



**8 December 2011. Moscow, Russia.** JSOC Bashneft and its subsidiaries (hereinafter ‘Bashneft Group’ or ‘the Group’ and affiliates), one of Russia’s leading vertically integrated oil companies, today publishes unaudited consolidated financial results prepared to International Financial Reporting Standards (IFRS) for the nine months ended on 30 September 2011. Comparative data for the nine months, which ended on 30 September 2010, are also unaudited consolidated results prepared to IFRS.

**HEADLINE FINANCIAL RESULTS IN THE THIRD QUARTER AND NINE MONTHS OF 2011**

- Revenue in Q3 2011 fell by 1.4% q-o-q to US\$ 4,458 million from US\$ 4,522 million in Q2 2011. Revenues in 9M 2011 rose by 45.2% y-o-y to US\$ 12,466 million from US\$ 8,584 million in 9M 2010;
- EBITDA in Q3 2011 fell by 23.6% q-o-q to US\$ 720 million from US\$ 942 million in Q2 2011. EBITDA in 9M 2011 increased by 31.6% y-o-y to US\$ 2,368 million from US\$ 1,799 million in 9M 2010;
- Net income attributable to shareholders of the parent company declined by 23.5% q-o-q in Q3 2011 to US\$ 407 million compared with US\$ 532 million in Q2 2011. Net income in 9M 2011 rose by 52.7% y-o-y to US\$ 1,309 million compared with US\$ 857 million in 9M 2010.

**HEADLINE OPERATING RESULTS IN THE THIRD QUARTER AND NINE MONTHS OF 2011**

- JSOC Bashneft showed steady growth of crude oil production for the tenth consecutive quarter. Crude oil output rose by 3.1% q-o-q in Q3 2011 to 3.826 million tonnes. Oil production in 9M 2011 was 11.215 million tonnes compared with 10.489 million tonnes in 9M 2010;
- Refining volumes declined by 2.5% q-o-q in Q3 2011 to 5.299 million tonnes. Refining volumes in 9M 2011 were 15.729 million tonnes compared with 15.939 million tonnes in 9M 2010.

**HEADLINE FINANCIAL AND OPERATING RESULTS\***

	3Q	2Q		9M	9M	
	2011	2011	Change	2011	2010	Change
Revenue from sales (US\$ million)	4,458	4,522	-1.4%	12,466	8,584	45.2%
EBITDA (US\$ million)	720	942	-23.6%	2,368	1,799	31.6%
Operating income (US\$ million)	574	782	-26.6%	1,905	1,345	41.6%
Net income not including minority interest (US\$ million)	407	532	-23.5%	1309	857	52.7%
Crude oil production (million tonnes)	3.826	3.710	3.1%	11.215	10.489	6.9%
Oil refining (million tonnes)	5.299	5.437	-2.5%	15.729	15.939	-1.3%

\* Financial results of JSOC Bashneft for the third quarter of 2011, second quarter of 2011, nine months of 2011 and nine months of 2010 are adjusted for financial results of JSOC Bashkirenergo, which was deconsolidated in May 2011

## **MAIN FACTORS WITH IMPACT ON OPERATING RESULTS**

### **Prices for crude oil and petroleum products**

	3Q	2Q		9M	9M	
	2011	2011	Change	2011	2010	Change
<b>Prices for crude oil and petroleum products</b>						
Brent crude, US\$/barrel	113.5	117.4	-3.3%	111.9	77.1	45.1%
Urals crude, US\$/ barrel	111.5	114.0	-2.2%	109.2	75.9	43.9%
Fuel oil (average FOB Rotterdam/CIF NWE), US\$/tonne	628.8	623.5	0.9%	602.2	432.8	39.1%
Diesel fuel (average FOB Rotterdam/CIF NWE), US\$/tonne	944.0	963.0	-2.0%	929.5	651.7	42.6%
Naphtha (average FOB Rotterdam/CIF NWE), US\$/tonne	951.3	988.8	-3.8%	948.0	684.2	38.6%
Vacuum gasoil (FOB NEW), US\$/tonne	783.6	810.5	-3.3%	773.0	532.2	44.5%
<b>Russian market (US\$/tonne, with excises, not including VAT)</b>						
Crude oil	291.5	324.9	-10.3%	305.9	214.1	42.9%
Fuel oil	331.0	304.2	8.8%	301.2	248.3	21.3%
Diesel fuel (summer gasoil)	678.4	689.2	-1.6%	662.0	457.2	44.8%
Jet fuel	694.3	670.4	3.6%	676.7	474.2	42.7%
High-octane gasoline	873.0	861.3	1.4%	831.7	678.7	22.5%
Low-octane gasoline	773.3	782.0	-1.1%	758.5	562.3	34.9%

### **Ruble/dollar exchange rate and inflation**

	3Q	2Q		9M	9M	
	2011	2011	Change	2011	2010	Change
Ruble inflation (CPI)	-0.3%	1.2%	-1.5p.p.	4.7%	6.2%	-1.5p.p.
Ruble/dollar exchange rate, end of period	31.9	28.1	13.5%	31.9	30.4	4.9%
Ruble/dollar exchange rate, period average	29.1	28.0	3.9%	28.8	30.3	-5.0%
Real appreciation or depreciation of the ruble to the dollar compared with previous period	-3.5%	6.2%	-9.7p.p.	14.7%	14.3%	0.4p.p.

