



**БАШНЕФТЬ**  
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

**Bashneft Group**

**IFRS results  
for the first quarter of 2014**



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 or other 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.

## Financial results:

- **Revenue** increased by **0.3%** to **146.7 billion roubles**;
- **Adjusted EBITDA\*** amounted to **25.5 billion roubles**;
- **Net income** amounted to **14.0 billion roubles**, up by **2.4%**;
- **Adjusted net debt** increased by **53.3%** to **114.0 billion roubles**.

## Operating results:

- **Average daily oil production** increased by **0.5%** to **332.9 thousand bbl/d**;
- **Average daily refining** rose by **1.7%** to **431.3 thousand bbl/d**;
- **Refining depth** amounted to **83.1%**; **the share of light products** totalled **58.6%**;
- The share of **Euro 4 and Euro 5** gasoline in the total gasoline output \*\* amounted to **83.0%**.

## 1Q2014 vs. 1Q2013:

- **Average daily oil production** increased by **6.8%**;
- **Average daily refining** rose by **1.9%**;
- **Revenue** increased by **16.8%**;
- **Adjusted EBITDA** added **20.8%**;
- **Net income** increased by **16.4%**.

## Key events in early 2014

- In early May, Bashneft completed reorganization through consolidation of CJSC Bashneft-Invest with the Company
- Bashneft's Board of Directors has recommended dividends for 2013 totalling 37.48 billion roubles
- The licence for the R. Trebs and A. Titov fields has been returned to LLC Bashneft-Polyus
- Bashneft and Lukoil have established a joint venture to conduct geological exploration and develop licence areas in the Nenets Autonomous District





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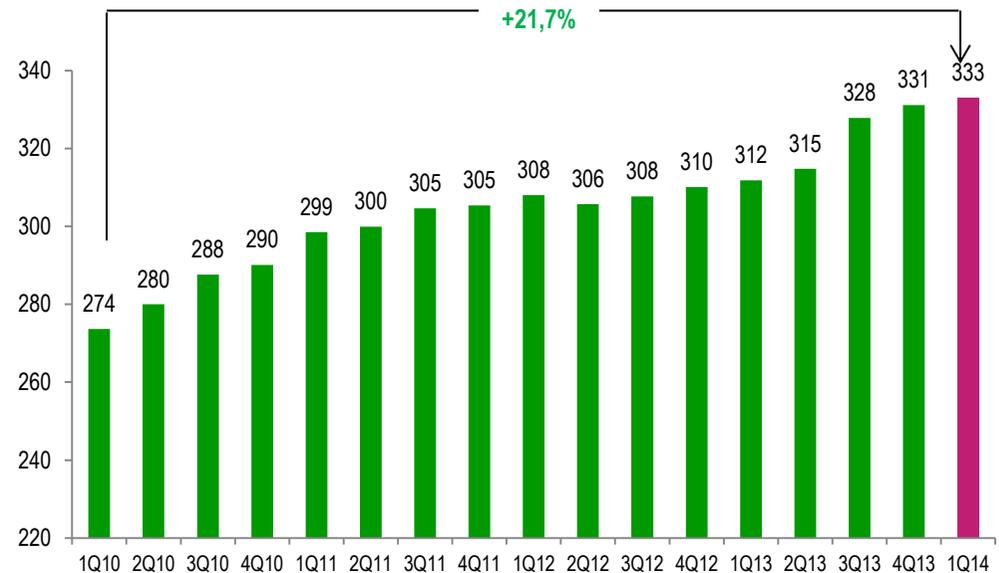
# 1. Operating Results



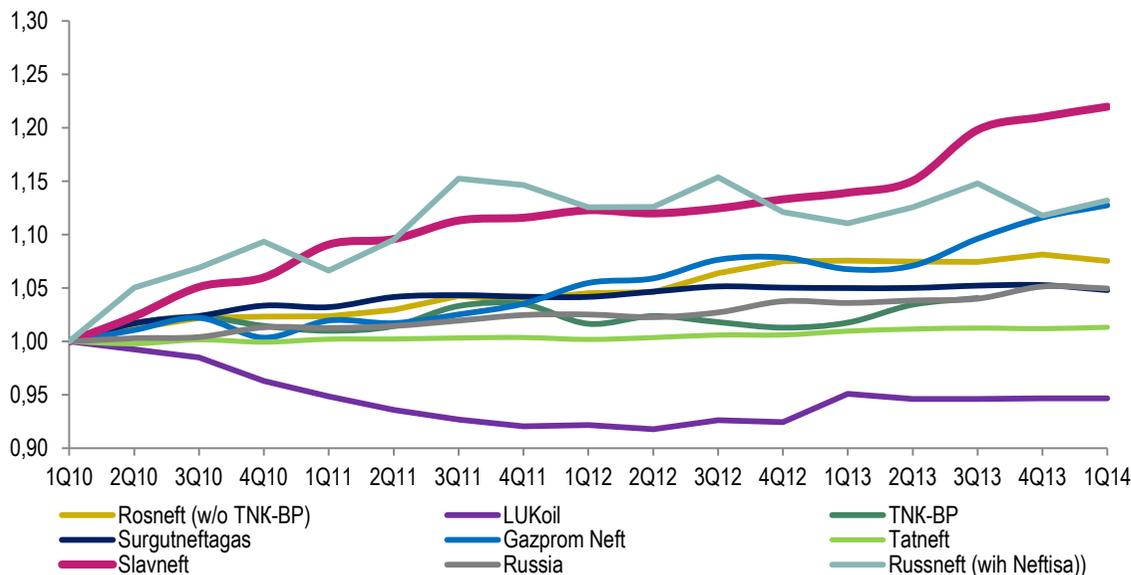
# Production hits a new record high

- In the first quarter of 2014, **oil production** totalled **4.115 million tonnes**. In the first quarter of 2014, Bashneft achieved the strongest organic year-on-year growth of oil production among Russian VICs;
- **Production at brownfields** grew by **2.2%** compared to the first quarter of 2013;
- In the first quarter of 2014, Bashneft's **average daily production** reached **332.9 thousand bbl/d**, which is related both to production growth at brownfields and at the R. Trebs and A. Titov fields;
- In the first quarter of 2014, **average well output** in Bashkortostan amounted to **3.0 tonnes per day**;
- In the first quarter of 2014, the **output of new wells** in Bashkortostan amounted to **50 tonnes per day**.

