



Bashneft Group

**IFRS Financial Results
for 1Q 2011**



Moscow, June 2011

Disclaimer



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.

Financial and Operating Highlights, 1Q 2011*



- ❑ **Increase in average daily output of crude oil by 9.1% y-o-y to 291,000 barrels**
- ❑ **Growth of refining volumes by 3.8% y-o-y to 4.993 mln. tonnes**
- ❑ **Increase in share of light products in refining output by 2 p.p. y-o-y to 86.8%**
- ❑ **Growth of petroleum product output by 2.1% y-o-y to 4.542 mln. tonnes**
- ❑ **Increase in petroleum product exports by 42.6% y-o-y to 2.118 mln. tonnes**
- ❑ **Revenue increase by 42.0% y-o-y to US\$ 4,135 mln.**
- ❑ **EBITDA increase by 39.4% y-o-y to US\$ 856 mln.**
- ❑ **Net income increase by 52.9% y-o-y to US\$ 370 mln.**
- ❑ **In April 2011 Bashneft acquired a regional supply network in Orenburg Region (95 filling stations and 16 tank farms)**
- ❑ **Bashneft Group increased its stake in share capital of Sistema-Invest to 49,5%**

Bashneft key indicators in 1Q 2011



Q1 2011	Q4 2010	Δ, %	Indicator	Q1 2011	Q1 2010	Δ, %
3,680	3,656	0.7%	Oil production, '000 tonnes	3,680	3,374	9.1%
291	283	2.9%	Average daily oil production, '000 bbl	291	267	9.1%
4,993	5,254	-5.0%	Oil refining, '000 tonnes	4,993	4,808	3.8%
4,135	3,595	15.0%	Revenue, US\$ mln	4,135	2,912	42.0%
856	515	66.2%	EBITDA*, US\$ mln	856	614	39.4%
370	570	-35.1%	Net income, US\$ mln	370	242	52.9%
174	262	-33.6%	Capital expenditures, US\$ mln	174	56	210.7%
2,699	2,289	17.9%	Net debt, US\$ mln	-	-	-

* EBITDA for 4Q 2010 are adjusted to reflect revaluation of the stake in OJSC Belkamneft when this investment was reclassified

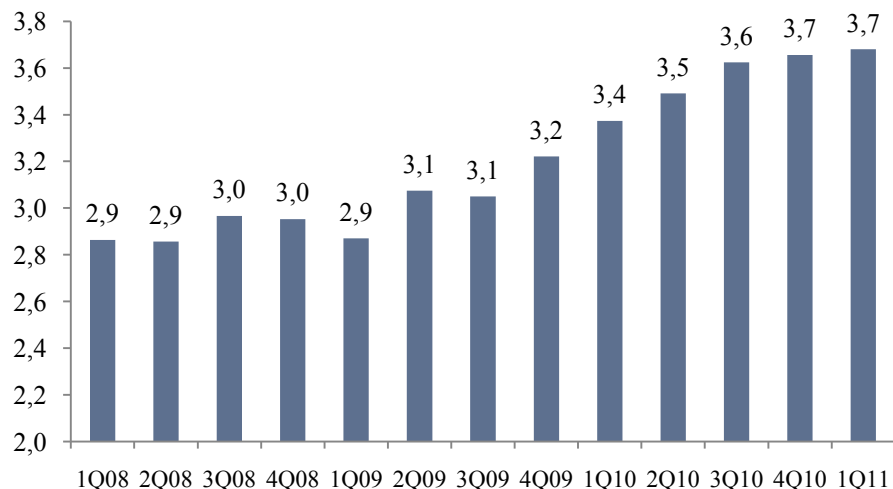


Operating Results

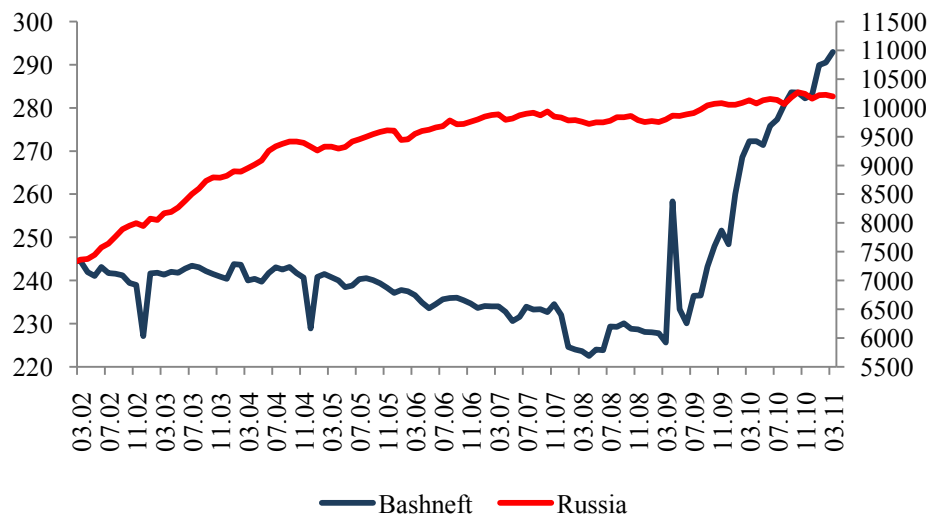
Oil Production



Total oil production, mln. bbl.



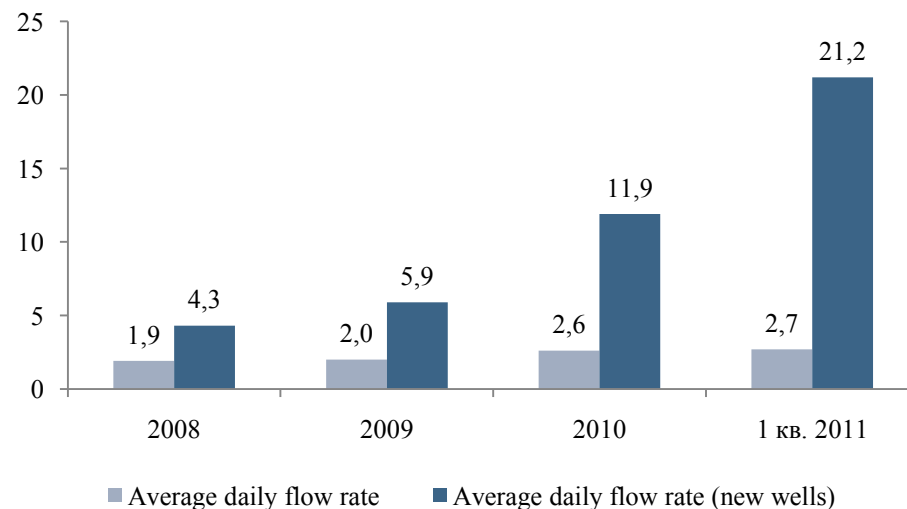
Average daily production, thsd. bbl./day



