



БАШНЕФТЬ
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

Bashneft Group

**IFRS results
for the fourth quarter and the twelve months 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.

Main results for 4Q 2015 and 12M 2015

4Q 2015 vs. 4Q 2014:

- Average daily oil production grew by 11.1% to **416.2 thousand bbl/d**;
- Average daily oil refining declined by 9.7% to the level of **382.5 thousand bbl/d**;
- Refining depth increased to **85.3%**; the share of light products totalled **66.3%**;
- Revenue decreased by **10.1%** to **147.97 billion roubles**;
- Adjusted EBITDA increased by **75.4%** to **30.2 billion roubles**.

Financial results for 12M 2015 compared to 12M 2014:

- Revenue fell by **4.1%**;
- Adjusted EBITDA* gained **27.1%**.

Operating results for 12M 2015 compared to 12M 2014:

- Average daily oil production grew by **11.9%**;
- Average daily oil refining decreased by **11.7%**;
- The share of Euro 5 gasoline in the total gasoline output** increased to **87.6%**;
- The share of Euro 5 diesel fuel in the total output of diesel fuel amounted to **99.9%**.

Key events:

- Findings of an international audit have revealed that in 2015 Bashneft's proved reserves increased by 7.0% to 2,323.6 million barrels. In 2015 the reserve replacement ratio totalled 202%;
- The Company approved and presented its development strategy for the period from 2015 through 2020;
- Bashneft purchased bonds worth 9.9 billion roubles under a put option;
- Bashneft's Board of Directors approved the Regulations on Dividend Policy, which stipulates that the Company must seek to allocate no less than 25% of its net income under IFRS for dividend payments every year;
- In September, Bashneft started pilot operation of a new process line of the elemental sulphur production unit at the Bashneft-Ufaneftekhim Branch.