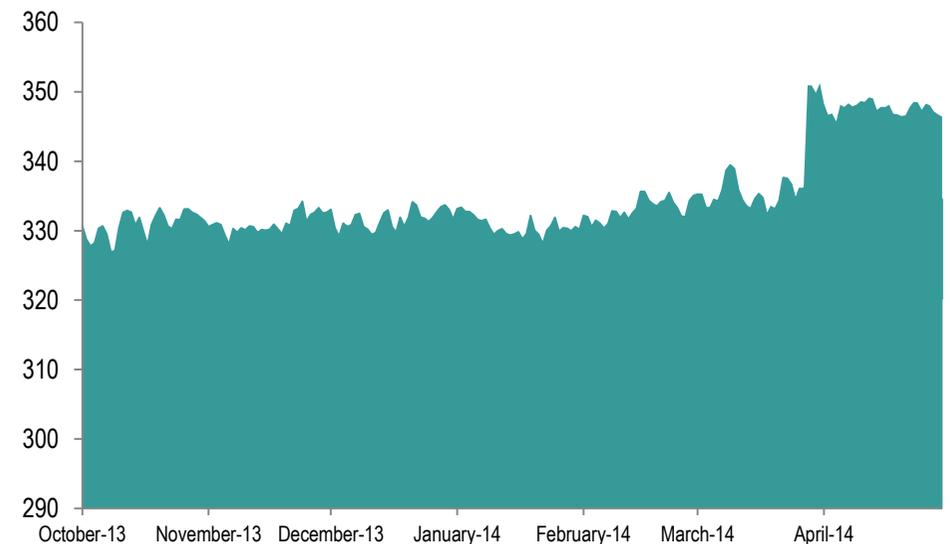
Average daily oil production, thousand bbl/d



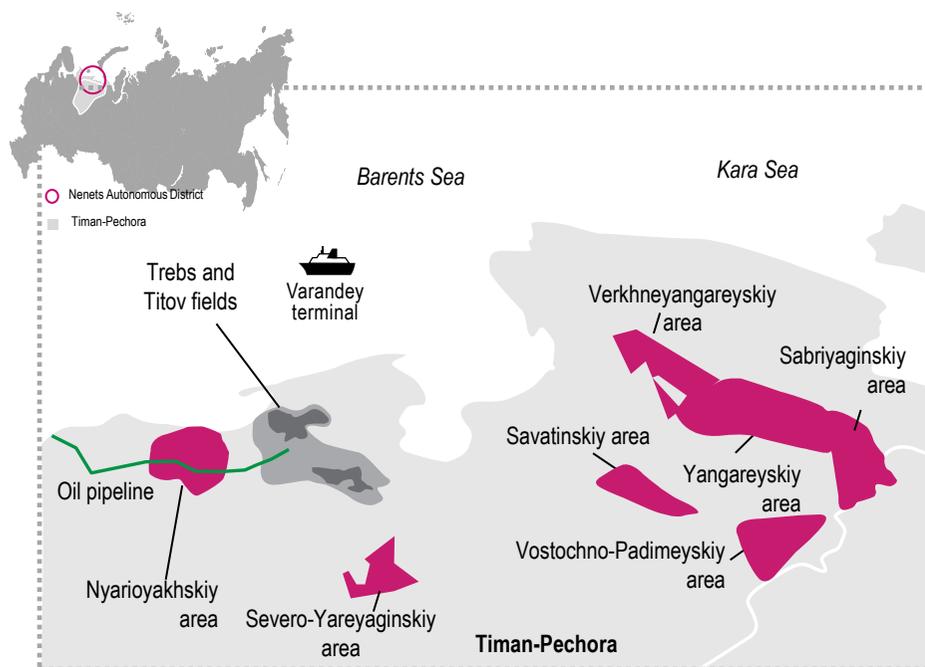
Index of changes in average daily production (1Q '10 = 1)



Total average daily production starting from 4Q 2013

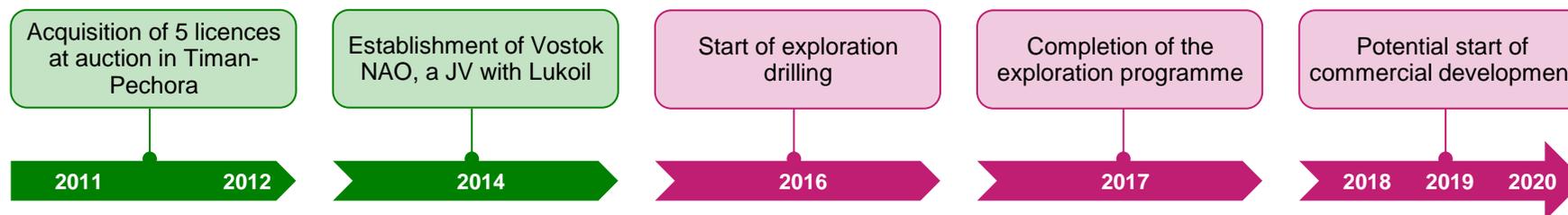


Справочно: (\*) объемы добычи Роснефти нормализованы с учетом добычи TNK-BP Холдинга с 1 кв. 2010 г.



- Vostok NAO, a JV with Lukoil (50/50%) formed in April 2014 to develop 7 licence areas in Timan-Pechora
  - The size of the licence areas situated in close proximity to the Trebs and Titov fields totals 7,918 sq. km
  - Bashneft contributes 5 licences
  - Lukoil contributes 2 licences plus about 3 billion roubles to finance the geological exploration programme
- Partnership with Lukoil, the leading operator in Timan-Pechora, ensures access to export infrastructure through the Varandey terminal and reduces risks
- The geological exploration programme covering 7 areas includes 2D seismic surveys (1,130 km) and 3D seismic surveys (2,853 sq. km); its cost totals about 5 billion roubles.