## Taxation

	3Q	2Q		9M	9M	
	2011	2011	Change	2011	2010	Change
<b>Mineral extraction tax (rubles per tonne)</b>						
Crude oil	4,547	4,466	1.8%	4,368	2,948	48.2%
<b>Export duty (US\$ per tonne)</b>						
Crude oil	443	447	-0.9%	411	269	52.8%
Light and medium distillates	296	299	-1.0%	277	194	42.8%
Fuel oil	207	209	-0.9%	189	104	81.7%
<b>Excises (rubles per tonne)</b>						
High-octane gasoline	-	-	-	-	3,992	-
Low-octane gasoline	-	-	-	-	2,923	-
Naphtha	-	-	-	-	4,290	-
Diesel fuel	-	-	-	-	1,188	-
Lubricants	-	-	-	-	3,246	-

Changes to tax law, which came into force in December 2010, increased excise rates and differentiated the rates depending on fuel quality:

(Rubles/tonne)	2011	2012	2013
<b>High octane gasoline</b>			
High-octane gasoline not in classes 3, 4, 5	5,995	7,725	9,511
High-octane gasoline, class 3	5,672	7,382	9,151
High-octane gasoline, classes 4, 5	5,143	6,822	8,560
<b>Naphtha</b>	6,089	7,824	9,617
<b>Diesel fuel</b>			
Diesel fuel not in classes 3, 4, 5	2,753	4,098	5,500
Diesel fuel, class 3	2,485	3,814	5,199
Diesel fuel, classes 4, 5	2,247	3,562	4,934
<b>Lubricants</b>	4,681	6,072	7,509

## **OPERATING RESULTS**

### **Production**

Bashneft Group of companies carries exploration and production of crude oil in several regions of Russia: the Republic of Bashkortostan, Khanty-Mansi Autonomous District, Nenets Autonomous District, Orenburg Region and the Republic of Tatarstan.

	3Q		2Q	9M		9M	Change
	2011	2011	Change	2011	2010	Change	
Crude oil production (million tonnes)	3,826	3,710	3.1%	11,215	10,489	6.9%	
Average daily production of crude oil (thousand barrels/day)*	304	298	2.0%	300	281	6.9%	

\*7.3 barrels = 1 tonne of crude oil

Output of crude oil grew by 3.1% q-o-q in Q3 2011 to 3.826 million tonnes from 3.710 million tonnes in Q2 2011. Average daily output increased by 2.0% q-o-q to 304,000 barrels.

Crude production in 9M 2011 was 11.215 million tonnes, compared with 10.489 million tonnes in 9M 2010. Average daily output in 9M 2011 rose by 6.9% y-o-y to 300,000 barrels.

Growth of crude oil output was achieved through greater efficiency of geological and technical measures (secondary and tertiary recovery techniques), carried out in order to raise average flow rates per well. At the same time, overall volume of secondary and tertiary interventions was lower than in previous periods.

### **Refining**

Bashneft Group includes three oil refineries (JSOC Ufaneftekhim, JSOC Ufa Oil Refinery, JSOC Novoil), and also the petrochemicals producer JSOC Ufaorgsintez. Crude oil refining capacity of these facilities is 24.1 million tonnes.

(million tonnes)	3Q		2Q	9M		9M	Change
	2011	2011	Change	2011	2010	Change	
<b>Crude oil refining</b>	<b>5.299</b>	<b>5.437</b>	<b>-2.5%</b>	<b>15.729</b>	<b>15.939</b>	<b>-1.3%</b>	
<b>Petroleum product outputs</b>							
Gasoline (including stable natural gasoline)	1.243	1.159	7.2%	3.599	3.890	-7.5%	
Diesel	1.834	1.904	-3.7%	5.560	5.858	-5.1%	
Fuel oil	0.622	0.630	-1.3%	1.806	1.931	-6.5%	
Vacuum gasoil	0.468	0.691	-32.3%	1.483	1.262	17.5%	
Other	0.654	0.618	5.8%	1.798	1.745	3.0%	
<b>Total petroleum products</b>	<b>4.821</b>	<b>5.002</b>	<b>-3.6%</b>	<b>14.246</b>	<b>14.686</b>	<b>-3.0%</b>	
Refining depth (%)	87.1%	86.5%	0.6p.p.	86.8%	86.8%	0.0p.p.	
Share of light products (%)	58.9%	57.7%	1.2p.p.	59.3%	62.5%	-3.2p.p.	

Refining volumes in Q3 2011 were 5.299 million tonnes, down by 2.5% from 5.437 million tonnes in Q2 2011. Petroleum product output in Q3 2011 declined by 3.6% q-o-q to 4.821 million tonnes.

The volume of refining in 9M 2011 was 15.729 million tonnes, which is 1.3% less than 15.939 million tonnes in 9M 2010. Petroleum product output in 9M 2011 was 3.0% lower y-o-y at 14.246 million tonnes.

Refining depth in Q3 2011 was 87.1%, which is 0.6p.p. more than in Q2 2011. Light product yield rose by 1.2p.p. q-o-q in Q3 2011 to a level of 58.9%. Greater refining depth and light product yield in Q3 compared with Q2 2011 were due to reduction of refining volumes and improvement of the market environment (increased output of deep-refining products).

Refining depth in 9M 2011 was unchanged y-o-y at 86.8%.

Light product yield fell by 3.2p.p. in 9M 2011 to 59.3% compared with 62.5% in 9M 2010. The decline was due to increase in the share of Bashkir crude in refining from 46.3% in 9M 2010 to 48.2% in 9M 2011, as well as overhaul of the catalytic cracking facility at JSOC Ufaneftekhim in Q3 2011.

## **FINANCIAL RESULTS**

Financial results of JSOC Bashneft for nine months of 2011 and nine months of 2010, as well as for the third quarter of 2011 and second quarter of 2011, are adjusted for financial results of JSOC Bashkirenergy, which was deconsolidated in May 2011.

