



**БАШНЕФТЬ**  
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

## Bashneft Group

**IFRS results  
for the second 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 2Q 2014 vs. 1Q 2014:

- Revenue increased by 11.3% to 163.2 billion roubles;
- Adjusted EBITDA\* increased by 15.9% to 29.5 billion roubles;
- Net income gained 13.6% and reached 15.9 billion roubles;
- Adjusted net debt decreased by 6.1% to 107.1 billion roubles.

## Operating results 2Q 2014 vs. 1Q 2014 :

- Average daily oil production increased by 5.4% to 350.9 thousand bbl/d;
- Average daily refining rose by 1.9% to 439.7 thousand bbl/d;
- Refining depth reached 86.6%; the share of light products amounted to 62.3%;
- The share of Euro 5 gasoline in the total gasoline output \*\* amounted to 88.7%.

## 1H 2014 vs. 1H 2013:

- Average daily oil production increased by 11.5%;
- Average daily refining rose by 2.8%;
- Revenue increased by 18.9%;
- Adjusted EBITDA added 24.6%;
- Net income increased by 18.5%.

## Key events in 1H 2014

- Bashneft completes reorganization through consolidation of CJSC Bashneft-Invest;
- Bashneft AGM decides to pay dividends of RUB 211 per share for 2013
- Bashneft started pilot operation of a catalytic cracking gasoline hydrotreater at the Bashneft-UNPZ Branch;
- Bashneft and Lukoil establish JV – Vostok NAO - to conduct geological exploration and develop license areas in the Nenets Autonomous District
- Bashneft completed the acquisition of a network of filling stations operating under the OPTAN brand name and comprising 91 filling stations and 11 land plots in 12 regions of Russia;
- Moody's upgraded the outlook on Bashneft's corporate family rating to 'positive' and affirmed the rating.





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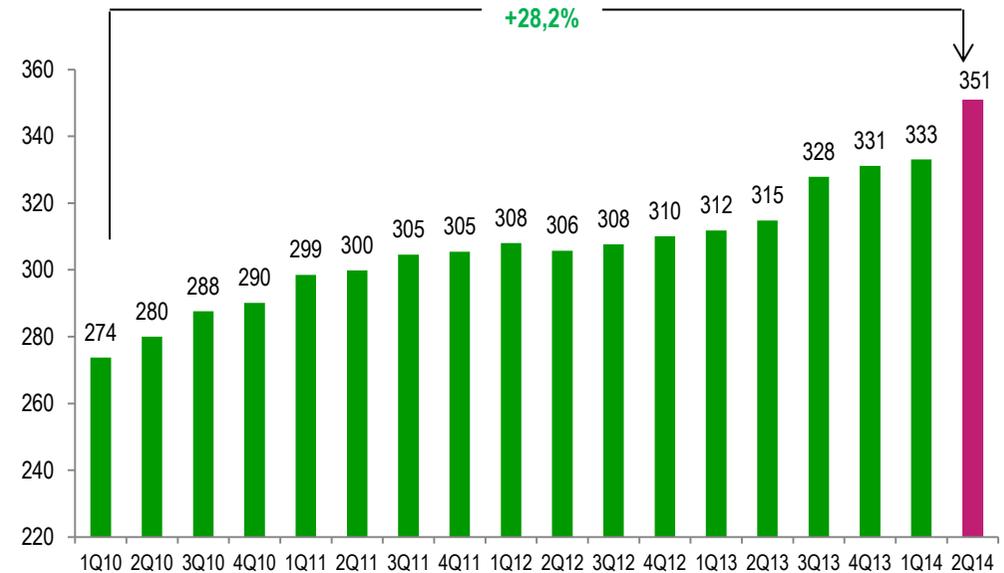
# 1. Operating results



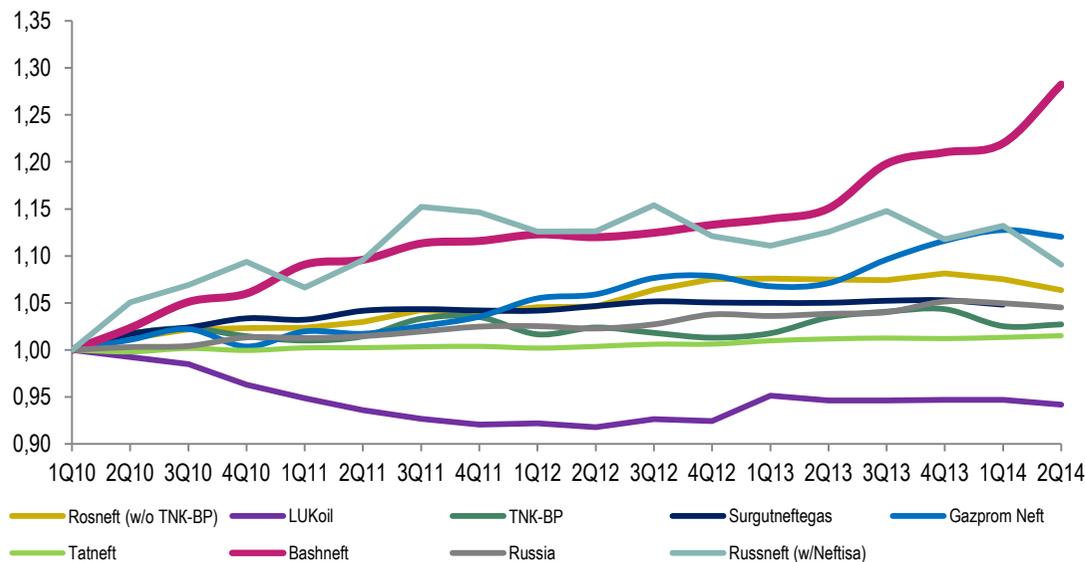
# Production hits a new record high

- In the second quarter of 2014, **oil production** totalled **4.374 million tonnes**. In the second quarter of 2014, Bashneft achieved strong organic growth of oil production and boosted production through the acquisition of Burneftegaz in March 2014;
- **Production at brownfields** grew by **2.5%** compared to the second quarter of 2013;
- In the second quarter of 2014, Bashneft's **average daily production** reached **350.9 thousand bbl/d**, which is related both to production growth at brownfields and at the R. Trebs and A. Titov fields and to the acquisition of Burneftegaz;
- In 2Q 2014 **average well output** in Bashkortostan amounted to **3.01 tonnes per day** compared to 3.00 tonnes per day in 1Q 2014.