## Timeline

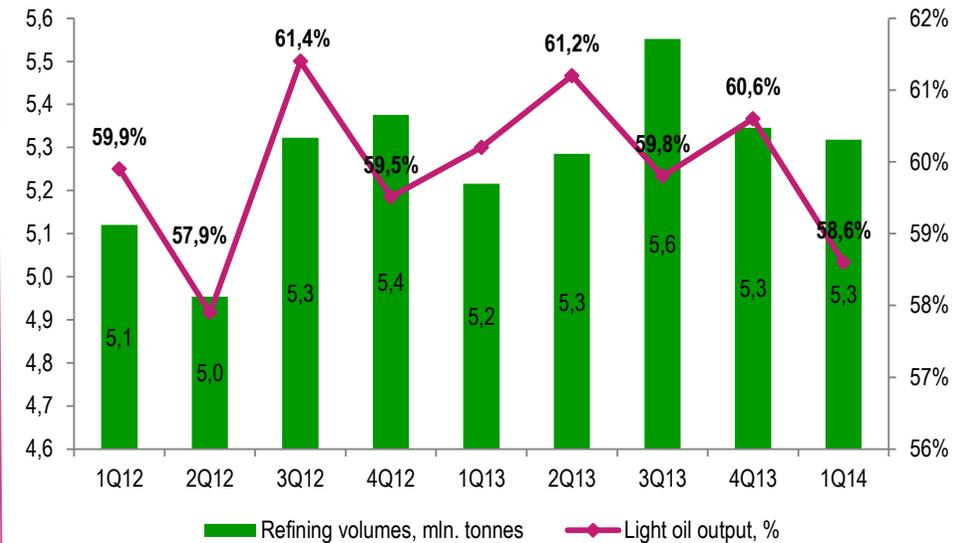


# The refinery upgrade programme implemented at the Ufa refineries enables Bashneft to meet the requirements of the Technical Regulations for fuel quality in due time

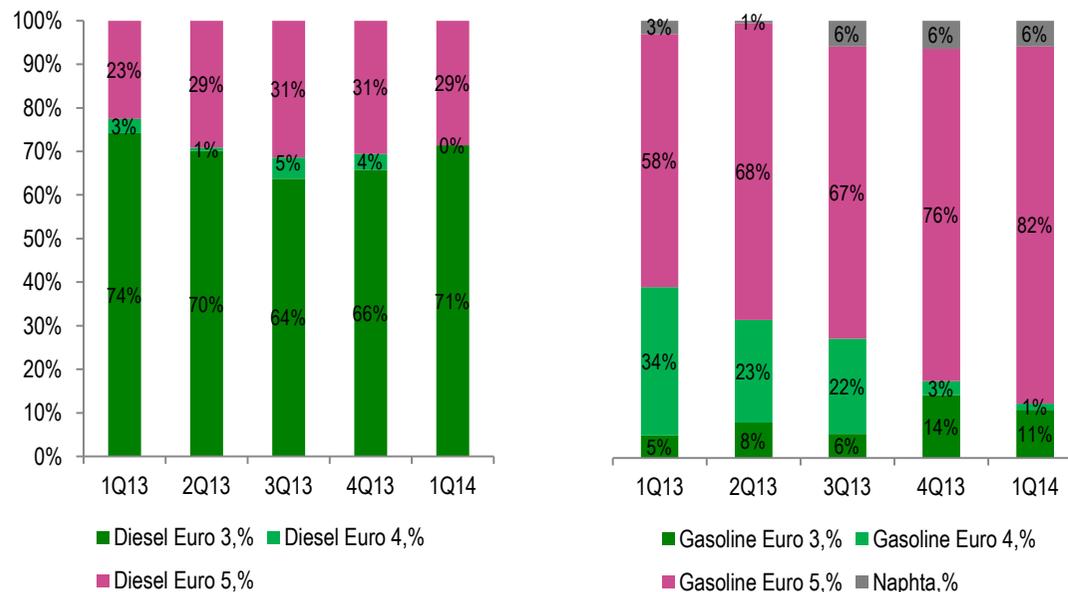
## Main results in 1Q 2014

- In the first quarter of 2014, Bashneft's refineries processed **5.3 million tonnes** of hydrocarbons, which is **2.0% more** than last year (5.2 million tonnes);
- Refining depth averaged **83.1%**, which is one of the best results among Russian vertically integrated oil companies.
- The share of light products amounted to **58.6%**;
- Euro 4 and Euro 5 gasoline accounted for **83.0%** of the total gasoline output.

