



BASHNEFT
JOINT STOCK OIL COMPANY

Bashneft Group

**IFRS results
for the second 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.

Bashneft's key achievements in the second quarter of 2013

Operating results

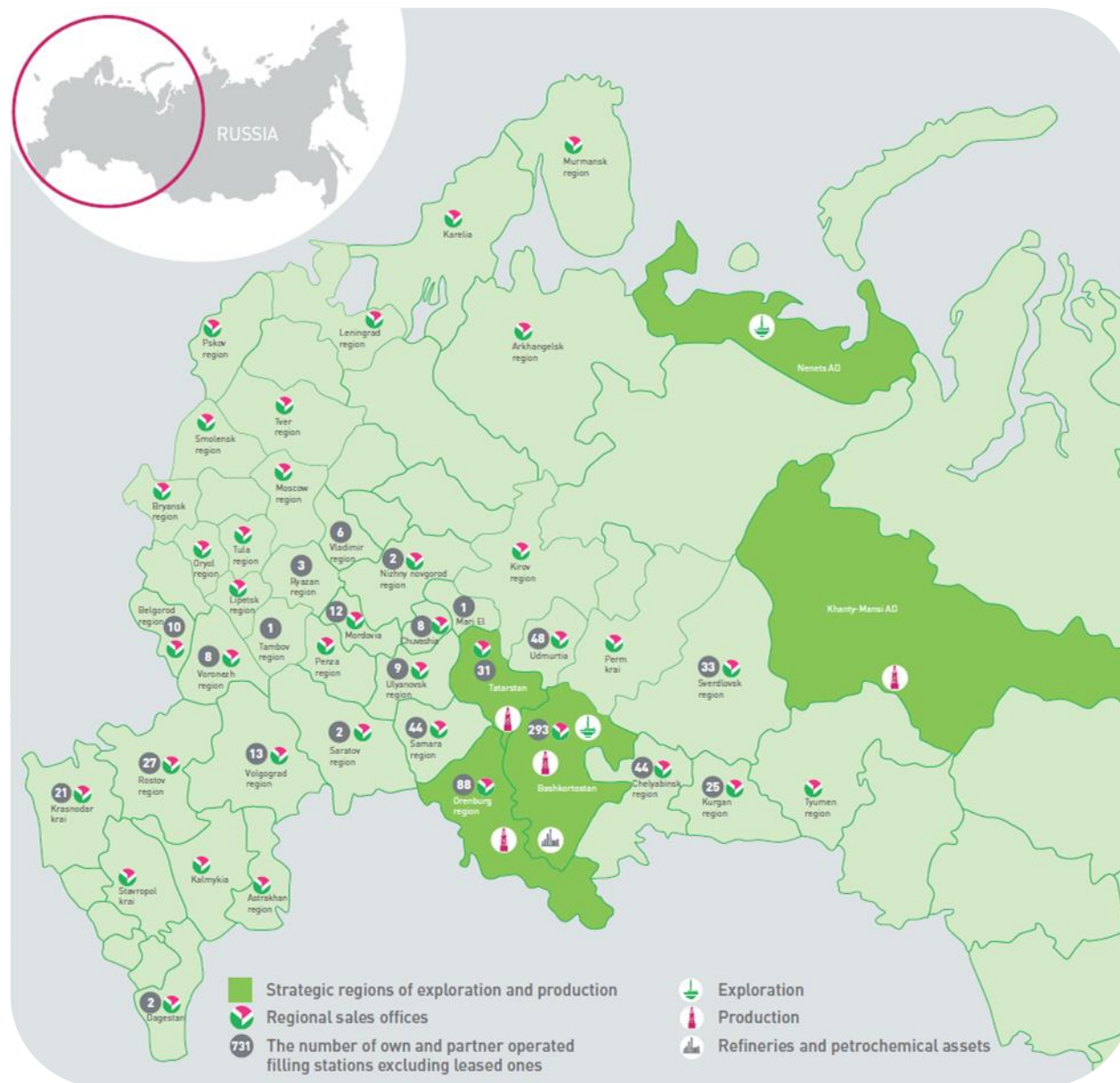
- **Average daily oil production** increased by 1.0% to **314.8 thousand bbl/d**;
- **Average daily refining** reached the level of **424.0 thousand bbl/d**;
- **Refining depth** increased to **86.0%**;
- **The share of light products** added **1.0 p.p.** and reached **61.2%**.

Financial results

- **Revenue** added **7.4%** and reached **134.9 billion roubles**;
- **EBITDA** totalled **22.7 billion roubles**, adding **7.1%**;
- **Net income** increased by **9.8%** to **13.2 billion roubles**.

Main events

- The Group acquired a 100% stake in LLC Alternativa, which owns a network of 12 filling stations in the Orenburg Region and operates under the Q&R brand name;
- The Meeting of Shareholders decided to pay dividends for 2012 amounting to 24 roubles per ordinary registered share and per preferred registered share of JSOC Bashneft and elected a new membership of JSOC Bashneft's Board of Directors;
- Start of pilot production at the R. Trebs and A. Titov fields in the Nenets Autonomous District



* - Compared to the first quarter of 2013.

Start of pilot production at 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



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 80 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;
- As of June 30, 2013, CAPEX exceeded 20.4 billion roubles (less a one-off payment for the licence totalling 18.5 billion roubles.).

KEY FACTS

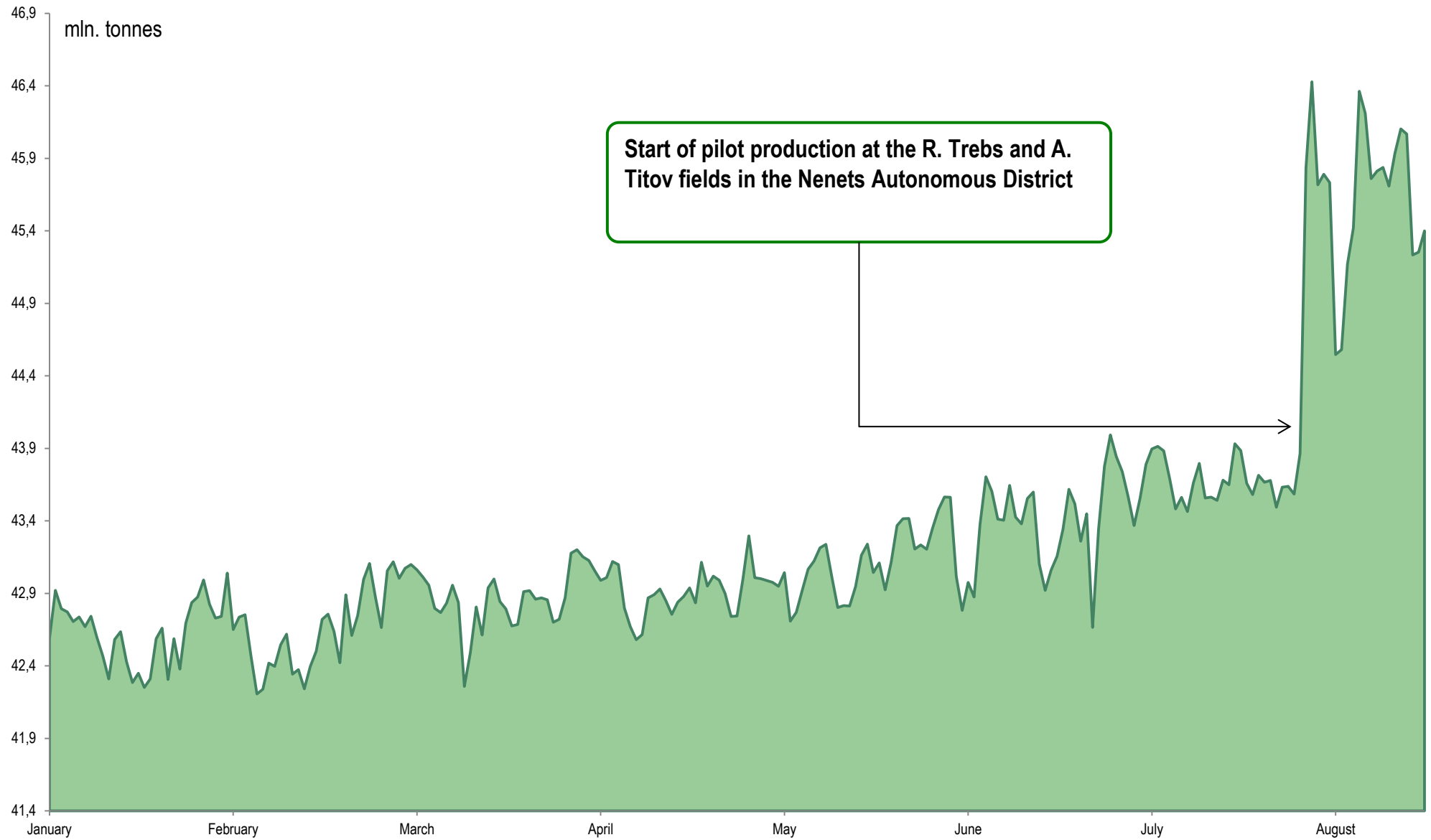
| | |
|-----------------------------------|---|
| ABC1 reserves | C1+C2: 140.1 million tonnes C3: 59.3 million tonnes |
| Reserves under PRMS* | Contingent 3C resources: 743 million barrels Prospective resources: 60 million barrels |
| The licence is valid until | 2036 |

- 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.