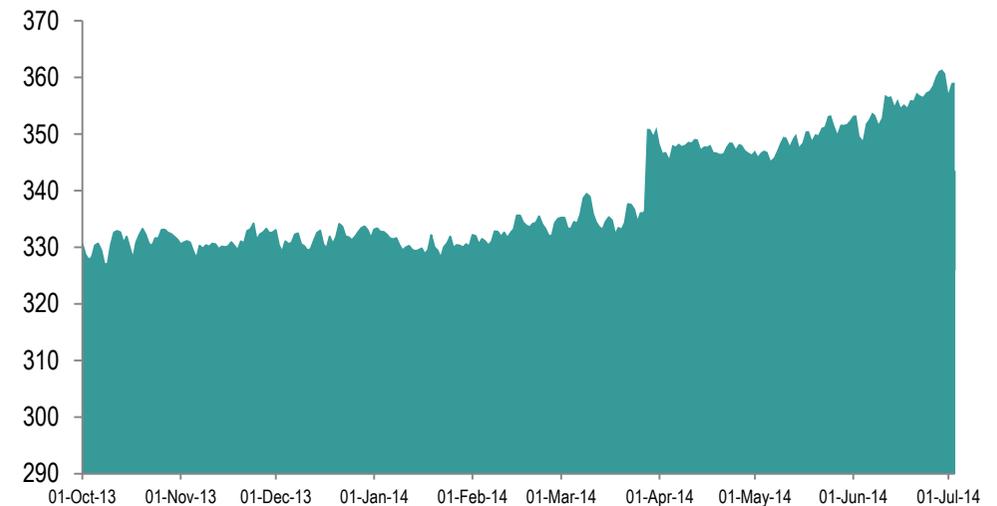
Average daily oil production, thousand bbl/d



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



Total average daily production starting from 4Q 2013



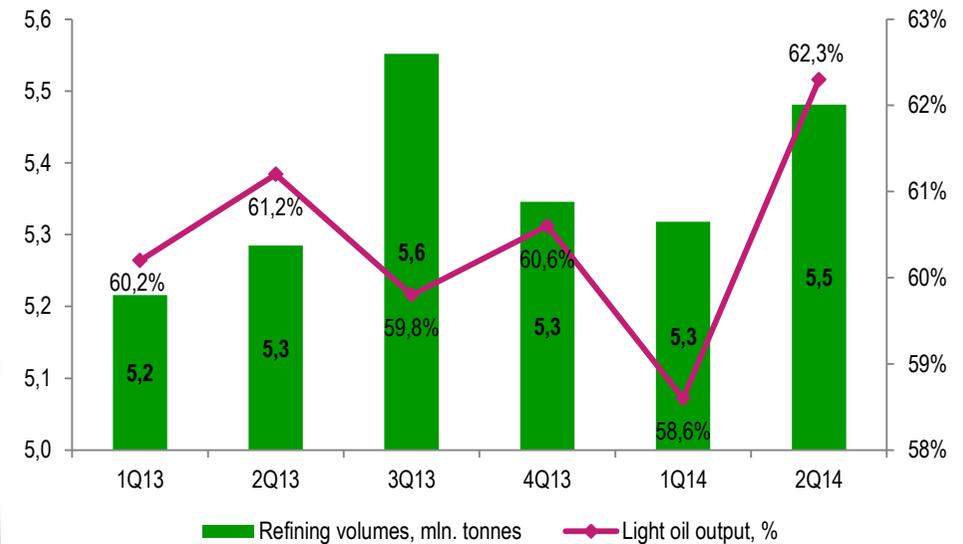
Note: (\*) Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

# 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

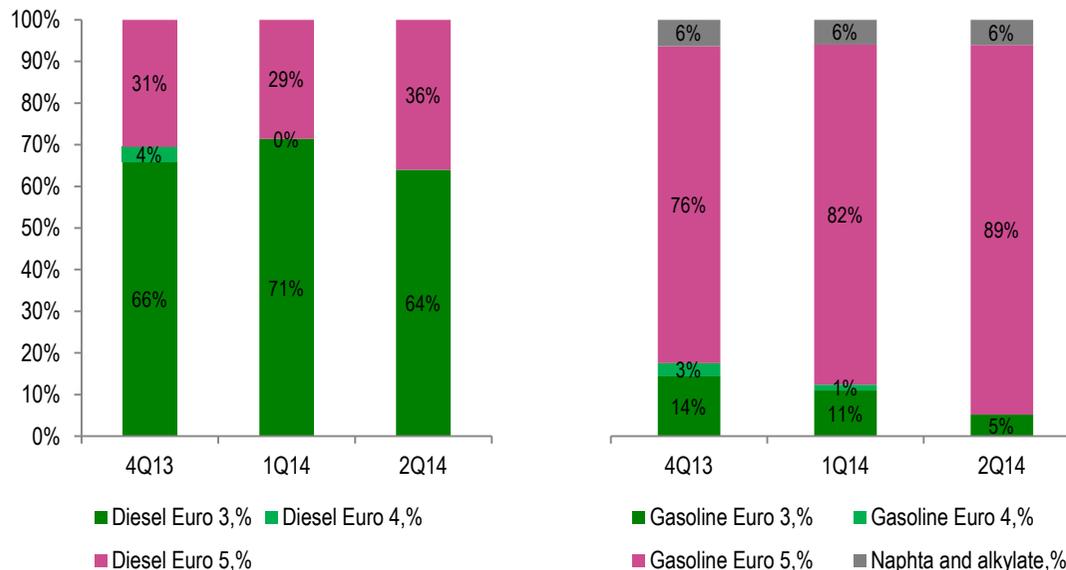
## Main results

- In the second quarter of 2014, Bashneft's refineries processed **5.5 million tonnes** of hydrocarbons, which is **3.1% more** than in the previous quarter (5.3 million tonnes). A change in the petroleum product mix was related to the start of the spring and summer period;
- In the first half of 2014, refining increased by 2.8% compared to the same period in 2013 and amounted to 10.8 million tonnes due to an improvement in market conditions and the launch of alkylation units and a catalytic cracking gasoline hydrotreater;
- The share of light products in Q2 2014 rose by 3.7 p.p. to **62.3%**;
- Euro 5 gasoline accounted for **88.7%** of the total gasoline output.