### **UNAUDITED CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE THIRD QUARTER AND NINE MONTHS ENDED ON 30 SEPTEMBER 2011 (EXCERPT)**

(US\$ million)	3Q	2Q		9M	9M	
	2011	2011	Change	2011	2010	Change
<b>Revenue</b>						
Crude oil sales	811	816	-0.6%	2,364	1,393	69.7%
Petroleum product and petrochemical sales	3,550	3,592	-1.2%	9,795	6,917	41.6%
Other sales	97	114	-14.9%	307	274	12.0%
<b>Total revenue</b>	<b>4,458</b>	<b>4,522</b>	<b>-1.4%</b>	<b>12,466</b>	<b>8,584</b>	<b>45.2%</b>
<b>Operating expenses</b>						
Production and operating expenses	434	454	-4.4%	1,226	1,045	17.3%
Cost of purchased crude oil, gas and petroleum products	1,072	1,103	-2.8%	3,025	2,083	45.2%
Sales, general and administrative expenses	182	95	91.6%	405	206	96.6%
Transport expenses	232	205	13.2%	601	429	40.1%
Depreciation, depletion and amortization	146	160	-8.8%	463	454	2.0%
Taxes other than income tax	521	556	-6.3%	1,543	978	57.8%
Excises and export duties	1,237	1,148	7.8%	3,218	2,006	60.4%
Other operating expenses (income), net	60	19	215.8%	80	38	110.5%
<b>Total costs and expenses</b>	<b>3,884</b>	<b>3,740</b>	<b>3.9%</b>	<b>10,561</b>	<b>7,239</b>	<b>45.9%</b>
<b>Income from operations</b>	<b>574</b>	<b>782</b>	<b>-26.6%</b>	<b>1,905</b>	<b>1,345</b>	<b>41.6%</b>
<b>Other expenses/income</b>						
Interest expenses	-116	-120	-3.3%	-354	-223	58.7%
Interest income	14	22	-36.4%	50	50	0.0%
Exchange rate differences, net	43	13	230.8%	-2	-14	-85.7%
Share in income of affiliates	16	25	-36.0%	63	15	-
<b>Total other expenses/income</b>	<b>-43</b>	<b>-60</b>	<b>-28.3%</b>	<b>-243</b>	<b>-172</b>	<b>41.3%</b>
<b>Income before tax</b>	<b>531</b>	<b>722</b>	<b>-26.5%</b>	<b>1,662</b>	<b>1,173</b>	<b>41.7%</b>
Income tax expenses	-107	-170	-37.1%	-346	-257	34.6%
Net income from continuing operations	424	552	-23.2%	1,316	916	43.7%
Net income from discontinued operations	0	30	-100.0%	124	73	69.9%
<b>Net income</b>	<b>424</b>	<b>582</b>	<b>-27.1%</b>	<b>1,440</b>	<b>989</b>	<b>45.6%</b>
Net income attributable to minorities	-17	-50	-66.0%	-131	-132	-0.8%
<b>Net income attributable to shareholders of the parent company</b>	<b>407</b>	<b>532</b>	<b>-23.5%</b>	<b>1,309</b>	<b>857</b>	<b>52.7%</b>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON 30 SEPTEMBER 2011

(US\$ million)	30 September 2011	31 December 2010
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8,360	9,552
Advances paid for acquisition of property, plant and equipment	51	120
Advance paid for acquisition of license for Trebs and Titov field	-	597
Intangible assets	35	33
Financial assets	556	217
Investments in affiliates	591	667
Long-term inventories	62	50
Other non-current assets	2	3
<b>Total non-current assets</b>	<b>9,657</b>	<b>11,239</b>
<b>Current assets</b>		
Inventories	743	625
Trade and other receivables	601	523
Advances to suppliers and prepaid expenses	131	157
Financial assets	682	676
Income tax prepaid	10	11
Other refundable tax	748	685
Cash and equivalents	439	1,067
Other current assets	2	8
<b>Total current assets</b>	<b>3,356</b>	<b>3,752</b>
<b>TOTAL ASSETS</b>	<b>13,013</b>	<b>14,991</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	77	77
Treasury shares	-464	-252
Additional paid-in capital	1,160	1,160
Foreign currency translation reserve	-520	-155
Retained earnings	5,071	4,445
<b>Equity attributable to shareholders</b>	<b>5,324</b>	<b>5,275</b>
Non-controlling interests	1,413	2,717
<b>Total capital and reserves</b>	<b>6,737</b>	<b>7,992</b>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON  
30 SEPTEMBER 2011 (CONTINUED)**

(US\$ million)	30 September 2011	31 December 2010
<b>Long-term liabilities</b>		
Loans and credits	3,360	3,118
Deferred tax liabilities	953	1,099
Environmental liabilities	221	217
Other long-term liabilities	26	49
<b>Total long-term liabilities</b>	<b>4,560</b>	<b>4,483</b>
<b>Short-term liabilities</b>		
Loans and credits	17	795
Trade and other accounts payable	747	659
Dividends payable	7	73
Advances received	350	553
Provisions	87	97
Income tax liabilities	61	21
Other tax liabilities	447	318
<b>Total short-term liabilities</b>	<b>1,716</b>	<b>2,516</b>
<b>TOTAL LIABILITIES</b>	<b>6,276</b>	<b>6,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,013</b>	<b>14,991</b>

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED  
ON 30 SEPTEMBER 2011**

	9M ended	
	30 September 2011	30 September 2010
(US\$ million)		
<b>Profit before income tax</b>	<b>1,810</b>	<b>1,273</b>
<b>Adjustments* for:</b>		
Depletion and depreciation	504	542
Loss on disposal of property, plant and equipment	13	12
Finance income	-51	-50
Finance costs	355	223
(Gain)/loss on disposal of subsidiaries	-8	-
Share of income of affiliates	-63	-15
Foreign exchange loss/gain, net	17	14
Change in provisions	53	17
Other	-9	30
<b>Changes in working capital:</b>		
Inventories	-156	-188
Trade and other receivables	-307	-413
Advances to suppliers and prepaid expenses	14	-37
Other taxes refundable	-167	-349
Trade and other payables	131	87
Advances received	-153	-66
Other tax liabilities	236	-23
<b>Cash generated from operations</b>	<b>2,219</b>	<b>1,057</b>
Interest paid	-277	-130
Income tax paid	-395	-316
<b>Net cash from operating activities</b>	<b>1,547</b>	<b>611</b>
Property, plant and equipment acquired	-595	-230
Other	-166	-1,034
<b>Cash used for investment activities, net</b>	<b>-761</b>	<b>-1,264</b>
Proceeds from borrowing	1,680	1,968
Repayment of borrowing	-2,127	-20
Dividends paid	-948	-385
Other	-34	-143
<b>Cash used for financing activities, net</b>	<b>-1,429</b>	<b>1,420</b>
Change of cash and equivalents, net	-643	767
Cash and equivalents at start of period	1,067	1,166
Effect of translating reporting currency to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	15	-20
<b>Cash and cash equivalents at end of period</b>	<b>439</b>	<b>1,913</b>

