



**Bashneft Group**

**IFRS Financial Results  
for 3Q and 9M 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** increased by 1.8% to 3,878 thousand tonnes;
- **Crude oil refining** rose by 7.4% to 5,323 thousand tonnes;
- **Refining depth** changed insignificantly to 85.5%;
- **Light oil output** increased by 3.5 p.p. to 61.4%;
- **Petroleum product sales** increased by 12.0% to 5,306 thousand tonnes;
- **Retail sales** increased by 21.0% to 397 thousand tonnes;

## Financial results

- **Revenue** increased by 13.2% to US\$ 4,622 million;
- **EBITDA** totalled US\$ 962 million, having increased by 26.1%;
- **Net profit** rose by 62.3% to US\$ 547 million;
- **Operating cash flow** amounted to US\$ 631 million compared to US\$ 1,000 million in the 2nd quarter of 2012;
- **Adjusted net debt** increased by 8.7% to US\$ 2,285 million;

## Main events

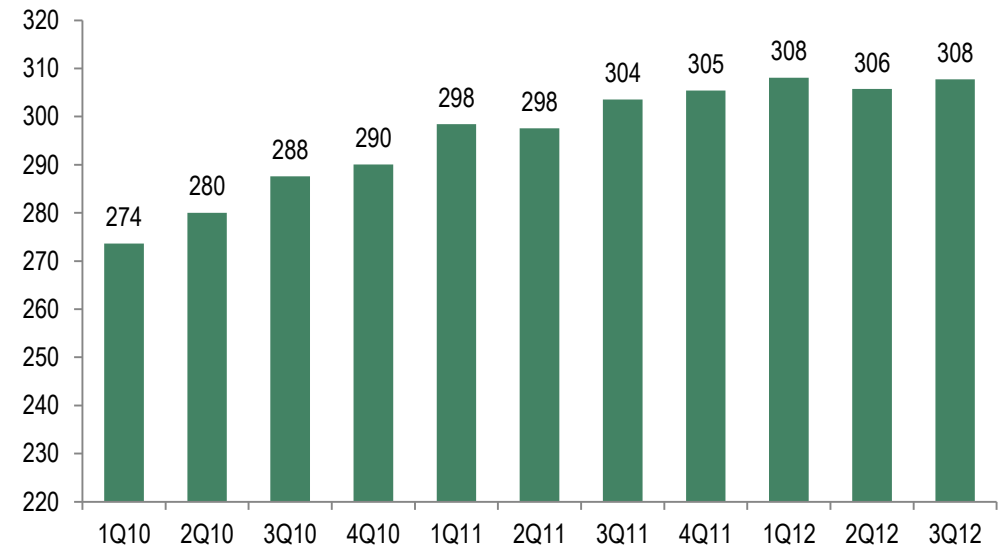
- On 1 October 2012, JSOC Bashneft has completed all stages of reorganization through consolidation of its subsidiaries (OJSC Ufimsky Refinery Plant, OJSC Novoil, OJSC Ufaneftekhim, OJSC Bashkirnefteprodukt and OJSC Orenburgnefteprodukt). As a result of the reorganization, the shares of the subsidiaries were converted into JSOC Bashneft's shares.
- In August 2012, the Iraqi Ministry of Oil and the Consortium comprising Bashneft (70%) and Premier Oil (30%) initialed the contract for geological exploration, development and production at Block 12 in Baghdad. Block 12 is a part of the Western Desert, which is an unexplored region having the greatest potential in Iraq in terms of oil production. The block's approximate area is 8,000 sq. km

# Key Indicators for Bashneft Group in 3Q 2012

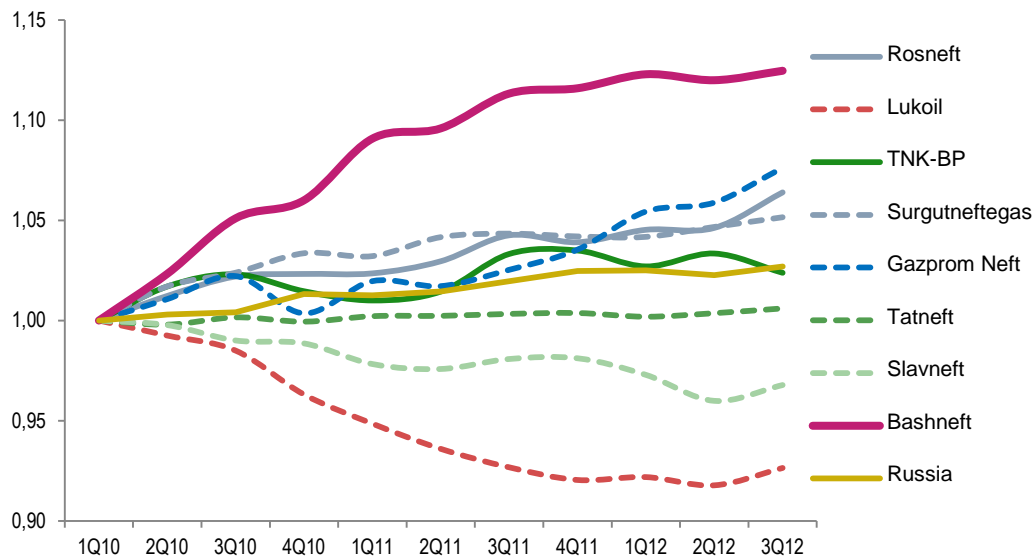
3Q 2012	2Q 2012	Δ, %	Indicator	9M 2012	9M 2011	Δ, %
109,1	106,8	2,2%	Urals price, US\$/bbl	111,1	109,2	1,7%
3 878	3 811	1,8%	Crude oil production, '000 tonnes	11 529	11 257	2,4%
5 323	4 954	7,4%	Oil refining, '000 tonnes	15 397	15 729	-2,1%
5 306	4 737	12,0%	Petroleum product sales, '000 tonnes	14 380	14 549	-1,2%
4 622	4 082	13,2%	Revenue, US\$ mln	12 627	12 466	1,3%
962	763	26,1%	EBITDA, US\$ mln	2 549	2 368	7,6%
547	337	62,3%	Profit for the period, US\$ mln	1 328	1 309	1,5%
194	274	-29,2%	Capital expenditures, US\$ mln	630	595	5,9%
2 285	2 103	8,7%	Adjusted net debt, US\$ mln	2 285	2 327	-1,8%

- The Group's average daily production stabilized at the optimal level for oilfields under development – it has amounted to approx. 307 thousand barrels/day for 4 consecutive quarters;
- For the nine months of 2012, crude oil production totalled 11,529 thousand tonnes, which is 2.4% higher than in the same period in 2011;
- An increase in crude oil production for the nine months 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.

