.3%
125.6	139.8	-10.2%	Revenue, billion roubles	125.6	118.7	5.8%
21.2	19.4	9.2%	EBITDA, billion roubles.	21.2	24.9	-14.9%
12.0	10.8	11.5%	Profit for the period attributable to the owners of the parent company, billion roubles	12.0	13.3	-10.1%
5.8	11.2	-48.0%	Capital expenditures, billion roubles	5.8	4.9	18.4%
81.8	78.0	4.9%	Adjusted net debt, billion roubles	81.8	68.8	18.9%

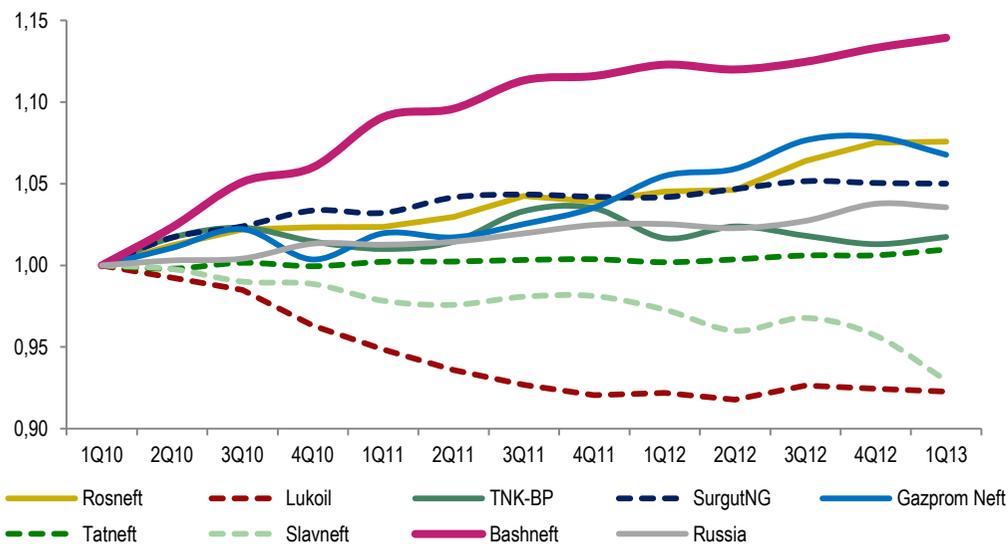
Production reaches a new record level

- In the first quarter of 2013, Bashneft's average daily production reached 312 thousand bbl/d, hitting a record high over the last 17 years;
- In the first quarter of 2013, oil production stabilized at the level of the previous quarter and amounted to 3,844 thousand tonnes;
- In the first quarter of 2013, the average production rate of existing wells reached a high level of 3.0 tonnes per day, adding 20.0% compared to 2010. The increase is primarily related to the use of enhanced oil recovery methods.

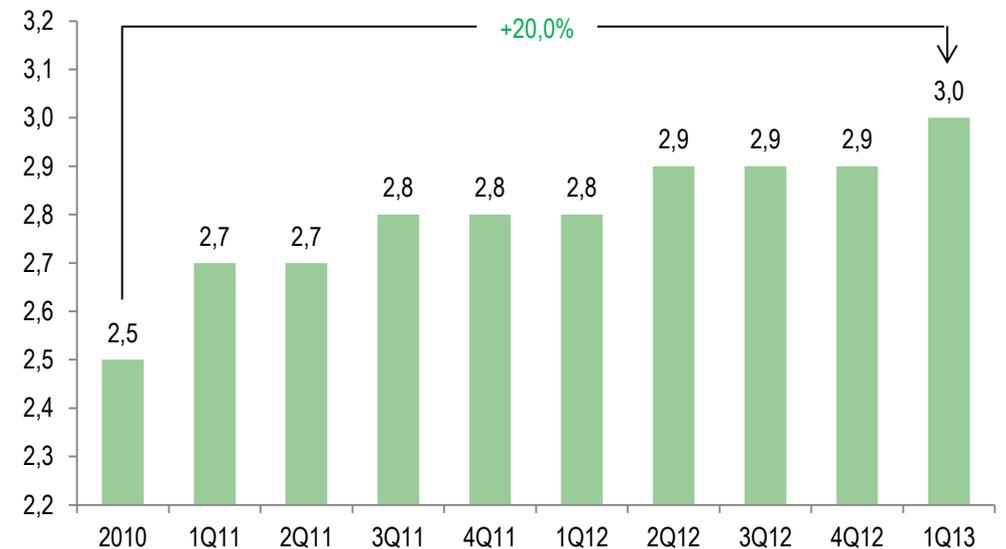
Average daily oil production, thousand bbl/d



Index of changes in average daily production (1Q10 = 1)



Well production rate, tonnes per day



Results for the 5 months of 2013

- During the five months of 2013, 3D seismic surveys totaled 732 square km;
- Five wells were reentered;
- The construction of high-voltage power lines (over 80 km. long) and flowlines (40 km. long) used in launching the first stage of the project was completed;
- The construction of a line pipe for a high pressure pipeline (31 km. long) was completed, and pneumatic tests were conducted;
- Bashneft continues construction of the Central Gathering Station at the Trebs field and the 'Varandey' metering station. Over 3 thousand tonnes of pipe racks have been assembled at the CGS; commercial oil metering equipment has been installed at the metering station.



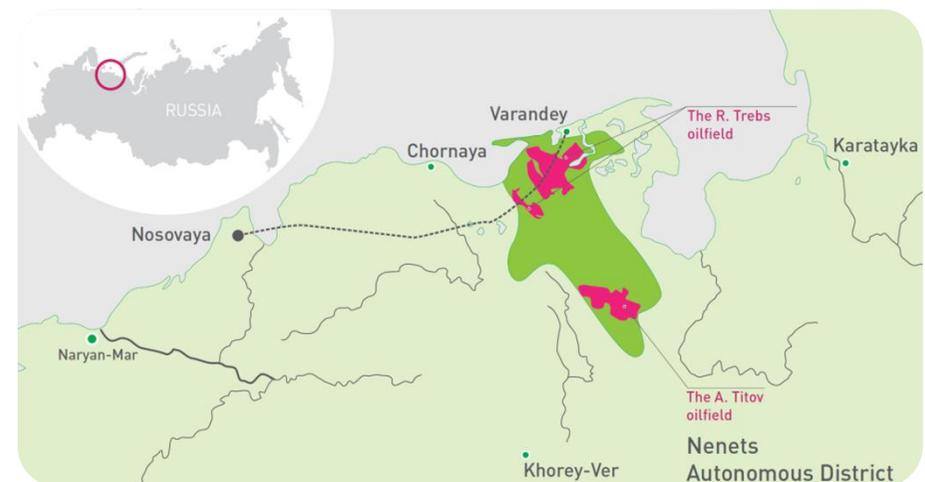
Bashneft implements the programme for developing the R.Trebs and A.Titov fields right on schedule to ensure that the first oil will be produced at these fields as early as in 2013, as expected.