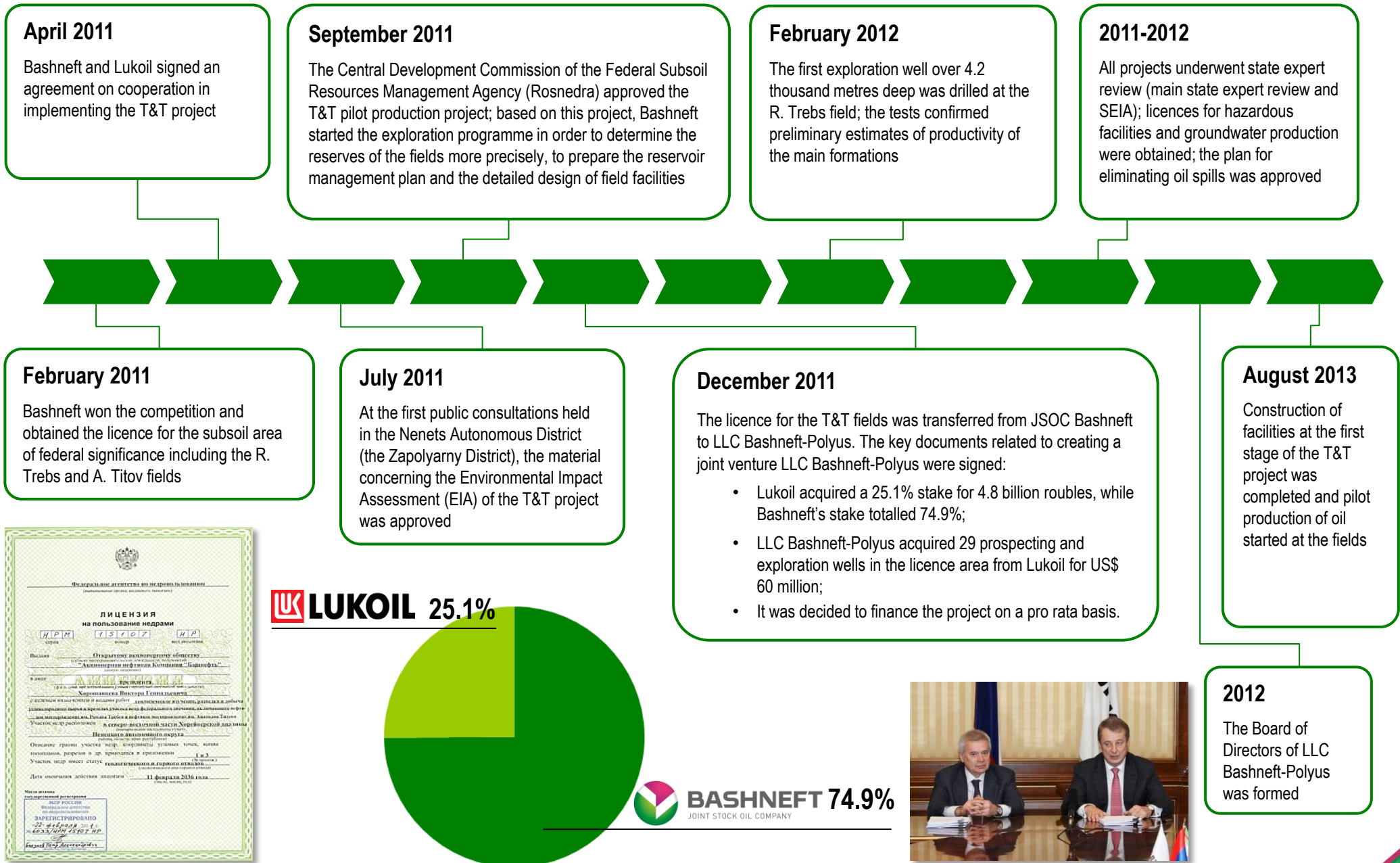
RESULTS ACHIEVED IN 2013 AND PLANS FOR 2014

- 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;
- Schlumberger provides integrated drilling service;
- Bashneft's Drilling Support Centre (DSC) provides geological support for drilling;
- Oil from the fields is supplied via a pipeline to the metering station in Varandey and then to the Varandey terminal to be subsequently exported;
- In 2014 production is expected to total ~ 0.9 million tonnes;
- In 2014 preparation for commercial production will continue;
- In 2014 geological exploration will continue, including seismic survey and exploration drilling.

Average daily oil output performance since the beginning of 2013



Key stages of the T&T project development





In 2011-2013, as part of preparing for pilot production at the R. Trebs and A. Titov fields, LLC Bashneft-Polyus, which operates the project, did the following:

- 12 exploration wells were reentered and connected to associated equipment, and field facilities were constructed;
- Over 40 kilometres of oil-gathering pipelines were built and commissioned;
- About 80 kilometres of power lines were constructed and connected to grids.



All field facilities are constructed in full compliance with regulatory requirements for construction and environmental protection

Start-up crude oil distillation facilities: the first stage of the Central Gathering Station (CGS) at the R. Trebs field



The project is aimed at gradual development of the CGS at the R. Trebs field, where all oil produced at the T&T fields will be distilled:

- The first stage with the capacity of up to 1.5 million tonnes per year has been commissioned;
- At subsequent stages, the capacity of the CGS will be increased to 4.5 million tonnes per year.



Start-up facilities at the R. Trebs field: the metering station in Varandey

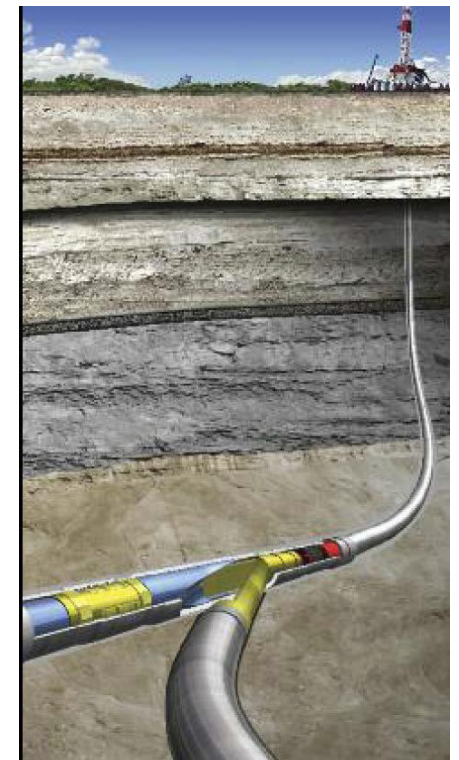
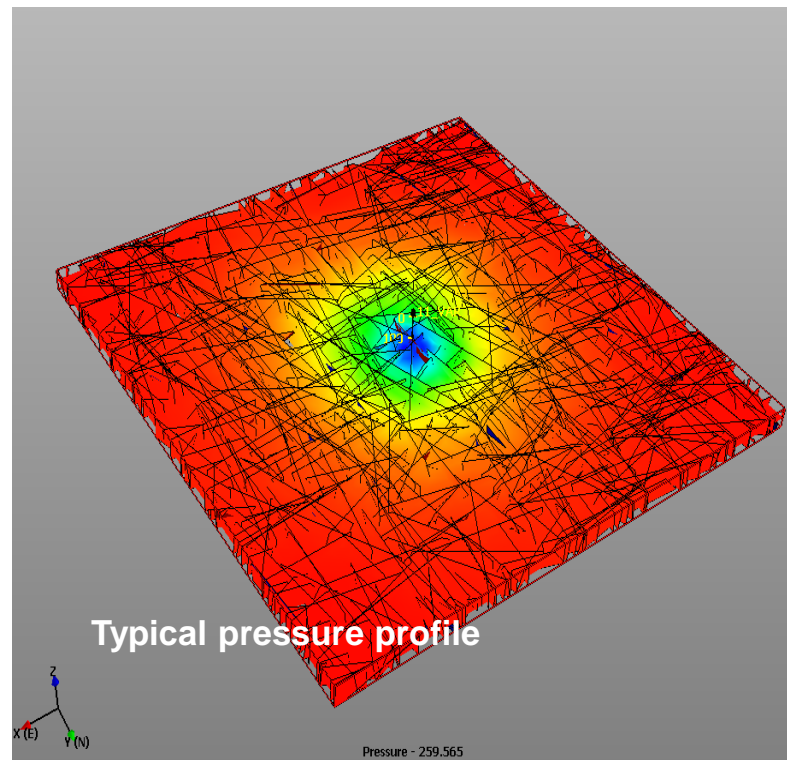
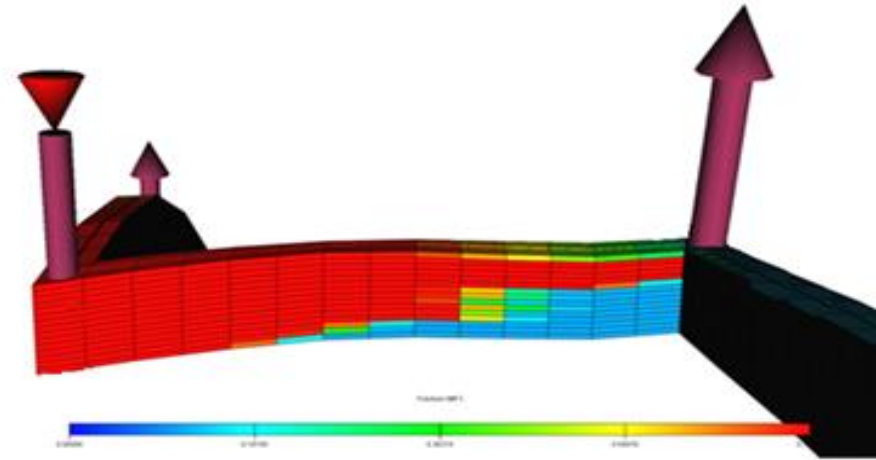


External transport and product loading facilities

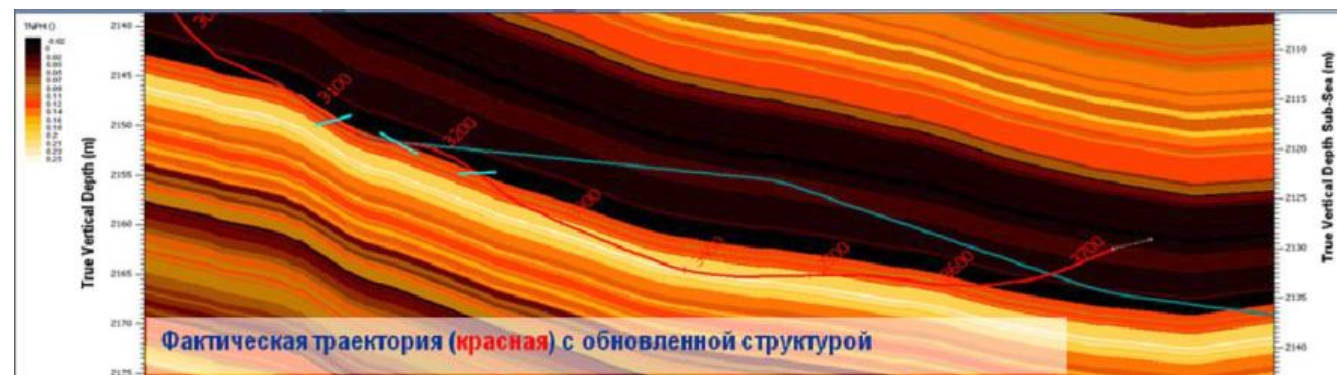
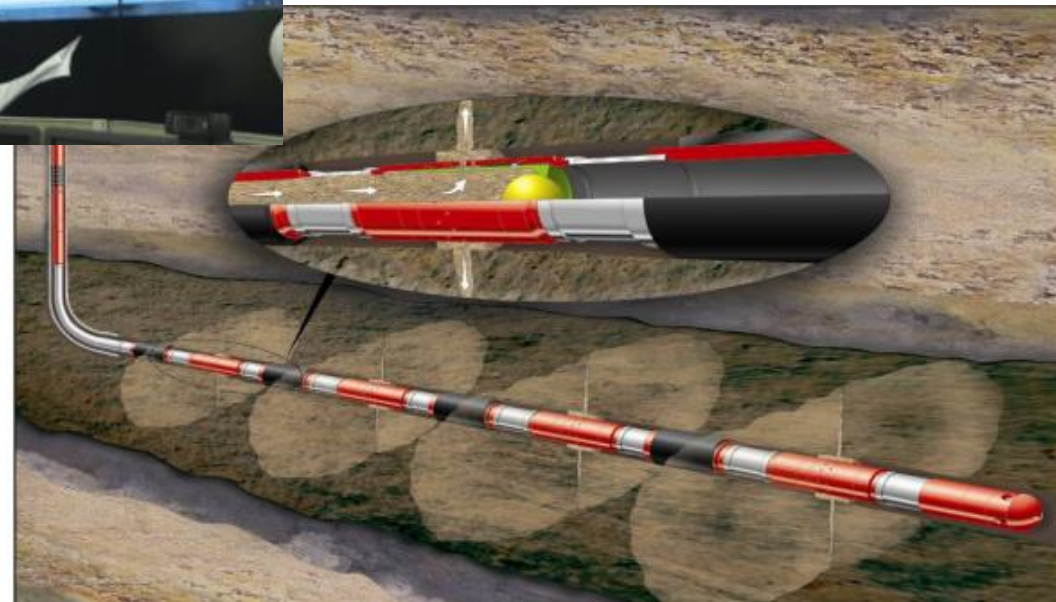
- a high-pressure pipeline between the CGS at the R. Trebs oilfield and the metering station in Varandey with the total length exceeding 31 kilometres;
- a metering station;
- external connection of the metering station to Lukoil's terminal.



