



BASHNEFT

JOINT STOCK OIL COMPANY

Bashneft Group

IFRS results for 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.

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Financial results:

- **Revenue** increased by **5.8%** to **563.3 billion roubles**;
- **Adjusted EBITDA*** amounted to **104.0 billion roubles**, having added **3.6%**;
- **Net income** amounted to **46.2 billion roubles**, down by **11.7%**;
- **Adjusted net debt** decreased by **4.7%** to **74.4 billion roubles**.

Operating results:

- **Average daily oil production** increased by **4.4%** to **321.5 thousand bbl/d**;
- **Average daily refining** rose by **3.3%** to **428.0 thousand bbl/d**;
- **Refining depth** amounted to **84.7%**, which was comparable to the level reached in 2012;
- **The share of light products** increased to **60.4%** compared to 59.7% in 2012;
- The share of **Euro 4 and Euro 5** gasoline in the total gasoline output** increased to **87.7%** from 72.9% in 2012.

4Q2013 vs. 3Q2013:

- **Average daily oil production** increased by 1.0% to **331.1 thousand bbl/d**;
- **Average daily refining** decreased by 3.7% to **424.2 thousand bbl/d**;
- **Revenue** decreased by **6.6%** to **146.2 billion roubles**;
- **Adjusted EBITDA** amounted to **27.0 billion roubles**, down by **17.8%**;
- **Net income** increased by **84.5%** to **13.6 billion roubles**.



Upstream:

- **Proved reserves** under PRMS (SPE) classification increased by **1.9%** to 2,045.3 million barrels, reserve replacement ratio amounted to **134%**;
- **Oil production started** at the **R. Trebs and A. Titov fields**;
- **Launch of commercial production on the Afanasyev field in Bashkiria**;
- **Bashneft opened a Drilling Support Centre (DSC)** designed to provide professional real-time drilling support and maximize efficiency;
- **Bashneft won a tender** for geological exploration at a licence area **in Myanmar**;
- In March 2014, Bashneft acquired **Burneftegaz**, an exploration and production company based in the Tyumen Region, whose total C1+C2 oil reserves amount to **400.5 million barrels**;
- In March 2014, Rosnedra makes amendments to Bashneft's license for the R. Trebs and A. Titov fields, which exclude the possibility of multiple interpretations license obligations of the Company.

Downstream:

- **The Nelson Index** of the refining complex increased **from 8.55 to 8.83** due to:
 - launch of a **complex of sulphuric acid alkylation and sulphuric acid regeneration units** (the Bashneft-Novoil Branch);
 - **renovation of a hydrocracker** (installation of the third reactor at the Bashneft-Ufaneftekhim Branch).
- **The retail network** expanded **from 732 to 764 filling stations**, including 485 own filling stations;
- In 2013 and in the first quarter of 2014, as part of the **rebranding** programme **23% of Bashneft's own network of filling stations** (111 stations) were successfully redesigned in accordance with a new corporate standard;
- Bashneft started **producing ATUM, a new generation branded fuel** which is more environmentally friendly and characterized by improved fuel performance;
- In March 2014, Bashneft acquired a network comprising **five filling stations operating under the Red Oil brand name and seven land plots** in Magnitogorsk.

Corporate events:

- In June 2013, the Annual General Meeting of Shareholders approved **dividend payments** for **2012** amounting to **24 roubles** per ordinary share and per preferred share;
- In September 2013, Bashneft completed **the sale** of non-core assets: a **98% stake in OJSC UPC and LLC Bashneft-Service Assets**;
- In September 2013, Bashneft completed **the sale** of a **38.46% stake in OJSC Belkamneft** to a group of private investors;
- In December 2013, the Extraordinary General Meeting of Shareholders approved **dividend payments** for **the nine months of 2013** amounting to **199 roubles** per ordinary share and per preferred share;
- In December 2013, **Bashneft launched the final stage of reorganization of the Group: elimination of cross-holdings** in Bashneft through reorganization involving consolidation of CJSC Bashneft-Invest with Bashneft.



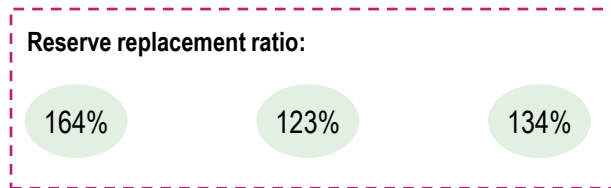
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1. Upstream



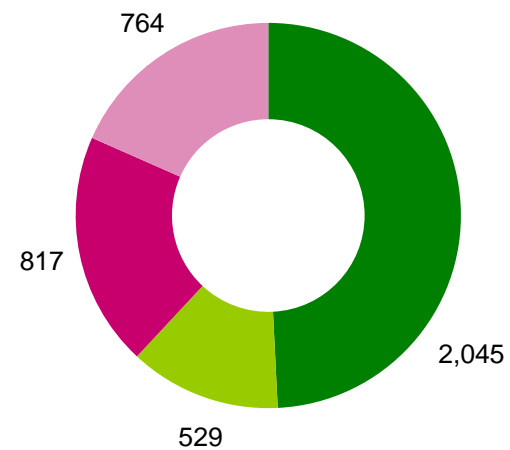
Oil and gas reserves, million barrels/million BOE



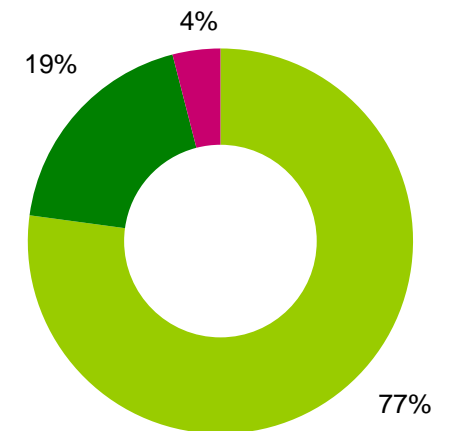
- The reserve-to-production ratio amounts to 18 years;
- This is the first time that reserves of the R. Trebs and A. Titov fields have been factored in (only those included in a pilot production project);
- First time natural gas reserves of the Saratovsko-Berkutovskoye group in Bashkiria were evaluated;
- Possible reserves totalled 154.0 million BOE (24.5 bcm) of natural gas;
- Considerable potential for further growth of reserves.

Oil and gas reserves and resources (2013)

million BOE⁽¹⁾



By region, %



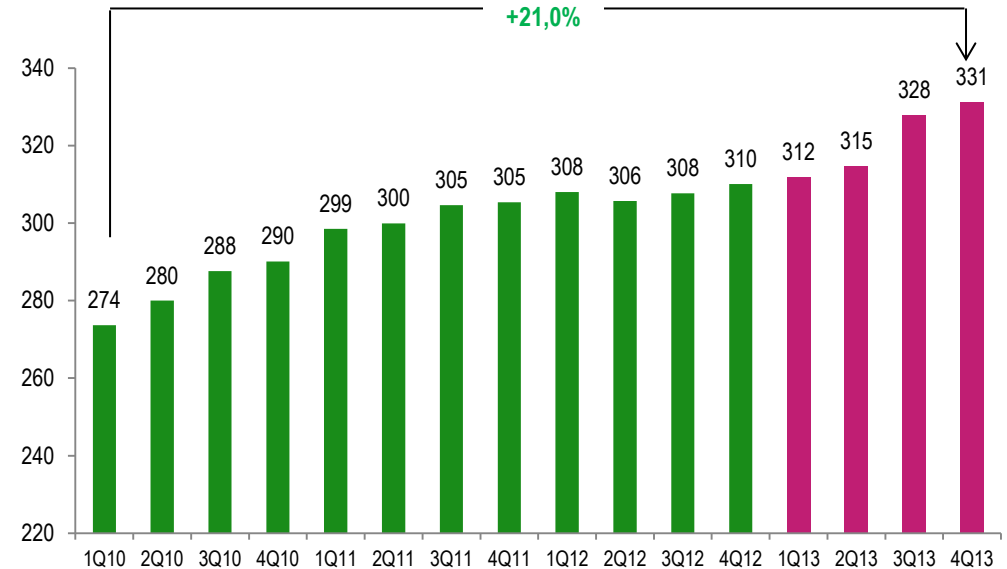
- Proved reserves
- Probable reserves
- Possible reserves
- Contingent and prospective resources
- Bashkortostan
- Nenets Autonomous District⁽²⁾
- Other regions

Note: (1) Conversion ratio: 1 bcm = 6.29 mmbbl;
 (2) Only the R. Trebs and A. Titov fields..

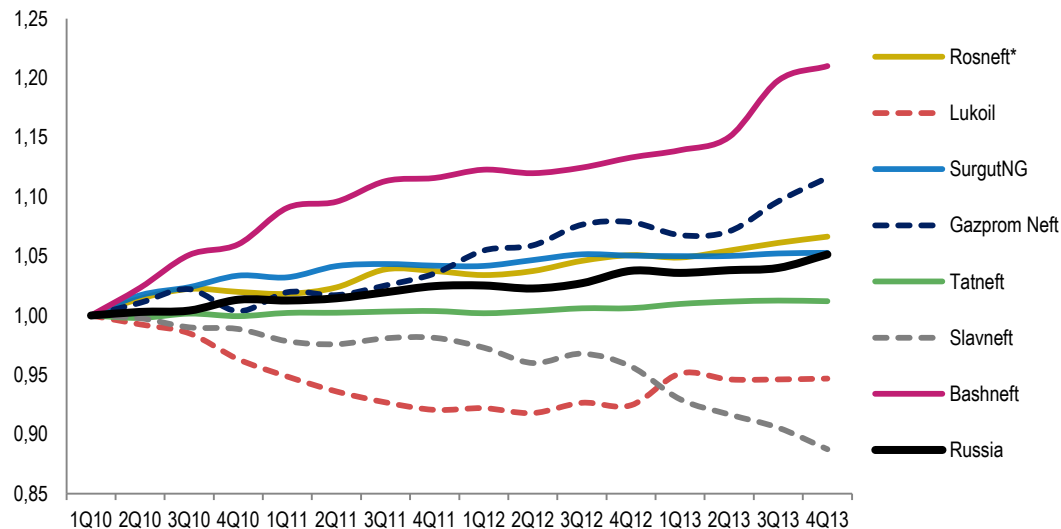
Production hits a new record high

- In 2013 **oil production reached 16.1 million tonnes (321.5 thousand bbl/d)**; in 2013 Bashneft achieved the strongest organic oil production growth in the Russian oil industry;
- **Production at brownfields added 2.2%** as compared to 2012;
- In the fourth quarter of 2013, the Group's **average daily production reached 331.1 thousand bbl/d**, which was related to production growth at brownfields and the start of production at the R. Trebs and A. Titov fields;
- In 2013 **well flow rate in Bashkiria averaged 3.0 tonnes per day**;
- In 2013 **well flow rate for new wells in Bashkiria amounted to 53.0 tonnes per day**.

