



БАШНЕФТЬ
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

Bashneft Group

**IFRS results
for the second quarter of 2015**



Certain statements in this presentation may contain assumptions or forecasts with respect to forthcoming events within Bashneft Group. Such statements may contain the words “is expected”, “is estimated”, “intends”, “will”, “could”, negations thereof or other similar expressions. 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.

2Q 2015 vs. 1Q 2015:

- Average daily oil production increased by 1.4% to **387.5 thousand bbl/d**;
- Average daily oil refining declined by 6.1% to **359.2 thousand bbl/d**;
- Refining depth increased to **86.8%**; the share of light products totalled **68.5%**;
- The share of Euro 5 gasoline in the total gasoline output** increased to **86.1%**;
- The share of Euro 5 diesel fuel in the total output of diesel fuel grew to **99.9%**;
- Revenue increased by **6.9%** to **152.7 billion roubles**;
- Adjusted EBITDA increased by **34.1%** to **35.9 billion roubles**.
- Net income soared by **57.2%** to **17.9 billion roubles**.



Financial results for 1H 2015 compared to 1H 2014:

- Revenue fell by **4.6%**;
- Adjusted EBITDA* gained **13.8%**;



Operating results for 1H 2015 compared to 1H 2014:

- Average daily oil production grew by **10.2%**;
- Average daily oil refining decreased by **14.9%**.

Key events in 2015:

- On 3 July 2015, pursuant to the Order of the President of the Russian Federation, 38,128,551 ordinary shares and 6,280,076 preferred shares of PJSOC Bashneft (comprising 25% of its authorized share capital) were transferred to the Republic of Bashkortostan represented by the Ministry of Land and Property Relations;
- In June 2015, meeting of shareholders of Bashneft resolved to pay dividends of RUB 20.07 billion for the 2014 fiscal year (RUB 113 per one ordinary and per one preferred registered share). All payments were made in July and August 2015 on time and in full;
- In March 2015, an Extraordinary General Meeting of Shareholders of JSOC Bashneft decided to reduce Bashneft's authorized share capital by cancelling 2,724,173 ordinary treasury shares with a par value of one rouble each;
- Bashneft's preferred shares were included in the Top Tier quotation list of the Moscow Exchange.