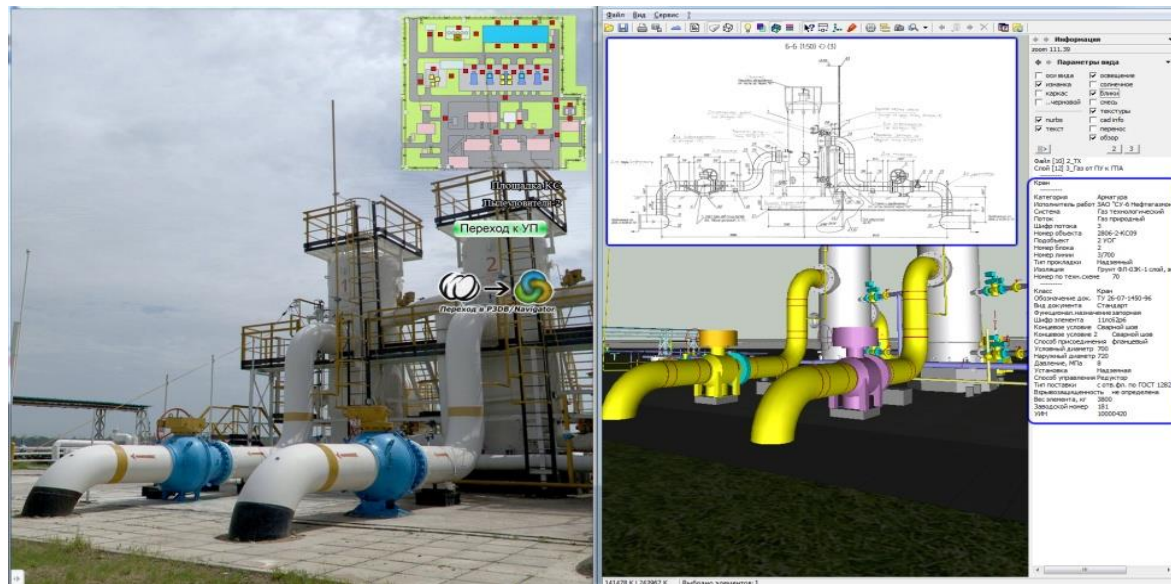
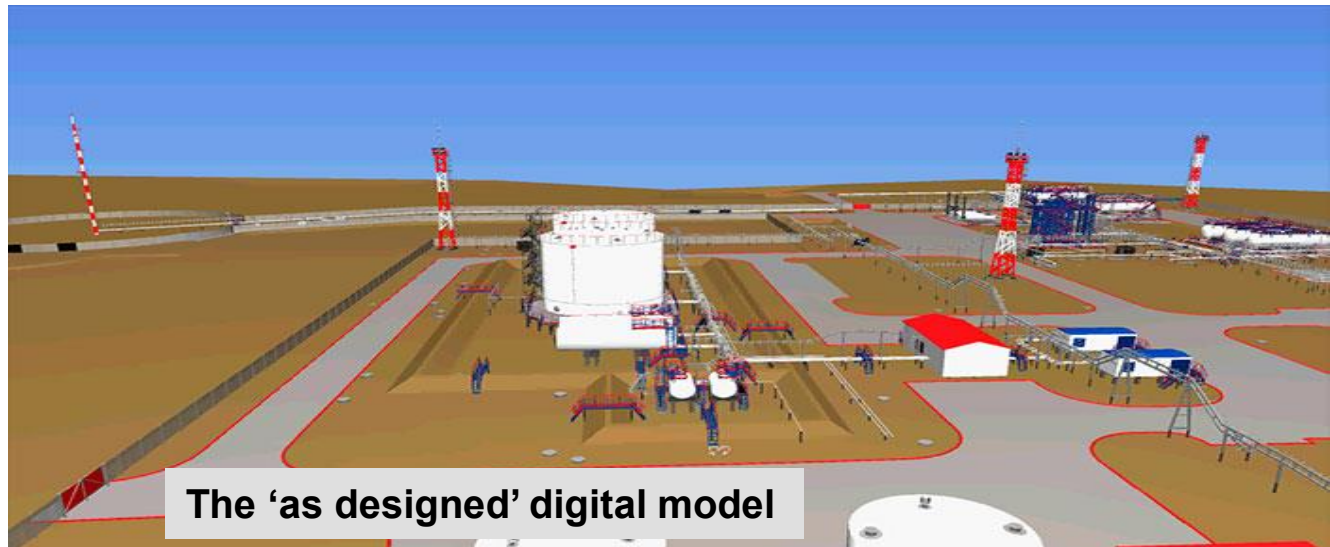
- Field development involving **maintaining reservoir energy** by means of water-alternating-gas (WAG) injection;
- Optimization of field development resulting in a considerable increase in the recovery factor through **miscible displacement** combined with WAG injection;
- **Direct DFN** (Discrete Fracture Network) modelling in order to describe filtration processes in fractured carbonate reservoirs adequately;
- **Drilling of horizontal and multilateral wells** throughout the entire period of field development.



- An operational **drilling support centre (DSC)** designed and built by Schlumberger;
- Enhancing the efficiency of well drilling by using **rotary steerable systems**;
- Horizontal well completion with **'premium ports'**: a system of inflow control devices enabling water shutoff;
- Using **modern Arctic drilling rigs** with the derrick capacity of 320 tonnes, with a four-stage cleaning system and a topdrive, which makes it possible to drill wells with a deviation of up to 2,100 metres;
- Using **smart downhole inflow control systems** in multilateral wells.



- Using **3D engineering** for large on-site facilities;
- Using advanced solutions when constructing facilities in permafrost areas: 100% of reservoirs have **ground thermal stabilization systems**.



An electronic technical passport based on integrating the 2D general layout, 3D models, spherical panoramas and electronic executive documents

Bashneft Group petrochemical assets consolidation and divestment



Transition to a single share

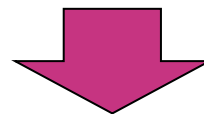
- The historical complexity of the corporate structure had prevented the Group from fully achieving strategic goals;
- As part of streamlining its corporate structure, in 2012 the Group completed reorganization in Downstream segment through consolidation of five subsidiaries, OJSC Ufimsky refinery plant, OJSC Novoil, OJSC Ufaneftekhim, OJSC Bashkirnefteprodukt and OJSC Orenburgnefteprodukt, with JSOC Bashneft.

Petrochemical business

- OJSC Ufaogsintez was not included in reorganization through consolidation with Bashneft in order to develop petrochemical production as a separate business;
- Complex restructuring of petrochemical assets of Bashneft Group on the basis of OJSC United Petrochemical Company “UPC” was needed to develop separate petrochemical production business.

Oilfield service business

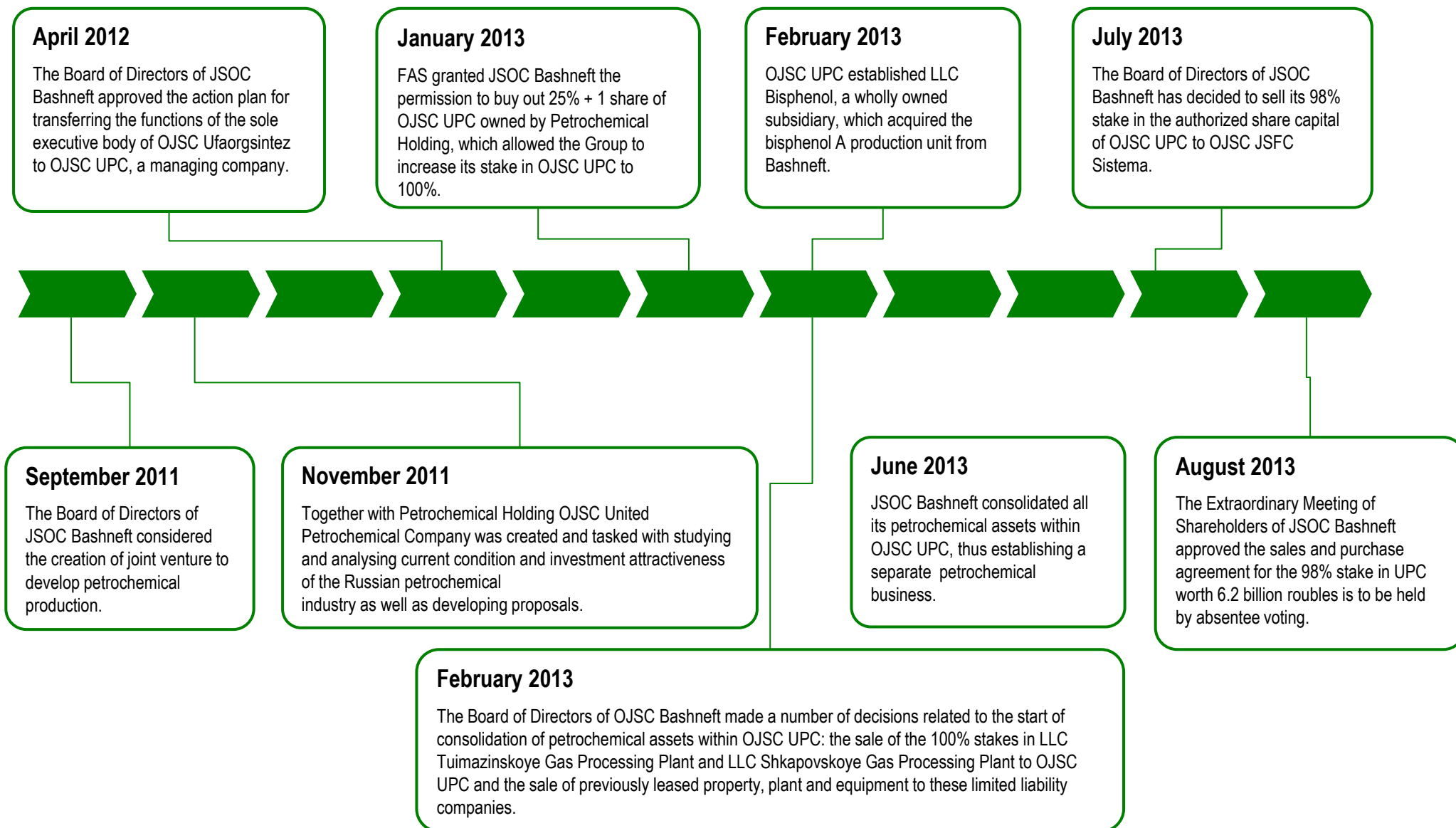
- Bashneft completed the creation of an oilfield service holding company on the basis of LLC Bashneft-Service Assets, its wholly owned subsidiary;
- The oilfield service holding company managed by LLC Bashneft-Service Assets includes 11 oilfield service companies with market development potential.



