



Bashneft Group

**IFRS results for the fourth quarter and the
12 months of 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”, negations thereof 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, general economic 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 **2.2%** to 15,437 thousand tonnes;
- **Crude oil refining** remained at the level of 20,773 thousand tonnes;
- **Refining depth** changed slightly and reached **84.9%**;
- **Retail sales** added **33.3%** and reached 1,364 thousand tonnes.

Financial results

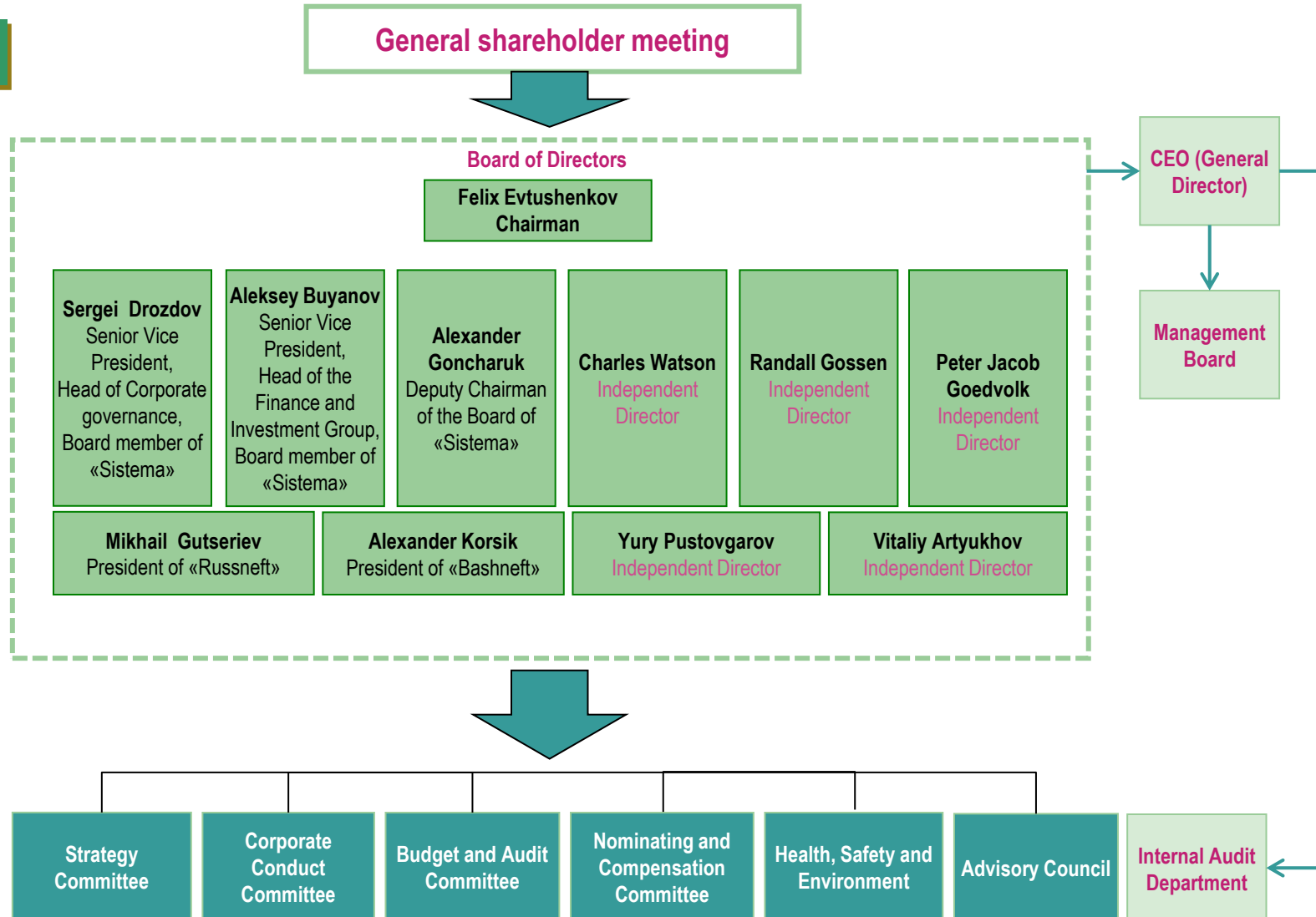
- **Revenue** increased by **9.5%** to 532.5 billion roubles;
- **EBITDA** amounted to 98.7 billion roubles, adding **5.2%**;
- **Profit for the period attributable to the owners of the parent company** increased by **4.5%** to 52.1 billion roubles.

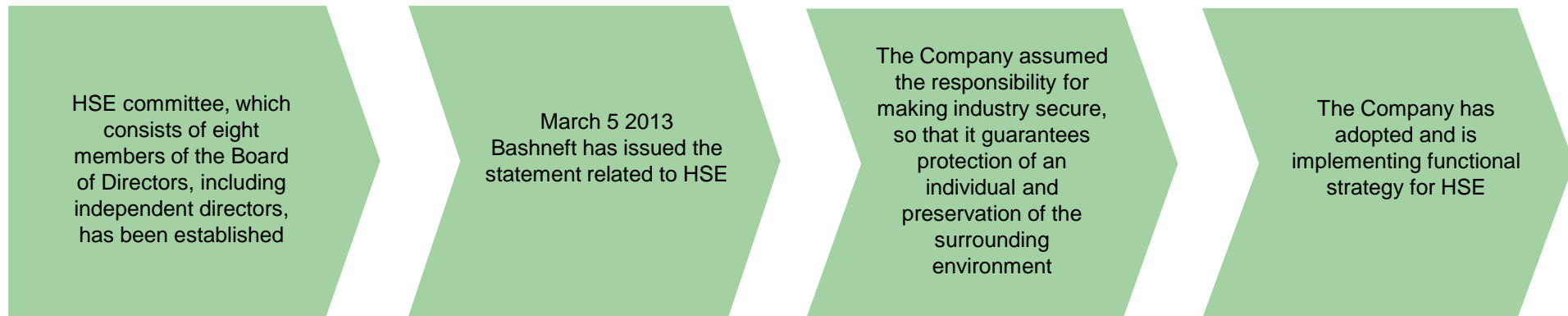
Main events

- Corporate governance improvement – number of independent directors increased by 40%;
- Strategy implementation for Health, Safety & Environment (HSE), establishment of HSE committee;
- Bashneft completes all stages of reorganization through the merger of subsidiaries;
- Divestment of non-core assets: the establishment of the oilfield service holding company and sale of transport business;
- Expanding the resource base in NAO and Bashkortostan;
- First overseas project in Iraq;
- Full transition to the supply of motor fuels of Euro-5 through own retail network;
- Market capitalization growth to record levels - by 53% to US\$ 12,58 bln;
- Inclusion of the shares in the MICEX Index on November 20, 2012.

Corporate governance achievements of 2012

- The share of Independent Directors increased by 40%;
- The Group structure has been considerably improved;
- The HSE Committee including independent directors has been created in order to produce recommendations to the BoD;
- Advisory Council has been created to provide recommendations for operating and research & technology policy development;
- The Regulations on Corporate Governance of Subsidiaries were brought into force;
- The Audit Commission does not include managers and employees;
- The practice of considering risk management reports twice a year was established;
- Since 2010, the audit of corporate governance quality has been conducted annually.





Objectives of the strategy for HSE first stage (2013-2014)

Reduction of industrial injuries

- The development, implementation and training of unified corporate standards of HSE;
- The absence of fatal accident;
- Reducing the number of traffic accidents.

Reducing negative impacts on the environment

- Reduction of specific emissions;
- Achieving the level of associated gas utilization to 90%;
- Reduction of oil spills and pipeline accidents.

Increasing the efficiency of the HSE management system

- Certification in accordance with international standards;
- Alignment of management contractors;
- The introduction of an integrated HSE management system in a single platform.

Transition to a single share

- The historical corporate structure did not allow to fully achieve strategic goals in the sphere of corporate governance
- In 2012 the Group carried out reorganization through consolidation of five of JSOC Bashneft's subsidiaries with the Company as part of improving the corporate structure

Oilfield service business

- Bashneft completed the creation of an oilfield service holding company on the basis of LLC Bashneft-Service Assets, its wholly owned subsidiary.
- The oilfield service holding company managed by LLC Bashneft-Service Assets includes 11 oilfield service companies with market development potential

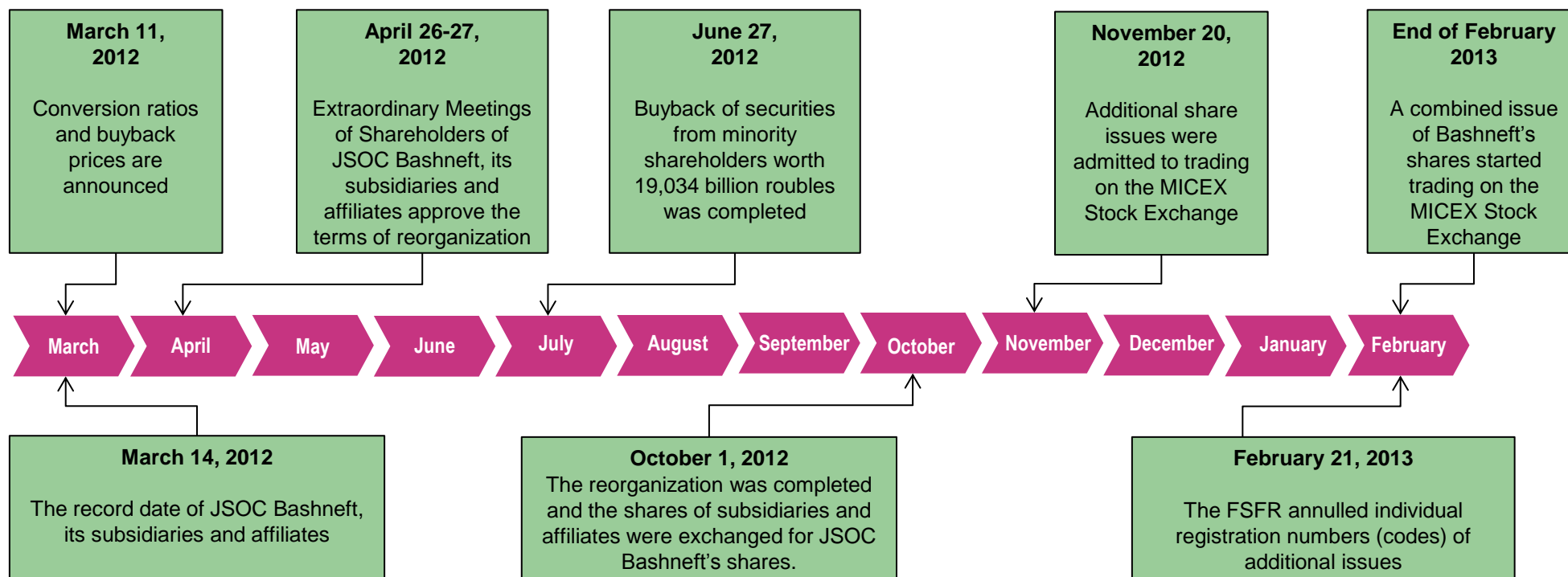
Petrochemical business

- Restructuring petrochemical assets of Bashneft Group on the basis of OJSC United Petrochemical Company in order to develop this area as a separate business.

