

Bashneft Group

**IFRS results
for the third quarter and the nine months
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.

Main results for 3Q 2014 and 9M 2014

Financial results for 3Q 2014 compared to 2Q 2014:

- Revenue decreased by 0.2% to 162.9 billion roubles;
- Adjusted EBITDA* increased by 2.6% to 30.3 billion roubles;
- Net income fell by 1.5% to 15.6 billion roubles;
- Net debt added 19.1% and reached 127.6 billion roubles

Operating results for 3Q 2014 compared to 2Q 2014 :

- Average daily oil production increased by 3.9% to 364.7 thousand bbl/d;
- Average daily refining fell by 0.3% to 438.3 thousand bbl/d;
- Refining depth totalled 85.0%; the share of light products amounted to 59.3%;
- The share of Euro 5 gasoline in the total gasoline output ** amounted to 89.6%.

9M 2014 vs. 9M 2013:

- Average daily oil production increased by 11.6%;
- Average daily refining rose by 1.7%;
- Revenue increased by 13.3%;
- Adjusted EBITDA added 10.8%;
- Net income increased by 39.6%.

Key events for 9M 2014

- Moody's Investors Service confirmed Bashneft's corporate family rating (CFR) and probability of default rating (PDR) at Ba2. The outlook on all the ratings is positive.
- Bashneft commissioned the largest hydrogen production unit in Russia;
- Bashneft gained control over 98% of shares of OJSC United Petrochemical Company (UPC) through termination of the agreement on the sale of these shares to OJSC JSFC Sistema concluded in September 2013;
- Bashneft acquired a 100% stake in LLC Burneftegaz, an exploration and production company based in the Tyumen Region, for 35,953 million roubles;
- 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 for 7,715 million roubles.





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АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

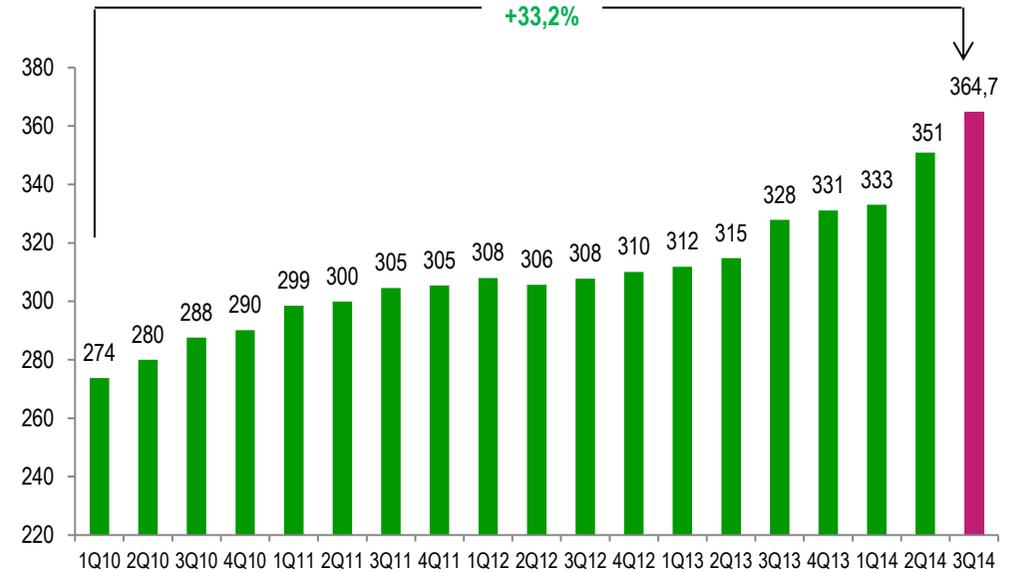
1. Operating results



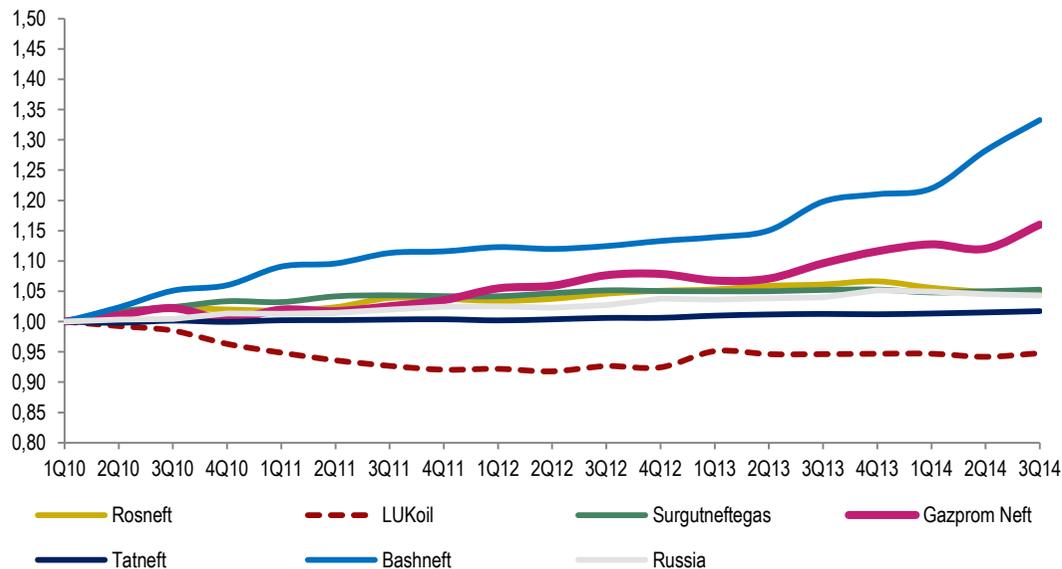
Production hit a new record high

- In the third quarter of 2014, **oil production** totalled **4.596 million tonnes**. Production at Bashneft's oilfields continued to increase more rapidly than the industry average;
- **Production at brownfields** added **3.8%** compared to the third quarter of 2013;
- In the third quarter of 2014, Bashneft's **average daily production** reached **364.7 thousand bbl/d**, which was related both to production growth at brownfields and at the R. Trebs and A. Titov fields and to the acquisition of Burneftegaz and production growth at this field;
- In the third quarter of 2014, due to efficient waterflooding control, **average well output** of existing wells in Bashkortostan added 3% quarter-on-quarter and totalled **3.14 tonnes per day** compared to 3.05 tonnes per day in the second quarter of 2014;