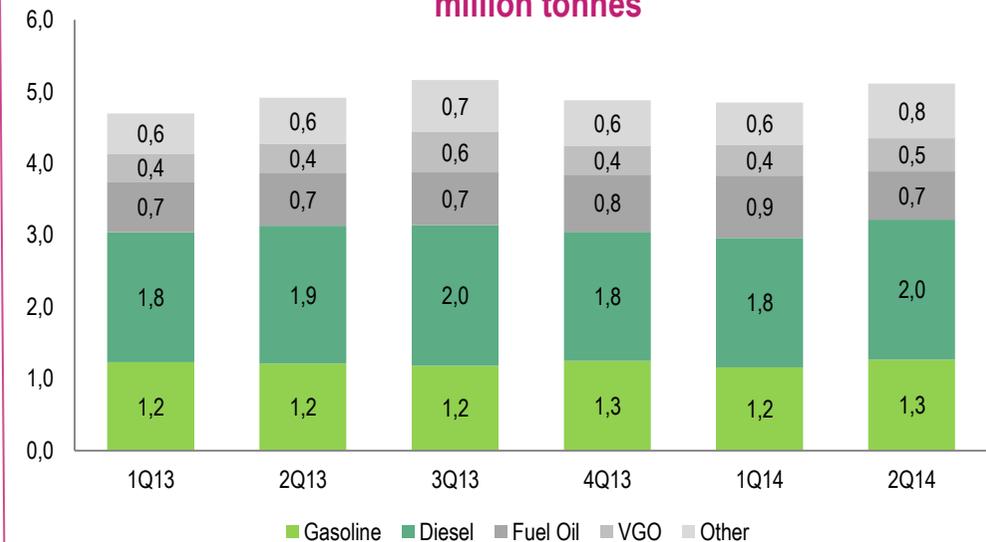
## Oil refining, million tonnes



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



## Petroleum products and petrochemicals, million tonnes





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## 2. Financial results

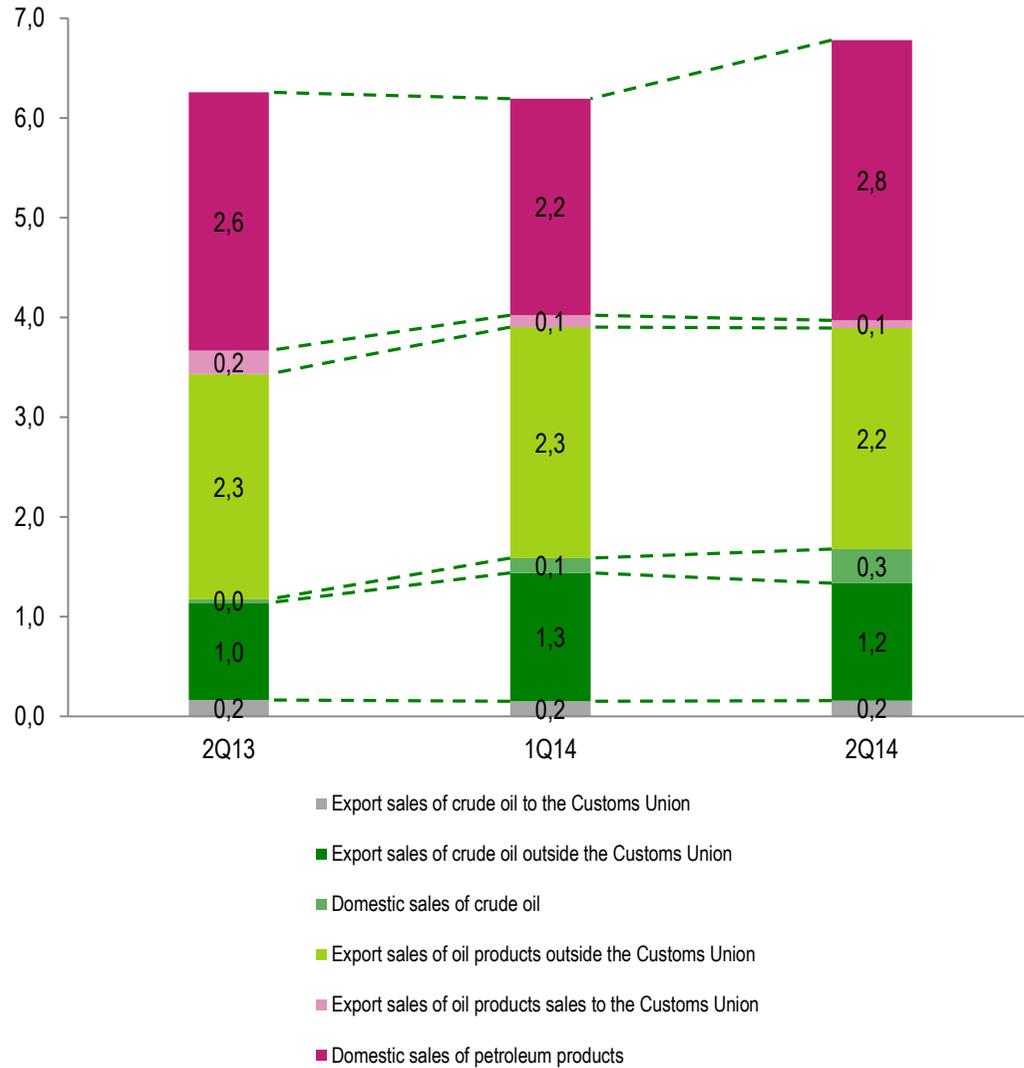


# Bashneft Group's key indicators for 2Q 2014

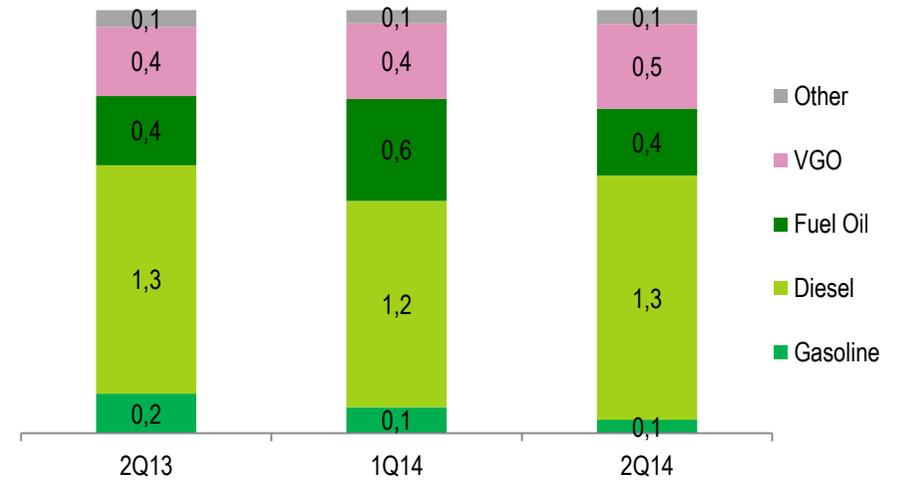
2Q 2014	1Q 2014	Δ, %	Indicator	1H 2014	1H 2013	Δ, %
3,78	3,73	+1,3%	Urals price, thousand roubles/barrel	3,76	3,31	+13,5%
4 374	4 115	+6,3%	Crude oil production, thousand tonnes	8 489	7 768	+9,3%
5 481	5 318	+3,1%	Oil refining, thousand tonnes	10 799	10 501	+2,8%
5 105	4 605	+10,9%	Petroleum product sales, thousand tonnes	9 710	9 519	+2,0%
163,2	146,7	+11,3%	Revenue, billion roubles	309,8	260,5	+18,9%