Transport business

- Bashneft discontinued participation and transferred the railcar fleet to LLC Financial Alliance
- The transaction was made as part of the strategy for divesting Bashneft's non-core assets;
- LLC Financial Alliance provides Bashneft with services in the sphere of railway transportation of oil and petroleum products on market terms.

Bashneft consistently simplifies the corporate governance structure through the divestment of non-core assets

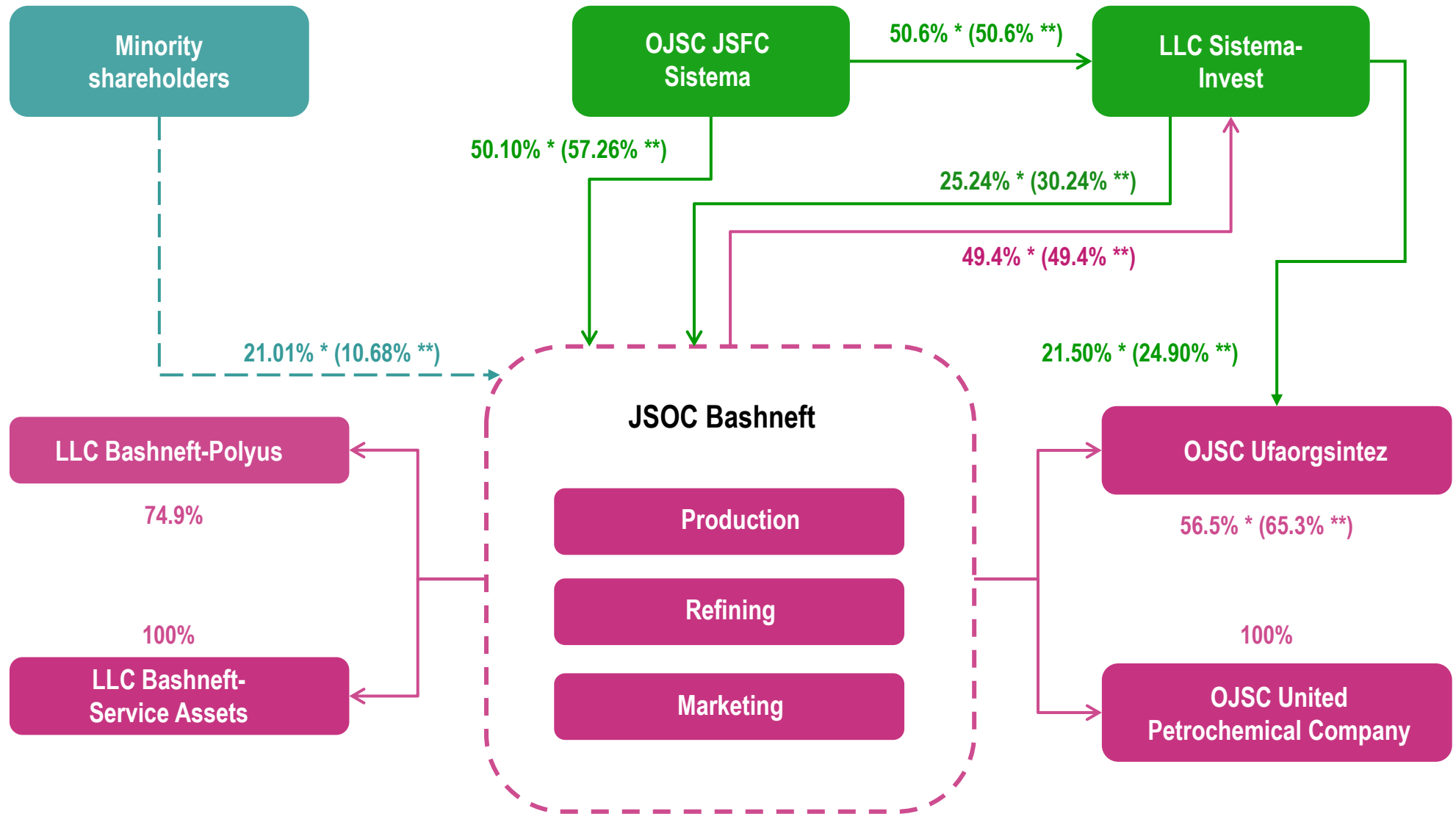


The objectives of reorganization

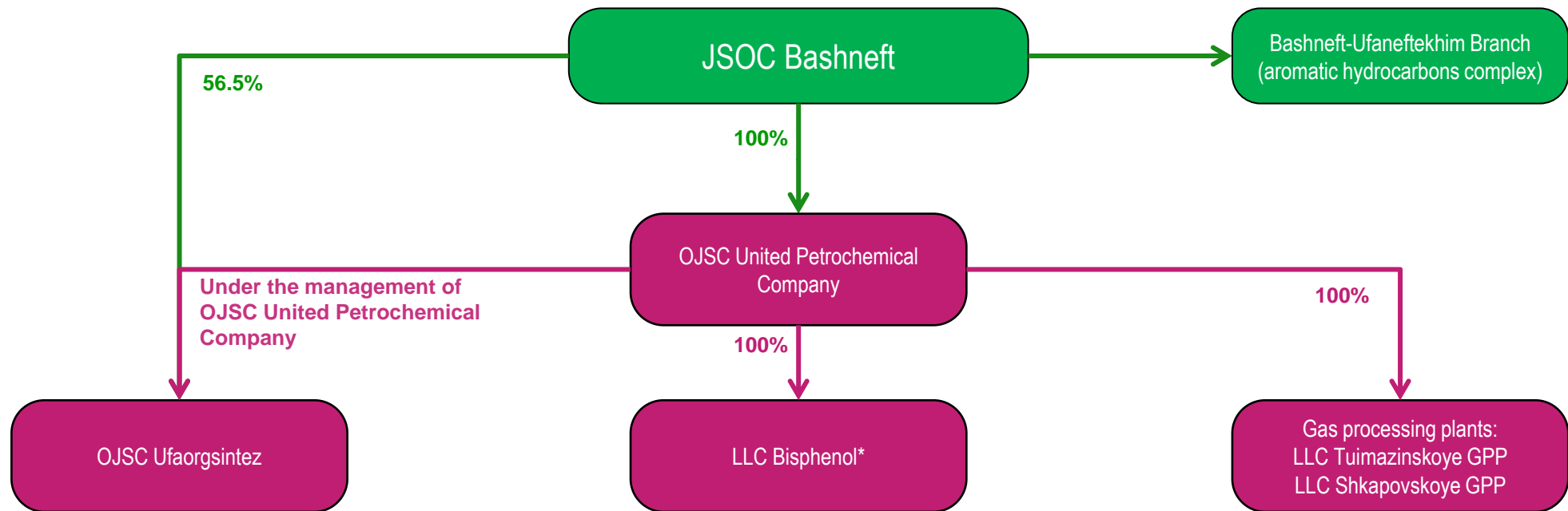
- Forming a fully fledged vertically integrated company;
- Increasing the liquidity of Bashneft Group's shares;
- Growth of investment attractiveness;
- Protecting the rights of minority shareholders;
- Consolidating cash flows in a single centre;
- Creation of a single center of decision-making;
- Reduce tax risks.

The principles of the reorganization

- The use of independent appraisers for the purpose of assessing repurchase shares and the calculation of the share conversion;
- Participation of leading international financial advisers;
- Maximum protection of minority shareholders rights;
- Compliance with interests of all security holders;
- Compliance with interests of creditors and regions of presence;
- Compliance with labor rights of employees.



Note: (*) % of share capital
(**) % of voting shares



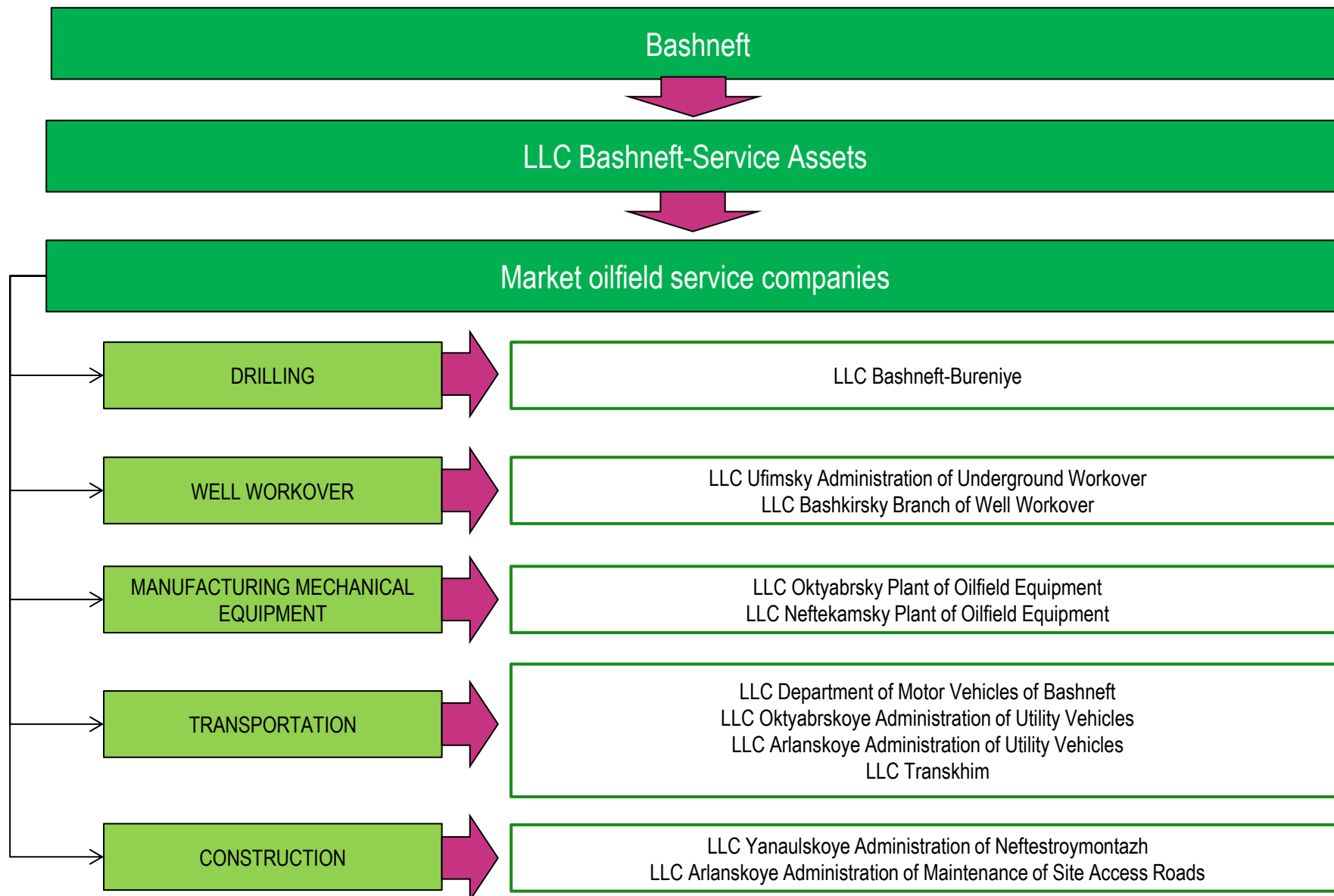
Stages in restructuring Bashneft Group’s petrochemical assets