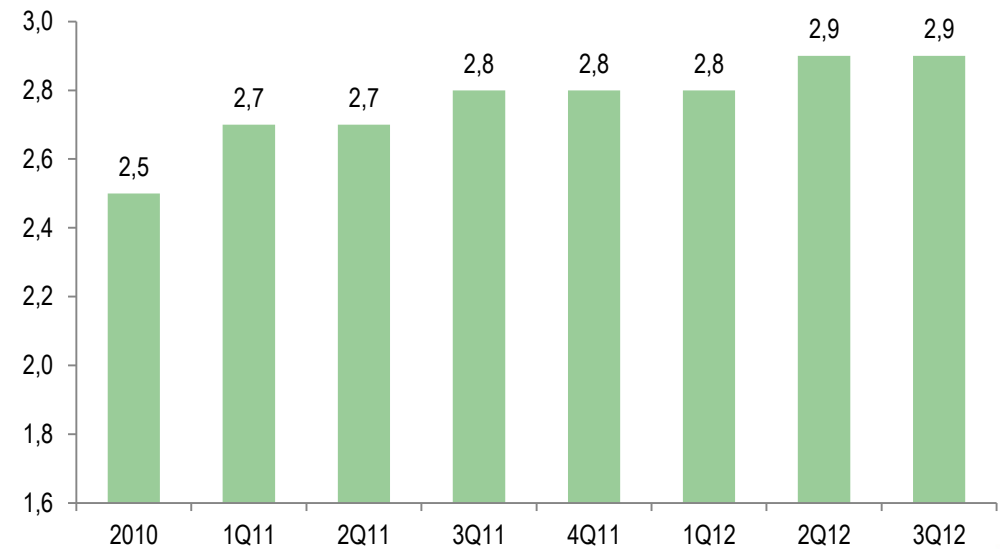
### Average daily oil production, th. bbl/d



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



### Average flow rate, tonnes/day



# The status of the T&T project as of November 2012: seismic surveys, drilling and reentering exploration wells

## Seismic surveys

- The licence stipulates 700 square kilometres of 3D seismic surveys;
- Under the seismic survey programme, 3D seismic surveys covering 1,350 square kilometres are to be carried out in 2012-2013;
- In 2012, 3D seismic surveys totalled 618 square kilometres; in 2013, Bashneft plans to carry out 3D seismic surveys covering 732 square kilometres;
- In winter of 2012-2013, Bashneft plans to carry out 2D seismic surveys totalling 200 linear kilometres and 3D seismic surveys covering 1,250 square kilometres at new licence areas in the Nenets Autonomous District.

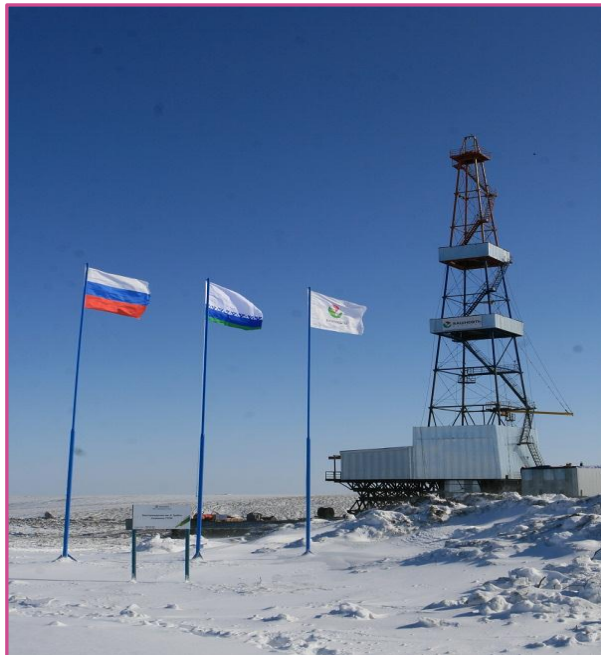


## Drilling of exploration wells

- Exploration well 1 TRM drilled in 2011 at the Trebs oilfield was tested;
- In July 2012, drilling of exploration wells 2 TRM and 7 TRM started;
- In 2013, Bashneft plans to drill two exploration wells (6 TRM and 10 TRM) and two water supply wells.

## Exploration well reentry

- To date, eight exploration wells acquired from Lukoil have been reentered, including four wells in 2011;
- Overall, in 2012, nine wells are to be reentered; the reentry of other four wells is scheduled for 2013;
- In the third quarter of 2013, Bashneft plans to start oil production at 12 exploration wells at the Trebs oilfield.



**The tests of exploration wells (both the ones that have been reentered and the new one) confirm the existing data on the reserves of the Roman Trebs oilfield**

# The status of the T&T project as of November 2012: production drilling and field facilities construction

## Production drilling

- In July 2012, drilling of production wells was put out to tender; Gazprom Bureniye was selected as a contractor;
- Integrated drilling support at the first stage of oilfield development will be provided by Schlumberger;
- In 2013, as part of the T&T project, Bashneft plans to drill ten production wells (both directional and horizontal), including six wells at the Trebs oilfield and four at the Titov oilfield.

## Field facilities construction

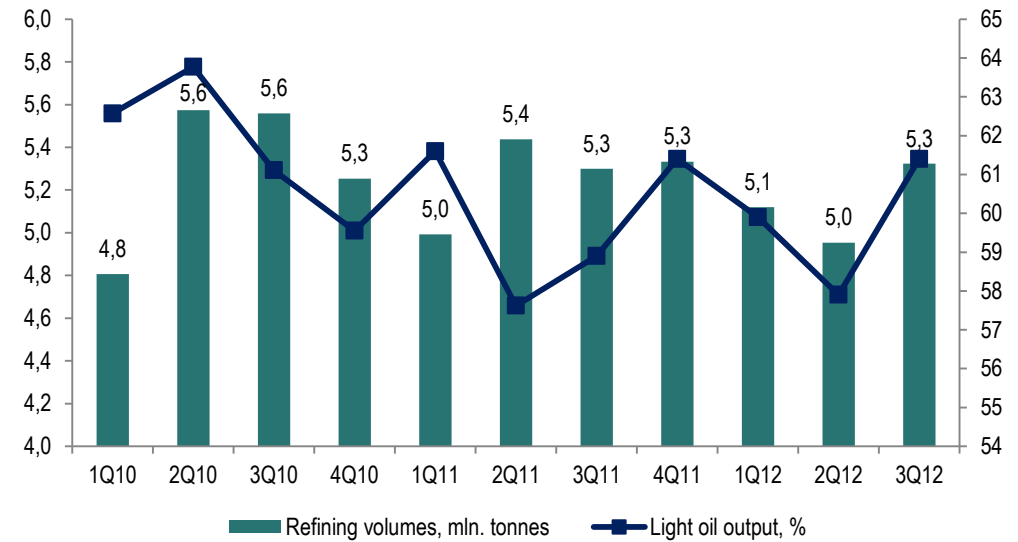
- In 2011, 36 thousand tonnes of cargo were delivered by sea to the Varandey port for field facilities construction; in 2012, 26 thousand tonnes of cargo were delivered both by sea and winter roads;
- Foundations were laid for constructing the first stage of the Central Gathering Station (CGS) at the Trebs oilfield, as well as the metering station in Varandey and four multi-well pads for drilling exploration wells;
- The high-pressure pipeline between the CGS at the Trebs oilfield and the metering station at Varandey, as well as oil-gathering pipelines between individual wells and the CGS are under construction;
- A construction workers' camp at the CGS at the Trebs oilfield was set up;
- To carry out the works at oilfields, Bashneft plans to mobilize 60 contractors, 1,450 vehicles and up to 4,000 people by the middle of December 2012.

**After exploration wells are tested, changes will be made to the field development project if necessary**

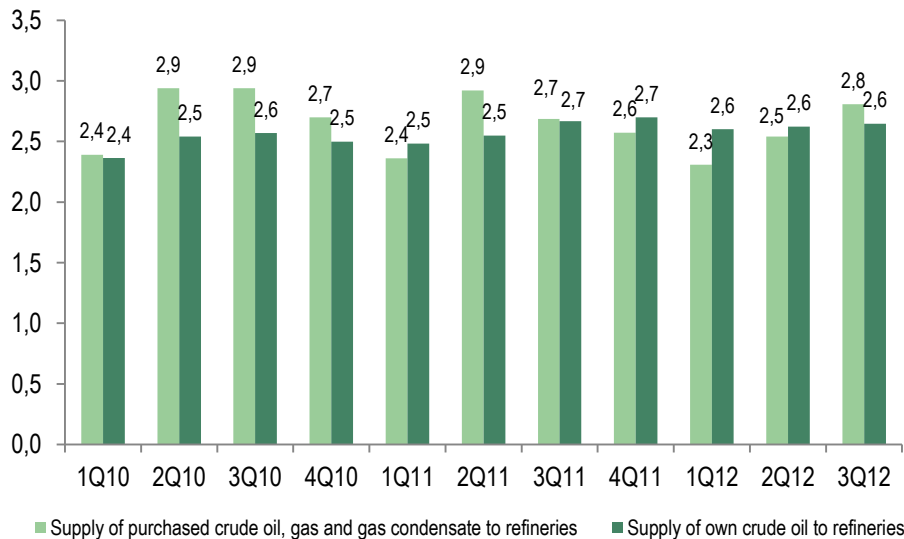


- In the 3rd quarter of 2012, crude oil refining volume amounted to 5,323 thousand tonnes, having increased by 7.4%, which was above all due to the stoppage of the Ufimsky refinery plant for scheduled major overhaul in the 2nd quarter of 2012;
- Following the repairs carried out at the refinery plant in the 2nd quarter of 2012, the mix of petroleum products was revised, the emphasis being shifted towards production of gasoline and diesel fuel, which also affected the share of light products. At the same time, refining depth changed insignificantly to 85.5%.