29,5	25,5	+15,9%	Adjusted EBITDA, billion roubles	55,0	44,1	+24,6%
15,9	14,0	+13,6%	Income for the period attributable to shareholders of the parent company, billion roubles	29,8	25,2	+18,5%
9,8	9,1	+7,8%	Capital expenditures, billion roubles	18,8	14,3	+31,7%
107,1	114,0	-6,1%	Adjusted net debt, billion roubles	107,1	77,8	+37,6%

# Changes in sales of crude oil and petroleum products

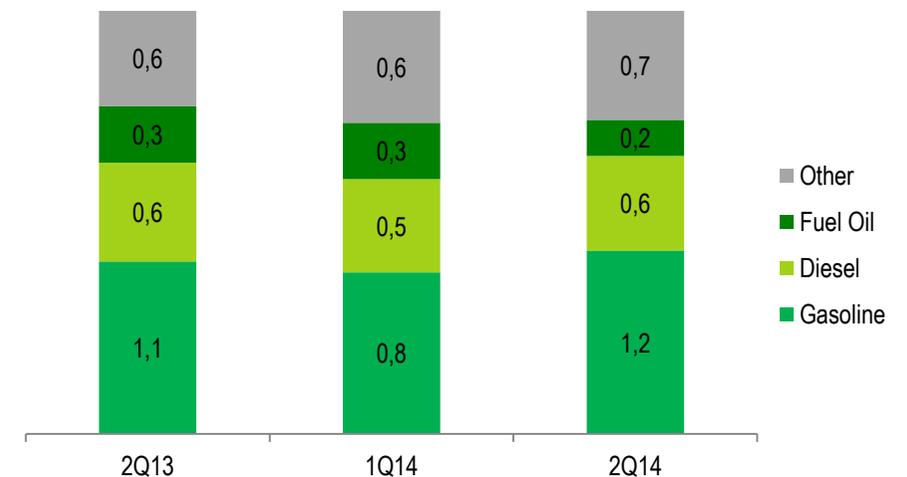
Sales of crude oil and petroleum products, million tonnes



Exports of petroleum products and petrochemicals, million tonnes



Domestic sales of petroleum products and petrochemicals, million tonnes

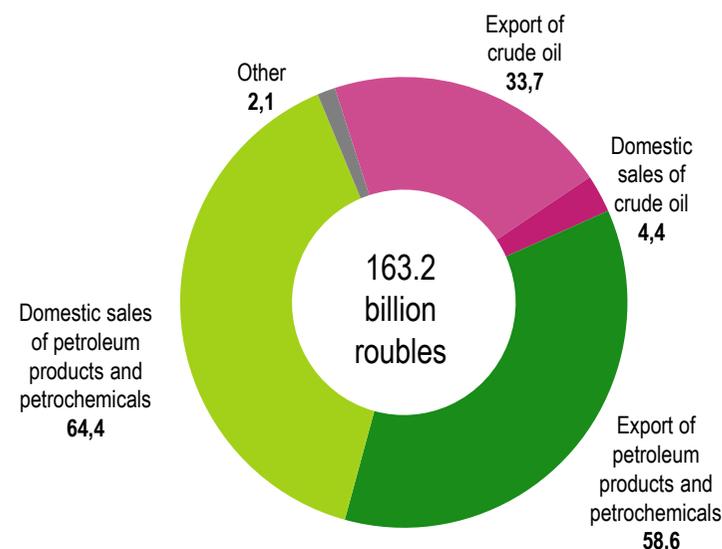


Due to favorable price environment and seasonal growth in domestic oil product prices, the Company increases the sales of petroleum products