Plans for 2013

- In the second half of 2013, Bashneft plans to produce about 300 thousand tonnes of oil at exploration wells at the R.Trebs field;
- There will be 3 well clusters at the R.Trebs field and 2 well clusters at the A.Titov field, where 16 new wells (9 and 7 respectively) will be drilled in 2013-2014;
- The total number of production wells at two fields is expected to exceed 200 wells (for the entire development of project).

Production is to start in 2013

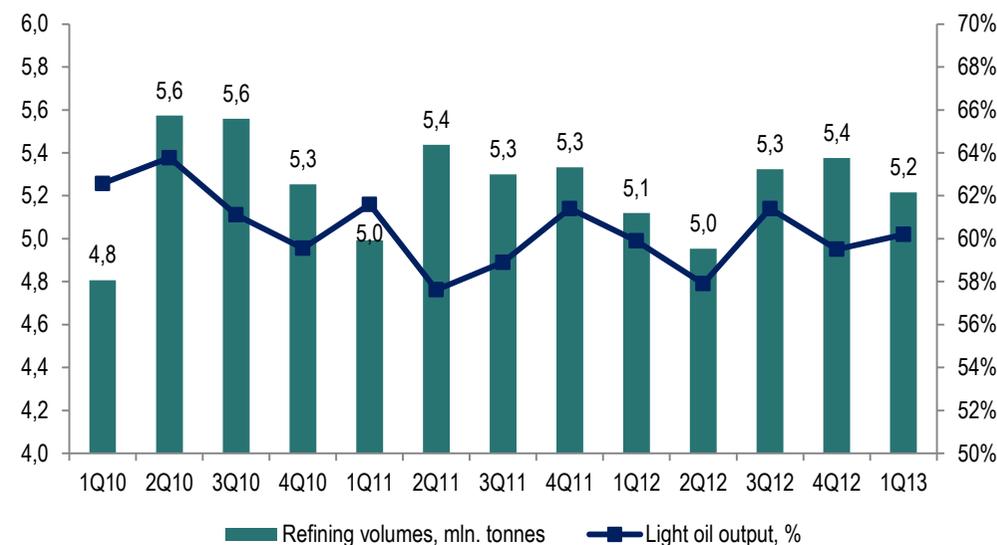
Peak production is to be reached in 2018



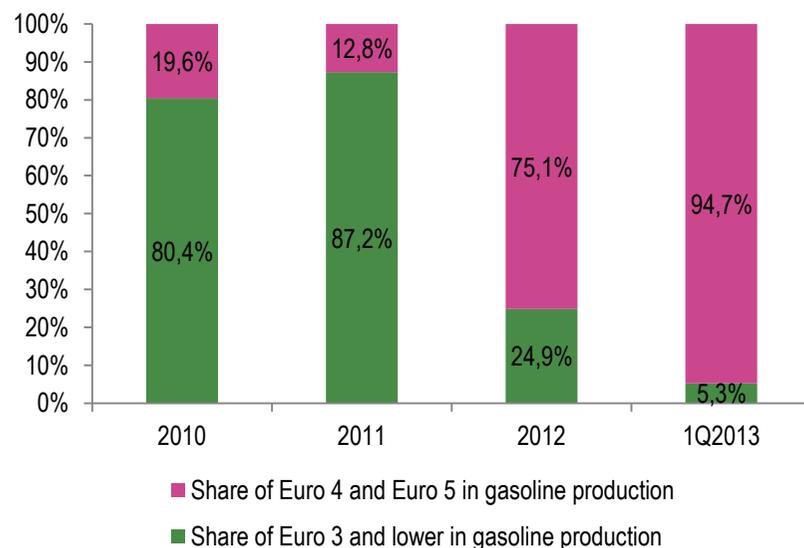
The refinery upgrade programme implemented at the Ufa refineries enables Bashneft to meet the requirements of the Technical Regulations for fuel quality in due time

Oil refining

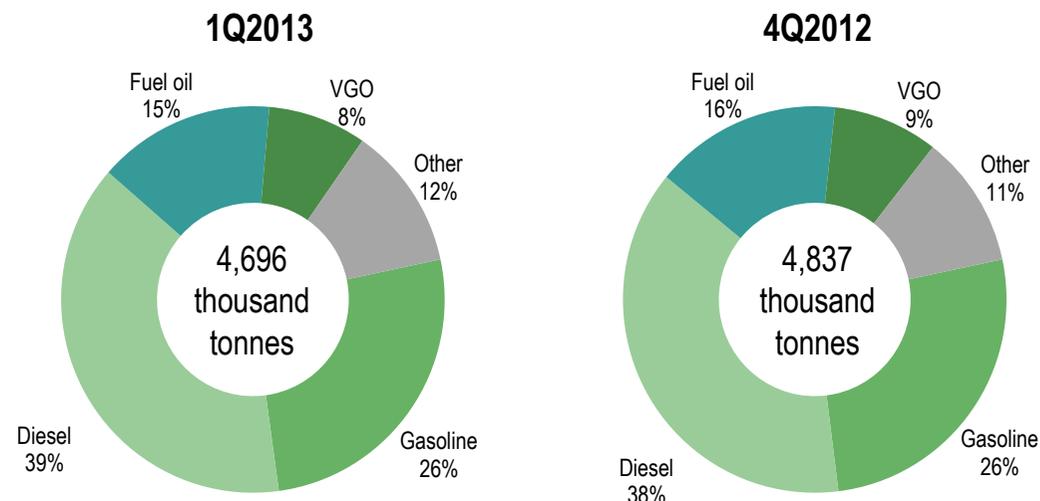
- In the first quarter of 2013, Bashneft refined 5.2 million tonnes of oil, which accounts for about 7.8% of the total refining in Russia;
- The construction was completed and a complex of sulphuric acid alkylation unit at Novoilhas been put into full operation in May. The implementation of the project will enable Bashneft's refining complex to improve the quality of engine fuels and increase the output of Euro 5;
- In the first quarter of 2013 the product mix changed considerably; this is especially true of gasoline. The share of gasoline meeting the Euro 4 and higher standards increased to 94.7% compared to 19.6% in 2010.



Gasoline meeting the Euro standard



Petroleum products and petrochemicals



Most important upgrade projects in 2012-2013

Ufaneftekhim



Increasing the capacity of the existing delayed coker

- In 2012 the project aimed at increasing the capacity of the delayed coker from 1.2 million tonnes per year to 1.6 million tonnes per year was completed.