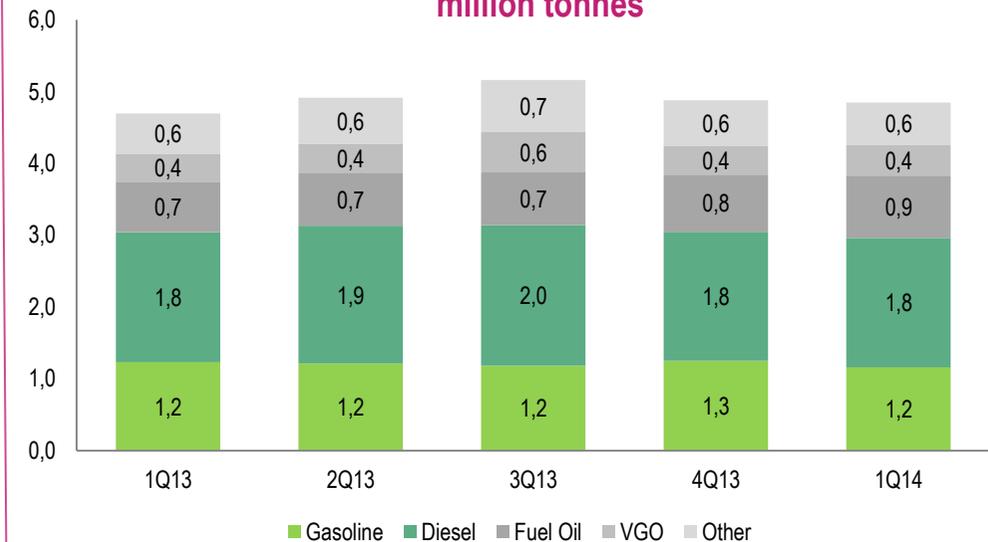
## Oil refining, million tonnes



## Output of gasoline and diesel fuel meeting the Euro standards



## Petroleum products and petrochemicals, million tonnes





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## 2. Financial Results

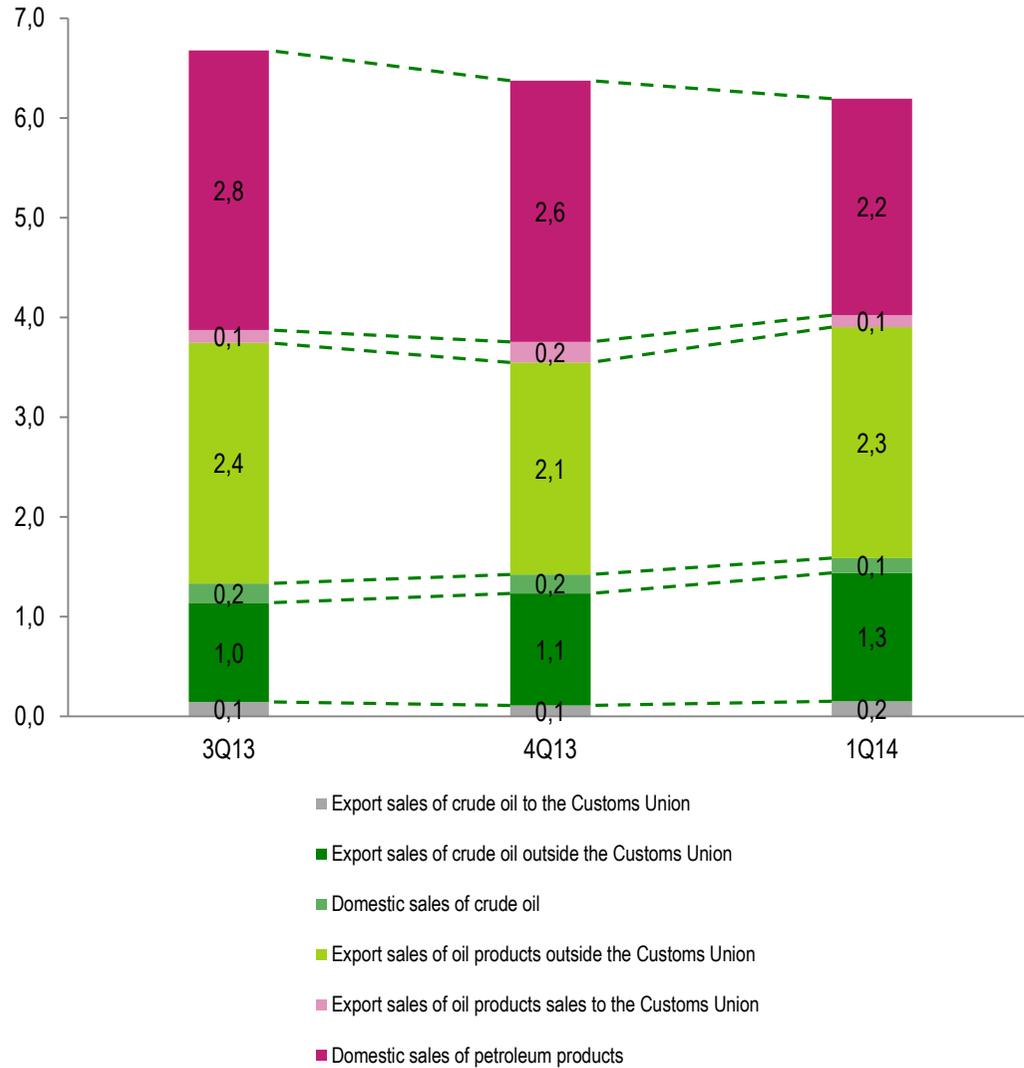


# Bashneft Group's key indicators for 1Q 2014

1Q 2014	4Q 2013	Δ, %	Indicator	1Q 2014	1Q 2013	Δ, %
3,73	3,54	+5,5%	Urals price, thousand roubles/barrel	3,73	3,38	+10,5%
4 115	4 173	-1,4%	Crude oil production, thousand tonnes	4 115	3 844	+7,0%
5 318	5 346	-0,5%	Oil refining, thousand tonnes	5 318	5 216	+2,0%
4 605	4 950	-7,0%	Petroleum product sales, thousand tonnes	4 605	4 437	+3,8%
146,7	146,2	+0,3%	Revenue, billion roubles	146,7	125,6	+16,8%
25,5	27,0	-5,6%	Adjusted EBITDA, billion roubles	25,5	21,1	+20,8%
14,0	13,6	+2,4%	Income for the period attributable to shareholders of the parent company, billion roubles	14,0	12,0	+16,4%
9,1	7,5	+21,5%	Capital expenditures, billion roubles	9,1	5,8	+55,5%
114,0	74,4	+53,3%	Adjusted net debt, billion roubles	114,0	81,8	+39,4%

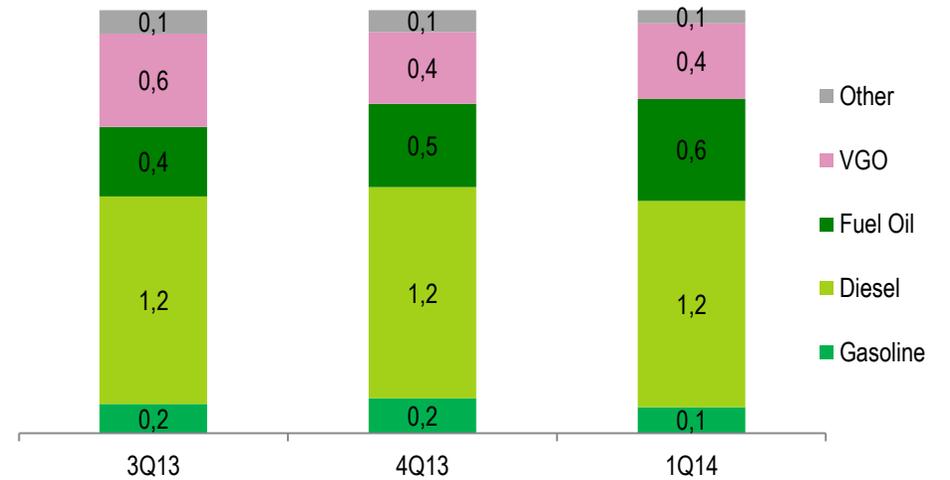
# Changes in sales of crude oil and petroleum products