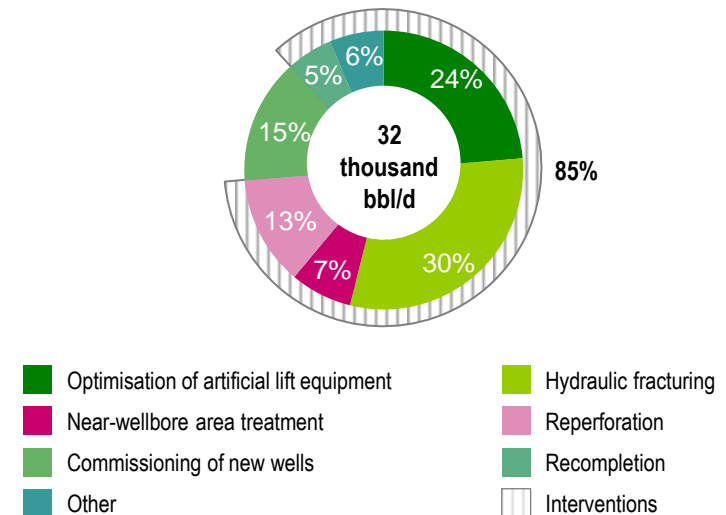
Average daily oil production, thousand bbl/d



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

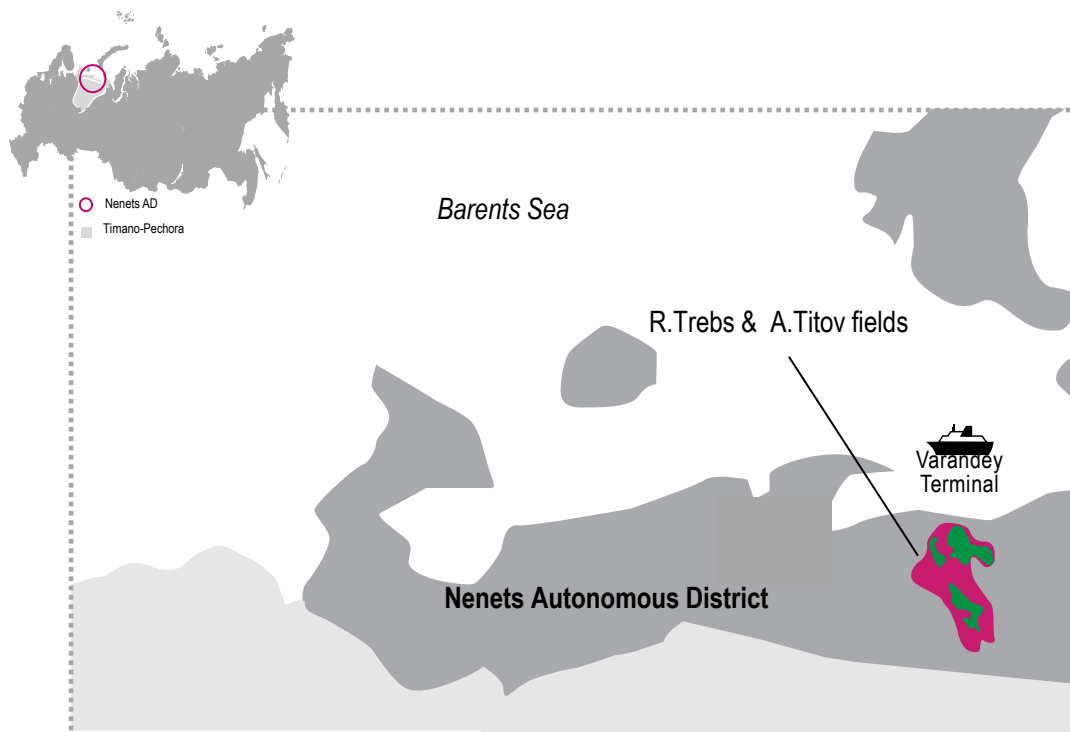


Breakdown of production growth due to geological and engineering operations at brownfields in 2013



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

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



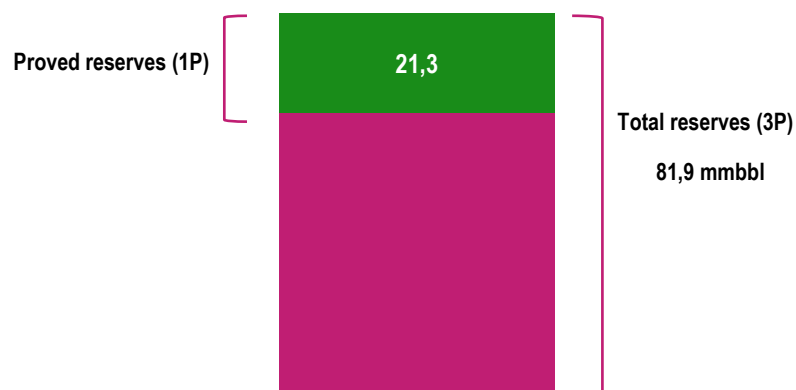
Project status as of the end of 2013

- Start of production: August 2013;
- Peak production: 4.8 million tonnes by 2020 (98 thousand bbl /d);
- 3D seismic surveys covered 1,509 sq. km (891 sq. km in 2013);
- The following facilities were constructed and put into operation:
 - 1) 15 production wells;
 - 2) Over 40 kilometres of oil-gathering pipelines;
 - 3) 57 kilometres of power lines;
 - 4) The first stage of the Central Gathering Station (CGS) with the capacity of 1.5 million tonnes per year;
 - 5) A metering station;
 - 6) 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;
 - 7) A field support base.

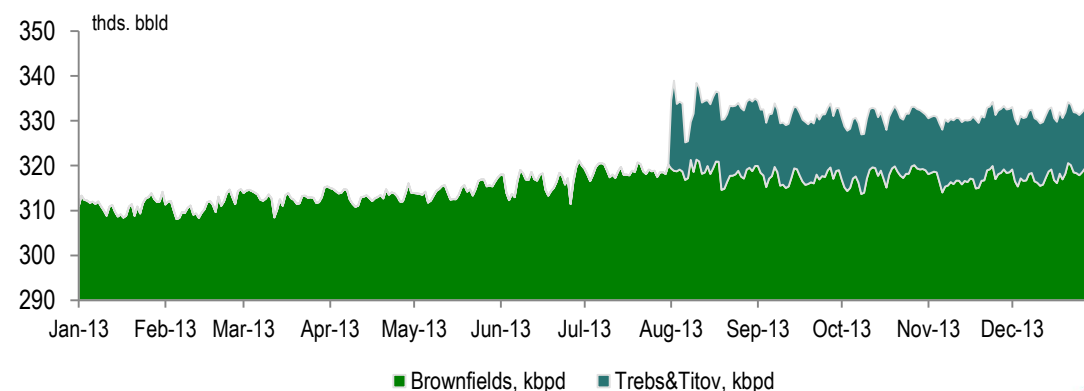
Plans for 2014

- In 2014 production is expected to total ~ 0.9 million tonnes;
- Construction of a booster pump station, power supply facilities, facilities at multi-well pads and compression facilities will continue;
- Geological exploration will continue, including 3D seismic surveys and exploration drilling.

Reserves* of the R. Trebs and A. Titov fields according to Miller and Lents, million barrels



Total average daily oil production since the beginning of 2013



Note: (*) the barrel/tonne conversion ratio is 7.45.

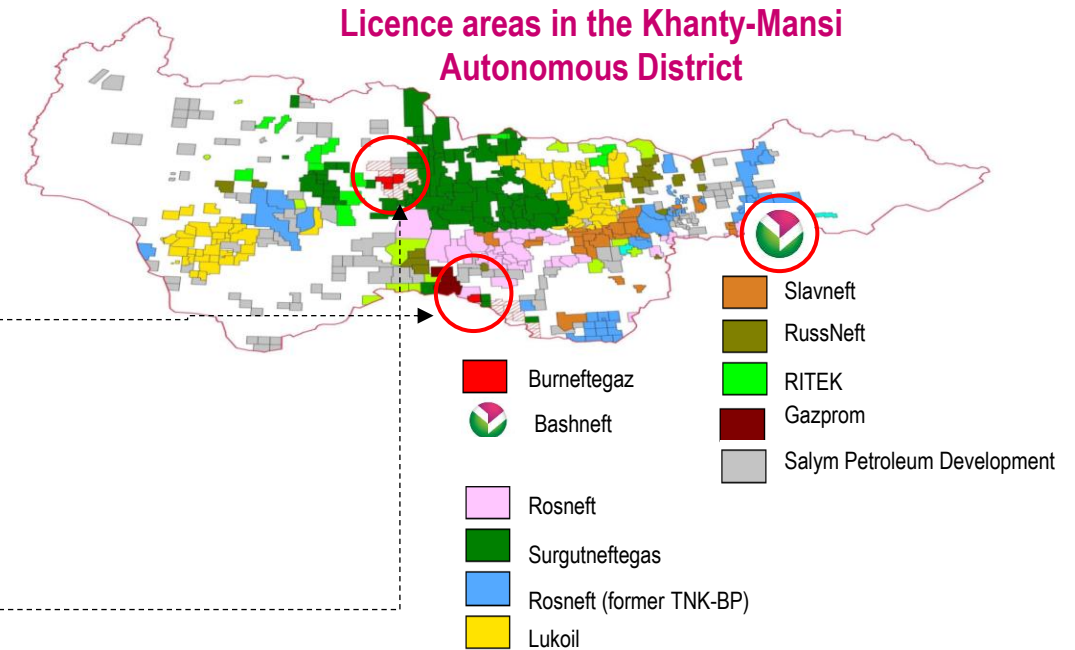
Sorovskneft

- **The Vostochno-Vuemskiy licence area (the Sorovskoye field)** - a licence for geological exploration and production:
 - The size of the licence area totals 319 sq. km;
 - The licence is valid until 2032.
- Start of commercial production: 2013;
- June 2013 oil transportation via the pipeline system of Transneft started;
- In 2013 average daily production amounted to 6.0 thousand bbl/d*;
- During the first two months of 2014 average daily production amounted to 11.8 thousand tonnes per day*.