Renovation of the hydrocracker

- The capacity of the hydrocracker increased by a factor of more than 1.5 (from 0.9 million tonnes to 1.5 million tonnes).

Novoil



Refitting the catalytic gas production facilities: upgrading the gas fractionation and isomerization units

- The capacity of the unit totals about 2 thousand tonnes per day.
- The project is aimed at improving the quality of engine fuels.

Construction of sulphuric acid alkylation and regeneration units

- The complex of sulphuric acid alkylation (SKA) and sulphuric acid regeneration (ROSK) units has been put into operation.
- The capacity of the SKA unit totals 1.2 thousand tonnes of pure alkylate per day; while ROSK regenerates 132 tonnes of sulphuric acid per day.

In the sphere of oil refining, Bashneft implements over 30 investment projects aimed at completing the following primary tasks:

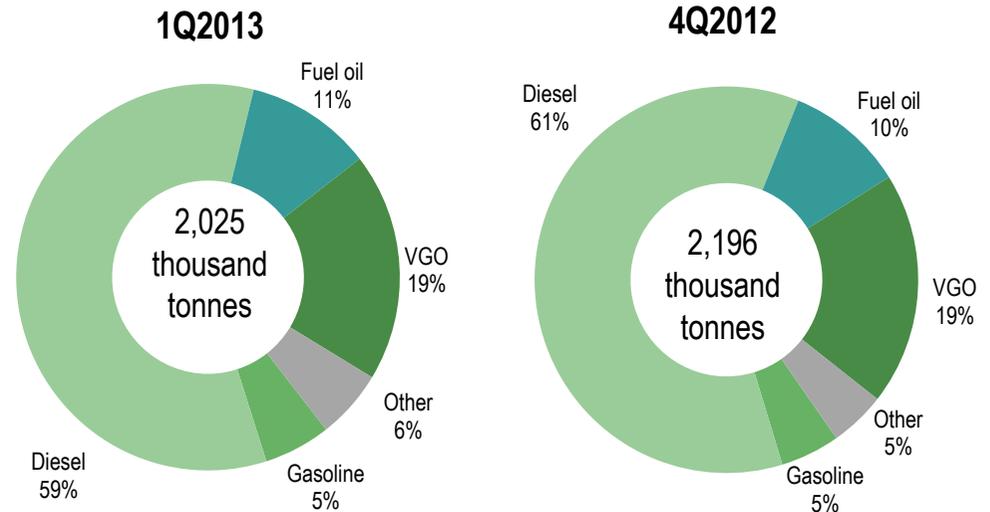
- Continuing the implementation of the upgrade programme, maintaining the leadership in terms of refining depth and the Nelson Index;
- Optimizing the petroleum product mix and completely switching over to the production of Euro 5 fuels by 2015;
- Increasing oil refining depth and the share of light products.

Key projects on refinery upgrades up to 2017

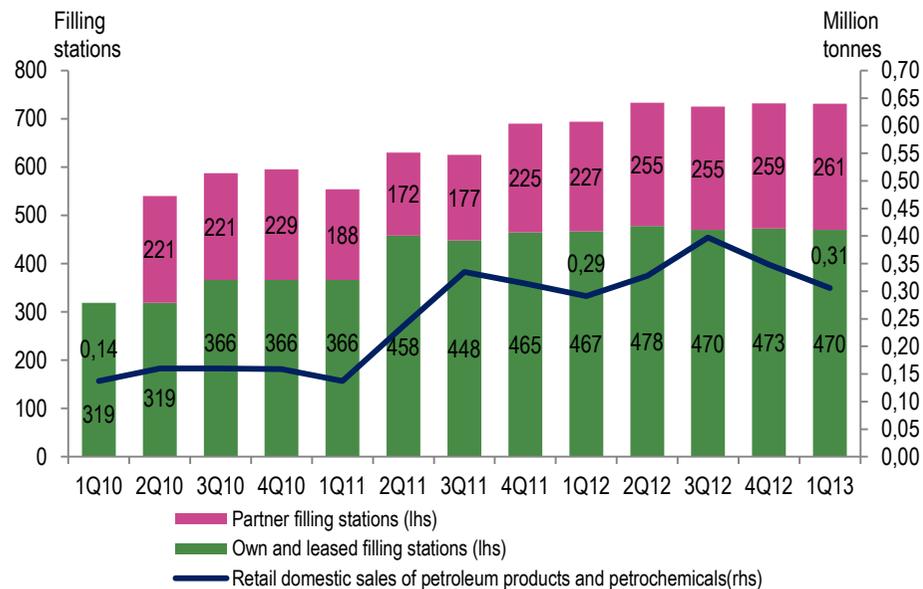
Ufa Oil Refinery	<u>Construction of a catalytic cracking gasoline hydrotreater</u> To be completed - 2013	<ul style="list-style-type: none"> ● The rated capacity of the unit totals 1,260 thousand tonnes per year; ● The implementation of the project will allow to improve the quality of produced gasoline by reducing sulphur content;
	<u>Construction of a new delayed coker</u> To be completed - 2016-2017	<ul style="list-style-type: none"> ● After the unit is commissioned, it will be possible to increase refining depth at the refinery to 95%;
Novoil	<u>Construction of a hydrogen production unit</u> To be completed - 2014	<ul style="list-style-type: none"> ● The rated capacity of the unit totals up to 153 thousand tonnes of hydrogen per year; ● The unit will fully satisfy the demand for hydrogen for the units at the Ufa refineries producing Euro 4 and Euro 5 engine fuels with extremely low sulphur content.

- The number of Bashneft's own and leased filling stations increased from 319 at the beginning of 2010 to 470 in the first quarter of 2013;
- Fuel sales via Bashneft's filling stations more than doubled since the beginning of 2010 and totalled 306 thousand tonnes in the first quarter of 2013;
- Since April 2010, Bashneft has been actively implementing a partnership programme; currently, it sells fuel via 261 partner filling stations in 20 regions of Russia;
- In July 2012, Bashneft's network of own filling stations completed the transition to selling Euro 5 gasoline and diesel fuel.