*Bashneft-Ufimsky refinery plant Branch (bisphenol-A production unit)

The reorganization of oilfield service companies will improve efficiency and cost controls

The oilfield service holding company managed by LLC Bashneft-Service Assets includes 11 oilfield service companies which have a market development potential



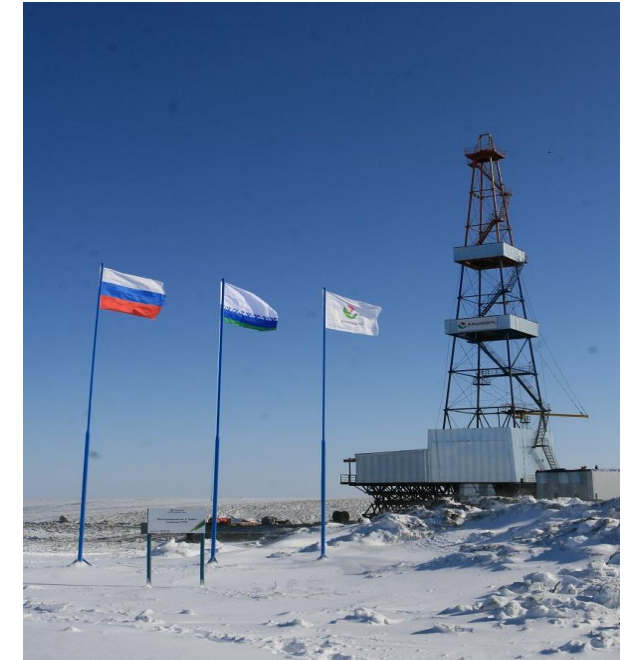
In 2012 Bashneft implemented the programme for developing the R.Trebs and A.Titov fields in accordance with the schedule to ensure that the first oil will be produced at these fields as early as in 2013, as expected.

Results of 2012

- In 2012 3D seismic surveys totalled 618 square kilometres;
- In accordance with the plan, in 2012 two exploration wells totalling 8.5 thousand metres were drilled and one exploration well was completed;
- Eight wells were reentered;
- Start of the construction of the Central Gathering Station (CGS) at the R.Trebs field ;
- In 2012 half of a pipeline between the CGS at the R.Trebs field and the existing pipeline connecting the Yuzhno-Khylchuyuskoye field and the Varandey marine terminal was constructed

Plans for 2013

- In the second half of 2013, Bashneft plans to produce 300 thousand tonnes of oil at reentered wells at the R.Trebs field;
- New exploration wells drilled in 2012 and 2013 will be put into operation in accordance with the licence agreement;
- In 2013, Bashneft plans to start production drilling;
- There will be three well clusters at the R.Trebs field, where 17 new wells will be drilled in 2013-2014.
- The total number of production wells at the two fields is expected to exceed 200 wells.

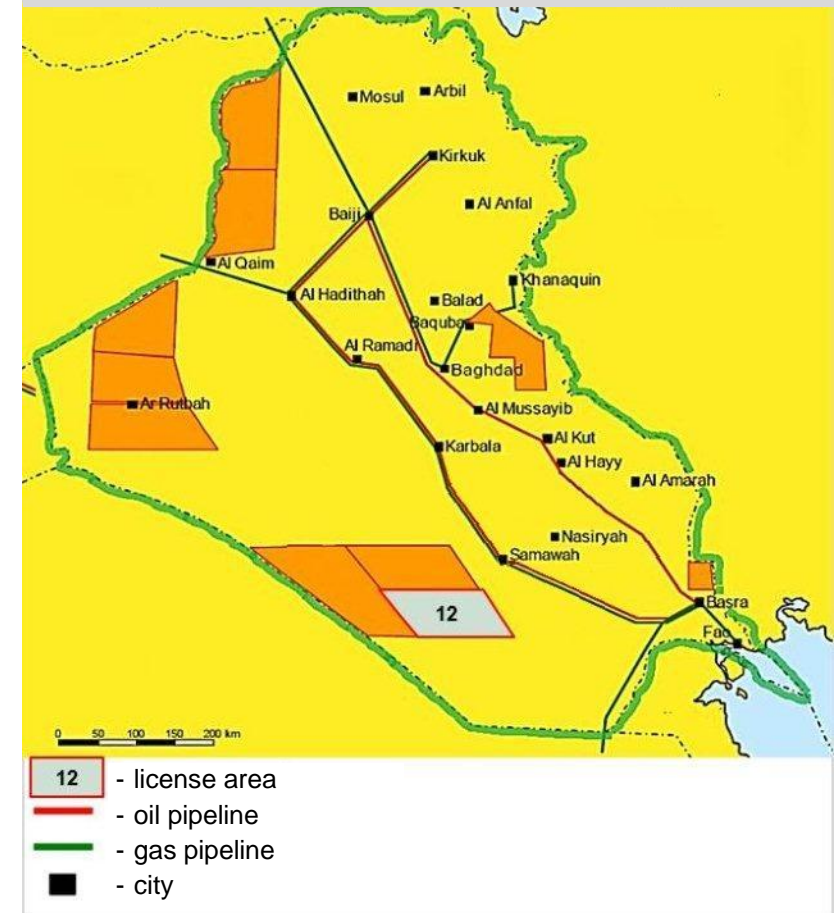


On November 8, 2012, the representatives of Bashneft, the Iraqi Ministry of Oil and Premier Oil signed an exploration, development and production service contract for Block 12. Bashneft acts as an operator of this Block.

Key terms of the Contract:

- The Contract came into force on January 1, 2013 ;
- A Signature Bonus of US\$ 10.5 million was paid;
- Minimum Expenditure Obligation of US\$ 120 million for the geological exploration programme;
- No less than 2,000 kilometres of 2D seismic surveys and drilling a 3,500 metre-deep well;
- Geological exploration to be performed during five years with the right to extend the period twice for two years each time;
- Payment of past costs from the beginning of production.

License blocks in Iraq



 **BASHNEFT** | 70%

 **PremierOil** 30%



BASHNEFT

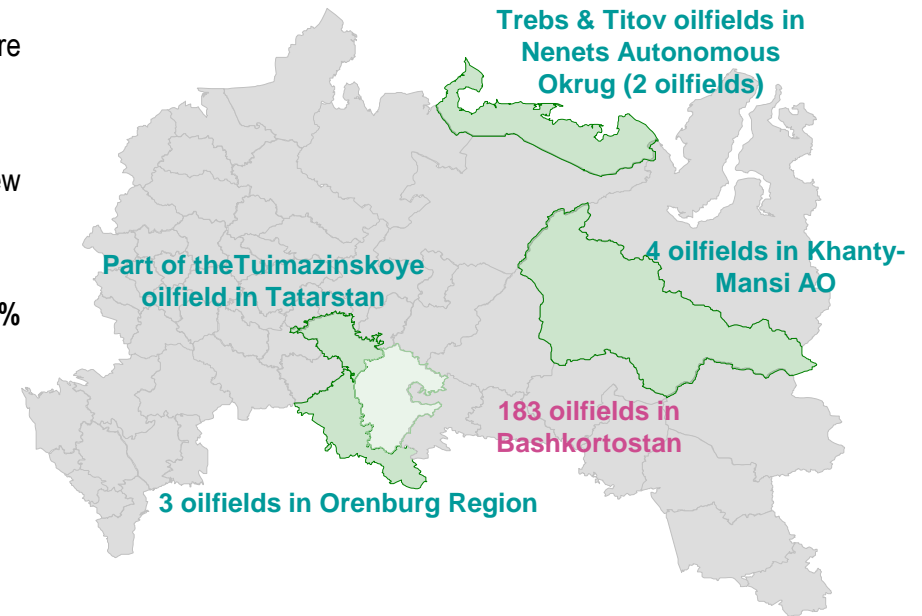
**Operational results for
the fourth quarter and
the 12 months of 2012**



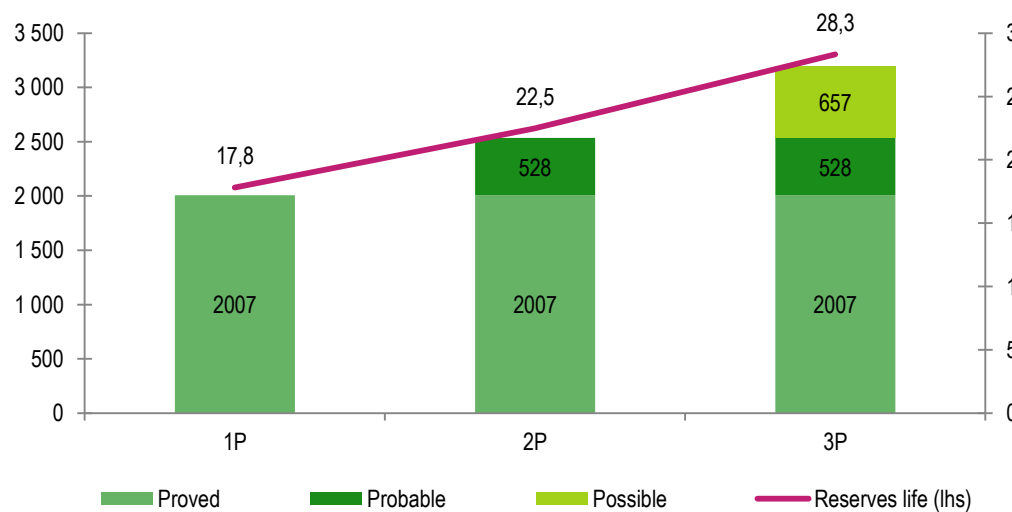
Bashneft Group's key indicators for 4Q and 12 months of 2012

4Q 2012	3Q 2012	Δ, %	Indicator	12M 2012	12M 2011	Δ, %
3.39	3.49	-2.9%	Urals price, thousand roubles/barrel	3.44	3.21	7.2%
3,908	3,878	0.8%	Crude oil production, thousand tonnes	15,437	15,106	2.2%
5,376	5,323	1.0%	Oil refining, thousand tonnes	20,773	21,062	-1.4%
4,871	5,306	-8.2%	Petroleum product sales, thousand tonnes	19,251	19,349	-0.5%
139.8	147.4	-5.2%	Revenue, billion roubles	532.5	486.3	9.5%
19.4	30.7	-36.8%	EBITDA, billion roubles.	98.7	93.8	5.2%
10.8	17.4	-37.9%	Profit for the period attributable to the owners of the parent company, billion roubles	52.1	49.8	4.6%
11.2	6.2	80.6%	Capital expenditures, billion roubles	30.8	25.0	23.2%
78.0	70.7	10.3%	Adjusted net debt, billion roubles	78.0	61.2	27.5%