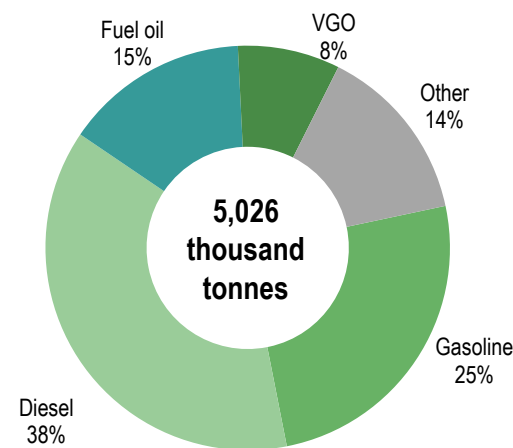
## Oil refining



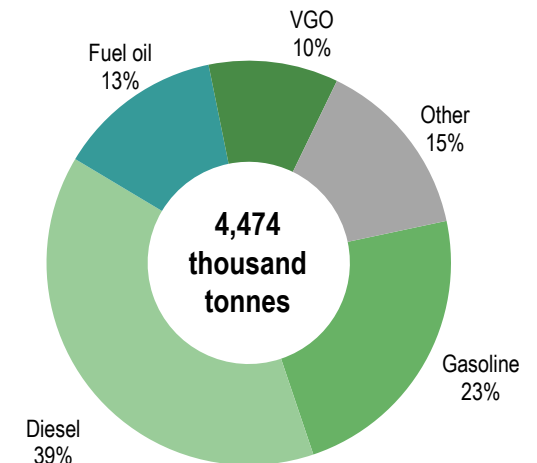
## Supply of own and purchased crude oil to refineries, mln tonnes



## Petroleum products and petrochemicals, 3Q 2012



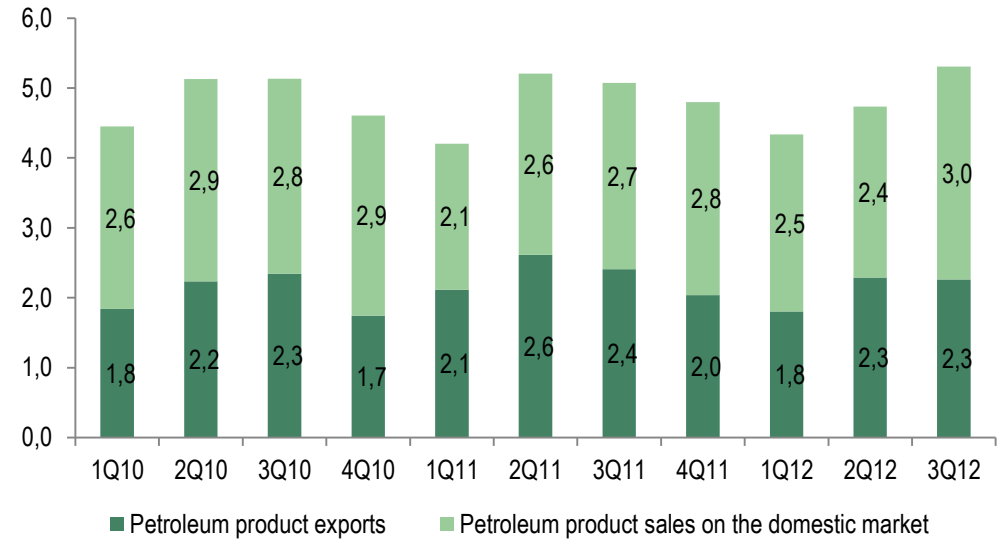
## Petroleum products and petrochemicals, 2Q 2012



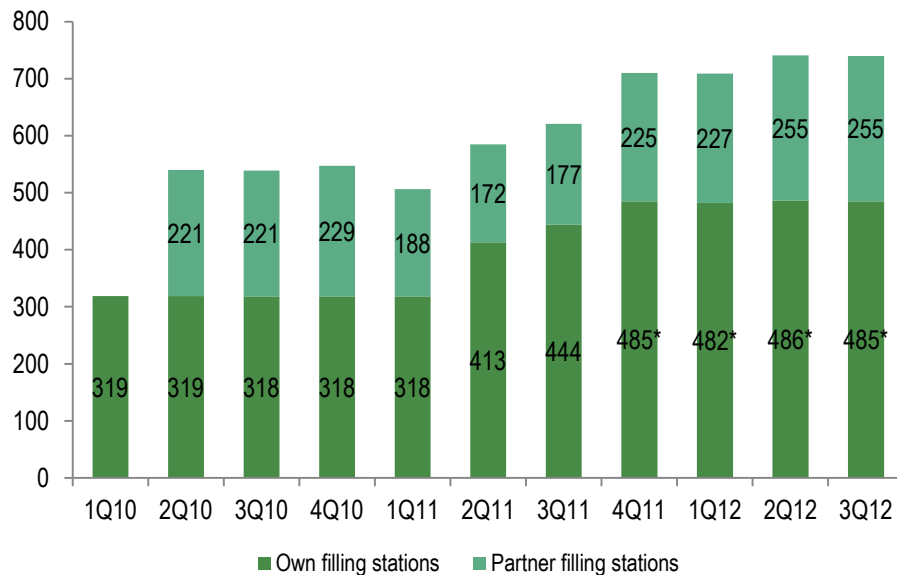


- Export sales of petroleum products and petrochemicals outside the CIS increased by 18.2% (1,686 thousand tonnes in the 3rd quarter of 2012 versus 1,426 thousand tonnes in the 2nd quarter of 2012). This was primarily due to a shift of focus from sales to the CIS to export to countries outside the CIS;
- In the 3rd quarter of 2012, the Group sold 3,045 thousand tonnes of petroleum products and petrochemicals on the domestic market, which is 24.5% more than in the 2nd quarter of 2012;
- As of 30 September 2012, Bashneft Group owned 485 filling stations.

