



CONSOLIDATED REVENUES OF THE BASHNEFT GROUP OF COMPANIES GREW BY 164% IN 1Q10

June 9, 2010. Ufa, Russia. OJSC Joint-Stock Oil Company Bashneft, one of the leading vertically integrated oil companies in Russia, and its subsidiary and dependent companies, including OJSC Bashkirenergo (hereafter Bashneft Group of Companies or the Group), today announced its unaudited consolidated financial results according to international financial reporting standards (IFRS) for the first quarter ending March 31, 2010.

Q1-2009 data represents Group combined reporting under IFRS. The techniques used for preparation of Q1-2009 data allowed for the valid comparison with Q1-2010 figures.

MAIN FINANCIAL RESULTS

- Revenues grew by 164% to US\$2,912 million due to the abandonment of the tolling scheme for oil products on the domestic and export markets as well as through the increase of oil exports
- OIBDA increased around 190% to US\$613 million and the OIBDA margin was 21%
- Net income grew by around 190% to US\$296 million

MAIN OPERATIONAL RESULTS

- Organic growth of oil production by 17.5% to 3,374 thousand tonnes
- Discontinuation of tolling contracts following the creation of own sales division
- Growth in refining depth by 2.5pp to 84.8%, Nelson index: 7.5%
- Increase in share of light oil products by 3.1pp to 62.57%
- Growth in oil exports of 72%

Commenting on the results for the first quarter of 2010, Bashneft President Viktor Khoroshavtsev said: "In the first quarter we demonstrated impressive business growth, which was the result of a whole range of measures undertaken by us at the end of 2009 and the beginning of this year. The exit from processing in refining and the creation of our own sales division allowed us to obtain the tolling margin and significantly increase the volume of our own sales. Subsequent work on the optimization of the existing stock of operating wells and application of various methods for increasing oil recovery drove record growth in oil production of 17.5%. Stringent controls over operating costs allowed us to reduce the proportion of the production cost of oil and oil refining in ruble terms and indicated further areas for increasing efficiency. We continued to implement our long-term and balanced investment program, with an emphasis on the oil refining segment and development of the sales area with the goal of increasing the competitiveness of the Company."

"At the beginning of the reporting period we adopted a strategy for Bashneft that identifies the main areas of organic growth in the business and potential M&A. The document establishes a firm foundation for dynamic growth of the shareholder value of the Group."

MAIN FINANCIAL AND OPERATIONAL INDICATORS

	Q1		
	2010	2009	change
Sales revenues (US\$ mln)	2,912	1,101	164.49%

OIBDA (US\$ mln)	613	208	194.71%
OIBDA margin (%)	21%	19%	+2.16 pp
Operating income (US\$ mln)	439	75	485.33%
Operating income margin (%)	15%	7%	8.17 pp
Net income (US\$ mln)	296	101	193.07%
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Oil production (thsd tonnes)	3,374	2,871	17.51%
Average daily oil production (thsd tonnes/day)	37.5	31.9	17.51%
Export crude oil (thsd tonnes)	800	465	72.04%
Output of oil products (thsd tonnes)	4,354	4,400	-0.01%
Refining depth (%)	84.80%	82.31%	+2.49 pp
Yield of light oil products (%)	62.57%	59.47%	+ 3.1 pp
Nelson index	7.5	7.5	-
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OPERATIONAL RESULTS

Production*

	Q1		
	2010	2009	change
Oil production (thsd tonnes)	3,374	2,871	17.51%
Average daily oil production (thsd tonnes/day)	37.5	31.9	17.51%
Lifting costs (US\$ mln)	226	183	23,5%
Unit lifting costs (US\$/barrel)*	9.04	8.60	0.44
Mineral Extraction Tax (US\$ mln)	250	101	147.52%
Purchase of oil (th tn)	2,311	-	-

* At 7.40 barrels in a tonne of oil; exchange rate of RUR29.9=US\$1 (2010) and RUR33.9=US\$1 (2009)

