



Bashneft Group

**IFRS Financial Results
for 2Q and 1H 2012**



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” 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, deteriorating economic and credit 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.

Operating results

- **Oil production** changed insignificantly and totalled 3,811 thousand tonnes;
- **Crude oil refining** decreased by 3.2% to 4,954 thousand tonnes;
- **Refining depth** increased by 1.5 p.p. to 85.8%;
- **Light oil output** decreased by 2.0 p.p. to 57.9%;
- **Petroleum product sales** increased by 9.2% to 4,737 thousand tonnes;
- **Retail sales** increased by 12.7% to 328 thousand tonnes;

Financial results

- **Revenue** increased by 4.1% to US\$ 4,082 million;
- **EBITDA** totalled US\$ 763 million, having decreased by 7.4%;
- **Net profit** decreased by 24.1% to US\$ 337 million;
- **Operating cash flow** amounted to US\$ 1,000 million compared to US\$ 186 million in the 1st quarter of 2012;
- **Adjusted net debt** decreased by 10.4% to US\$ 2,103 million;

Main events

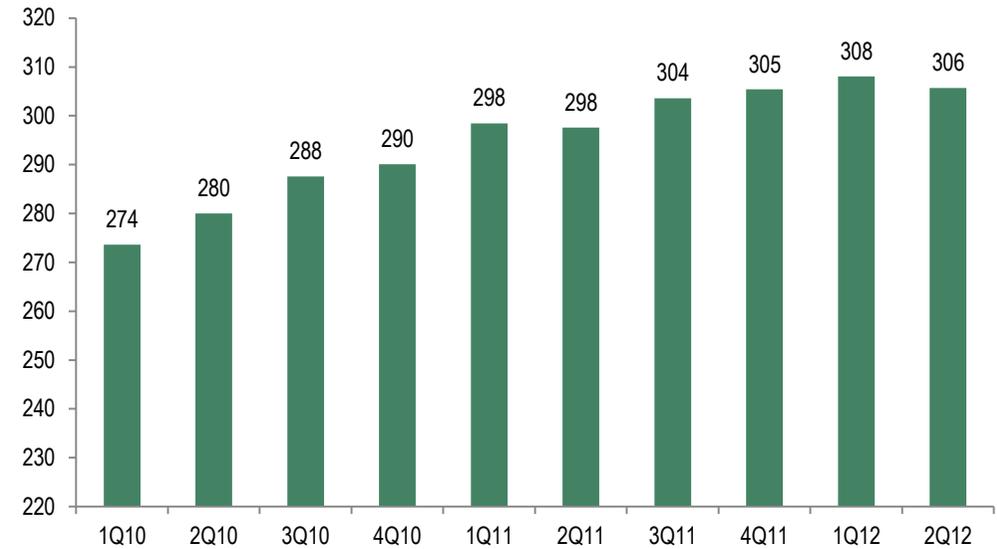
- In April 2012, Moody's Investors Service rating agency assigned the Group a Ba2 corporate family rating and probability of default rating; in May 2012, the Fitch Ratings international rating agency assigned the Group a "BB" long-term foreign and local currency issuer default rating;
- In the 2nd quarter of 2012, the Extraordinary General Meeting of Shareholders of JSOC Bashneft and its subsidiaries approved the reorganization of the Group through legal merger of its subsidiaries (OJSC Ufaneftekhim, OJSC Novoil, OJSC Ufimsky refinery plant, OJSC Bashkirnefteprodukt and OJSC Orenburgnefteprodukt) with Bashneft. Subsequently, as part of reorganization of the Group, JSOC Bashneft and its subsidiaries bought back the securities from the shareholders who had submitted buyback requests (the amount of funds allocated for the buyout of shares totalled US\$ 576 million).

Key Indicators for Bashneft Group in 2Q 2012

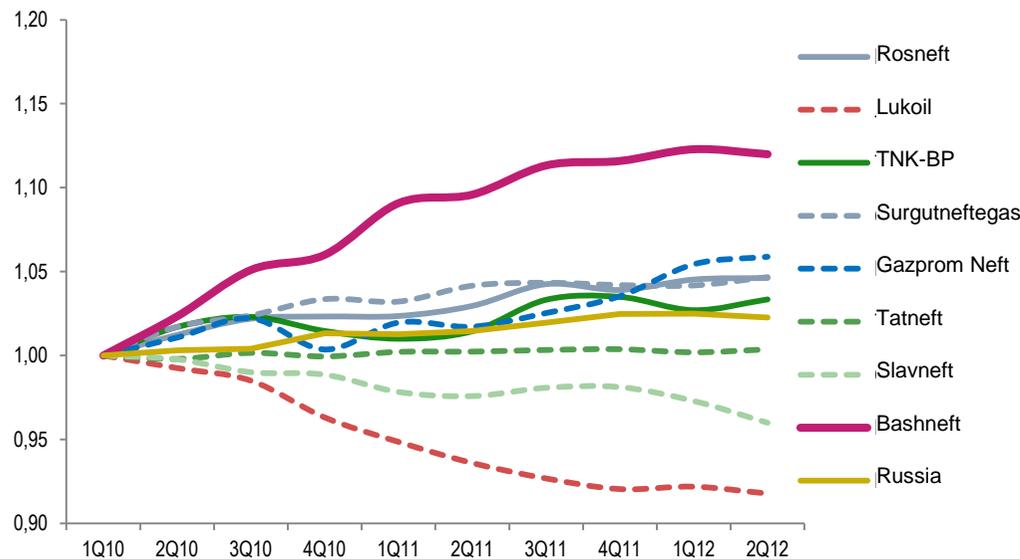
2Q 2012	1Q 2012	Δ, %	Indicator	1H 2012	1H 2011	Δ, %
106.8	117.0	-8.7%	Urals price, US\$/bbl	112.1	108.1	3.7%
3,811	3,840	-0.8%	Crude oil production, '000 tonnes	7,651	7,418	3.1%
4,954	5,120	-3.2%	Oil refining, '000 tonnes	10,074	10,430	-3.4%
4,737	4,337	9.2%	Petroleum product sales, '000 tonnes	9,074	9,475	-4.2%
4,082	3,923	4.1%	Revenue, US\$ mln	8,005	8,008	0.0%
763	824	-7.4%	EBITDA, US\$ mln	1,587	1,648	-3.7%
337	444	-24.1%	Profit for the period, US\$ mln	781	902	-13.4%
274	162	69.1%	Capital expenditures, US\$ mln	436	374	16.6%
2,103	2,346	-10.4%	Adjusted net debt, US\$ mln	2,103	2,693	-21.9%

- The Group's average daily production stabilized at the optimal level for oilfields under development –it has amounted to approx. 306 thousand barrels/day for 4 consecutive quarters;
- In the 1st half of 2012, crude oil production totalled 7,651 thousand tonnes, which is 3.1% higher than in the same period in 2011;
- An increase in crude oil production in the 1st half of 2012 as compared to the same period in 2011 is due to improved efficiency of production drilling and the use of enhanced oil recovery techniques in 2011.