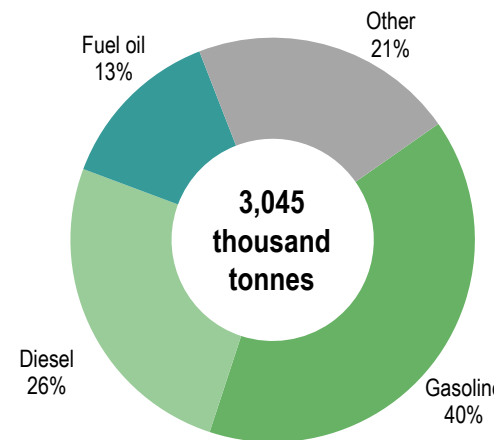
## Domestic and export sales of oil products, mln tonnes



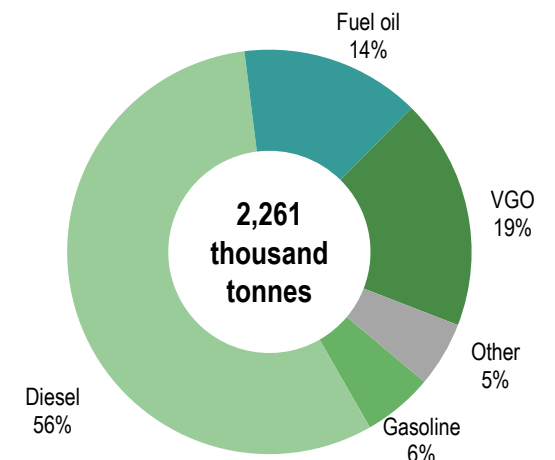
## Bashneft retail network



## Petroleum product sales on the domestic market, 3Q 2012



## Petroleum product exports, 3Q 2012



\* Including filling stations that are leased out

# Macro Indicators, 3Q 2012\*

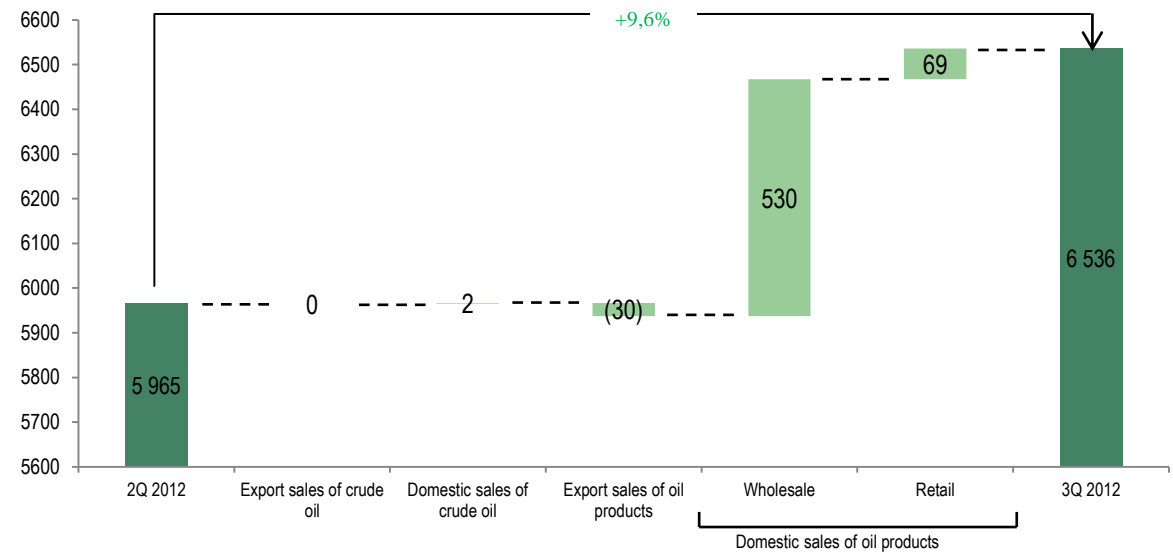
3Q 2012	2Q 2012	Δ, %	Indicator	9M 2012	9M 2011	Δ, %
32,0	31,0	3,2%	Average RUB/USD exchange rate	31,1	28,8	8,0%
2,0%	1,7%	0,3 п.п.	Inflation for the period, %	5,2%	4,7%	0,5 п.п.
721,4	722,7	-0,2%	Diesel fuel - summer (Russia), US\$/tonne	716,9	660,3	8,6%
803,0	788,2	1,9%	High-octane gasoline (Russia), US\$/tonne	786,2	828,6	-5,1%
302,0	295,2	2,3%	Fuel oil (Russia), US\$/tonne	297,7	297,1	0,2%
22,0	21,3	3,3	Mineral extraction tax (oil), US\$/bbl	22,4	20,8	7,7%
50,3	60,7	-17,2%	Crude oil export duty, US\$/bbl	55,2	56,3	-1,9%
33,2	40,0	-17,1%	Export duty on light and medium distillates, US\$/bbl	36,4	37,9	-4,0%

\* 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 Group valuation.

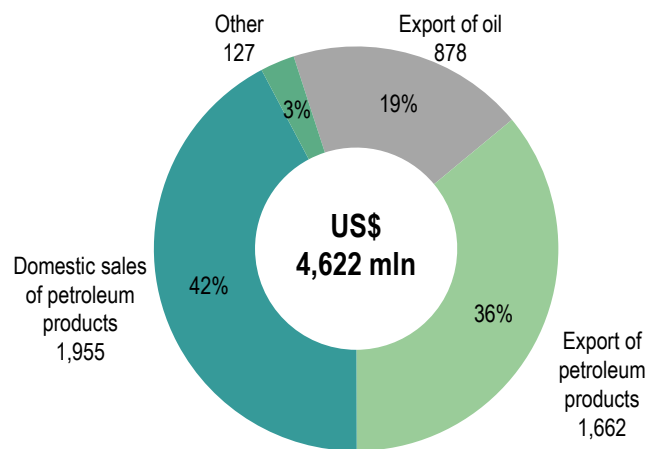


- In the 3rd quarter of 2012, the revenue of Bashneft Group totaled US\$ 4,622 million, which is 13.2% higher than in the 2nd quarter of 2012. The increase in revenue was caused mainly by growing domestic sales of petroleum products;
- In the 3rd quarter of 2012, revenue from retail sales of petroleum products totaled US\$ 374 million, which is 15.1% higher than in the 2nd quarter of 2012.

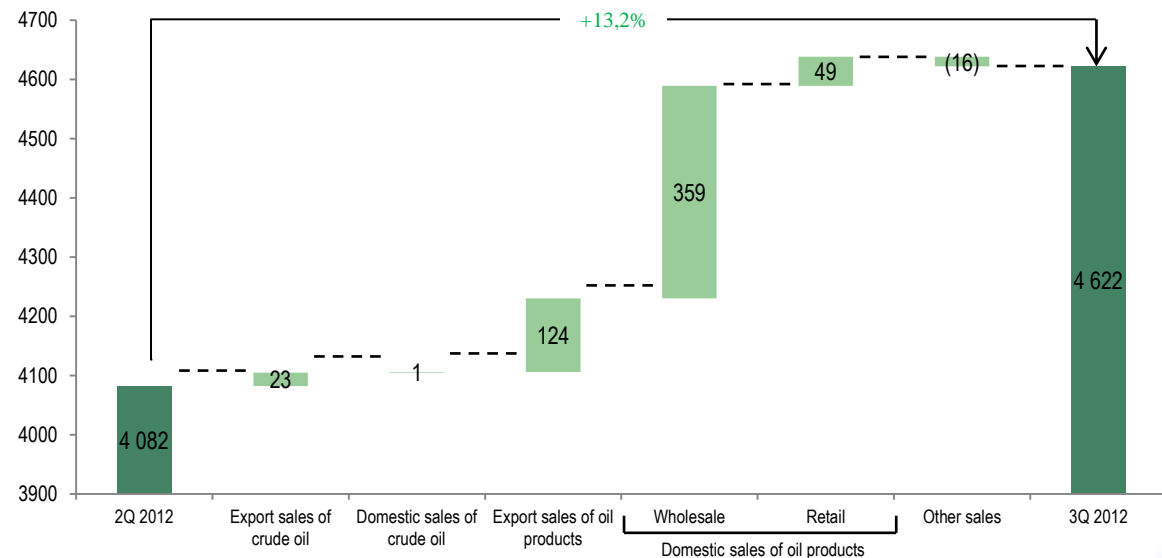
### Revenue factor analysis, '000 tonnes, 3Q 2012 vs. 2Q 2012