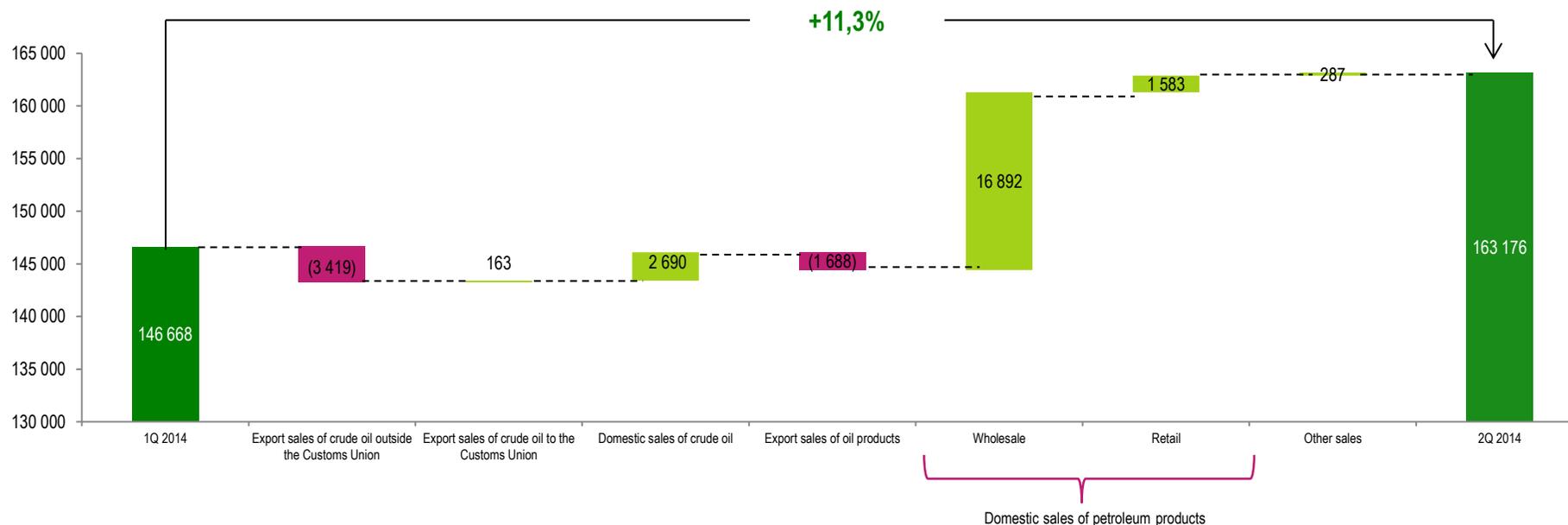
## Main results in 2Q 2014

- In the second quarter of 2014, the revenue of Bashneft Group totalled 163,176 million roubles, which is 11.3% higher than in the first quarter of 2014. The increase in the revenue was caused mainly by an increase in sales of petroleum products and a rise in prices;
- During the six months ended 30 June 2014, revenue grew by 18.9% compared to the same period in 2013 and amounted to 309,844 million roubles;
- In the second quarter of 2014, revenue from domestic sales of crude oil totalled 4,431 million roubles, which is considerably higher than in the first quarter of 2014. The increase was related to growing sales of crude oil due to the acquisition of Burneftegaz Group.