**Bashneft consistently simplifies the corporate governance structure
focusing on core assets development**



Petrochemical assets consolidation timeline



Investments in petrochemical segment don't meet strategic goals of Bashneft

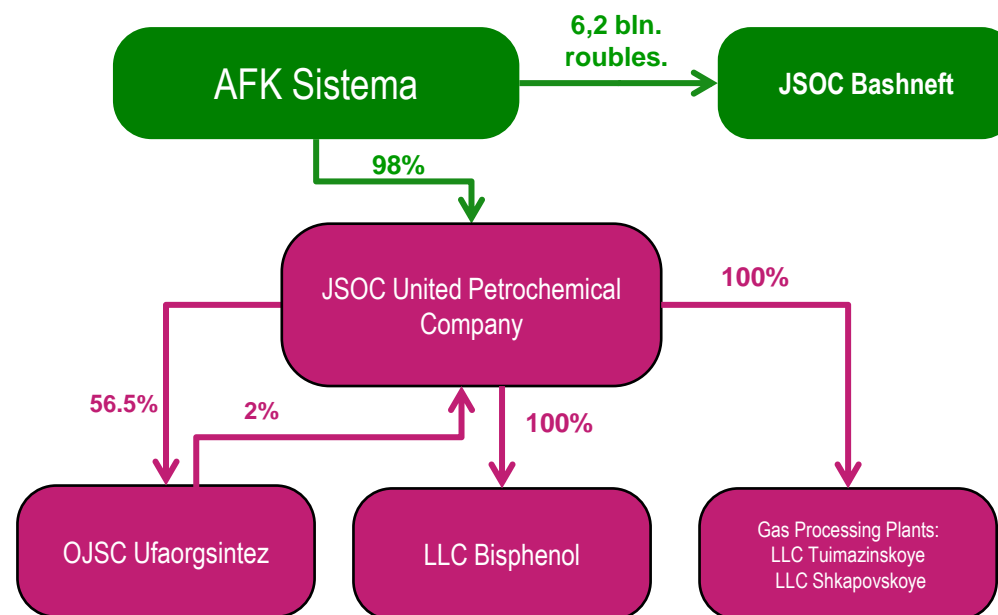
Rationale for the transaction

- Petrochemical business is a non-core business for JSOC Bashneft;
- Strategy of the Company does not envisage development of this segment as a separate line of business within Bashneft Group;
- Further development of the petrochemical segment for the purposes of optimization and enhancement of profitability requires significant capital investments.

The buyer and the structure of a possible transaction

- AFK Sistema (the controlling shareholder of JSOC Bashneft with the stake exceeding 75%) is interested in the development of the petrochemical business line of the Group;
- Price for 98% stake of UPC according to the independent valuation fulfilled by one of the Big Four audit firms equals to 6.2 bln. roubles;
- Meeting of Shareholders of JSOC Bashneft approved the sales and purchase agreement.

Possible structure of the UPC sale



Sale of petrochemical assets will allow Bashneft to increase the operational efficiency of core businesses within the Group

Bashneft operational and financial results



Bashneft Group's key indicators for 2Q2013

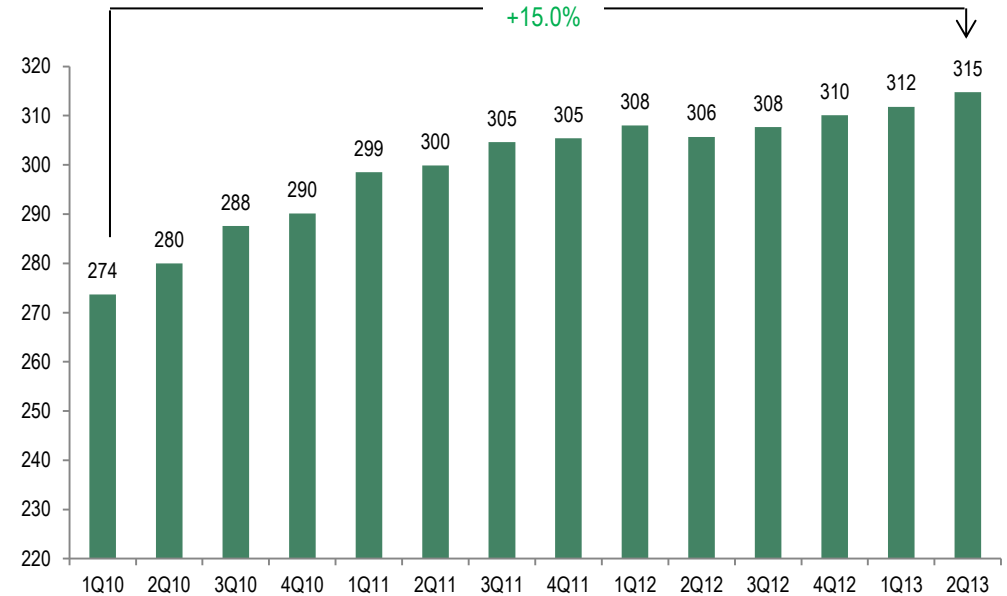
| 2Q2013 | 1Q2013 | Δ, % | Indicator | 2Q2013 | 2Q2012 | Δ, % |
|--------|--------|-------|---|--------|--------|-------|
| 3.24 | 3.38 | -4.2% | Urals price, thousand roubles/barrel | 3.24 | 3.31 | -2.3% |
| 3,924 | 3,844 | 2.1% | Crude oil production, thousand tonnes | 3,924 | 3,811 | 3.0% |
| 5,285 | 5,216 | 1.3% | Oil refining, thousand tonnes | 5,285 | 4,954 | 6.7% |
| 5,082 | 4,437 | 14.5% | Petroleum product sales, thousand tonnes | 5,082 | 4,737 | 7.2% |
| 134.9 | 125.6 | 7.4% | Revenue, billion roubles | 134.9 | 126.5 | 6.6% |
| 22.7 | 21.2 | 7.1% | EBITDA, billion roubles | 22.7 | 23.8 | -4.4% |
| 13.2 | 12.0 | 9.8% | Income for the period attributable to the shareholders of the parent company, billion roubles | 13.2 | 10.7 | 22.9% |
| 8.5 | 5.8 | 45.4% | Capital expenditures, billion roubles | 8.5 | 8.4 | 0.3% |
| 77.8 | 81.8 | -4.8% | Adjusted net debt, billion roubles | 77.8 | 69.0 | 12.8% |



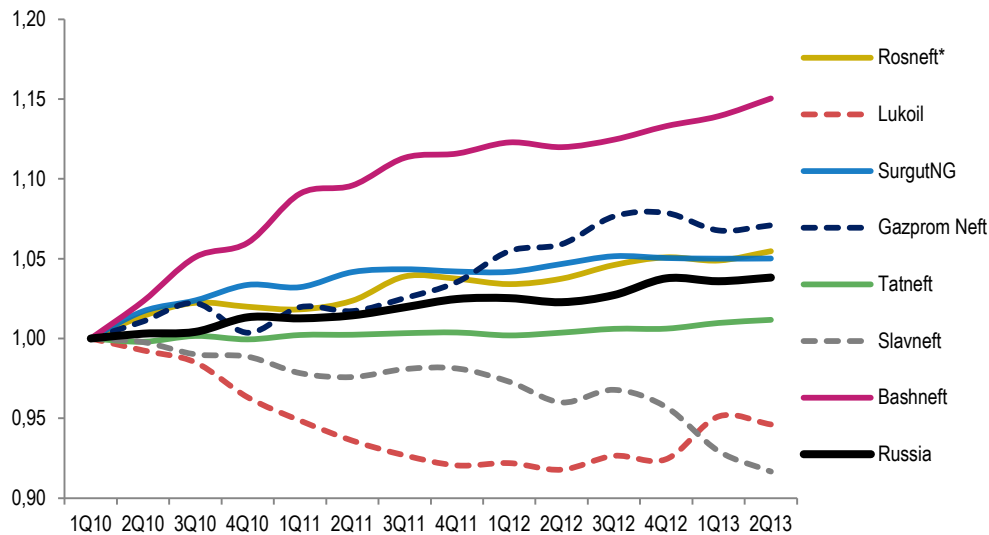
Production hits a new record high

- In the second quarter of 2013, the Group's average daily production reached 314.8 thousand bbl/d, hitting a record high since 1996;
- In the second quarter of 2013, oil production added 2.1% quarter-on-quarter and reached 3,924 thousand tonnes;
- The average production rate of existing wells is at a consistently high level of 2.9 tonnes per day; it added 16.0% compared to 2010.