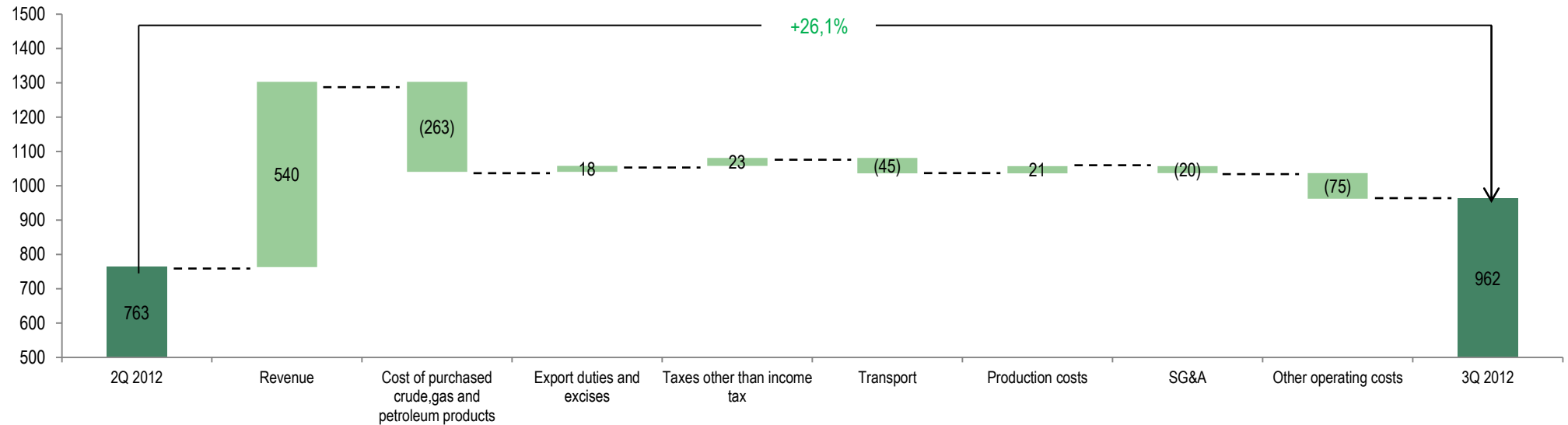
### Revenue breakdown 3Q 2012, US\$ mln



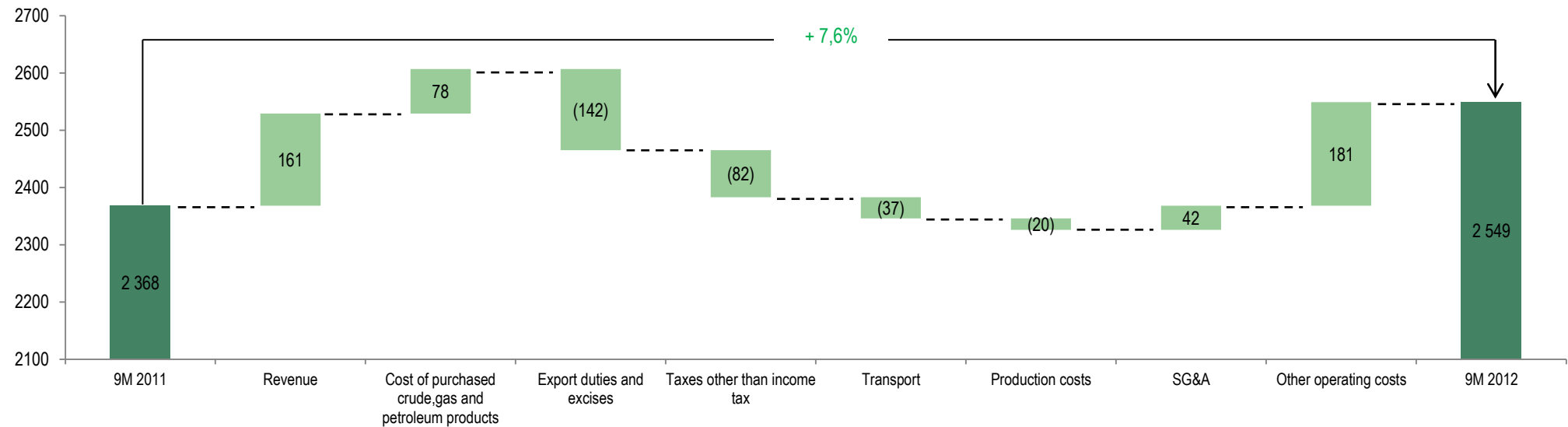
### Revenue factor analysis, US\$ mln, 3Q 2012 vs. 2Q 2012