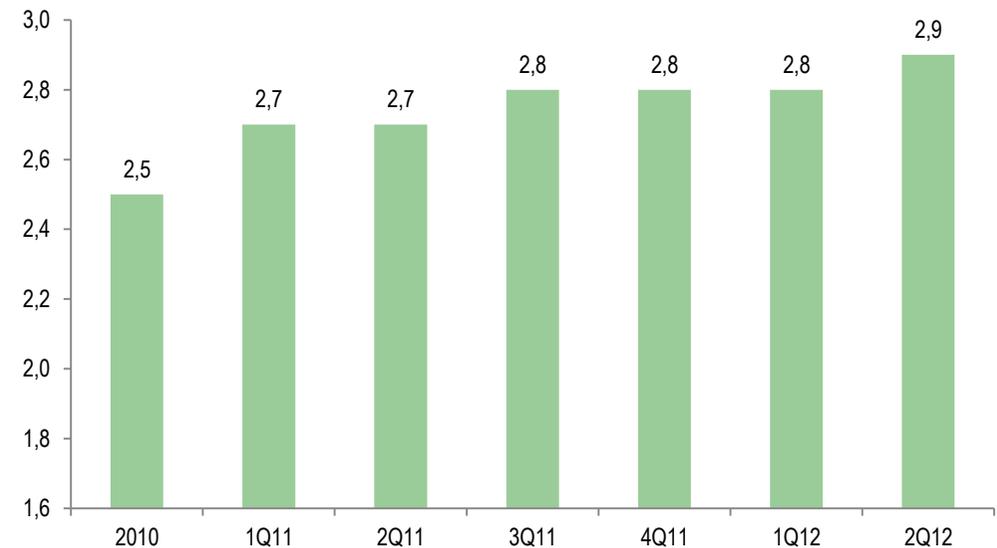
Average daily oil production, th. bbl/d



Average daily output index (1Q '10 = 1)

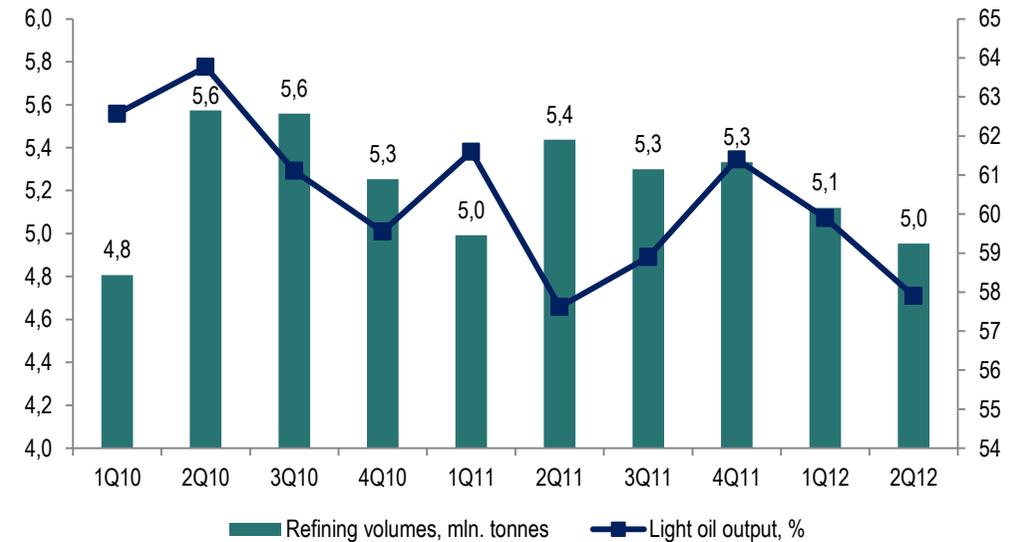


Average flow rate, tonnes/day

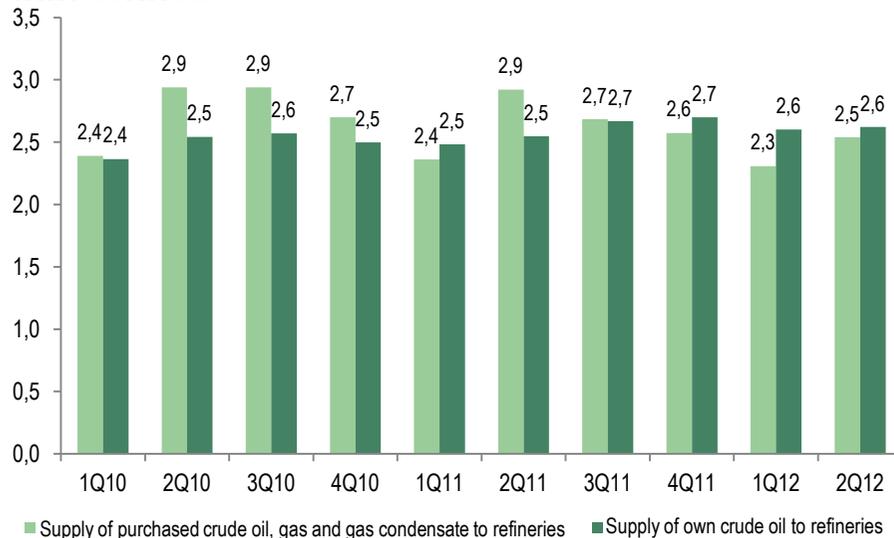


- In the 2nd quarter of 2012, crude oil refining volume amounted to 4,954 thousand tonnes, having decreased by 3.2%; this was mainly due to the shutdown of the Ufimsky refinery plant for scheduled major overhaul and repair works at Novoil;
- Due to repairs conducted at the Ufimsky refinery plant, the basket of petroleum products was reshaped, the emphasis being shifted towards production of vacuum gas oil, which also affected light oil output. At the same time, refining depth increased by 1.5 p.p. and reached 85.8%, which was due to a decrease in fuel oil production.