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1. Operating results

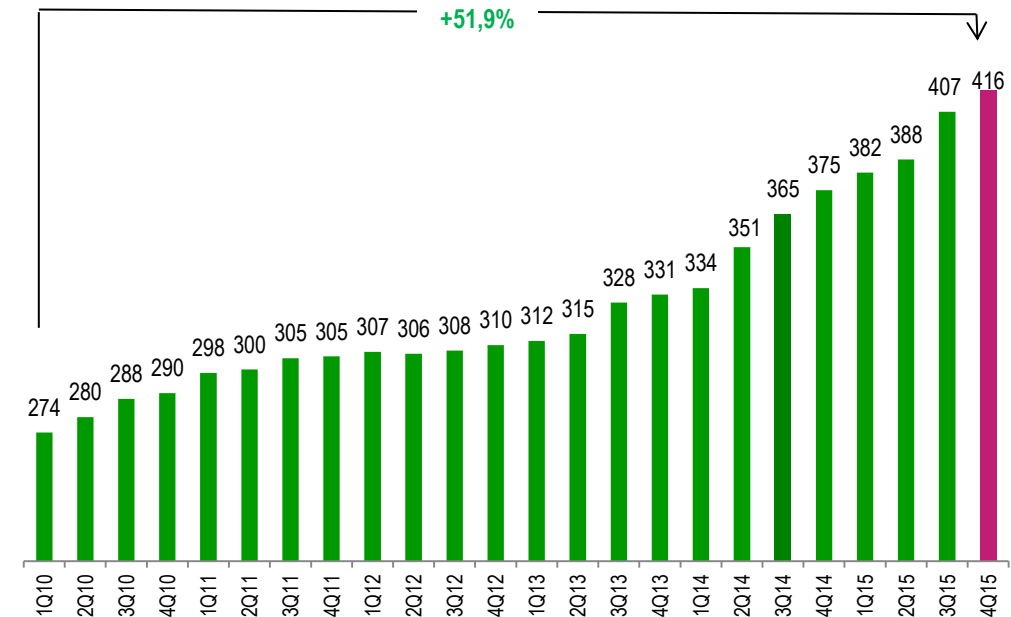


Production hit a new record high

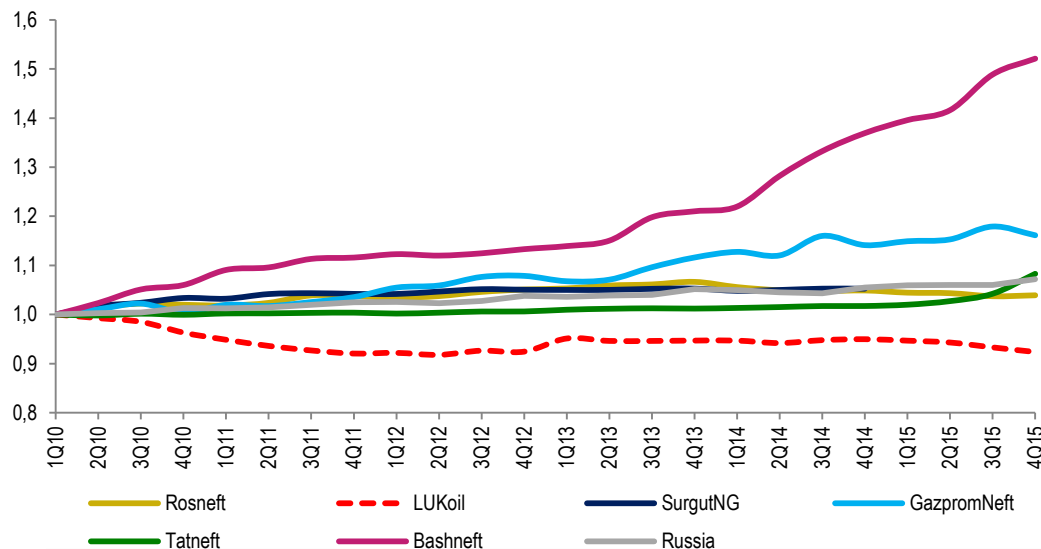
Main results

- In the fourth quarter of 2015, **oil production** totalled **5.245 million tonnes**. Production at Bashneft's oilfields continued to increase more rapidly than the industry average;
- In 2015 **production at brownfields** in Bashkortostan increased by **2.8%**;
- In the fourth quarter of 2015, the **Group's average daily production reached 416.2 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 further production growth at Sorovskoe field (+4.8% compared to the third quarter of 2015);
- Drivers of production growth at greenfields included more active development of the A. Titov field following the commissioning of a pipeline connecting it with the R. Trebs field. Production growth at Burneftegaz was driven by efficient implementation of the production drilling programme involving drilling highly productive horizontal wells;
- **Due to efficient waterflooding control**, in the fourth quarter of 2015, **average well output** of existing wells in Bashkortostan did not decrease compared to the third quarter of 2015 and **totalled 3.21 tonnes per day** compared to 3.18 tonnes per day in the second quarter of 2015 and 3.14 tonnes per day in the fourth quarter of 2014.

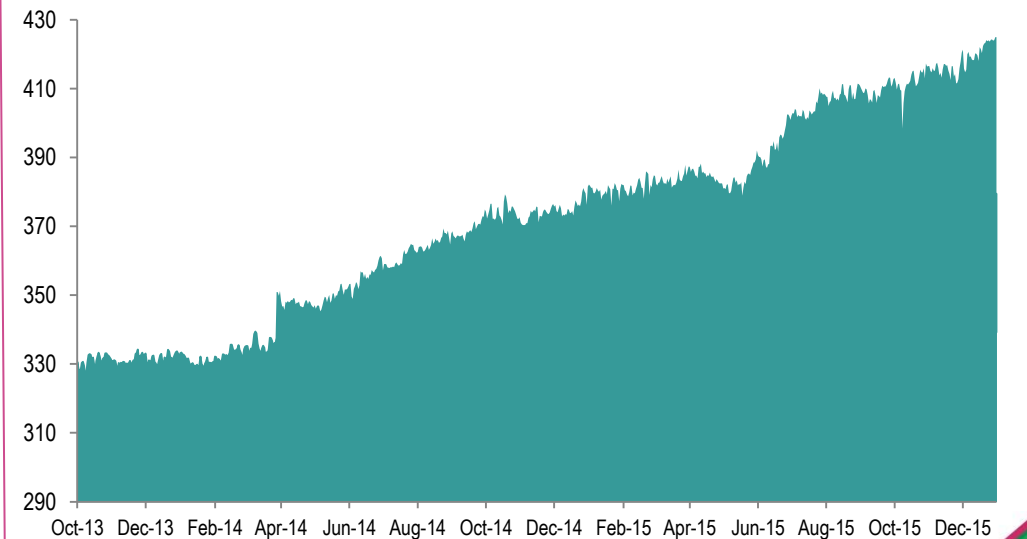
Average daily oil production, thousand bbl/d