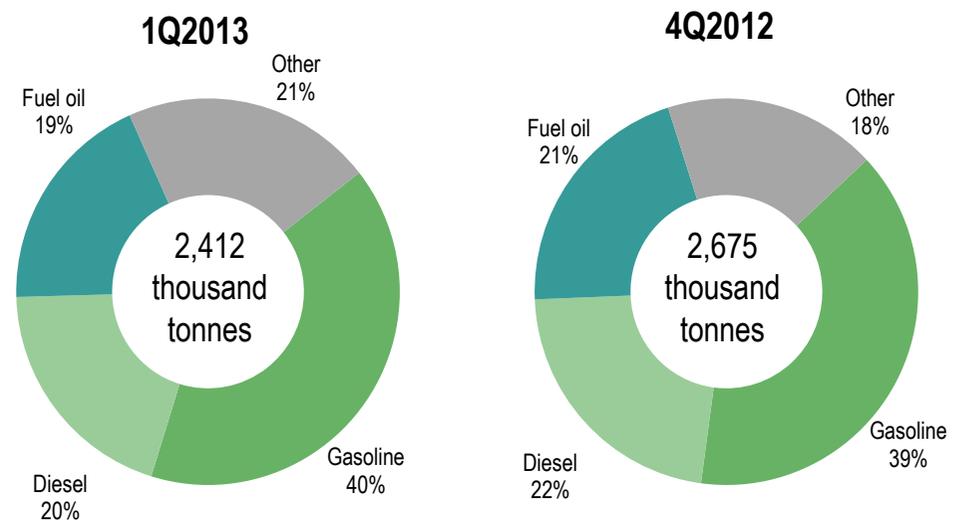
Exports of petroleum products



Number of filling stations, retail sales of petroleum products



Domestic sales of petroleum products



Rebranding of Bashneft's filling stations: 98 stations by the end of 2013

The concept of Bashneft's brand includes a uniform style and exterior design, as well as (depending on the type of filling stations) availability of additional services:

- Shops with a wide range of fast-moving consumer goods and related goods (food, automobile chemicals, basic goods, newspapers and magazines);
- Fast-food cafes, where customers will be offered cakes, sandwiches, light snacks and, of course, a cup of fresh coffee;
- Fuelling services;
- Other services (vacuum cleaning, pumping up the tyres, topping up the radiator; car wash).

The Republic of Bashkortostan:

- Renovation – 6;
- Rebranding – 43.

The Orenburg region:

- Renovation – 4;
- Rebranding – 7.

The Republic of Udmurtia:

- Rebranding – 12.

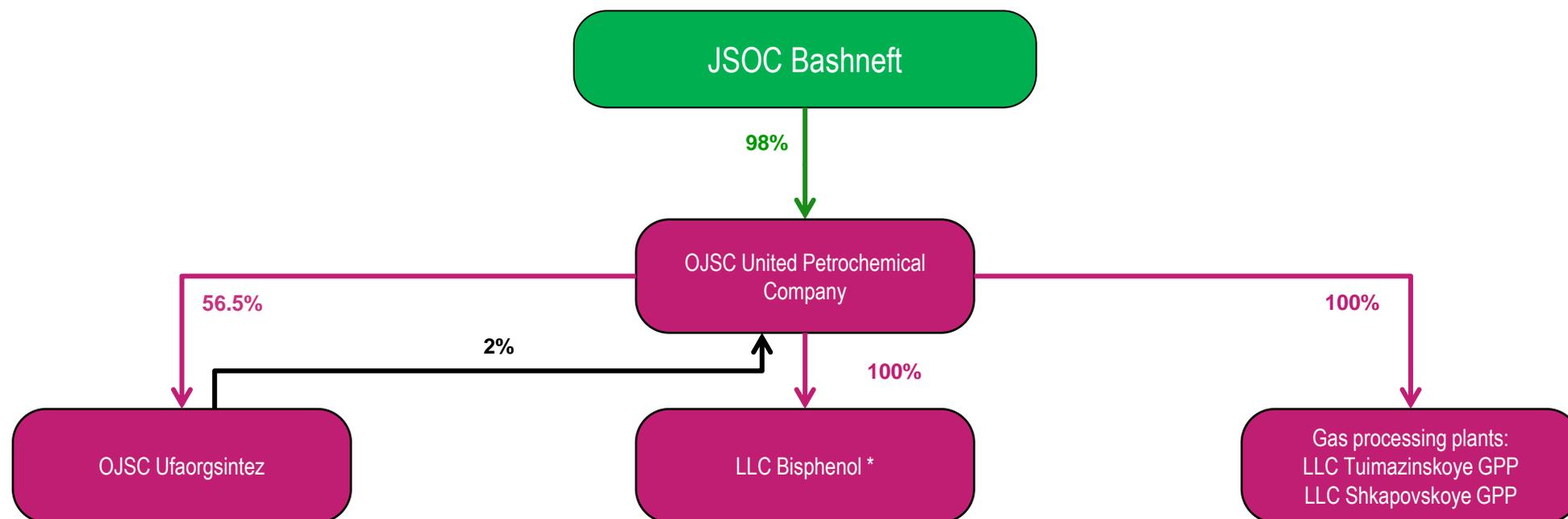
The Sverdlovsk and Kurgan Regions:

- Renovation – 7;
- Rebranding – 19.



In 2013—2015 Bashneft plans to invest 6.5 billion roubles in the programme aimed at renovating and redesigning its filling stations in accordance with the new corporate standard. The programme will cover 243 filling stations, which accounts for almost 50% of Bashneft's retail network currently comprising 470 stations.

Bashneft has consolidated its petrochemical assets in order to develop petrochemical production as a separate business



Stages in restructuring Bashneft Group’s petrochemical assets



* Bashneft-Ufimsky refinery plant Branch (bisphenol-A production unit)

** Pending registration of the report of OJSC UPC on the results of issue of securities by the FSFR and registration of the transfer of the title to real estate