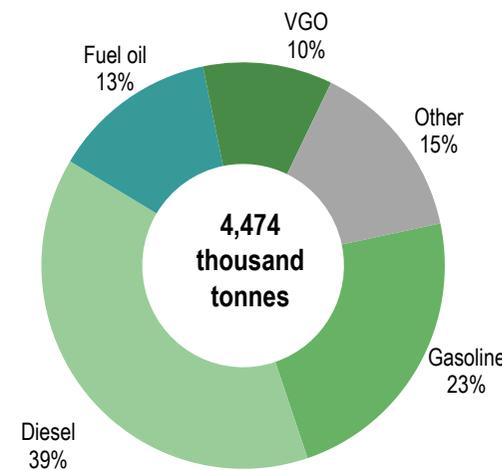
Oil refining



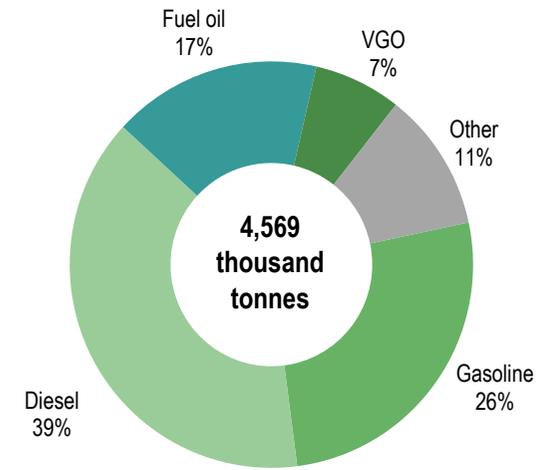
Supply of own and purchased crude oil to refineries, mln tonnes



Petroleum products and petrochemicals, 2Q 2012

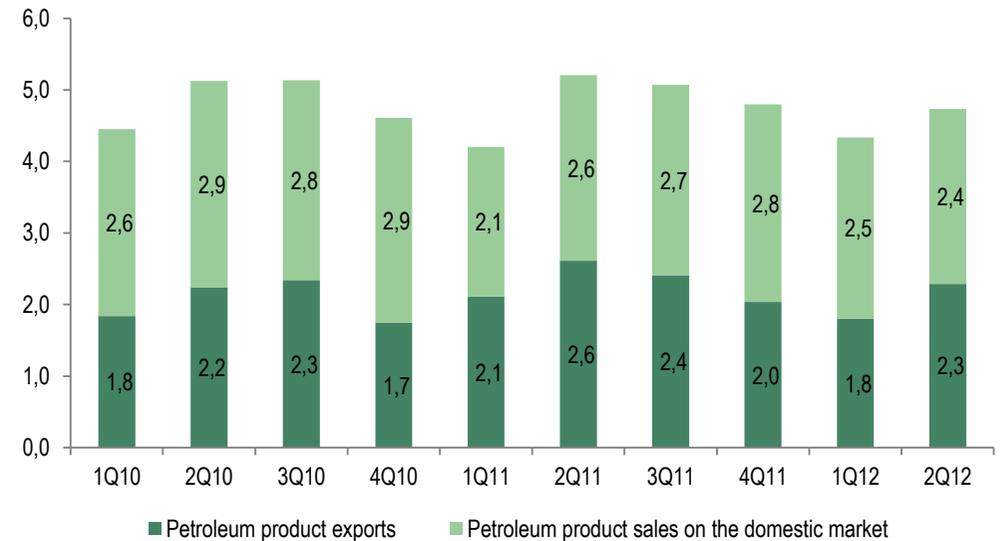


Petroleum products and petrochemicals, 1Q 2012

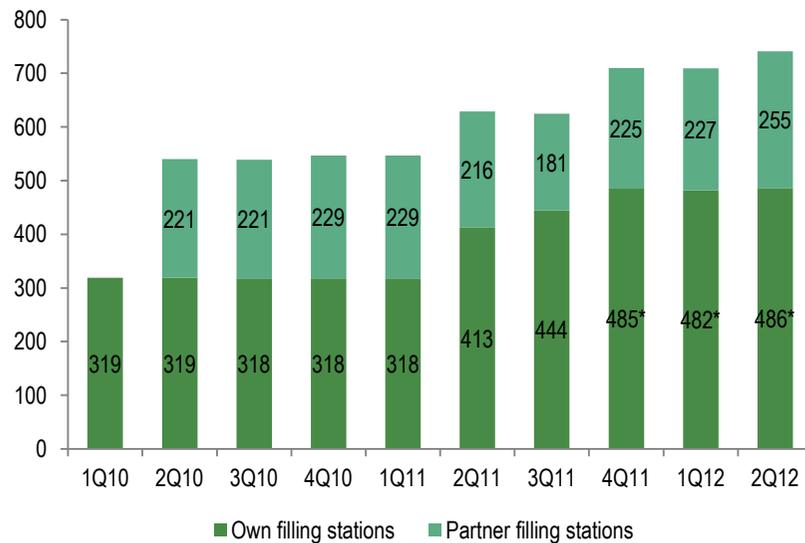


- Export sales of petroleum products and petrochemicals outside the CIS increased by 34.1% (1,426 thousand tonnes in the 2nd quarter of 2012 versus 1,063 thousand tonnes in the 1st quarter of 2012);
- In the 2nd quarter of 2012, the Group sold 2,446 thousand tonnes of petroleum products and petrochemicals on the domestic market;
- In the 2nd quarter of 2012, retail sales of petroleum products amounted to 328 thousand tonnes, which is 12.7% more than in the 1st quarter of 2012. The growth of sales volume was caused by a seasonal increase in demand;
- As of 30 June 2012, Bashneft Group owned 486 filling stations.

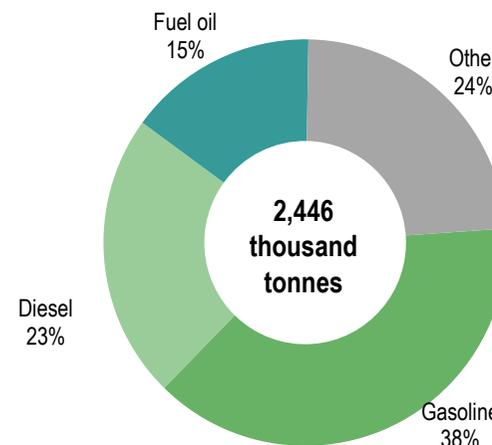
Domestic and export sales of oil products, mln tonnes