## EBITDA factor analysis, US\$ mln, 3Q 2012 vs. 2Q 2012



## EBITDA factor analysis, US\$ mln, 9M 2012 vs. 9M 2011

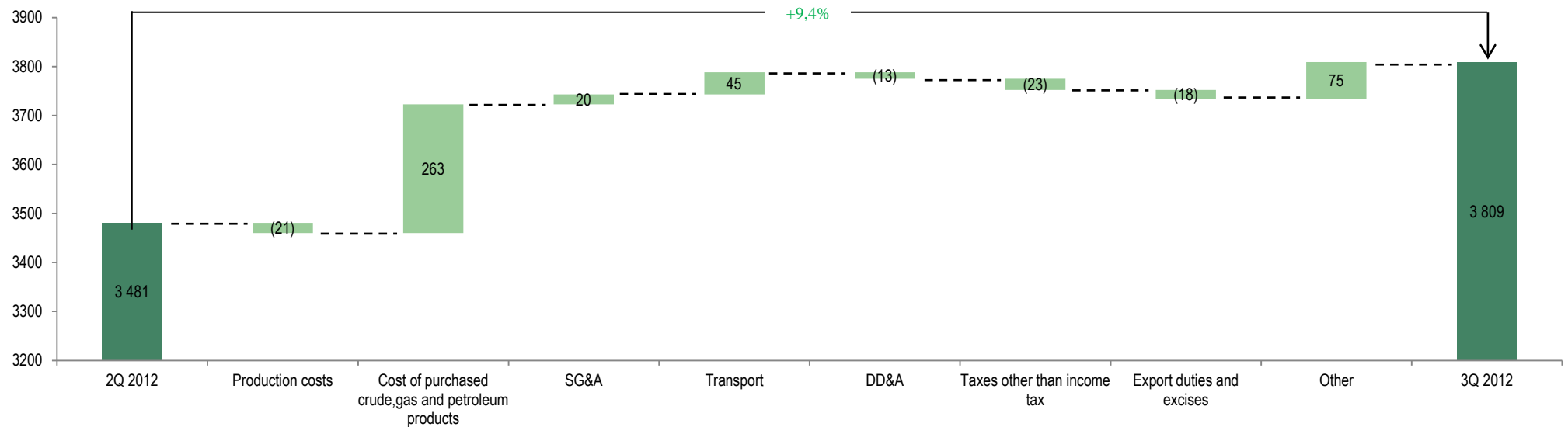


# Changes in Operating Expenses

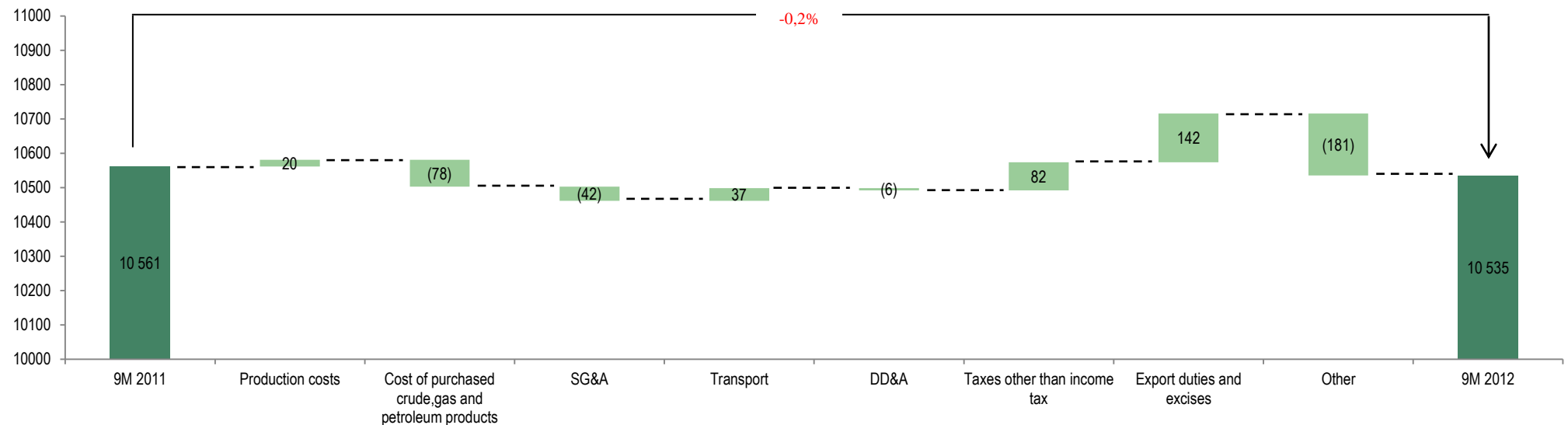
3Q 2012	2Q 2012	Δ, %	Operating expenses	9M 2012	9M 2011	Δ, %
426	447	-4,7%	Production and operating expenses	1 246	1 226	1,6%
1 118	855	30,8%	Cost of purchased crude oil, gas and petroleum products	2 947	3 025	-2,6%
141	121	16,5%	Selling, general and administrative expenses	363	405	-10,4%
252	207	21,7%	Transportation expenses	638	601	6,2%
149	162	-8,0%	Depletion and depreciation	457	463	-1,3%
532	555	-4,1%	Taxes other than income tax	1 625	1 543	5,3%
1 171	1 189	-1,5%	Export duties and excises	3 360	3 218	4,4%
20	(55)	-136,4%	Other operating income/expenses, net	(101)	80	-226,3%
3 809	3 481	9,4%	Total operating expenses	10 535	10 561	-0,2%

- In the 3rd quarter of 2012, the cost of purchased crude oil, gas and petroleum products increased by 30.8% and totaled US\$ 1,118 million. This was caused by a rise in purchase prices for crude oil and an increase in the volume of petroleum products manufactured by the Group in the 3rd quarter of 2012. In the 3rd quarter of 2012, there also was an increase in the volumes of petroleum products purchased by OJSC Orenburgnefteprodukt and BN-Nefteprodukt Group from third-party suppliers due to a seasonal growth in demand for petroleum products;
- In the 3rd quarter of 2012, transportation costs of Bashneft Group increased by 21.7% to US\$ 252 million compared to US\$ 207 million in the 2nd quarter of 2012 mainly due to a shift of focus to export to countries outside the CIS and to an overall increase in petroleum products sales;
- In the 3rd quarter, the total amount of export duties on oil and petroleum products decreased by 7.1% compared to the 2nd quarter of 2012 and amounted to US\$ 852 million, as the export duty rates were reduced;
- In the 3rd quarter of 2012, the total amount of excises increased by 17.3% compared to the 2nd quarter of 2012 and amounted to US\$ 319 million. This was due to higher sales volumes in the domestic market. This was partially offset by an increase in the share of produced high-octane gasoline and diesel fuel of higher environmental classes that are subject to a lower rates, due to the full transition to the sales of fuel complying with Euro 5 standard by the Group's own retail network in July 2012.

## Operating expenses factor analysis, US\$ mln, 3Q 2012 vs.2Q 2012



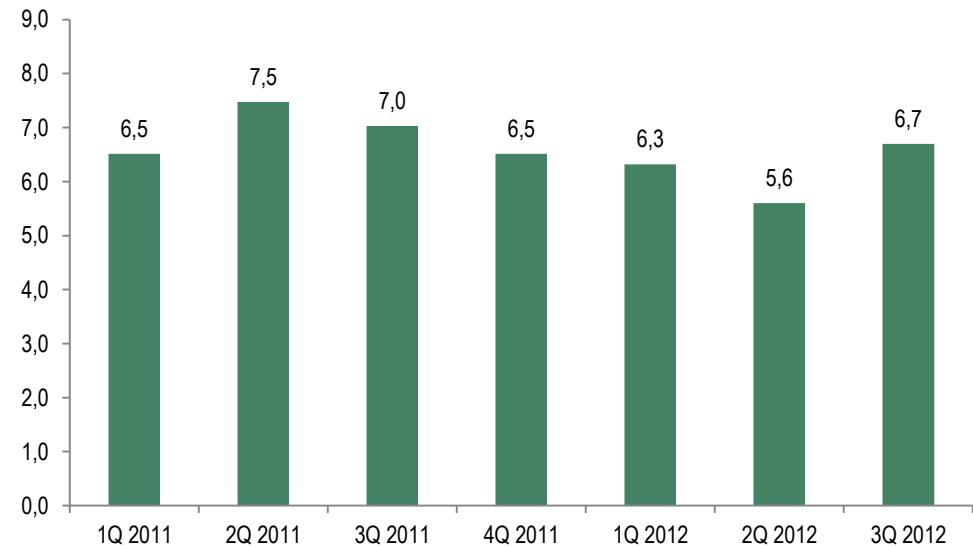
## Operating expenses factor analysis, US\$ mln, 9M 2012 vs. 9M 2011



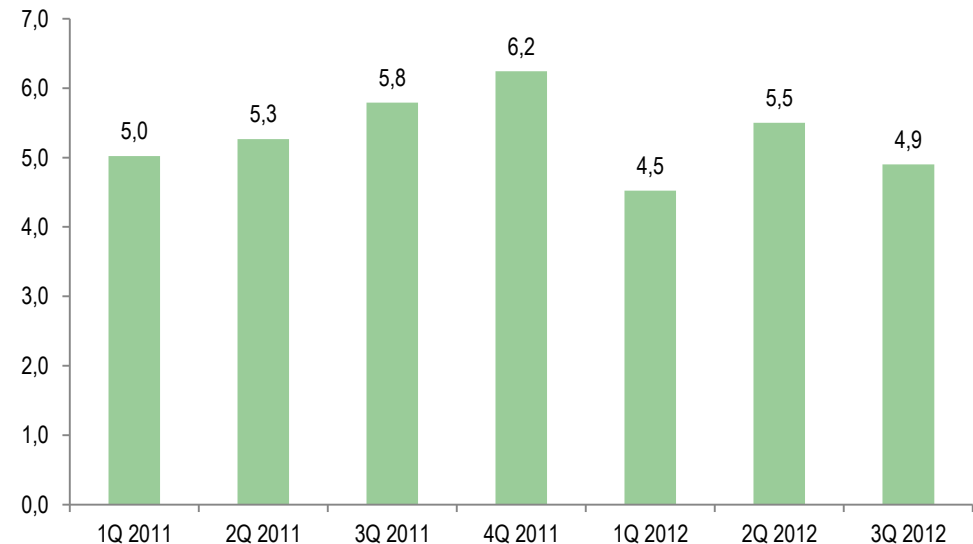
- In the 3rd quarter of 2012, unit costs for production of crude oil increased by 19.6% compared to the 2nd quarter of 2012 and amounted to US\$ 6.7 per barrel. This is mainly due to an increase in the amount of well workovers, as well as to an increase in electricity prices since 1 July 2012;
- For the nine months of 2012, unit costs for production of crude oil declined by 11.4% 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.