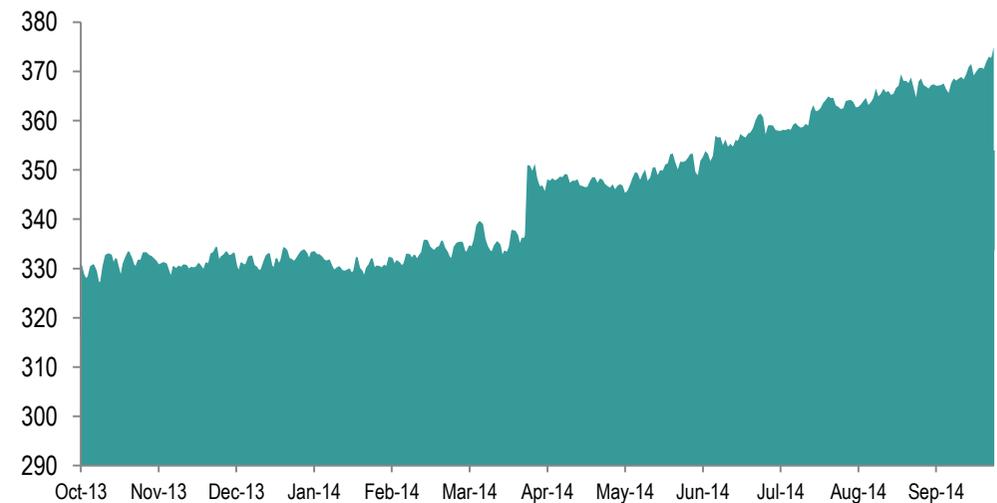
Average daily oil production, thousand bbl/d



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



Daily oil production, thousand bbl/d



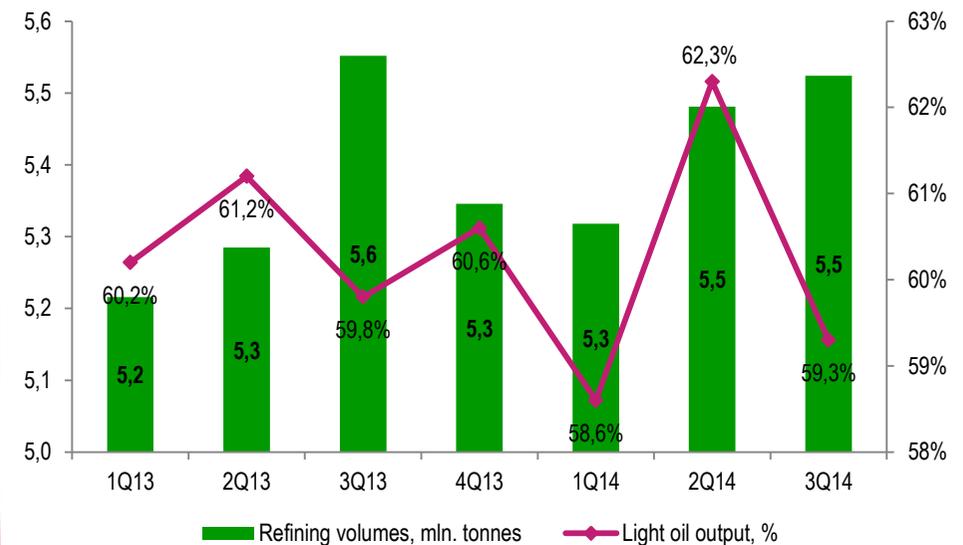
Note: (*) Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