\* Adjustments are shown for both continuing and discontinued operations

## REVENUE

Revenue of Bashneft Group of companies in Q3 2011 was US\$ 4,458 million, which is 1.4% less than in Q2 2011. However, revenue in 9M 2011 was 45.2% higher y-o-y at US\$ 12,466. Lower q-o-q revenues were due to reduction of petroleum product exports.

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
<b>Revenue</b>						
Export sales of crude oil	732	731	0.1%	2,116	1,256	68.5%
Domestic sales of crude oil	79	85	-7.1%	248	137	81.0%
<b>Total crude oil sales</b>	<b>811</b>	<b>816</b>	<b>-0.6%</b>	<b>2,364</b>	<b>1,393</b>	<b>69.7%</b>
Petroleum product exports outside the CIS	1,465	1,661	-11.8%	4,383	2,756	59.0%
Petroleum product exports to CIS countries	293	332	-11.7%	894	462	93.5%
Domestic sales of petroleum products	1,792	1,599	12.1%	4,518	3,699	22.1%
<i>wholesale</i>	1,467	1,375	6.7%	3,848	3,338	15.3%
<i>retail</i>	325	224	45.1%	670	361	85.6%
<b>Total petroleum product sales</b>	<b>3,550</b>	<b>3,592</b>	<b>-1.2%</b>	<b>9,795</b>	<b>6,917</b>	<b>41.6%</b>
Other sales	97	114	-14.9%	307	274	12.0%
<b>Total revenue</b>	<b>4,458</b>	<b>4,522</b>	<b>-1.4%</b>	<b>12,466</b>	<b>8,584</b>	<b>45.2%</b>

(million tonnes)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
<b>Sales volumes</b>						
Export sales of crude oil	0.900	0.899	0.1%	2.699	2.340	15.3%
Domestic sales of crude oil	0.257	0.259	-0.8%	0.771	0.629	22.6%
<b>Total crude oil sales</b>	<b>1.157</b>	<b>1.158</b>	<b>-0.1%</b>	<b>3.470</b>	<b>2.969</b>	<b>16.9%</b>
Petroleum product exports outside the CIS	1.879	2.084	-9.8%	5.607	5.201	7.8%
Petroleum product exports to CIS countries	0.531	0.530	0.2%	1.535	0.852	80.2%
Domestic sales of petroleum products	2.664	2.594	2.7%	7.407	8.227	-10.0%
<i>wholesale</i>	2.329	2.357	-1.2%	6.698	7.770	-13.8%
<i>retail</i>	0.335	0.237	41.4%	0.709	0.457	55.1%
<b>Total petroleum product sales</b>	<b>5.074</b>	<b>5.208</b>	<b>-2.6%</b>	<b>14.549</b>	<b>14.280</b>	<b>1.9%</b>
<b>Total sales of crude oil and petroleum products</b>	<b>6.231</b>	<b>6.366</b>	<b>-2.1%</b>	<b>18.019</b>	<b>17.249</b>	<b>4.5%</b>

### **Export sales of crude oil**

Revenue from export of crude oil increased by 0.1% q-o-q to US\$732 million in Q3 2011. The increase reflects growth of sales volumes. Volumes of crude oil sold on external markets were 900,000 tonnes in Q3 2011 compared with 899,000 tonnes in Q2 2011.

Crude oil export revenue in 9M 2011 was US\$ 2,116 million, which is 68.5% more than in 9M 2010. The increase reflects growth in volumes of export crude sales and higher prices for these exports. Sales volumes on external markets were 2.699 million tonnes in 9M 2011, up by 15.3% y-o-y.

### **Domestic sales of crude oil**

Revenue from crude oil sales on the domestic market were US\$79 million in Q3 2011 compared with US\$85 million in Q2 2011. The Company sold 257,000 tonnes of oil inside Russia during Q3 2011 compared with 259,000 tonnes in Q2.

Revenues from sale of crude oil on the domestic market were US\$ 248 million in 9M 2011 compared with US\$ 137 million in 9M 2010. The Company sold 771,000 tonnes of oil inside Russia during 9M 2011 compared with 629,000 tonnes in 9M 2010.

### **Petroleum product exports**

Revenue from export of petroleum products outside the CIS declined by 11.8% q-o-q in Q3 2011 to US\$1,465 million. Revenue from export of petroleum products to CIS countries in Q3 2011 was US\$ 293 million compared with US\$ 332 million in the previous quarter.

Bashneft exported 1.879 million tonnes of petroleum products outside the CIS in Q3 2011, which is 9.8% less than in Q2. Deliveries of petroleum products to CIS countries in Q3 2011 totaled 531,000 tonnes compared with 530,000 tonnes in Q2. Exports to CIS and non-CIS countries in Q3 2011 consisted mainly of diesel fuel (57% of export deliveries), gasoline (5%) and vacuum gasoil (24%). These products also dominated exports in Q2 2011, when they respectively accounted for 57%, 11% and 21% of total petroleum products deliveries outside Russia.

Revenue from export of petroleum products outside the CIS in 9M 2011 was US\$ 4,383 million, which is 59.0% more than in 9M 2010. Revenue from product exports to CIS countries in 9M 2011 was US\$ 894 million compared with US\$ 462 million in 9M 2010. Higher revenue was due to growth in volumes and increase of selling prices.