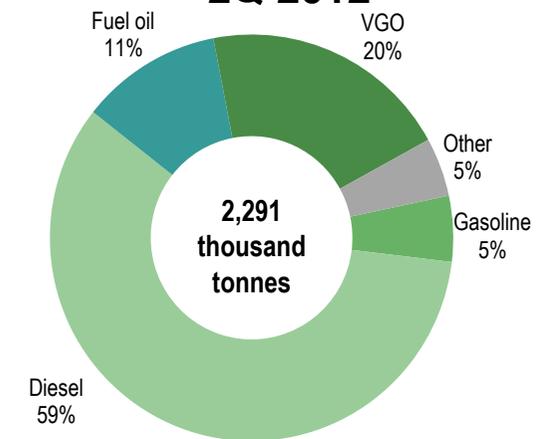
Bashneft retail network



Petroleum product sales on the domestic market, 2Q 2012



Petroleum product exports, 2Q 2012



* Including filling stations that are leased out

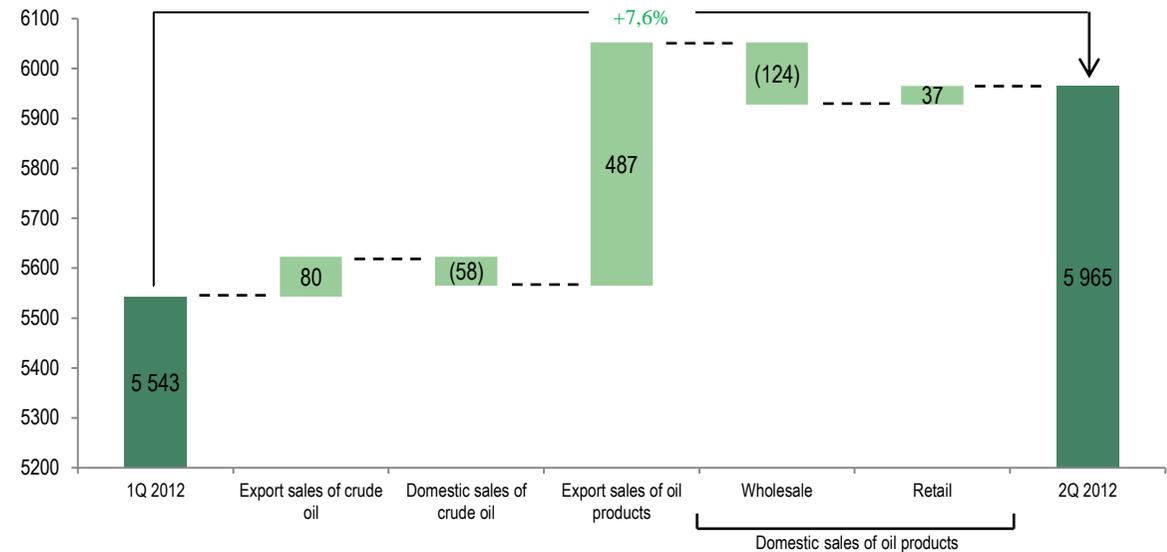
Macro Indicators, 2Q 2012*

2Q 2012	1Q 2012	Δ, %	Indicator	1H 2012	1H 2011	Δ, %
31.0	30.3	2.3%	Average RUB/USD exchange rate	30.6	28.6	7.0%
1.7%	1.5%	0.2 p.p.	Inflation for the period, %	3.2%	5.0%	-1.8 p.p.
722.7	706.3	2.3%	Diesel fuel - summer (Russia), US\$/tonne	714.6	650.2	9.9%
788.2	766.4	2.8%	High-octane gasoline (Russia), US\$/tonne	777.5	809.0	-3.9%
295.2	295.9	-0.2%	Fuel oil (Russia), US\$/tonne	295.5	283.1	4.4%
21.3	23.9	-10.9	Mineral extraction tax (oil), US\$/bbl	22.6	20.5	10.2%
60.7	54.9	10.5%	Crude oil export duty, US\$/bbl	57.8	54.1	6.8%
40.0	36.3	10.2%	Export duty on light and medium distillates, US\$/bbl	38.1	36.6	4.1%

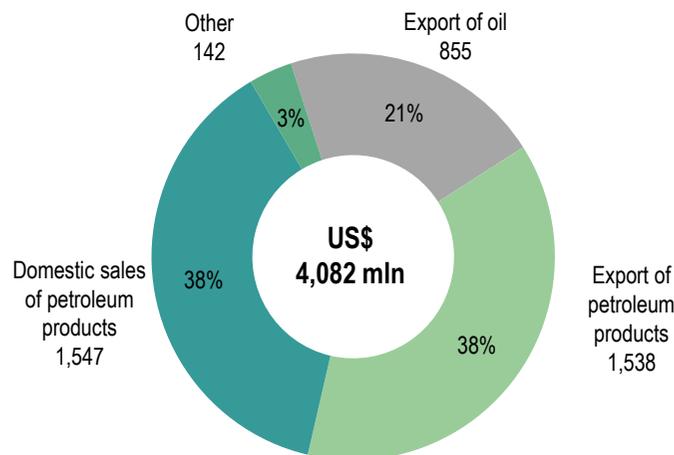
* Prices of oil and petroleum products on this slide are averages for the industry. Tax breaks are not included in Oil MET and Oil export duty rates. Data on prices and tax rates are not for Group valuation.

- In the 2nd quarter of 2012, revenue from export sales of petroleum products and petrochemicals outside the CIS totalled US\$ 1,018 million, which is 18.4% higher than in the 1st quarter of 2012;
- In the 2nd quarter of 2012, revenue from retail sales of petroleum products totalled US\$ 325 million, which is 16.9% higher than in the 1st quarter of 2012.

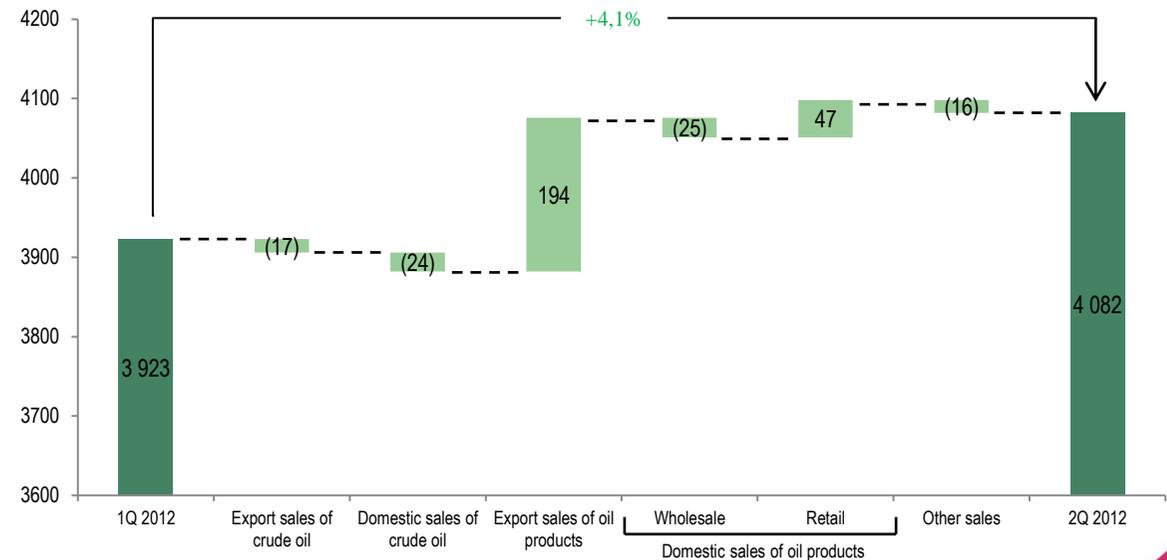
Revenue factor analysis, '000 tonnes, 2Q 2012 vs. 1Q 2012