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1. Operating results

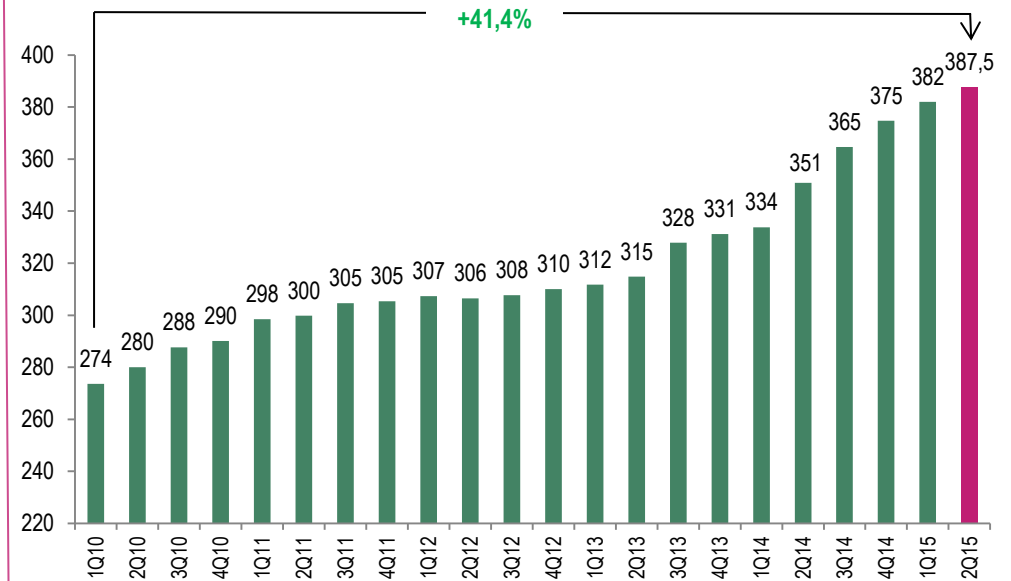


Production hit a new record high

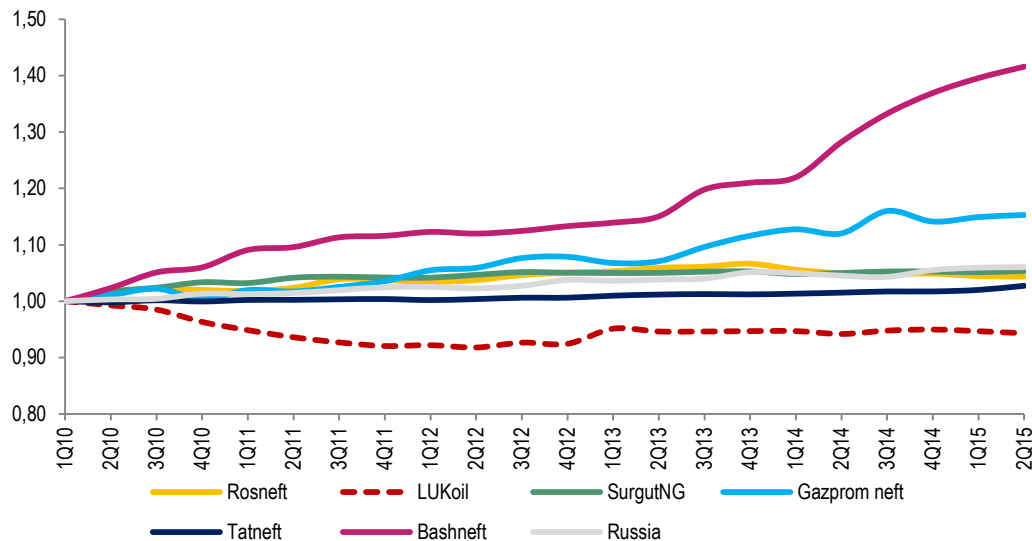
Main results

- In the second quarter of 2015, **oil production** totalled **4.831 million tonnes**. Production at Bashneft's oilfields continued to increase more rapidly than the industry average;
- **Production at brownfields** grew by **2.5%** compared to the second quarter of 2014;
- **In the second quarter of 2015, the Group's average daily production reached 387.5 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 (+37% compared to the first quarter of 2015);
- Production growth at Burneftegaz was driven by efficient implementation of the production drilling programme at the Sorovskoye field, including commissioning of five horizontal wells with an average well output of about 400 tonnes per day.
- **Due to efficient waterflooding control**, in the second quarter of 2015 **average well output** of existing wells in Bashkortostan remained at the level reached in the first quarter of 2015 and **totalled 3.18 tonnes per day** compared to 3.17 tonnes per day in the fourth quarter of 2014 and 3.14 tonnes per day in the third quarter of 2014.

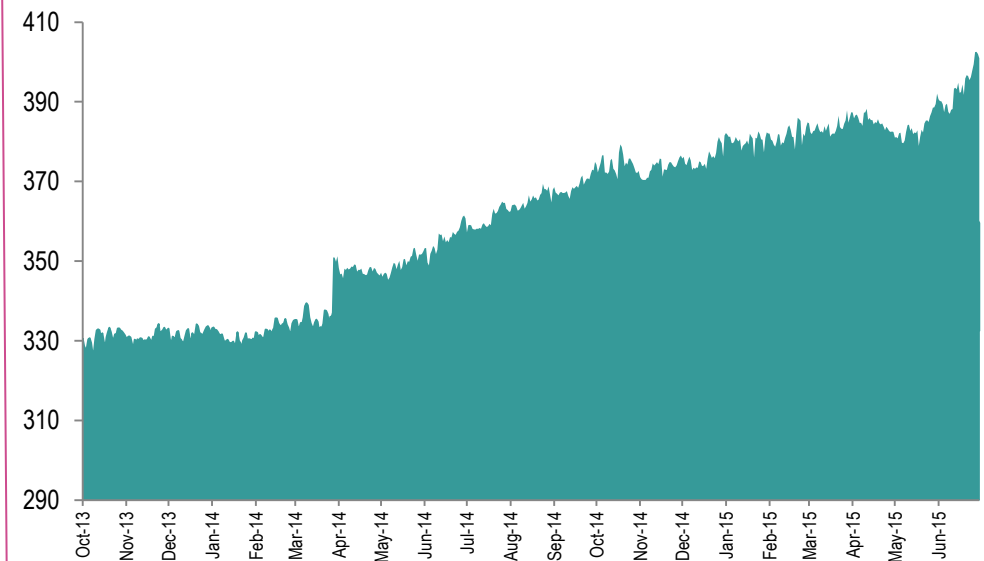
Average daily oil production, thousand bbl/d



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



Daily oil production, thousand bbl/d



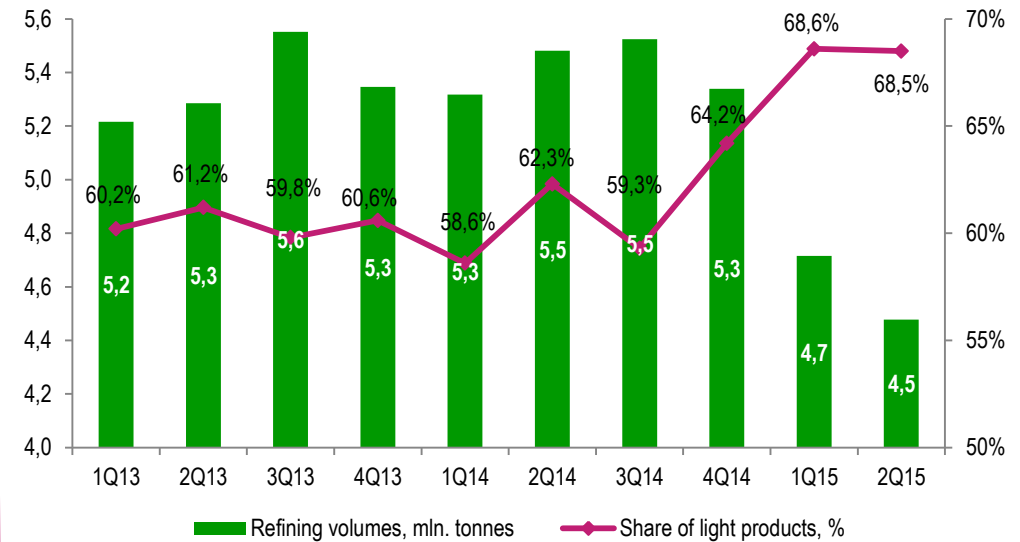
Note: (*) Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