Export deliveries of petroleum products outside the CIS rose by 7.8% y-o-y in 9M 2011 to 5.607 million tonnes. Deliveries of petroleum products to CIS countries in 9M 2011 totaled 1.535 million tonnes compared with 852,000 tonnes in 9M 2010. Main product exports to CIS and non-CIS countries in 9M 2011 were diesel fuel (59% of total exports), gasoline (11%) and vacuum gasoil (20%). These products also dominated exports in 9M 2010, when they respectively accounted for 55%, 13% and 21% of total petroleum products deliveries outside Russia.

## **Sales of petroleum products on the domestic market**

Revenue from sales of petroleum products on the domestic market in Q3 2011 was US\$1,792 million, which is 12.1% more than in Q2 2011. The higher revenue mainly reflects volume increases, due in part to acquisition of direct control over the petroleum product business of ASPEK Group.

The Group sold 2.664 million tonnes of petroleum products inside Russia during Q3 2011, of which 2.329 million tonnes via wholesale. Revenue from wholesale sales increased by 6.7% q-o-q in Q3 2011 to US\$1,467 million.

Revenue from retail sales of petroleum products rose by 45.1% q-o-q in Q3 2011 to US\$ 325 million due to consolidation of ASPEK Group. Bashneft sold 335,000 tonnes of petroleum products via retail in Russia during Q3 2011, representing an increase of 41.4% q-o-q.

Total revenue from sales of petroleum products in 9M 2011 was US\$ 4,518 million, up by 22.1% y-o-y. The revenue increase was due to growth of selling prices.

The Group sold 7.407 million tonnes of petroleum products on the domestic market in 9M 2011, of which 6.698 million tonnes via wholesale. Revenue from wholesale sales of petroleum products in Russia rose by 15.3% y-o-y in 9M 2011 to US\$ 3,848 million.

Revenue from retail sales of petroleum products increased by 85.6% y-o-y in 9M 2010 to US\$ 670 million. The increase was due to growth of prices and rise in volumes of motor fuel sold, including effect from acquisition of Orenburgnefteprodukt and consolidation of ASPEK Group. Volume of retail sales of petroleum products rose by 55.1% in 9M 2011 to 709,000 tonnes.

## **Other sales**

Other sales revenue consists of revenue from sale of goods and services, which are not connected with core business. Other sales revenue declined by 14.9% to US\$ 97 million in Q3 2011. However, other sales revenue grew by 12.0% y-o-y to US\$ 307 million in 9M 2011.

## EXPENSES AND COSTS

### Production and operating expenses

The structure of production and operating costs of JSOC Bashneft by business segments is presented below. Production and operating costs fell by 4.4% q-o-q in Q3 2011 to US\$ 434 million. However, they increased by 17.3% y-o-y in 9M 2011 to US\$ 1,226 million, due (as in previous periods) to geological-technical work (secondary and tertiary recovery), growth of electricity tariffs, overhaul of the catalytic cracking facility at JSOC Ufaneftekhim and strengthening of the ruble against the US dollar.

(US\$ million)	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
<b>Production and operating costs</b>						
Exploration & production	197	204	-3.4%	576	457	26.0%
Refining	224	209	7.2%	616	534	15.4%
Other	13	41	-68.3%	34	54	-37.0%
<b>Total production and operating expenses</b>	<b>434</b>	<b>454</b>	<b>-4.4%</b>	<b>1 226</b>	<b>1 045</b>	<b>17.3%</b>

Crude oil lifting costs fell by 3.4% q-o-q in Q3 2011 to US\$ 197 million, and per unit lifting costs were 5.3% lower q-o-q at US\$ 7.1/barrel, due mainly to weakening of the ruble against the US dollar

Lifting costs rose by 26.0% y-o-y in 9M 2010 to US\$ 576 million, and per unit lifting costs were 16.7% higher y-o-y at US\$ 7.0/barrel, due to growth of electricity tariffs and prices for materials, as well as strengthening of the ruble against the US dollar.

	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
Crude oil production expenses (US\$ million)	197	204	-3.4%	576	457	26.0%
Unit lifting costs for crude oil (US\$ per barrel)*	7.1	7.5	-5.3%	7.0	6.0	16.7%

\*7.3 barrels = one tonne of oil

Oil refining costs at the Company's own oil refineries increased by 7.2% q-o-q in Q3 2011 to US\$ 224 million. Unit refining costs in Q3 2011 increased by 9.4% q-o-q to US\$ 5.8/barrel from US\$ 5.3/barrel in Q2 2011.

Oil refining costs at the Company's own oil refineries increased by 15.4% y-o-y in 9M 2011 to US\$ 616 million. Unit refining costs rose by 17.4% to US\$ 5.4/barrel compared with US\$ 4.6/barrel in 9M 2010.

Growth of unit refining costs was mainly due to scheduled overhaul of the catalytic cracking facility at Ufaneftekhim as well as strengthening of the ruble against the US dollar.

	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
Refining expenses (US\$ million)	224	209	7.2%	616	534	15.4%
Unit refining costs (US\$/barrel)*	5.8	5.3	9.4%	5.4	4.6	17.4%

\*7.3 barrels = one tonne of oil

## **Crude oil purchases**

As well as producing crude oil JSOC Bashneft makes purchases of West-Siberian crude oil and of gas condensate for delivery to its refineries. The Company bought 2.723 million tonnes of crude oil and gas condensate in Q3 2011, representing 51.4% of total volumes refined by the Company in the same period. Purchases of oil and gas condensate in Q2 2011 were 2.903 million tonnes or 53.4% of total refining by the Company during Q2.

Purchases of crude oil and gas condensate for refining into saleable petroleum products had value of US\$ 1,072 million in Q3 2011, representing 27.6% of Company operating costs in the same period. In 2Q 2011 the same expenses item totaled US\$ 1,103 million or 29.5% of Company operating costs.