Within Russia, Bashneft carries out exploration and production of oil in Bashkortostan, Khanty-Mansiisk Region, Orenburg Region and Tatarstan. The average daily volume of oil production in the first quarter of 2010 increased by 17.5% to 37.5 thousand tonnes, in comparison with 31.9 thousand tonnes in the according period in 2009. Oil production amounted to 3,374 thousand tonnes, 17.5% higher than the indicator for the first quarter of 2009. The high rates of growth in oil production in the first quarter of 2010 were achieved through the increase in the average production rate of new wells, as well as more efficient geological and technical work.

Along with the production of its own oil, OJSC Bashneft buys Western Siberian oil for subsequent supply to its refineries. During the reporting period 2,311 thousand tonnes of oil was purchased, which comprises 48% of the total refining of the Company. The purchase of third-party oil was not undertaken in the first quarter of 2009.

During the reporting period the Group continued to carry out geological exploration. In the first quarter of 2010 the Company carried out 97 thousand meters of exploratory drilling, 17% less than in the first

quarter of 2009. 33 new wells were constructed, in comparison with 56 in the corresponding period of 2009.

The reduction in the volumes of exploratory drilling and launch into operation of new wells was a result of the implementation by the Group of a strategy to increase production growth at old fields by optimizing the work of the existing stock of operating wells and applying various methods for increasing oil recovery.

Refining* (excluding petrochemicals)

	Q1		
	2010	2009	change
Oil refining (thsd tonnes)	4,808	5,032	-4.45%
Output of oil products (thsd tonnes)	4,354	4,400	-1.05%
Refining costs (US\$ mln)	217	212	2.36%
Unit refining costs (US\$/barrel)*	6,1	5,6	0.5
Refining depth (%)	84.80%	82.31%	+2.5 pp
Yield of light products (%)	62.57%	59.47%	+ 3.1 pp

* At 7.40 barrels in a tonne of oil. Exchange rate of RUR29.9=US\$1 (2010) and RUR33.9=US\$1 (2009).

The structure of Bashneft includes three oil refineries – Ufaneftekhim, Ufimsk Refinery and Novoil, as well as the petrochemical plant Ufaorgsintez. Today the installed capacity of the plants exceeds the volume of the Group’s own production of oil.

In the first quarter of 2010 the output of oil products at the Group was maintained at practically the same level and amounted to 4,354 thousand tonnes. During the reporting period the oil-refining segment of the Group optimized its output of oil products and entered into the optimal volume of production.

The refining depth of oil grew by 2.5 pp to 84.8% in comparison with the corresponding period in 2009. The Nelson index stood at 7.5.

The yield of light oil products during the reporting period grew by 62.57% in comparison with 59.47% in the first quarter of 2009.

In December 2009, the Bashneft Group put a complete stop to processing at its plants in the refining segment. Today the sole supplier of oil to the Group’s refineries is Bashneft.

Sales

	Q1		
	2010	2009	change
<i>(thsd tonnes)</i>			
Oil exports	800	465	72.04%
Export sales of products	1,485	-	-
Domestic sales of products	2,532	137	1.75%
-wholesale	2,395	20	11.88%
-retail	137	117	16.24%

The Group sells its own oil products in both the domestic and export markets. In addition, the group supplies crude for export. Marketing and sales operations are carried out by its own sales division, which was created in the second half of 2009.

The volume of sales of oil products in the first quarter of 2010 amounted to 4,017 thousand tonnes, which exceeds by 29 times the figure for the corresponding period of 2009. The significant growth in sales volumes was due to the creation of the Group's own commercial infrastructure and the end to refining oil under tolling contracts.

During the reporting period the Group sold on the domestic market 2,532 tonnes of oil products, of which 2,395 tonnes were attributable to wholesale sales. Today the Group is carrying out work to create a network of sales enterprises in Russian regions that will carry out wholesale sales of motor fuel produced by the Group's own refineries.