Macro indicators, 1Q 2013*

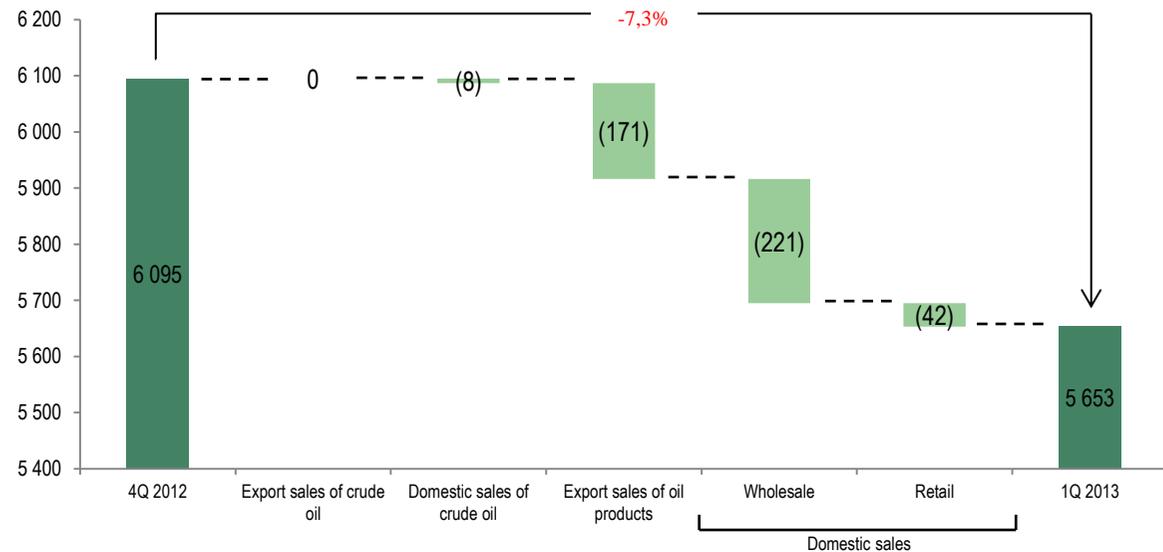
1Q 2013	4Q 2012	Δ, %	Indicator	1Q 2013	1Q 2012	Δ, %
30.4	31.1	-2.3%	Average RUB/USD exchange rate	30.4	30.3	0.3%
1.9%	1.4%	0.5 p.p.	Inflation for the period, %	1.9%	1.5%	0.4 p.p.
24.0	24.1	-0.4%	Diesel fuel - summer (Russia), thousand roubles/tonne	24.0	21.4	12.2%
26.1	27.0	-3.2%	High-octane gasoline (Russia), thousand roubles/tonne	26.1	23.2	12.6%
8.4	9.4	-10.7%	Fuel oil (Russia), thousand roubles/tonne	8.4	9.0	-6.5
5.3	5.0	5.1%	Mineral extraction tax (oil), thousand roubles/tonne	5.3	5.3	-0.4%
12.4	12.6	-2.2%	Crude oil export duty, thousand roubles/tonne	12.4	12.1	1.9%
8.2	8.3	-2.2%	Export duty on light and medium distillates, thousand roubles/tonne	8.2	8.0	1.9%

* Prices for oil and petroleum products presented on this slide are industry averages. Data on the mineral extraction tax and export duty rates do not include possible exemptions for each specific player in the industry. The data on prices and tax rates are not for Group valuation.

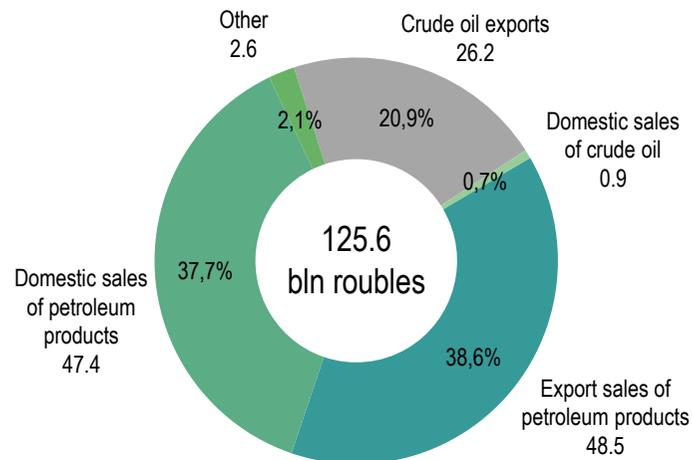


- In the first quarter of 2013, Bashneft Group's revenue totalled 125,580 million roubles, which is 10.2% less than in the fourth quarter of 2012. The decrease in revenue was caused mainly by a reduction in sales of petroleum products and petrochemicals;
- In the first quarter of 2013, other revenue increased by 3.2% as compared to the fourth quarter of 2012 and totalled 2.621 million roubles. Revenue from other sales includes revenue from maintenance and drilling services provided to external customers.

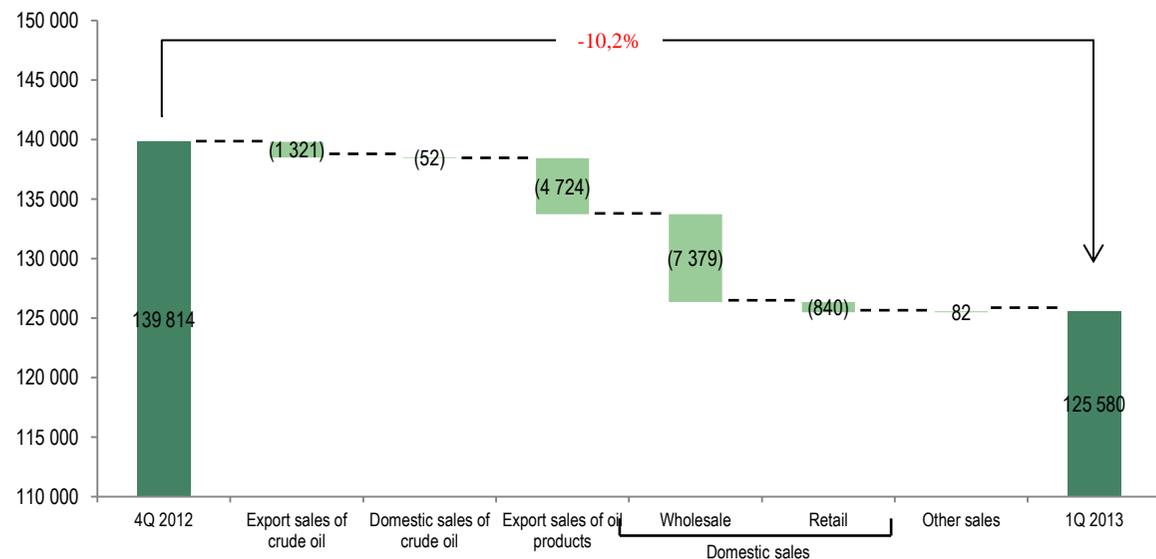
Revenue factor analysis, thousand tonnes, 1Q 2013 vs. 4Q 2012



