



BASHNEFT

Bashneft Group

IFRS results for the third quarter of 2013



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 changes in our industries, as well as many other risks specifically related to Bashneft Group.

Operating results*

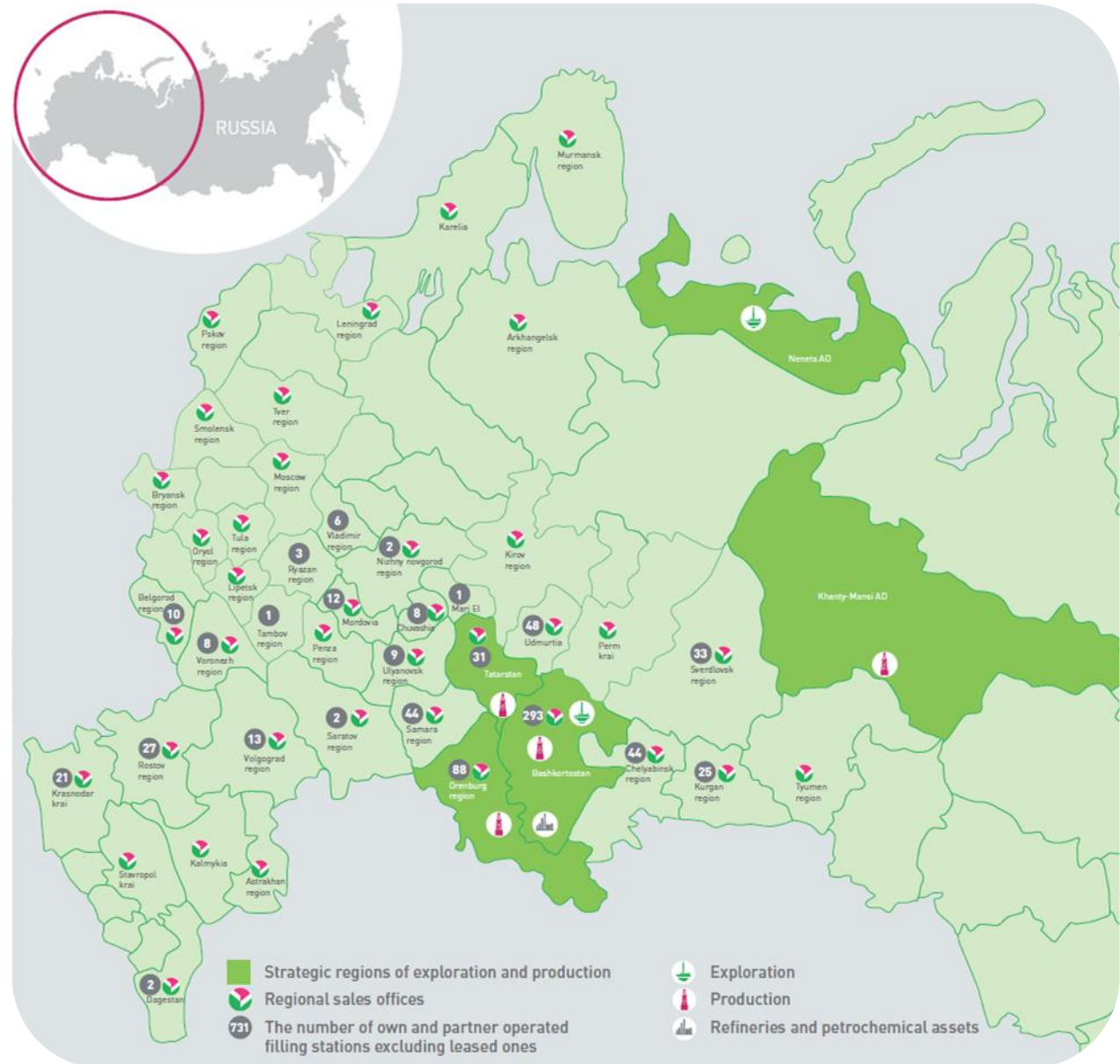
- **Average daily oil production** increased by 4.2% to **327.9 thousand bbl/d**;
- **Average daily refining** rose by 3.9% and reached **440.5 thousand bbl/d**;
- During the nine months of 2013, **refining depth and the share of light products** increased to **85.4% and 60.4%** respectively compared to 2012.

Financial results*

- **Revenue** added **16.6%** and reached **156.6 billion roubles**;
- **EBITDA** totalled 32.2 billion roubles, adding **41.7%**;
- **Adjusted net debt** decreased by **26.1%** to **57.5 billion roubles**.

Main events

- On October 28, 2013, the Board of Directors recommended that the General Meeting of Shareholders should approve dividend payments for the nine months of 2013 amounting to 199 roubles per ordinary share and per preferred share of Bashneft;
- In September 2013, Bashneft Group sold its 98% stake in OJSC United Petrochemical Company (UPC) and the whole of LLC Bashneft-Service Assets to OJSC JSFC Sistema;
- In September 2013, Bashneft Group sold a 38.46% stake in the authorized share capital of OJSC Belkamneft to a group of private investors.



* - Compared to the second quarter of 2013.

Development of the R. Trebs and A. Titov fields

Pilot production at the R. Trebs and A. Titov fields is a new stage in developing a large-scale project in the strategic region of exploration and production



KEY FACTS

ABC1 reserves	C1+C2: 140.1 million tonnes C3: 59.3 million tonnes
Reserves under PRMS*	Contingent 3C resources: 743 million barrels Prospective resources: 60 million barrels
The licence is valid until	2036

- Commercial production is to start in 2016;
- Peak production is to total 4.8 million tonnes;
- Production is to reach a plateau by 2020;
- The expected number of production wells at the two fields is ~ 200;
- The cost of project implementation totals 180 billion roubles.