Share of light products remained at a record high of 68.5%

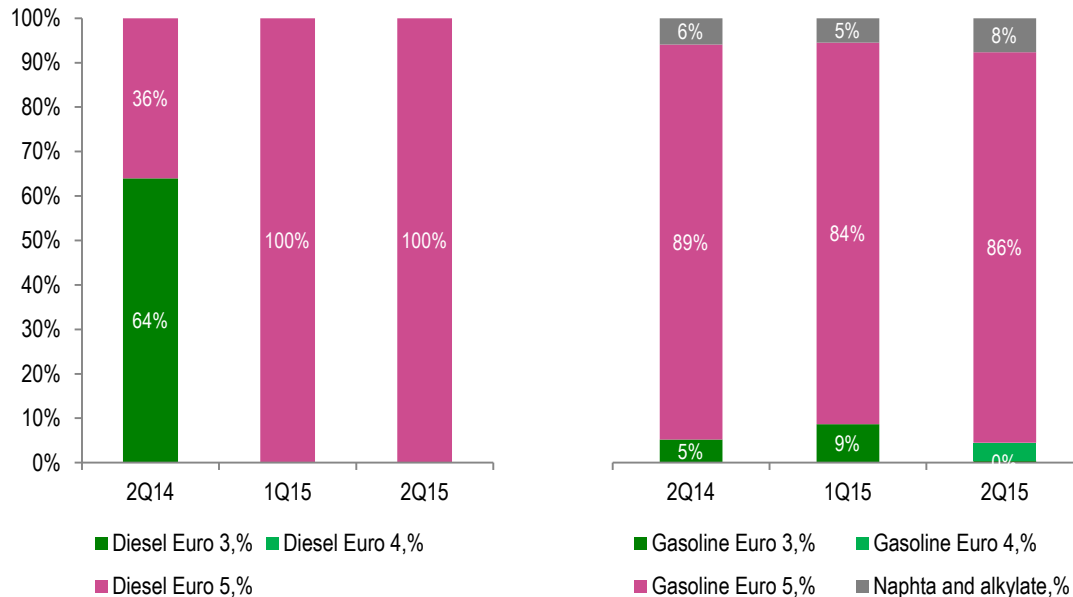
Main results

- In the second quarter of 2015, Bashneft's refining complex processed **4.478 million tonnes of oil**, which is 18.3% less than in the second quarter of 2014. During the six months of 2015, refining volume totalled 9.193 million tonnes, which is 14.9% less than in the first half of 2014. This level of refining is in keeping with the plan; given the current macroeconomic and tax conditions, it helps to maximize the value of the product mix by increasing the output of light products.
- In the second quarter of 2015, **Euro 5 gasoline** accounted for **86.1%** of the total gasoline output. The share of **Euro 5 diesel fuel** totalled **99.9%**;
- Company greatly improved the structure of the commodity basket due to the significant reduction of the cheap dark petroleum oil production. The fuel oil output in Q2 2015 decreased by 18,3% Q-o-Q. In addition, in Q2 2015 the vacuum gas oil production was completely terminated.