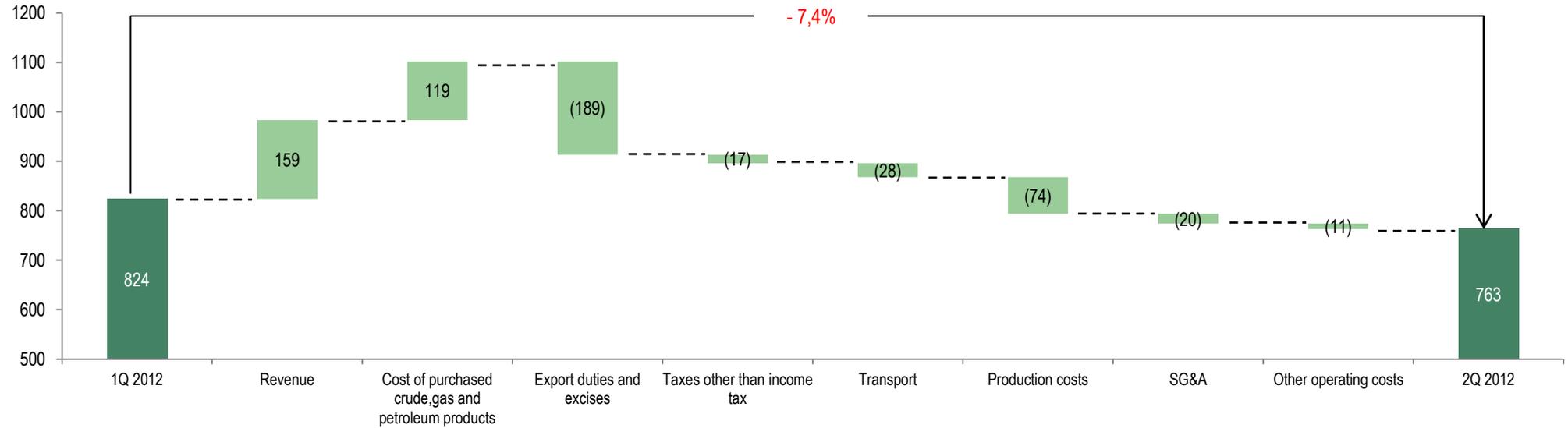
Revenue breakdown 2Q 2012, US\$ mln



Revenue factor analysis, US\$ mln, 2Q 2012 vs. 1Q 2012



EBITDA factor analysis, US\$ mln, 2Q 2012 vs.1Q 2012



EBITDA factor analysis, US\$ mln, 2Q 2012 vs. 2Q 2011

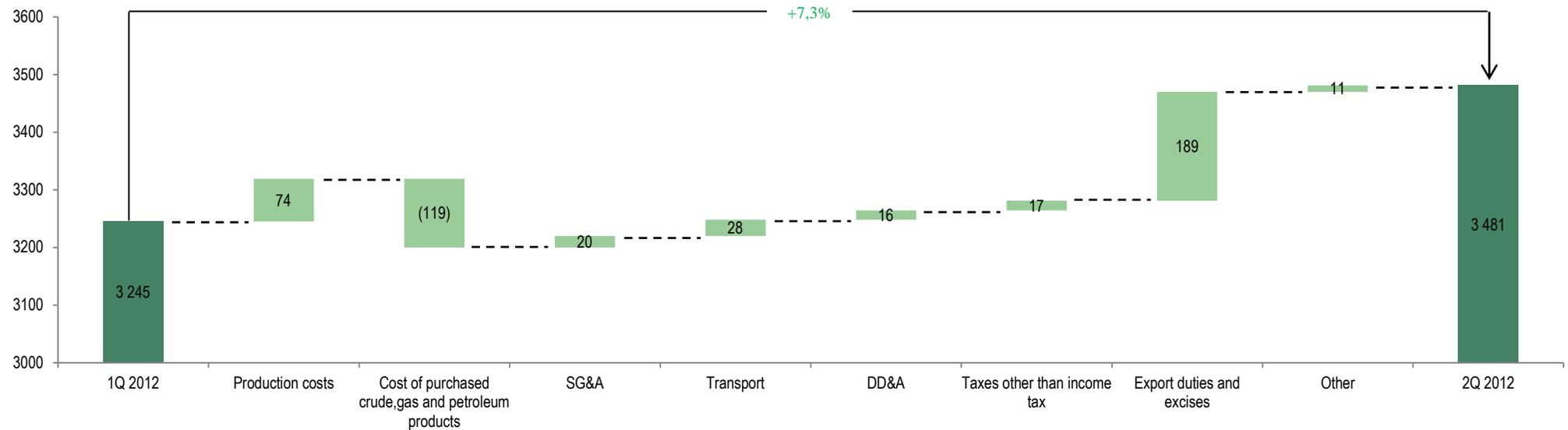


Changes in Operating Expenses

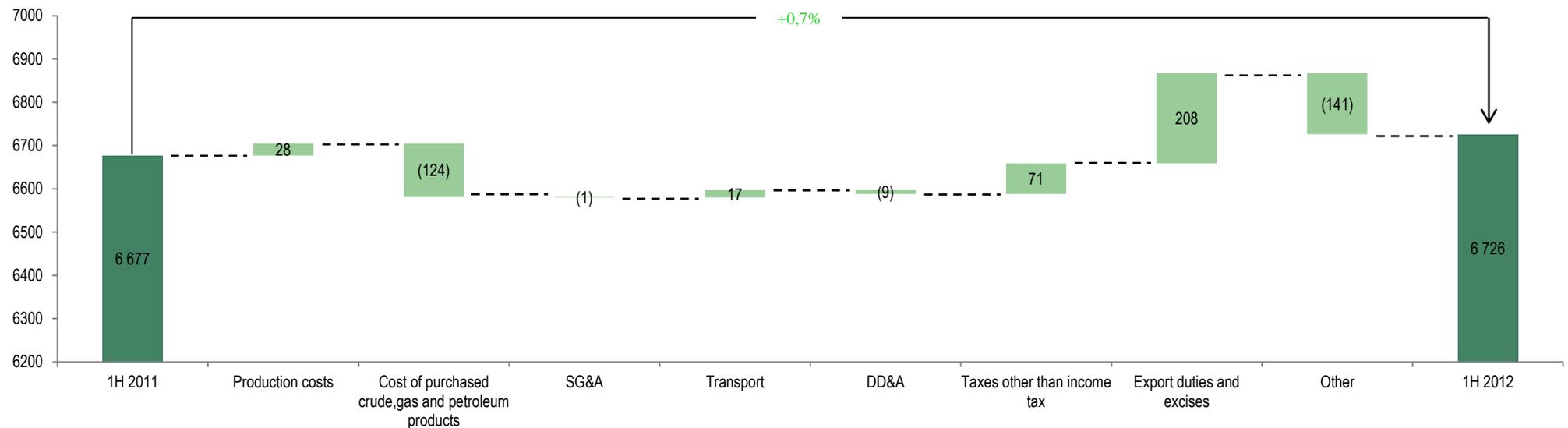
2Q 2012	1Q 2012	Δ, %	Operating expenses	1H 2012	1H 2011	Δ, %
447	373	19.8%	Production and operating expenses	820	792	3.5%
855	974	-12.2%	Cost of purchased crude oil, gas and petroleum products	1,829	1,953	-6.3%
121	101	19.8%	Selling, general and administrative expenses	222	223	-0.4%
207	179	15.6%	Transportation expenses	386	369	4.6%
162	146	11.0%	Depletion and depreciation	308	317	-2.8%
555	538	3.2%	Taxes other than income tax	1,093	1,022	6.9%
1,189	1,000	18.9%	Export duties and excises	2,189	1,981	10.5%
(55)	(66)	16.7%	Other operating income/expenses, net	(121)	20	n/a
3,481	3,245	7.3%	Total operating expenses	6,726	6,677	0.7%

- In the 2nd quarter of 2012, transportation costs of Bashneft Group increased by 15.6% to US\$ 207 million compared to US\$ 179 million in the 1st quarter of 2012 mainly due to a growth in exports of petroleum products outside the CIS. This was partially offset by the weakening of the rouble against the US dollar;
- In the 2nd quarter of 2012, taxes other than income tax increased by 3.2% compared to the 1st quarter of 2012 and amounted to US\$ 555 million. This was caused mainly by an increase in petroleum product sales volume;