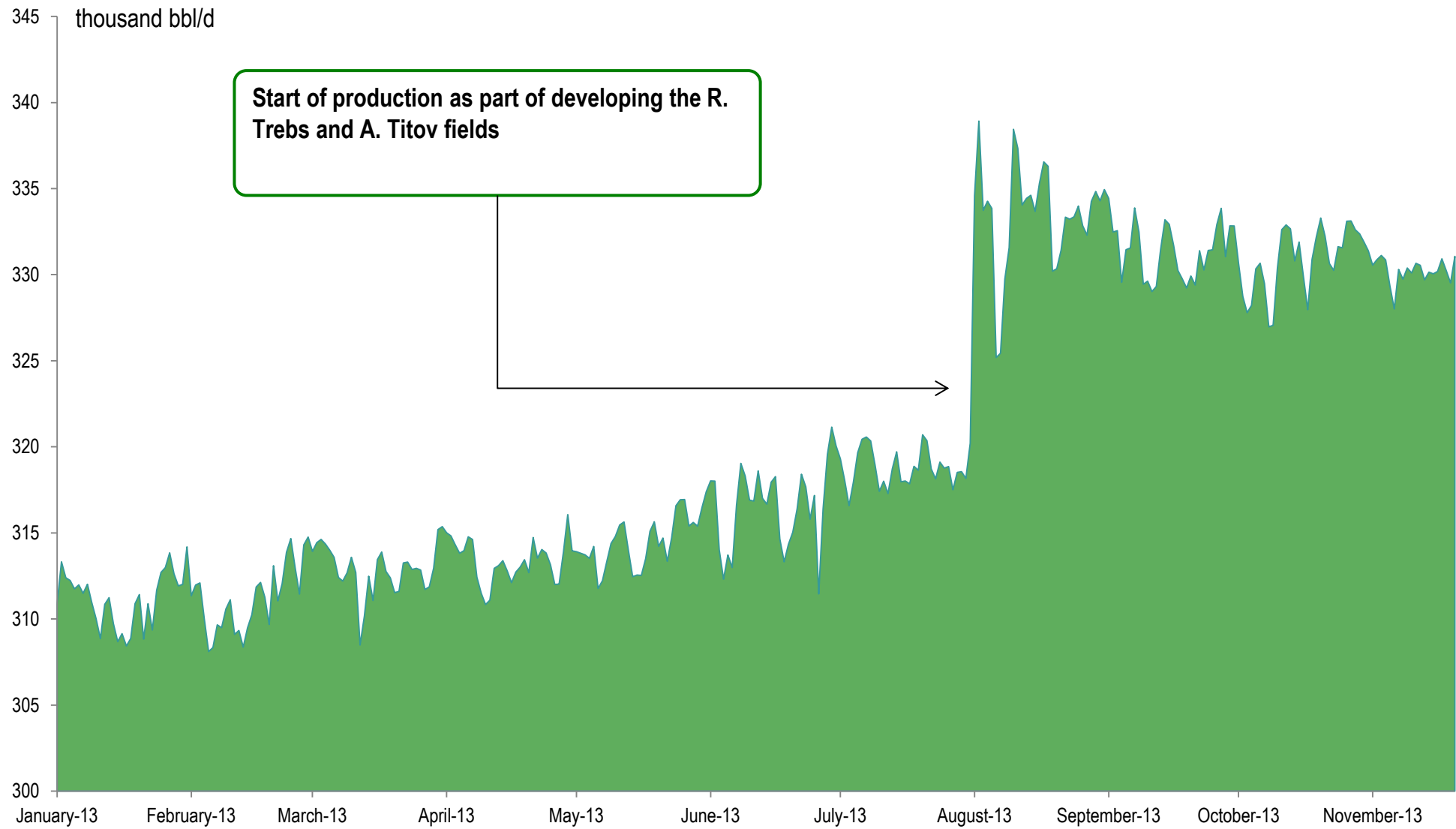
STATUS OF THE PROJECT

- Pilot production started in August 2013;
- In 2013 oil production is expected to total ~ 300 thousand tonnes;
- 3D seismic survey amounted to 1,350 sq. km;
- Field facilities were constructed at 12 exploration wells; these wells were also connected to associated equipment;
- Over 40 kilometres of oil-gathering pipelines were built;
- About 57 kilometres of power lines were constructed;
- The first stage of the Central Gathering Station (CGS) with the capacity of 1.5 million tonnes per year was built;
- A metering station was constructed;
- A high-pressure pipeline connecting the CGS at the R. Trebs oilfield and the metering station in Varandey with the total length exceeding 31 kilometres was built.

RESULTS ACHIEVED IN 2013 AND PLANS FOR 2014

- In May 2013, production drilling began at three sites at the R. Trebs field and two sites at the A. Titov field; overall, the Company plans to drill 16 wells;
- In November, production started at two production wells at the R. Trebs field. Bashneft plans to commission one more production well before the end of 2013;
- In October 2013, pilot production started at a well at the A. Titov field;
- In 2014 production is expected to total ~ 0.9 million tonnes;
- In January 2014, field facilities are expected to be commissioned;
- In 2014 preparation for commercial production will continue;
- In 2014 geological exploration will continue, including seismic survey and exploration drilling.

Bashneft's total average daily oil production since the beginning of 2013



Sale of Bashneft Group's petrochemical and oilfield service assets

Reorganization

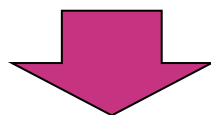
- Historically, the Group's structure prevented JSOC Bashneft from achieving all of its strategic goals;
- As part of improving the corporate structure, in 2012 Bashneft reorganized the Downstream segment by consolidating its five subsidiaries (OJSC Ufimsky refinery plant, OJSC Novoil, OJSC Ufaneftekhim, OJSC Bashkirnefteprodukt and OJSC Orenburgnefteprodukt) with JSOC Bashneft.

Petrochemicals

- Bashneft sold its 98% stake in the authorized share capital of OJSC United Petrochemical Company (UPC) to OJSC JSFC Sistema. The transaction forms part of Bashneft's strategy for divesting the Group's non-core assets;
- The transaction value totalling 6.2 billion roubles was determined based on independent appraisal made by one of the Big Four audit firms.

Oilfield service companies

- JSOC Bashneft sold a 100% stake in the authorized share capital of LLC Bashneft-Service Assets to OJSC JSFC Sistema;
- The transaction value determined by an independent appraiser amounted to 4.1 billion roubles;
- LLC Bashneft-Service Assets comprises 11 oilfield service organizations with market development potential.



Bashneft is consistently simplifying its corporate structure, focusing on strategic businesses

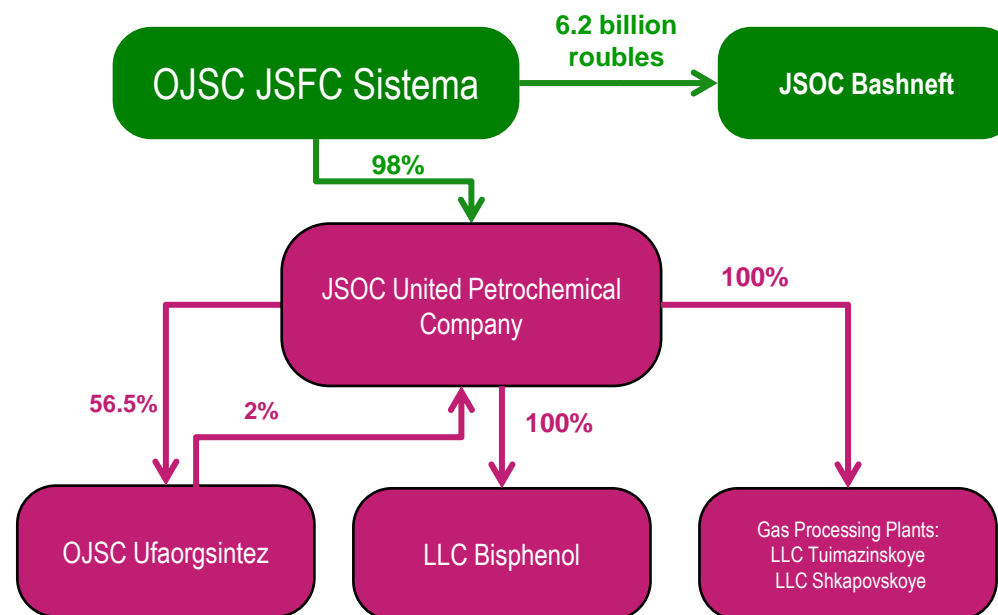
Rationale for the transaction

- Petrochemical production is JSOC Bashneft's non-core business;
- The Group's development strategy does not involve developing this segment as a separate business of JSOC Bashneft;
- Further development of the petrochemical segment aimed at optimizing its operations and increasing its profitability requires JSOC Bashneft to make considerable investments.

The buyer and structure of the transaction

- JSOC Bashneft sold its stake in OJSC United Petrochemical Company (UPC) to OJSC JSFC Sistema
- OJSC JSFC Sistema is interested in developing the Group's petrochemical business;
- The Meeting of Shareholders of JSOC Bashneft approved the transaction.