- In the 3rd quarter of 2012, unit refining costs decreased by 10.9% as compared to the 2nd quarter of 2012 and amounted to US\$ 4.9 per barrel. This reduction was due to a decline in the amount of maintenance works in the 3rd quarter of 2012, as well as the expenses related to the scheduled maintenance at OJSC Ufimsky refinery plant carried out in the 2nd quarter. This was partially offset by the growth of electricity prices since 01 April 2012;
- For the nine months of 2012, unit refining costs decreased by 7.4% compared to the same period in 2011 and amounted to US\$ 5.0 per barrel. This is due to the weakening of the Russian rouble against the US dollar.

**Unit production costs, US\$/bbl\***



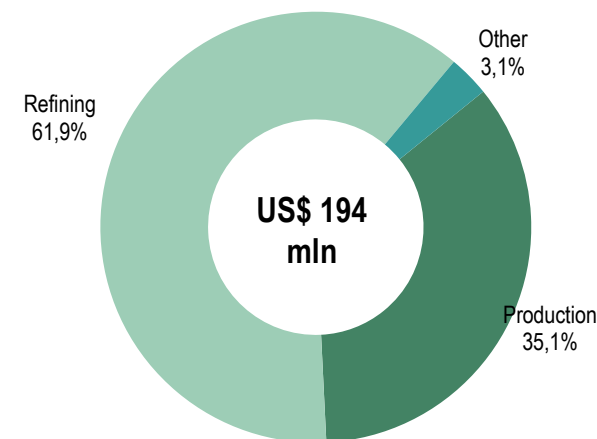
**Unit refining costs, US\$/bbl\***



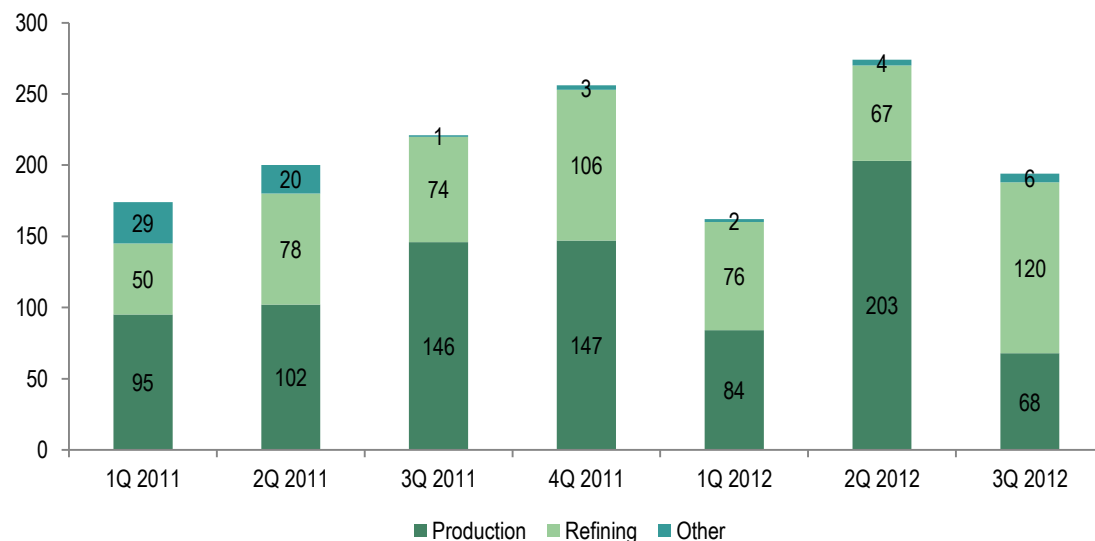
\* 1 tonne = 7.3 barrels of crude oil

- In the 3rd quarter of 2012, capital expenditures decreased by 29.2% compared to the 2nd quarter of 2012 and amounted to US\$ 194 million. This was primarily due to the acquisition of mineral rights in the 2nd quarter 2012; the relevant payments totaled US\$ 151 million. This was partially offset by an increase in capital expenditures in refining segment due to construction of a gas fractionation unit and a sulfuric acid alkylation unit at OJSC Novoil and due to the upgrade of aromatic hydrocarbon production unit at OJSC Ufaneftekhimi;
- For the nine months of 2012, CAPEX increased by 5.9% compared to the same period in 2011, which was primarily due to the acquisition of licences in 2012 and to the growth of CAPEX in refining segment.

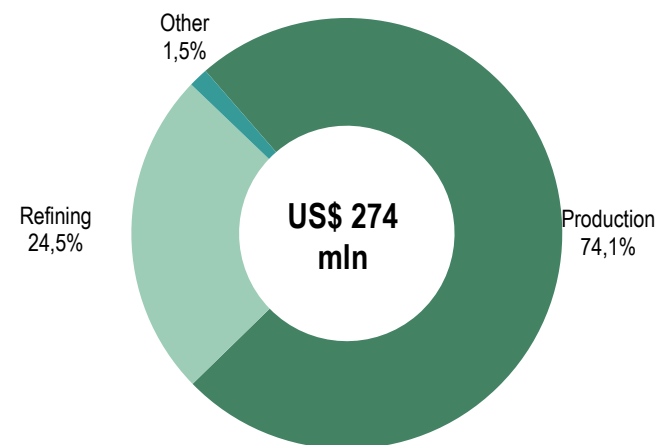
### CAPEX breakdown in 3Q 2012 , US\$ mln