The Company purchased 8.155 million tonnes of crude oil and gas condensate in 9M 2011, representing 51.8% of total refining volumes in the same period. Purchases of crude oil and gas condensate in 9M 2010 were 8.512 million tonnes, representing 53.4% of total refining volumes in that period.

Purchases of crude oil and gas condensate for refining into saleable petroleum products had value of US\$ 3,025 million in 9M 2011, representing 28.6% of Company operating costs in the same period. In 9M 2010 the same expenses item totaled US\$ 2,083 million or 28.8% Company operating costs. Higher spending on oil and gas condensate purchases was due to increase of domestic prices for these commodities.

## **Transport costs**

Transport costs of Bashneft Group increased by 13.2% in Q3 2011 to US\$ 232 million compared with US\$ 205 million in Q2 2011. Transport costs grew by 40.1% y-o-y in 9M 2011 to US\$ 601 million from US\$ 429 million in 9M 2010. Increase of transport costs was due to growth in export deliveries of crude oil and petroleum products, as well as higher transport tariffs.

Export deliveries of petroleum products outside the CIS declined by 9.8% q-o-q in Q3 2011 to 1.879 million tonnes. Deliveries of petroleum products to CIS countries were 531,000 tonnes in Q3 2011 compared with 530,000 tonnes in Q2.

Deliveries of petroleum products outside the CIS rose by 7.8% y-o-y in 9M 2011 to 5.607 million tonnes. Petroleum product deliveries to CIS countries were 1.535 million tonnes in 9M 2011 compared with 852,000 tonnes in 9M 2010.

Sales of crude oil on export markets rose by 15.3% in 9M 2011 to 2.699 million tonnes y-o-y.

## **Depreciation, depletion and amortization**

Depreciation, depletion and amortization totaled US\$ 146 million in Q3 2011 compared with US\$ 160 million in Q2 2011. Lowering of the figure was concentrated in the refining segment, where amortization declined by 14.0% compared with Q2 2011 to a level of US\$ 80 million.

Amortization totaled US\$ 463 million in 9M 2011 compared with US\$ 454 million in 9M 2010. The figure in the extraction segment rose by 17.2% compared with 9M 2010 to a level of US\$ 170 million.

(US\$ million)	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
<b>Depreciation, depletion and amortization</b>						
Exploration & production	58	60	-3.3%	170	145	17.2%
Refining	80	93	-14.0%	274	296	-7.4%
Other	8	7	14.3%	19	13	46.2%
<b>Total depreciation, depletion and amortization</b>	<b>146</b>	<b>160</b>	<b>-8.8%</b>	<b>463</b>	<b>454</b>	<b>2.0%</b>

### Taxes other than income tax

Tax expenses other than income tax declined by 6.3% q-o-q to in Q3 2011 to US\$ 521 million. Mineral extraction tax was 2.6% lower than in Q2 2011, reflecting decline of crude oil prices. Spending on mineral extraction tax was US\$ 456 million in Q3 2011 compared with US\$ 468 million in Q2 2011.

Payment of taxes other than income tax rose by 57.8% y-o-y in 9M 2011 to a level of US\$ 1,543 million. Payments of mineral extraction tax were 67.1% higher y-o-y due to rise of oil prices and crude oil output. Mineral extraction tax in 9M 2011 was US\$ 1,303 million compared with US\$ 780 million in 9M 2010.

(US\$ million)	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
<b>Taxes other than income tax</b>						
Mineral extraction tax	456	468	-2.6%	1 303	780	67.1%
Social insurance contributions	44	63	-30.2%	174	129	34.9%
Property tax	15	15	0.0%	44	44	0.0%
Other	6	10	-40.0%	22	25	-12.0%
<b>Taxes other than income tax</b>	<b>521</b>	<b>556</b>	<b>-6.3%</b>	<b>1 543</b>	<b>978</b>	<b>57.8%</b>

	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
<b>Mineral extraction tax</b>						
Current mineral extraction tax rates, \$/barrel*	21.4	21.9	-2.3%	20.8	13.3	56.4%
Factual mineral extraction tax expenses, \$/barrel	16.3	17.3	-5.8%	15.9	10.2	55.9%

\*7.3 barrels = one tonne of oil

## Export duties and excises

Payment of duties on crude oil and petroleum product exports increased by 10.3% q-o-q in Q3 2011 to US\$ 976 million. Growth of export duties in 9M 2011 was 65.3% y-o-y to a level of US\$ 2,495 million. Breakdown of export duties and excises for the reporting period is shown below.

(US\$ million)	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
Export duties on crude oil	394	398	-1.0%	1 101	627	75.6%
Export duties on petroleum products	582	487	19.5%	1 394	882	58.0%
Excises	261	263	-0.8%	723	497	45.5%
<b>Total export duties and excises</b>	<b>1 237</b>	<b>1 148</b>	<b>7.8%</b>	<b>3 218</b>	<b>2 006</b>	<b>60.4%</b>

## EBITDA, OPERATING INCOME AND NET INCOME

Operating income in Q3 2011 declined by 26.6% q-o-q to US\$ 574 million compared with US\$ 782 million in Q2 2011. Operating income increased by 41.6% y-o-y in 9M 2011 to US\$ 1,905 million compared with US\$ 1,345 million in 9M 2010.

EBITDA declined by 23.6% in Q3 2011 q-o-q to US\$ 720 million compared with US\$ 942 million in Q2. EBITDA increased by 31.6% y-o-y to US\$ 2,368 million in 9M 2011 compared with US\$ 1,799 million in 9M 2010.

Net income after minorities declined by 23.5% q-o-q in Q3 2011 to US\$ 407 million from US\$ 532 million in Q2 2011. Net profit in 9M 2011 was 52.7% higher y-o-y at US\$ 1,309 million compared with US\$ 857 million in 9M 2010.