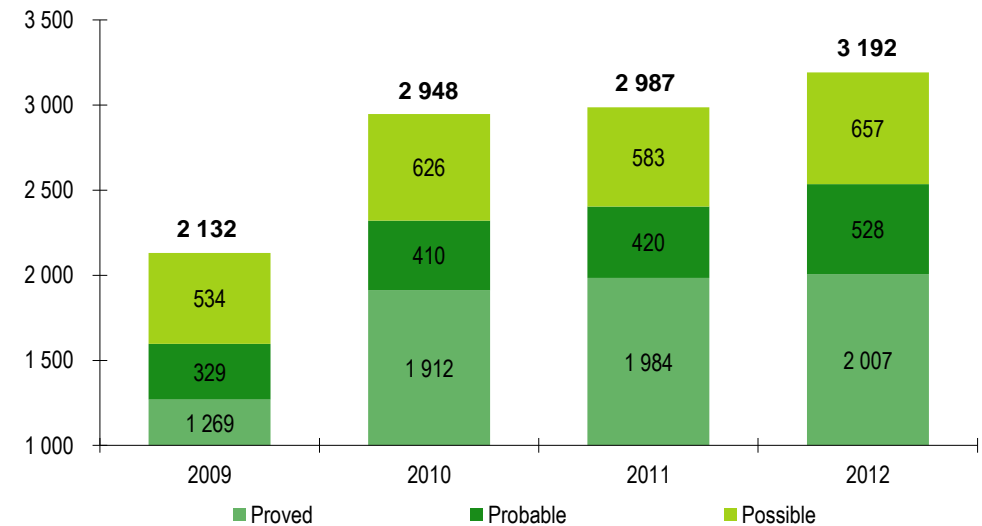
- The Group has development licences for 192 oil and gas fields. 171 of the Group's fields are in commercial operation;
- Due to the discovery of the Afanasyev field in Bashkortostan and the acquisition of new assets, probable and possible reserves increased by more than 18% to 1,185 million barrels;
- In 2012 1P and 2P reserves increased by 58.2% to 2,007 million barrels and by 58,6% to 2,535 million barrels respectively, compared to 2009;
- Bashneft's reserves life amounts to 18 and 22 years for 1P and 2P reserves respectively;
- In 2012 the reserve replacement ratio (1P) totalled 121% (PRMS);
- Trebs and Titov oil fields are not included in PRMS base (C1+C2 reserves at 1bnbbbl).



PRMS resource base, mln barrels



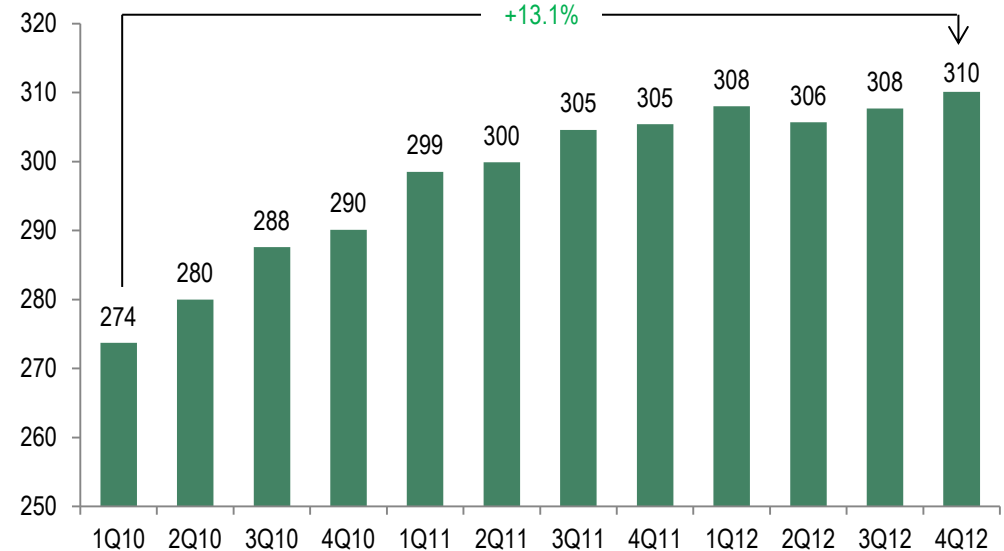
Changes in PRMS reserves, mln barrels



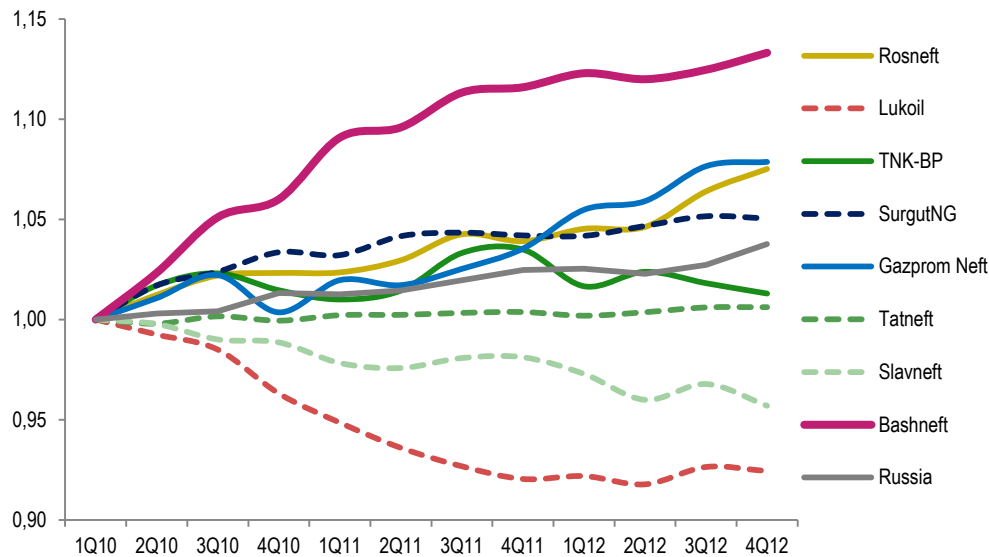
Production reaches a new record level

- In the fourth quarter of 2012, the Group's average daily production reached 310 thousand bbl/d, hitting a ten-year record high;
- In 2012 oil production totalled 15,437 thousand tonnes, which is 2.2% higher than in 2011;
- The growth of production was related to an increase in the efficiency of geological and engineering operations and the use of advanced technologies, for instance, in drilling new highly efficient horizontal wells. Besides, in 2012 the Afanasyev field, the Opalovoye field and the Barsukovskoye field were put into operation.

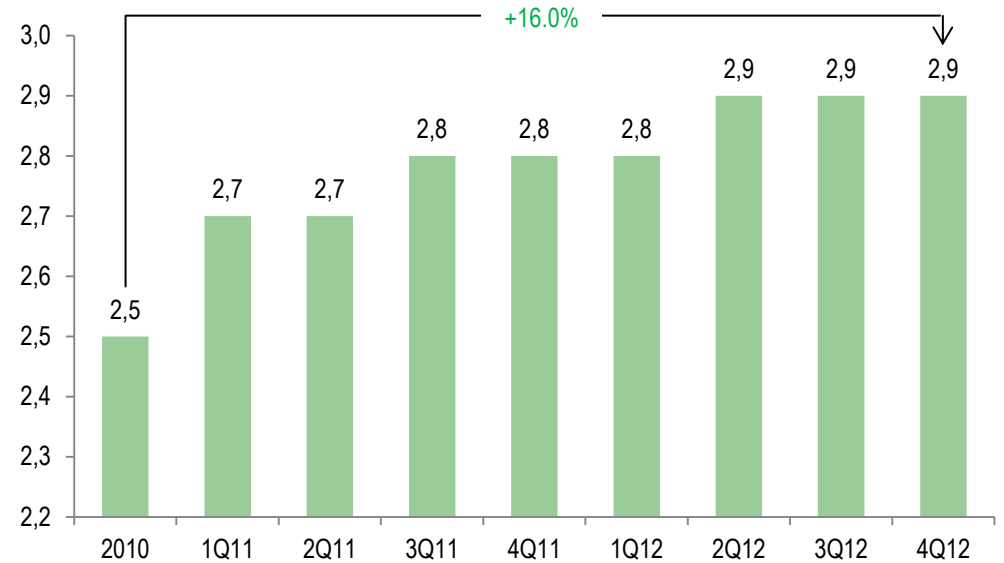
Average daily oil production, thousand bbl/d



Index of changes in average daily production (1Q10 = 1)



Well production rate, tonnes per day



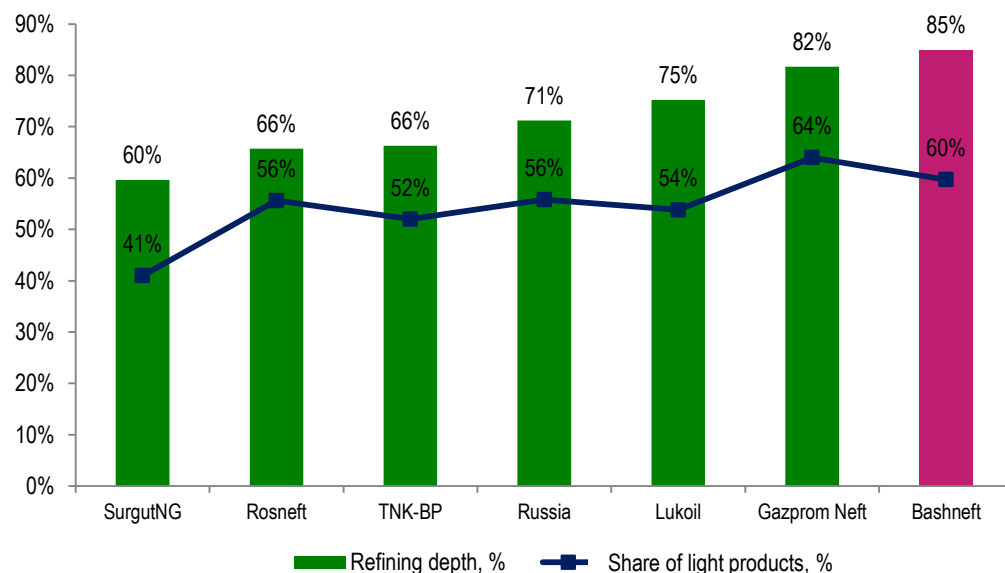
Bashneft's oil refining complex is an industry leader in terms of refining depth and has the most advanced equipment in Russia

- In 2012 Bashneft refined 20.8 million tonnes of oil, which accounts for about 7.8% of the total refining in Russia;
- In 2012 Bashneft remained the Russian leader in terms of refining depth - **84.9%**;
- As a result of scheduled major overhauls and completion of the project on increasing the capacity of a delayed coker at Bashneft-Ufaneftekhim Branch from 1.2 million to 1.6 million tonnes per year, **the Nelson Index rose to 8.55**;
- The construction of an alkylation unit was completed.

