



Bashneft Group

**IFRS Financial Results
for 2Q and 1H 2011**



Moscow, September 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, 2Q 2011*



Operating results

- ❑ **Crude oil production increased by 1.6% to 3.738 mln. tonnes**
- ❑ **Refining volumes increased by 8.9% to 5.437 mln. tonnes**

Financial results

- ❑ **Revenue increase by 29.7% to US\$ 4 522 mln.**
- ❑ **EBITDA increase by 33.4% to US\$ 942 mln.**
- ❑ **Net income increase by 43.8% to US\$ 532 mln.**

Key events

- ❑ **Completion in April 2011 of purchase of a regional distribution chain in Orenburg Region, consisting of 95 filling stations and 16 storage facilities**
- ❑ **Bashneft and Lukoil signed an agreement to create a joint venture for development of the Trebs and Titov fields**
- ❑ **In May Bashneft Group raised its stake in JSOC Sistema-Invest to 49.5%, increasing its stake in subsidiaries (Ufa Refinery, Novoil, Ufaneftekhim, Ufaorgsintez, Bashkirnefteprodukt)**
- ❑ **On July 1 JSOC Bashneft acquired the petroleum product business of ASPEK Group. The business is focused on small wholesale and also operates a chain of 48 up-to-date filling stations and 2 oil storage facilities**

* Change in % vs. 1Q 2011

Key indicators for Bashneft Group in 2Q 2011*



2Q 2011	1Q 2011	Δ, %	Indicator	1H 2011	1H 2010	Δ, %
114.0	102.2	11.5%	Urals price, US\$/barrel	108.1	76.1	42.0%
3 738	3 680	1.6%	Crude oil production, '000 tonnes	7 418	6 864	8.1%
5 437	4 993	8.9%	Oil refining, '000 tonnes	10 430	10 381	0.5%
5 208	4 267	22.1%	Petroleum product sales, '000 tonnes	9 475	9 147	3.6%
4 522	3 486	29.7%	Revenue, US\$ mln.	8 008	5 425	47.6%
942	706	33.4%	EBITDA, US\$ mln.	1 648	1 150	43.3%
532	370	43.8%	Net income, US\$ mln	902	579	55.8%
200	174	14.9%	Capital expenditures, US\$ mln	374	115	-
2 693	2 699	-0.2%	Net debt, US\$ mln	2 693	1 314	104.9%

* Financial results of JSOC Bashneft for the second quarter of 2011, first quarter of 2011, first half of 2011 and first half of 2010 are adjusted for financial results of JSOC Bashkirenergo, which was deconsolidated in May 2011

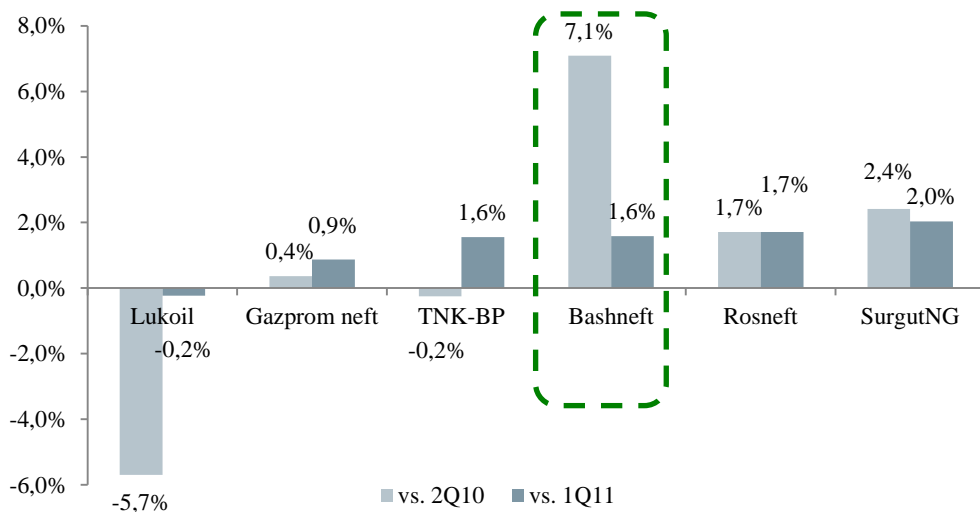


Operating Results

Oil Production



Oil production growth rates in 2Q 2011, %



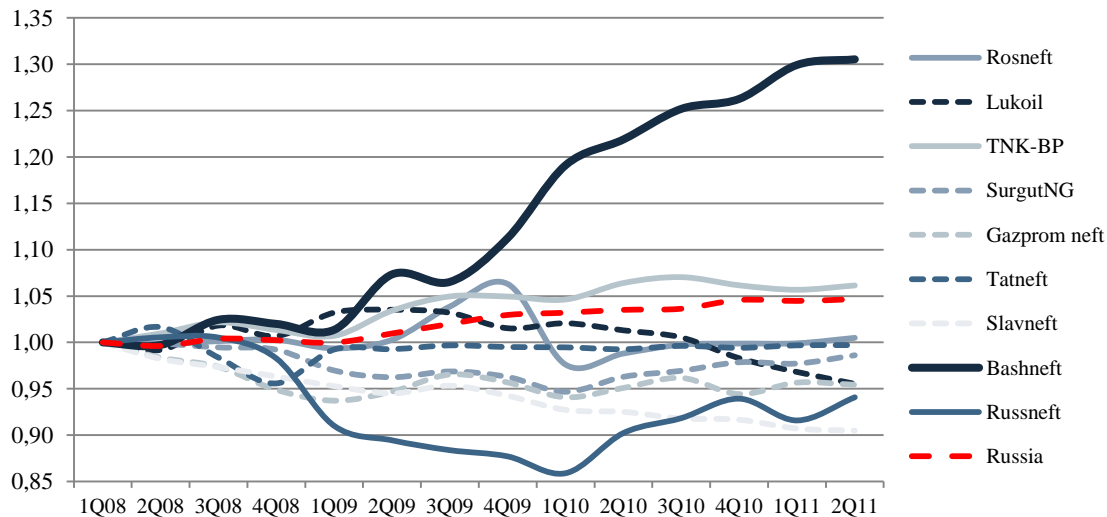
Source: CDU TEK

Upstream business results

□ Bashneft remained the Russian oil sector leader by crude output growth rates in 2Q 2011. Crude output was 3.738 million tonnes, which is 1.6% more than in 1Q 2011 and 7.1% more than in 2Q 2010.