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



Daily oil production, thousand bbl/d



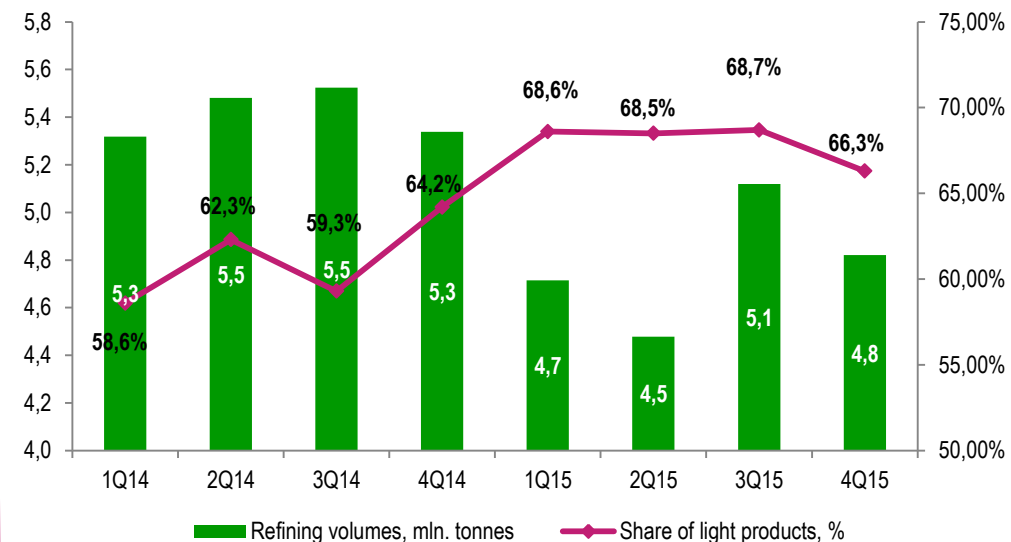
Note: (*) Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