	3Q		Change	9M		Change
	2011	2Q 2011		2011	2010	
<b>Key financial indicators</b>						
EBITDA, US\$ million	720	942	-23.6%	2 368	1 799	31.6%
EBITDA margin	16.2%	20.8%	-4.6p.p.	19.0%	21.0%	-2.0p.p.
Net income margin	9.1%	11.8%	-2.7p.p.	10.5%	10.0%	0.5p.p.
Net debt/EBITDA, annualized	0.8	0.7	0.1	0.2	0.2	0.0
EBITDA per barrel, US\$	25.8	34.8	-25.9%	28.9	23.5	23.0%
E&P capex per barrel, US\$	5.2	3.8	36.8%	4.2	1.2	250.0%
Lifting costs per barrel	7.1	7.5	-5.3%	7.0	6.0	16.7%

\*7.3 barrels = one tonne of oil

## **CASH FLOW**

Main items on the cash flow statement for the relevant periods are shown below:

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
<b>Cash flow</b>						
Cash flow from operations	933	433	115.5%	1,547	611	153.2%
Investment cash flow	-121	-307	-60.6%	-761	-1,264	-39.8%
Financing cash flow	-1,313	-33	-	-1,429	1,420	-200.6%

Net cash from operations:

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
Cash from operations before changes in working capital	790	978	-19.2%	2,621	2,046	28.1%
Changes in working capital, not including cash and equivalents	362	-262	-	-402	-989	-59.4%
Interest paid	-45	-167	-73.1%	-277	-130	113.1%
Income tax paid	-174	-116	50.0%	-395	-316	25.0%
<b>Total net cash from operations</b>	<b>933</b>	<b>433</b>	<b>115.5%</b>	<b>1 547</b>	<b>611</b>	<b>153.2%</b>

Net cash used for investment:

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
Capital expenditures	-221	-200	10.5%	-595	-230	158.7%
Other	100	-107	-193.5%	-166	-1,034	-83.9%
<b>Total cash used for investment</b>	<b>-121</b>	<b>-307</b>	<b>-60.6%</b>	<b>-761</b>	<b>-1,264</b>	<b>-39.8%</b>

Net cash from/used for financing:

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
New debt issue	1,025	47	-	1,680	1,968	-14.6%
Debt repayment	-1,462	-48	-	-2,127	-20	-
<b>Total issue and repayment of debt:</b>	<b>-437</b>	<b>-1</b>	<b>-</b>	<b>-447</b>	<b>1,948</b>	<b>-122.9%</b>
Dividends paid	-874	0	-	-948	-385	146.2%
Other	-2	-32	-93.8%	-34	-143	-76.2%
<b>Total net cash received from/(used in) financing</b>	<b>-1,313</b>	<b>-33</b>	<b>-</b>	<b>-1,429</b>	<b>1,420</b>	<b>-200.6%</b>

Calculation of adjusted free cash flow:

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
<b>Calculation of adjusted free cash flow</b>						
Net cash from operations	933	433	115.5%	1 547	611	153.2%
Capital expenditures	-221	-200	10.5%	-595	-230	158.7%
<b>Free cash flow</b>	<b>712</b>	<b>233</b>	<b>205.6%</b>	<b>952</b>	<b>381</b>	<b>149.9%</b>
Other	-8	-8	0.0%	-16	-11	45.5%
<b>Adjusted free cash flow</b>	<b>704</b>	<b>225</b>	<b>212.9%</b>	<b>936</b>	<b>370</b>	<b>153.0%</b>

## **FINANCING AND DEBT**

Total debt of the Group at the end of Q3 2011 (short-term and long-term loans and credits) was US\$ 3,377 million compared with US\$ 4,220 million at the end of Q2 2011. A large part of the debt portfolio consists of interest-bearing non-convertible ruble bonds to the value of 50 billion rubles issued in December 2009 for a period of 7 years with a 3-year option. The interest rate on the first six coupons of all 3 series of bonds is 12.5% annualized.

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
<b>Net debt:</b>						
Short-term credits	17	842	-98.0%	17	327	-94.8%
Long-term credits	3,360	3,378	-0.5%	3,360	3,421	-1.8%
<b>Total debt:</b>	<b>3,377</b>	<b>4,220</b>	<b>-20.0%</b>	<b>3,377</b>	<b>3,748</b>	<b>-9.9%</b>
Cash and equivalents	-439	-999	-56.1%	-439	-1,913	-77.1%
Short-term financial investments	-611	-528	15.7%	-611	-348	75.6%
<b>Adjusted net debt</b>	<b>2,327</b>	<b>2,693</b>	<b>-13.6%</b>	<b>2,327</b>	<b>1,487</b>	<b>56.5%</b>

## **CAPITAL EXPENDITURES**

Capital expenditures in Q3 2011 were US\$ 221 million compared with US\$ 200 million in Q2 2011. Capex in the E&P segment increased from US\$ 102 million in Q2 2011 to US\$ 146 million in Q3 2011. Refining capex in Q3 2011 was US\$ 74 million compared with US\$ 78 million in Q2 2011.

Capex in 9M 2011 was US\$ 595 million compared with US\$ 230 million in 9M 2010. Capex in the E&P segment rose from US\$ 94 million in 9M 2010 to US\$ 343 million in 9M 2011. Refining capex in 9M 2011 was US\$ 202 million compared with US\$ 64 million in 9M 2010.