- In the 2nd quarter, the total amount of export duties on oil and petroleum products increased by 27.9% compared to the 1st quarter of 2011 and amounted to US\$ 917 million, due to the growth in exports of petroleum products outside the CIS, as well as to the CIS countries outside the Customs Union. The increase in export duties is also due to the growth in exports of crude oil;
- In the 2nd quarter of 2012, the total amount of excises decreased by 3.9% compared to the 1st quarter of 2012 and amounted to US\$ 272 million. This happened due to lower sales volumes in the domestic market.

Operating expenses factor analysis, US\$ mln, 2Q 2012 vs.1Q 2012

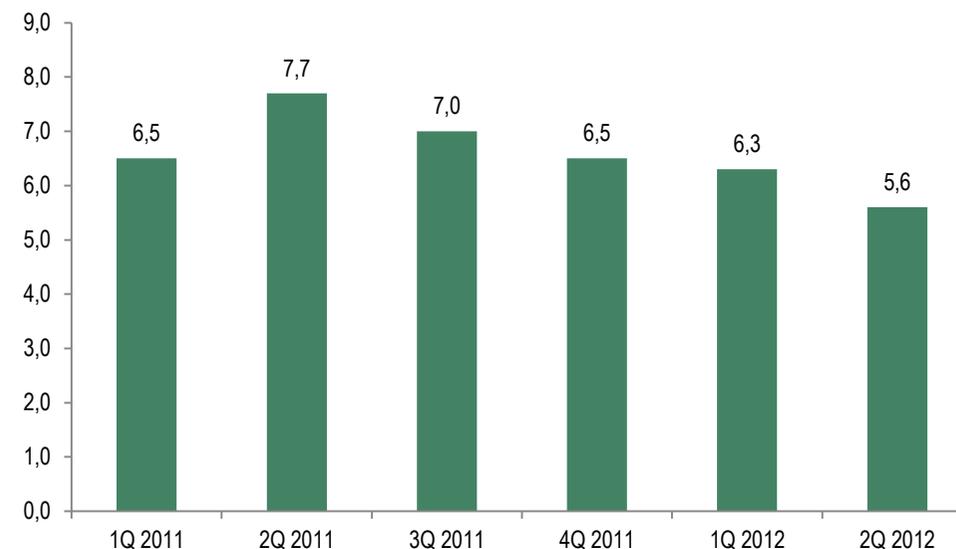


Operating expenses factor analysis, US\$ mln, 1H 2012 vs. 1H 2011



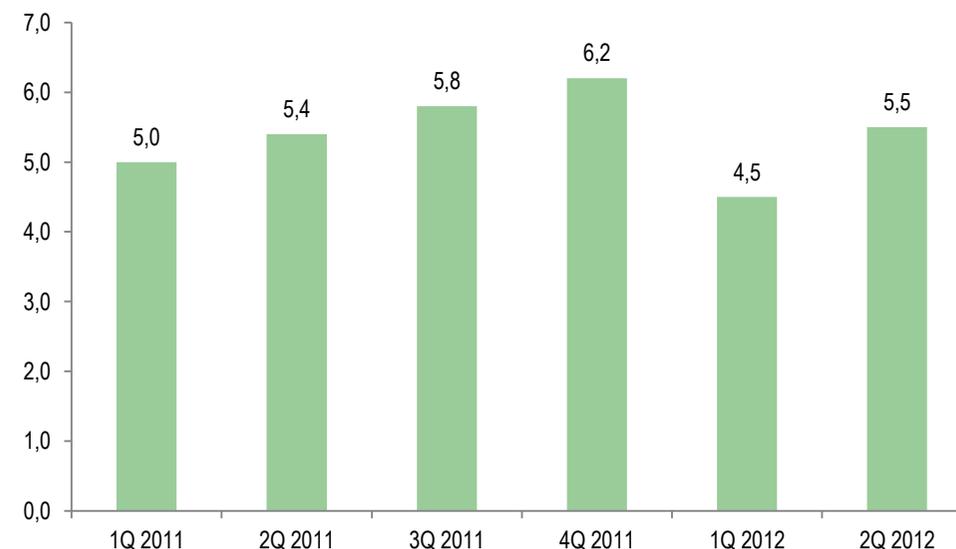
- In the 2nd quarter of 2012, unit costs for production of crude oil declined by 11.1% compared to the 1st quarter of 2012 and amounted to US\$ 5.6 per barrel. This is mainly due to a seasonal decrease in the amount of well workovers, as well as to the weakening of the rouble against the US dollar;
- In the 1st half of 2012, unit costs for production of crude oil declined by 14.3% compared to the same period in 2011, which is mainly due to the weakening of the rouble against the US dollar and more efficient geological and engineering operations.