Cooperation among Bashneft's refineries in all types of operations enables to ensure the flexibility of technological process and achieve the maximum economic impact

After the reorganization was completed and Bashneft's subsidiaries became its branches, it has become possible to reach a new level of integrating refining capacities

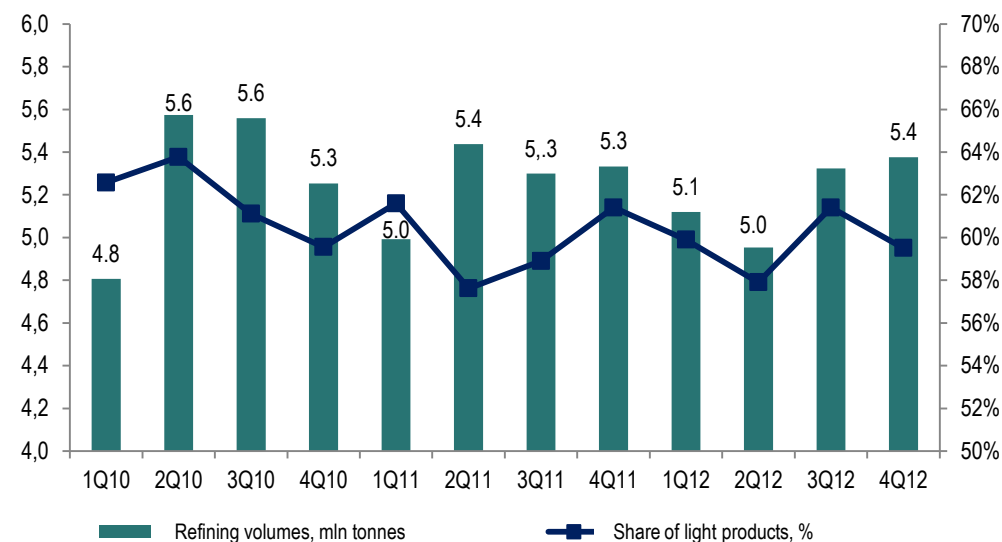
Refining depth and the share of light products in 2012, %*



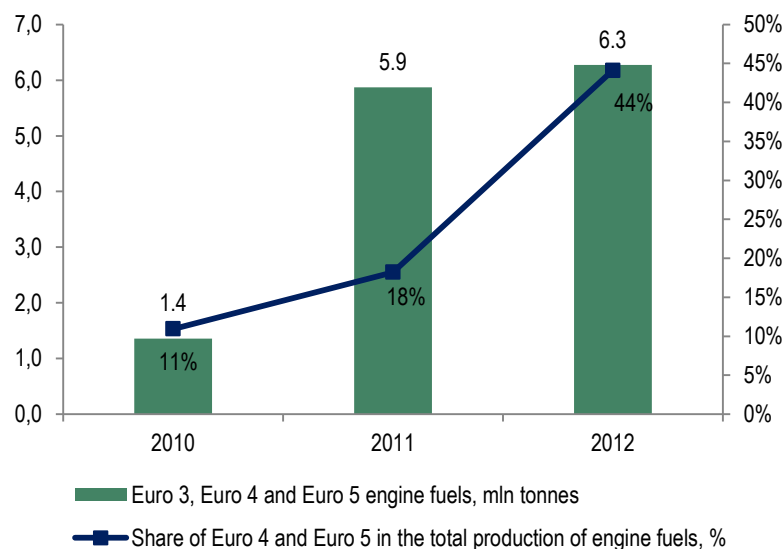
Ufa refinery modernization program ensures Bashneft timely compliance with the requirements of technical regulations on fuel quality

Oil refining

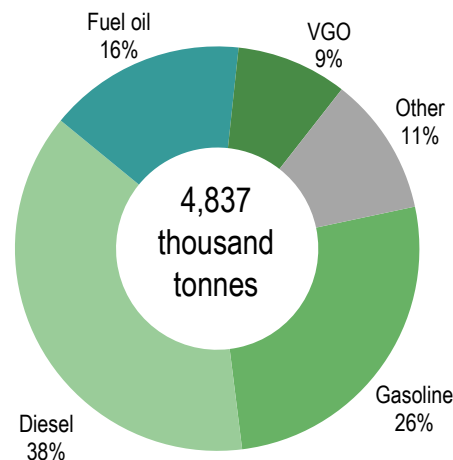
- During the 12 months of 2012 refining totalled 20,773 thousand tonnes, decreasing by 1.4% year-on-year, which was related to scheduled repairs at the Ufimsky refinery plant and Novoil in 2012;
- In the fourth quarter of 2012 refining volumes remained at the level of the third quarter of 2012 and totalled 5,376 thousand tonnes;
- In 2012 the product mix changed considerably; this is especially true of gasoline. The share of gasoline meeting Euro 4 and higher standards increased to 75.1% from 12.8% in 2011.



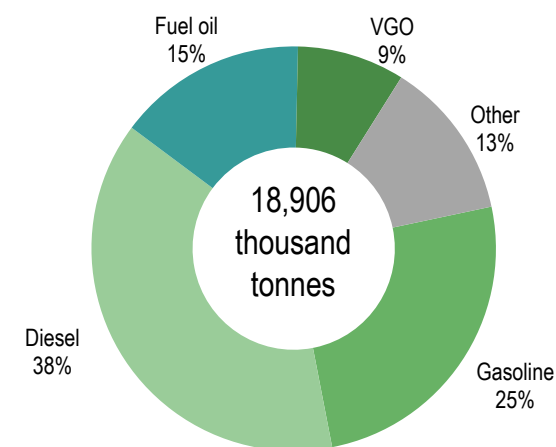
Engine fuels meeting the Euro standard



Petroleum products and petrochemicals, 4Q 2012

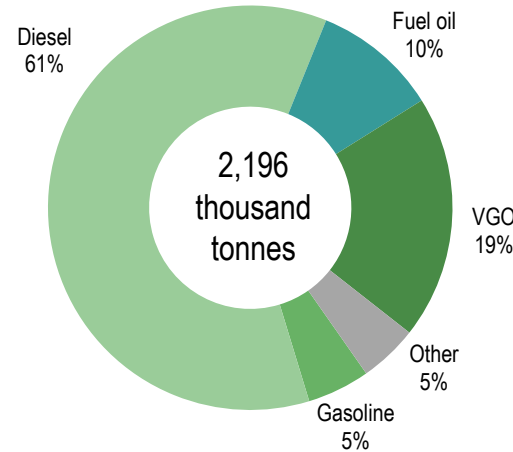


Petroleum products and petrochemicals, 2012

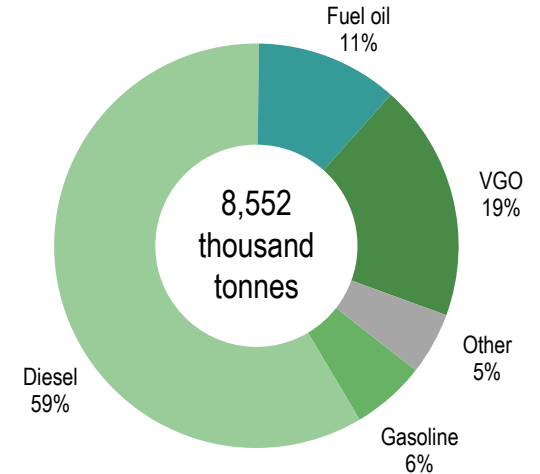


- Bashneft's own retail network is expanding rapidly: from 318 filling stations in 2009 to 488 filling stations in 2012 (170 stations were acquired, 7 new stations were built);
- Since April 2010, Bashneft has been actively implementing a partnership programme; currently, it sells fuel via 259 partner filling stations in 20 regions of Russia;
- Since 2010 fuel sales via own filling stations have increased by a factor of more than 2 and reached 1,364 thousand tonnes;
- In July 2012, Bashneft's network of own filling stations completed the transition to selling Euro 5 gasoline and diesel fuel.

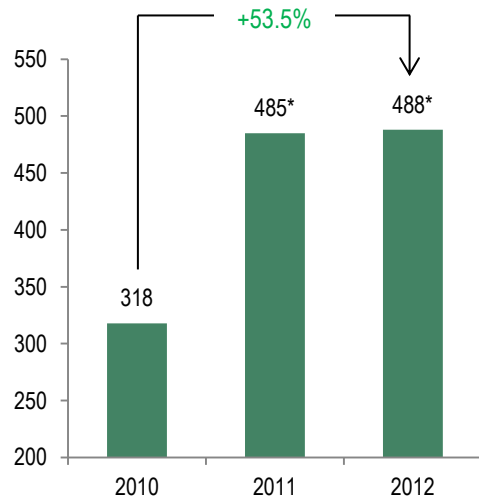
Exports of petroleum products, 4Q 2012



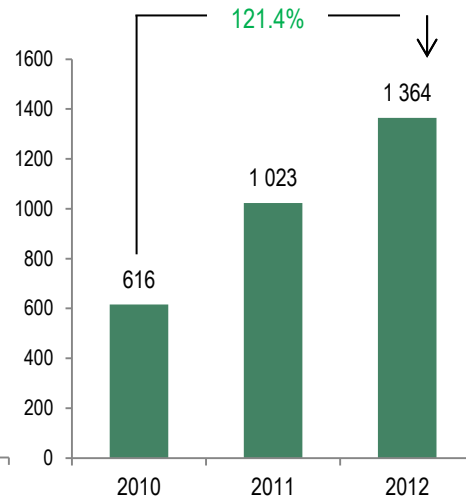
Exports of petroleum products, 2012



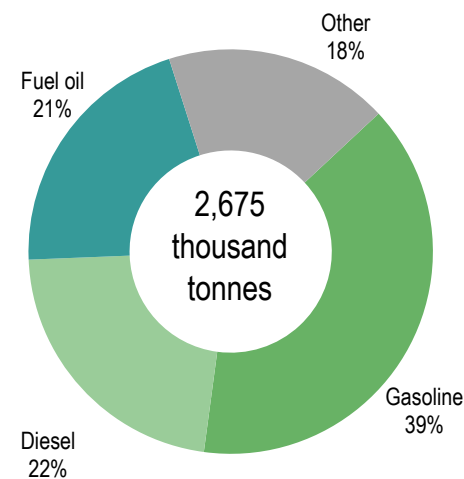
Number of Bashneft's own filling stations



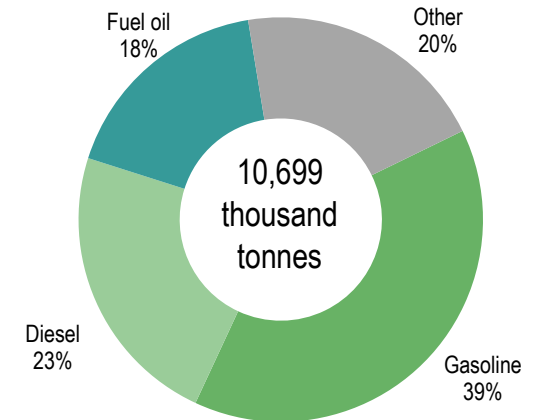
Fuel sales via own filling stations, thousand tonnes



Domestic sales of petroleum products, 4Q 2012



Domestic sales of petroleum products, 2012



* Including leased filling stations

Rebranding of Bashneft's filling stations: 98 stations by the end of 2013 BASHNEFT

The concept of Bashneft's brand includes a uniform style and exterior design, as well as (depending on the type of filling stations):

- Shops with a wide range of fast-moving consumer goods and related goods (food, automobile chemicals, essential goods, the press);
- Fast-food cafes, where customers will be offered cakes, sandwiches, light snacks and, of course, a cup of fresh coffee;
- Fuelling services;
- Services (vacuum cleaning, pumping up the tyres, pouring water, car wash);
- Strictest HSE standards;
- A friendly reception and a smile.