Upstream highlights

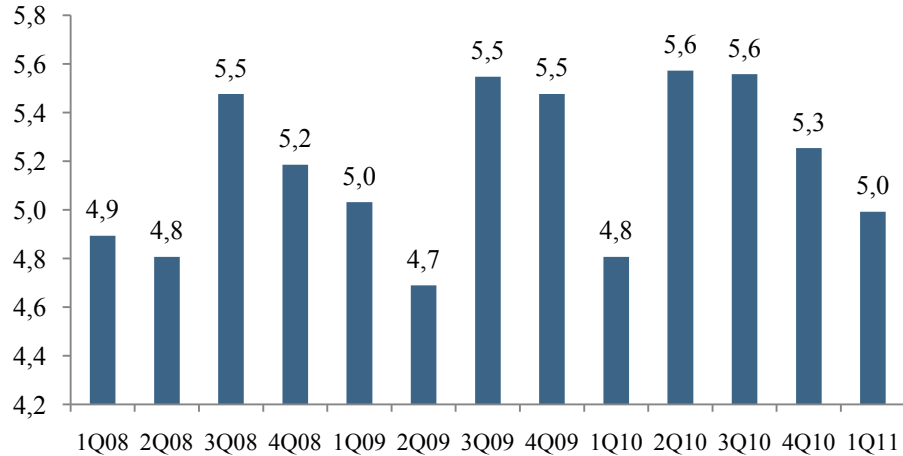
- Bashneft maintained its leading positions in the industry by rates of growth of oil production in the first quarter of 2011.
- Crude oil production in the first quarter of 2011 was 3.68 mln. tonnes, which is 0.7% more than in the fourth quarter of 2010 and 9.1% more than in the first quarter of 2010.
- Average daily production in the first quarter of 2011 increased by 2.9% vs. the fourth quarter of 2010 and by 9.1% vs. the first quarter of 2010 to 291,000 bbl./day.
- Production growth was achieved through successful geological and technological interventions, and increase of average daily flow rates at new wells.

Flow rates, tonnes/day





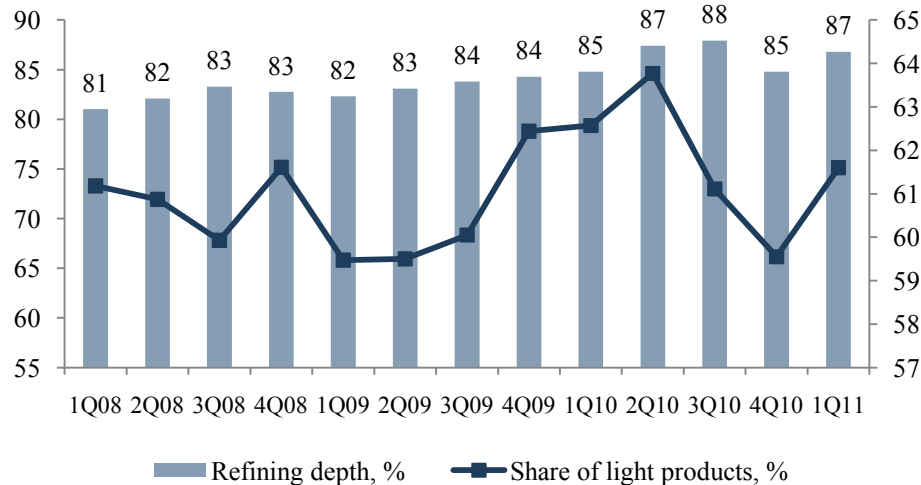
Oil refining, mln. tonnes



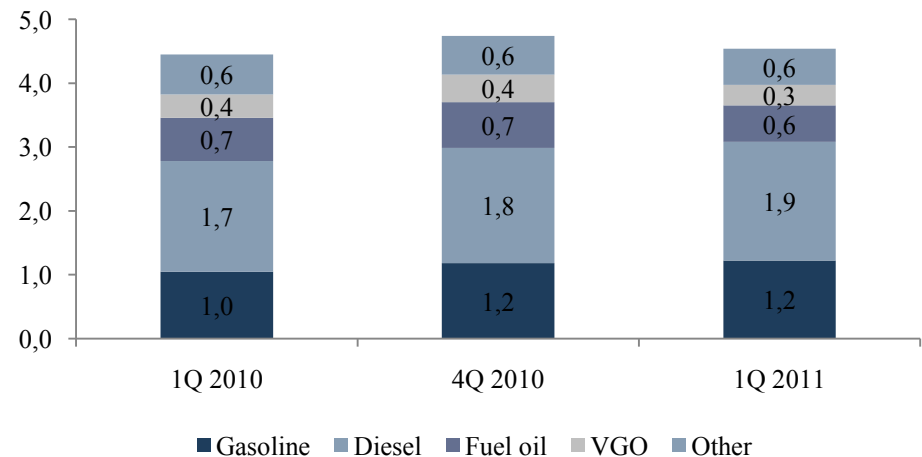
Downstream highlights

- Refining volumes in the first quarter of 2011 were 4.993 mln. tonnes, which is 5.0% less than in the fourth quarter of 2010, but 3.8% more than in the first quarter of 2010.
- Lower refining volumes in the first quarter of 2011 vs. the fourth quarter of 2010 were due to higher profitability of oil exports.
- Refining depth and share of light products increased from 84.8% and 59.6% in the fourth quarter of 2010 to 86.8% and 61.6% in the first quarter of 2011.
- Increase in share of light products in the first quarter of 2011 was due to completion of maintenance work on hydro-treatment units at Group refineries and decrease of the share of Bashkirian oil in refining from 49.6% in the fourth quarter of 2010 to 49.1% in the first quarter of 2011.