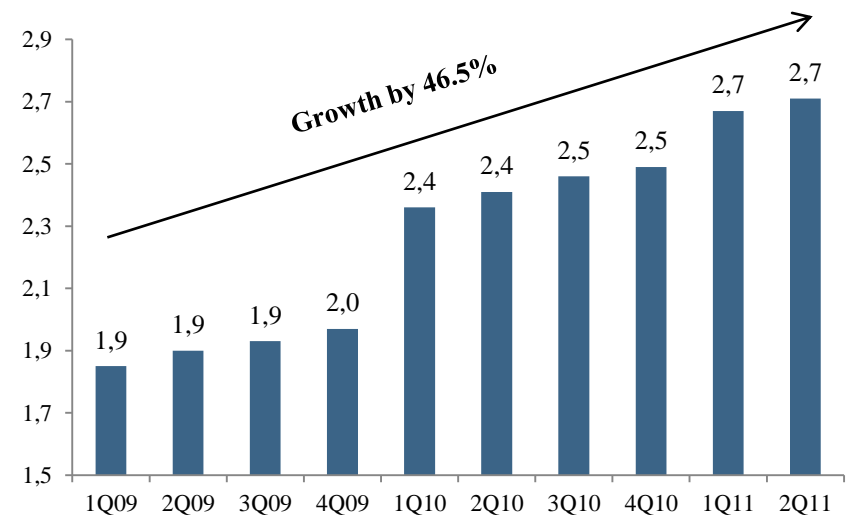
□ Growth of production was achieved by use of secondary and tertiary recovery techniques to increase average flow rate per well.

Average daily output index (1Q 08 = 1)