Revenue breakdown for 1Q 2013, billion roubles

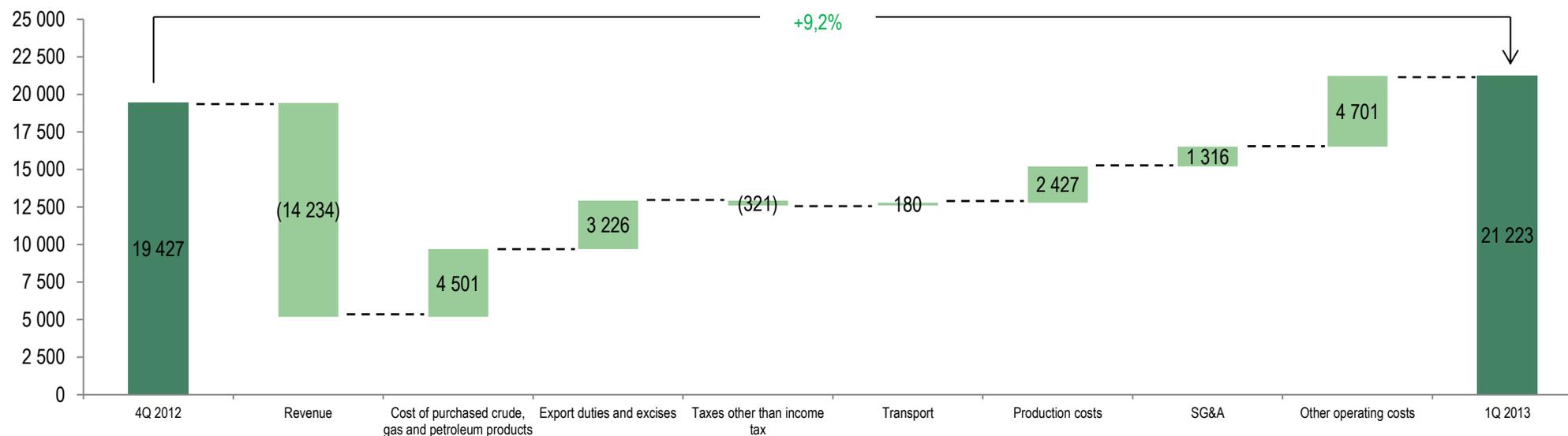


Revenue factor analysis, million roubles, 1Q 2013 vs. 4Q 2012

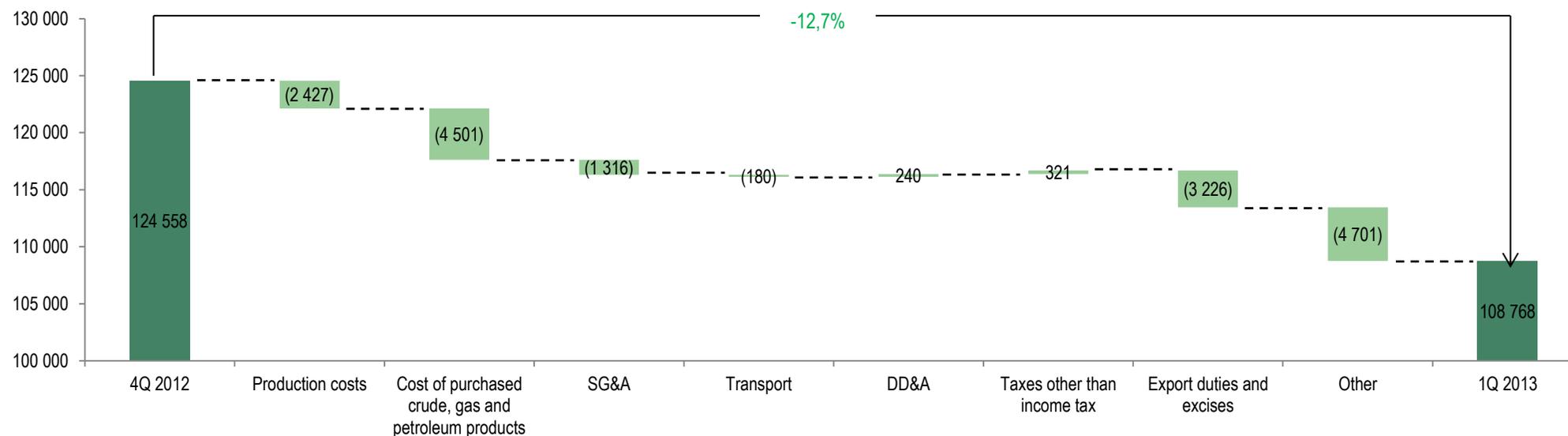


Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 1Q 2013 vs. 4Q 2012



Factor analysis of operating expenses, million roubles, 1Q 2013 vs. 4Q 2012



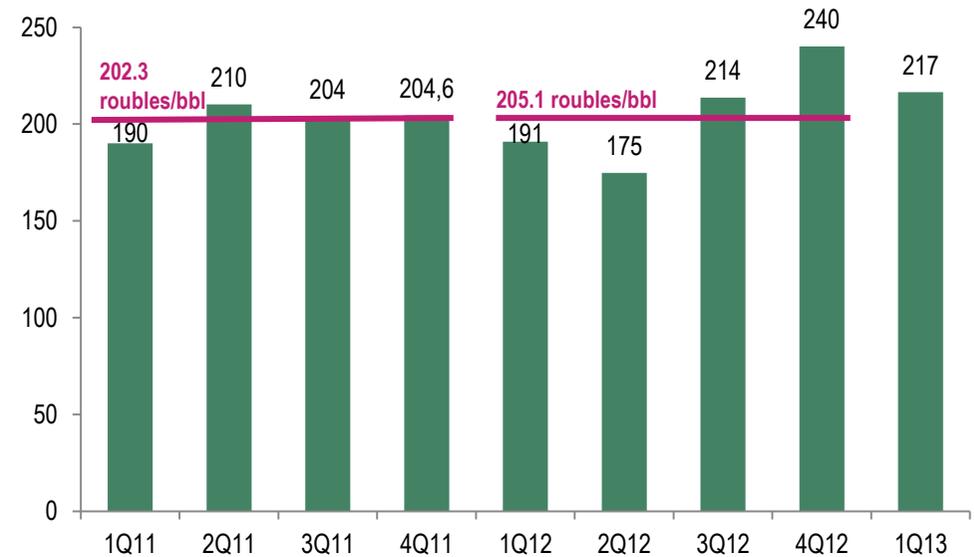
Changes in operating expenses

1Q 2013	4Q 2012	Δ, %	Operating expenses, bln roubles	1Q 2013	1Q 2012	Δ, %
12.5	14.9	-16.3%	Production and operating expenses	12.5	11.3	10.3%
28.7	33.2	-13.6%	Cost of purchased crude oil, gas and petroleum products	28.7	29.5	-2.7%
3.5	4.8	-27.4%	Selling, general and administrative expenses	3.5	3.1	13.5%
6.8	6.9	-2.6%	Transportation costs	6.8	5.4	24.6%
4.4	4.2	5.8%	Depletion and depreciation	4.4	4.4	-0.5%
16.5	16.2	2.0%	Taxes other than income tax	16.5	16.3	1.3%
36.6	39.8	-8.1%	Export duties and excises	36.6	30.3	20.9%
-0.1	4.6	-102.8%	Other operating income/expenses, net	-0.1	-2.0	-93.7%
108.8	124.6	-12.7%	Total operating expenses:	108.8	98.2	10.7%