Refining depth, share of light products, %



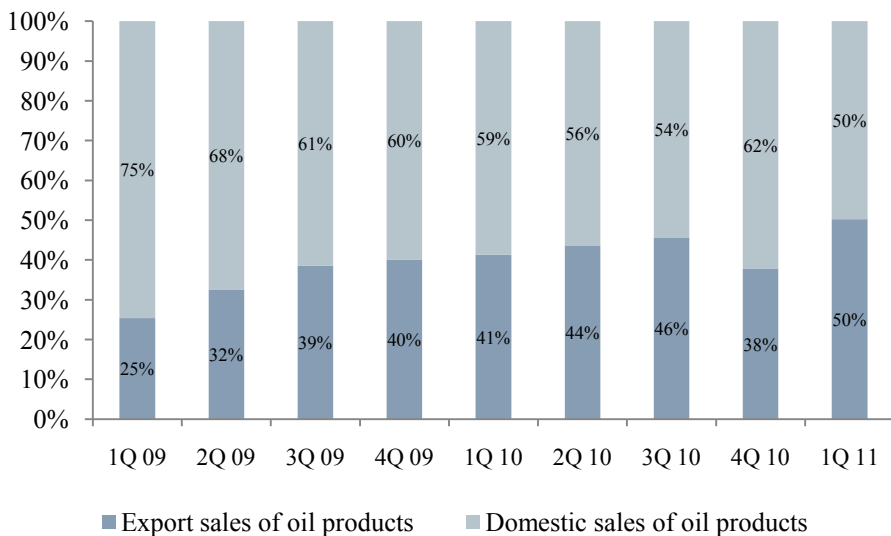
Oil products, mln. tonnes



Group sales



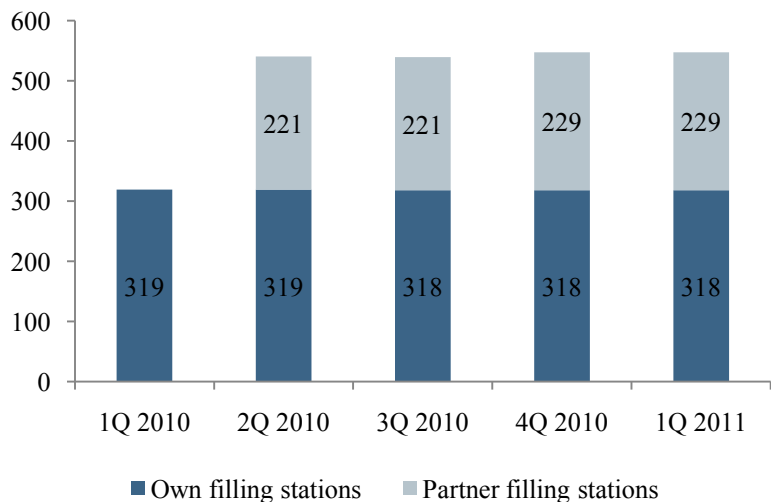
Export and domestic sales of oil products, %



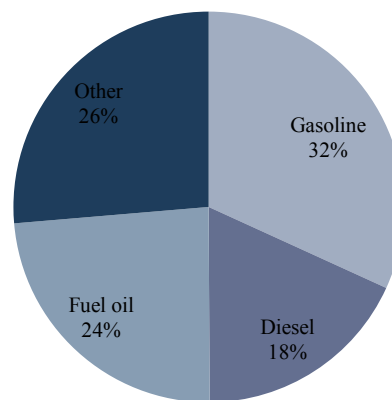
Sales results

- Export sales of oil products in the first quarter of 2011 increased by 21.4% vs. the fourth quarter of 2010 and by 42.6% vs. the first quarter of 2010 to 2.118 mln. tonnes due to higher profitability of export vs. domestic sales.
- The share of vacuum gas oil (VGO) in export sales declined from 22% in the fourth quarter of 2010 to 15% in the first quarter of 2011 due to completion of maintenance work on hydro-treatment units, which increased the share of light products and lowered the share of VGO in outputs.
- The number of owned and partner filling stations will reach 642 after acquisition of Orenburgnefteprodukt, which owns 95 filling stations and 16 tank farms in Orenburg Region.

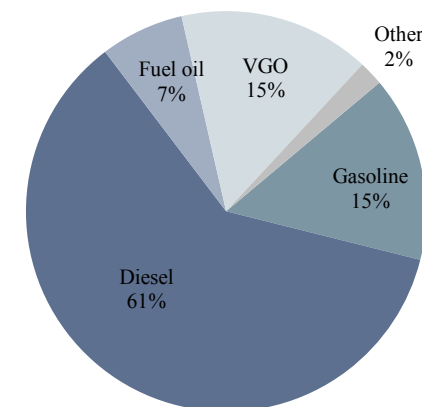
Bashneft retail network



Domestic oil product sales, 1Q 2011



Export of oil products, 1Q 2011





Financial Results

Macroeconomic, price and tax indicators in 1Q 2011*



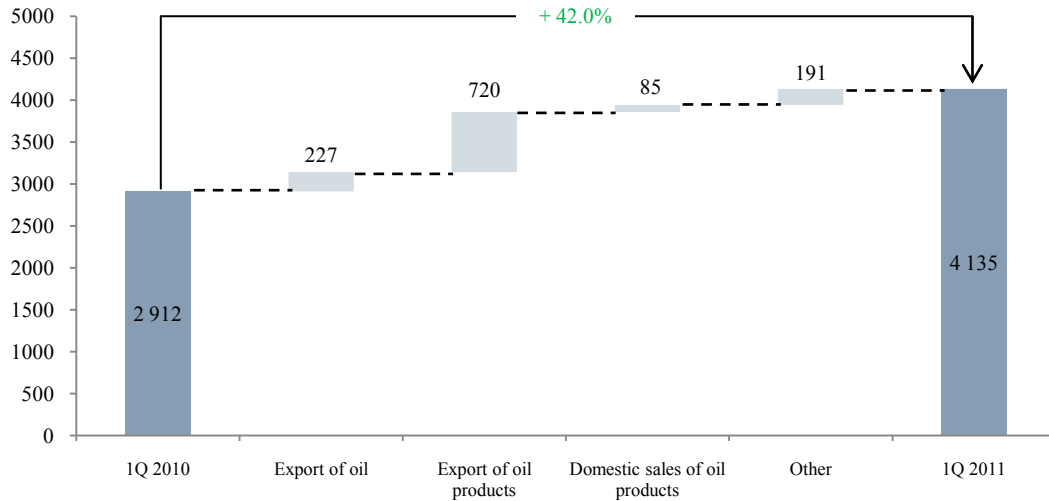
1Q 2011	4Q 2010	Δ, %	Indicator	1Q 2011	1Q 2010	Δ, %
29.3	30.7	-4.7%	Average RUB/USD exchange rate	29.3	29.9	-2.1%
3.8%	2.6%	1.2%	Inflation for the period, %	3.8%	3.2%	0.6%
102.2	85.2	19.9%	Urals price, US\$ /bbl	102.2	75.3	35.8%
773.4	647.2	19.5%	Diesel fuel - winter (Russia), US\$/tonne	773.4	532.0	45.4%
760.7	704.2	8.0%	High-octane gasoline (Russia), US\$/tonne	760.7	635.0	19.8%
268.5	263.5	1.9%	Fuel oil (Russia), US\$/tonne	268.5	238.2	12.7%
19.6	15.8	24.3%	Mineral extraction tax (oil), US\$/bbl	19.6	13.5	45.2%
46.8	39.2	19.5%	Oil export duty, US\$/bbl	46.8	36.0	30.0%