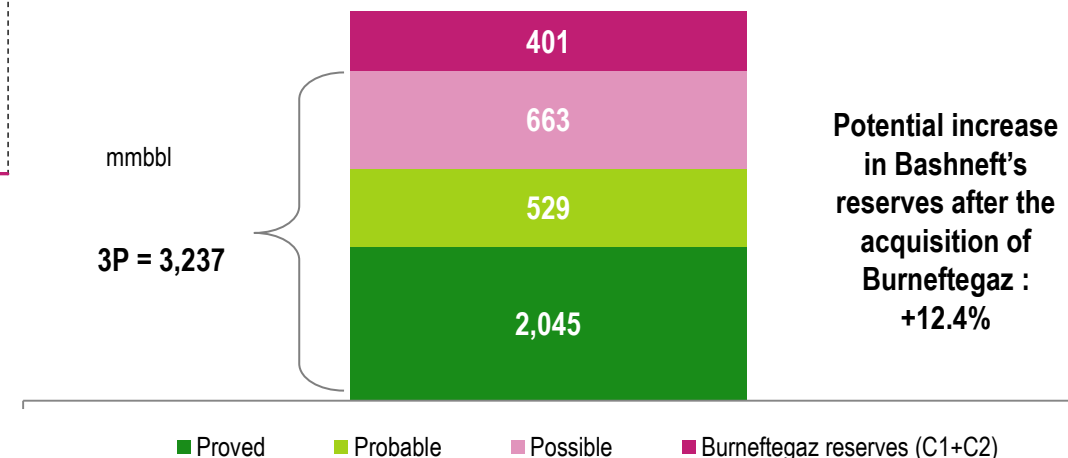
✓ **Total reserves of the Sorovskoye and Tortasinskoye oilfields (C1+C2) amount to 53.4 million tonnes (400.5 million barrels)**

Tortasinskneft

- **The Tortasinskiy licence area** - a licence has been granted for geological exploration and production:
 - The size of the licence area totals 169 sq. km;
 - The licence area includes the Tortasinskoye oilfield.
- The licence is valid until 2032;
- **The Severo-Ityakhskiy 3 and Vostochno-Unlorskiy licence areas** - licences have been granted for geological exploration and production:
 - The size of the licence areas totals 370 sq. km and 340 sq. km respectively;
 - Currently, exploration is underway.



Change in Bashneft's reserves





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2. Downstream



Bashneft's refining complex: key upgrade projects



An integrated refining complex comprising three refineries

Crude oil refining :
21.4 million tonnes

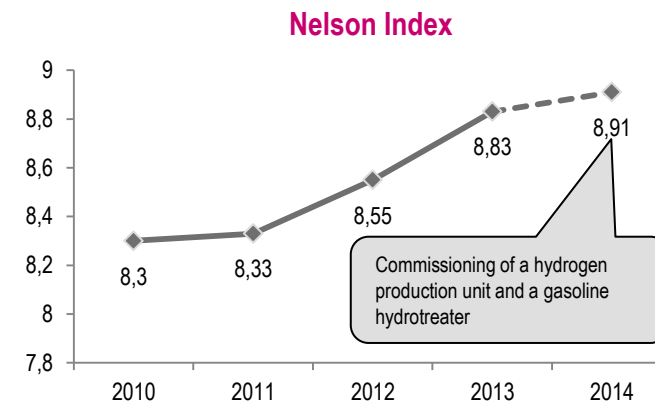
Capacity utilization:
88,9%

Output of petroleum products:
19.6 million tonnes

Refining depth:
84.7%

Share of light products:
60.4%

Nelson Index:
8.83



	Branch 1: Ufaneftekhim	Branch 2: UNPZ	Branch 3: Novoil
Key completed projects	<ul style="list-style-type: none"> Refitting of catalytic reforming units(2011); Increasing the capacity of a delayed coker (2012); Renovation of a hydrocracker (2013); Construction of an additional production line for an elemental sulphur production unit (continued). 	<ul style="list-style-type: none"> Construction of a catalytic cracking gasoline hydrotreater (continued); Construction of an additional production line for an elemental sulphur production unit (continued). 	<ul style="list-style-type: none"> Refitting catalytic gas production facilities: upgrading the gas fractionation unit and the isomerization unit (2013); Construction and commissioning of sulphuric acid alkylation and sulphuric acid regeneration units (2013); Construction of a hydrogen production unit (continued).
Key projects scheduled for 2014	<ul style="list-style-type: none"> Construction of an additional production line for an elemental sulphur production unit (2013-2015). 	<ul style="list-style-type: none"> Completing the construction of the catalytic cracking gasoline hydrotreater (2010-2014); Construction of an additional production line for an elemental sulphur production unit (2012-2017); Construction of a new delayed coker(2014-2018). 	<ul style="list-style-type: none"> Completing the construction of the hydrogen production unit (2010-2014).

The main objective of the projects implemented by Bashneft is to cease producing fuel oil and VGO

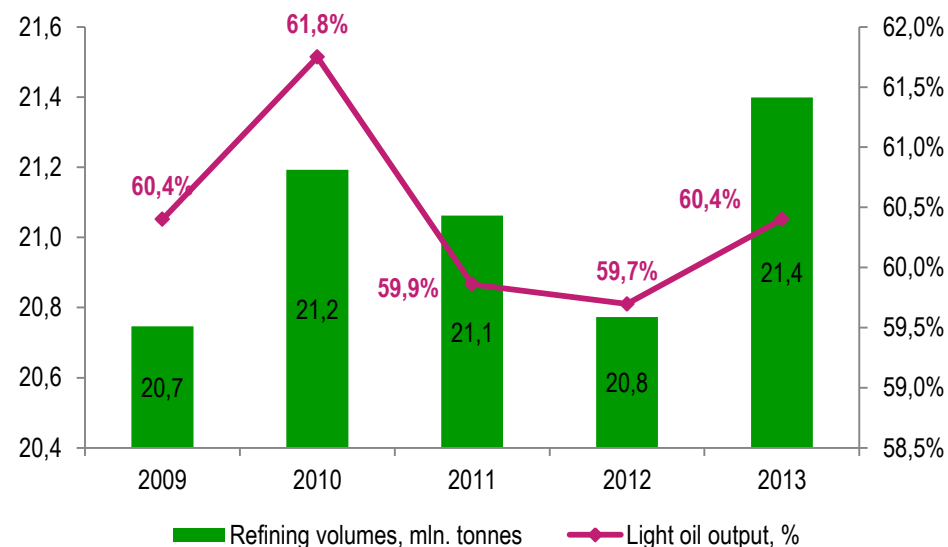


The refinery upgrade programme implemented at the refinery complex enables Bashneft to meet the requirements of the Technical Regulations for fuel quality in due time

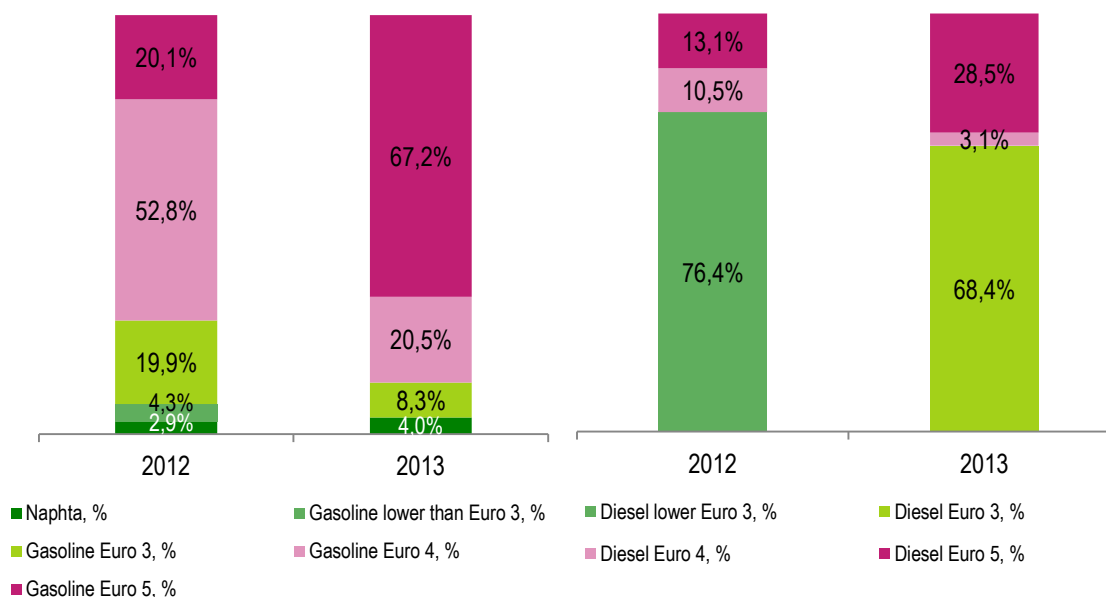
Main results in 2013

- **Refinery complex** processed **21.4** million tonnes of hydrocarbons, which is 3.0% more than in 2012 (20.8 million tonnes);
- **Refining depth** averaged **84.7%**, which is one of the best results among Russian vertically integrated oil companies;
- The **share of light products** reached **60.4%**, which is 0.7 b.p. higher than in 2012 (59.7%);
- **Euro 4 and Euro 5 gasoline** accounted for **87.7%** of the total gasoline output.