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

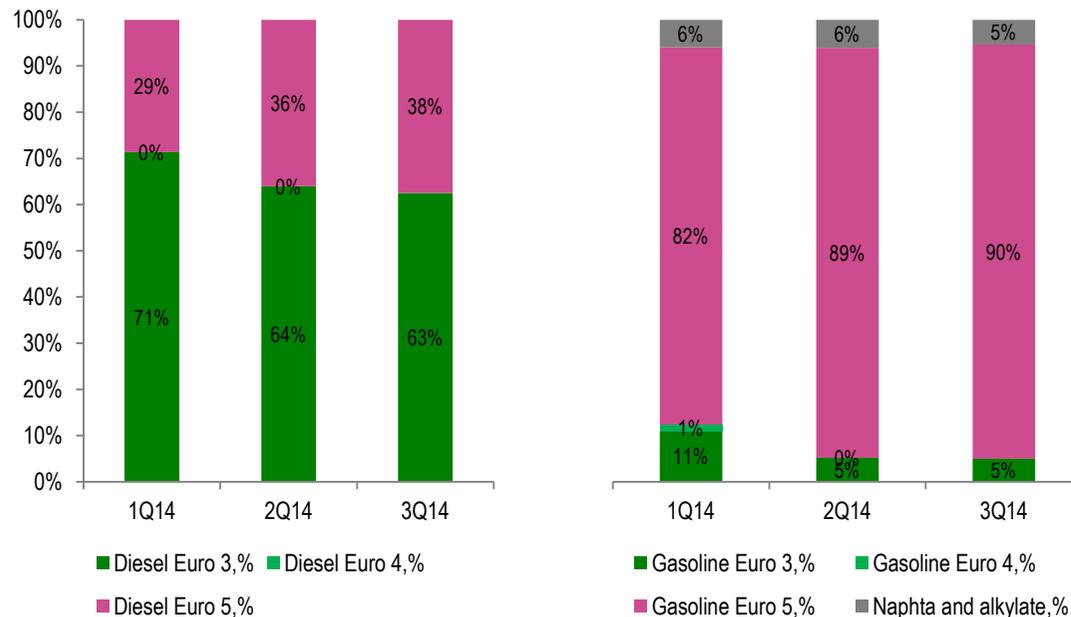
Main results

- In the third quarter of 2014, Bashneft's refineries processed 5.524 million tonnes of hydrocarbons, which is **0.8% more** than in the previous quarter (5.481 million tonnes). A change in the petroleum product mix was related to the summer period;
- During the nine months of 2014, refining increased by 1.7% compared to the same period in 2013 and amounted to 16.32 million tonnes due to an improvement in market conditions and the launch of alkylation units and a catalytic cracking gasoline hydrotreater.
- In the third quarter of 2014, the Euro 5 gasoline accounted for **89.6%** of the total gasoline output.