Sales of crude oil and petroleum products, million tonnes

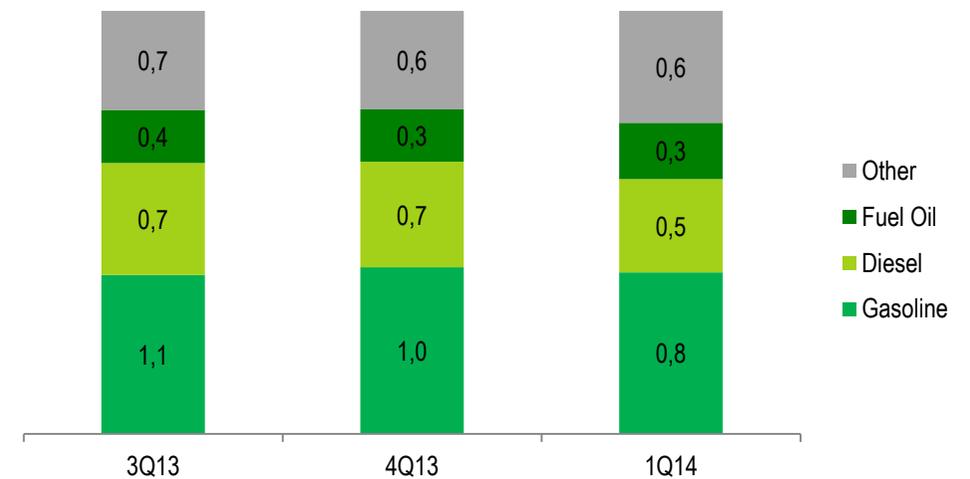


Shift of focus to exports of petroleum products outside the Customs Union

Exports of petroleum products and petrochemicals, million tonnes



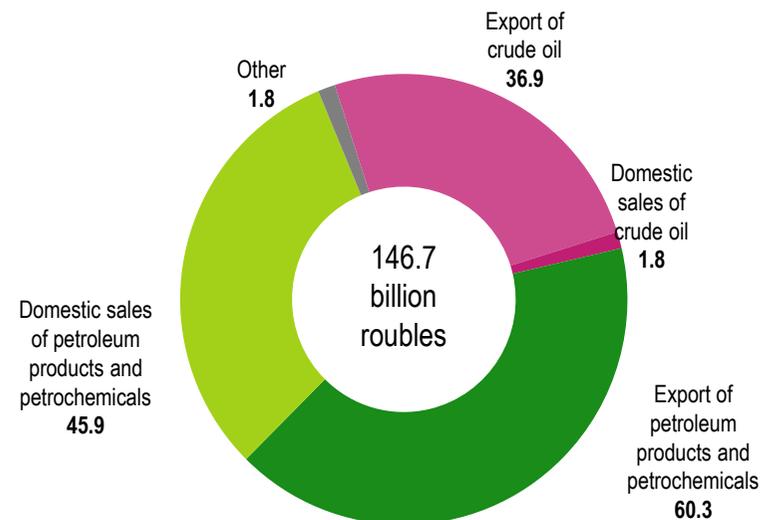
Domestic sales of petroleum products and petrochemicals, million tonnes



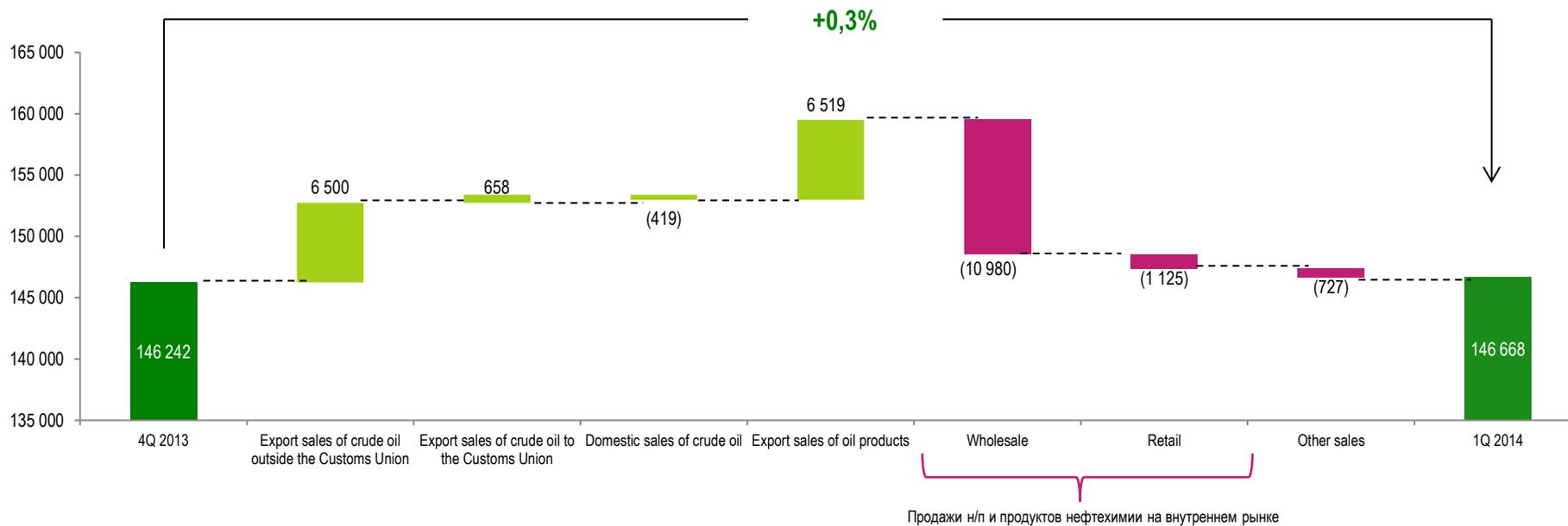
## Main results in 1Q 2014

- In the first quarter of 2014, the revenue of Bashneft Group remained at the level reached in the fourth quarter of 2013 and totalled 146,668 million roubles.
- Revenue increased by 16.8% compared to the first quarter of 2013 due to an increase in sales of crude oil and petroleum products and a rise in global prices.
- In the first quarter of 2014, revenue from export sales of crude oil totalled 36,906 million roubles, which is 24.1% more than in the fourth quarter of 2013 and 40.9% more than in the first quarter of 2013.
- In the first quarter of 2014, revenue from export sales of petroleum products and petrochemicals outside the Customs Union totalled 58,327 million roubles, which is 16.1% more than in the fourth quarter of 2013.