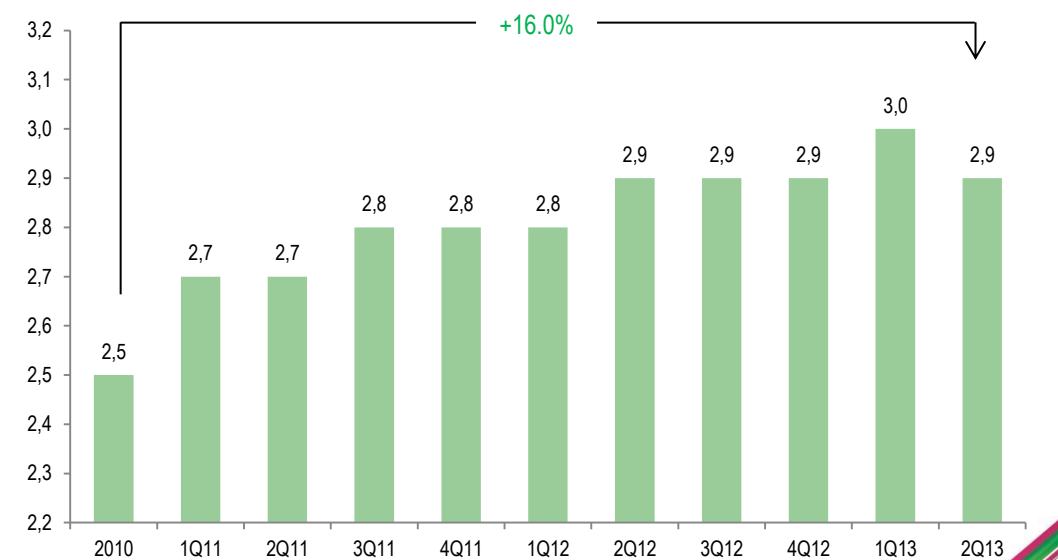
Average daily oil production, thousand bbl/d



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



Well production rate, tonnes per day

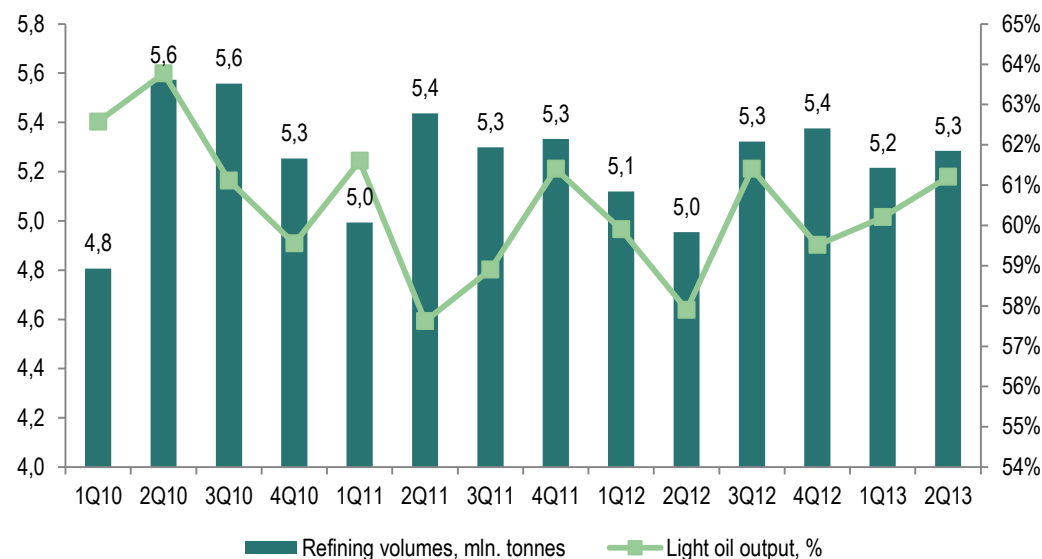


* - Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

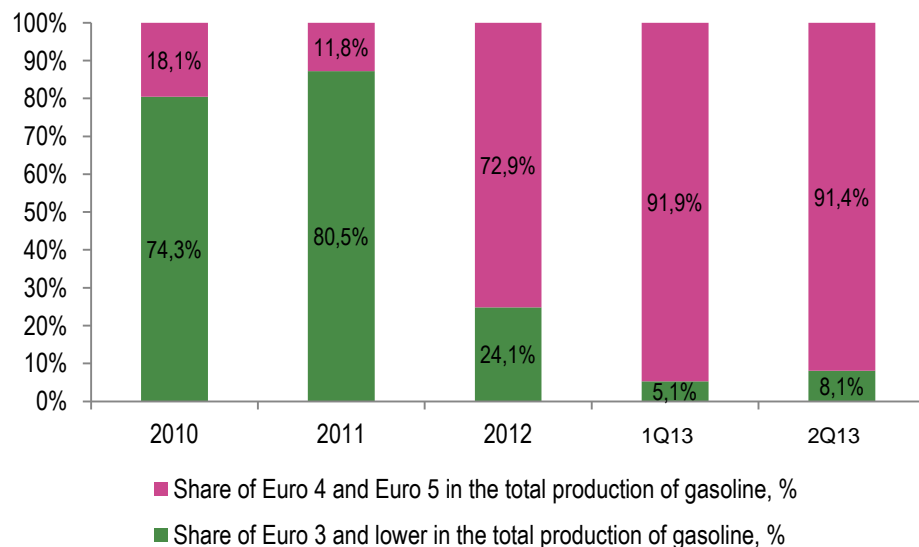
The refinery upgrade programme implemented at the Ufa refineries enables Bashneft to meet the requirements of the Technical Regulations for fuel quality in due time

- In the first half of 2013 Bashneft's refineries in Ufa processed 10,501 thousand tonnes of oil, which is 4.2% more than in the same period in 2012 (10,074 thousand tonnes). The increase in refining was primarily related to a low base in the first half of 2012, when Ufimsky refinery plant was shut down for scheduled major overhaul;
- In the first half of 2013, the share of light products totalled 60.7%, which is 1.8 basis points higher than in 2012 (58.9%);
- Refining depth increased by 0.2 basis points to 85.3% in the first half of 2013;
- In the first half of 2013, the share of gasoline meeting the Euro 4 and Euro 5 standards amounted to 91.6%.

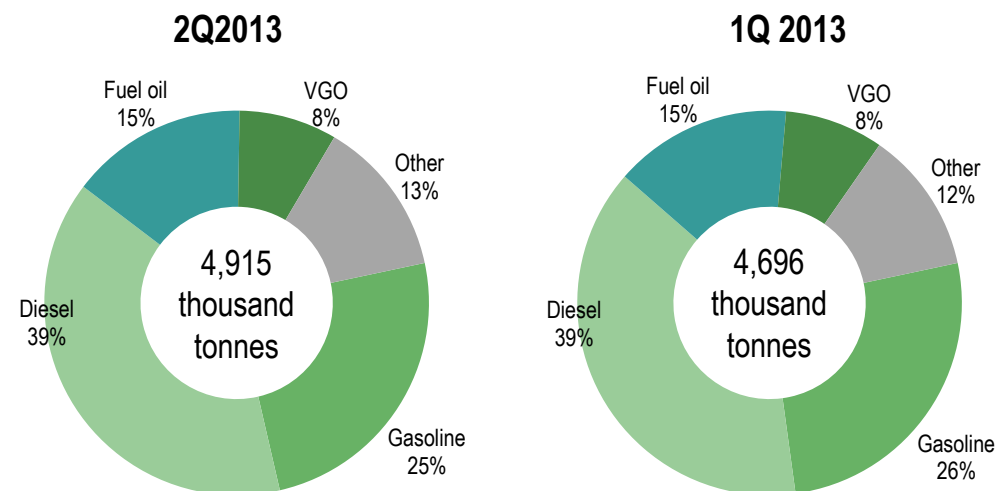
Oil refining



Output of gasoline meeting the Euro standard

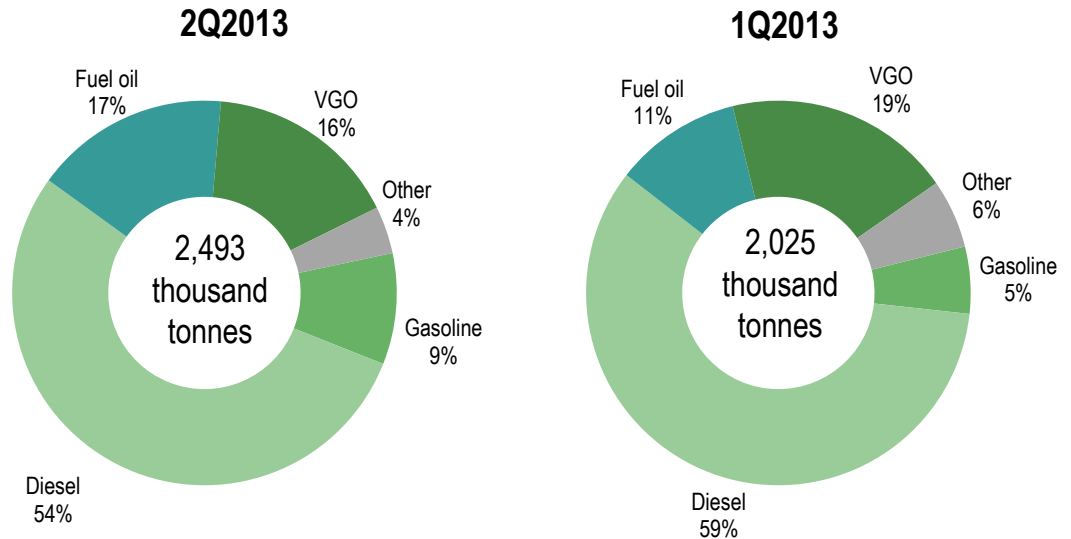


Petroleum products and petrochemicals

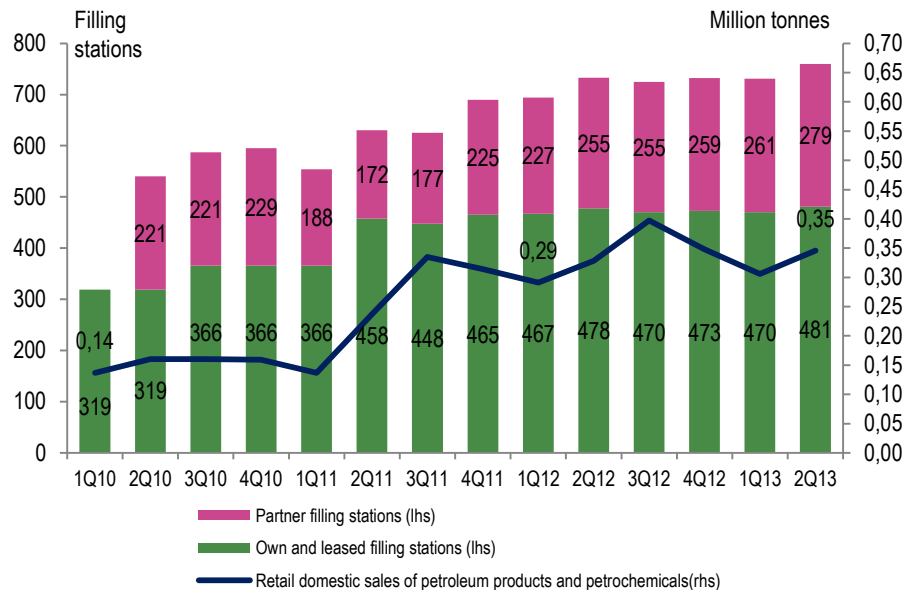


- Bashneft acquired a 100% stake in LLC Alternativa, which owns a network of 12 filling stations in the Orenburg Region and operates under the Q&R brand name;
- As of 30 June 2013, distribution base of Bashneft Group consists of 481 operating petrol stations, and 279 partner's petrol stations operating under Bashneft brand;
- Fuel sales via Bashneft's filling stations increased by more than 152.6% since the beginning of 2010 and totalled 346 thousand tonnes in the second quarter of 2013;
- Since April 2010, Bashneft has been actively implementing a partnership programme; currently, it sells fuel via 279 partner filling stations in 20 regions of Russia.