The Republic of Bashkortostan:

- Renovation – 6;
- Rebranding – 43.

The Orenburg region:

- Renovation – 4;
- Rebranding – 7.

The Republic of Udmurtia:

- Rebranding – 12.

The Sverdlovsk and Kurgan Regions:

- Renovation – 7;
- Rebranding – 19.



In 2013—2015 Bashneft plans to invest 6.5 billion roubles in the programme aimed at renovating and redesigning its own filling stations in accordance with the new corporate standard. The programme will cover 243 filling stations, which accounts for almost 50% of Bashneft's own retail network currently comprising 488 stations.



BASHNEFT

**Financial results for
the fourth quarter and
the 12 months of 2012**



Macro indicators, 4Q and 12M 2012*

4Q 2012	3Q 2012	Δ, %	Indicator	12M 2012	12M 2011	Δ, %
31.1	32.0	-2.8%	Average RUB/USD exchange rate	31.1	29.4	5.8%
1.4%	2.0%	-0.6 p.p.	Inflation for the period, %	6.6%	6.1%	0.5 p.p.
24.1	23.1	4.3%	Diesel fuel - summer (Russia), thousand roubles/tonne	22.7	19.7	15.2%
27.0	25.7	5.1%	High-octane gasoline (Russia), thousand roubles/tonne	25.1	24.0	4.6%
9.4	9.7	-3.1%	Fuel oil (Russia), thousand roubles/tonne	9.3	8.7	6.9%
5.0	5.1	-2.0%	Mineral extraction tax (oil), thousand roubles/tonne	5.1	4.5	13.3%
12.6	11.7	7.7%	Crude oil export duty, thousand roubles/tonne	12.6	12.0	5.0%
8.3	7.7	7.8%	Export duty on light and medium distillates, thousand roubles/tonne	8.3	8.1	2.5%

* Prices for oil and petroleum products presented on this slide are industry averages. Data on the mineral extraction tax and export duty rates do not include possible exemptions for each specific player in the industry. The data on prices and tax rates are not for Group valuation.

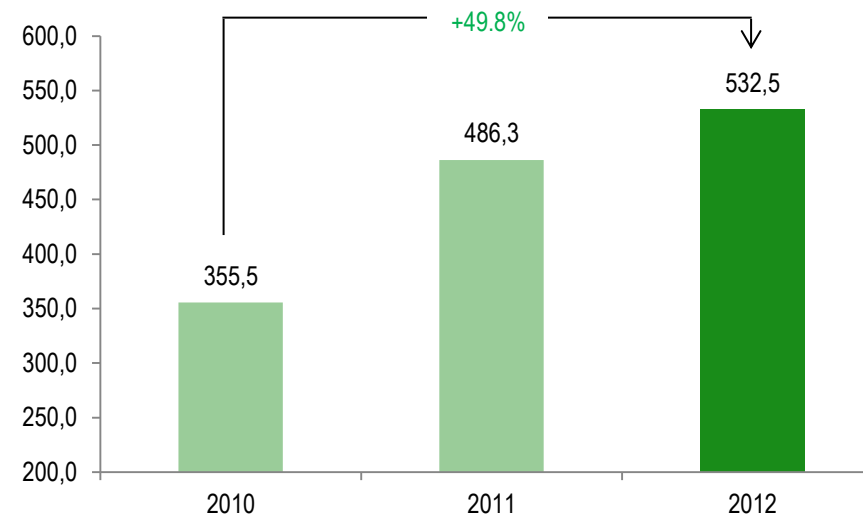


In 2012 Bashneft's financial results hit a record high

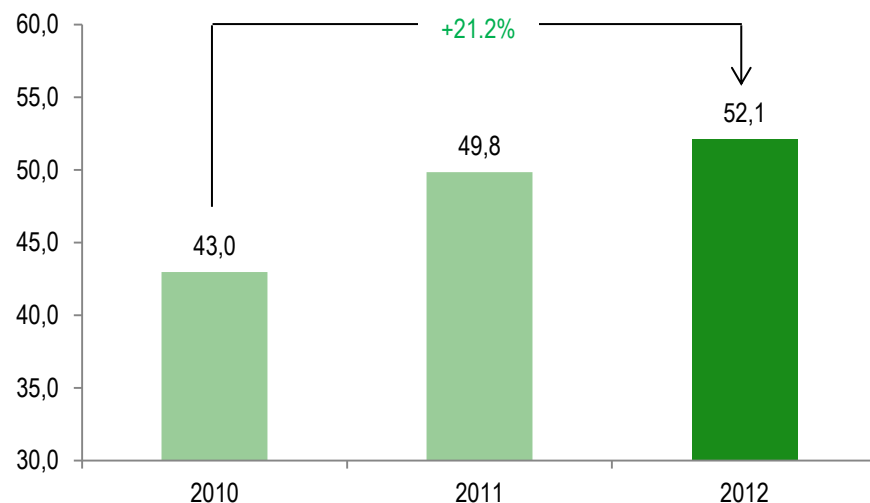
● In 2012 Bashneft's revenue reached a record high and amounted to 532.5 billion roubles, which is 49.8% higher than in 2010, due to an increase in retail sales of petroleum products and petrochemicals by a factor of more than 2, higher volumes of exported oil, and a rise in prices for crude oil and petroleum products;

● Bashneft's EBITDA and profit for the period attributable to the owners of the parent company followed positive trends in 2012 they increased by an average of 20.0% compared to 2010.

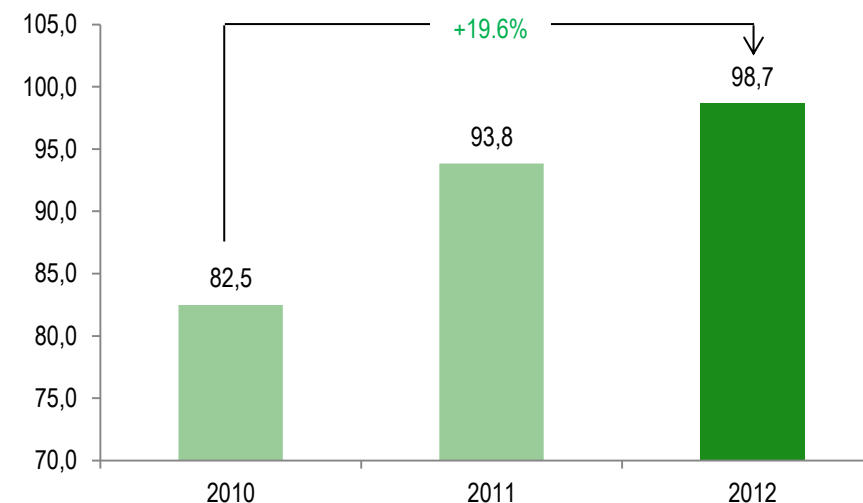
Revenue for 2012, bln roubles



Profit for the period attributable to the owners of the parent company for 2012, bln roubles



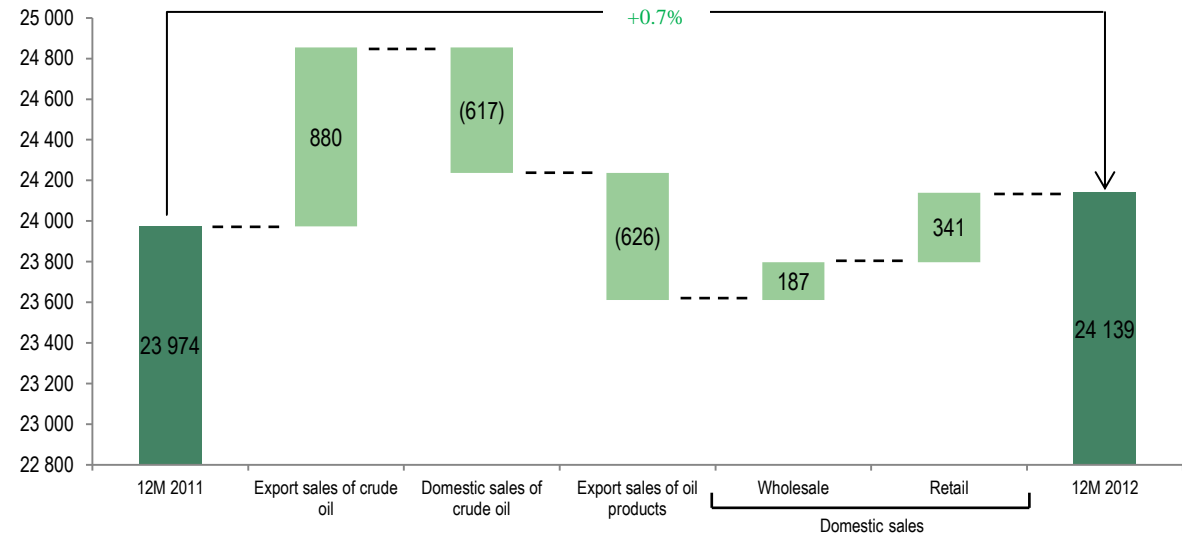
EBITDA for 2012, bln roubles



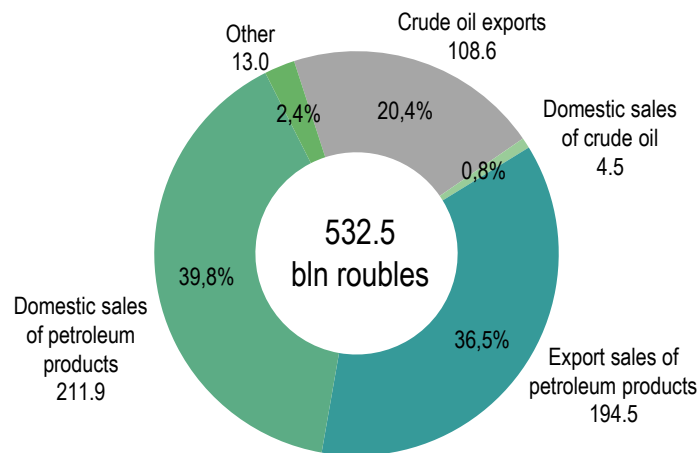
- In 2012 Bashneft's revenue rose by 9.5% to 532.5 billion roubles. The increase in revenue is related mainly to a 24.5% increase in oil exports, as well as higher sales of petroleum products and petrochemicals in the domestic market and a rise in prices;

- In 2012 revenue from retail sales of petroleum products and petrochemicals totalled 41.0 billion roubles, which is 43.7% higher than in 2011.