### CAPEX, US\$ mln

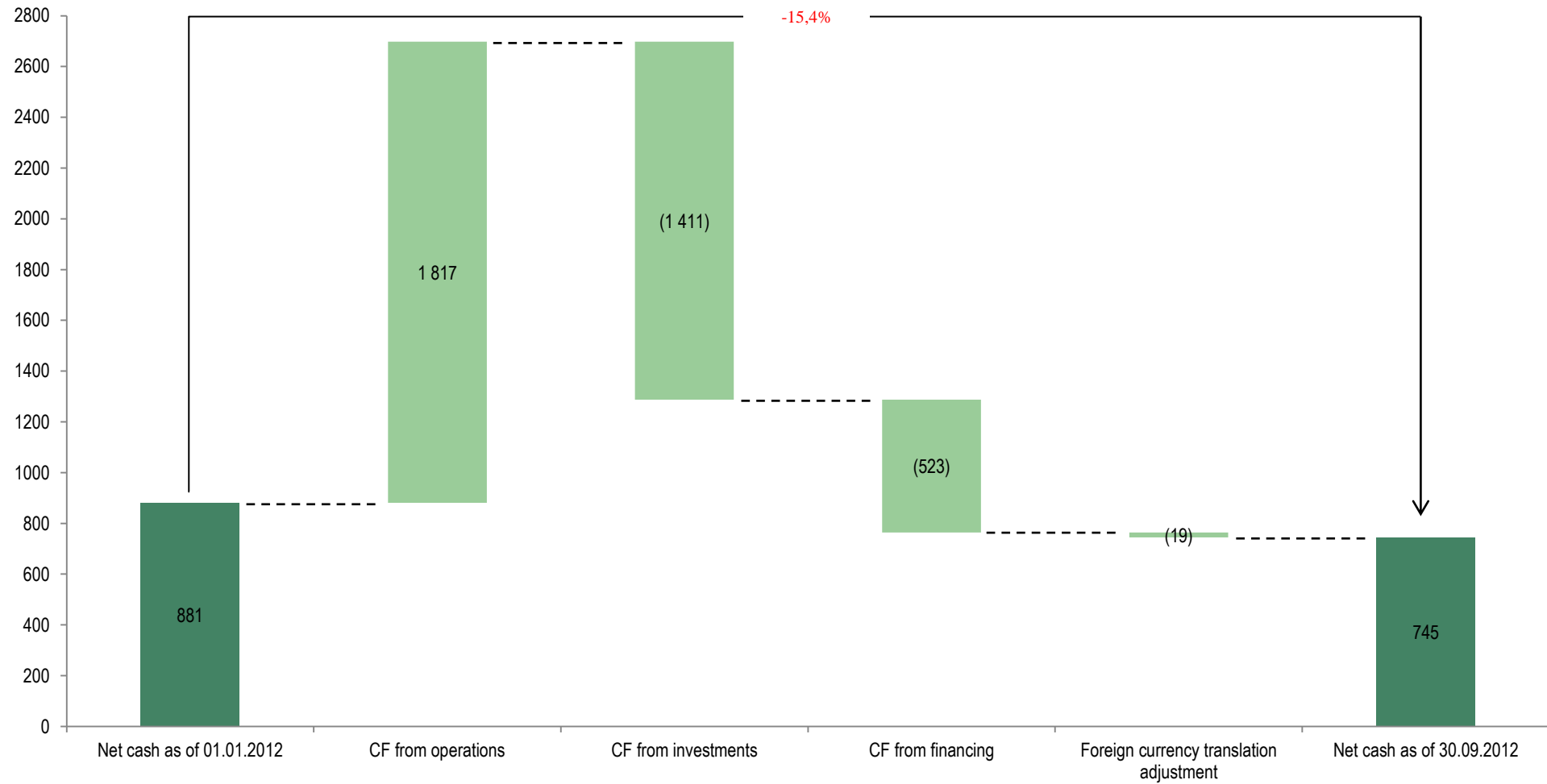


### CAPEX breakdown in 2Q 2012 , US\$ mln



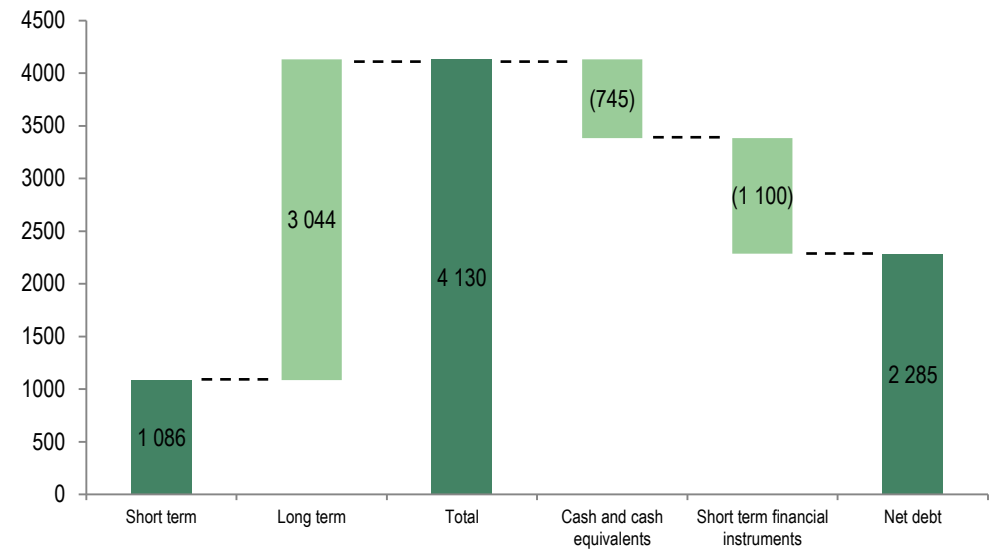


## Cash flow in 9M 2012, US\$ mln

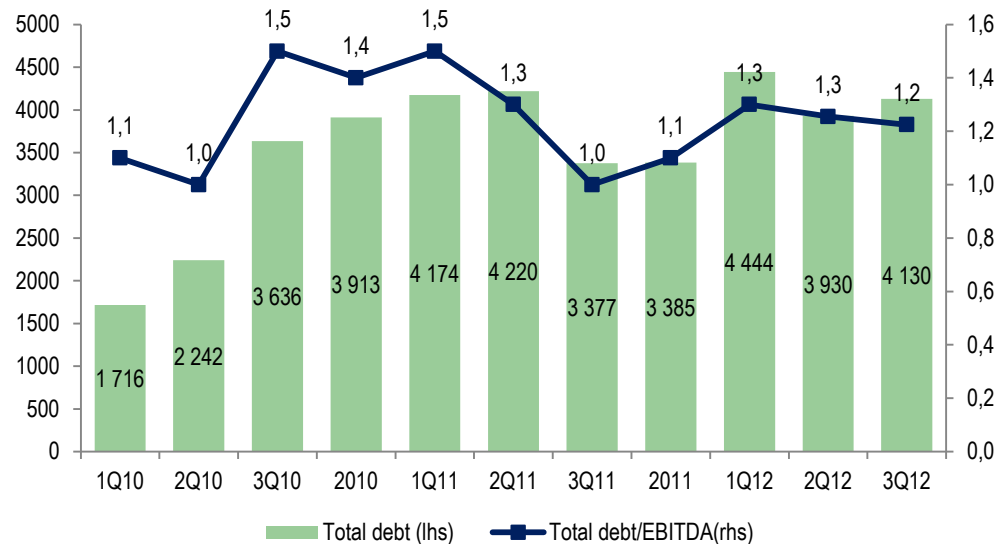


- As of 30 September 2012, the total debt of the Group in the form of short-term and long-term borrowings amounted to US\$ 4,130 million compared to US\$ 3,930 million as of 30 June 2012. The increase of the total debt is due to the strengthening of the Russian rouble against the US dollar;
- Interest-bearing non-convertible rouble bonds issued in December 2009 comprise a significant part of short-term debt;
- As of 30 September 2012, the annual weighted average interest rate amounted to 8.6% compared to 8.5% as of 30 June 2012.

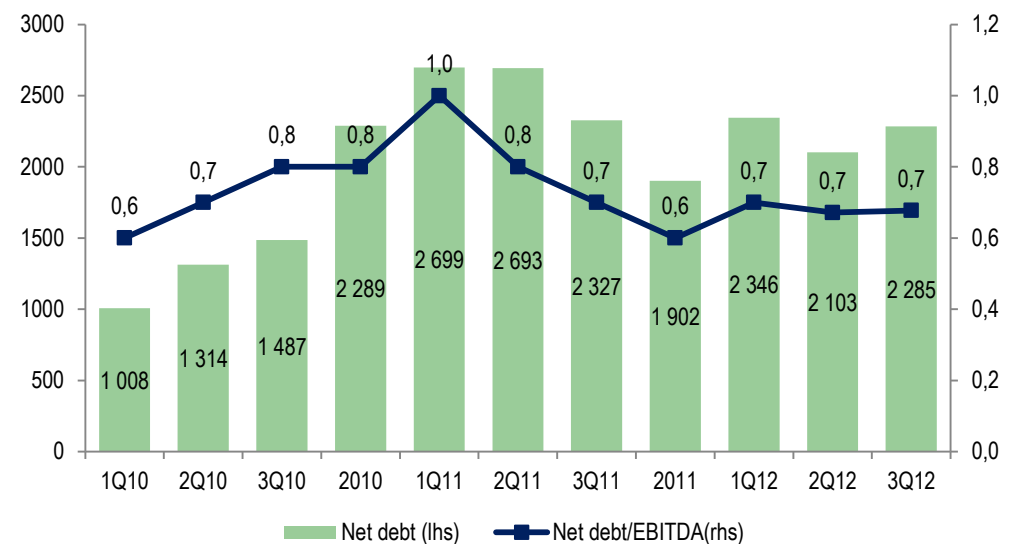
## Debt breakdown



## Total debt indicators<sup>1,2</sup>



## Net debt indicators<sup>1,2</sup>



(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



**Thanks for your attention**

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