## Revenue breakdown for 2Q 2014, billion roubles

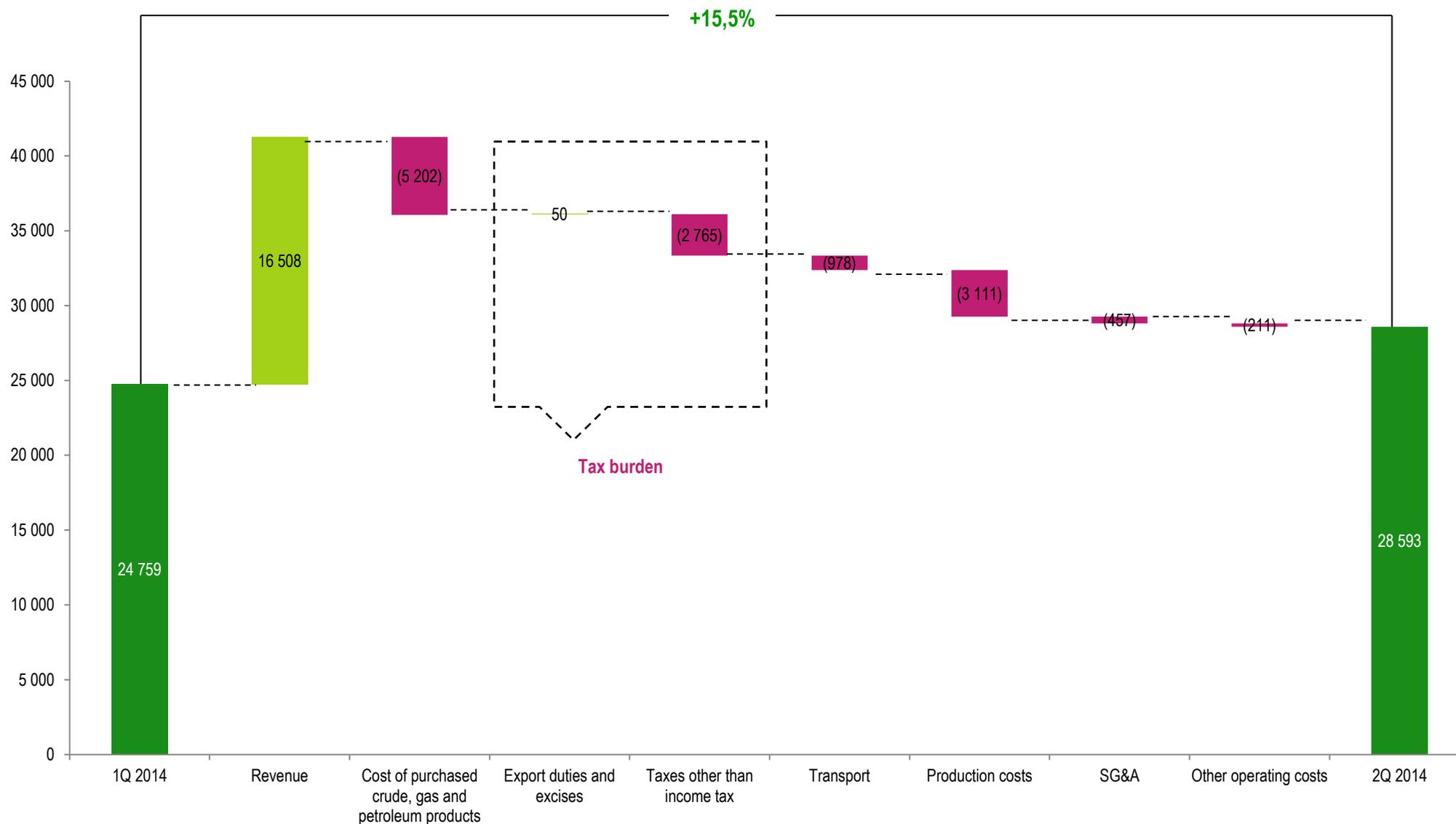


## Revenue factor analysis, million roubles, 2Q 2014 vs. 1Q 2014



# Factor analysis of EBITDA and operating expenses

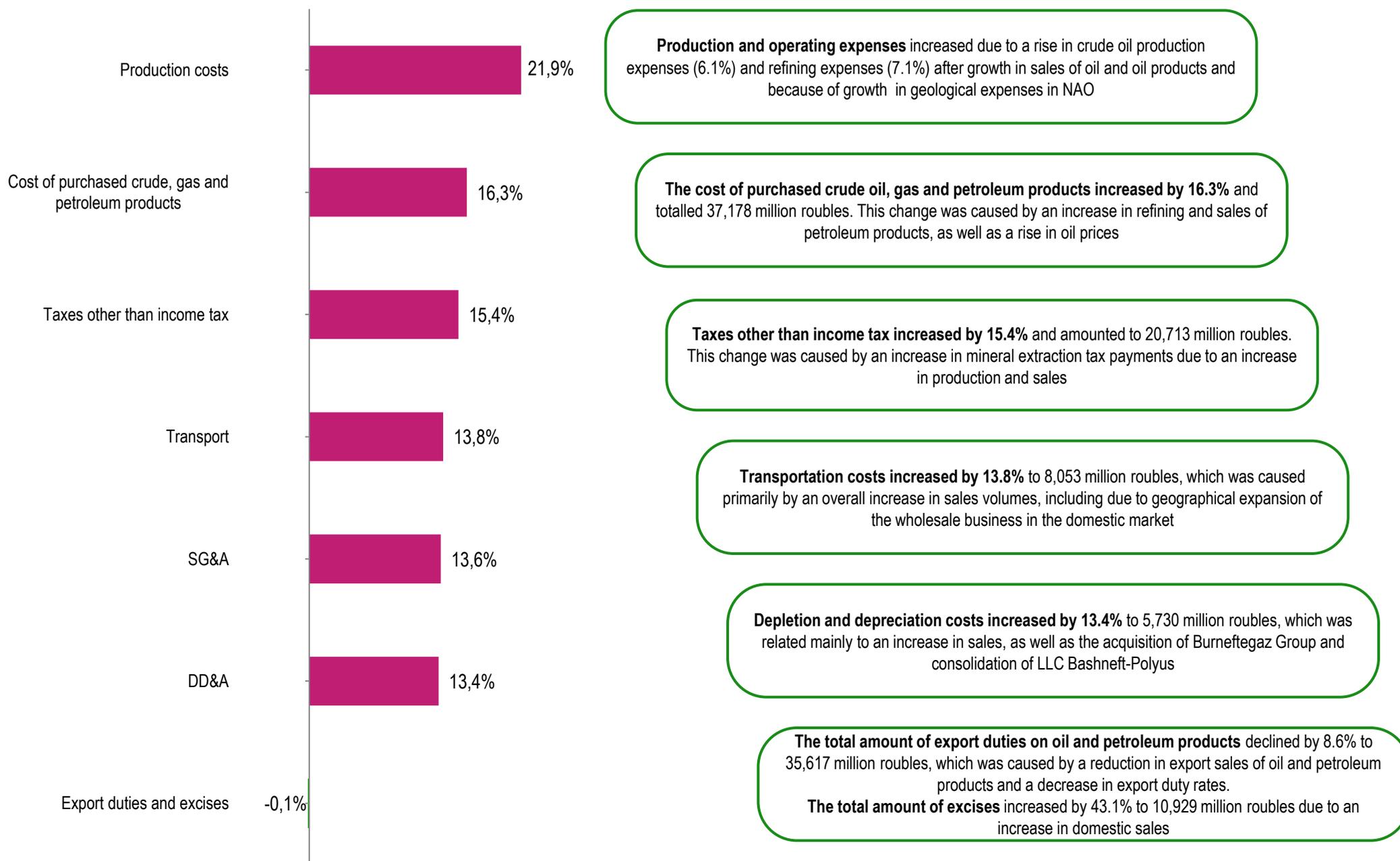
EBITDA factor analysis, million roubles, 2Q 2014 vs. 1Q 2014



Note: (\*) other than income tax.



# Changes in operating expenses in 2Q 2014\*



Note: (\*) as compared to the first quarter of 2014 (excluding other operating expenses (income)).

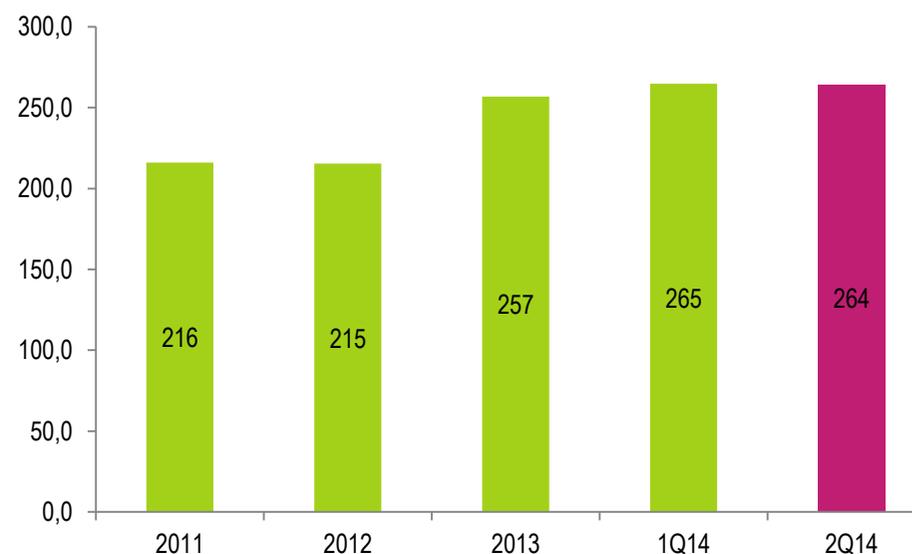
## 2Q 2014 vs. 1Q 2014

- In the second quarter of 2014, unit costs for production of crude oil remained at the level reached in the first quarter of 2014.