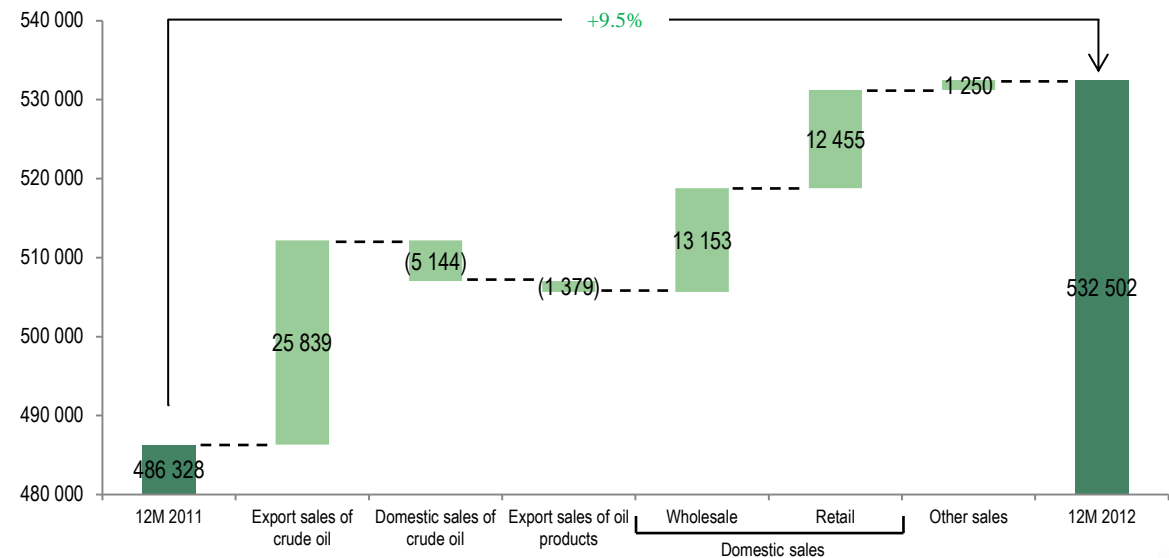
Revenue factor analysis, thousand tonnes, 12M 2012 vs. 12M 2011



Revenue breakdown for 2012, bln roubles



Revenue factor analysis, mln roubles, 12M 2012 vs. 12M 2011



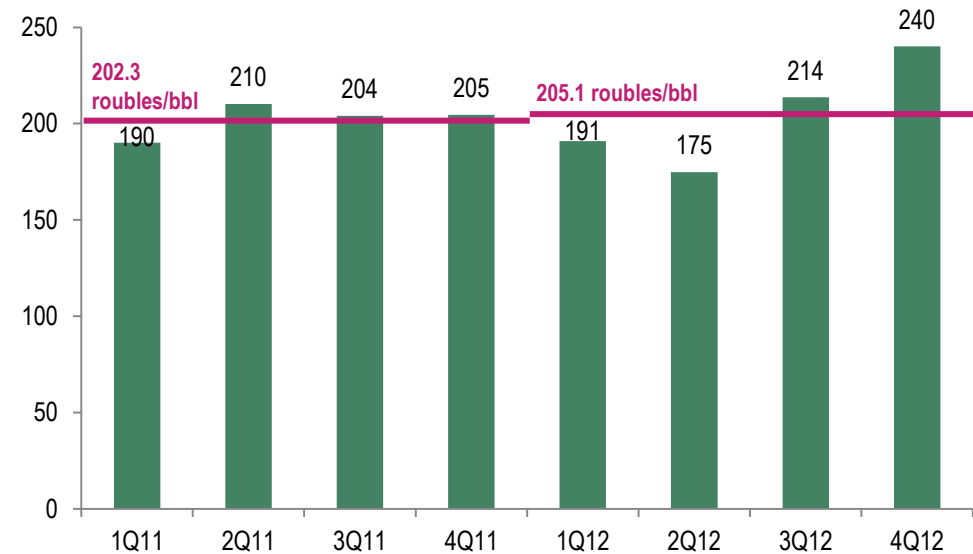
Changes in operating expenses

4Q 2012	3Q 2012	Δ, %	Operating expenses, bln roubles	12M 2012	12M 2011	Δ, %
14.9	13.6	9.6%	Production and operating expenses	53.6	49.9	7.4%
33.2	35.6	-6.7%	Cost of purchased crude oil, gas and petroleum products	124.9	117.4	6.4%
4.8	4.5	6.7%	Selling, general and administrative expenses	16.1	14.6	10.3%
6.9	8.0	-13.8%	Transportation costs	26.8	23.2	15.5%
4.2	4.8	-12.5%	Depletion and depreciation	18.4	18.1	1.7%
16.2	17.0	-4.7%	Taxes other than income tax	66.7	60.3	10.6%
39.8	37.4	6.4%	Export duties and excises	144.3	124.3	16.1%
4.6	0.6	-	Other operating income/expenses, net	1.4	2.8	-50.0%
124.6	121.5	2.6%	Total operating expenses:	452.2	410.6	10.1%

- Production and operating expenses increase in 2012 by 7,4% compared to 2011 was caused by an increase in electricity prices and the price of auxiliary materials;
- In 2012 the cost of purchased crude oil, gas and petroleum products increased by 6.4% compared to 2011 and totalled 124.9 billion roubles. This change was due to a rise in oil prices, which was partially offset by a decrease in the volume of purchased crude oil, gas and petroleum products;
- In 2012 transportation costs of Bashneft Group increased by 15.5% to 26.8 billion roubles compared to 2011. The increase in transportation costs was caused mainly by higher tariffs;
- In 2012 the total amount of export duties on oil and petroleum products increased by 13.6% compared to the same period in 2011 and reached 108.7 billion roubles due to an increase in oil exports;
- The total amount of excises went up by 24.3% compared to the same period in 2011 and reached 35.6 billion roubles, which was caused mainly by an increase in excise rates in 2012.

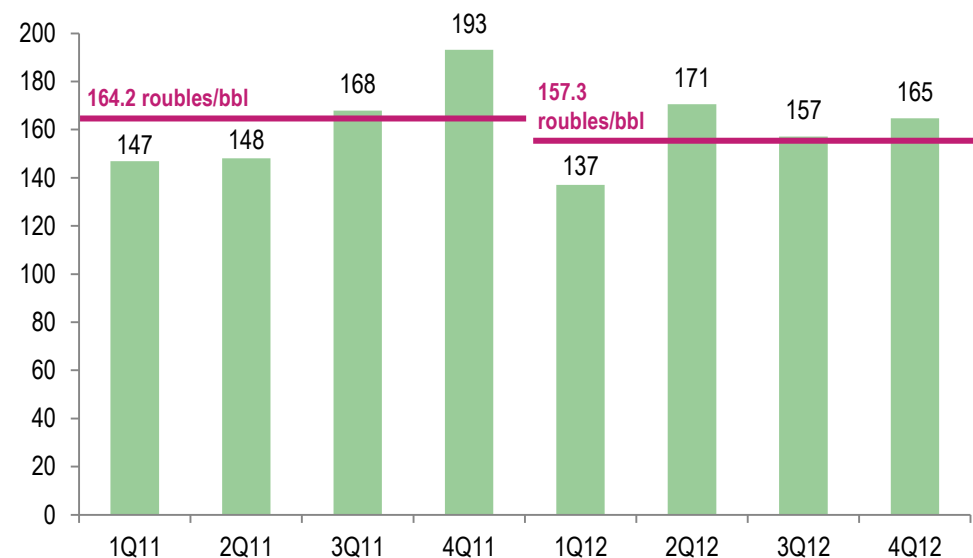
- For the twelve months of 2012, unit production costs remained at the level reached in 2011 and totalled 205.1 roubles per barrel;
- In the fourth quarter of 2012, unit production costs increased by 12.4% compared to the third quarter of 2012 and amounted to 240.1 roubles per barrel mainly due to an increase in the amount of geological and engineering operations and a rise in heat and electricity consumption in winter.

Unit production costs, roubles/bbl*



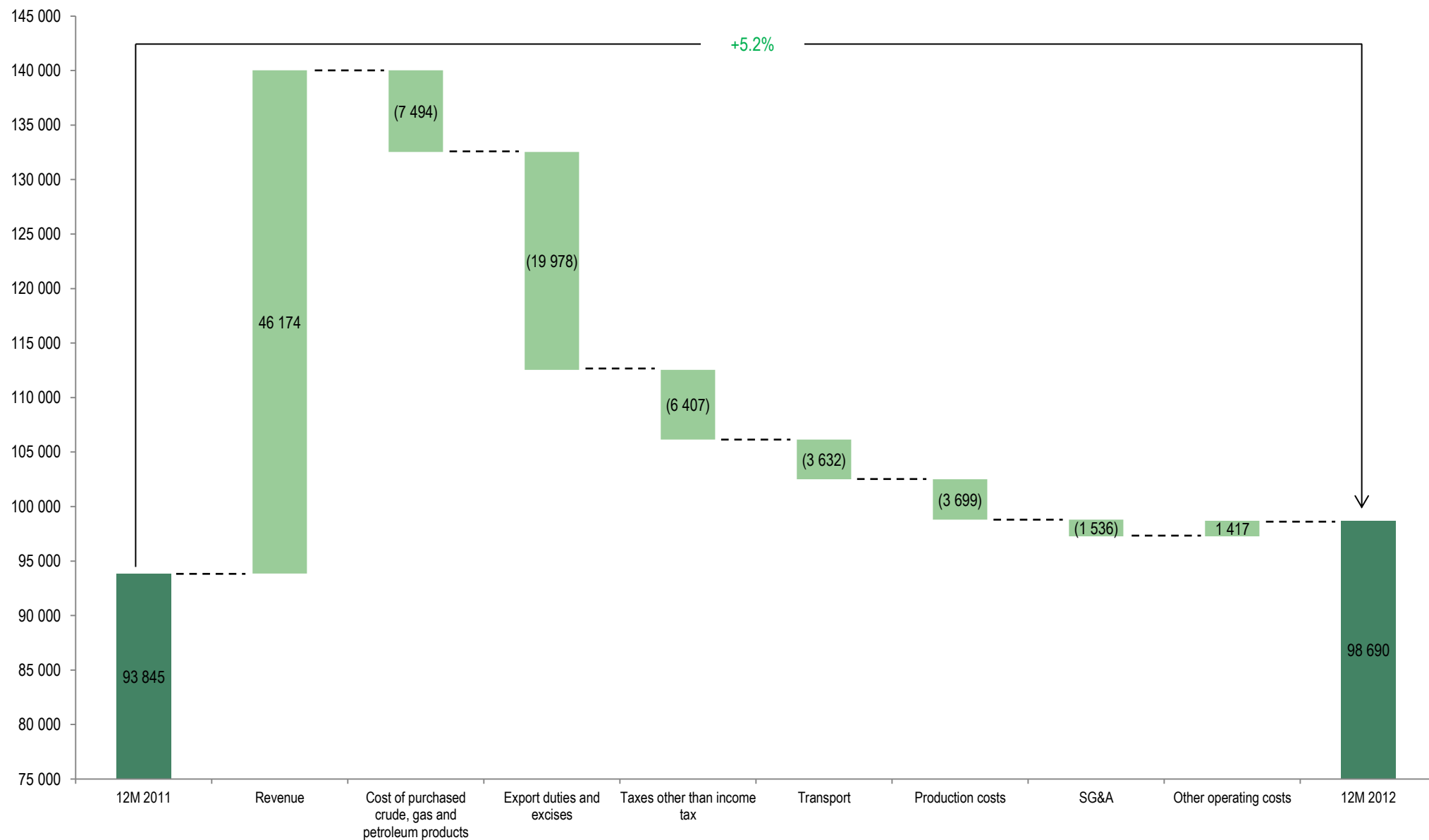
- In 2012 unit refining costs decreased by 4.2% compared to 2011 and totalled 157.3 roubles per barrel;
- In the fourth quarter of 2012, unit refining costs increased by 4.9% compared to the third quarter of 2012 and amounted to 164.8 roubles per barrel. This was caused by an increase in heat and electricity consumption in winter.