Structure of the sale of OJSC UPC



Sale of petrochemical assets will enable Bashneft Group to increase the efficiency of its key businesses

Operating and financial results of JSOC Bashneft



Macro indicators, 3Q2013*

3Q2013	2Q2013	Δ, %	Indicator	9M 2013	9M 2012	Δ, %
32.8	31.6	3.8%	Average RUB/USD exchange rate	31.6	31.1	1.6%
1.2%	1.6%	-0.4 p.p.	Inflation for the period, %	4.7%	5.2%	-0.5 p.p.
25.0	24.2	3.4%	Diesel fuel - summer (Russia), thousand roubles/tonne	24.4	22.3	9.5%
29.2	25.5	14.3%	High-octane gasoline (Russia), thousand roubles/tonne	26.9	24.4	10.2%
9.8	8.5	15.9%	Fuel oil (Russia), thousand roubles/tonne	8.9	9.3	-4.1%
5.6	5.0	13.6%	Mineral extraction tax (oil), thousand roubles/tonne	5.3	5.1	3.9%
12.6	12.0	4.7%	Crude oil export duty, thousand roubles/tonne	12.3	12.5	-1.8%
8.3	7.9	4.7%	Export duty on light and medium distillates, thousand roubles/tonne	8.1	8.3	-1.8%

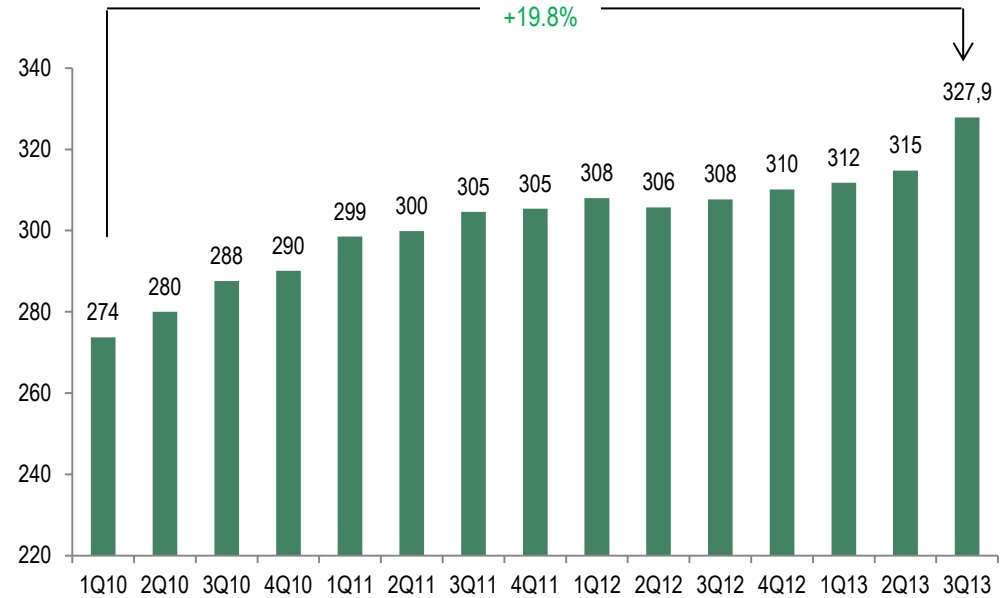
* Prices for oil and petroleum products presented on this slide are industry averages. Data on the mineral extraction tax and export duty rates do not include possible exemptions for each specific player in the industry. The data on prices and tax rates are not for Group valuation.



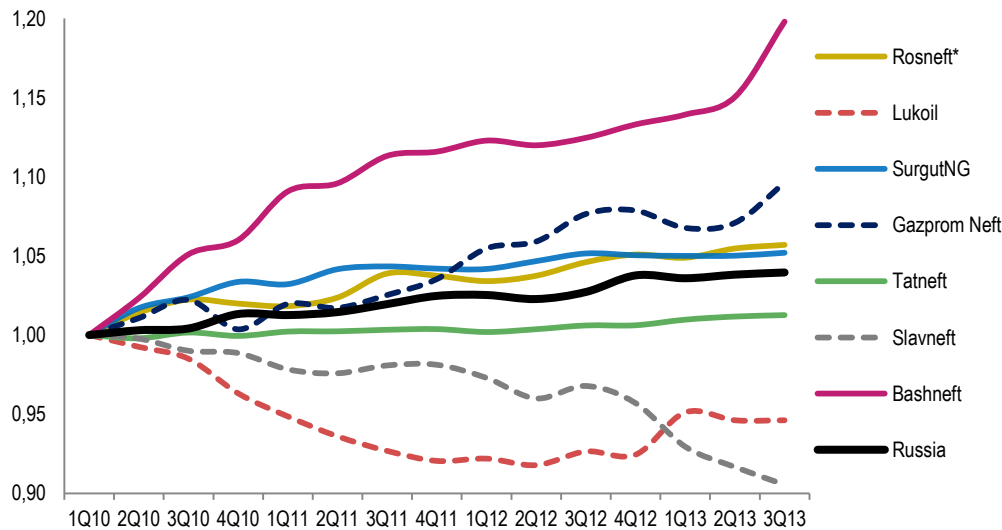
Production hits a new record high

- In the third quarter of 2013, Bashneft demonstrated the strongest oil production growth in the industry;
- In the third quarter of 2013, the Group's average daily production reached 327.9 thousand bbl/d, which is related primarily to the start of production at the R. Trebs and A. Titov fields
- The average production rate of existing wells reached a maximum of 3.0 tonnes per day; it added 20.0% compared to 2010.

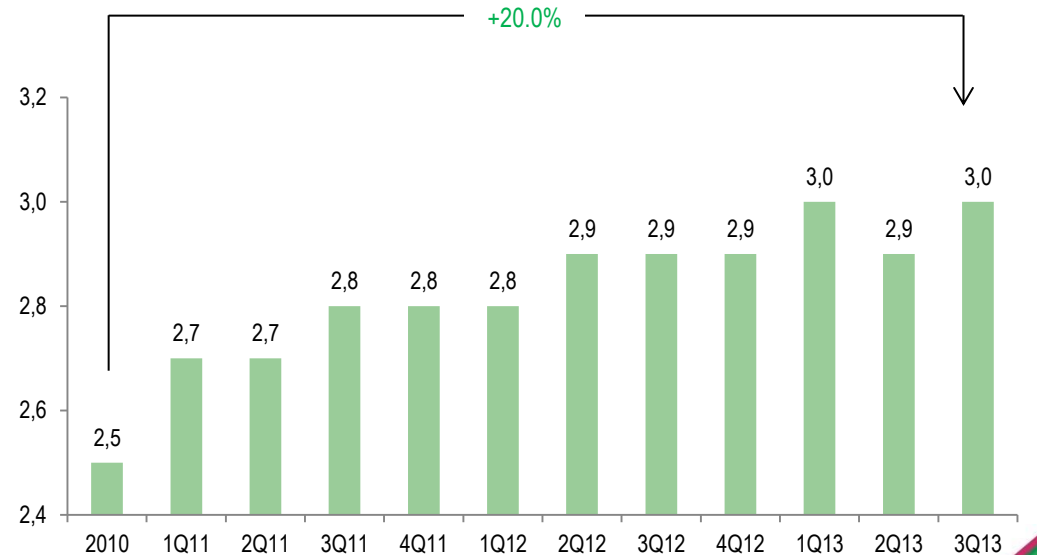
Average daily oil production, thousand bbl/d



Index of changes in average daily production (1Q '10 = 1)



Well production rate, tonnes per day



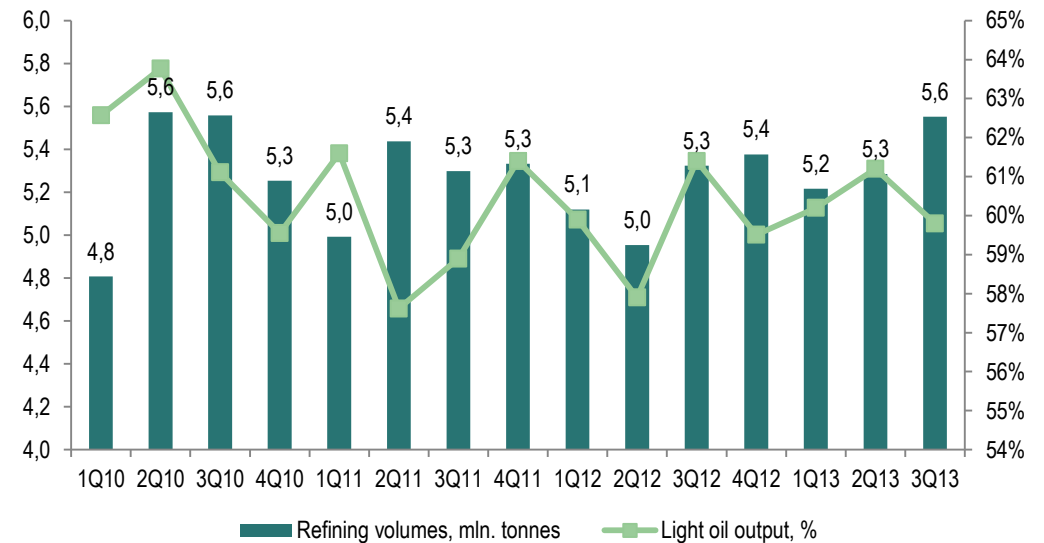
* - Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