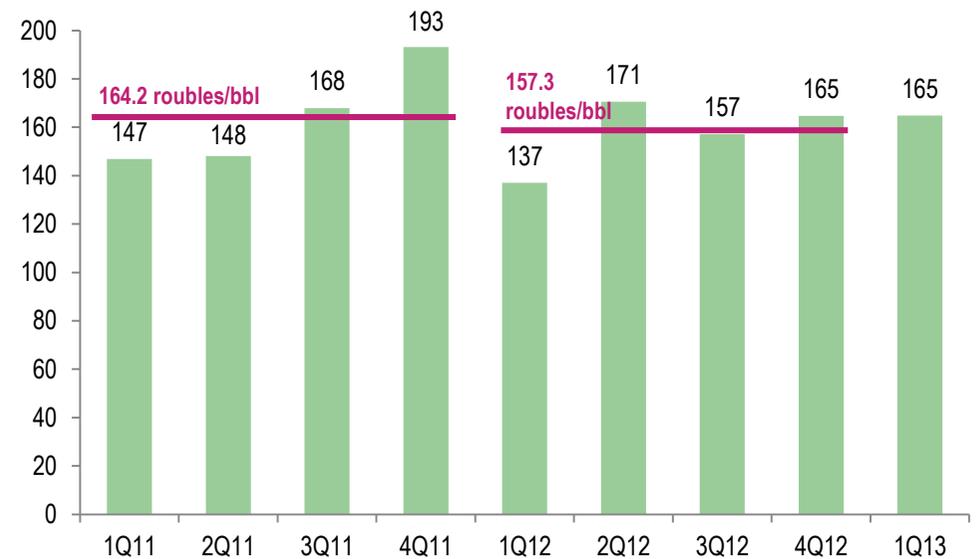
- In the 1st quarter of 2013, the cost of purchased crude oil, gas and petroleum products fell by 13.6% as compared to the 4th quarter of 2012 and totalled 28,705 million roubles. This change was caused mainly by a decrease in the volume of purchased crude oil due to an increase of petroleum products and petrochemicals stocks;
- In the first quarter of 2013, transportation costs of Bashneft Group went down by 2.6% as compared to the fourth quarter of 2012 and amounted to 6,759 million roubles. This was caused primarily by an overall decrease in sales volumes, which was partially offset by higher transportation tariffs;
- In the first quarter of 2013, the total amount of export duties on oil and petroleum products decreased by 11.0% as compared to the fourth quarter of 2012 to 27,958 million roubles due to a reduction in export sales of oil and petroleum products to countries outside the CIS, as well as lower export duty rates;
- In the 1st quarter of 2013, the total amount of excise increased by 2.6% as compared to the 4th quarter of 2012 to 8,619 million roubles due to an increase in excise rates in 2013. This increase was partially offset by a 19.8% reduction in diesel fuel sales and a 6.2% decrease in sales of high-octane gasoline.

- In the first quarter of 2013, unit costs for production of crude oil decreased by 9.8% as compared to the fourth quarter of 2012 and amounted to 216.5 roubles per barrel due to a considerable amount of geological and engineering operations in the fourth quarter of 2012;
- In the first quarter of 2013, unit costs for production of crude oil increased by 13.4% as compared to the first quarter of 2012, which was related mainly to an increase in the amount of geological and engineering operations, higher cost of services provided by contractors and a rise in heat and electricity prices.
- In the first quarter of 2013, unit refining costs remained the same as in the fourth quarter of 2012 and totalled 164.8 roubles per barrel;
- In the first quarter of 2013, unit refining costs increased by 20.3% as compared to the first quarter of 2012 mainly due to a rise in heat and electricity prices and inflation.

Unit production costs, roubles/bbl*



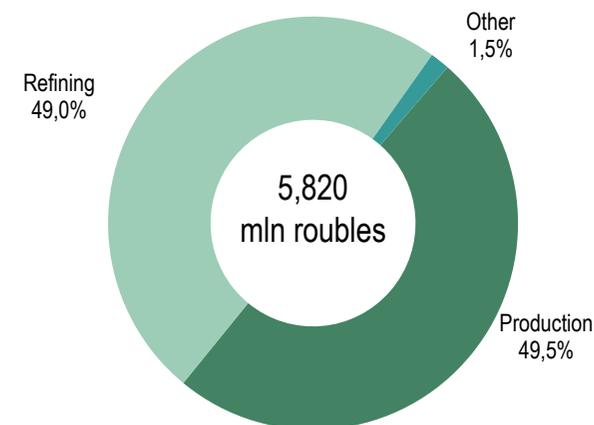
Unit refining costs, roubles/bbl*



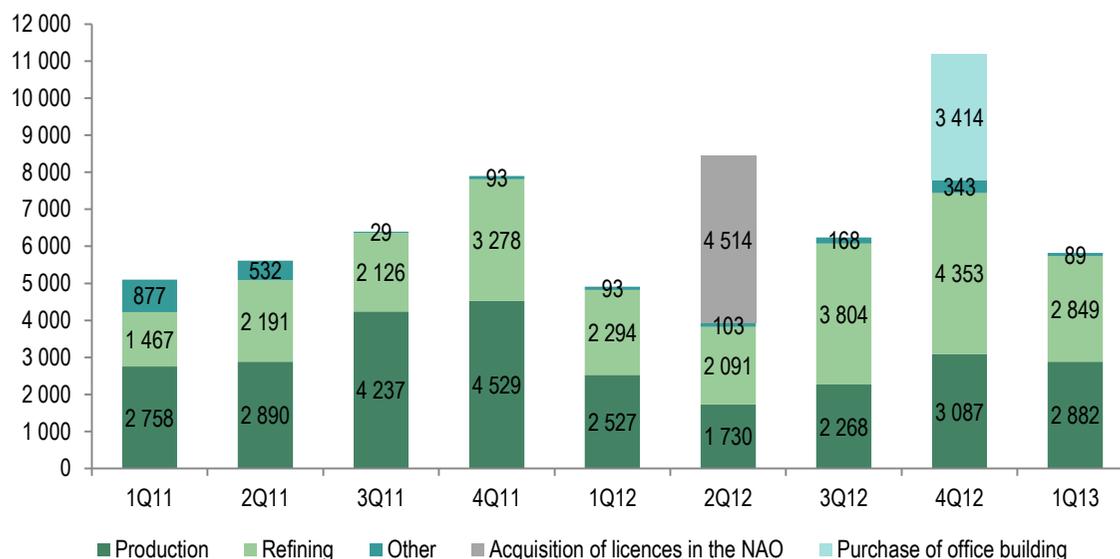
* 1 tonne = 7.3 barrels of crude oil

- In the first quarter of 2013, capital expenditure decreased by 48.0% compared to the fourth quarter of 2012 and totalled 5,820 million roubles. This reduction was related mainly to the acquisition of an office building in Moscow for 3,414 million roubles in the 4th quarter of 2012 and partial completion of works in the Refining segment;
- In the first quarter of 2013, capital expenditure increased by 18.4% compared to the first quarter of 2012, which was related mainly to an increase in CAPEX in the Refining segment.