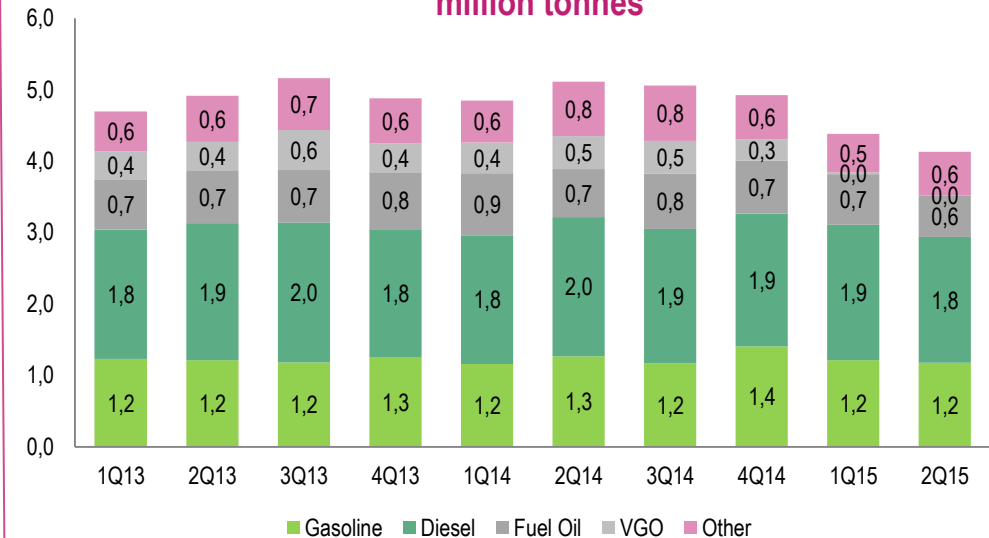
Oil refining, million tonnes



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 2015

2Q 2015	1Q 2015	Δ, %	Indicator	1H 2015	1H 2014	Δ, %
3,28	3,31	-1,0%	Urals price, thousand roubles/barrel	3,31	3,76	-11,9%
52,7	62,2	-15,3%	Average rouble/dollar exchange rate	57,4	35,0	+64,0%
4 831	4 709	+2,6%	Crude oil production, thousand tonnes	9 540	8 489	+12,4%
4 478	4 715	-5,0%	Oil refining, thousand tonnes	9 193	10 799	-14,9%
4 305	4 354	-1,1%	Petroleum products and petrochemicals sales, thousand tonnes	8 659	9 710	-10,8%
152,7	142,9	+6,9%	Revenue, billion roubles	295,7	309,8	-4,6%
35,9	26,7	+34,1%	Adjusted EBITDA, billion roubles	62,6	55,0	+13,8%
17,9	11,4	+57,2%	Income for the period attributable to shareholders of the parent company, billion roubles	29,3	29,8	-1,7%
15,4	12,2	+26,7%	Capital expenditures, billion roubles	27,6	18,8	+46,5%
106,0	129,2	-17,9%	Net debt, billion roubles	106,0	107,1	-1,0%

Changes in sales of crude oil and petroleum products

Sales of crude oil and petroleum products, million tonnes



- Domestic sales of petroleum products and petrochemicals
- Export sales of petroleum products and petrochemicals to the Customs Union
- Export sales of petroleum products and petrochemicals outside the Customs Union
- Domestic sales of crude oil
- Export sales of crude oil outside the Customs Union
- Export sales of crude oil to the Customs Union

An increase in domestic sales of crude oil and petroleum products

Exports of petroleum products and petrochemicals, million tonnes



Domestic sales of petroleum products and petrochemicals, million tonnes



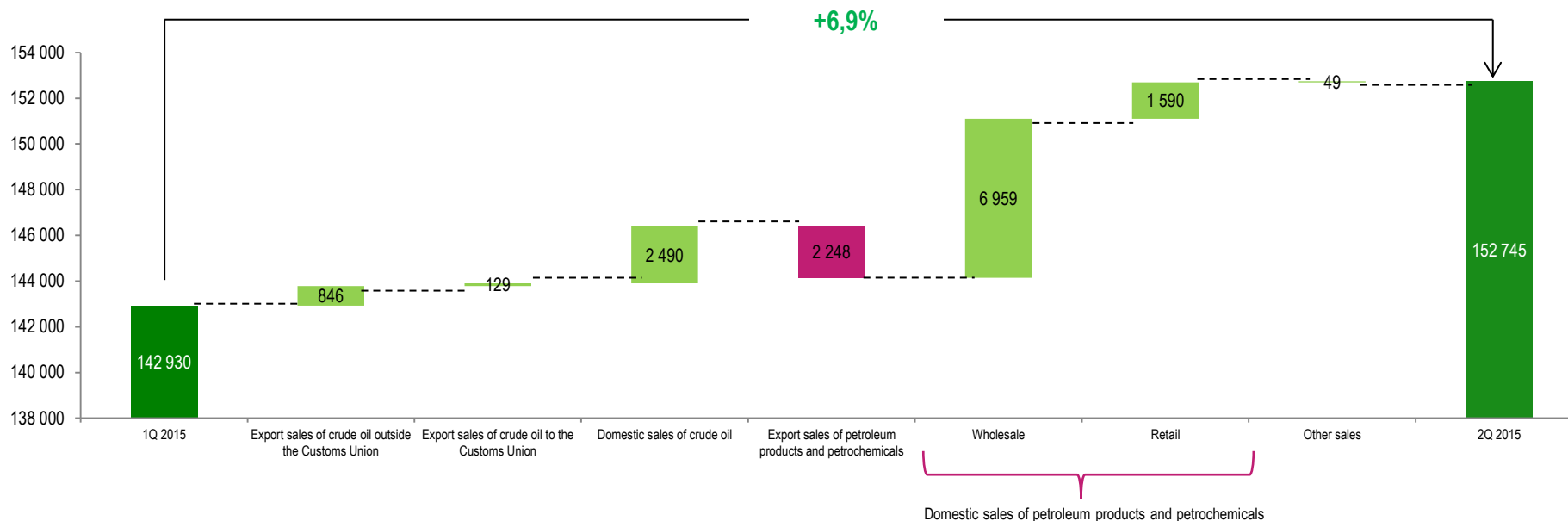
Main results for 2Q 2015

- In the second quarter of 2015, the revenue of Bashneft Group increased by 6.9% compared to the first quarter of 2015 and totalled 152.745 billion roubles. This change was caused by an increase in the volume of domestic sales of crude oil and petroleum products and a price rise on the Russian market.
- In the second quarter of 2015, revenue from wholesale distribution of petroleum products on the domestic market gained 19.6% compared to the first quarter of 2015 and totalled 42.395 billion roubles due to a rise in prices for petroleum products in the domestic market.
- In the second quarter of 2015, revenue from retail sales increased by 12.4% compared to the first quarter of 2015 and amounted to 14.404 billion roubles, which was related to an 11.1% seasonal increase in the volume of retail sales on the domestic market.