* 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 company valuation

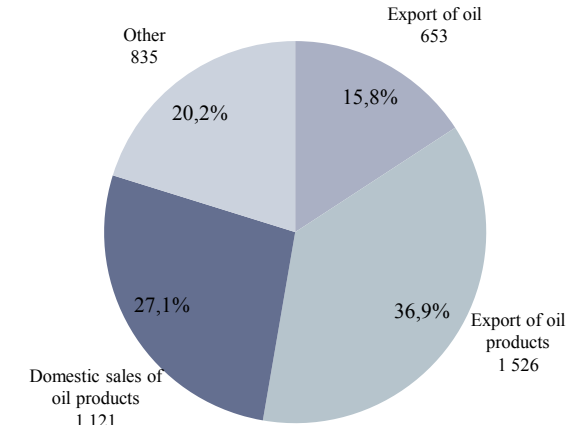
Revenue



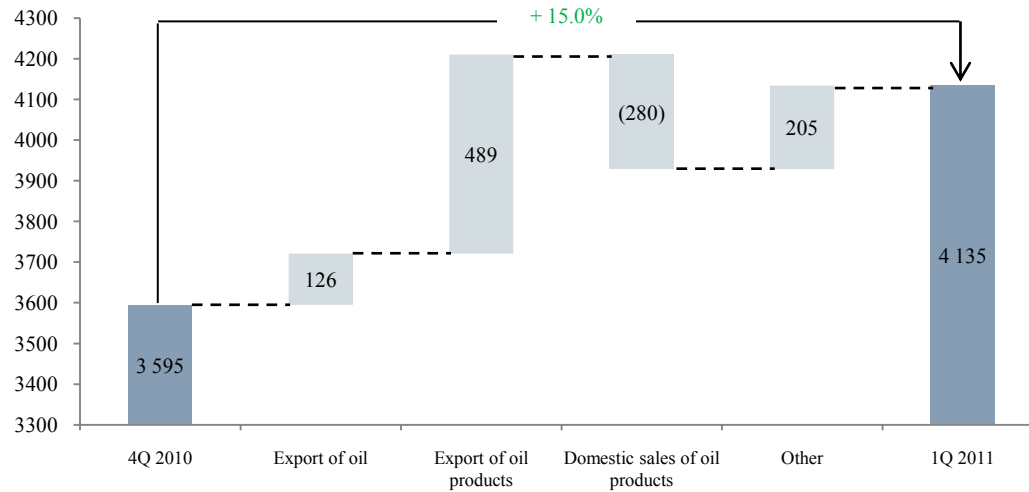
Revenue factor analysis, US\$ mln, 1Q 2011 vs. 1Q 2010



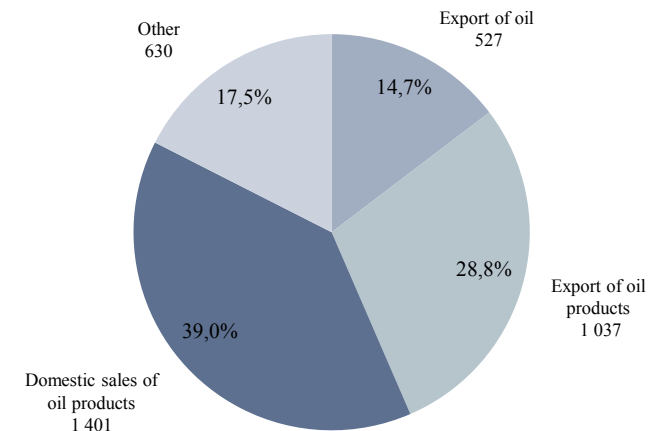
Revenue breakdown 1Q 2011, US\$ mln.



Revenue factor analysis, US\$ mln, 1Q 2011 vs. 4Q 2010



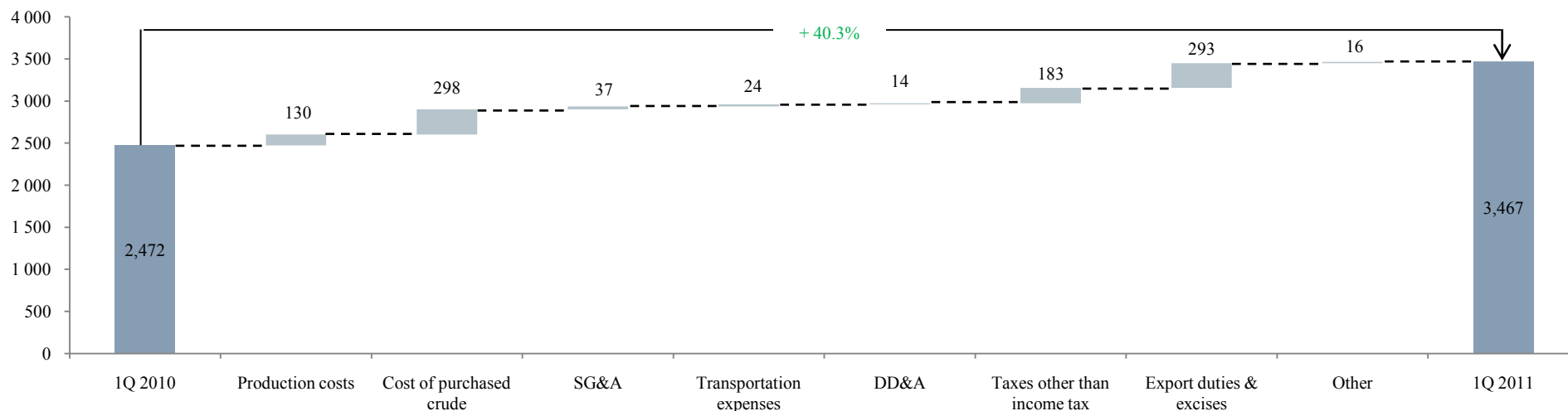
Revenue breakdown 4Q 2010, US\$ mln.