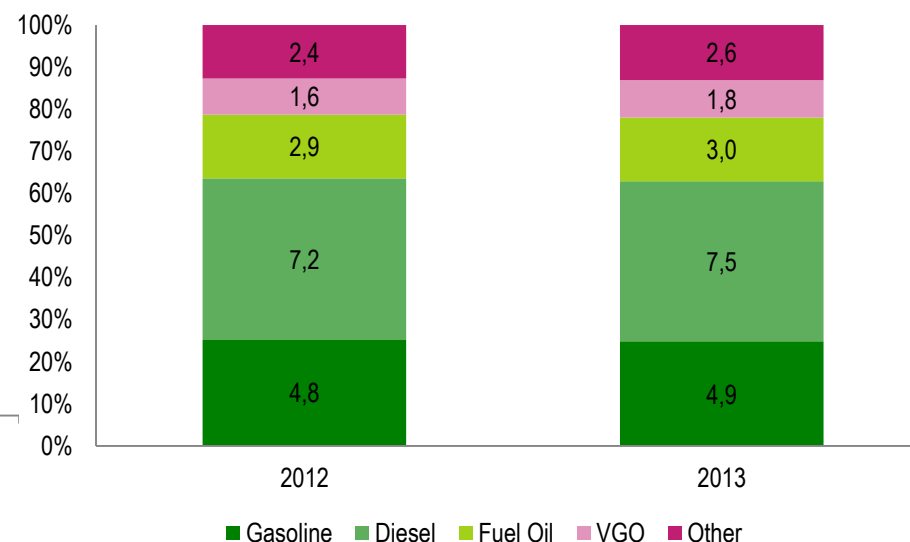
Oil refining, million tonnes



Output of gasoline and diesel fuel meeting the Euro standards



Petroleum products and petrochemicals, million tonnes



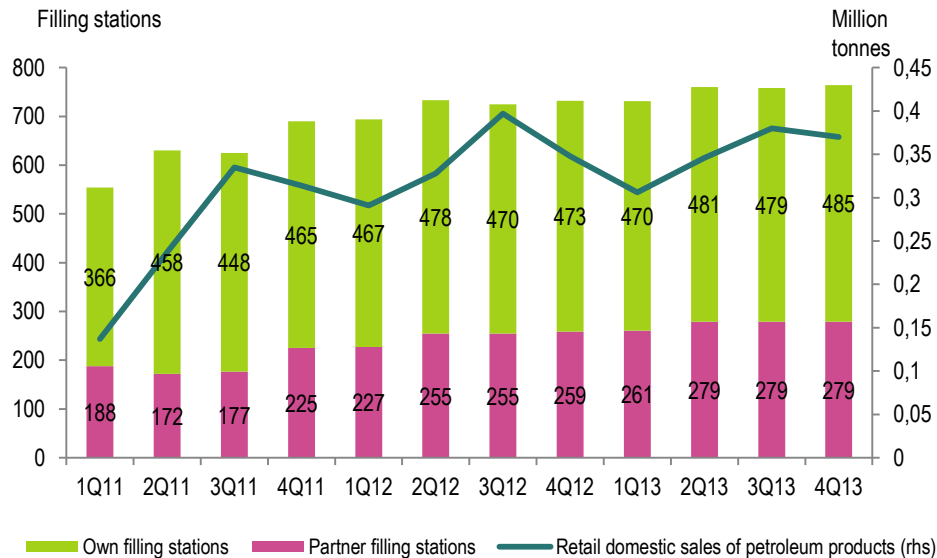
Main results in 2013

- **Retail network expanded** from 732 to 764 filling stations, including 485 own filling stations and 279 partner filling stations operating under the Bashneft brand name;
- **Retail sales volumes increased** by 2.8% to 1,402 thousand tonnes; moreover, since 2010 retail sales volumes have increased by 128%;
- Bashneft produced about 12% of gasoline manufactured in Russia;
- As part of the rebranding programme **23% of Bashneft's own network** (111 stations) were **successfully redesigned** in 2013 and 1Q 2014;
- In 2013 Bashneft started **producing ATUM**, a new generation branded fuel which is more environmentally friendly and characterized by improved fuel performance; the fuel fully meets the Euro 5 standard.

Rebranding will support sales growth

- From 2013 through 2015 Bashneft plans to invest about US\$ 200 million in the programme aimed at rebranding its filling stations:
 - Filling stations will be renovated and redesigned in a new corporate style;
 - Almost half of Bashneft's own filling stations will be rebranded;
 - After 1 year of rebranding program implementation, retail sales increased by 8%.

Number of filling stations in operation, retail sales of petroleum products





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3. Financial Results



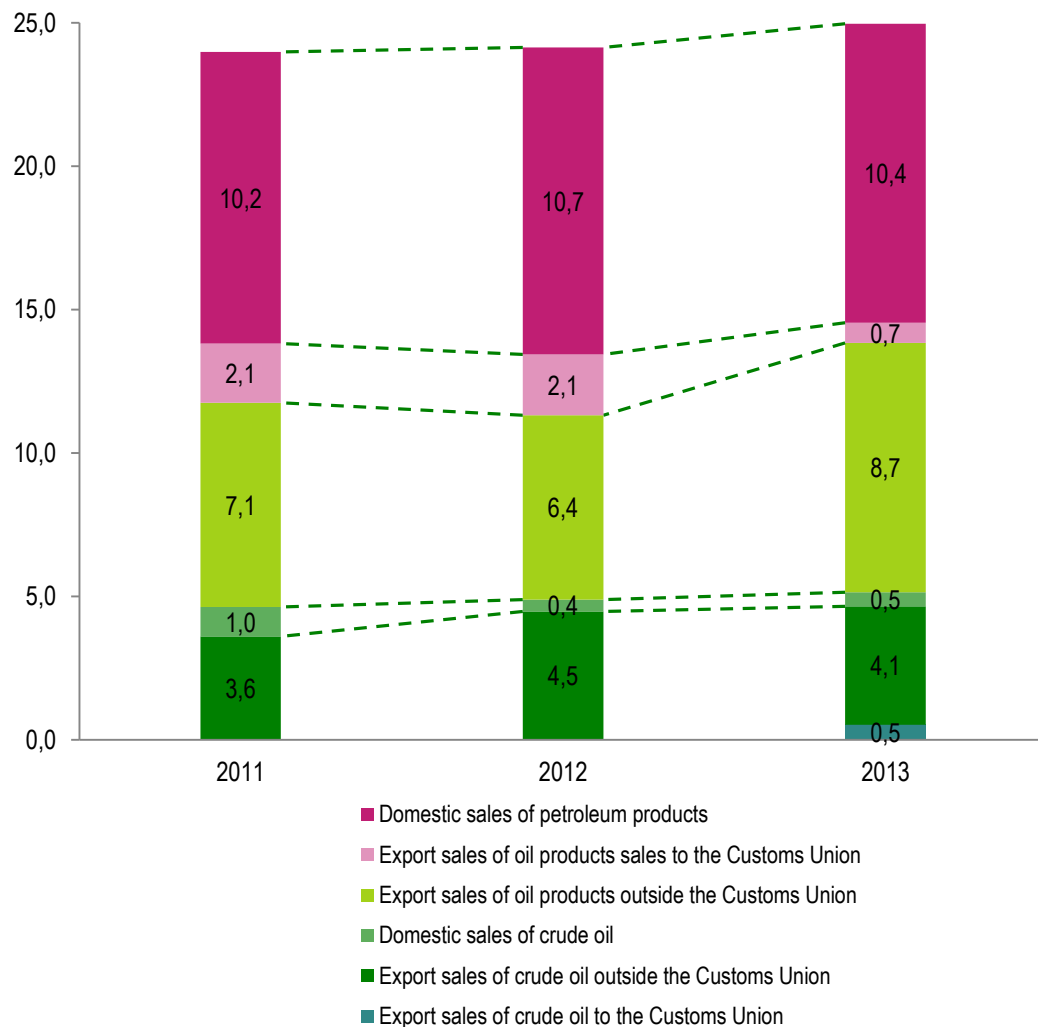
Bashneft Group's key indicators for 2013

4Q 2013	3Q 2013	Δ, %	Indicator	12M 2013	12M 2012	Δ, %
3,54	3,60	-1,8%	Urals price, thousand roubles/barrel	3,44	3,44	0,1%
4 173	4 132	1,0%	Crude oil production, thousand tonnes	16 073	15 437	4,1%
5 346	5 552	-3,7%	Oil refining, thousand tonnes	21 399	20 773	3,0%
4 950	5 347	-7,4%	Petroleum product sales, thousand tonnes	19 816	19 251	2,9%
146,2	156,6	-6,6%	Revenue, billion roubles	563,3	532,5	5,8%
27,0	32,8	-17,8%	Adjusted EBITDA, billion roubles	104,0	100,4	3,6%
13,6	7,4	84,5%	Income for the period attributable to shareholders of the parent company, billion roubles	46,2	52,3	-11,7%
7,5	8,7	-14,4%	Capital expenditures, billion roubles	30,4	30,8	-1,1%
74,4	57,5	29,3%	Adjusted net debt, billion roubles	74,4	78,0	-4,7%