Unit production costs, US\$/bbl*



- In the 2nd quarter of 2012, unit refining costs increased by 22.2% as compared to the 1st quarter of 2012 and amounted to US\$ 5.5 per barrel. This growth was due to an increase in the amount of maintenance works in the 2nd quarter of 2012, as well as the expenses related to the scheduled maintenance at Ufimsky refinery plant and the maintenance works at Novoil;
- In the 1st half of 2012, unit refining costs decreased by 2.0% compared to the same period in 2011 and amounted to US\$ 5.0 per barrel. This is due to the weakening of the rouble against the US dollar.

Unit refining costs, US\$/bbl*

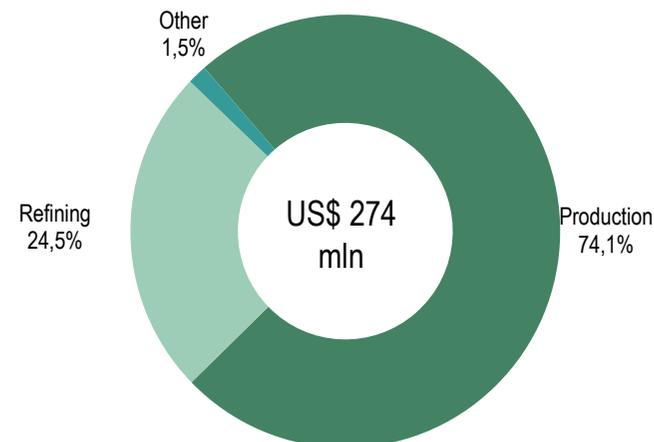


* 1 tonne = 7.3 barrels of crude oil

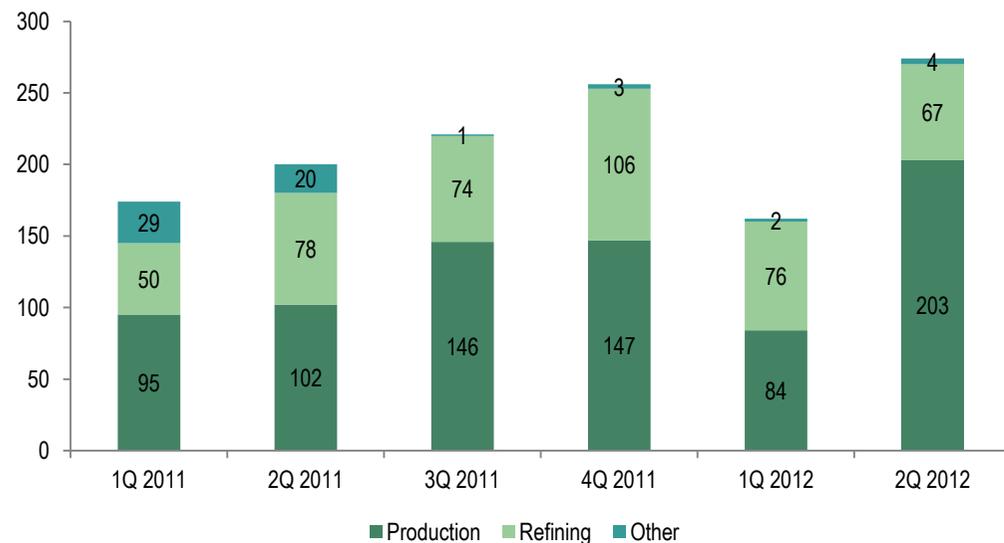
- In the 2nd quarter of 2012, capital expenditures increased by 69.1% compared to the 1st quarter of 2012 and amounted to US\$ 274 million. This was primarily due to the acquisition of mineral rights in the 2nd quarter of 2012; the relevant payments totalled US\$ 151 million;

- In the 1st half of 2012, CAPEX increased by 16.6% compared to the same period in 2011, which was primarily due to the acquisition of licences in 2012. This effect was partially offset by the deconsolidation of OJSC Bashkirenergo on 5 May 2011.