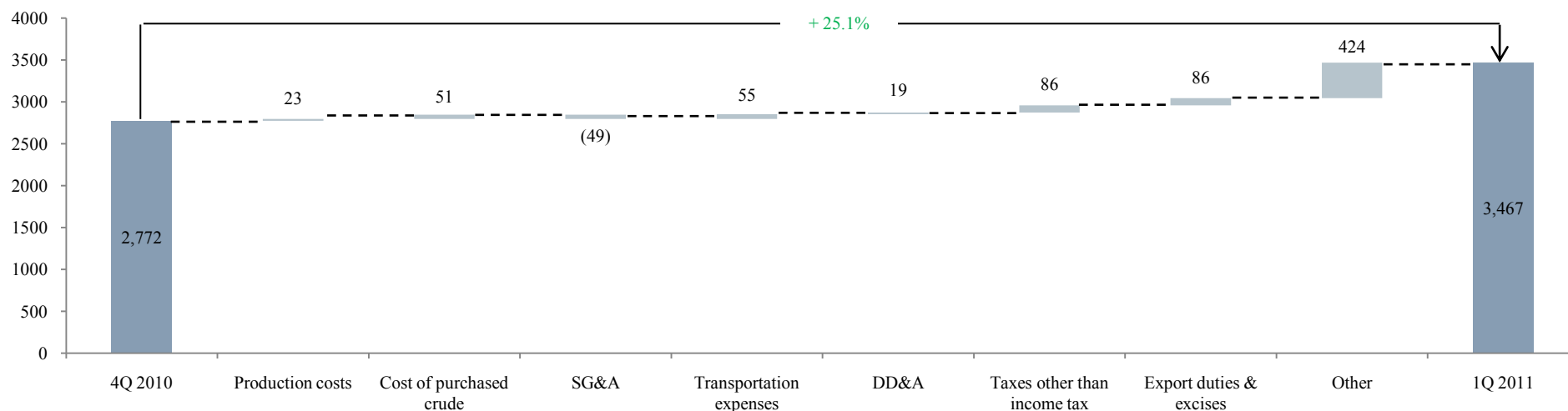
Operating Expenses



Operating expenses factor analysis, US\$ mln, 1Q 2011 vs. 1Q 2010



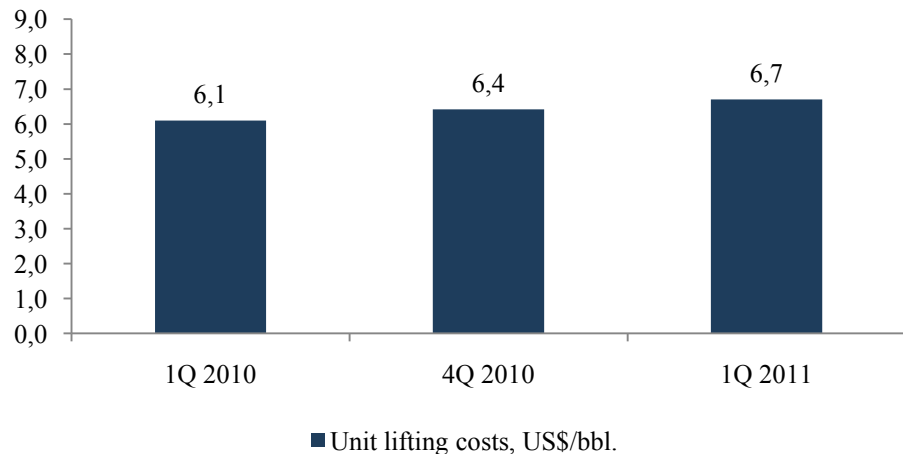
Operating expenses factor analysis, US\$ mln, 1Q 2011 vs. 4Q 2010



Unit Costs

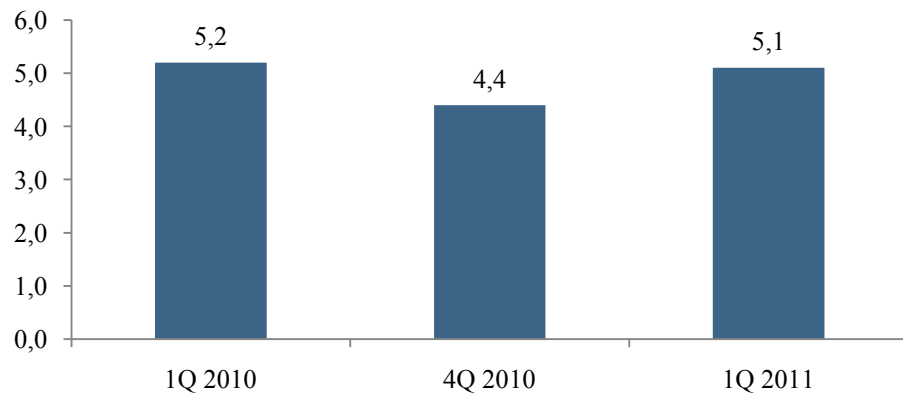


Unit lifting costs*



■ Unit lifting costs, US\$/bbl.

Unit refining costs*



■ Unit refining costs, US\$/bbl.

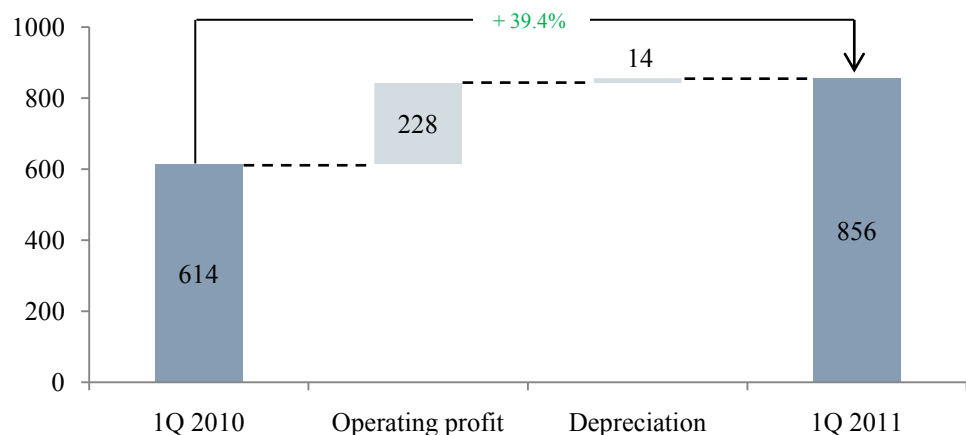
* 1 tonne = 7.12 barrels of crude oil

- Growth of unit lifting costs slightly exceeded inflation in the first quarter of 2011.
- Unit lifting costs in the first quarter of 2011 increased by 4.1% vs. the fourth quarter of 2010 and by 9.1% vs. the first quarter of 2010 to US\$ 6.7/bbl, mainly due to geological and technological interventions and ruble appreciation.
- Unit refining costs in the first quarter of 2011 increased by 17.4% vs. the fourth quarter of 2010, but decreased by 0.4% vs. the first quarter of 2010 to US\$ 5.1/bbl.
- The main reasons for substantial increase of unit refining cost in the first quarter of 2011 vs. the fourth quarter of 2010 were decline of refining volumes, increase of electricity tariffs and ruble appreciation.