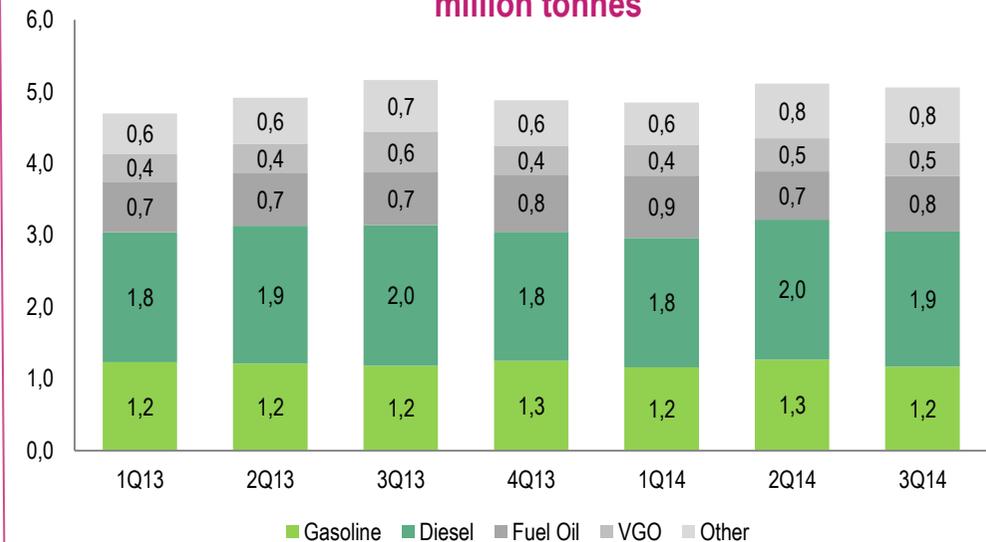
Oil refining, million tonnes



Output of gasoline and diesel fuel meeting the Euro standards



Petroleum products and petrochemicals, million tonnes





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2. Financial results

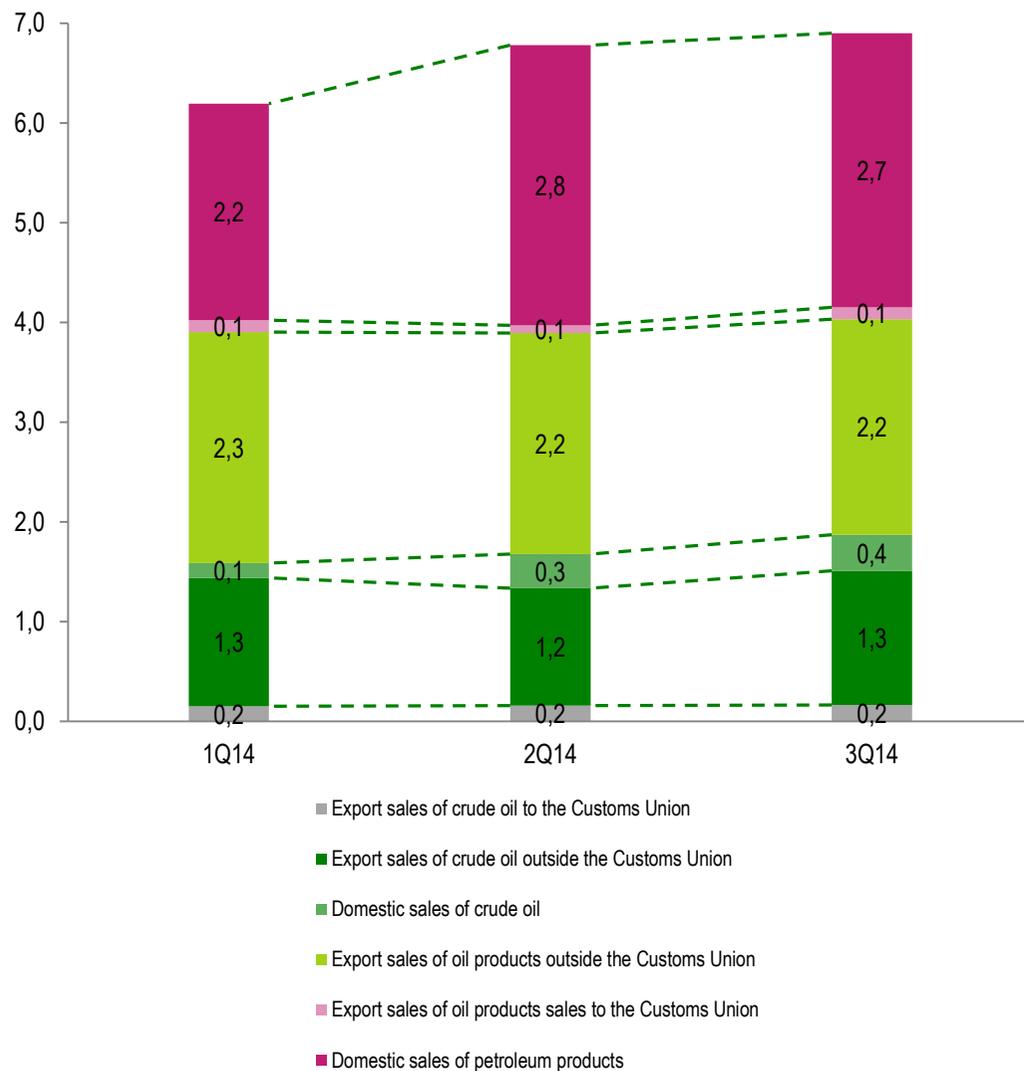


Bashneft Group's key indicators for 3Q 2014

3Q 2014	2Q 2014	Δ, %	Indicator	9M 2014	9M 2013	Δ, %
3,68	3,78	-2,8%	Urals price, thousand roubles/barrel	3,73	3,41	+9,3%
4 596	4 374	+5,1%	Crude oil production, thousand tonnes	13 085	11 900	+10,0%
5 524	5 481	+0,8%	Oil refining, thousand tonnes	16 323	16 053	+1,7%
5 029	5 105	-1,5%	Petroleum products and petrochemicals sales, thousand tonnes	14 739	14 866	-0,9%
162,9	163,2	-0,2%	Revenue, billion roubles	472,7	417,1	+13,3%
30,3	29,5	+2,6%	Adjusted EBITDA, billion roubles	85,3	77,0	+10,8%
15,6	15,9	-1,5%	Income for the period attributable to shareholders of the parent company, billion roubles	45,4	32,5	+39,6%
12,8	9,8	+31,5%	Capital expenditures, billion roubles	31,6	23,0	+37,6%
127,6	107,1	+19,1%	Adjusted net debt, billion roubles	127,6	57,5	+121,9%

Changes in sales of crude oil and petroleum products

Sales of crude oil and petroleum products, million tonnes

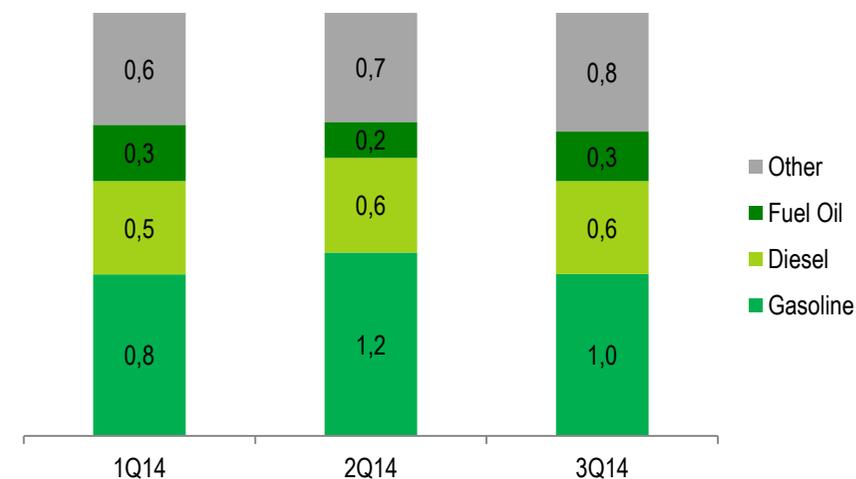


Domestic sales of petroleum products still remain a priority

Exports of petroleum products and petrochemicals, million tonnes



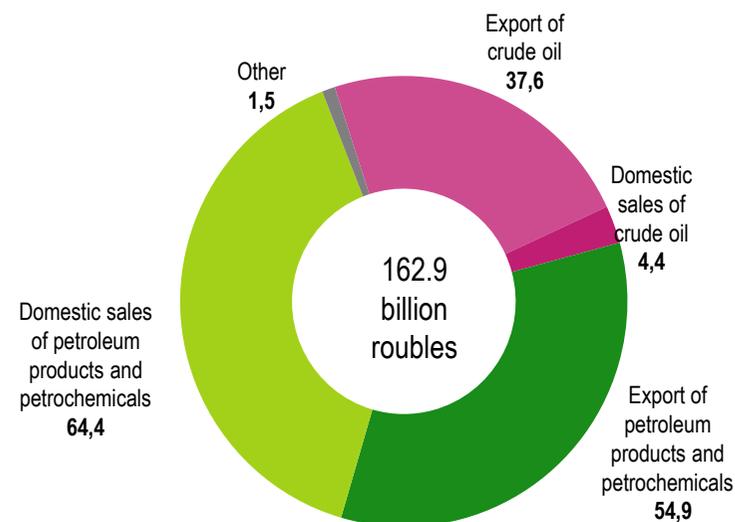
Domestic sales of petroleum products and petrochemicals, million tonnes