The refinery upgrade programme implemented at the Ufa refineries enables Bashneft to meet the requirements of the Technical Regulations for fuel quality in due time

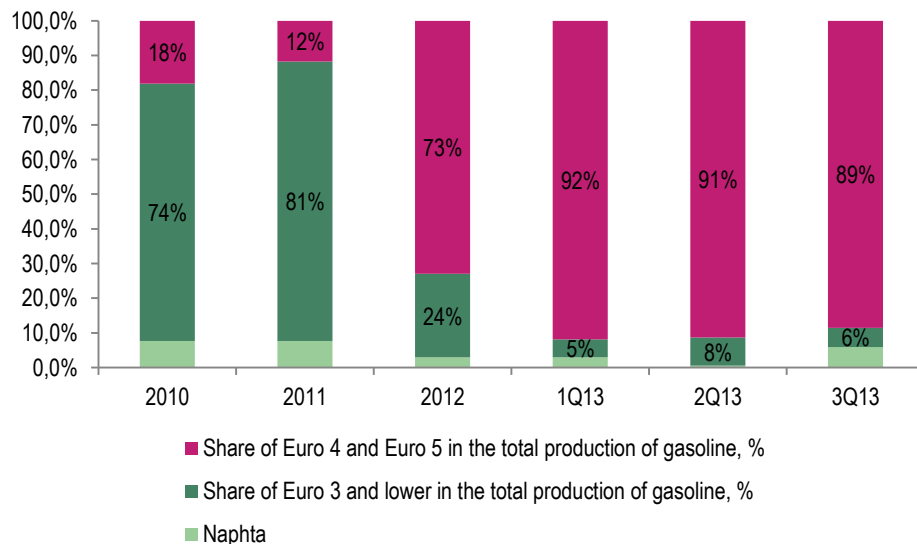


- For the nine months of 2013, Bashneft's refining complex in Ufa processed 16,053 thousand tonnes of oil, which is 4.3% more than in the same period in 2012 (15,397 thousand tonnes).
- For the nine months of 2013, the share of light products reached 60.4%, which is 0.6 b.p. higher than in the same period in 2012 (59.8%);
- Refining depth for the nine months of 2013 averaged 85.4%, which is one of the best results among Russian vertically integrated oil companies;
- For the nine months of 2013, the share of Euro 4 and Euro 5 gasoline totalled 90.6%.

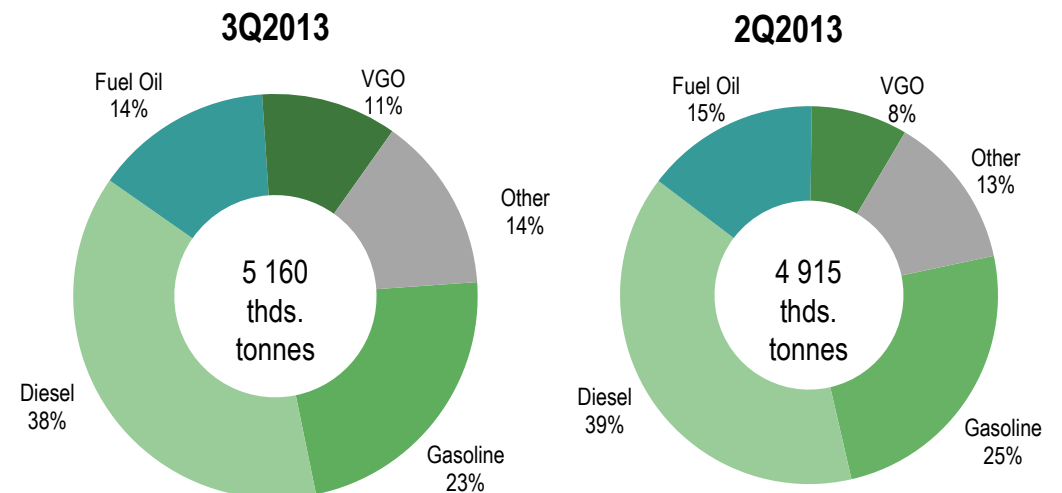
Oil refining



Output of gasoline meeting the Euro standard

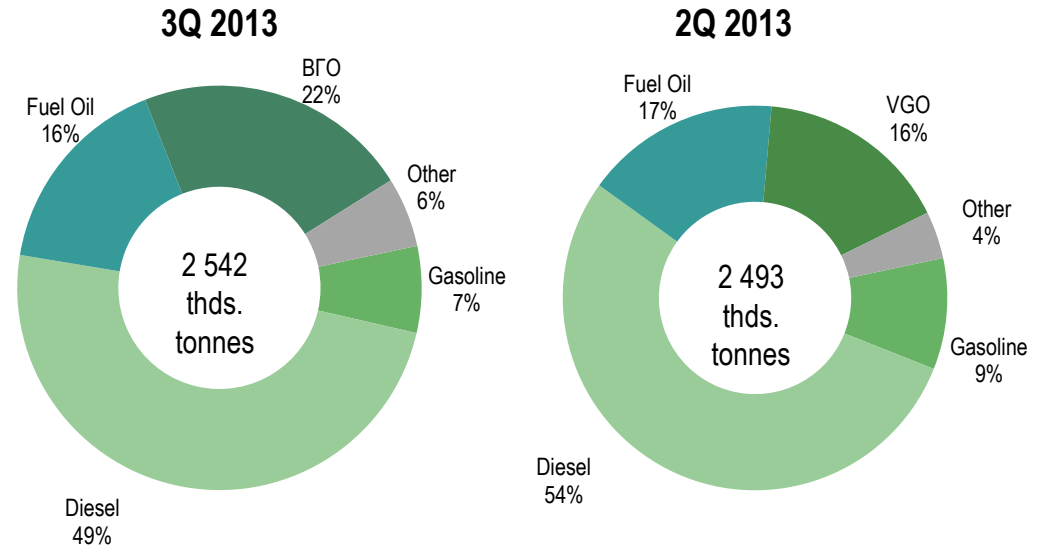


Petroleum products and petrochemicals

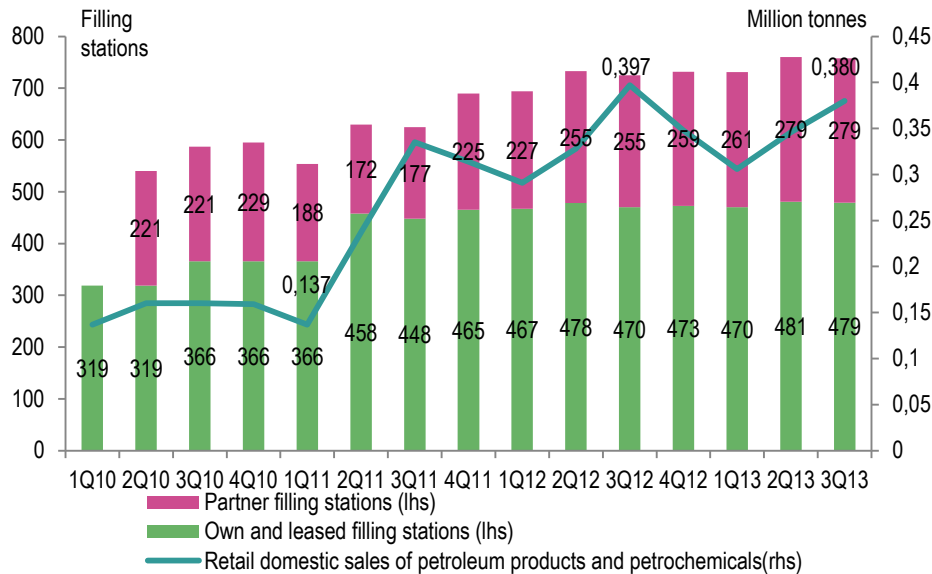


- As of September 30, 2013, Bashneft Group's retail network comprised 479 operating filling stations and 279 partner filling stations operating under the Bashneft brand name;
- Since the beginning of 2010, Bashneft's retail sales have increased by more than 177.0% and totalled 380 thousand tonnes in the third quarter of 2013;
- For the nine months ended September 30, 2013, Bashneft Group produced about 12% of gasoline manufactured in Russia.