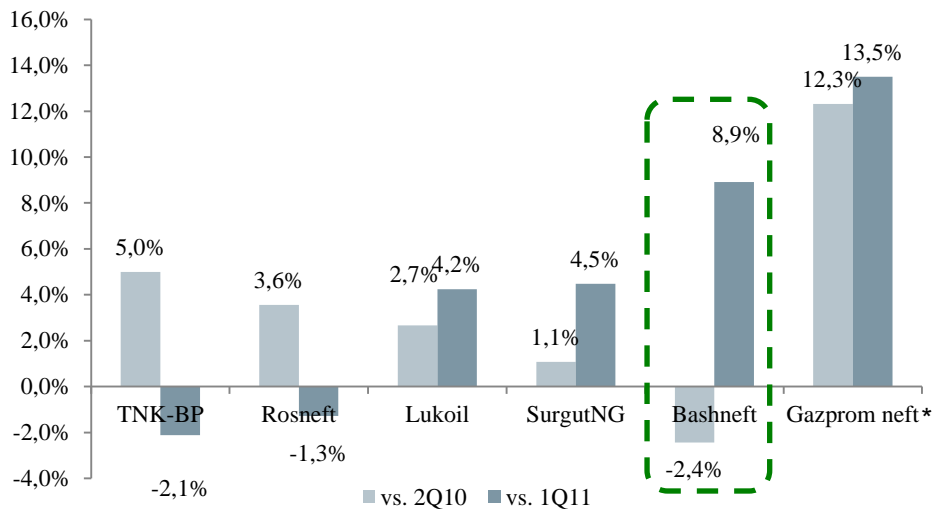
Source: CDU TEK

Average flow rate, tonnes/day



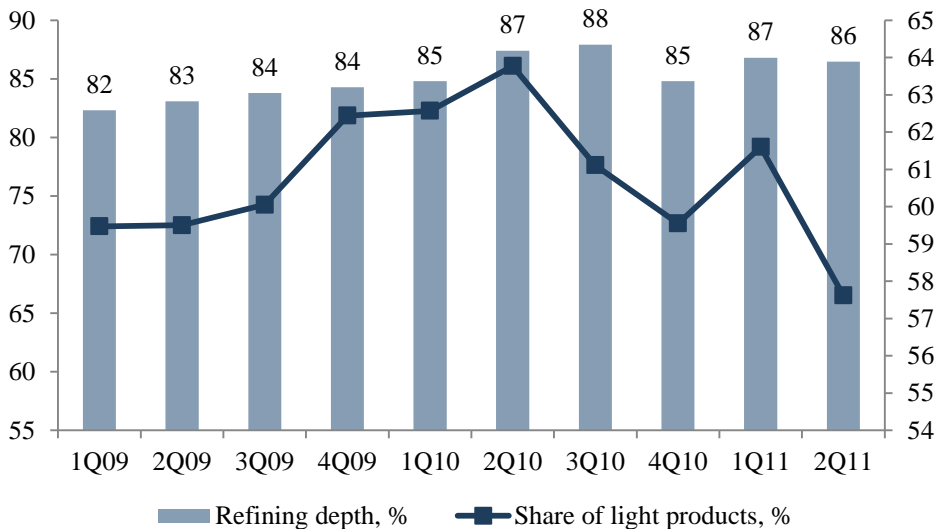


Oil refining growth rates in 2Q 2011, %



Source: CDU TEK

Refining depth, share of light products, %

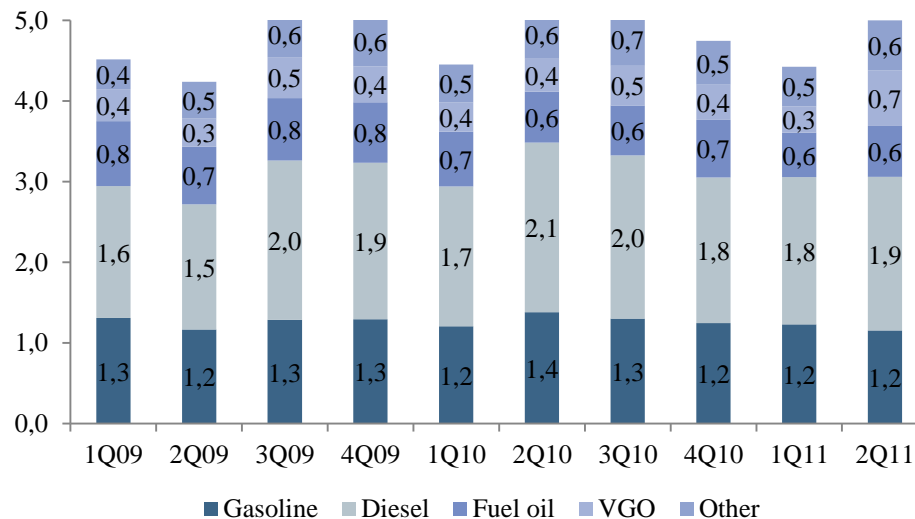


* excl. Moscow Refinery volumes

Downstream highlights

- Refining volumes increased by 8.9% q-o-q to 5.437 mln. tonnes in 2Q 2011 thanks to the favourable macro environment.
- Refining capacity load reached 90.7% in 2Q 2011 compared with 84.0% in the first quarter.
- Refining depth and light product yield declined from 86.8% and 61.6% in 1Q 2011 to 86.5% and 57.6%, respectively, in 2Q 2011. The decline was mainly due to increase of refining volumes and to repair work on the catalytic cracking unit at JSOC Ufaneftekhim.

Petroleum products, mln. tonnes

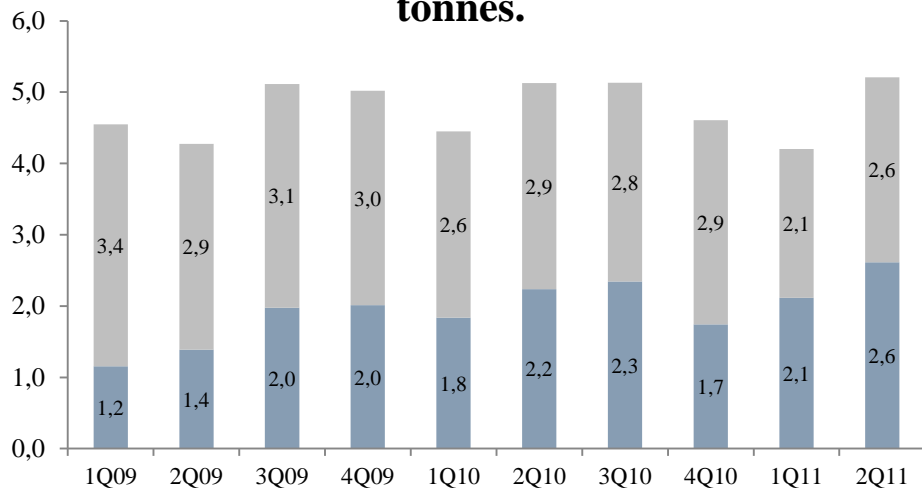


Group sales



Export and domestic sales of oil products, mln. tonnes.

tonnes.

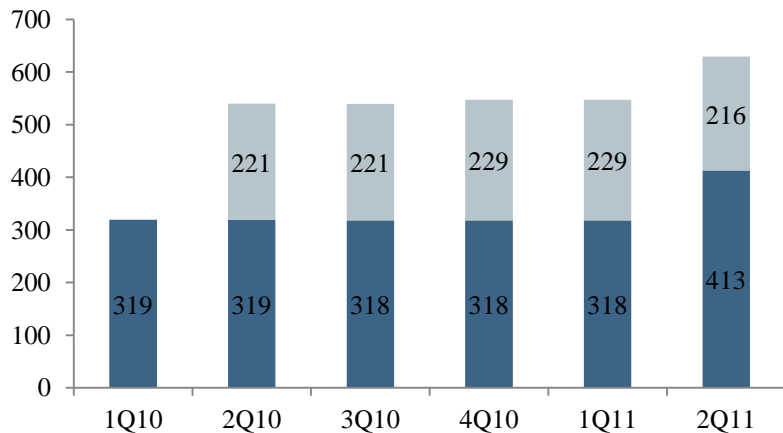


■ Petroleum product exports ■ Petroleum product sales on the domestic market

Sales results

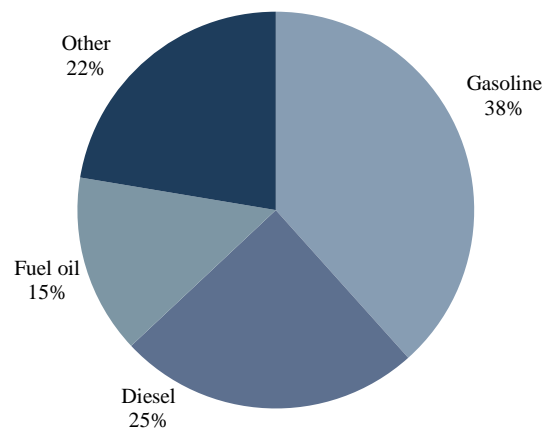
- Total petroleum product sales grew by 22.1% to 5.208 mln. tonnes in 2Q 2011 from 4.267 mln. tonnes in 1Q 2011, and product exports rose by 23.4% to 2.614 mln tonnes.
- During 2Q the Company bought Orenburgnefteprodukt, which owns 95 filling stations in Orenburg Region. The number of filling stations owned by Bashneft rose to 413 as a result of the purchase.
- Bashneft further increased the number of filling stations in ownership to 457 by acquisition in July of the petroleum product business of ASPEK Group.