## Revenue breakdown for 1Q 2014, billion roubles

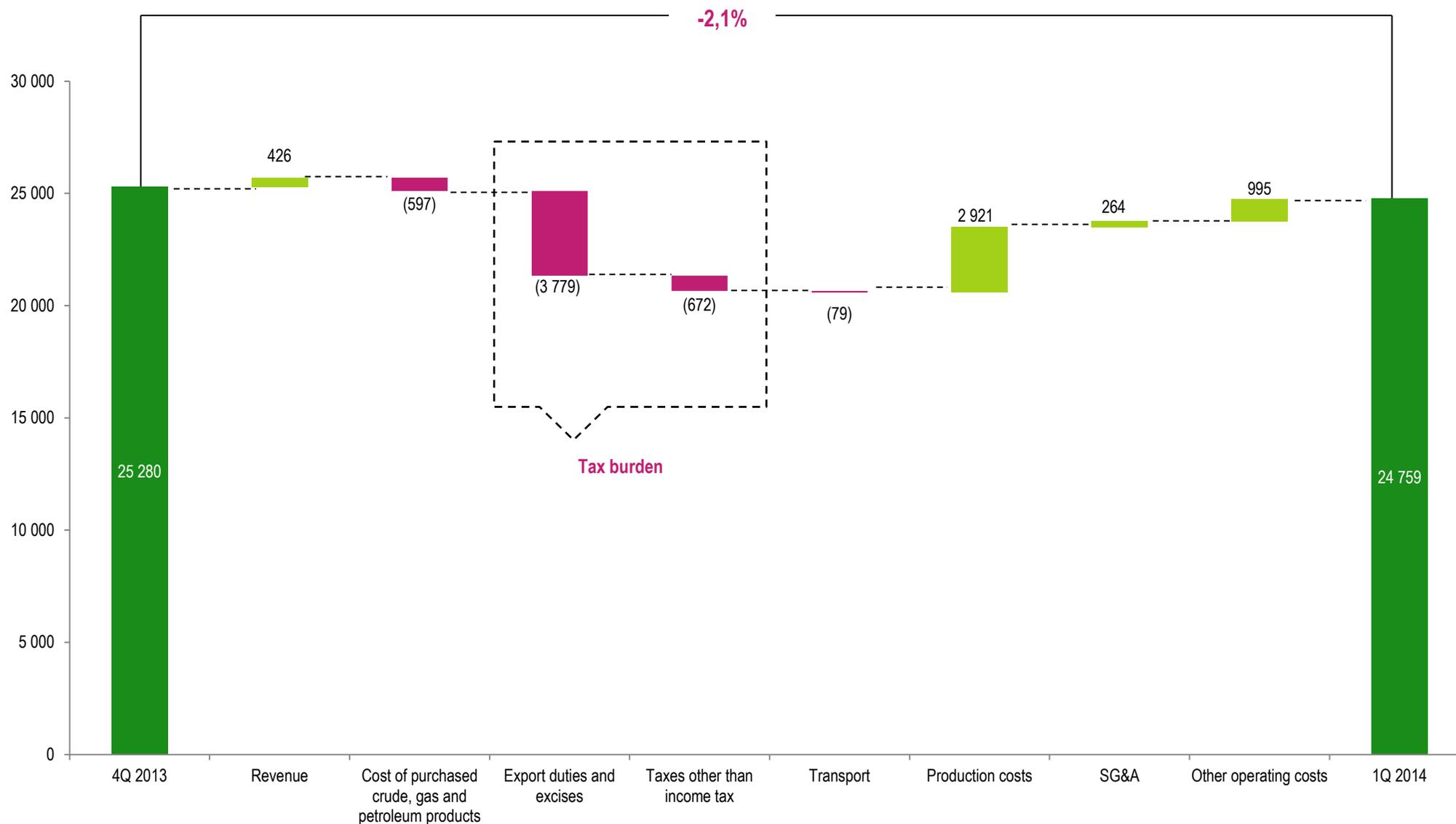


## Revenue factor analysis, million roubles, 1Q 2014 vs. 4Q 2013



# Factor analysis of EBITDA and operating expenses

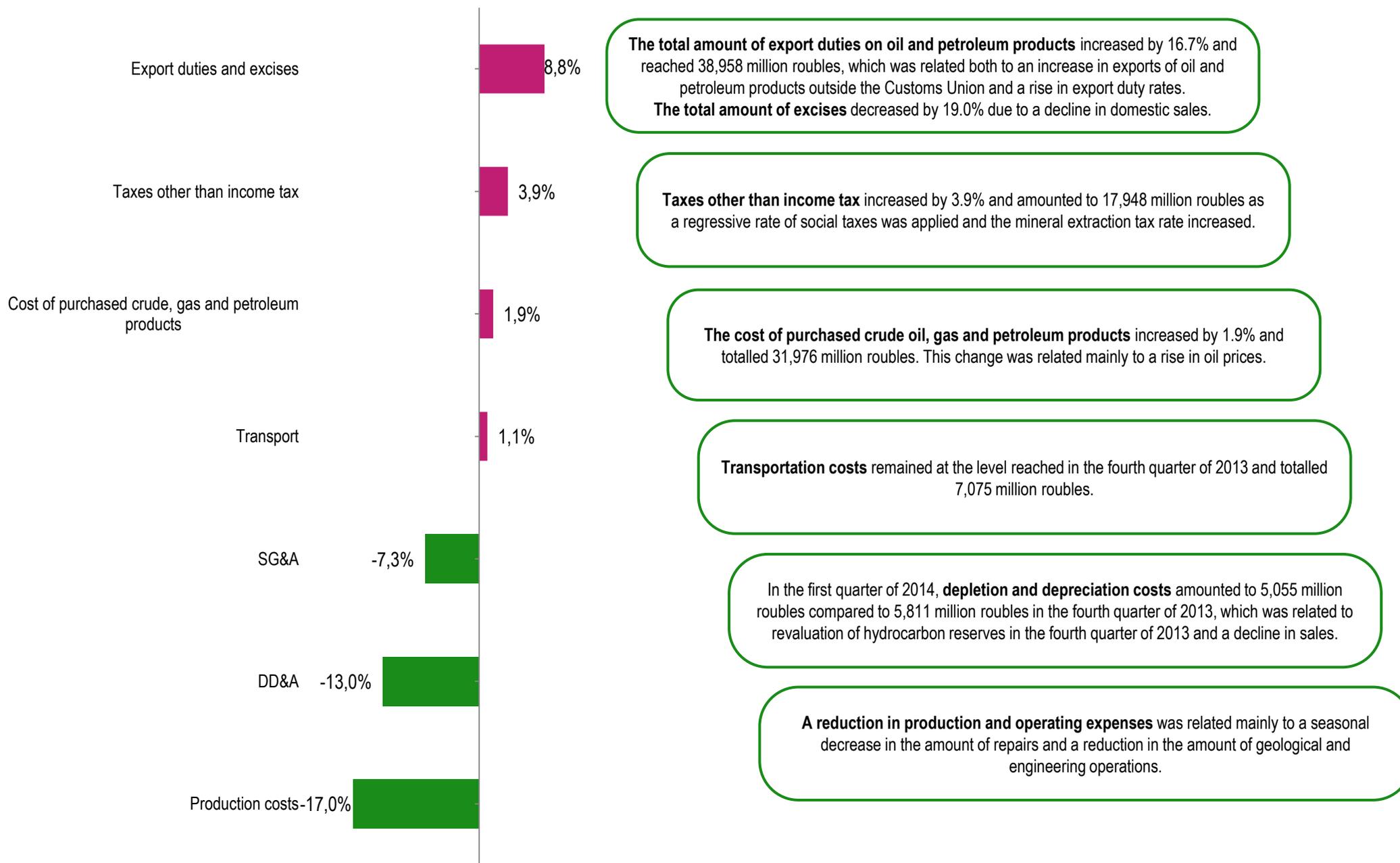
EBITDA factor analysis, million roubles, 1Q 2014 vs. 4Q 2013



Note: (\*) other than income tax.