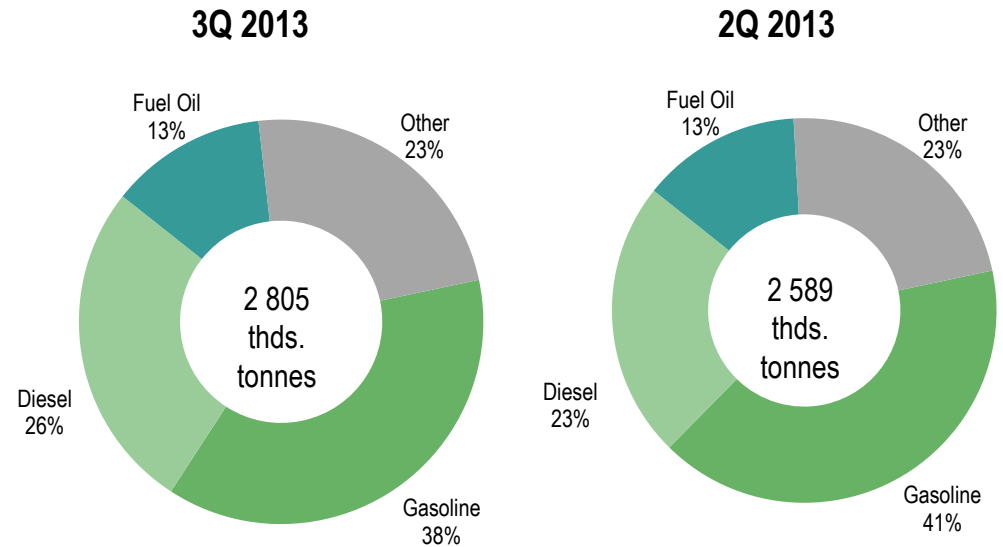
Exports of petroleum products and petrochemicals



Number of filling stations, retail sales of petroleum products



Domestic sales of petroleum products and petrochemicals



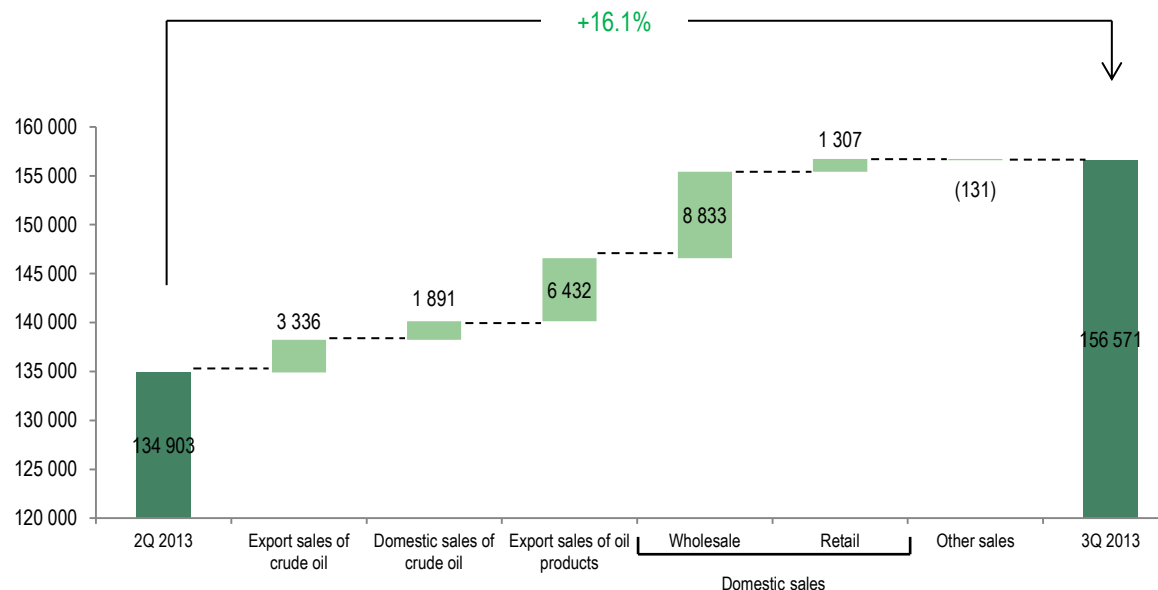
Bashneft Group's key indicators for 3Q2013

3Q 2013	2Q 2013	Δ, %	Indicator	9M 2013	9M 2012	Δ, %
3.60	3.24	11.4%	Urals price, thousand roubles/barrel	3.41	3.46	-1.2%
4,132	3,924	5.3%	Crude oil production, thousand tonnes	11,900	11,529	3.2%
5,552	5,285	5.1%	Oil refining, thousand tonnes	16,053	15,397	4.3%
5,347	5,082	5.2%	Petroleum product sales, thousand tonnes	14,866	14,380	3.4%
156.6	134.9	16.1%	Revenue, billion roubles	417.1	392.7	6.2%
32.2	22.7	41.7%	EBITDA, billion roubles	76.2	79.3	-3.9%
7.4	13.2	-43.9%	Income for the period attributable to the shareholders of the parent company, billion roubles	32.5	41.3	-21.3%
8.7	8.5	2.9%	Capital expenditures, billion roubles	23.0	19.6	17.3%
57.5	77.8	-26.1%	Adjusted net debt, billion roubles	57.5	70.7	-18.6%

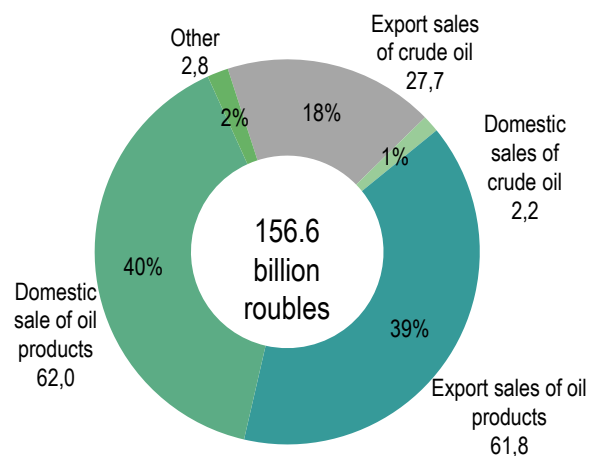


- In the third quarter of 2013, the revenue of Bashneft Group totalled 156,571 million roubles, which is 16.1% higher than in the second quarter of 2013. The increase in revenue was caused both by a rise in sales of crude oil and petroleum products and by an increase in prices.
- In the third quarter of 2013, revenue from wholesale of petroleum products and petrochemicals on the domestic market increased by 21.7% as compared to the second quarter of 2013 and amounted to 49,559 million roubles, which was caused both by a seasonal increase in sales by 8.1% and a rise in prices.