Changes in sales of crude oil and petroleum products

Sales of crude oil and petroleum products, million tonnes

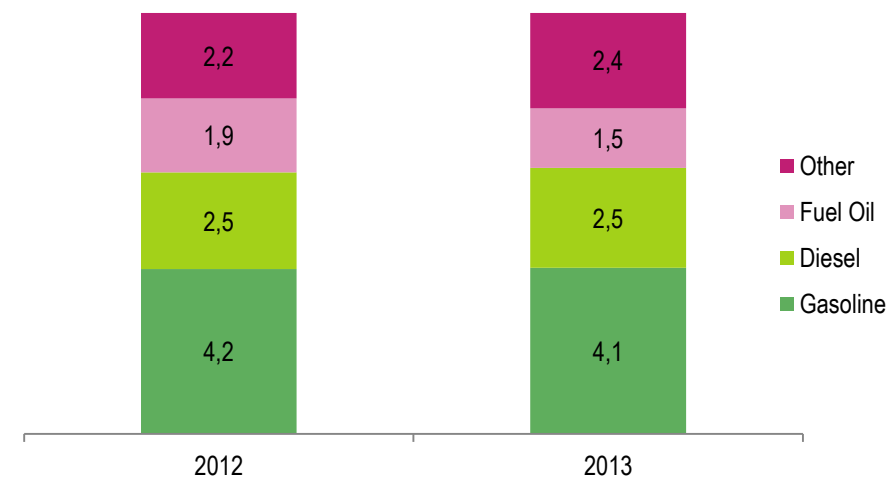


Shift of focus from sales of petroleum products to the Customs Union to exports outside the Customs Union

Exports of petroleum products and petrochemicals, million tonnes



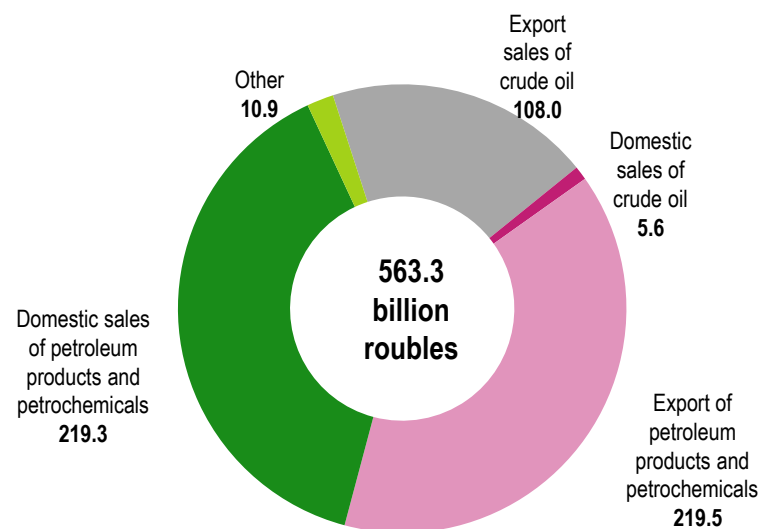
Domestic sales of petroleum products and petrochemicals, million tonnes



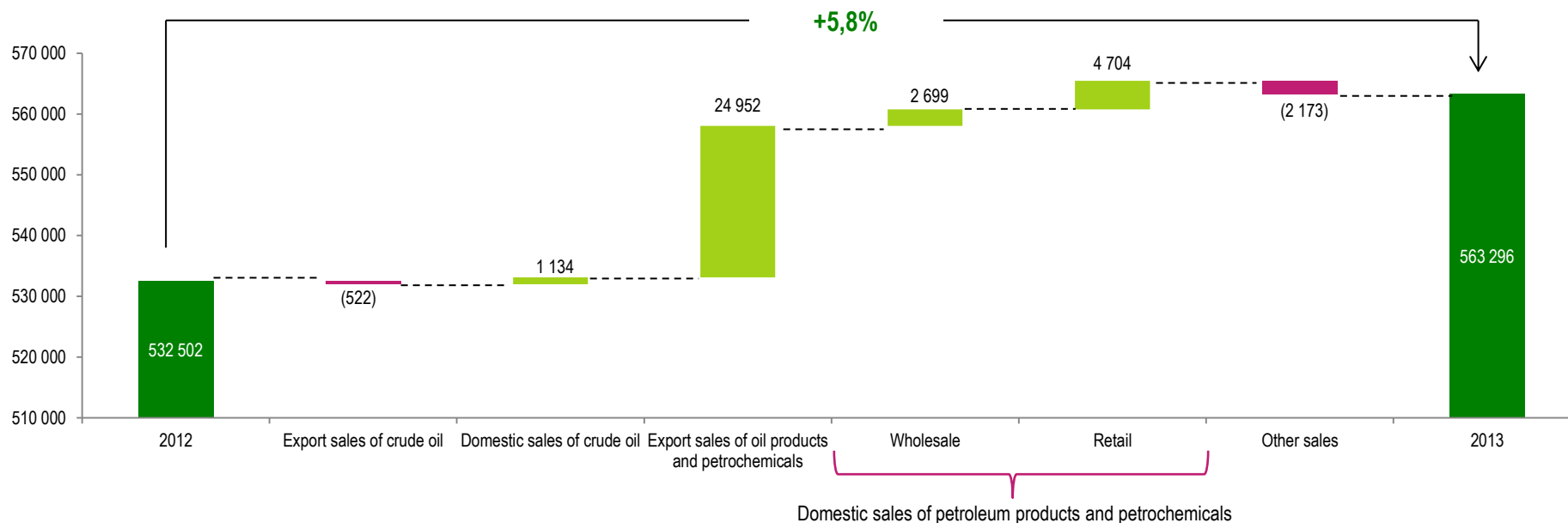
Main results in 2013

- **Revenue increased** by **5.8%** to 563,296 million roubles;
- Revenue from **export sales of petroleum products** outside the Customs Union increased by **33.9%** and totalled 207,650 million roubles;
- This increase was caused by a **35.3% increase in exports of petroleum products**, which was related to a shift of focus from sales to the Customs Union to export outside the Customs Union;
- Revenue from **retail sales of petroleum products and petrochemicals** increased by **11.5%** to 45,669 million roubles due to a rise in prices.