EBITDA

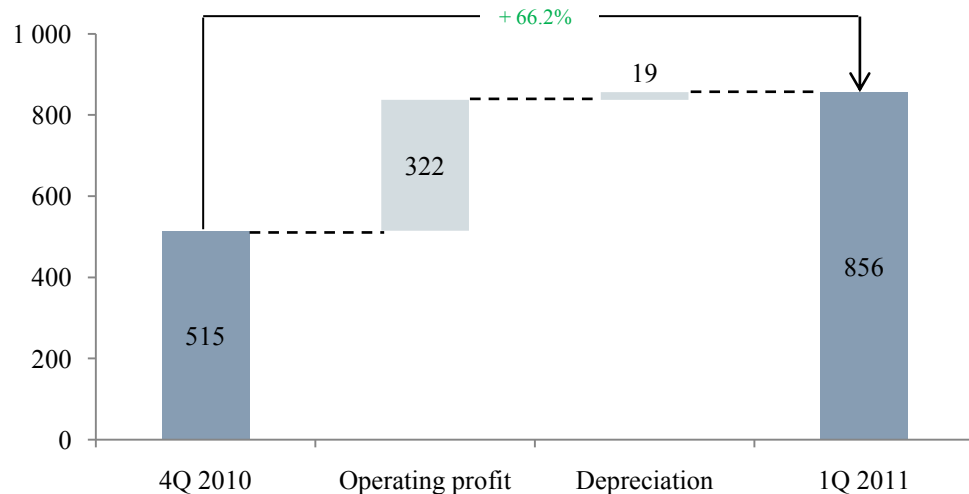


EBITDA breakdown, US\$ mln, 1Q 2011 vs. 1Q 2010



- EBITDA was US\$ 856 mln. in the first quarter of 2011 vs. US\$ 515* mln. in the fourth quarter of 2010 and US\$ 614 mln. in the first quarter of 2010.
- Operating profit was US\$ 668 mln. in the first quarter of 2011 vs. US\$ 346* mln. in the fourth quarter of 2010 and US\$ 440 mln. in the first quarter of 2010.
- Depreciation and amortization charges in the first quarter of 2011 were US\$ 188 million compared with US\$ 169 mln. in the fourth quarter of 2010 and US\$ 174 mln. in the first quarter of 2010.

EBITDA* breakdown, US\$ mln, 1Q 2011 vs. 4Q 2010



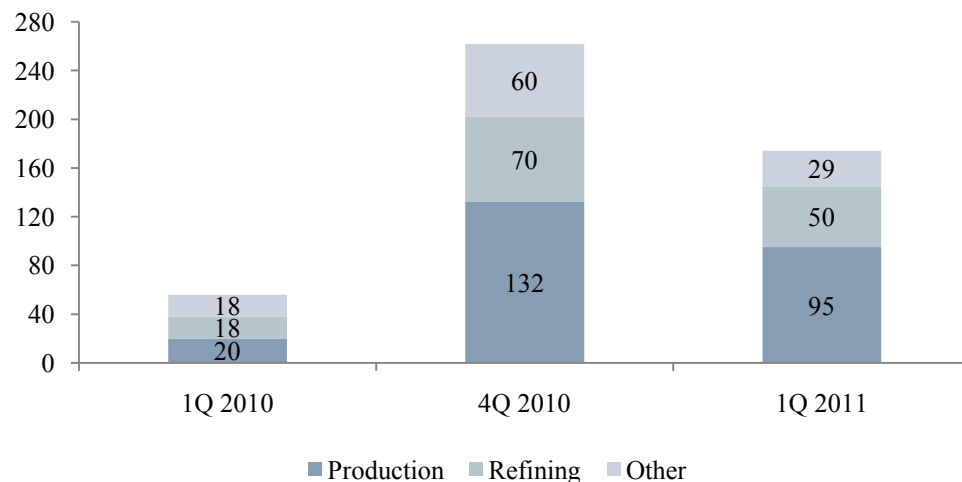
- The increase was concentrated in the production segment, where depreciation charges rose by and 36.8% to US\$ 52 million compared with the same period of 2010.

*EBITDA and operating income for 4Q 2010 are adjusted to reflect revaluation of the stake in OJSC Belkamneft when this investment was reclassified

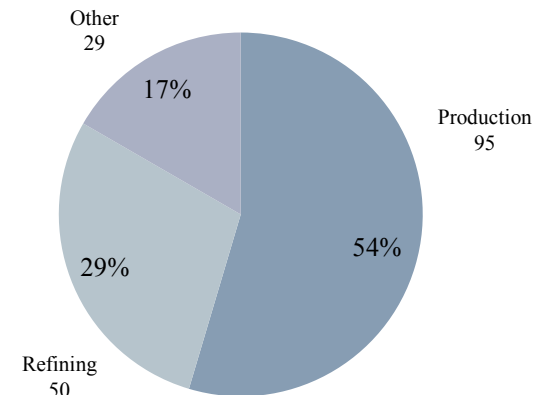
Capital Investments



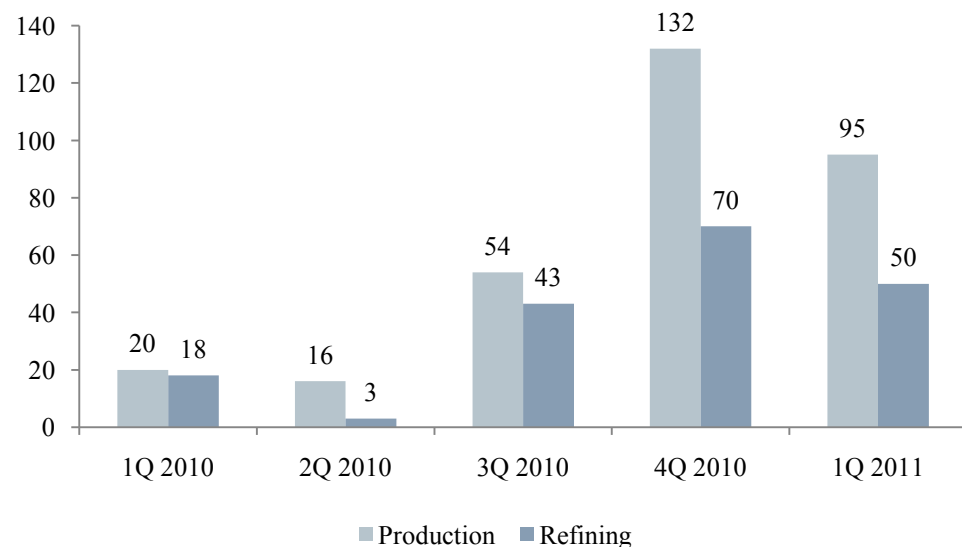
CAPEX, US\$ mln.



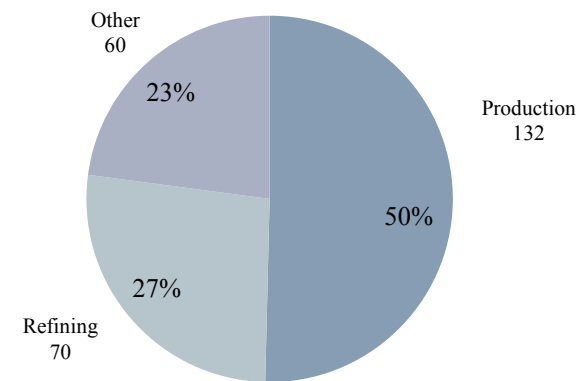
CAPEX breakdown in Q1 2011, US\$ mln.



CAPEX in production and refining, US\$ mln.