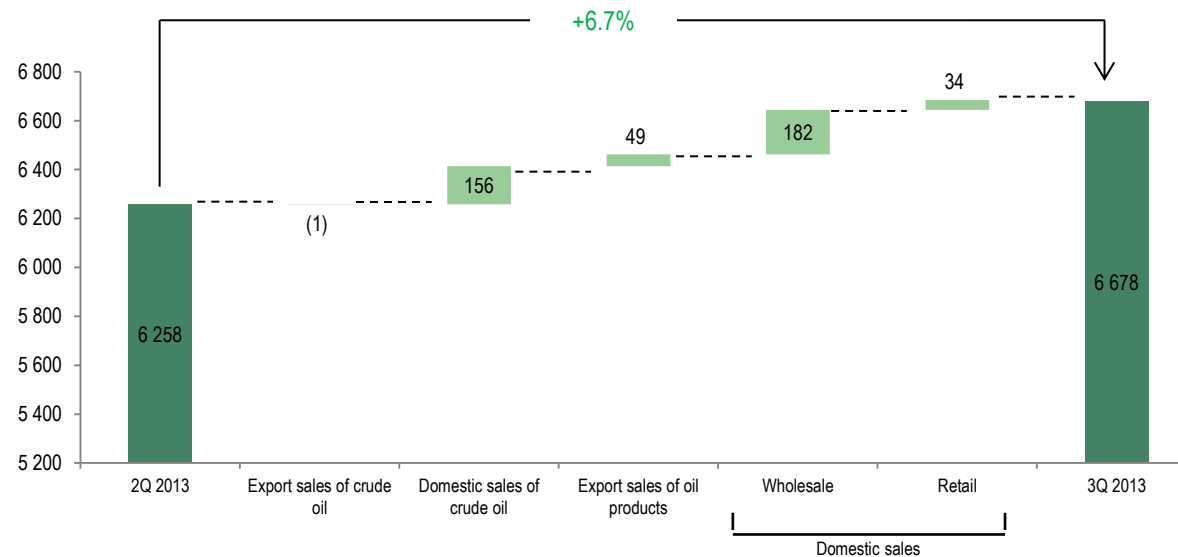
Revenue factor analysis, million roubles, 3Q2013 vs. 2Q2013