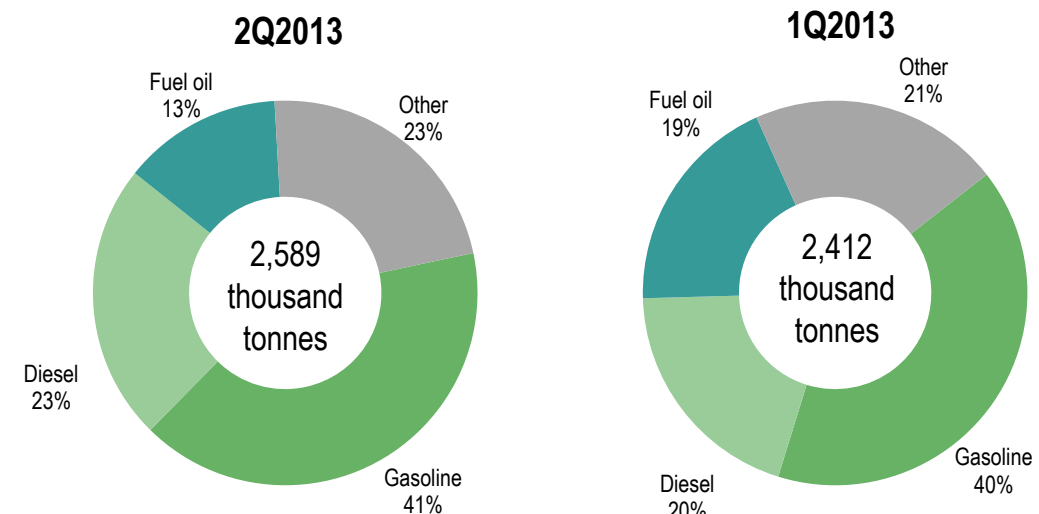
Exports of petroleum products and petrochemicals



Number of filling stations, retail sales of petroleum products



Domestic sales of petroleum products and petrochemicals



Macro indicators, 2Q2013*

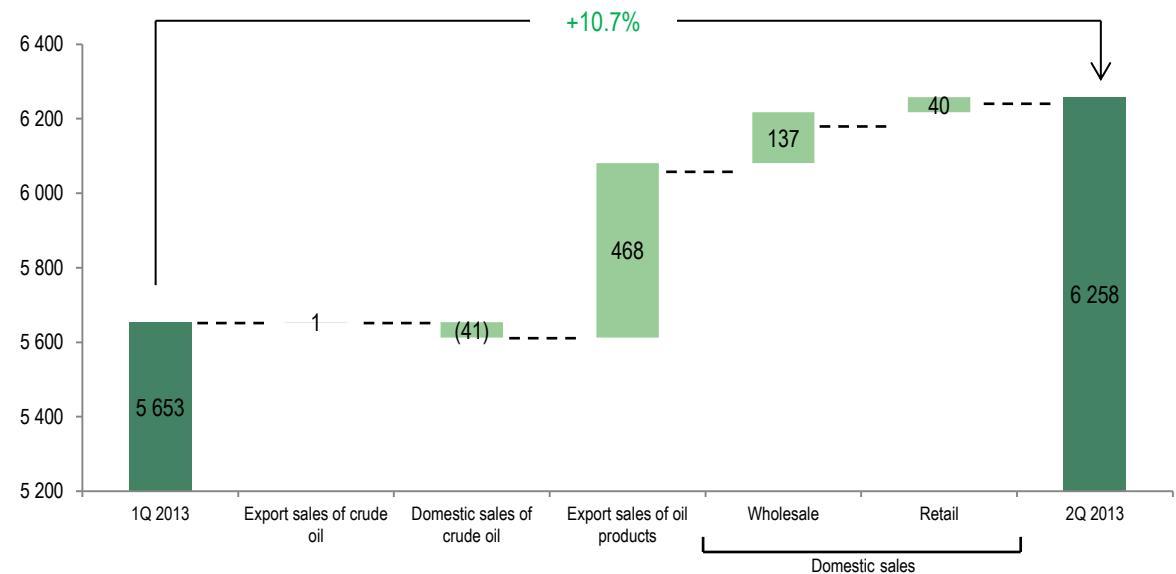
| 2Q2013 | 1Q2013 | Δ, % | Indicator | 2Q2013 | 2Q2012 | Δ, % |
|--------|--------|-----------|---|--------|--------|-----------|
| 31.6 | 30.4 | 3.9% | Average RUB/USD exchange rate | 31.6 | 31.0 | 1.9% |
| 1.6% | 1.9% | -0.3 p.p. | Inflation for the period, % | 1.6% | 1.7% | -0.1 p.p. |
| 24.2 | 24.0 | 1.0% | Diesel fuel - summer (Russia), thousand roubles/tonne | 24.2 | 22.4 | 8.0% |
| 25.5 | 26.1 | -2.4% | High-octane gasoline (Russia), thousand roubles/tonne | 25.5 | 24.4 | 4.4% |
| 8.5 | 8.4 | 1.1% | Fuel oil (Russia), thousand roubles/tonne | 8.5 | 9.2 | -7.5% |
| 5.0 | 5.3 | -5.8% | Mineral extraction tax (oil), thousand roubles/tonne | 5.0 | 4.8 | 2.7% |
| 12.0 | 12.4 | -2.9% | Crude oil export duty, thousand roubles/tonne | 12.0 | 13.7 | -12.6% |
| 7.9 | 8.2 | -2.9% | Export duty on light and medium distillates, thousand roubles/tonne | 7.9 | 9.1 | -12.6% |

* 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.

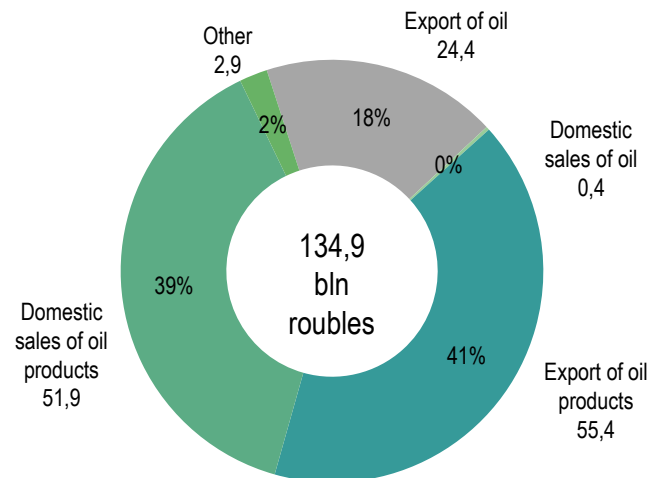


- In the second quarter of 2013, the revenue of Bashneft Group totalled 134,903 million roubles, which is 7.4% higher than in the first quarter of 2013. The increase in revenue was caused mainly by a rise in sales of petroleum products and petrochemicals;
- For the six months ended June 30, 2013, revenue increased by 6.2% as compared to the same period in 2012 and totalled 260,483 million roubles. This change was also caused by an increase in sales of petroleum products.

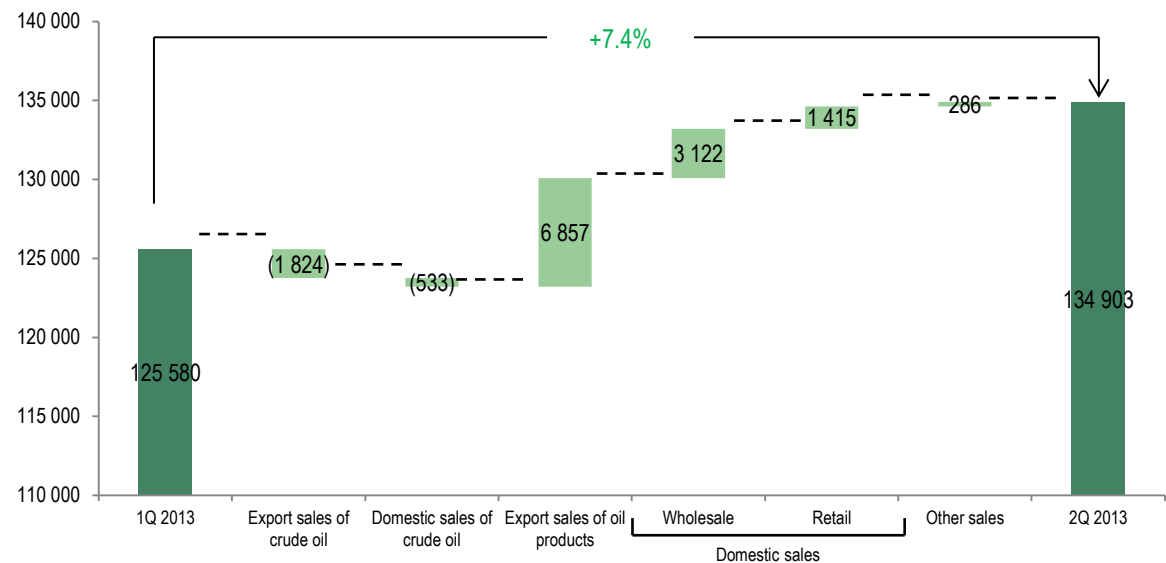
Revenue factor analysis, thousand tonnes, 2Q2013 vs. 1Q2013