Revenue breakdown for 2Q 2015, billion roubles

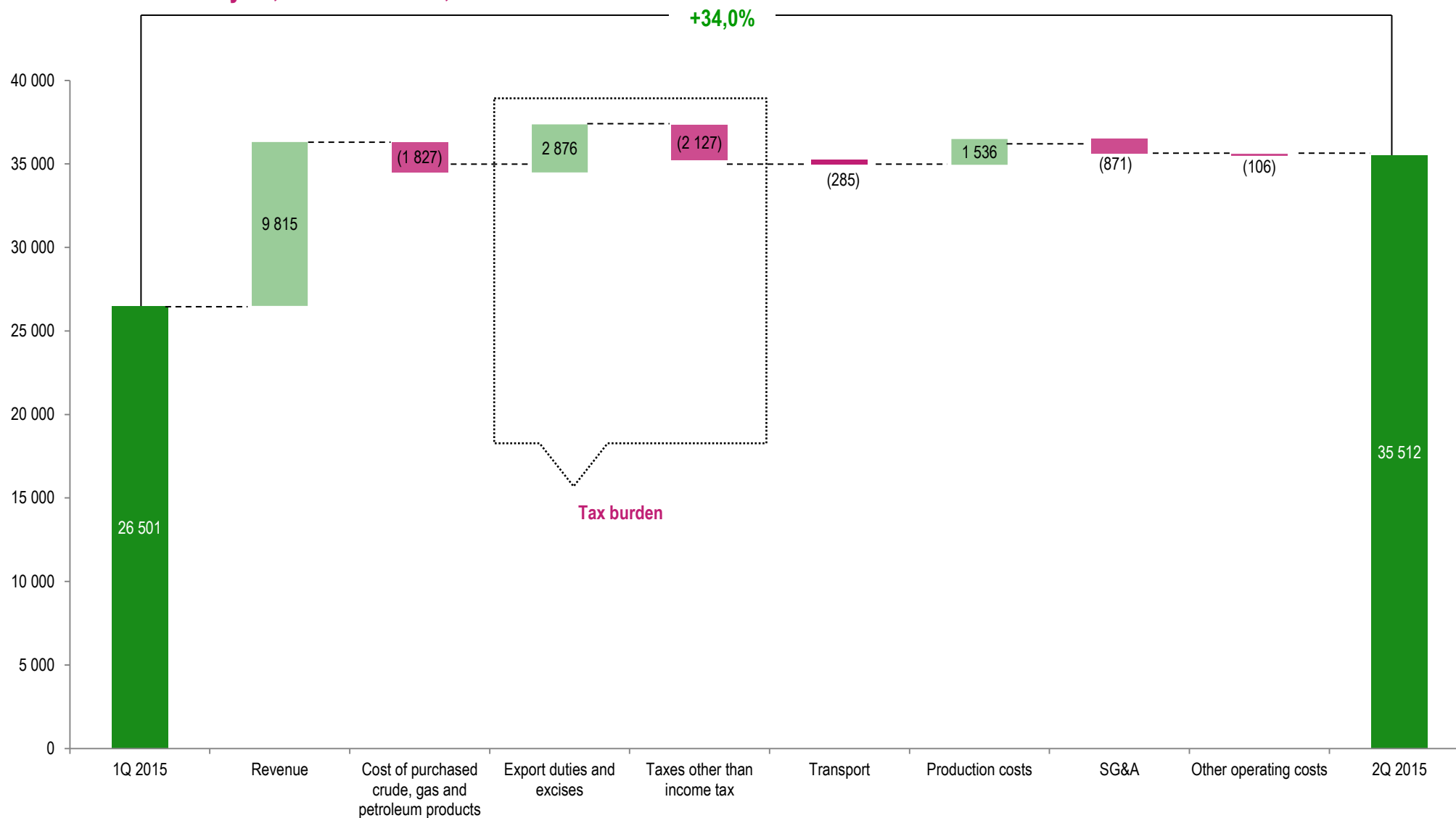


Revenue factor analysis, million roubles, 2Q 2015 vs. 1Q 2015



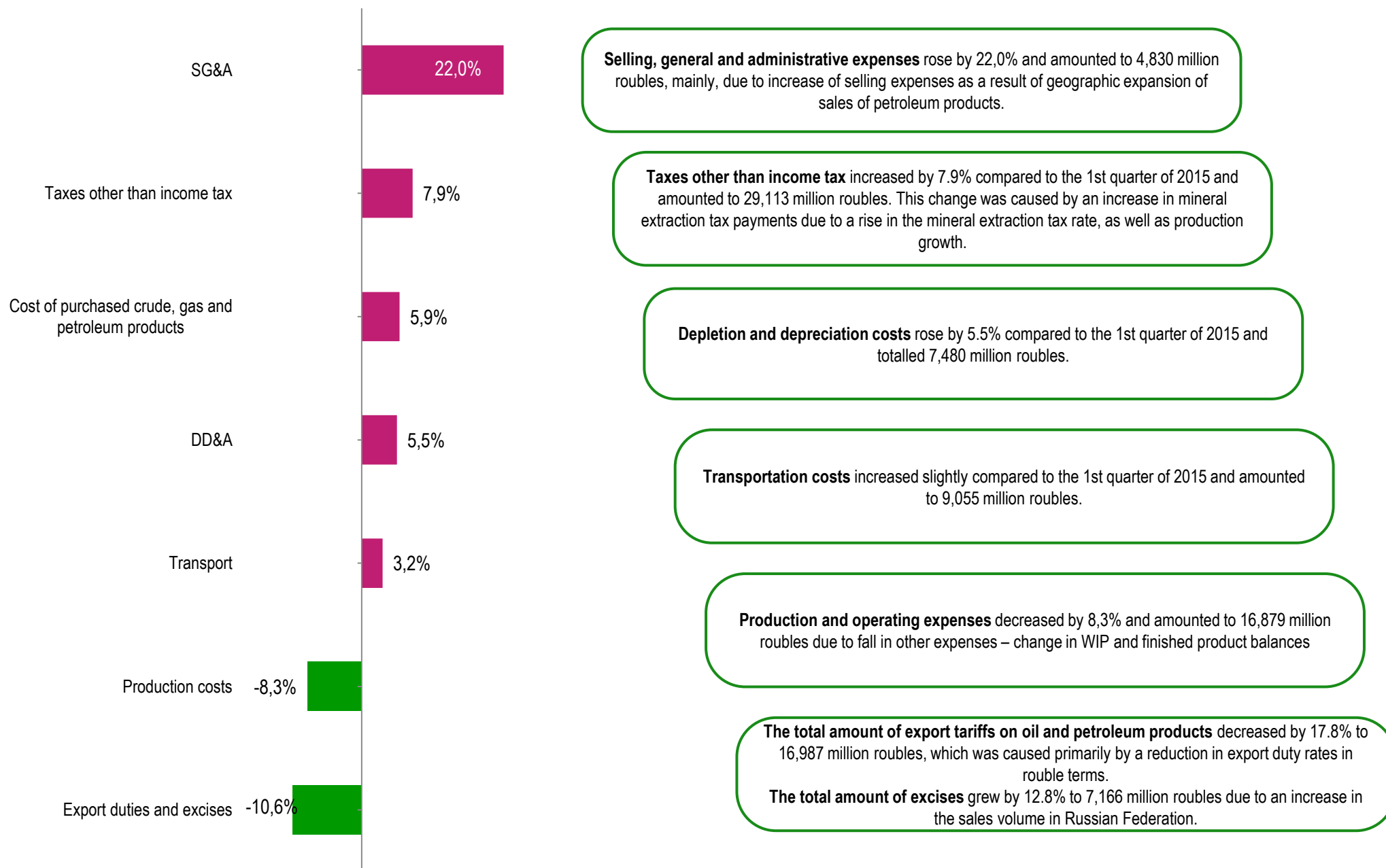
Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 2Q 2015 vs. 1Q 2015



Note: (*) other than income tax.

Changes in operating expenses in 2Q 2015*



Note: (*) as compared to the first quarter of 2015 (excluding other operating expenses (income)).

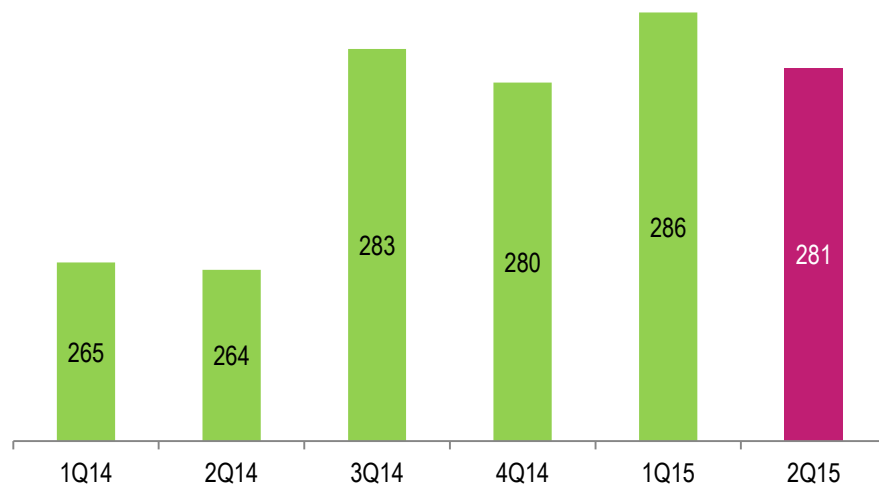
2Q 2015 vs. 1Q 2015

- In the second quarter of 2015, unit costs for production of crude oil decreased slightly to 280.9 roubles per barrel amid rising oil production.