Bashneft retail network

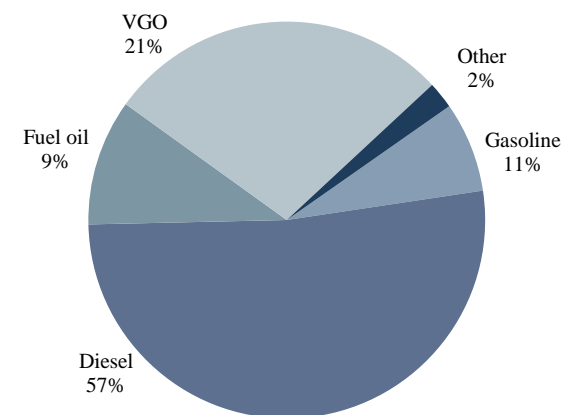


■ Own filling stations ■ Partner filling stations

Petroleum product sales on the domestic market, 2Q 2011



Petroleum product exports, 2Q 2011





Financial Results

Macro indicators, 2Q 2011*



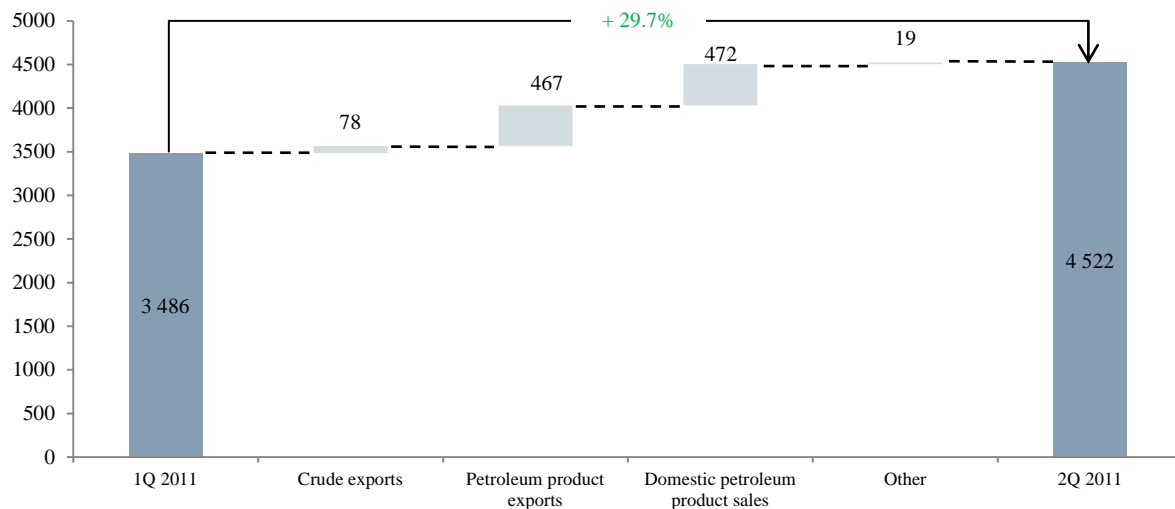
2Q 2011	1Q 2011	Δ, %	Indicator	1H 2011	1H 2010	Δ, %
28.0	29.3	-4.4%	Average RUB/USD exchange rate	28.6	30.1	-4.8%
1.2%	3.8%	2.6 p.p.	Inflation for the period, %	5.0%	4.4%	0.6 p.p.
689.2	618.4	11.4%	Diesel fuel - summer (Russia), US\$/tonne	653.8	453.7	44.1%
861.3	760.7	13.2%	High-octane gasoline (Russia), US\$/tonne	811.0	665.0	22.0%
304.2	268.5	13.3%	Fuel oil (Russia), US\$/tonne	286.3	246.1	16.3%
22.4	19.6	14.2%	Mineral extraction tax (oil), US\$/bbl	21.0	13.7	53.5%
60.9	46.8	30.3%	Crude oil export duty, US\$/bbl	53.9	37.2	44.7%
40.8	32.0	27.8%	Export duty for light and medium distillates, US\$/bbl	36.4	26.8	36.2%

* 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

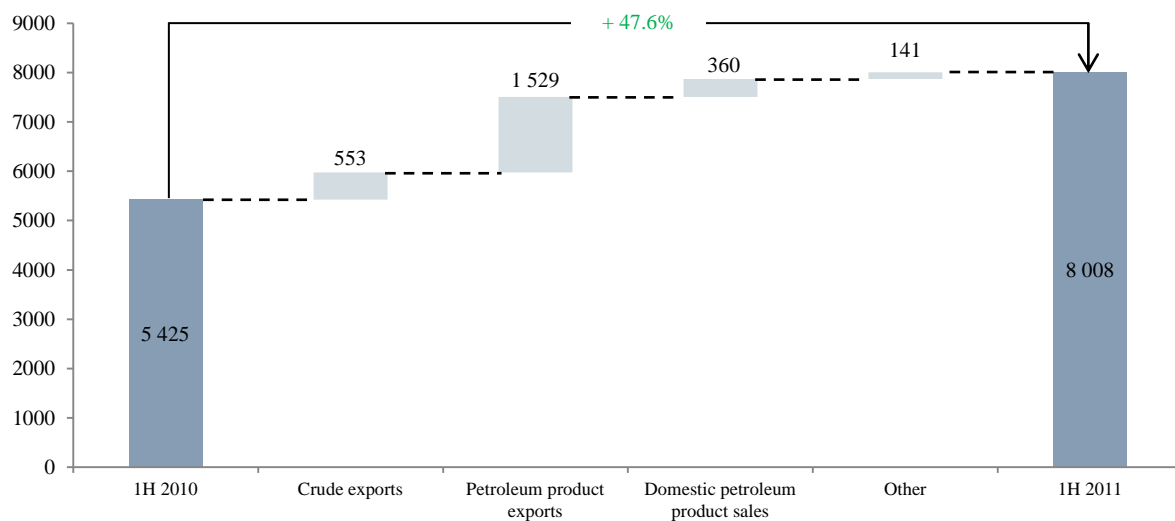
Revenue



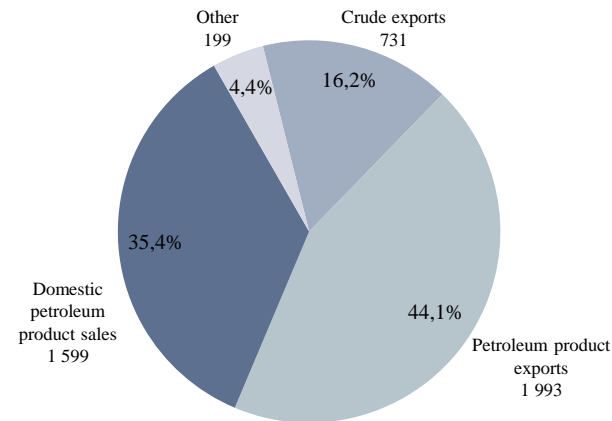
Revenue factor analysis, US\$ mln, 2Q 2011 vs. 1Q 2011



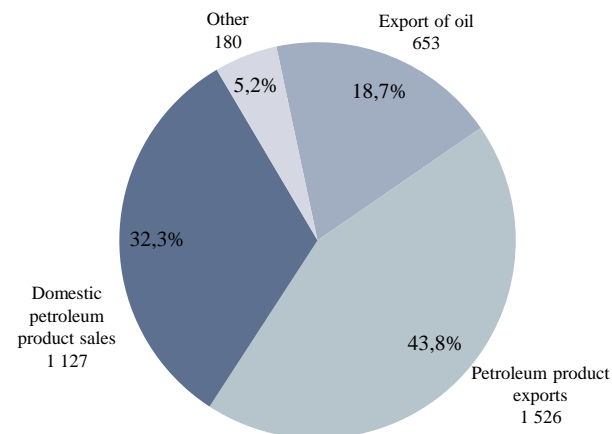
Revenue factor analysis, US\$ mln, 1H 2011 vs. 1H 2010



Revenue breakdown 2Q 2011, US\$ mln.