Revenue breakdown for 2013, billion roubles

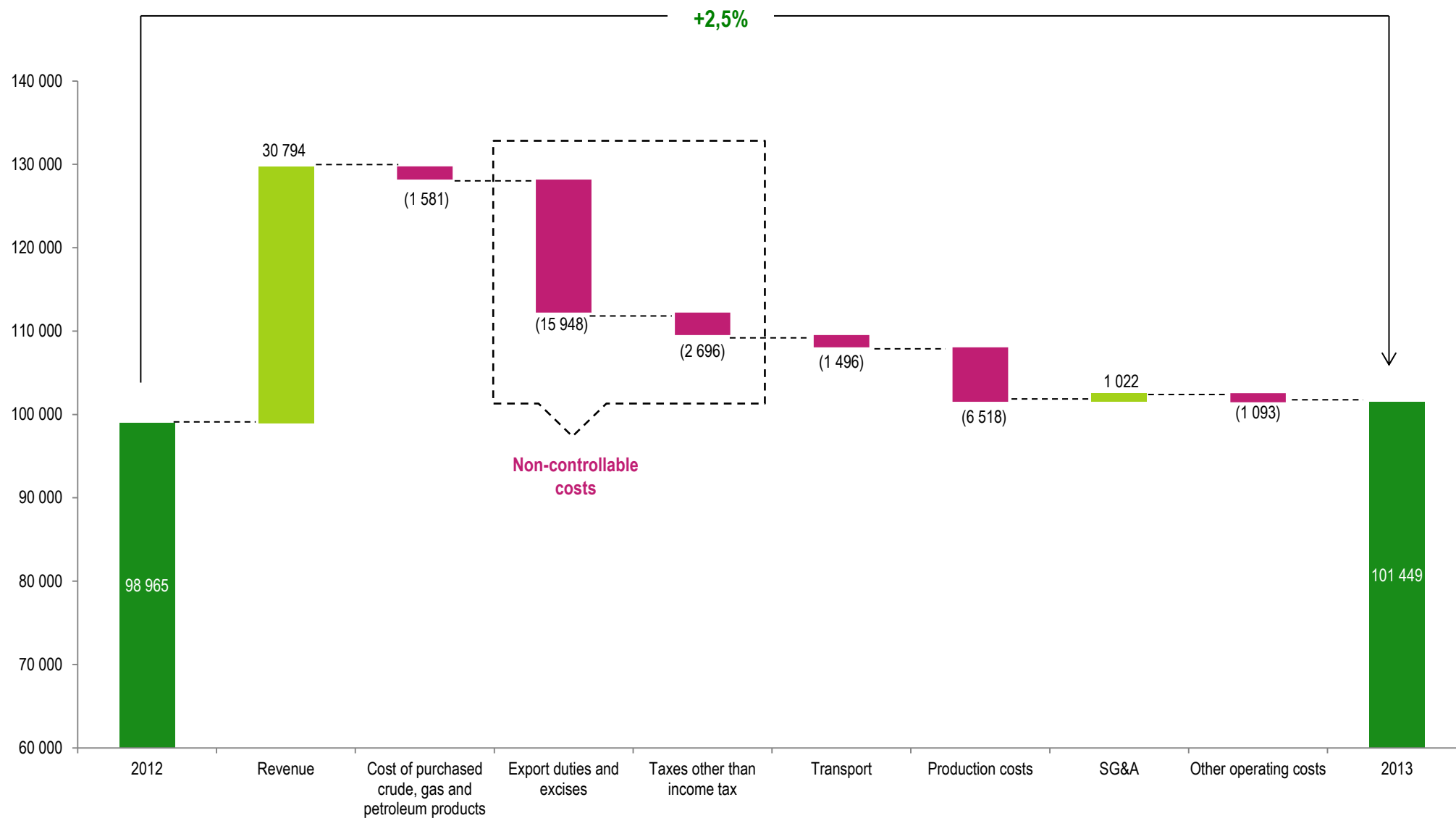


Revenue factor analysis, million roubles, 2013 vs. 2012

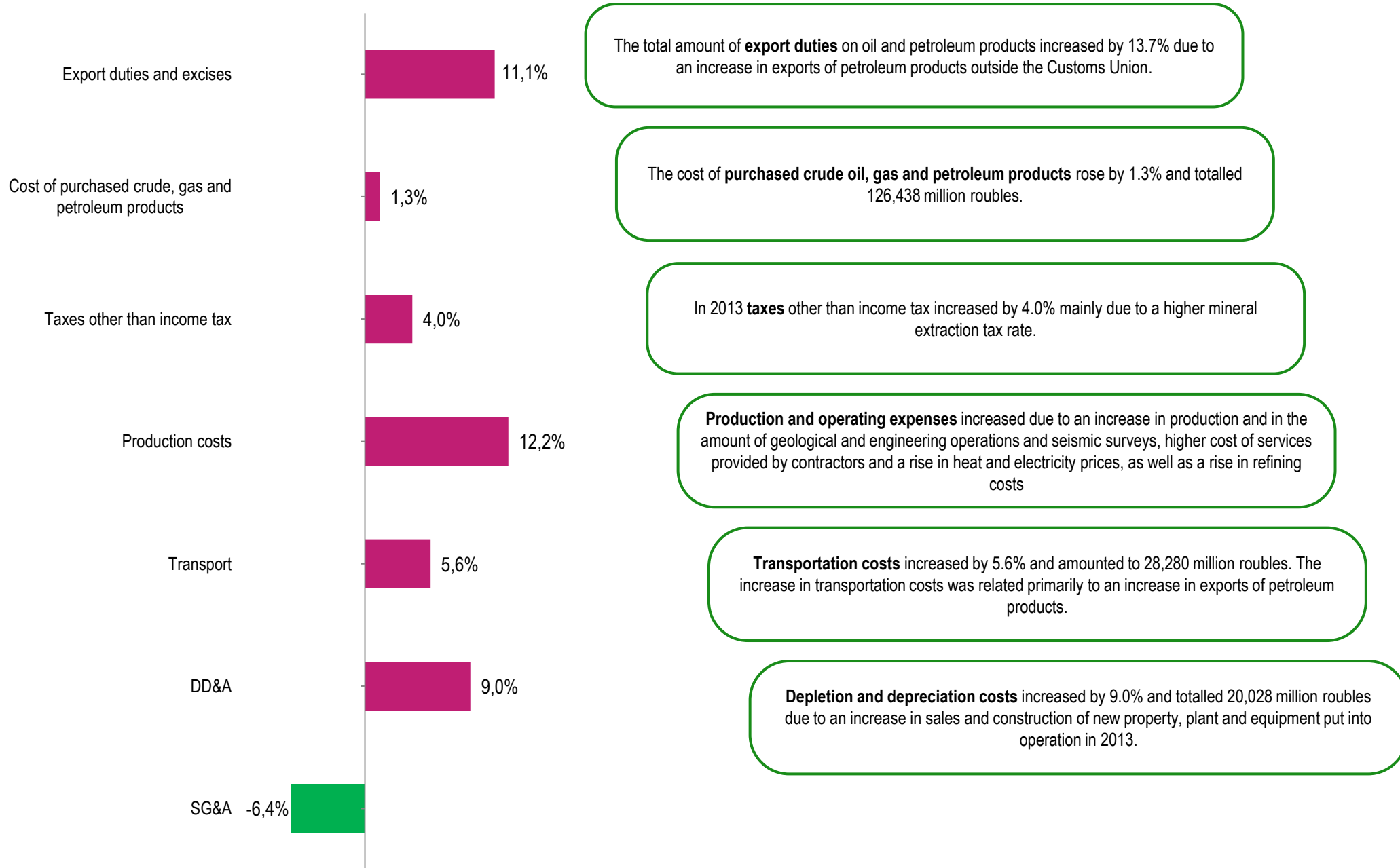


Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 2013 vs. 2012



Changes in operating expenses in 2013*



Note: (*) as compared to 2012 (excluding other operating expenses (income)).

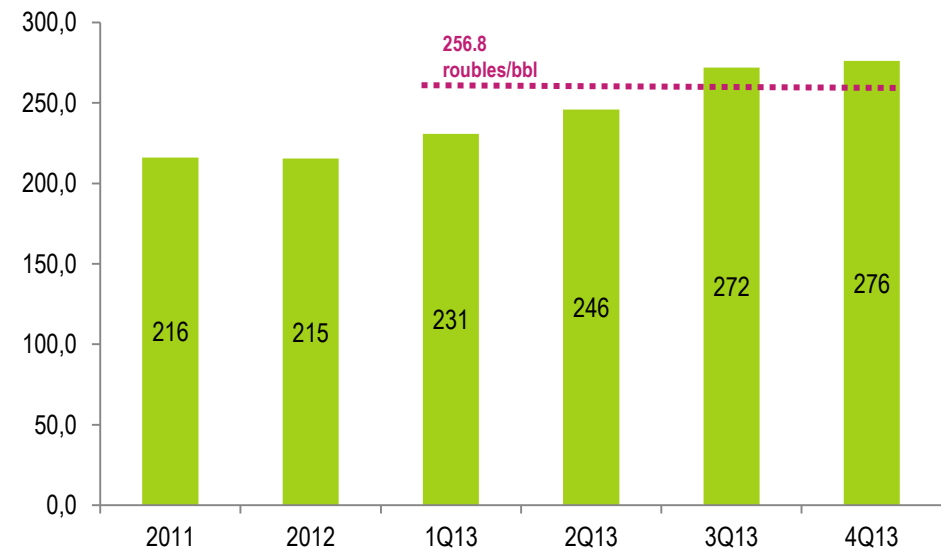
4Q 2013 vs. 3Q 2013

- **Unit costs for production of crude oil** increased by **1.5%** to 276.0 roubles per barrel due to an increase in heat and electricity consumption in winter.

2013 vs. 2012

- **Unit costs for production of crude oil** increased by **19.2%** to 256.8 roubles per barrel;
- This was related 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, as well as a high cost of oil production at the initial stage of development of the R. Trebs field.

Unit production costs, roubles/bbl*



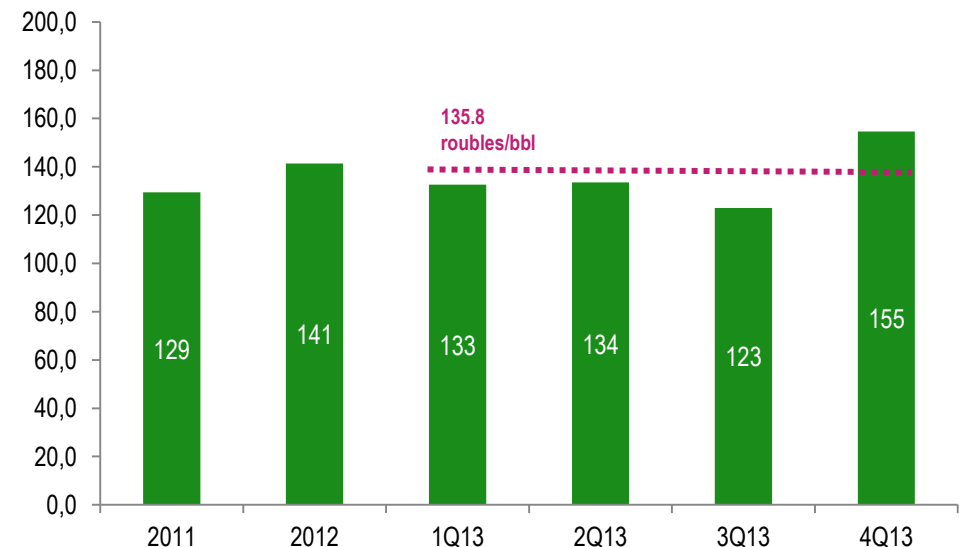
4Q 2013 vs. 3Q 2013

- **Unit refining costs** increased by **25.8%** to 154.6 roubles per barrel;
- This was caused by an increase in the amount of repairs and heat and electricity consumption in winter.

2013 vs. 2012

- **Unit refining costs** decreased by **4.0%** to 135.8 roubles per barrel due to the shutdown of the Ufimsky refinery plant for scheduled major repairs 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.