1H 2015 vs. 1H 2014

- During the six months of 2015, unit costs for production of crude oil grew by 7.1% and totalled 283.2 roubles per barrel due to higher cost of raw and other materials and services provided by oilfield service companies.

Unit production costs, roubles/bbl *



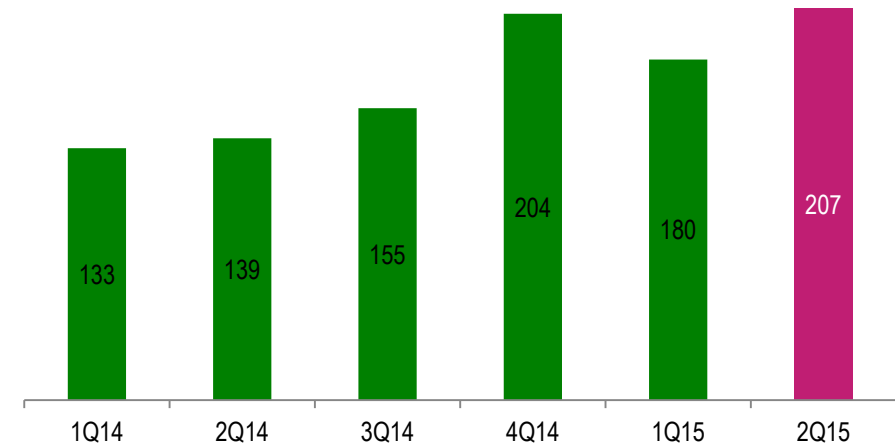
2Q 2015 vs. 1Q 2015

- In the second quarter of 2015, unit refining costs increased by 15.0% to 207.2 roubles per barrel due to an increase in the amount of repairs and lower refining volumes.