Revenue breakdown for 2Q2013, billion roubles

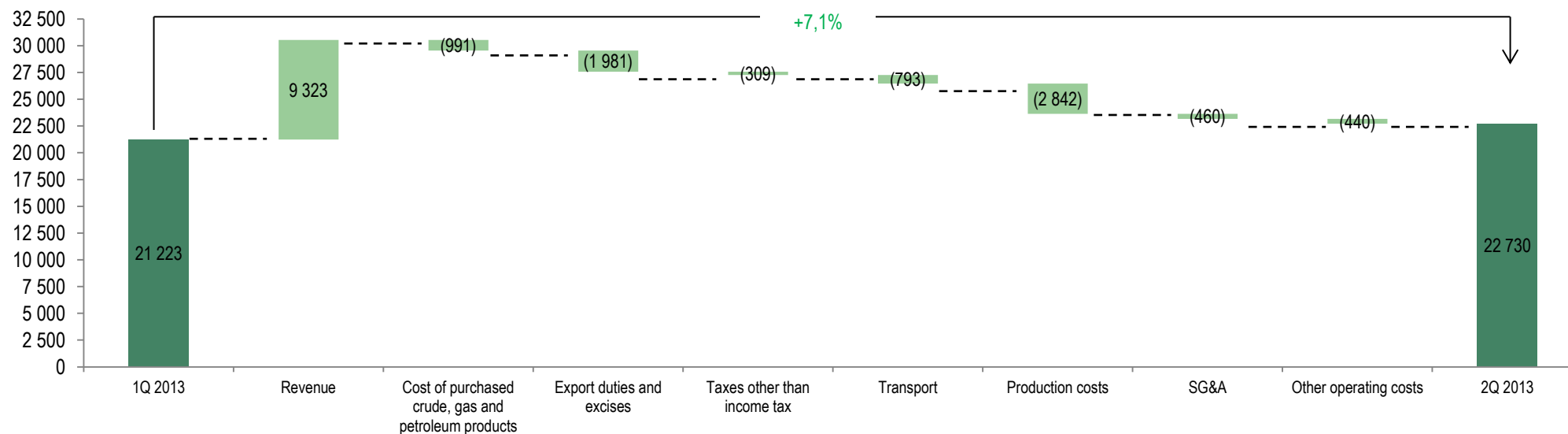


Revenue factor analysis, million roubles, 2Q2013 vs. 1Q2013

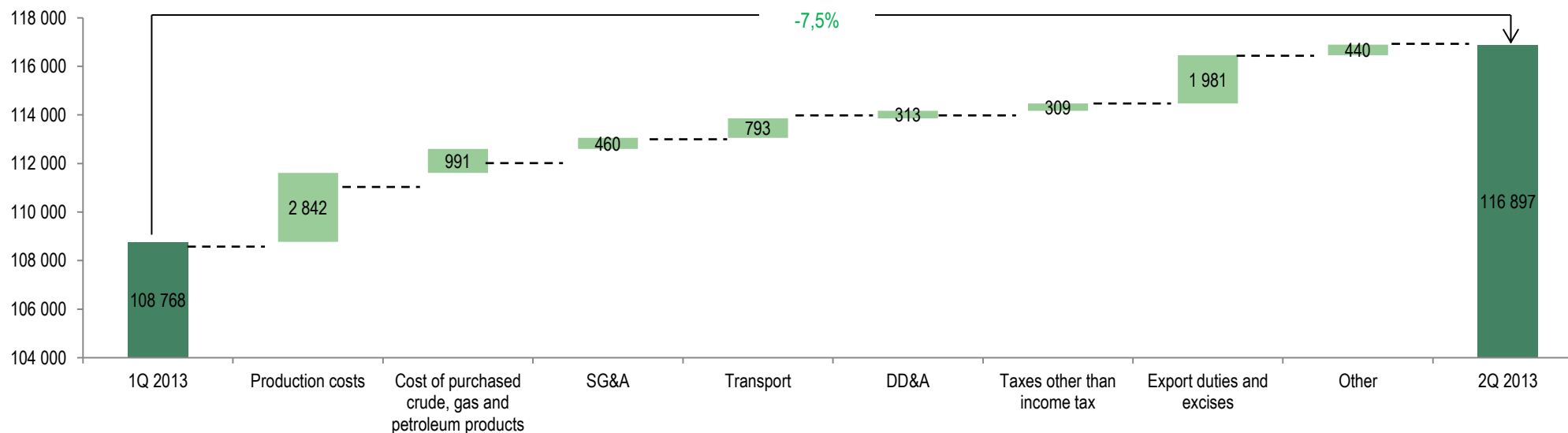


Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 2Q2013 vs. 1Q2013



Factor analysis of operating expenses, million roubles, 2Q2013 vs. 1Q2013



Changes in operating expenses

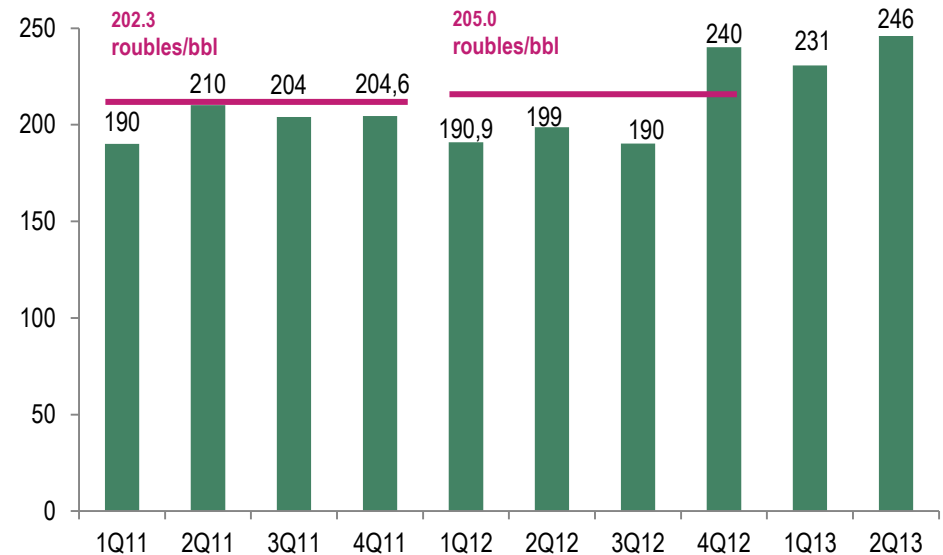
| 2Q2013 | 1Q2013 | Δ, % | Operating expenses, billion roubles | 2Q2013 | 2Q2012 | Δ, % |
|--------|--------|-------|---|--------|--------|-------|
| 15.3 | 12.5 | 22.8% | Production and operating expenses | 15.3 | 13.8 | 10.6% |
| 29.7 | 28.7 | 3.5% | Cost of purchased crude oil, gas and petroleum products | 29.7 | 26.6 | 11.8% |
| 3.9 | 3.5 | 13.2% | Selling, general and administrative expenses | 4.0 | 3.7 | 5.2% |
| 7.6 | 6.8 | 11.7% | Transportation costs | 7.5 | 6.4 | 17.8% |
| 4.7 | 4.4 | 7.1% | Depletion and depreciation | 4.7 | 5.0 | -5.4% |
| 16.8 | 16.5 | 1.9% | Taxes other than income tax | 16.8 | 17.2 | -2.3% |
| 38.6 | 36.6 | 5.4% | Export duties and excise | 38.6 | 36.8 | 4.7% |
| 0.3 | -0.1 | - | Other operating income/expenses, net | 0.3 | -1.8 | - |
| 116.9 | 108.8 | 7.5% | Total operating expenses: | 116.9 | 107.7 | 8.5% |

- In the second quarter of 2013, the cost of purchased crude oil, gas and petroleum products rose by 3.5% as compared to the first quarter of 2013 and amounted to 29,696 million roubles. This change was caused mainly by an increase in refining, which was partially offset by a drop in oil prices;
- In the second quarter of 2013, transportation costs went up by 11.7% as compared to the first quarter of 2013 and totalled 7,552 million roubles. This was caused primarily by an overall increase in sales volumes;
- In the second quarter of 2013, the total amount of export duties on oil and petroleum products increased by 6.6% as compared to the first quarter of 2013 to 29,812 million roubles due to an increase in export sales of petroleum products to countries outside the CIS. This change was partially offset by lower export duty rates;
- In the second quarter of 2013, the total amount of excises increased by 1.5% as compared to the first quarter of 2013 to 8,746 million roubles due to an increase in sales in Russia. 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.

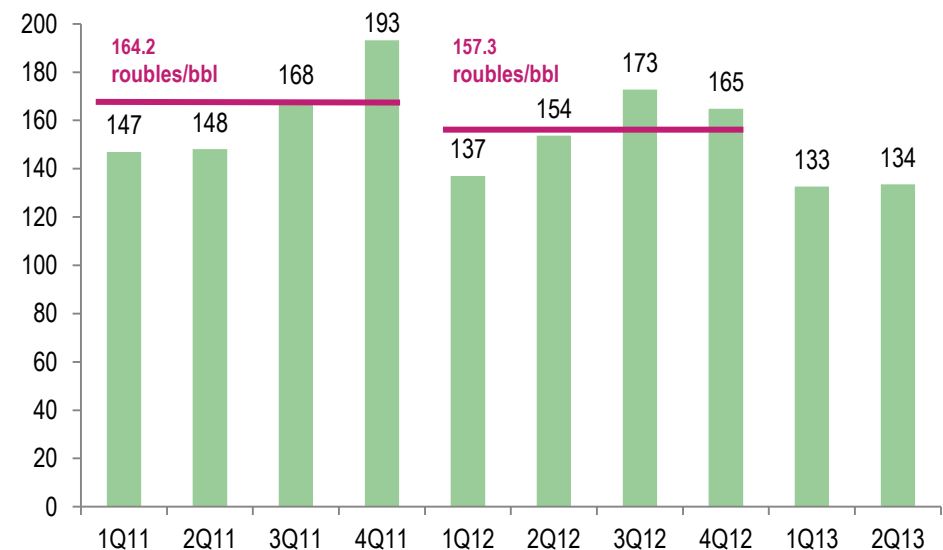
- In the second quarter of 2013, unit costs for production of crude oil increased by 20.0% as compared to the first quarter of 2013 and totalled 245.9 roubles per barrel due to a seasonal increase in the amount of geological and engineering operations and seismic works in the second quarter of 2013;
- For the six months ended June 30, 2013, unit costs for production of crude oil increased by 22.4% as compared to the same period in 2012 and amounted to 238.4 roubles per barrel due to higher cost of services provided by contractors and a rise in heat and electricity prices;