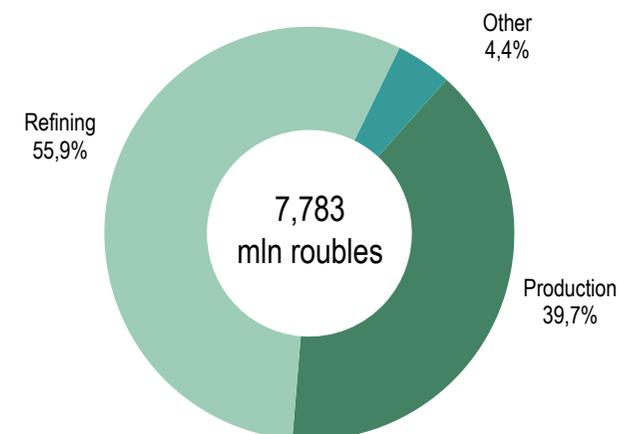
CAPEX breakdown in 1Q 2013, million roubles



CAPEX and investments in the acquisition of property, plant and equipment, million roubles



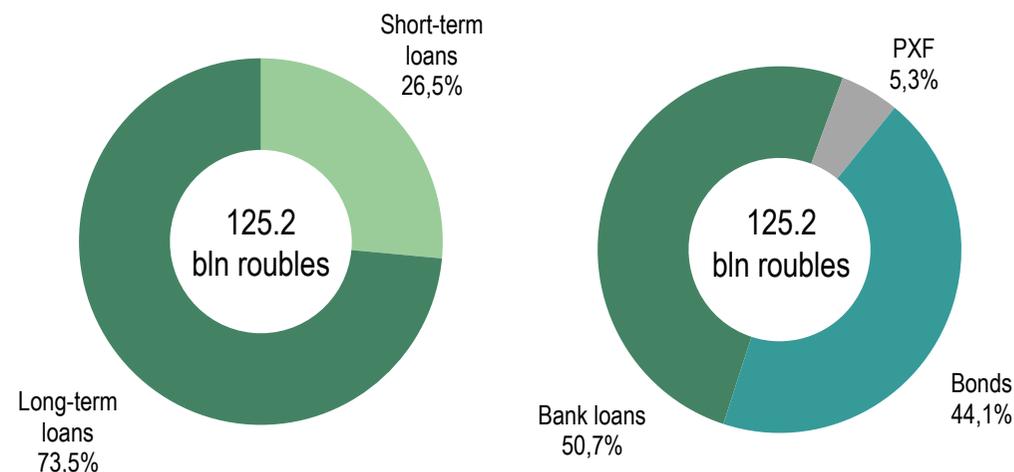
CAPEX breakdown in 4Q 2012, mln roubles¹



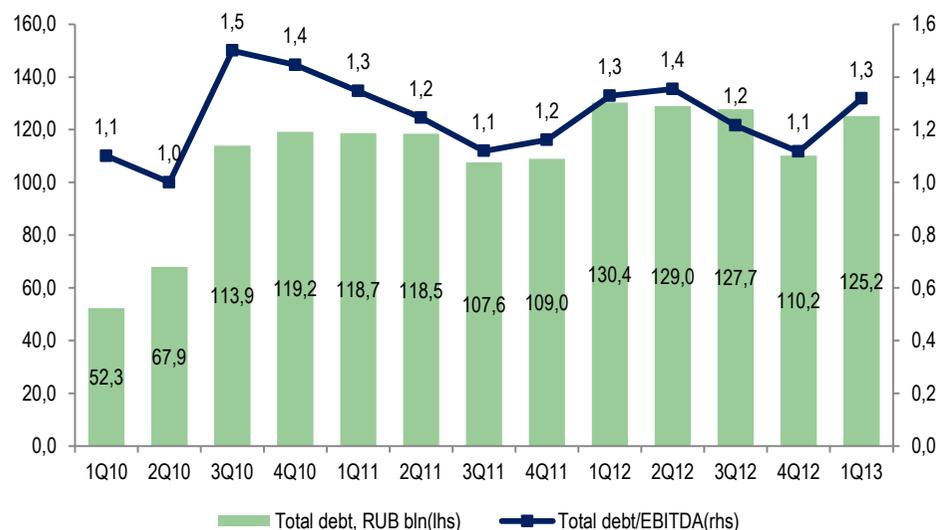
(1) Less the acquisition of an office building in Moscow for 3,414 million roubles in the fourth quarter of 2012.

- As of March 31, 2013, the Group's total debt in the form of short-term and long-term borrowings amounted to 125.2 billion roubles;
- Total debt increased as Bashneft issued series 06, 07, 08 and 09 Bonds worth a total of 30,000 million roubles; this increase was partially offset by the repayment of a loan;
- As of March 31, 2013, the annual weighted average interest rate on loans remained at the level of 8.4%.

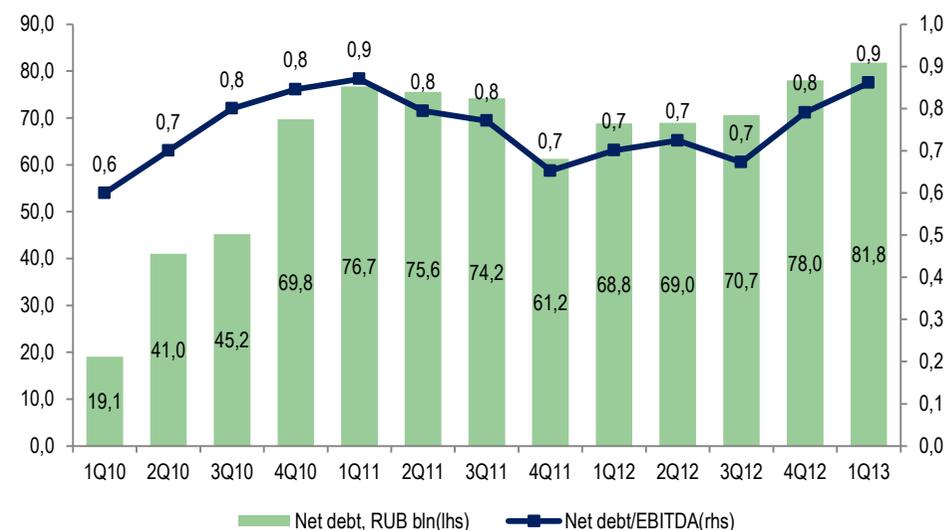
Debt structure, bln roubles



Total debt ratios



Net debt ratios





BASHNEFT

JOINT STOCK OIL COMPANY

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