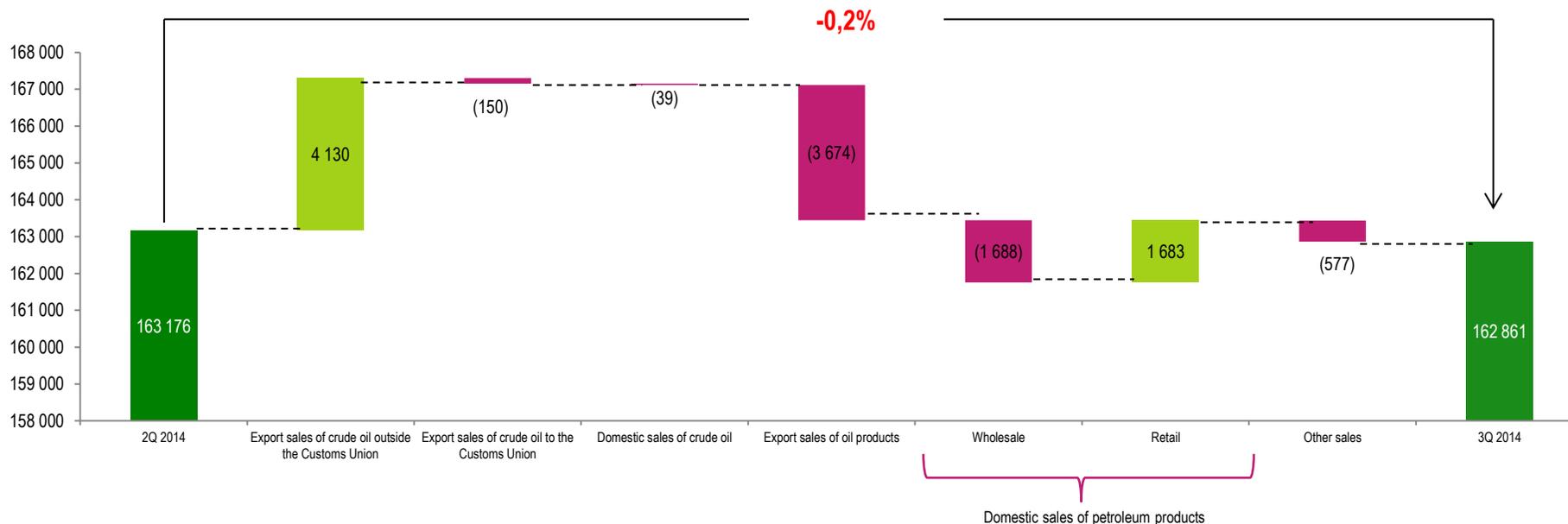
Main results in 3Q 2014

- In the third quarter of 2014, the revenue of Bashneft Group remained at the level of the second quarter of 2014 and totalled 162, 861 million roubles.
- During the nine months of 2014, revenue grew by 13.3% compared to the same period in 2013 and amounted to 472,705 million roubles. This change was related to an increase in crude oil sales and the growth of prices denominated in roubles.
- In the third quarter of 2014, revenue from crude oil exports totalled 37,630 million roubles, which is 11.8% higher than in the second quarter of 2014. The increase in revenue was caused by a 13.0% rise in sales of crude oil due to an increase in the quota for oil exports via main pipelines.