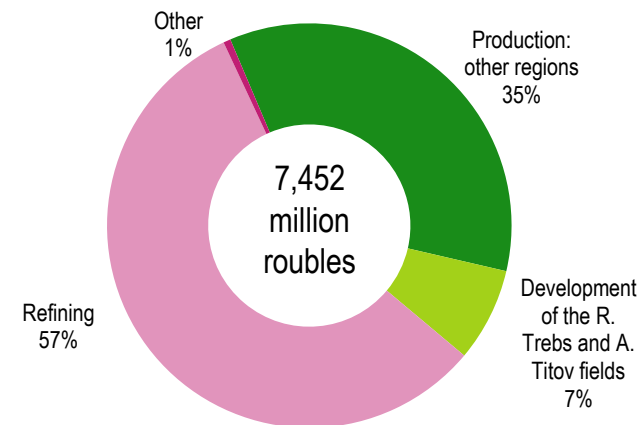
Unit refining costs, roubles/bbl*



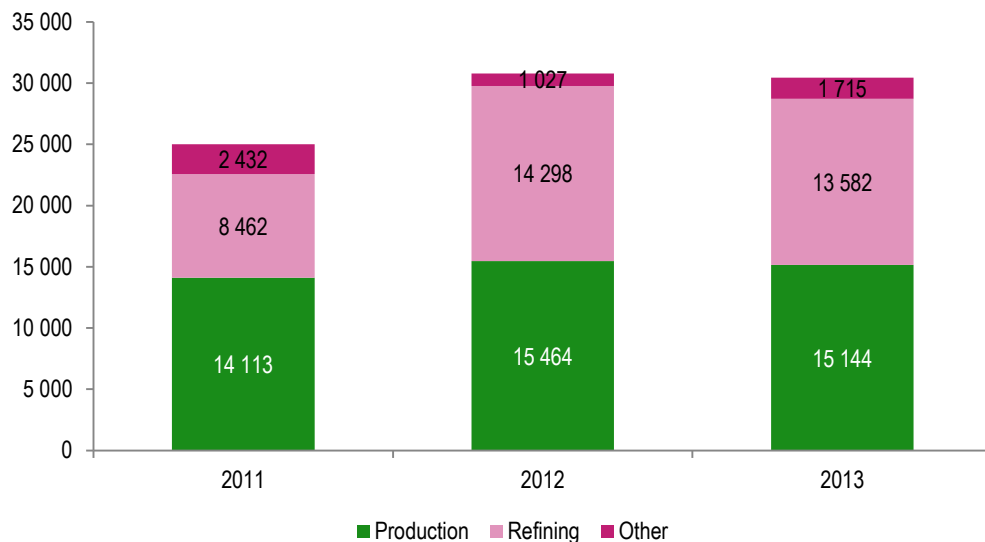
4Q 2013 vs. 3Q 2013

- Capital expenditures decreased by 14.4% due to return of advance payment to LLC Bashneft-Polyus for construction services at the R. Trebs and A. Titov fields (a change in payment terms);
- The reduction was also related to the divestment of OJSC United Petrochemical Company and LLC Bashneft-Service Assets;
- This decrease was partially offset by an increase in capital expenditures in the Refining and Marketing segment related to construction of a hydrogen production unit.

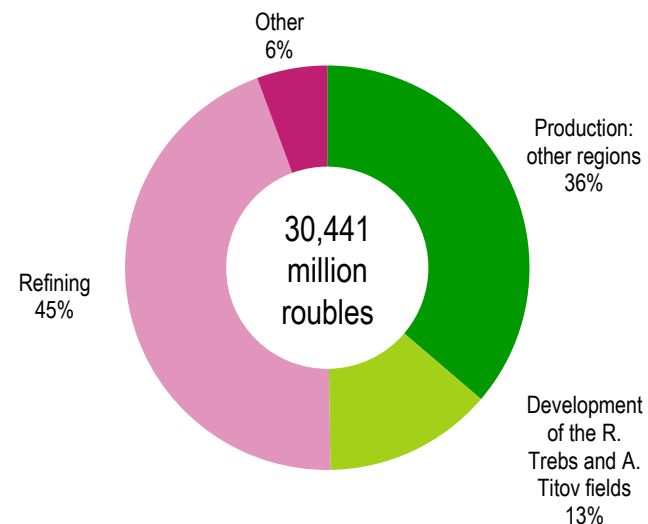
CAPEX breakdown in 4Q 2013, million roubles



Changes in CAPEX, million roubles

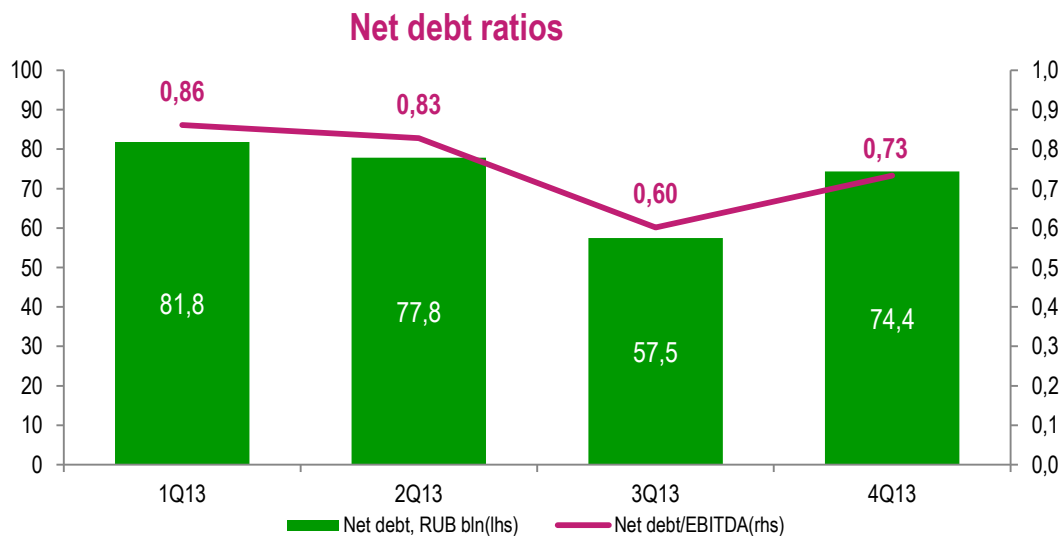
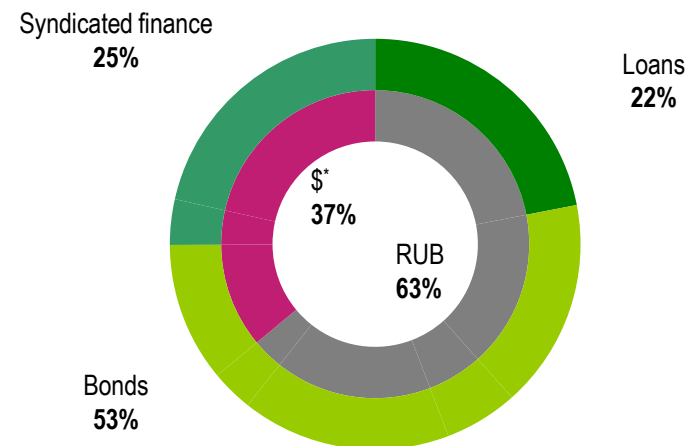


CAPEX breakdown in 2013, million roubles

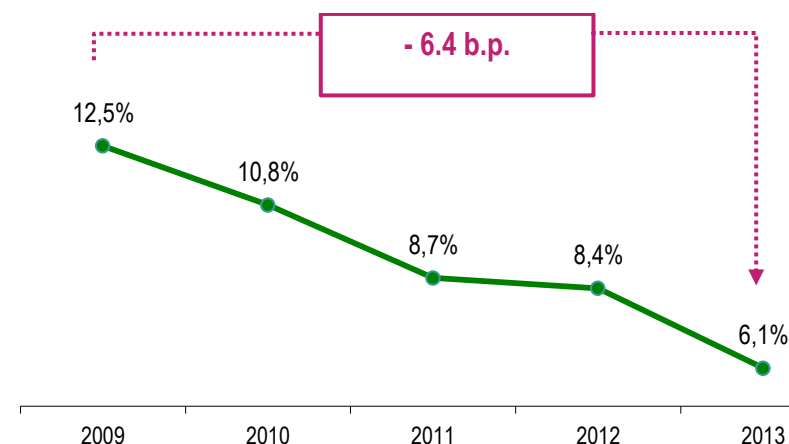


- As of December 31, 2013, **total debt** amounted to **90.8 million roubles** compared to 80.2 million roubles as of September 30, 2013;
- In November Bashneft obtained a **pre-export financing facility** amounting to **US\$ 600 million** from a group of international banks; the facility is secured with future revenue from sales of crude oil / petroleum products;
- In December Bashneft **fulfilled obligations under the mandatory offer** for series BO-01 bonds. As a result, securities with a total par value of slightly less than **7 billion roubles** were bought back from the market, with the total value of the bond issue amounting to 10 billion roubles;
- As of December 31, 2013, **the weighted average interest rate on loans** reached **6.1%** per annum due to:
 - Early repayment of bank loans the interest rate on which is relatively high;
 - Reduction in interest rates on outstanding bank loans and bonds;
 - An increase in the effective share of borrowings denominated in foreign currencies.
- **The refinancing risk was considerably reduced** as compared to the end of 2012:
 - The maturity profile was extended as 5- and 7-year bonds were issued in February 2013;
 - Debt repayments are spread evenly across the years.

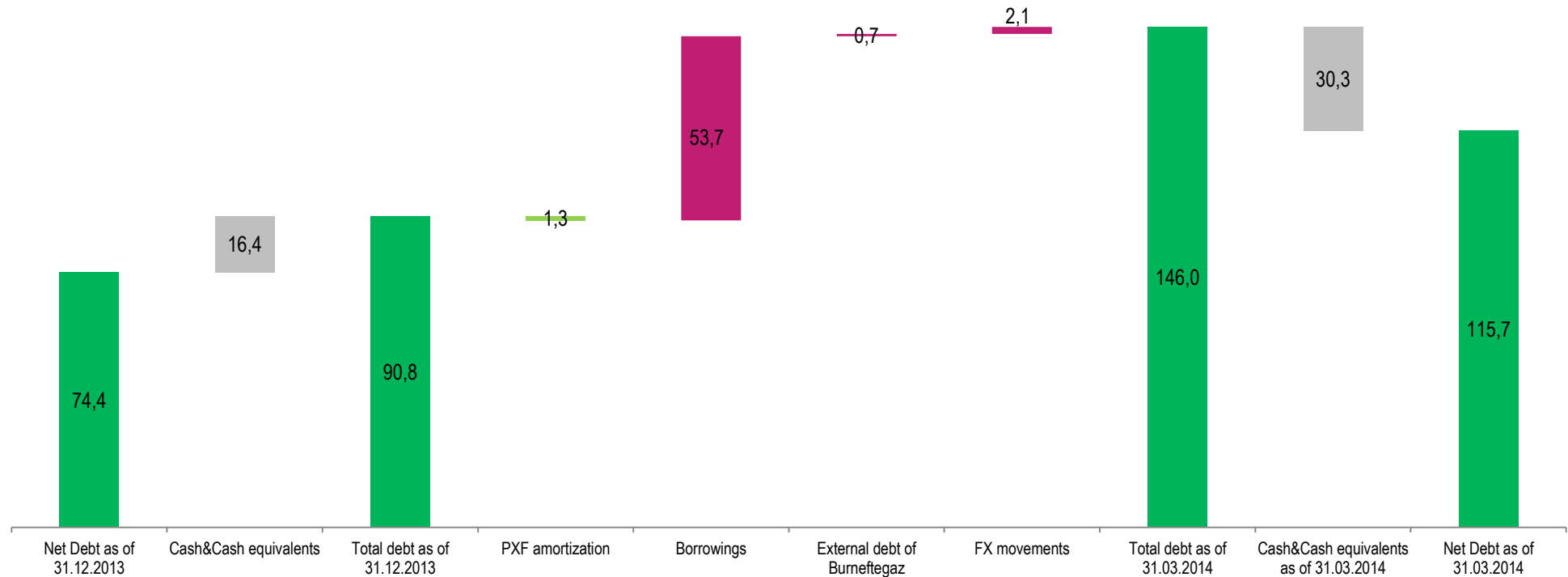
Debt breakdown as of the end of 2013



Changes in the weighted average interest rate



Latest changes in the debt portfolio and funding for the acquisition of Burneftegaz (as of March 31, 2014)