# Changes in operating expenses in 1Q 2014\*



Note: (\*) as compared to the fourth quarter of 2013 (excluding other operating expenses (income)).

## 1Q 2014 vs. 4Q 2013

- In the first quarter of 2014, unit costs for production of crude oil decreased by 4.1% compared to the fourth quarter of 2013 and amounted to 264.8 roubles per barrel due to a reduction in the amount of geological and engineering operations.

## 1Q 2014 vs. 1Q 2013

- Unit costs for production of crude oil rose by 14.7% compared to the first quarter of 2013
- This increase was related to:
  - higher cost of services provided by contractors
  - a rise in heat and electricity prices
  - the start of development of the R. Trebs field in August 2013

## Unit production costs, roubles/bbl\*



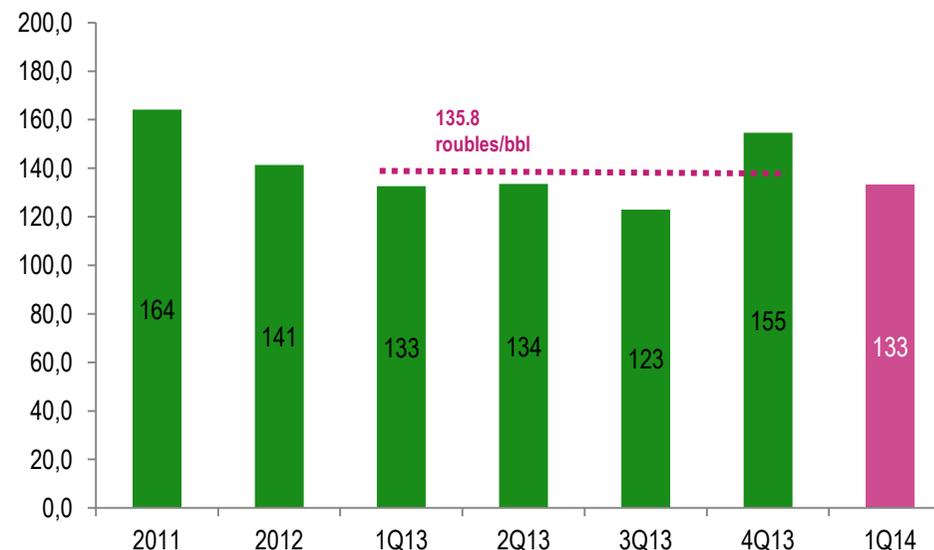
## 1Q 2014 vs. 4Q 2013

- In the first quarter of 2014, unit refining costs declined by 13.8% to 133.3 roubles per barrel.
- This decrease was related to a reduction in the amount of repairs.

## 1Q 2014 vs. 1Q 2013

- Unit refining costs were flat year-on-year.

## Unit refining costs, roubles/bbl\*



## 1Q 2014 vs. 4Q 2013

- Capital expenditures increased by 21.5% and totalled 9,053 million roubles. This increase was related to repayment of accounts payable, which was partially offset by a reduction in construction in the Refining and Marketing segment.

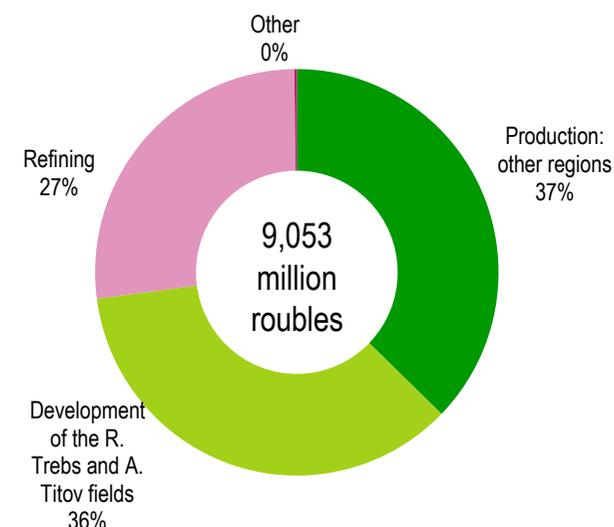
## 1Q 2014 vs. 1Q 2013

- Capital expenditures increased by 55.5% compared to the same period in 2013 due to an increase in capital expenditures in the Upstream segment, including expenditure on the development of the R. Trebs and A. Titov fields.