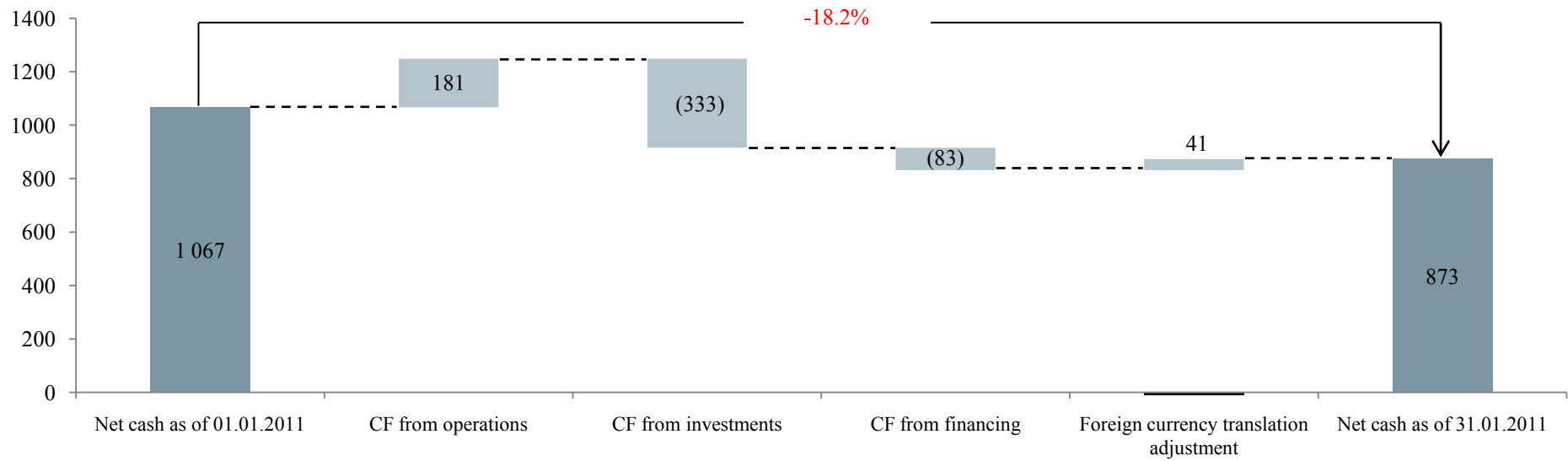
CAPEX breakdown in Q4 2010, US\$ mln.



Net Cash Flow



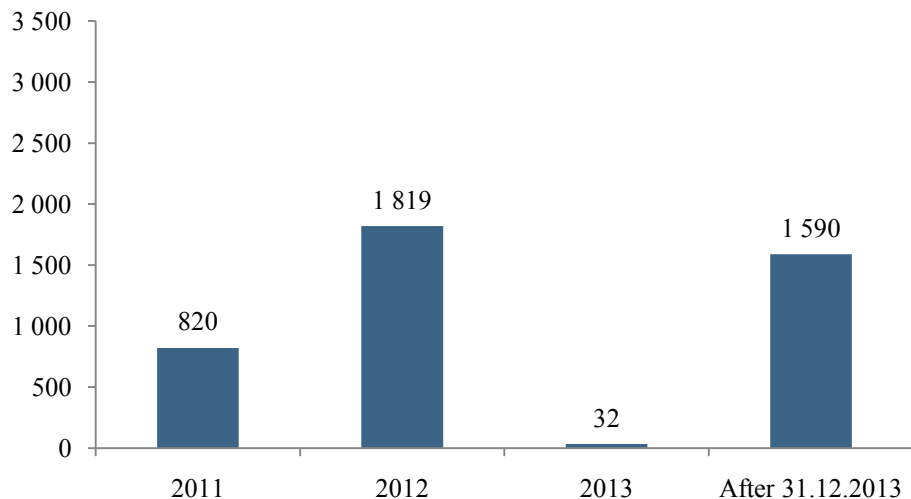
Cash flow in 1Q 2011, US\$ mln.



Debt Portfolio



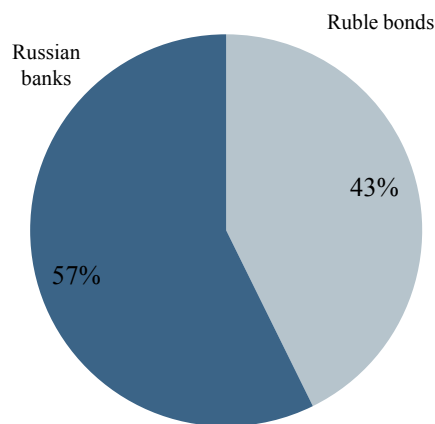
Debt maturity schedule, US\$ mln.



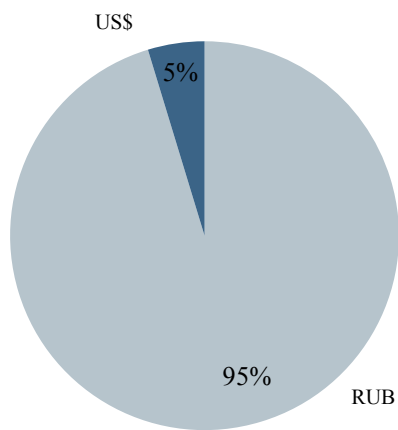
1Q 2011 highlights:

- ❑ The short/long term debt ratio at the end of 1Q 2011 was 19-81
- ❑ Ruble loans were 95% of the debt portfolio
- ❑ A substantial part of debt is due after 2013
- ❑ Loans from VTB and Gazprombank were refinanced at interest rate of 8.95% (reduced by 3.0 p.p. and 2.9 p.p. from 11.95% and 11.85%, respectively) as part of a debt restructuring program

Debt sources, US\$ mln.



Debt currencies, US\$ mln.



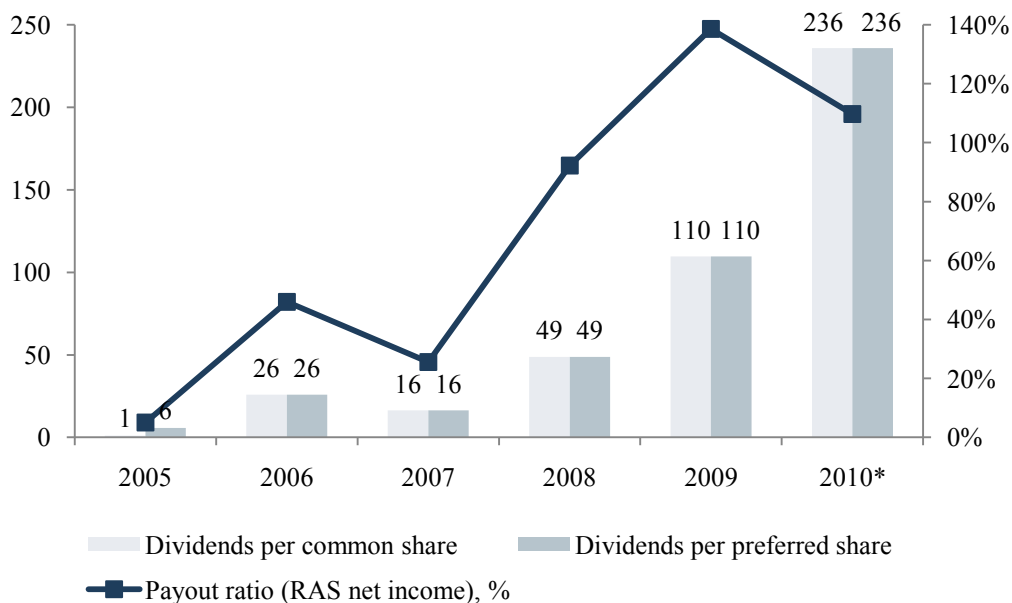
Debt portfolio management:

- ❑ Maintaining adequate level of debt (Total Debt/EBITDA < 3)
- ❑ Debt portfolio diversification
- ❑ Raising pre-export funding
- ❑ Loan restructuring, reduction of interest rates
- ❑ Obtaining a credit rating

Dividends



Dividends per share, RUB



- Bashneft has steadily increased dividend payments since 2005.
- The Company increased dividend payments for 2009 by 124.6% in comparison with 2008 to RUB 109.65 (US\$ 3.46) per common and preferred share (138.6% of RAS unconsolidated net income in 2009).
- The Board of Directors will ask the AGM to approve dividends for 2010 at RUB 235.77 (US\$ 8.3) per common and preferred share (109.7% of RAS unconsolidated net income).
- Interim dividends of RUB 104.5 were already paid for 9 months of 2010, so the Board of Directors will ask the AGM to approve a final dividend payment of RUB 131.27 (US\$ 4.6) per common and per preferred share for the fourth quarter of 2010.

* 2010 dividends are subject to approval by the AGM on 29 June 2011



Thanks for your attention

Investor Relations
JSC Bashneft
www.bashneft.ru



Appendix

Bashneft Group Today*



Bashneft is one of Russia's major players in oil production (Top-10) and oil refining (Top-5)

Bashneft exports oil and petroleum products to Europe and the CIS and sells products in the domestic market

The Group consists of oil producing and refining companies, and a retail network in Bashkortostan, Udmurtia and Orenburg Region



Oil Production
276,000 bbl./day

Bashneft

Oil Refining
509,000 bbl./day

Ufaneftehim, Novoil,
UNPZ, Ufaorgsintez

Marketing
Retail and small wholesale: 1.0 mln. tonnes

Bashkirnefteprodukt,
Udmurtnefteprodukt
Orenburgnefteprodukt

- Substantial reserves (19 years)
- Rapid growth in 2009-2010 due to new technologies

- Large-scale refining facilities with high levels of complexity and high quality of outputs

- Filling stations and oil depots in the Republic of Bashkortostan, Udmurtia and Orenburg Region

* 2010 data

Strategy (to 2013) and Current Objectives



Creating a vertically integrated oil producer

- Expand upstream business to match downstream through organic growth and acquisitions
- Improve corporate governance and organization, increase ownership transparency
- Implement an integrated system for planning, oversight and management accounting

Exploration and production

- Achieve organic growth of oil production to at least 300,000 bbl/day by 2013
- Reduce production costs by at least 10% within 3 years

Refining

- Raise the share of own crude production in refinery inputs to 80-100%
- Upgrade refineries to produce 100% Euro 4/5 fuel
- Increase refining depth to 91%
- Increase light product yield to 65%

Sales

- Expand retail network and oil storage facilities to over 25 Russian regions
- Sell up to 25% of engine fuel production via retail (Bashneft and third-party filling stations)

Objectives for 2011

- Oil production of 295,000-301,000 bbl/day
- Further modernization of refineries to comply with Euro 4/5 standards
- Improve downstream margin
- Create 15 regional distribution companies

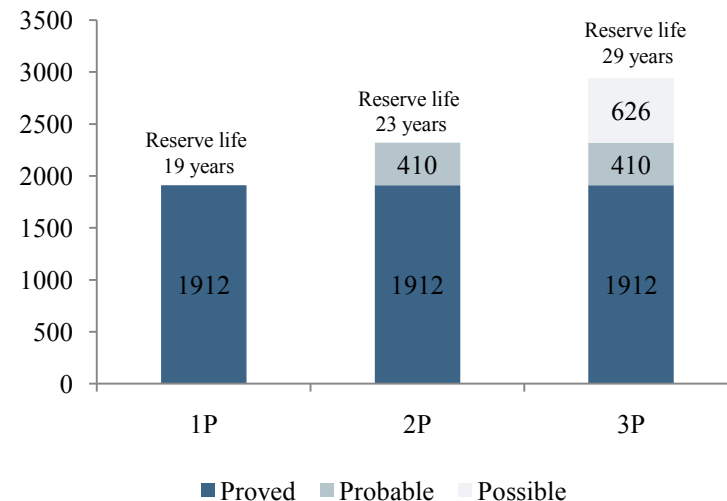
Reserves as of 31 December 2010



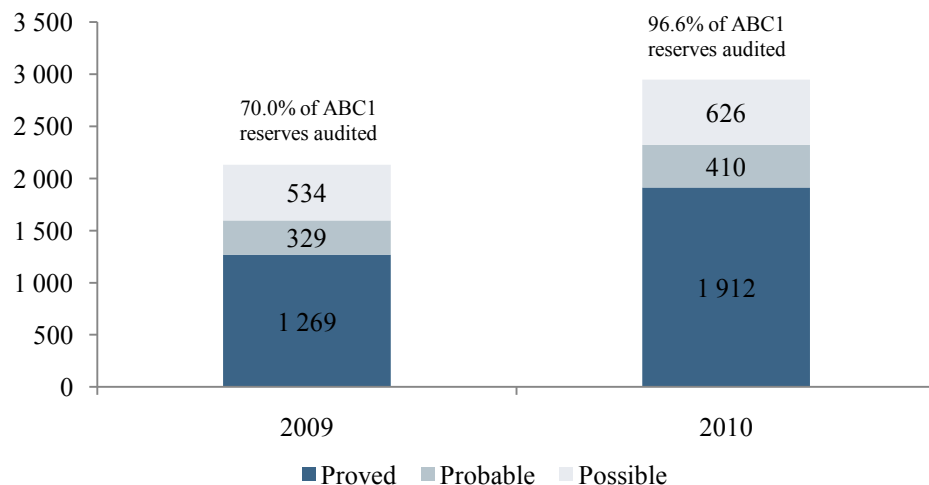
Reserves

- 177 fields, of which 162 in operation
- Total reserves (SPE/PRMS): 2,947 mln. bbl
- Proved oil reserves (1P): 1,912 mln. bbl.
- Proved + Probable reserves (2P): 2,322 mln. bbl
- Reserve life: 19 years
- Miller and Lents audited 96.6% of Bashneft reserves under ABC1 classification (98.5% of daily production) in 2010
- Miller and Lents audited 70.0% of Bashneft reserves under ABC1 classification (81.0% of daily production) in 2009

PRMS reserve base, mln. bbl



Changes in PRMS reserves in 2010 vs. 2009, mln. bbl



Reserve replacement ratio (RRR)