1H 2015 vs. 1H 2014

- During the six months of 2015, unit refining costs increased by 42.1% to 193.3 roubles per barrel compared to the same period in 2014. This increase was caused by an increase in the amount of repairs and higher cost of auxiliary materials.

Unit refining costs, roubles/bbl*



An efficient CAPEX programme to support future growth

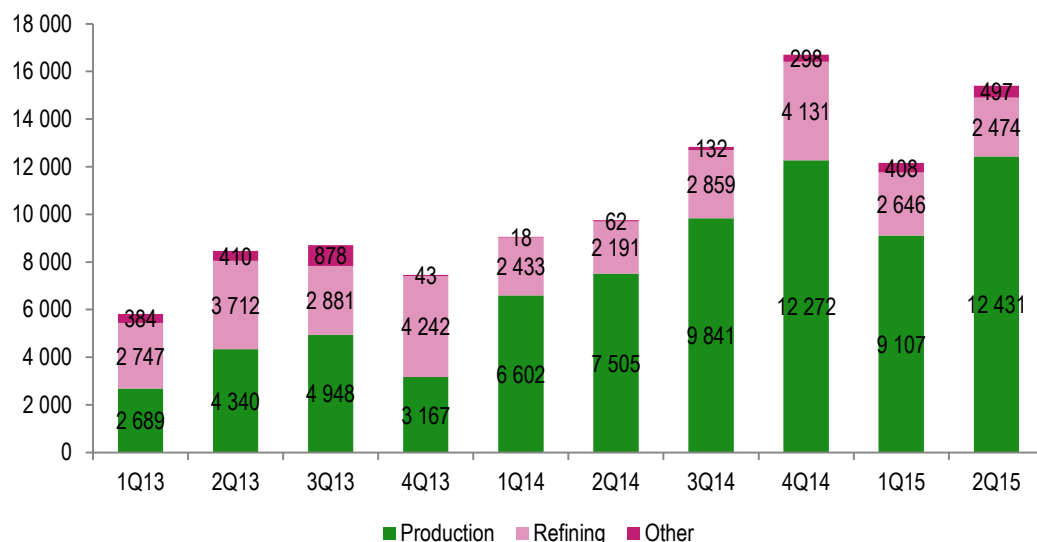
2Q 2015 vs. 2Q 2014

- In the second quarter of 2015, capital expenditures increased by 26.7% to 15,402 million roubles. This increase was caused mainly by growing capital expenditure on the development of the R. Trebs and A. Titov fields, including completion of construction of a high-pressure pipeline connecting the two fields, and in the production drilling programme.

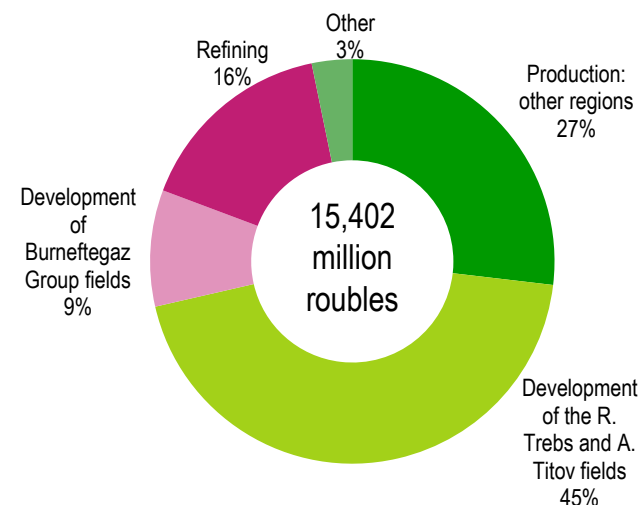
1H 2015 vs. 1H 2014

- During the six months of 2015, capital expenditures increased by 46.5% to 27,563 million roubles compared to the same period in 2014, which was related mainly to an increase in capital expenditures in the Production segment, including those related to acquisition of Burneftegaz Group and an increase in capital expenditure on brownfields in Bashkortostan, including on the production drilling programme