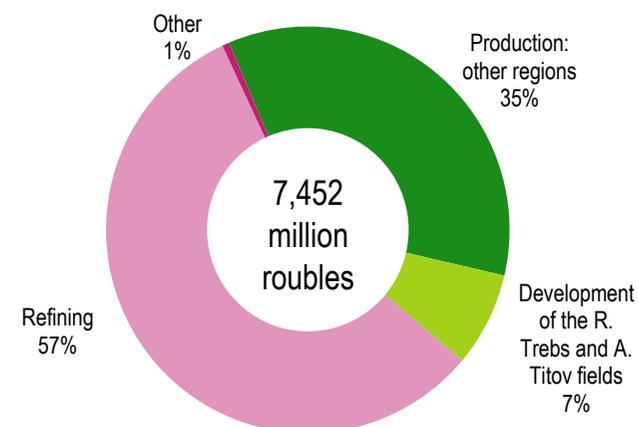
## Changes in CAPEX, million roubles



## CAPEX breakdown in 1Q 2014, million roubles

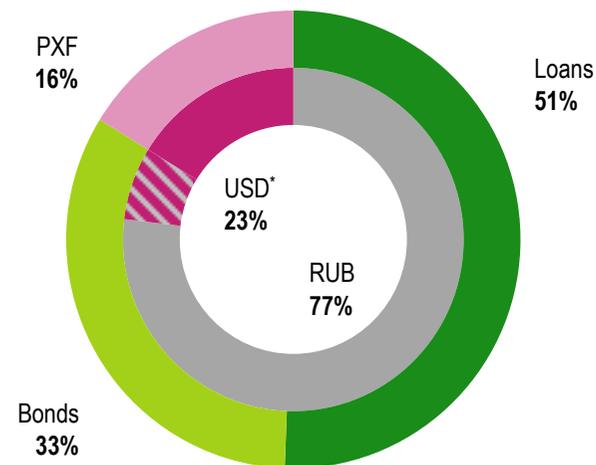


## CAPEX breakdown in 4Q 2013, million roubles

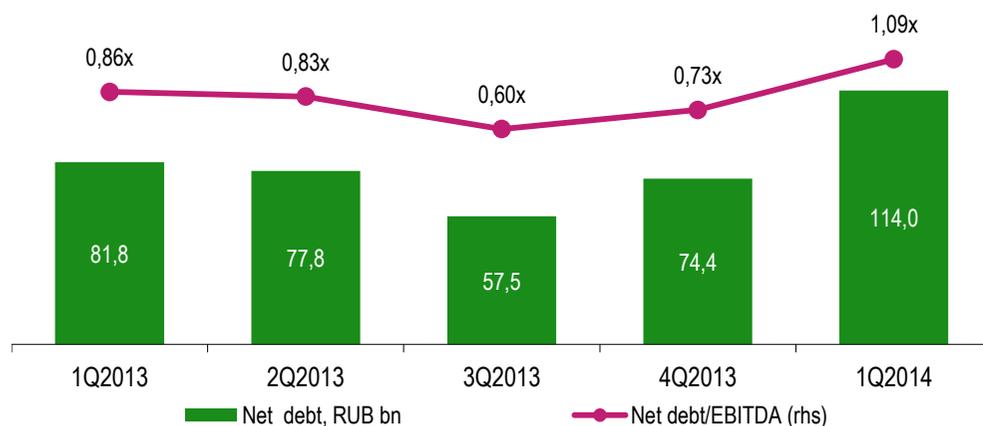


- As of March 31, 2014, **total debt** amounted to **RUB 145.5 bn** compared to RUB 90.8 bn as of December 31, 2013
- In March 2014 Bashneft formed **liquidity reserves** in the amount of RUB 53.7 bn, using short-term credit lines of key partner banks, including:
  - USD 1 bn for the acquisition of Burneftegaz
  - RUB 17,9 bn for share buyback
- As part of the transaction, Bashneft consolidated external debt of Burneftegaz amounting to RUB 0.4 bn which to be redeemed in June 2014
- Consistent **weighted average interest rate reduction** from 2009 was reached 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
- In 1Q2014 **the weighted average interest rate on loans** reached **7.1%** per annum due to raising liquidity cushion in tight deadlines

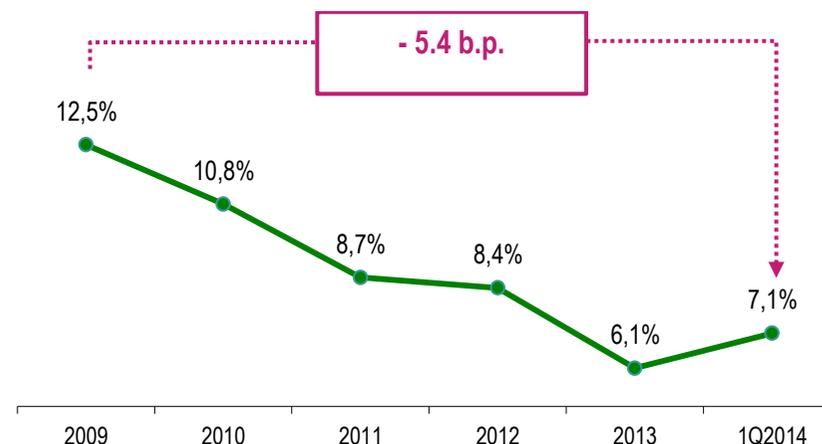
## Debt breakdown as of the end of 1Q2014



## Net debt ratios

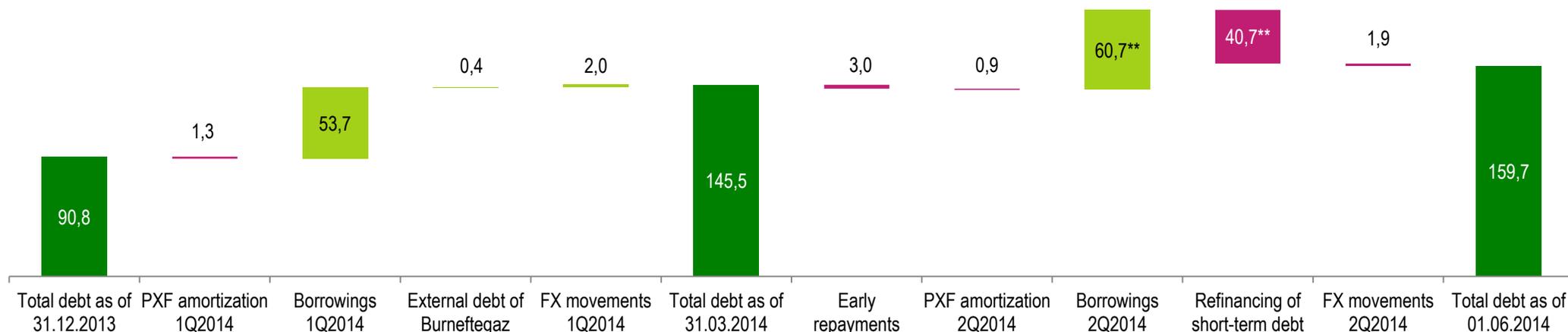


## Changes in the weighted average interest rate



# Ongoing changes in the debt portfolio and funding (as of June 2014)

## Latest changes in funding in 2014\*



\* - according to IFRS methodology

\*\* - includes extension of RUB 30.7 bn

● Effective liquidity management resulted in **refinancing short-term debt raised in March 2014 by long-term facilities** during April-May 2014:

- Extension of RUB 30.7 bn 1 year credit to RUB 30,7 bn 3 years credit line
- Refinancing of RUB 20 bn 1 year credit facility with RUB 10 bn corporate bonds placement with 4.5 years put option and RUB 10 bn long-term credit line (to be refinanced soon)

## Debt maturity profile optimization in 2Q2014, RUB bn





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