## 1H 2014 vs. 1H 2013

- In the first half of 2014, unit costs for production of crude oil increased by 10.9% compared to the same period in 2013 and amounted to 264.5 roubles per barrel, which was related to:
  - additional geological and engineering operations performed in order to meet production targets;
  - a rise in electricity prices;
  - an increase in expenditure on major repairs.

Unit production costs, roubles/bbl\*



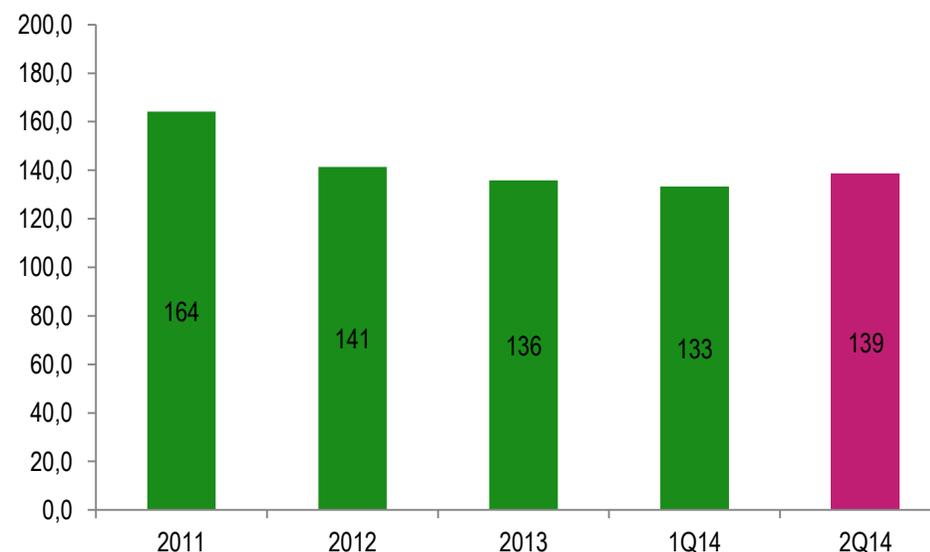
## 2Q 2014 vs. 1Q 2014

- In the second quarter of 2014, unit refining costs increased by 3.9% compared to the same period in 2013 and amounted to 138.5 roubles per barrel due to an increase in the amount of repairs.

## 1H 2014 vs. 1H 2013

- In the first half of 2014, unit refining costs increased by 2.2% compared to the same period in 2013 and totalled 136.0 roubles per barrel due to an increase in expenditure on repairs.

Unit refining costs, roubles/bbl\*



# An efficient CAPEX programme to support future growth

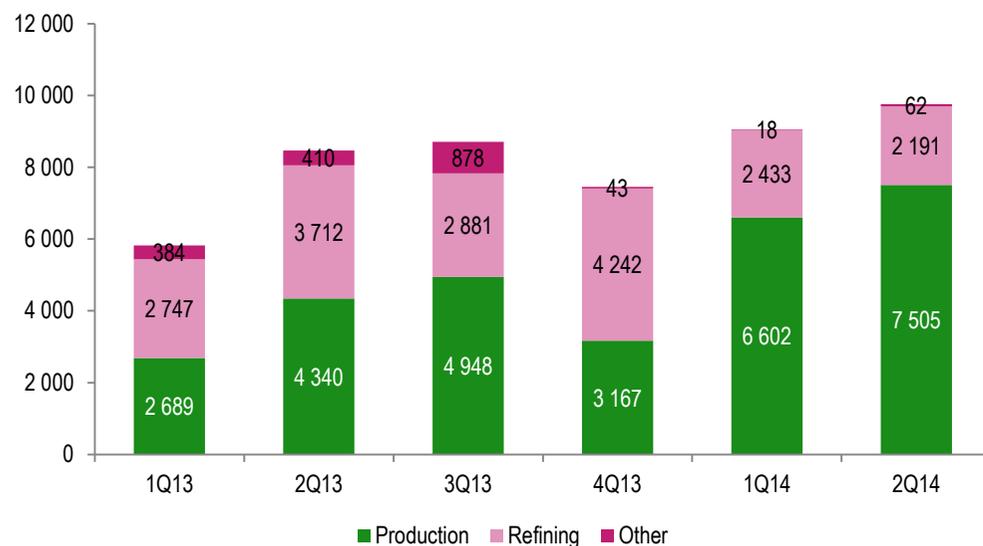
## 2Q 2014 vs. 1Q 2014

- In the second quarter of 2014, capital expenditures increased by 7.8% compared to the first quarter of 2014 and amounted to 9,758 million roubles. This increase was caused mainly by an increase in expenditure on the development of the R. Trebs and A. Titov fields and the acquisition of Burneftegaz Group.

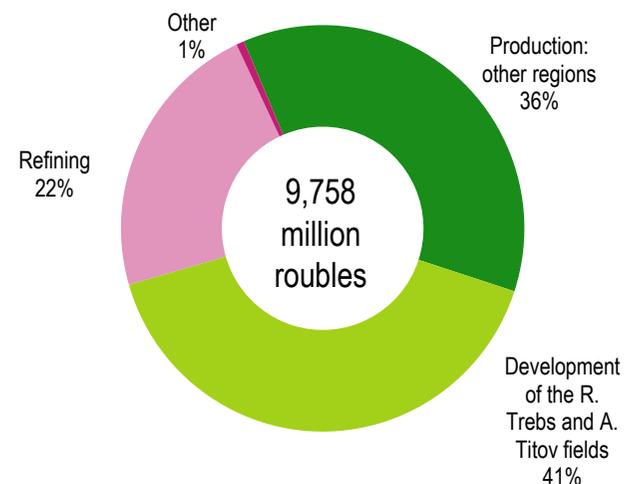
## 1H 2014 vs. 1H 2013

- Capital expenditures increased by 31.7%, primarily due to an increase in capital expenditure in the Upstream segment driven by expenditure on the development of the R. Trebs and A. Titov fields and the acquisition of Burneftegaz Group, which was partially offset by a reduction in construction in the Refining and Marketing segment.