Revenue breakdown for 3Q 2014, billion roubles

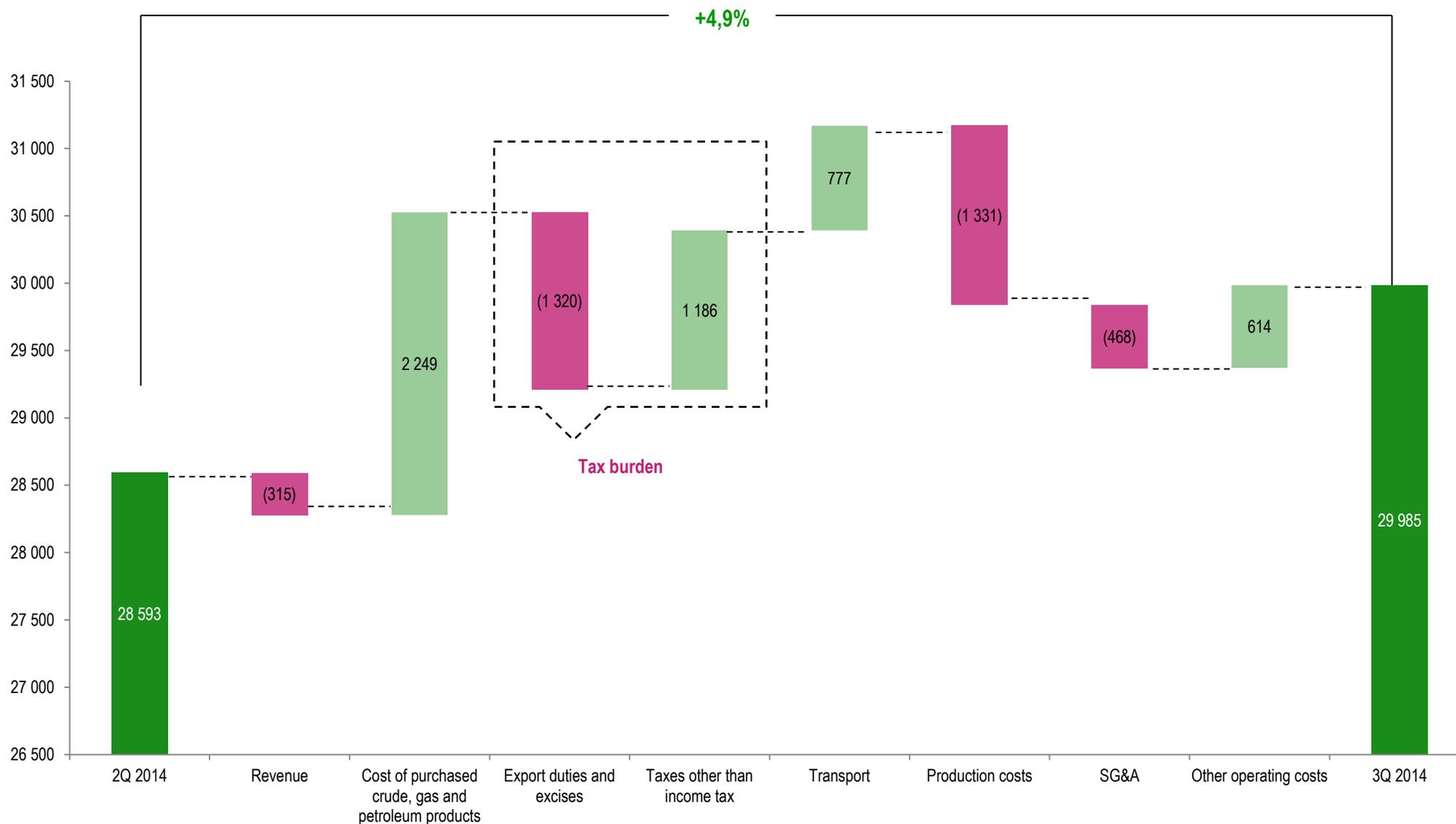


Revenue factor analysis, million roubles, 3Q 2014 vs. 2Q 2014



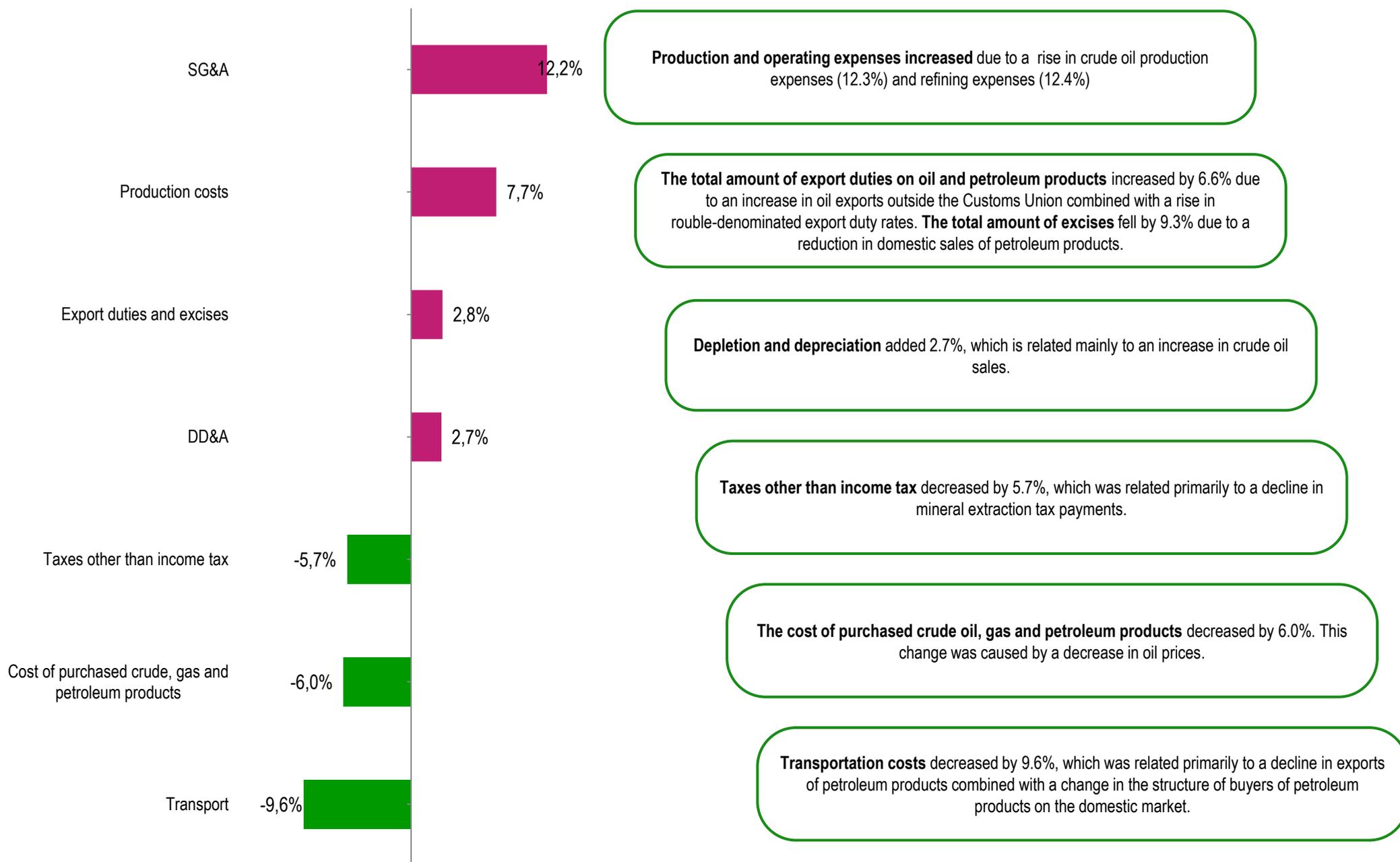
Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 3Q 2014 vs. 2Q 2014



Note: (*) other than income tax.