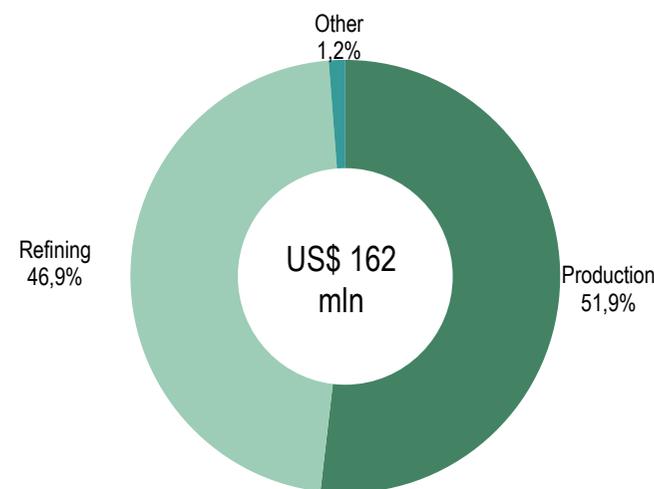
CAPEX breakdown in 2Q 2012, US\$ mln



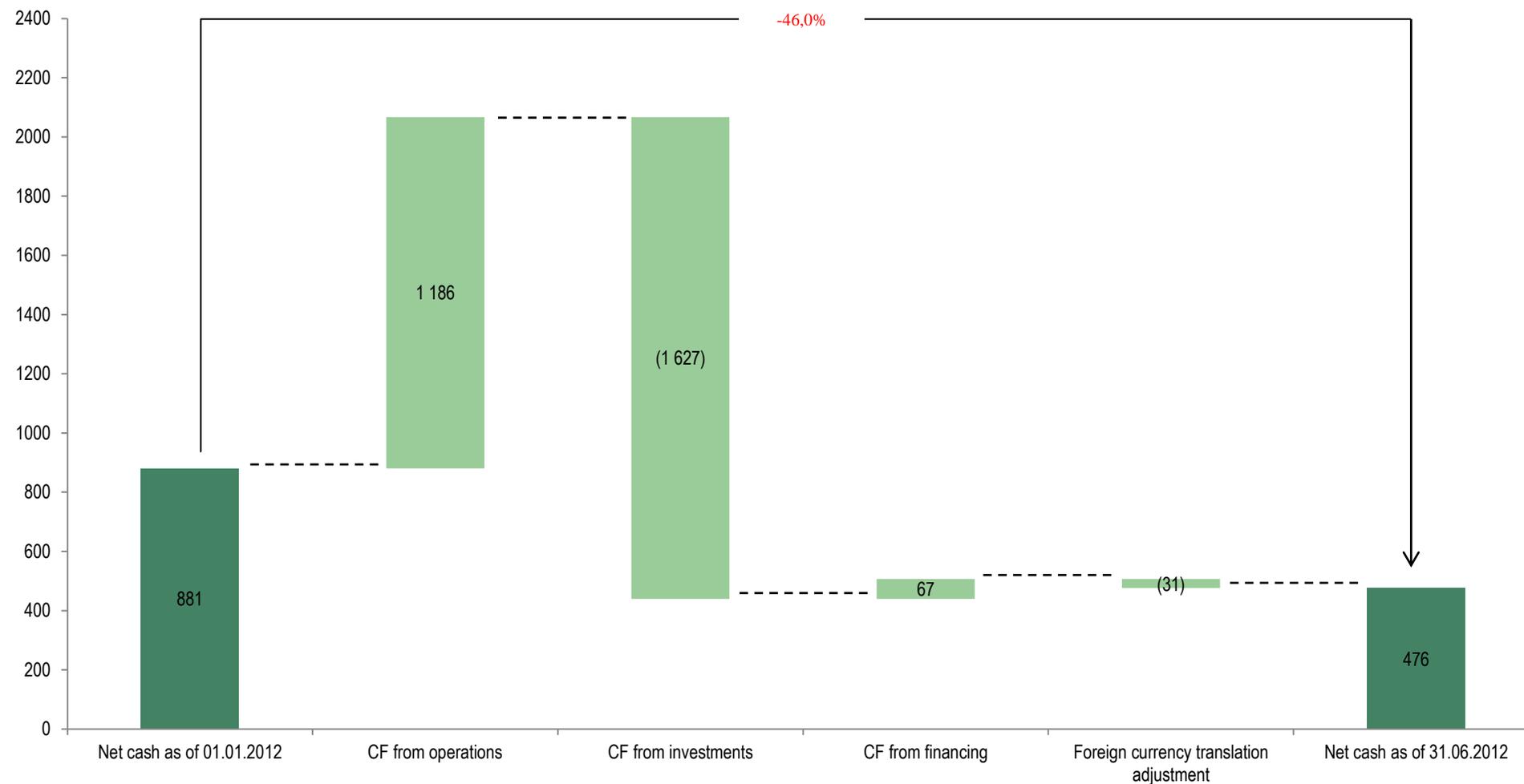
CAPEX, US\$ mln



CAPEX breakdown in 1Q 2012, US\$ mln

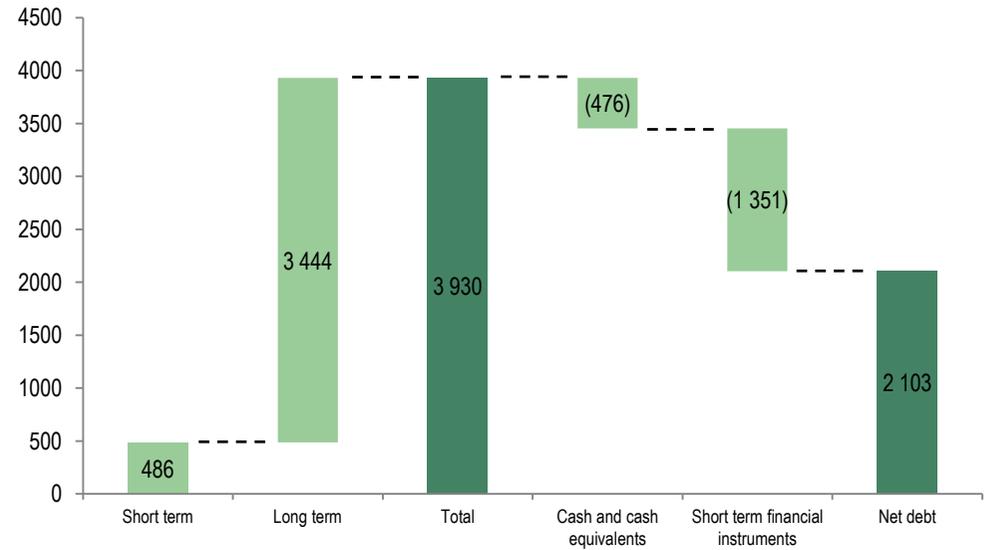


Cash flow in 1H 2012, US\$ mln

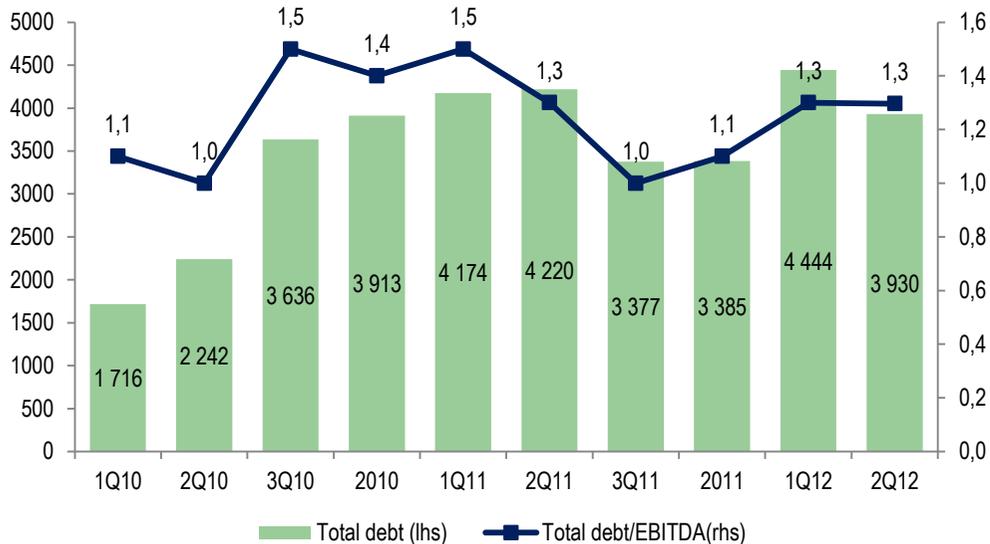


- As of the end of the 2nd quarter of 2012, the total debt of the Group in the form of short-term and long-term borrowings amounted to US\$ 3,930 million compared to US\$ 4,444 million as of 31 March 2012;
- Interest-bearing non-convertible rouble bonds issued in December 2009 comprise a significant part of short-term debt;
- The decrease in Bashneft's net debt by 21.9% to US\$ 2,103 million in the 1st half of 2012 compared to the same period in 2011 is due to the increase in operating cash flow.

Debt breakdown



Total debt indicators^{1,2}



Net debt indicators^{1,2}



(1) Debt/EBITDA is calculated based on EBITDA for the last 12 months
 (2) EBITDA for the last 12 months.(LTM): EBITDA 12M2011 - EBITDA 1H 2011 + EBITDA 1H 2012



BASHNEFT

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