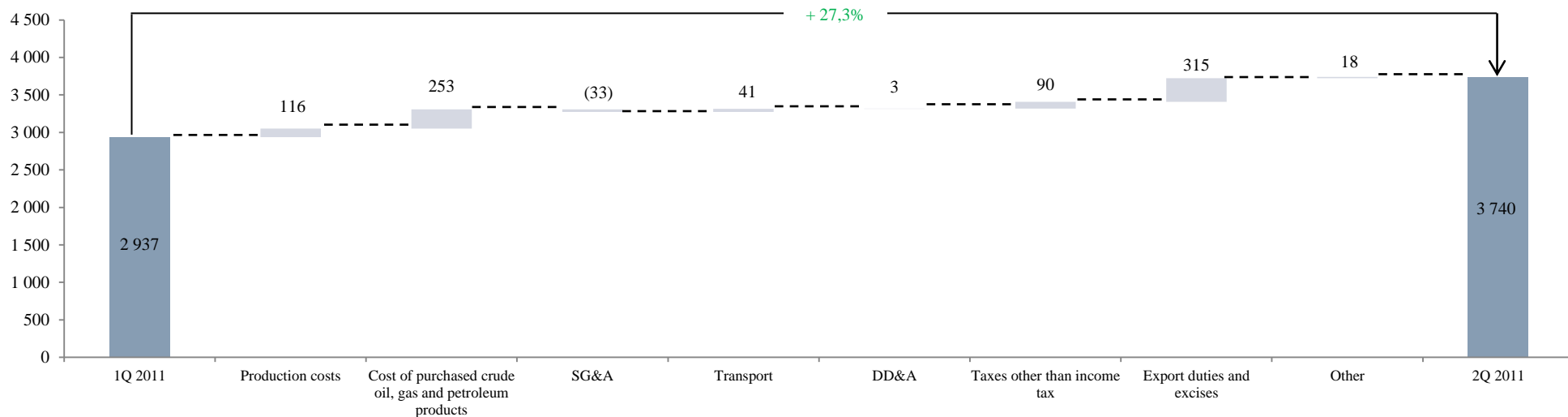
Revenue breakdown 1Q 2011, US\$ mln.



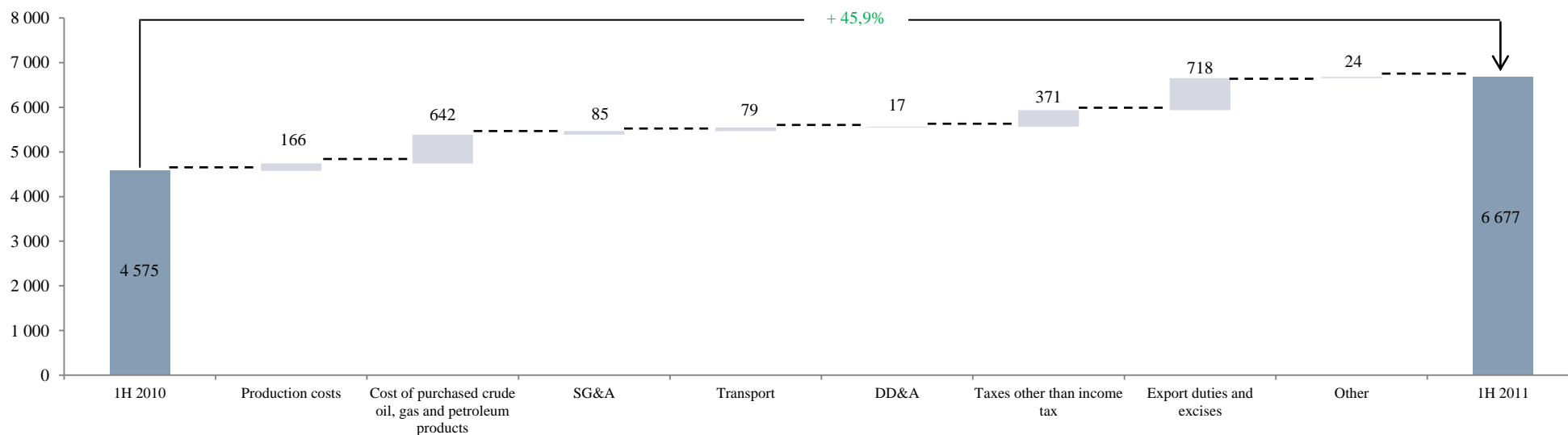
Operating Expenses



Operating expenses factor analysis, US\$ mln, 2Q 2011 vs. 1Q 2011



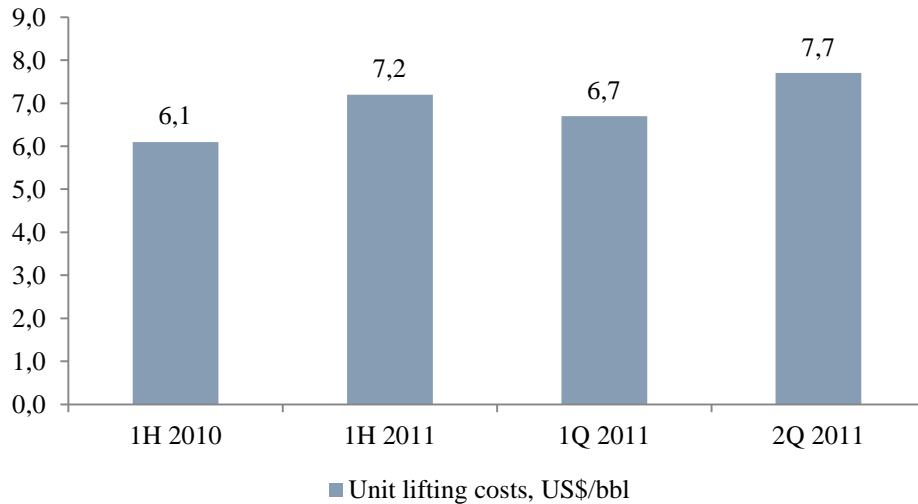
Operating expenses factor analysis, US\$ mln, 1H 2011 vs. 1H 2010