Changes in operating expenses in 3Q 2014*



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

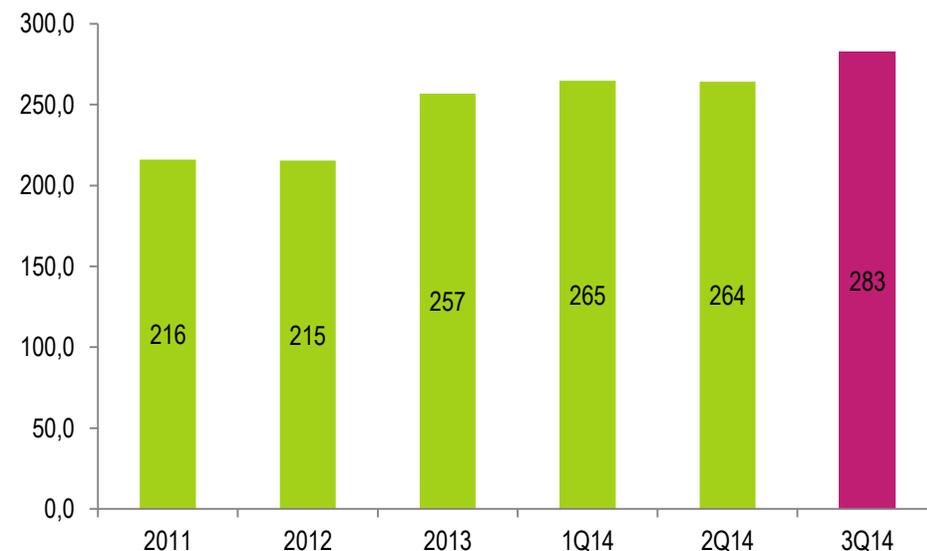
3Q 2014 vs. 2Q 2014

- In the third quarter of 2014, unit costs for production of crude oil rose by 6.9% and amounted to 282.5 roubles per barrel following a seasonal increase in the amount of repairs and additional geological and engineering operations aimed at boosting production.

9M 2014 vs. 9M 2013

- During the nine months of 2014, unit production costs added 8.3% and totalled 270.8 roubles per barrel, which was related to:
 - additional geological and engineering operations performed in order to boost production;
 - a rise in electricity prices;
 - increase in expenditure on major repairs.

Unit production costs, roubles/bbl*



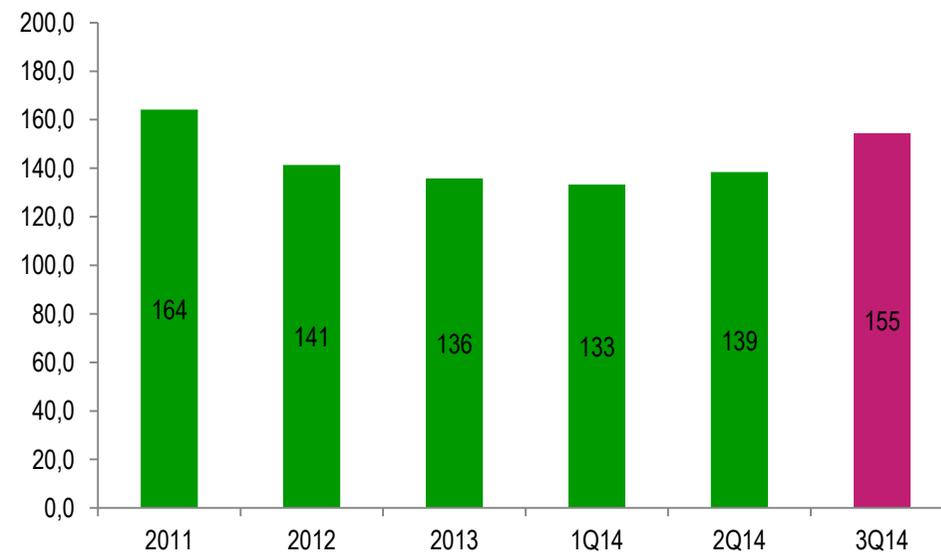
3Q 2014 vs. 2Q 2014

- In the third quarter of 2014, unit refining costs increased by 11.6% to 154.5 roubles per barrel due to an increase in the amount of repairs and consolidation of the UPC Group.

9M 2014 vs. 9M 2013

- During the nine months of 2014, unit refining costs added 9.9% and totalled 142.3 roubles per barrel, which was related mainly to an increase in expenditure on repairs.

Unit refining costs, roubles/bbl*



An efficient CAPEX programme to support future growth

3Q 2014 vs. 2Q 2014

- In the third quarter of 2014, capital expenditures increased by 31.5% and amounted to 12,832 million roubles. This increase was caused mainly by a rise in capital expenditure in the Upstream segment due to an increase in expenditure on the development of the R. Trebs and A. Titov fields and growing capital expenditure on the Group's brownfields.

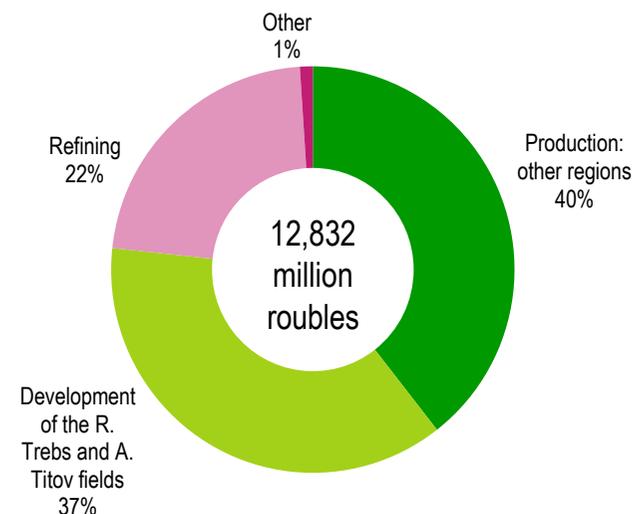
9M 2014 vs. 9M 2013

- During the nine months of 2014, capital expenditures increased by 37.6% 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.