Retail sales of oil products during the reporting period amount to 137 thousand tonnes, 16.2% higher than the 117 thousand tonnes in the first quarter of 2009. Sales in the retail sector are carried out through the Group's own network of filling stations, which consisted of 319 stations at the end of the first quarter of 2010. The volume of sales per filling station increased in comparison with the corresponding period of 2009 by 4.8% to 431 tonnes, which was due to a recovery in demand and an increase in the efficiency of the management of sales and logistics.

The volume of exports of oil products during the reporting period amounted to 1,485 thousand tonnes. In the first quarter of 2009 there were no sales of oil products on external markets. The Company primarily exported diesel fuel (46%), gasoline (21%) and vacuum gasoil (25%). The export of oil products was carried out primarily in the countries of North-Western Europe and Kazakhstan through pipeline and railway transportation.

The sale of oil to external markets in the first quarter of 2010 amounted to 800 thousand tonnes, 72% higher than the figure for the corresponding period of 2009. The increase in exports was due to the favorable market price in the world oil market as well as the continuing development of infrastructure and sales channels. 131 tonnes of crude oil was sold on the domestic market. The Group has devised a measured policy regarding the balance of exports and sales to the domestic market in accordance with world oil prices.

FINANCIAL RESULTS

Revenues*

Revenues for the Bashneft Group of Companies in the first quarter of 2010 amounted to US\$2,912 million, 164% higher than in the first quarter of 2009. The growth in revenues was due to the significant growth in sales of oil products and oil caused by the abandonment of the tolling scheme at the Group's refineries and the development of the Group's own sales division, as well as a significant growth in prices for oil and oil products in comparison with the first quarter of 2009. In addition, the devaluation of the US dollar against the ruble led to growth in the US dollar equivalent of rubles denominated revenue.

<i>(US\$ mln)</i>	Q1		
	2010	2009	change
Sales Revenues	2,912	1,101	164.49%
Oil exports	425	136	213.90%
Domestic oil sales	28	244	-88.61%
Product exports	805	-	

Domestic product sales	1,036	98	955.42%
-wholesale	932	10	9220.00%
-retail	104	88	18.61%
Other	618	623	-0.93%

* Exchange rate of RUR29.9=US\$1 (2010) and RUR33.9=US\$1 (2009)

Revenues from crude exports in the first quarter of 2010 amounted to US\$425 million, 213.9% higher than the figure for the first quarter of 2009. The increase in revenues was caused by the growth in prices for the sale of crude oil in international markets and sales volumes. The Company was able to increase the supply of oil for export due to significant growth in volumes of production at its own fields.

More than 63% of the total sales of the Group consisted of sales of oil products and petrochemical products. Revenues from the export of oil products in 2010 amounted to US\$805 million, while in the first quarter of 2009 no such operations took place. The Group considers exports as an important area for increasing the sale of oil products and is expanding commercial operations in this segment.

Revenues from wholesale sales of oil products on the domestic market in the first quarter of 2010 increased to US\$932 million, 9,220% greater than in the corresponding period of 2009. Such significant growth in wholesale transactions was due to the end of tolling contract by the Group's refineries, the sale of oil products through the Group's own sales channels and the growth of fuel prices on the domestic market.

Revenues from retail sales of oil products in the first quarter of 2010 amounted to US\$104 million, 18.61% higher than in the first quarter of 2009. The positive dynamic was due to the growth in prices and sales of volumes of motor fuel.

Revenues from the sale of other products include the revenues of the electric power segment of the Group (Bashkirenergo) as well as revenues from the sales of goods and services not connected with its primary activity (transportation and other services). In the first quarter of 2010, such revenues, in comparison with the same period in 2009, remained almost unchanged.