Unit refining costs, roubles/bbl*



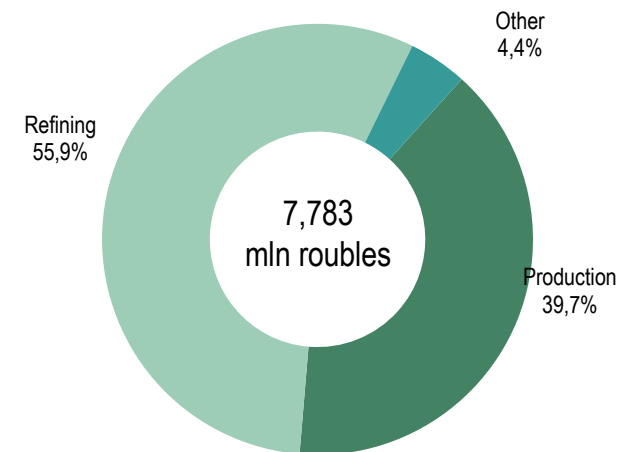
* 1 tonne = 7.3 barrels of crude oil

EBITDA factor analysis, mln roubles, 12M 2012 vs. 12M 2011



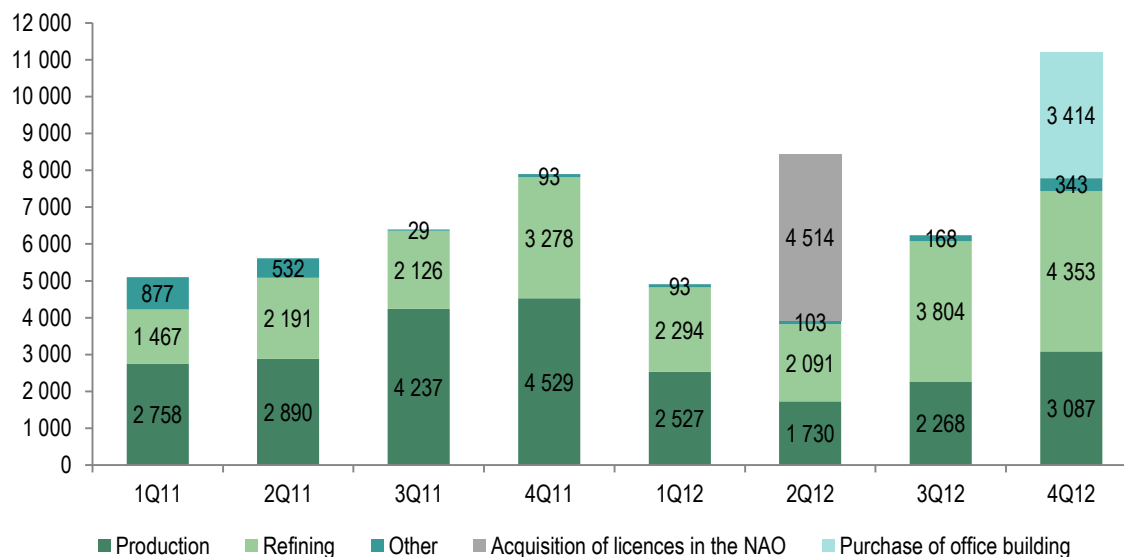
- For the twelve months of 2012, capital investments less the acquisition of licences in the NAO in the second quarter of 2012 for 4,514 million roubles and an office building in Moscow for 3,414 million roubles decreased by 8.6% compared to 2011;
- In the fourth quarter of 2012, capital investments less the acquisition of an office building in Moscow increased by 24.7% compared to the third quarter of 2012 and totalled 7,783 million roubles.

CAPEX breakdown in 4Q 2012, mln roubles¹

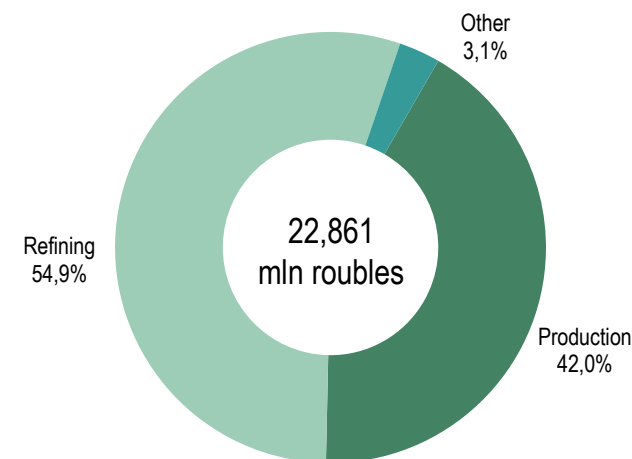


(1) Less the acquisition of an office building in Moscow for 3,414 million roubles in the fourth quarter of 2012.

CAPEX and investments in the acquisition of plant, property and equipment, mln roubles



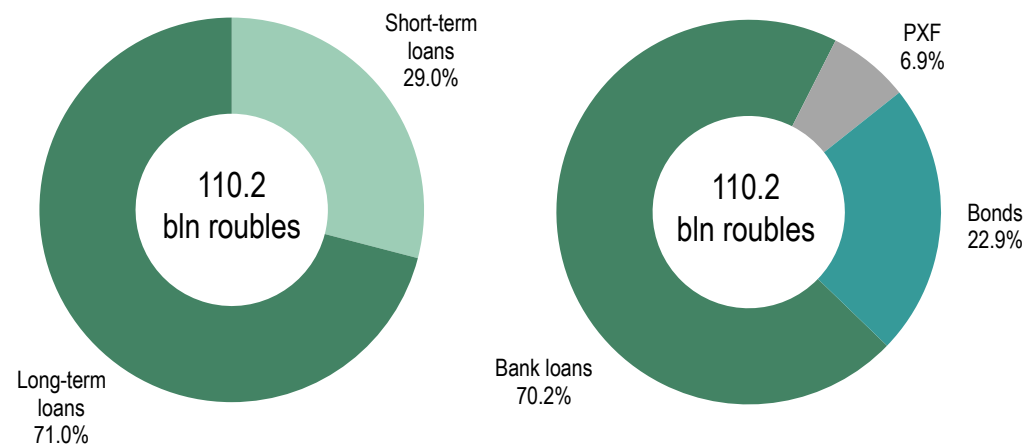
CAPEX breakdown in 2012, mln roubles²



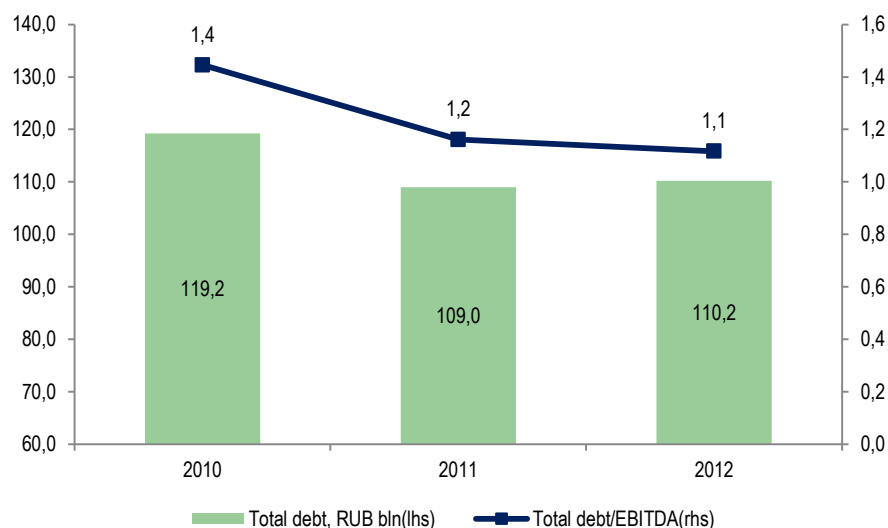
(2) Less the acquisition of licences in the NAO in the second quarter of 2012 for 4,514 million roubles and an office building in Moscow for 3,414 million roubles.

- As of December 31, 2012, the Group's total debt in the form of long-term and short-term borrowings amounted to 110.2 billion roubles;
- In December 2012, under the obligatory offer Bashneft completed the buyout of series 01, 02 and 03 worth a total of 6 221 mln. roubles;
- As of December 31, 2012, the weighted average interest rate on loans amounted to 8.4% per annum compared to 8.7% per annum as of December 31, 2011.

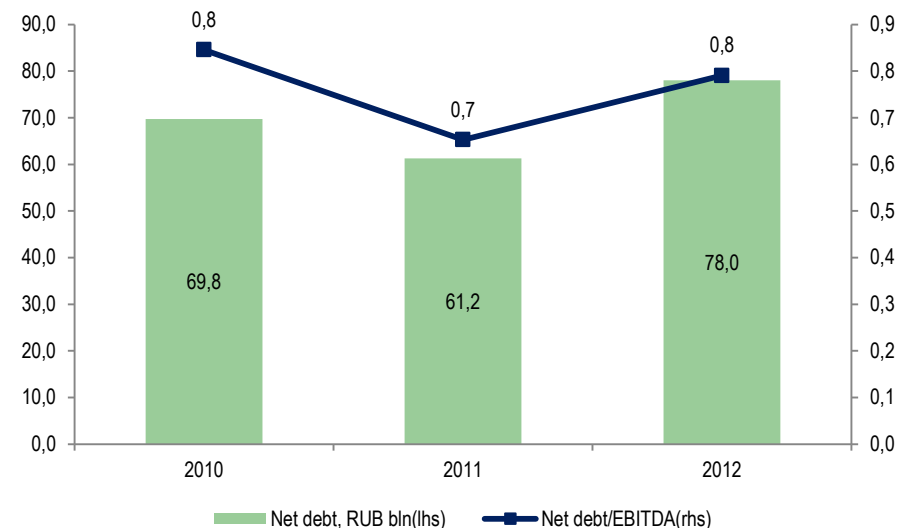
Debt structure, bln roubles



Total debt indicators



Net debt indicators





BASHNEFT

Thanks for your attention

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