Revenue breakdown for 3Q2013, billion roubles

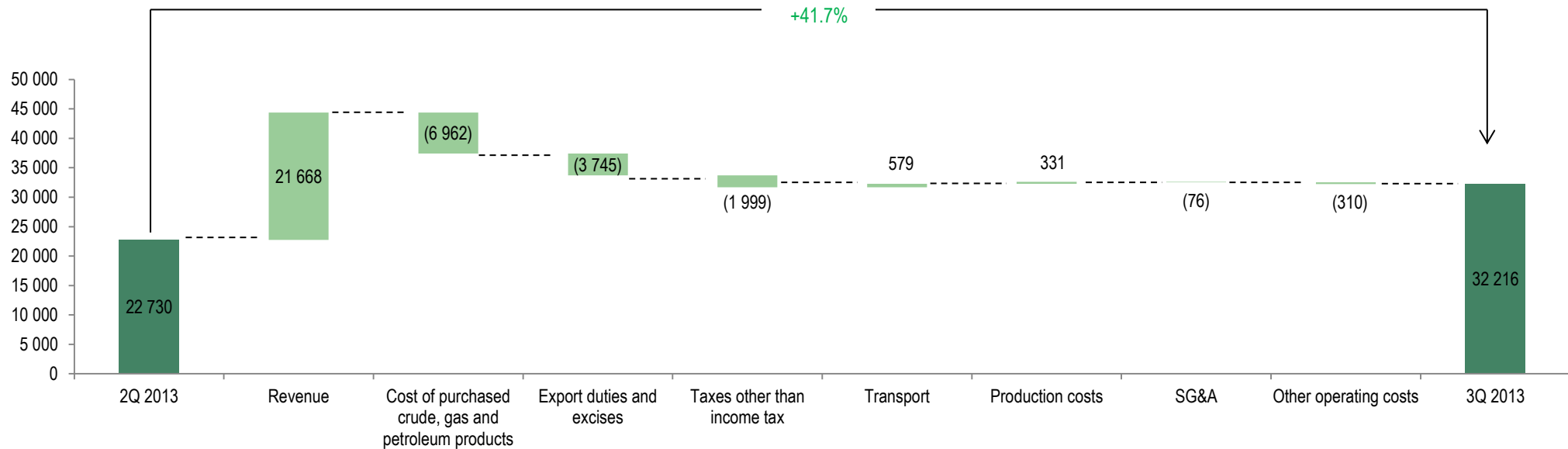


Revenue factor analysis, thousand tonnes, 3Q2013 vs. 2Q2013

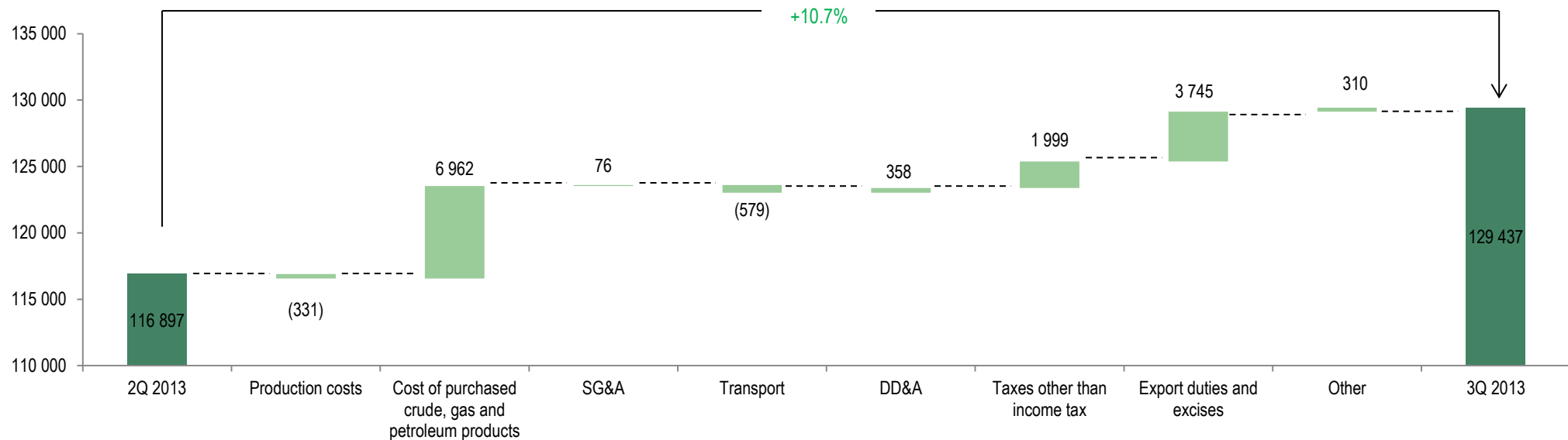


Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 3Q2013 vs. 2Q2013



Factor analysis of operating expenses, million roubles, 3Q2013 vs. 2Q2013



* Other than income tax

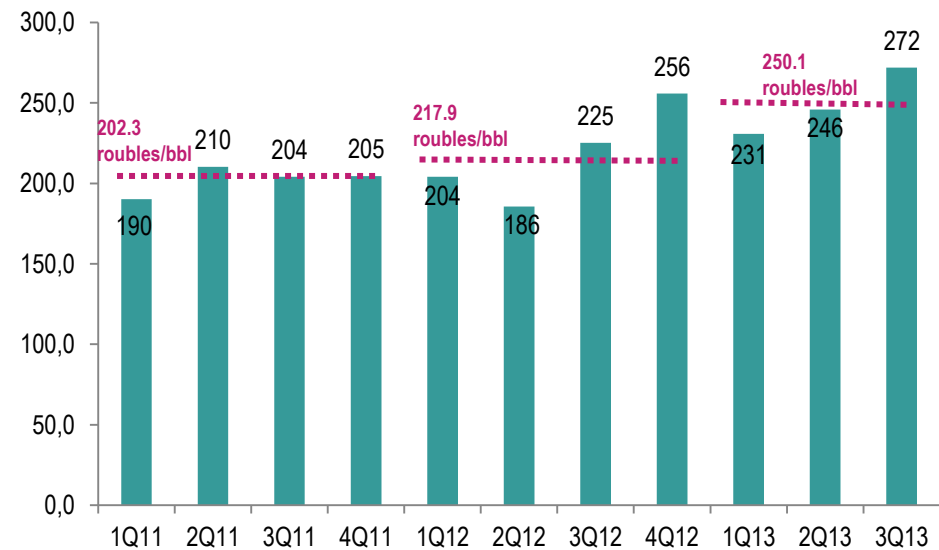
Changes in operating expenses

3Q 2013	2Q 2013	Δ, %	Indicator	9M 2013	9M 2012	Δ, %
15.0	15.3	-2.2%	Production and operating expenses	42.7	38.8	10.3%
36.7	29.7	23.4%	Cost of purchased crude oil, gas and petroleum products	95.1	91.7	3.7%
4.0	3.9	1.9%	Selling, general and administrative expenses	11.4	11.3	1.3%
7.0	7.6	-7.7%	Transportation costs	21.3	19.8	7.3%
5.1	4.7	7.6%	Depletion and depreciation	14.2	14.2	0.1%
18.8	16.8	11.9%	Taxes other than income tax	52.1	50.5	3.2%
42.3	38.6	9.7%	Export duties and excise	117.4	104.5	12.4%
0.6	0.3	98.7%	Other operating expenses/income, net	0.8	-3.2	-
129.4	116.9	10.7%	Total operating expenses:	355.1	327.6	8.4%

- In the third quarter of 2013, the cost of purchased crude oil, gas and petroleum products rose by 23.4% as compared to the second quarter of 2013 and amounted to 36,658 million roubles. This change was caused by an increase in refining and sales of petroleum products, as well as a rise in oil prices;
- In the third quarter of 2013, transportation costs fell by 7.7% as compared to the second quarter of 2013 and totalled 6,973 million roubles, which was caused primarily by a change in the terms of delivery of petroleum products;
- In the third quarter of 2013, taxes other than income tax increased by 11.9% as compared to the second quarter of 2013 and totalled 18,812 million roubles due to a higher mineral extraction tax rate;
- In the third quarter of 2013, the total amount of export duties on oil and petroleum products increased by 8.9% as compared to the second quarter of 2013 to 32,472 million roubles due to an increase in export sales of petroleum products to countries outside the Customs Union, as well as higher export duty rates;
- In the 3rd quarter of 2013, the total amount of excises increased by 12.4% as compared to the 2nd quarter of 2013 to 9,831 million roubles due to an increase in sales volume in Russia, as well as higher excise rates. This growth was partially offset by an increase in the share of high-octane gasoline and diesel fuel of higher grades taxed at lower rates in the Group's output;
- In the third quarter of 2013, depletion and depreciation costs increased by 7.6% as compared to the second quarter of 2013 and totalled 5,082 million roubles due to the start of production at the R. Trebs and A. Titov fields and an overall increase in sales volumes.

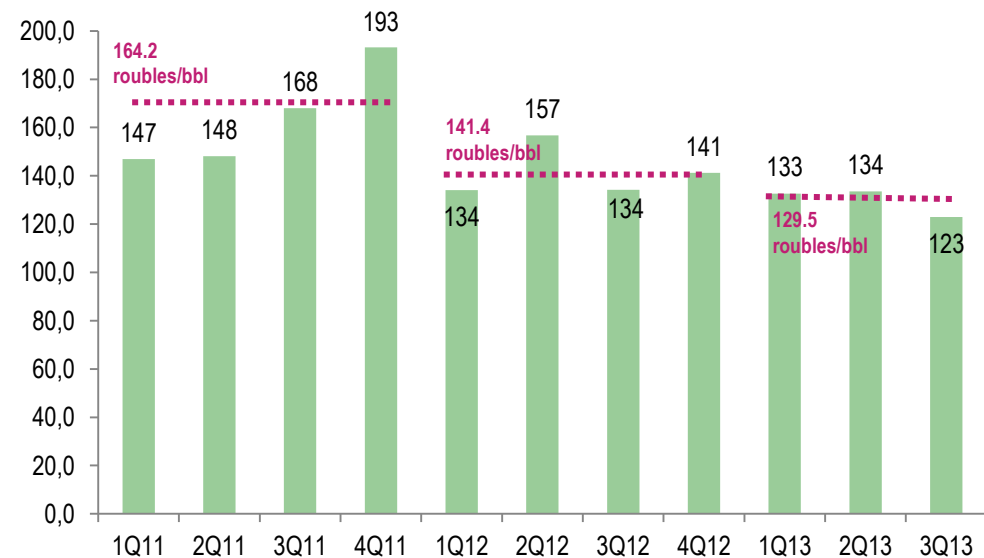
- In the third quarter of 2013, unit costs for production of crude oil increased by 10.6% as compared to the second quarter of 2013 and totalled 271.9 roubles per barrel due to a seasonal increase in the amount of repairs, as well as a high cost of oil production at the initial stage of development of the R. Trebs and A. Titov fields;
- For the nine months ended September 30, 2013, unit costs for production of crude oil increased by 22.0% as compared to the same period in 2012 and amounted to 250.1 roubles per barrel due to an increase in the amount of geological and engineering operations and seismic surveys, higher cost of services provided by contractors and a rise in heat and electricity prices.

Unit production costs, roubles/bbl*



- In the third quarter of 2013, unit refining costs decreased by 7.9% to 122.9 roubles per barrel due to an increase in refining and a reduction in expenditure on heat;
- For the nine months ended September 30, 2013, unit refining costs decreased by 8.4% as compared to the same period in 2012 and amounted to 129.5 roubles per barrel due to the shutdown of the Ufimsky refinery plant for scheduled major overhaul and repair works at Novoil in the second quarter of 2012. The reduction was partially offset by a rise in heat and electricity prices and inflation.

Unit refining costs, roubles/bbl**

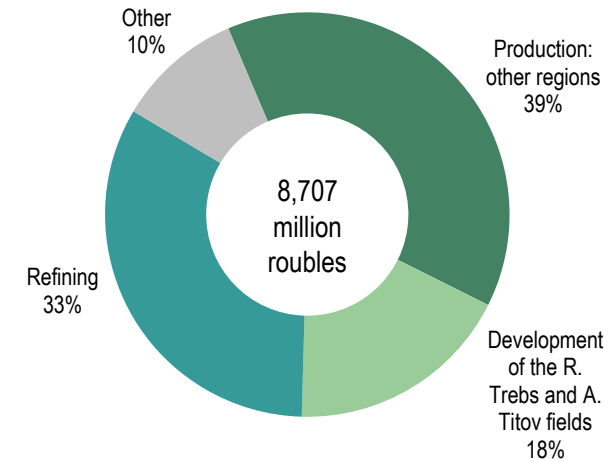


1 tonne = 7.3 barrels of crude oil

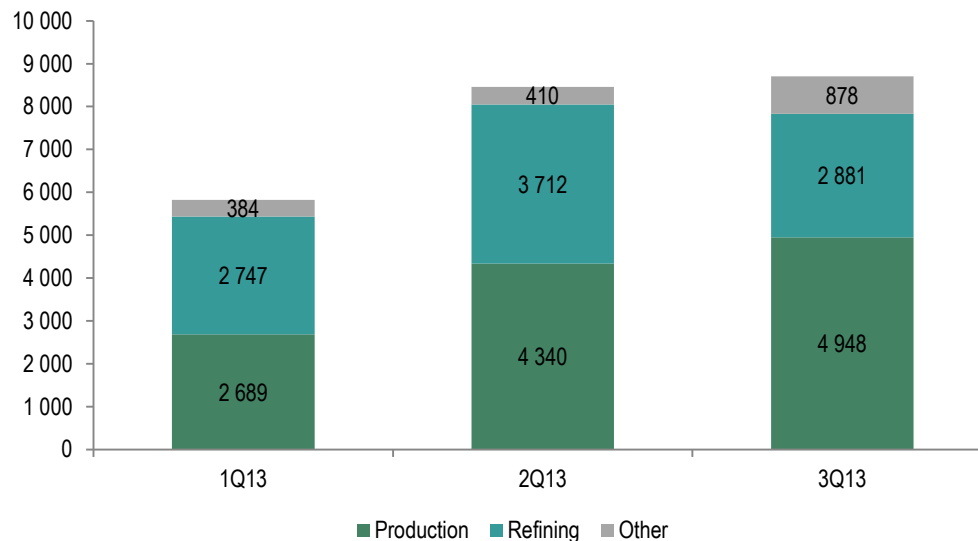
* Comparable financial data on production and operating costs were revised as oilfield service companies have been separated into an independent segment within the Group
 ** Comparable financial data on production and operating costs were revised as the petrochemical complex has been separated into an independent segment within the Group