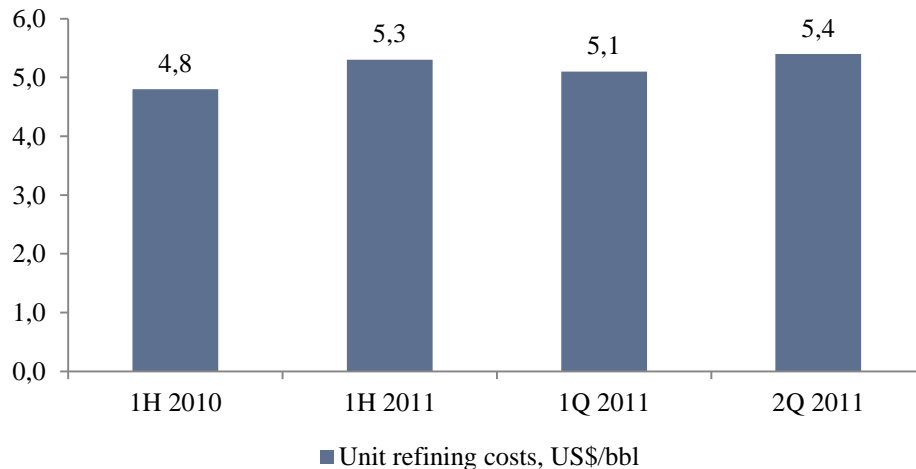
Unit Costs



Unit lifting costs*



Unit refining costs*

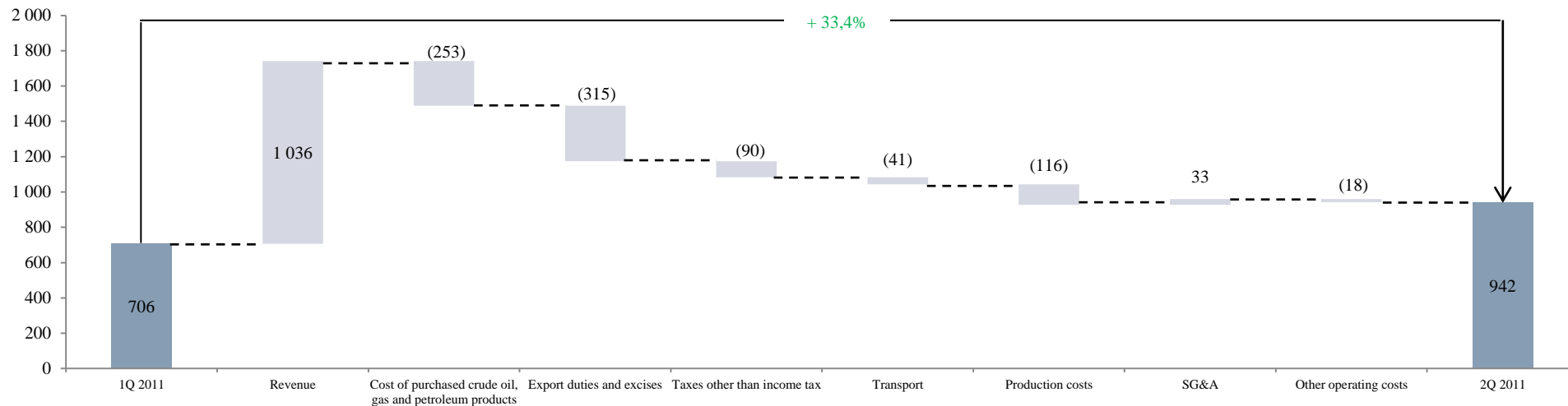


* 1 tonne = 7.12 barrels of crude oil

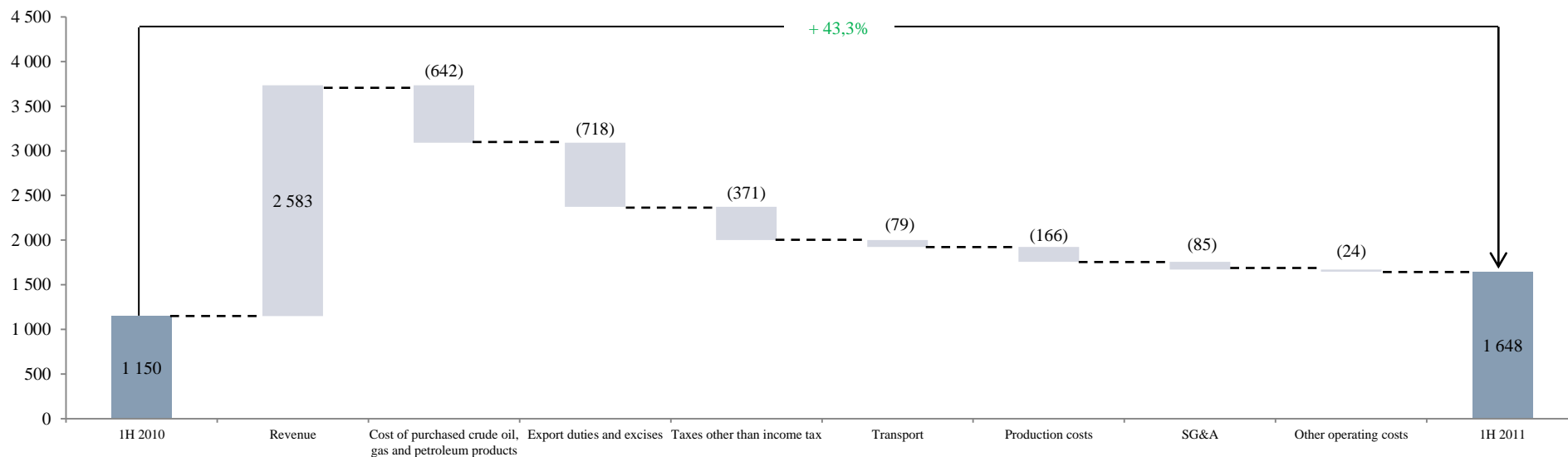
- Unit lifting costs rose by 17.7% y-o-y in H1 2011 to US\$ 7.2/barrel, mainly due to stimulation of oil production by use of secondary and tertiary recovery techniques, growth of electricity tariffs and strengthening of the ruble
- Unit lifting costs rose by 14.8% in 2Q 2011 compared with 1Q 2011 to US\$ 7.7/barrel due to seasonal factors and strengthening of the ruble against the US dollar.
- Unit refining costs rose by 10.5% in 1H 2011 against 1H 2010 to US\$ 5.3/barrel.
- Unit refining costs rose by 4.9% in 2Q 2011 compared with 1Q 2011 to US\$ 5.4/barrel.
- Growth of unit refining costs were mainly due to repair work on a catalytic cracking unit at Ufaneftekhim and strengthening of the ruble against the US dollar.