Operating expenses

(US\$ mln)	Q1		
	2010	2009	change
Operating expenses	2,473	1,025	141.27%
Production and operating costs	681	507	34.3%
Cost of purchased oil, gas and oil products	519	-	
Transportation costs	91	17	435.29%
S,G&A	163	134	21.6%
Amortization	174	133	30.83%
Taxes, excluding income tax	444	182	143.96%
Export duties	401	52	671.15%

During the reporting period, in comparison with the first quarter of 2009, operating expenses of the Bashneft Group of Companies grew 2.4 times and amounted to US\$2,473 million. The increase in operating costs was brought about by the growth in costs for oil production, the increase in costs for the transport of oil to the refineries and refining, as well as the real strengthening of the ruble. In addition, an important factor in the growth of operating costs was the purchase of crude oil from third-party oil

products for refining at the Group's refineries. The overall dynamic of the Company's operating expenses during the reporting period was lower than the growth of revenues.

Oil production costs in comparison with the first quarter of 2009 increased by 23.5% and amounted to US\$226 million. Growth in expenditures was due to an increase in the volumes of oil produced as well as the strengthening of the ruble. Unit lifting costs increased by 5% to US\$9.04 per barrel of oil, although in ruble terms they fell by 8.4% due to the considerable increase in the flow rates of existing wells.

Expenditures on refining oil in the Group's refineries in comparison with the first quarter of 2009 increased by 2% and amounted to US\$217 million. The growth in costs was driven by the strengthening of the ruble. In ruble terms refining costs fell by 4%. The company did not refine oil at third-party refineries.

During the reporting period the Group incurred costs for the purchase of oil. Since the Group ended tolling contracts its refineries, it began to acquire oil for loading its own oil refining capacity. Such expenditures during the reporting period amounted to US\$519 million or 21% of total operating costs.

In comparison with the first quarter of 2009 the Company's depreciation and amortization costs increased by 31% to US\$174 million.

The transportation costs of the Bashneft Group of Company increased by 5.4 times to US\$91 million in comparison with the same period in 2009. Growth in expenditures was due to the beginning of exports of oil products, an increase in the volumes of transportation of crude oil in external markets, the delivery of own and third-party oil to refineries as well as growth in tariffs for railroad and pipeline transportation.

Operating income and OIBDA

Operating income increased by 5.8 times in comparison with the first quarter of 2009 to US\$439 million. Operating margin grew by 8pp to 15%. OIBDA increased by 2.9 times to US\$613 million. The OIBDA margin increased by 3pp to 21%.

Interest expenditure

Expenditures by the Bashneft Group of Companies on interest during the reporting period increased to US\$53 million, which is 16 times higher than the indicator for the first quarter of 2009. The growth in interest expenditures was due to the increase in debt load of the Group caused by the 50 billion ruble bond issue in December 2009.

Income tax

Income tax in comparison with the first quarter of 2009 increased 12 times to US\$82 million.

Net income

Net income increased by 3.9 times in comparison with the first quarter of 2009 to US\$296 million. The net income margin increased by 1pp to 10%.

Financing and debt

In the first quarter of 2010 the total debt of the Group in the form of long-term loans and credits increased by US\$1,708 million to US\$1,726 million. The debt/OIBDA as of March 21 2010 was 2.8x. The main part of the of the debt portfolio is represented by interest bearing non-convertible 7-year ruble bonds in December 2009 for the total sum of 50 billion rubles with a three-year put option. The interest rate for the first six coupons of all three series of issued bonds is 12.5% annually.

Capital expenditures*

Capital expenditures during the first quarter of 2010 amounted to US\$103 million, which is 48% lower than in the first quarter of 2009.

Capital expenditure in the segment for exploration and production fell by 22% to US\$67 million. The reduction in capital expenditures in the production and refining segment was linked to a downward revision of production and investment programs.

Capital expenditures in the refining segment amounted to US\$18 million, 81% lower than in the first quarter of 2009. The reduction of capital expenditures in the refining segment was linked to a review of production and investment programs.