- In the third quarter of 2013, capital expenditures increased by 2.9% as compared to the second quarter of 2013 and totalled 8,707 million roubles. This increase was related mainly to higher capital expenditure in the Upstream segment, which was partially offset by completion of construction of a catalytic cracking gasoline hydrotreater in the Refining and Marketing segment;
- For the nine months of 2013, capital expenditures increased by 17.3% as compared to the same period in 2012, which was related mainly to an increase in CAPEX in the Refining and Marketing segment, as well as higher capital expenditure on the development of the R. Trebs and A. Titov fields.

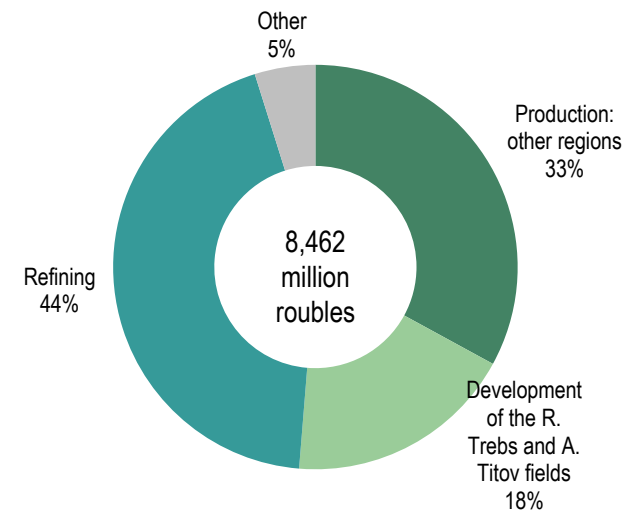
CAPEX breakdown in 3Q 2013, million roubles



Changes in CAPEX, million roubles

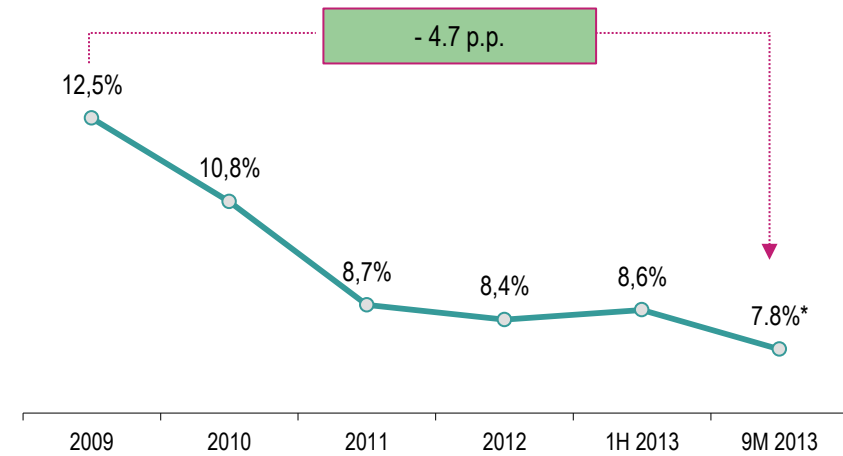


CAPEX breakdown in 2Q 2013, million roubles

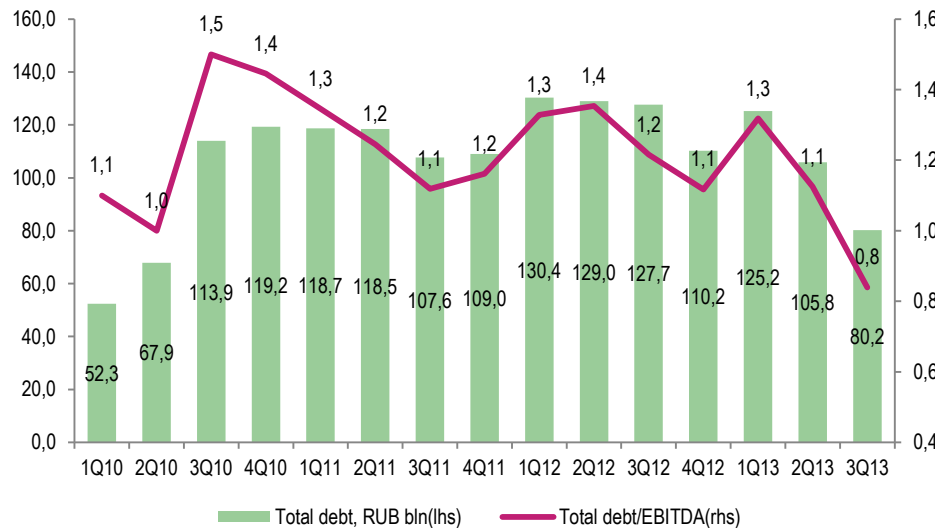


- The average rate decreased from 8.4% as of the beginning of 2013 to 7.8% as of the end of September 2013.
- The maturity profile was extended until 2020, repayments are spread more evenly across the years. The average term to maturity increased from 3.2 years as of the end of 2012 to 3.6 years as of the end of September 2013.
- By optimizing liquidity management, Bashneft reduced its total debt from 110.2 billion roubles as of the beginning of the year to 80.2 billion roubles, the lowest level since the first half of 2010.

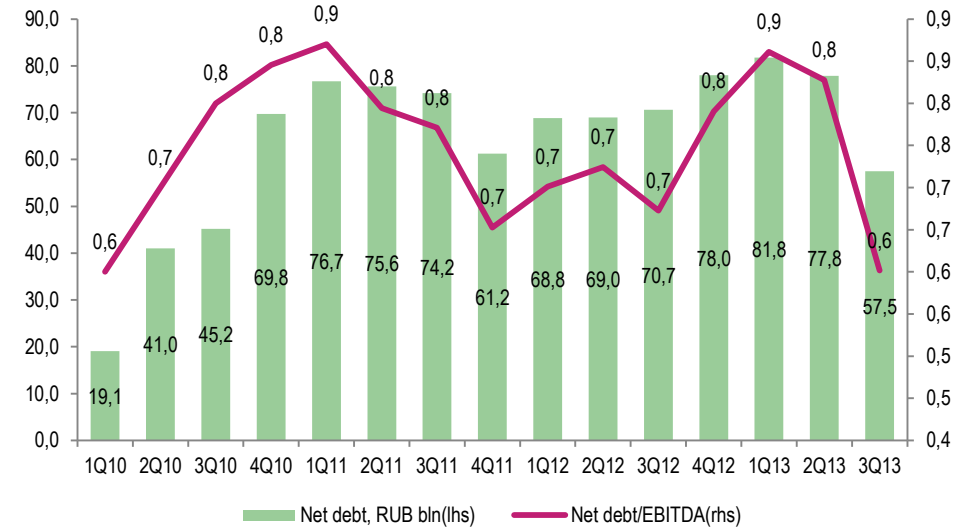
Changes in the weighted average rate



Total debt ratios



Net debt ratios



* - including the impact of cross-currency swaps



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Thanks for your attention!

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