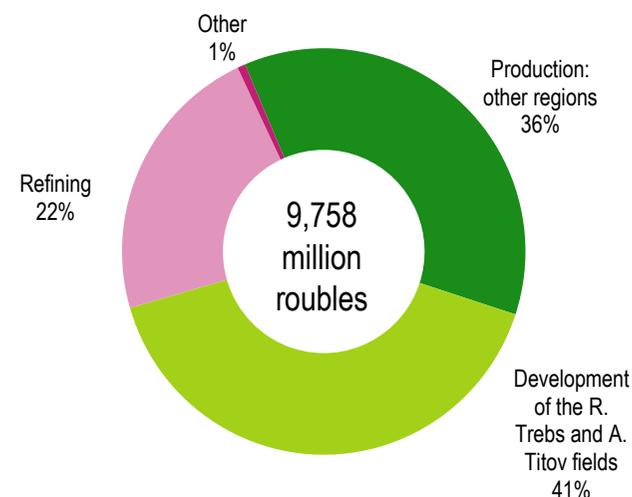
Changes in CAPEX, million roubles



CAPEX breakdown in 3Q 2014, million roubles

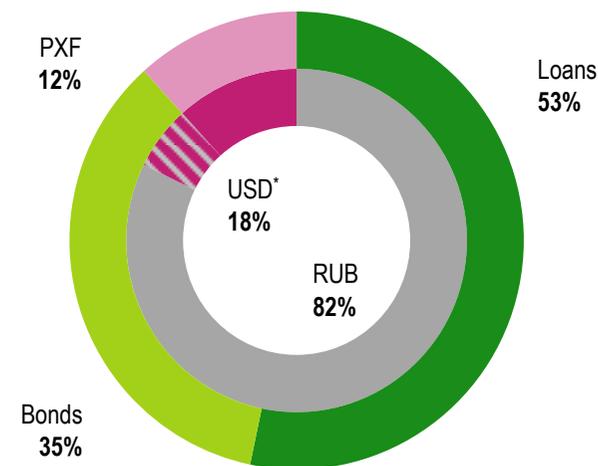


CAPEX breakdown in 2Q 2014, million roubles

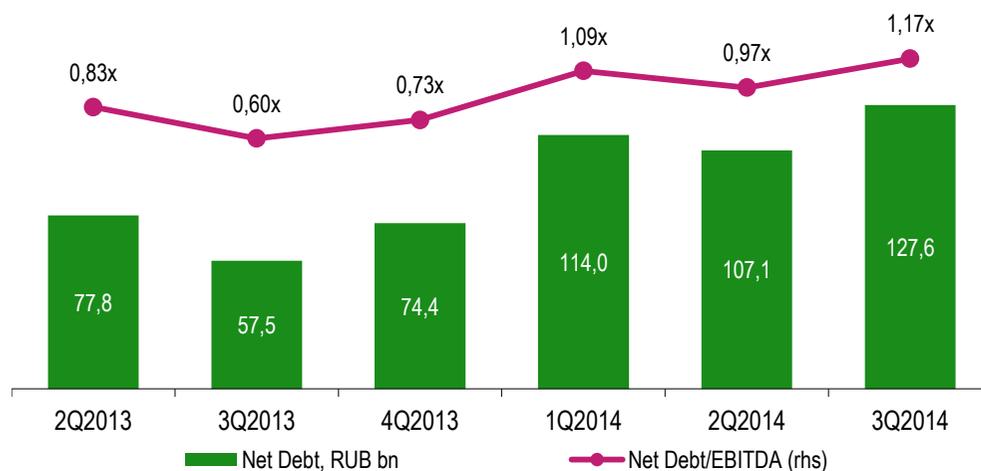


- As of September 30, 2014, **total debt** amounted to **RUB 166.4 bn** compared to RUB 164.6 bn as of June 30, 2014
- In 3Q2014 the weighted average interest rate on loans reached **7.9%** per annum due to repayment of foreign currency debt according to amortization schedule and increase in foreign currency debt share as a result of weakening of RUB against the USD
- Liquidity position is supported by Russian major banks
- As a result of the decision of Moscow Commercial Court on the recovery of JSOC Bashneft's shares owned by Sistema and Sistema-invest in favor of the Russian Federation, some debt may become payable on demand due to covenants in respect of changes in control. The amount of such non-current debt at 30 September 2014 not covered by waivers as at 21 November 2014 equaled to **RUB 4,3 bn**
- **November 20, 2014 Moody's** confirmed Bashneft's corporate family rating (CFR) . The outlook is positive. Also, **Moody's Interfax Rating Agency** has confirmed the **Aa2.ru** national scale rating (NSR) of Bashneft. This concludes the review for downgrade initiated by Moody's on 18 September 2014

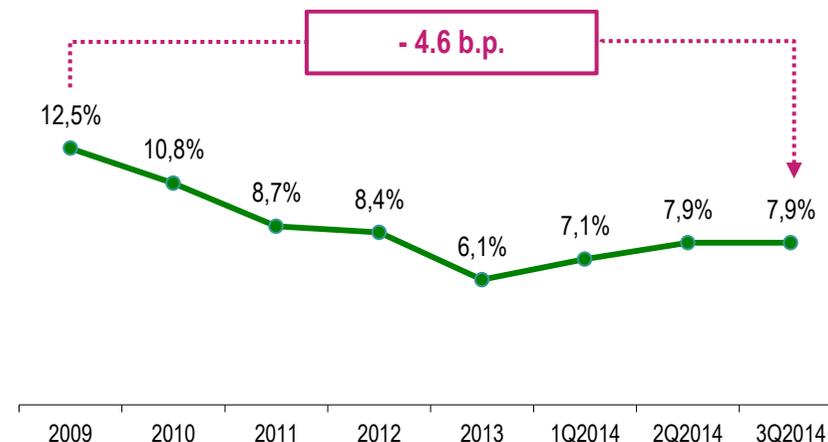
Debt breakdown as of the end of 3Q2014



Net debt ratios



Changes in the weighted average interest rate





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