**for informational purposes only – does not relate to financial results: a review of this article for the indicated period has not been carried out by the Group's auditor.*

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

In April 2010 Bashneft completed the international audit of 34 of its largest fields which account for 70% of the recoverable reserves of the Company in categories ABC1 and approximately 80% of daily production. The evaluation was carried out by Miller & Lents. The audit showed that as of December 31 2009 the proven reserves (category 1P) of the evaluated fields amounted to 1,269 million barrels. At the end of 2010, in comparison with April 2009 the proven reserves grew by 7.5%. The probable reserves of the fields, from April 2009 to January 2010, grew by 41.8% and amounted to 329 million barrels. The possible reserves fell by 5.2% due to transfer to a higher category and amounted, according to the evaluation of Miller & Lents, to 534 million barrels. The total reserves of the 34 evaluated fields in category 3P (the sum of proven, probable and possible reserves) at the beginning of 2010 was evaluated by the auditor at 2,132 million barrels, which exceeds the evaluation of April 2009 by 7.9%.

In April the Bashneft Group of Companies launched purchasing activity using the B2B Bashneft electronic trading platform. Using electronic trading, the Company intends not only to acquire goods and services for its current activities, but also to carry out the purchase additional volumes of crude oil, the sale of a portion of petroleum product and petrochemical products, mobile and immobile property and other items.

In April the Bashneft Group of Companies presented its development strategy.

In May the Board of Directors of Bashneft took the decision to convene the Annual General Meeting of Shareholders on June 29, 2010. In addition, the Board of Directors took the decision to recommend to the Annual General Meeting of Shareholders to confirm dividends on the Company's shares in the amount of 22.455 billion rubles, or 109.65 rubles for one ordinary and privileged share.

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Some of the statements in this presentation may contain projections or other forward-looking statements regarding future events of the Bashneft Group of Companies and AFK Sistema. Such statements contain the terms "expect", "estimate", "intend", "will", "might be", the negative of such terms or other similar expressions. We would like 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 in order to bring them into line with real events and circumstances occurring after the date hereof or also to reflect unanticipated events. Many factors could cause the actual results of the Bashneft Group of Companies and AFK Sistema to differ materially from those contained in our forward-looking statements or projections; including such factors as general economic conditions, rapid technological and market change in the industries we operate in, as well as many other risks directly related to the Bashneft Group of Companies and AFK Sistema and their operations.

Appendix. Key Results by Division

Information about reportable segments for the three months ended March 31, 2010

US dollars, thsd

	Production	Refining	Marketing	Other	Total
Net sales to external customers	2,222,259	6,256	171,478	511,850	2,911,843
Intersegment sales	150,391	336,013	15,424	109,050	610,877
Interest income	5,643	7,668	2,030	2	15,343
Interest expense	-58,717	-1,783	0	0	-60,499
Depreciation and amortization	-37,823	-102,149	-4,280	-29,465	-173,717
Operating income	365,020	-9,470	14,958	83,090	453,598
Income tax expense	-62,723	-3,053	-3,434	-16,945	-86,156
Segment assets	5,961,372	5,167,036	488,487	1,990,837	13,607,733
Indebtedness	-1,664,044	-43,445	0	-43,780	-1,751,270
Capital expenditures	67,475	17,787	59	18,152	103,473

Information about reportable segments for the three months ended March 31, 2009

US dollars, thsd

	Production	Refining	Marketing	Other	Total
Net sales to external customers	407,539	248,043	98,889	346,422	1,100,894
Intersegment sales	2,215	40,804	11,754	71,565	126,338
Interest income	3,043	5,541	969	2	9,554
Interest expense	-154	-116	0	-3,102	-3,372
Depreciation and amortization	-38,266	-65,473	-4,120	-25,040	-132,899
Operating income	17,525	-25,858	12,558	71,249	75,473
Income tax expense	21,650	-6,844	-3,954	-17,452	-6,601
Segment assets	3,604,104	4,759,126	385,700	1,788,021	10,536,951
Indebtedness	-2,455	-21,800	0	-87,263	-111,518
Capital expenditures	86,748	91,694	7,222	14,976	200,639