In 2015 the Nelson Index increased to 9.1

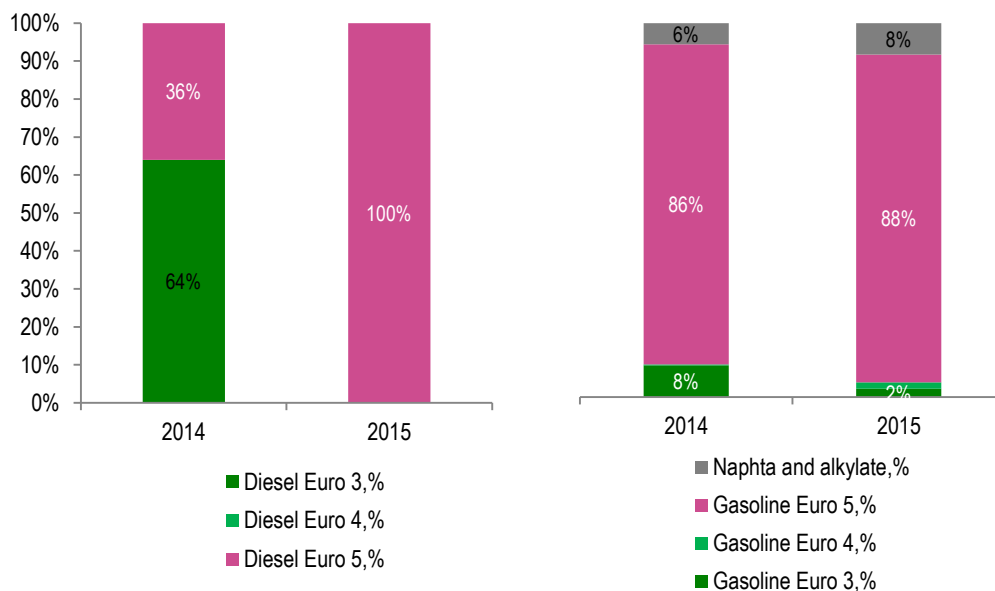
Main results

- In the fourth quarter of 2015, Bashneft's refining complex processed **4.82 million tonnes of oil**, which is 9.7% less than in the fourth quarter of 2014. During the twelve months of 2015, refining volume totalled 19.134 million tonnes, which is 11.7% less than during the twelve months of 2014. In 2015 this level of refining enabled the Company to maximize the value of its product mix despite an unfavourable macroeconomic environment and a new tax regime by increasing the output of light products.
- In the fourth quarter of 2015, **Euro 5 gasoline** accounted for **86.9%** of the total gasoline output. The share of **Euro 5 diesel fuel** totalled **100%**;
- In 2015 the Group continued to reduce the output of low-margin heavy petroleum products. Thus, the output of vacuum gas oil fell by 88.4% year on year (to 191 thousand tonnes), while the output of fuel oil decreased by 17.6% (to 2,516 thousand tonnes).