- In the second quarter of 2013, unit refining costs remained the same as in the first quarter of 2013;
- For the six months ended June 30, 2013, unit refining costs decreased by 8.3% as compared to the same period in 2012 and amounted to 133.1 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 production costs, roubles/bbl*



Unit refining costs, roubles/bbl**

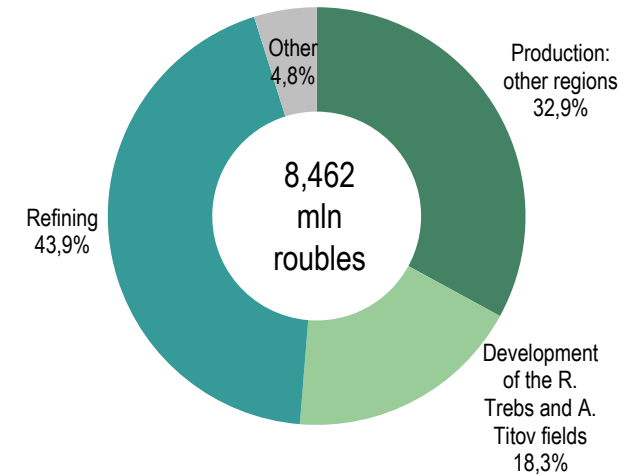


1 tonne = 7.3 barrels of crude oil

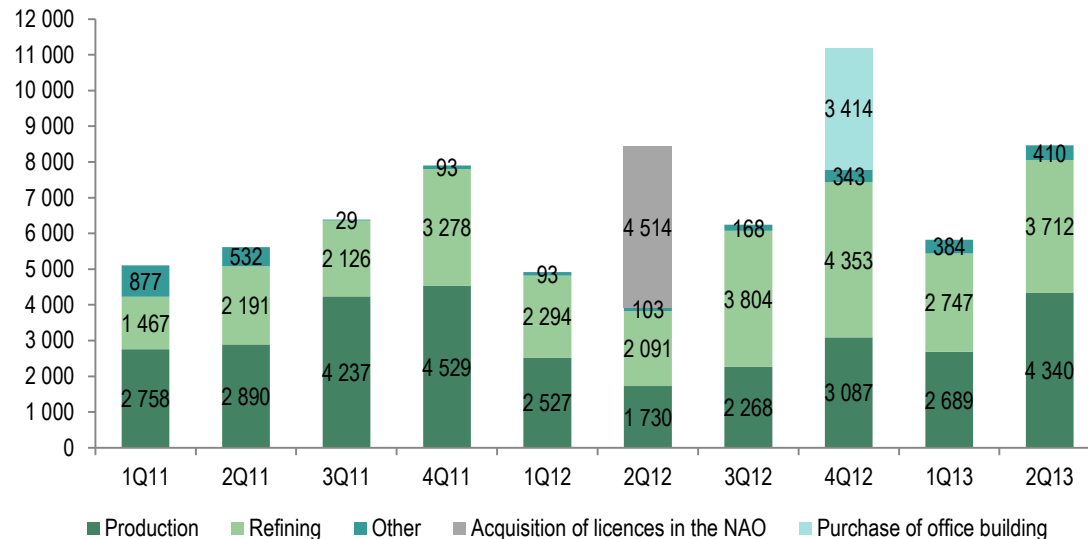
* Comparable financial data on production and operating costs was revised due to the fact that operations of the service organisations have been separated into the separate Group's segment
 **Comparable financial data on production and operating costs was revised due to the fact that operations of the petrochemical complex have been separated into the separate Group's segment

- In the second quarter of 2013, capital expenditures increased by 45.4% as compared to the first quarter of 2013 and totalled 8,462 million roubles. This increase was related mainly to higher capital expenditure on the development of the R. Trebs and A. Titov fields and construction of a catalytic cracking gasoline hydrotreater at Bashneft-UNPZ and a hydrogen production unit at Bashneft-Novoil in the Refining and Marketing segment;
- For the six months of 2013, capital expenditures increased by 7.0% as compared to the same period in 2012, which was related mainly to an increase in CAPEX in the Refining and Marketing segment.

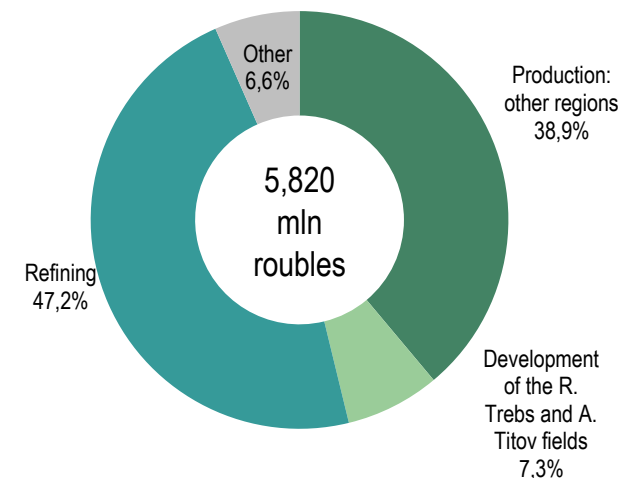
CAPEX breakdown in 2Q 2013



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

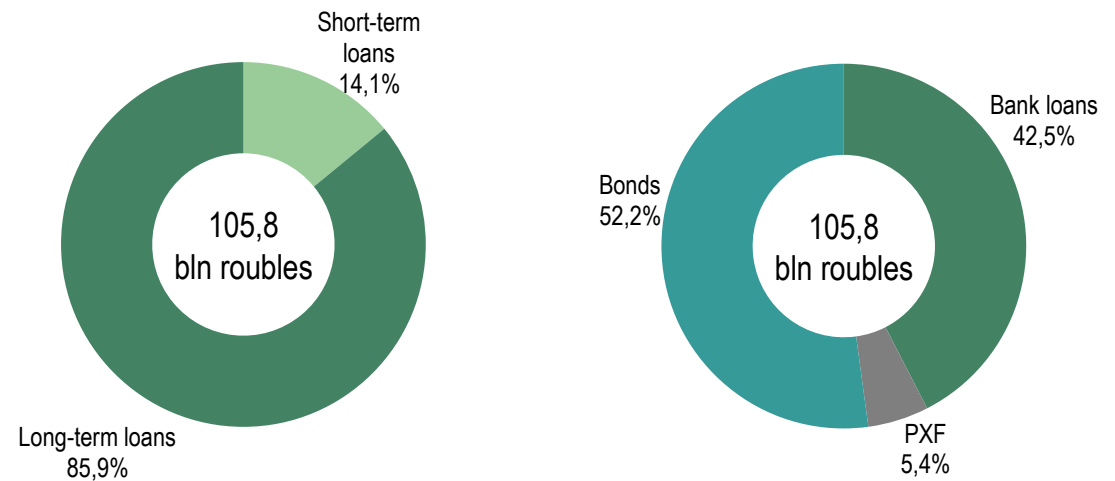


CAPEX breakdown in 1Q 2013

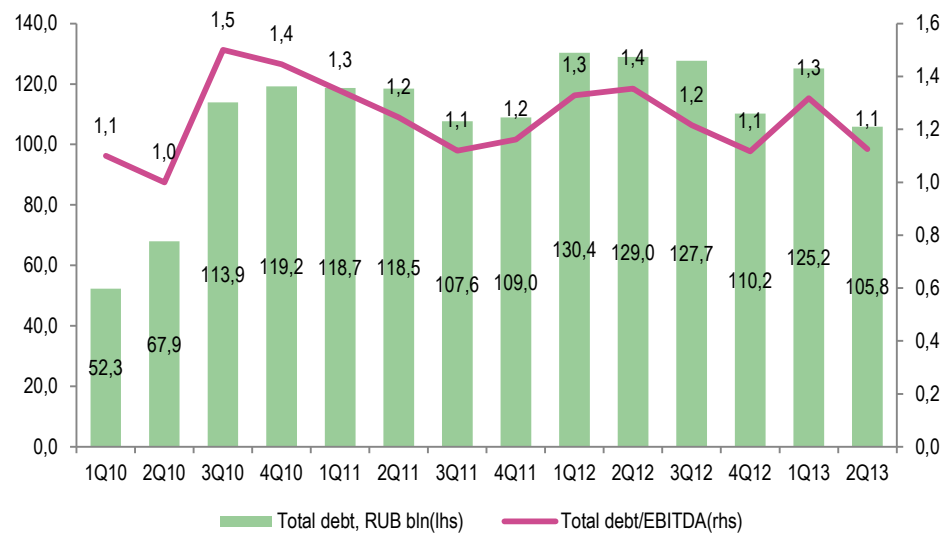


- As of June 30, 2013, the total debt of the Group in the form of short-term and long-term borrowings amounted to 105,832 million roubles compared to 125,186 million roubles as of March 31, 2013;
- The reduction in the total debt is due to repayment of loans;
- As of June 30, 2013, the annual weighted average interest rate on loans stood at 8.6%.

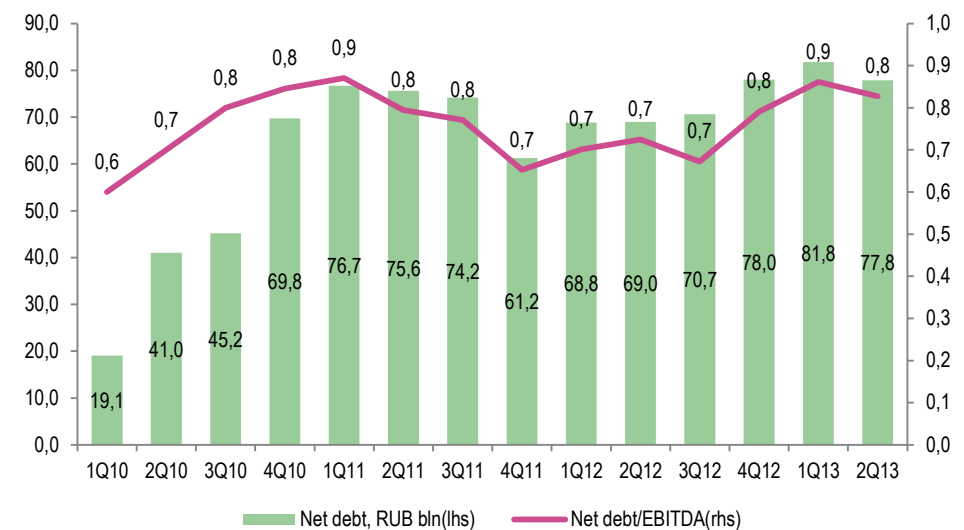
Debt structure



Total debt ratios



Net debt ratios





BASHNEFT

JOINT STOCK OIL COMPANY

Thanks for your attention!

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