EBITDA breakdown, US\$ mln, 2Q 2011 vs. 1Q 2011



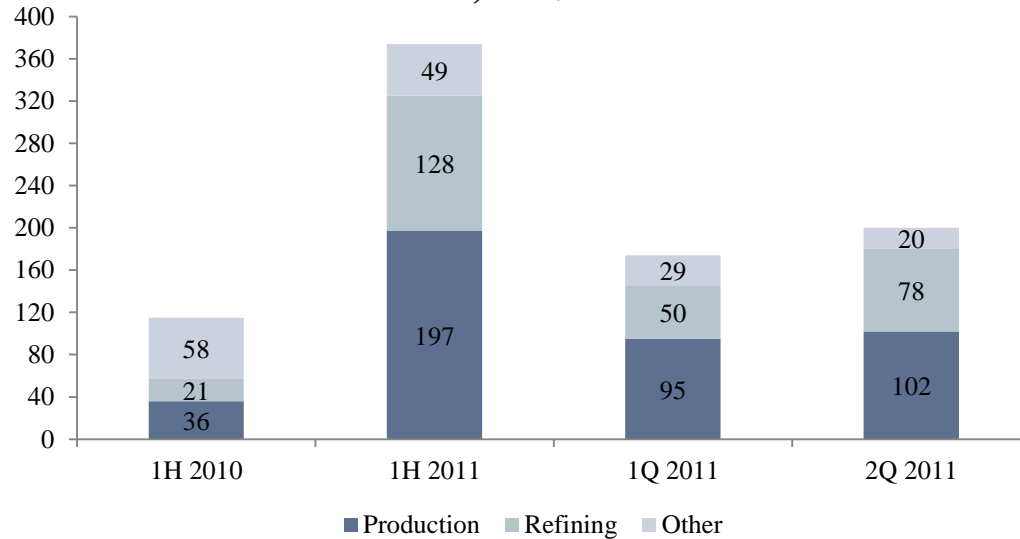
EBITDA breakdown, US\$ mln, 1H 2011 vs. 1H 2010



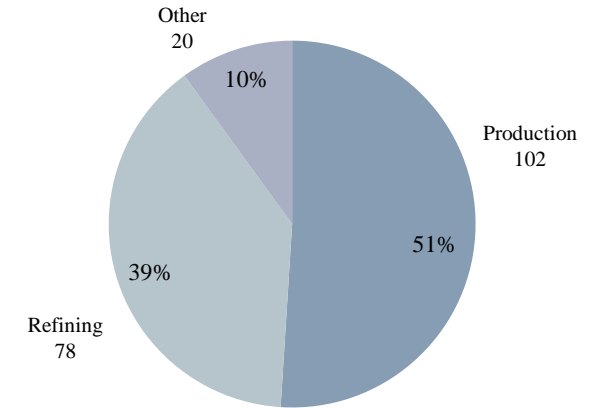
Capital Investments



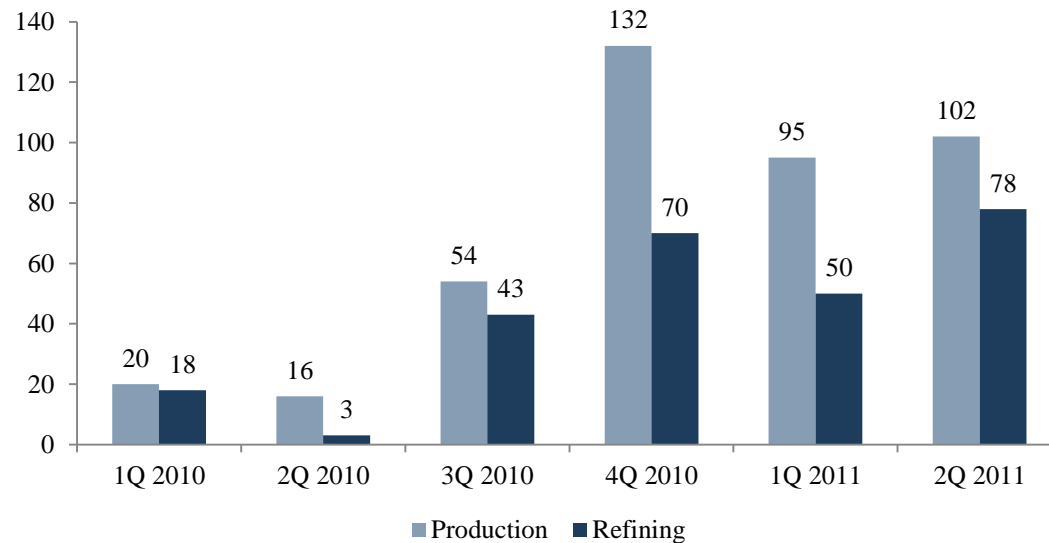
CAPEX, US\$ mln.