(US\$ million)	3Q	2Q	Change	9M	9M	Change
	2011	2011		2011	2010	
<b>Capital expenditures</b>						
E&P	146	102	43.1%	343	94	-
Refining	74	78	-5.1%	202	64	215.6%
Other	1	20	-95.0%	50	72	-30.6%
<b>Total net cash used to finance capital expenditures</b>	<b>221</b>	<b>200</b>	<b>10.5%</b>	<b>595</b>	<b>230</b>	<b>158.7%</b>

## **MAIN EVENTS SINCE THE ACCOUNTING DATE**

### **JSOC BASHNEFT OBTAINED CONTROL OVER THE PETROLEUM PRODUCT BUSINESS OF ASPEK GROUP**

Shareholders of ASPEK Group of companies decided on a reorganization by division into two legal entities: ASPEK LLC and JSOC BN-Nefteprodukt. These two entities were registered in the State Register of Legal Entities on 1 July 2011.

As a result of the reorganization JSOC Bashneft obtained 97.75% of BN-Nefteprodukt. At the same time, JSOC Bashneft ceased to be a shareholder of ASPEK LLC. Share capitals of the new companies were created by division of share capital of JSOC ASPEK without injection of new funds. Stakes of 100% in the companies Bashneft-Udmurtia LLC and JSCC Bashneft-Region were transferred to the balance sheet of BN-Nefteprodukt LLC.

JSOC Bashneft thus acquired direct control over the petroleum product assets of ASPEK Group. No cash was used in the transaction over and above the US\$ 123 million already paid by JSOC Bashneft in July 2010 for 49.99% of share capital of JSOC ASPEK. JSOC Bashneft plans to increase its stake in share capital of BN-Nefteprodukt to 100%.

JSOC Bashneft acquired 49.99% of JSOC ASPEK at the end of July 2010 as part of its strategy for development of retail and small wholesale business in target regions. As a result of the corporate reorganization, which was carried out, the marketing assets of JSOC ASPEK – JSCC ASPEK and JSOC ASPEK-Nefteprodukt – came under the control of JSOC Bashneft and were subsequently renamed JSCC Bashneft-Region and Bashneft-Udmurtia LLC, respectively. Bashneft-Udmurtia LLC includes two petroleum product storage facilities and 48 up-to-date filling stations, which account for about 30% of the market for engine fuels in Udmurtia. JSCC Bashneft-Region is specialized in small wholesale business and has presence in 16 Russian regions.

### **ON JULY 22 2011 THE BOARD OF DIRECTORS OF JSOC BASHNEFT APPROVED A REGULATION ON DIVIDEND POLICY**

The Regulation on Dividend Policy of JSOC Bashneft is designed in compliance with Russian law, the Company Charter and internal corporate documents. The Regulation defines main approaches for the Board of Directors in preparing recommendations for the amount of dividends to be paid on Company shares and the procedure and form, through which dividends are paid.

The Regulation stipulates that a decision on payment of dividends for the financial year and on the amount to be paid is taken by the General Meeting of Shareholders of JSOC Bashneft based on the recommendations of the Board of Directors. The sum recommended for payment by the Board of Directors is based on financial results of Company business (assuming that a net profit was achieved) in the first quarter, the first half, nine months or the financial year, and usually represents no less than 10% of Company IFRS net income attributable to shareholders of the parent Company for the financial year. “Net income attributable to shareholders of the parent Company” is defined on the basis of the Company’s consolidated financial accounts for the respective period, prepared in accordance with IFRS.

Dividends per type-A preferred share cannot be less than 10% of nominal value of such a share, and dividends per preferred share cannot be less than dividends per ordinary share.

Dividends are usually paid in cash form. In accordance with current legislation and the Company Charter, dividends are paid within 60 calendar days from the date when the General Meeting of Shareholders takes a decision on their payment and no shareholders have the right to be paid earlier than other shareholders.

#### **THE BOARD OF DIRECTORS OF JSOC BASHNEFT APPROVED ISSUE OF SECURITIES, BOND PROSPECTUSES AND LISTED BONDS**

On 22 July 2011 the Board of Directors of JSOC Bashneft approved issue of securities and of prospectuses for bond series 04, 05 and listed (exchange) bond series BO-01, BO-02, BO-03 and BO-04:

- Bond series 04, with a total nominal value of 10 billion rubles and maximum tenor of 10 years;
- Bond series 05, with total nominal value of 10 billion rubles and maximum tenor of 7 years;
- Listed (exchange) bonds of the series BO-01 and BO-02, with nominal value of 10 billion rubles
- Listed (exchange) bonds of the series BO-03 and BO-04, with nominal value of 5 billion rubles each and maximum tenor of 3 years.

The total nominal value of the bond issues is 50,000,000,000 (fifty billion) rubles.

#### **JSOC BASHNEFT PLACED BOND SERIES BO-01**

JSOC Bashneft placed exchange-traded bonds (series BO-01) with nominal value of 10 billion rubles (issue identification number 4B02-01-00013-A, dated 29 August 2011) carrying a put option that can be exercised two years after the date of bond placement on the MICEX exchange. The BO-01 bonds mature three years after placement.

The Company received 70 applications from investors for the BO-01 series of bonds. Total demand was 20,932.6 million rubles.

The initial coupon range for marketing was set at 9.50-9.95% annualized. Despite volatility on financial markets the level of investor demand for Bashneft's BO-01 bonds enabled two reductions of the marketing coupon rate to a range of 9.25-9.50% annualized. The final coupon rate was closer to the lower end of the last marketing rate, at 9.35%.

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*Certain statements in this presentation may contain suppositions or forecasts in respect of future events concerning Bashneft Group of Companies. Such statements may contained expressions such as 'is expected', 'is estimated', 'intends', 'will be', 'may be', or negations of these expression or other similar expressions. You should be aware that these statements are only suppositions and the real course of events or results may differ from them in substantial respects. We do not intend to review these statements in order to compare them with real events and circumstances, which may arise after the date indicated above or to reflect events, which are not foreseen at the present time. Actual results of Bashneft Group may differ substantially from what is declared in our suppositions and forecasts as a result of a large number of factors. Such factors may include the general economic conditions, the competitive environment, in which we operate, risk associated with business in Russia, rapid technology and market changes in the sphere of our business, and also many other risks indirectly associated with Bashneft Group of Companies.*