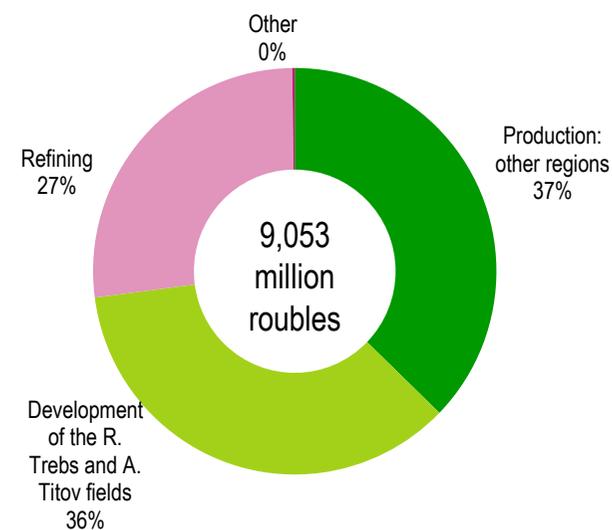
## Changes in CAPEX, million roubles



## CAPEX breakdown in 2Q 2014, million roubles

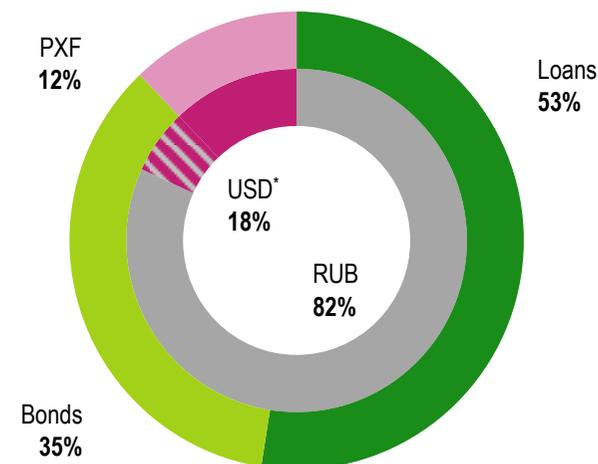


## CAPEX breakdown in 1Q 2014, million roubles

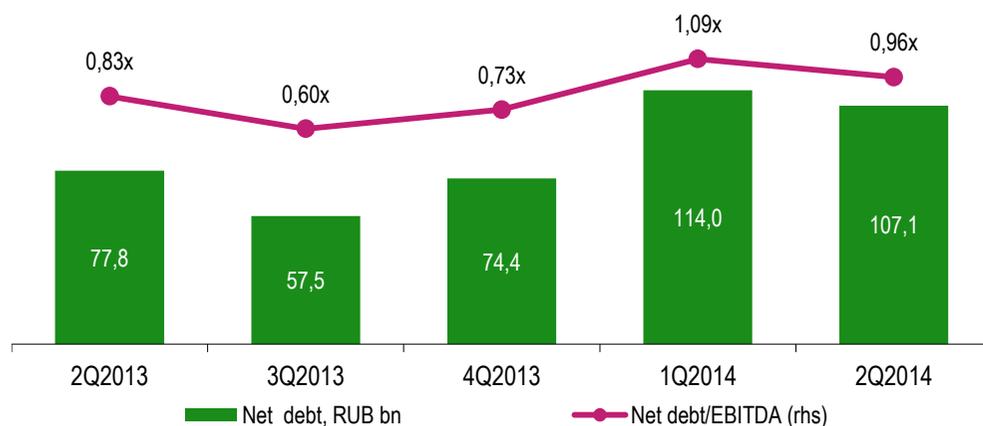


- As of June 30, 2014, **total debt** amounted to **RUB 164.6 bn** compared to RUB 145.5 bn as of March 31, 2013
- Since May of 2014 **BN-Polus** has been included into the perimeter of consolidation of Bashneft which resulted in debt increase by **RUB 6 bn** by the end of 2Q2014. (loans granted by Lukoil in accordance with the share of 25%).
- As part of the acquisition of Burneftegaz, Bashneft consolidated external debt of Burneftegaz amounting to RUB 0.4 bn which **was redeemed in June 2014**
- In 2Q2014 **the weighted average interest rate on loans** reached **7.9%** per annum due to **refinancing of short-term debt with longer instruments**
- Effective liquidity management resulted in **refinancing short-term debt raised in March 2014 by long-term facilities** during April-June 2014:
  - Extension of RUB 30.7 bn 1 year credit to 3 years credit line
  - Refinancing of RUB 20 bn 1 year credit facility with RUB 10 bn bonds placement with 4.5 years put option and RUB 10 bn 5 years credit line.

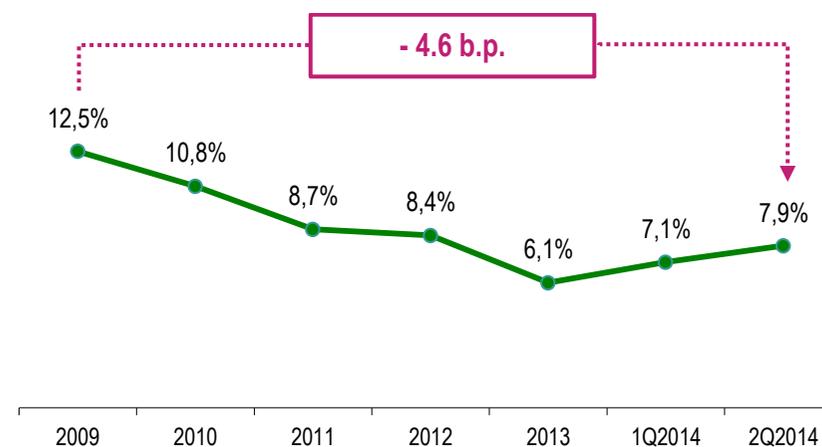
## Debt breakdown as of the end of 2Q2014



## Net debt ratios



## Changes in the weighted average interest rate





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