Note: data as of March 31, 2014 are provisional unaudited data

- In March 2014 Bashneft formed a liquidity reserves in the amount of 53.7 billion roubles, using credit lines of key partner banks;
- The acquisition of Burneftegaz (over US\$ 1 billion) was financed by cash reserves, available at the time of the transaction;
- As part of the transaction, Bashneft will consolidate external debt of Burneftegaz amounting to 0.7 billion roubles;
- As of December 31, 2014, estimated amount of cash and cash equivalents was 30.3 billion roubles. Cash reserves are held on accounts and deposits within the largest Russian banks.



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4. Corporate Events:

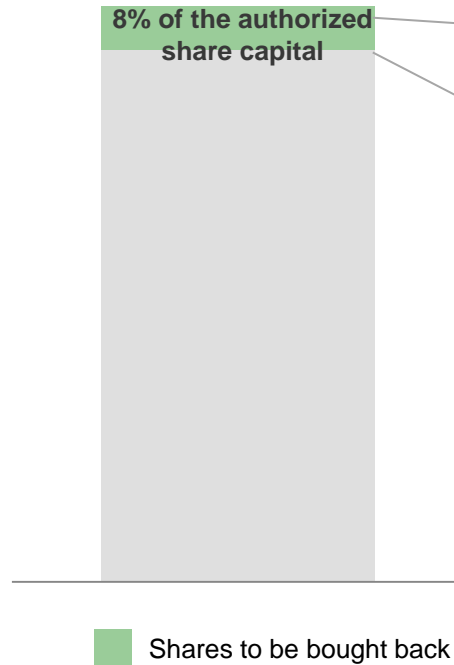
Results of share buyback as part of reorganization through consolidation of CJSC Bashneft-Invest with Bashneft



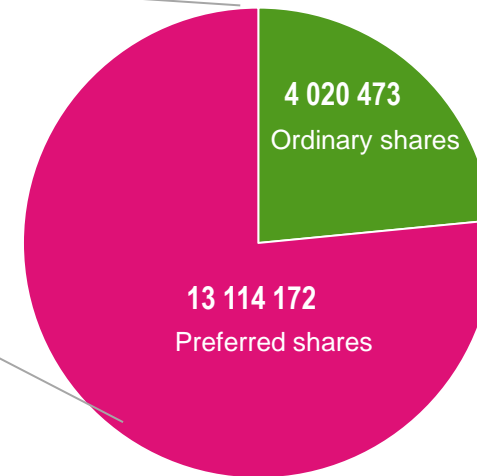
Main terms and conditions of share buyback

Date of buyback announcement	February 3, 2014
Rationale for buyback requests	Shareholders who abstained or voted against the reorganization through consolidation of CJSC Bashneft-Invest with Bashneft at the Extraordinary General Meeting of Shareholders of Bashneft on February 3, 2014
Buyback price	
Ordinary shares	1,983 roubles per share
Preferred shares	1,403 roubles per share
End of submission of buyback requests	March 20, 2014
Settlement period	From March 21 through April 21, 2014
Maximum buyback volume	Limited to 17.9 billion roubles, i.e. 10% of Bashneft's net asset value as of December 31, 2013
Cancellation of shares that have been bought back	Planned for preferred shares

Bashneft's authorized share capital



Buyback requests totalling 26 billion roubles



- ✓ Buyback totalling 10% of net asset value = 17.9 billion roubles
- ✓ Buyback ratio= 0.677

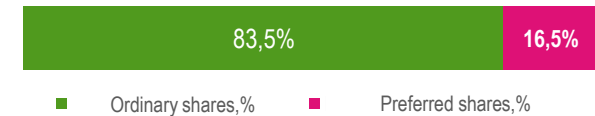
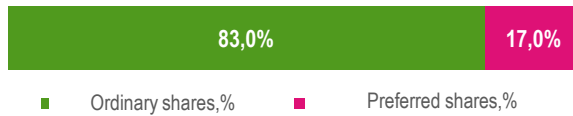
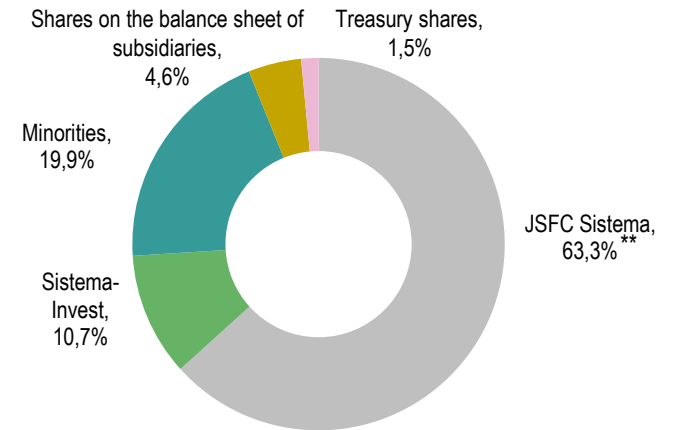
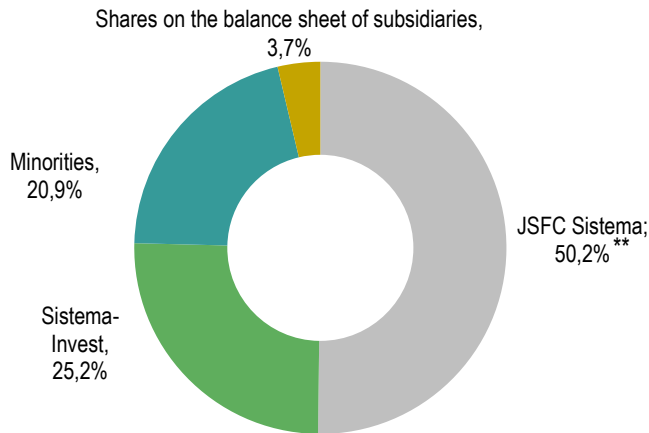


Change in the shareholder structure following the reorganization (taking into account factual data on the buyback)

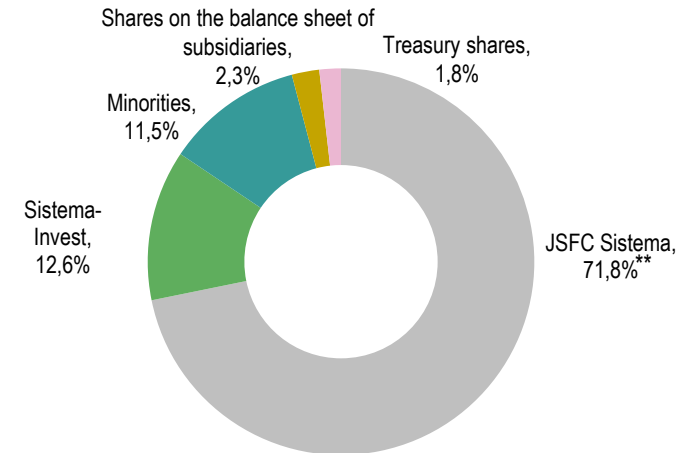
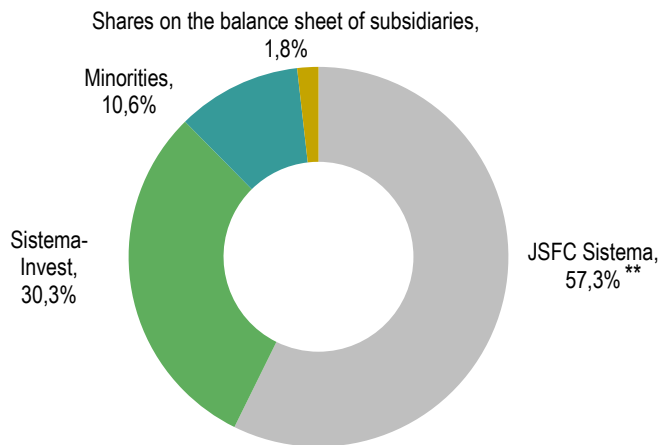
Current structure

Target structure as of July 1, 2014*

Authorized share capital



Ordinary shares



Note: (*) taking into account cancellation of treasury shares after consolidation of CJSC Bashneft-Invest with Bashneft (16% of the authorized share capital) and preferred shares to be bought back (4% of the authorized share capital).
 (**) including the stake owned by OJSC Sistema Finance (a wholly owned subsidiary of JSFC Sistema).



BASHNEFT

JOINT STOCK OIL COMPANY

Thanks for your attention!

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