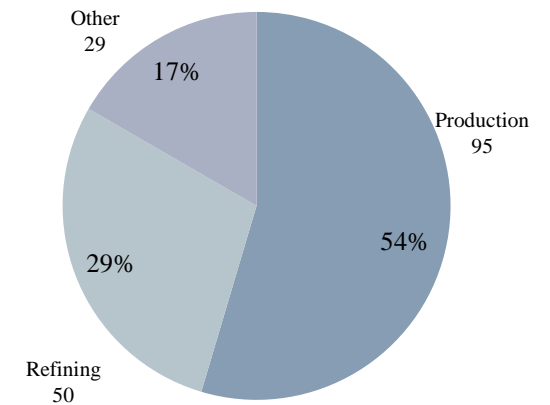
CAPEX breakdown in 2Q 2011, US\$ mln.



CAPEX in production and refining, US\$ mln.



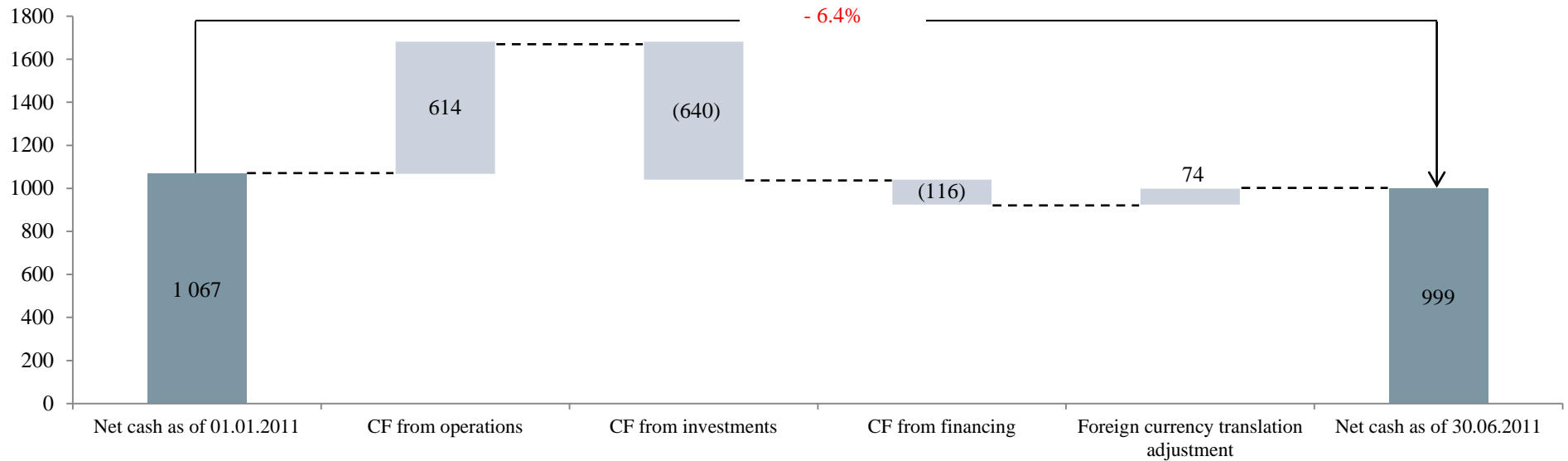
CAPEX breakdown in 1Q 2011, US\$ mln.



Net Cash Flow



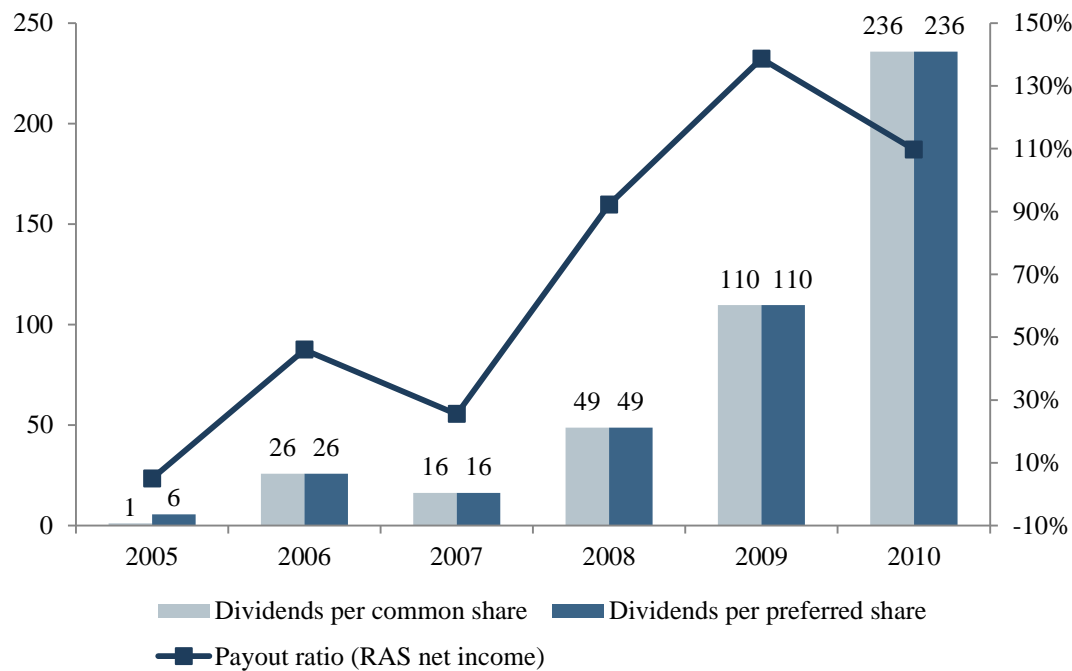
Cash flow in 1H 2011, US\$ mln.



Dividends



Dividends per share, RUB



- The Company has consistently increased the level of dividends payments over a number of years.
- In 2009 the Company increased dividend payments by 124.6% in comparison with 2008 to 109.65 rubles (US\$ 3.46) per common and preferred share (138.6% of non-consolidated net income under Russian Accounting Standards).
- The AGM approved the BoD proposal to pay dividends of 235.77 rubles (US\$ 8.3) per common and preferred share for 2010, representing 109.7% of non-consolidated RAS net income.
- Taking account of previously paid interim dividends for 9M 2010 of 104.50 rubles (US\$ 3.44) per common and preferred share, the AGM decided to pay cash dividends of 131.27 rubles (US\$ 4.6) per common and preferred share.



Thanks for your attention

Investor Relations
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