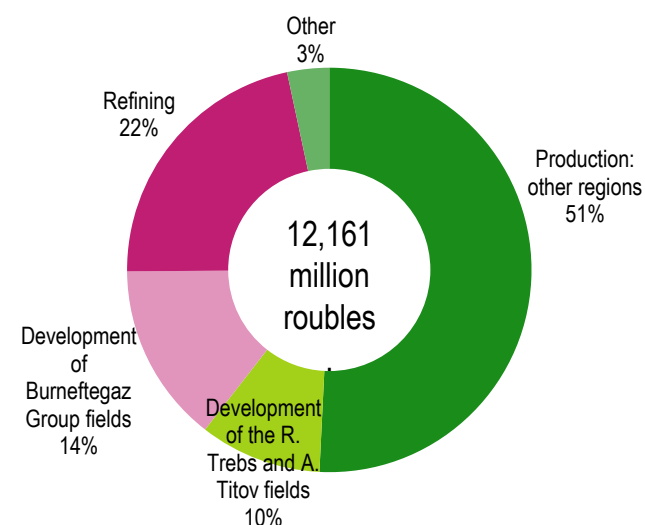
Changes in CAPEX, million roubles



CAPEX breakdown in 2Q 2015, million roubles

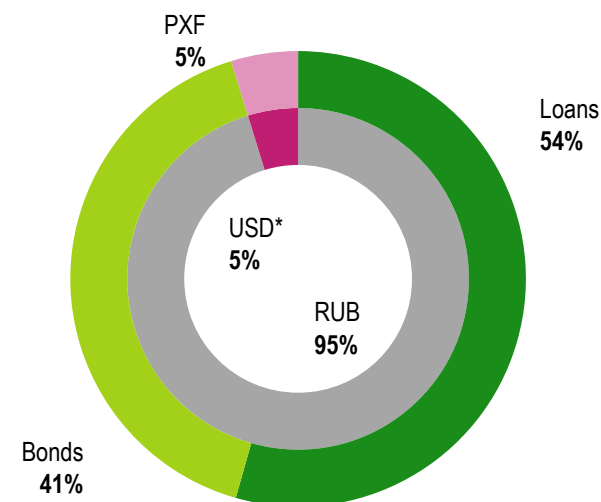


CAPEX breakdown in 1Q 2015, million roubles

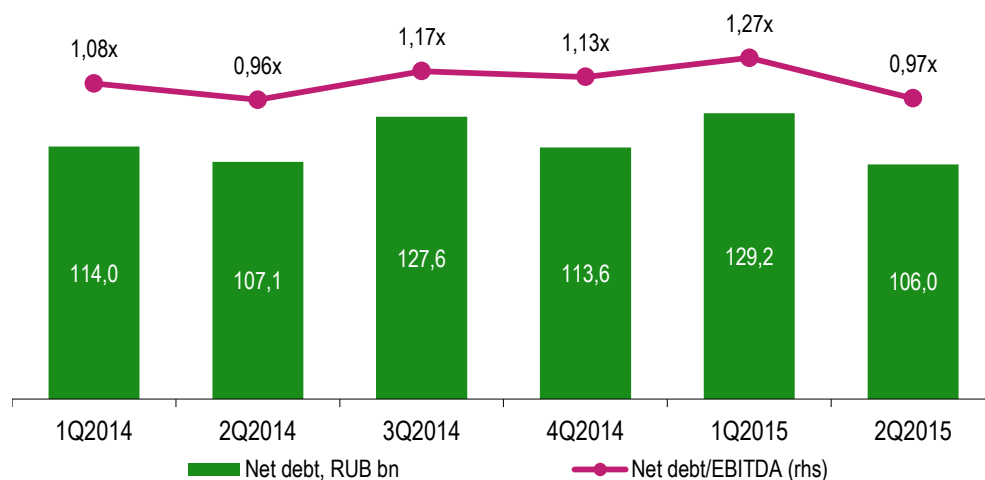


- As of 30 June 2015, total debt amounted to **171.7 billion roubles** as against 158.6 billion roubles as of 31 March 2015;
- Following the negotiations, the pace of reduction in interest rates on Russian loans has been aligned with changes in the key rate of the Central Bank of Russia;
- In the second quarter of 2015, the weighted average interest rate on loans decreased to **11.1%** compared to **11.7%** p.a. a quarter earlier as a result of a reduction in interest rates on rouble-denominated instruments following a key rate cut by the Central Bank of Russia;
- In May and early June, Bashneft placed three series of exchange-traded bonds (BO-03, BO-04, BO-07) worth a total of 15 billion roubles, with put options in 2020-2021, a call option in two years and a weighted average coupon of 12.03%. The proceeds will be allocated for refinancing more expensive Russian loans in July and August 2015.

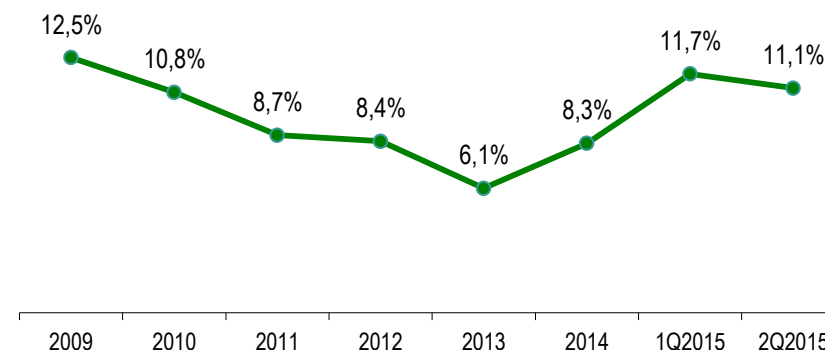
Debt breakdown as of the end of 2Q 2015



Net debt ratios



Changes in the weighted average interest rate





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