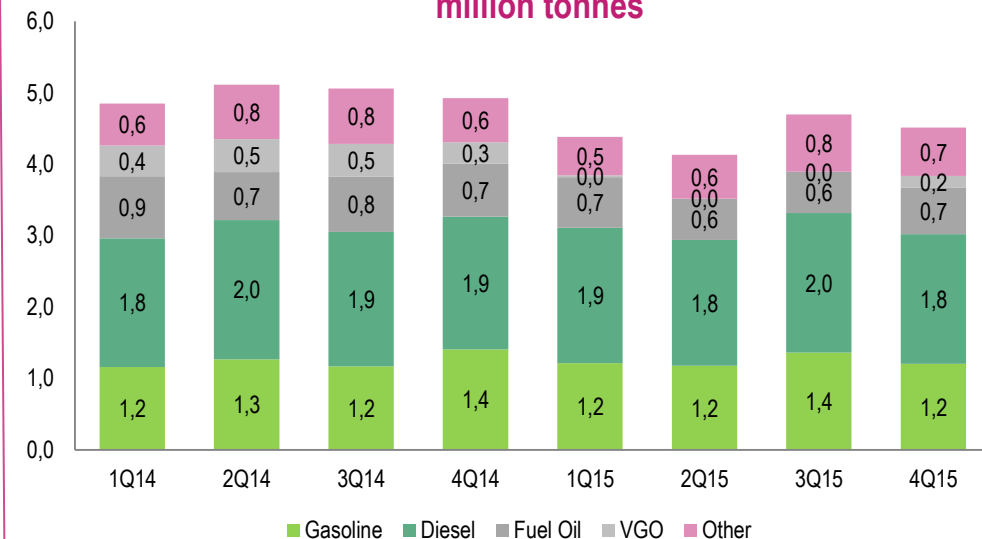
Oil refining, million tonnes



Output of gasoline and diesel fuel meeting the Euro standards



Petroleum products and petrochemicals, million tonnes





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2. Financial results

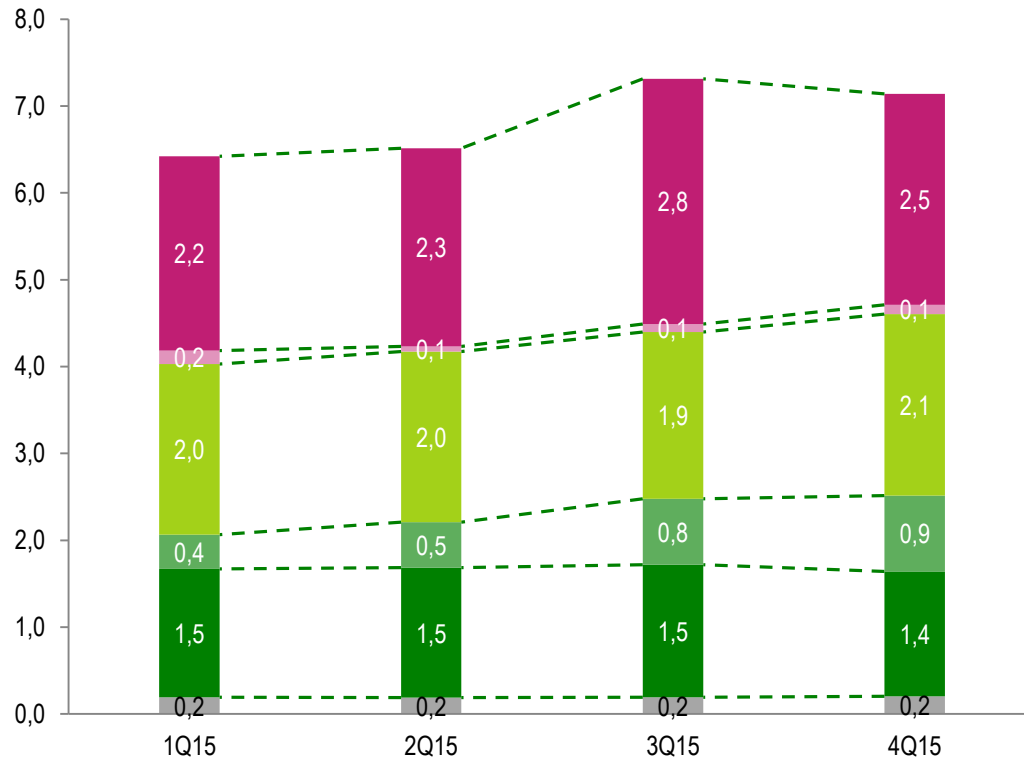


Bashneft Group's key indicators for 2015

4Q 2015	3Q 2015	Δ, %	Indicator	12M 2015	12M 2014	Δ, %
2,81	3,14	-10,7%	Urals price, thousand roubles/barrel	3,16	3,76	-16,0%
65,9	63,0	4,6%	Average rouble/dollar exchange rate	61,0	38,4	58,9%
5 245	5 134	2,2%	Crude oil production, thousand tonnes	19 919	17 808	11,9%
4 821	5 120	-5,8%	Oil refining, thousand tonnes	19 134	21 661	-11,7%
4 654	4 837	-3,8%	Petroleum products and petrochemicals sales, thousand tonnes	18 150	19 928	-8,9%
148,0	167,6	-11,7%	Revenue, billion roubles	611,3	637,3	-4,1%
30,2	37,5	-19,3%	Adjusted EBITDA, billion roubles	130,3	102,5	27,1%
6,9	22,0	-68,6%	Income for the period attributable to shareholders of the parent company, billion roubles	58,2	43,1	34,8%
18,8	15,3	23,1%	Capital expenditures, billion roubles	61,70	48,34	27,6%
98,1	101,7	-3,6%	Adjusted net debt, billion roubles	98,1	113,6	-13,7%

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

Increase in domestic sales of crude oil

Exports of petroleum products and petrochemicals, million tonnes



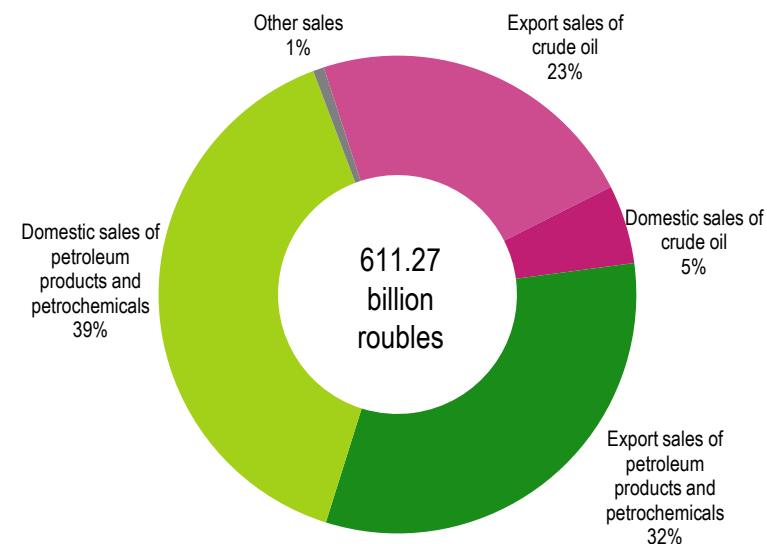
Domestic sales of petroleum products and petrochemicals, million tonnes



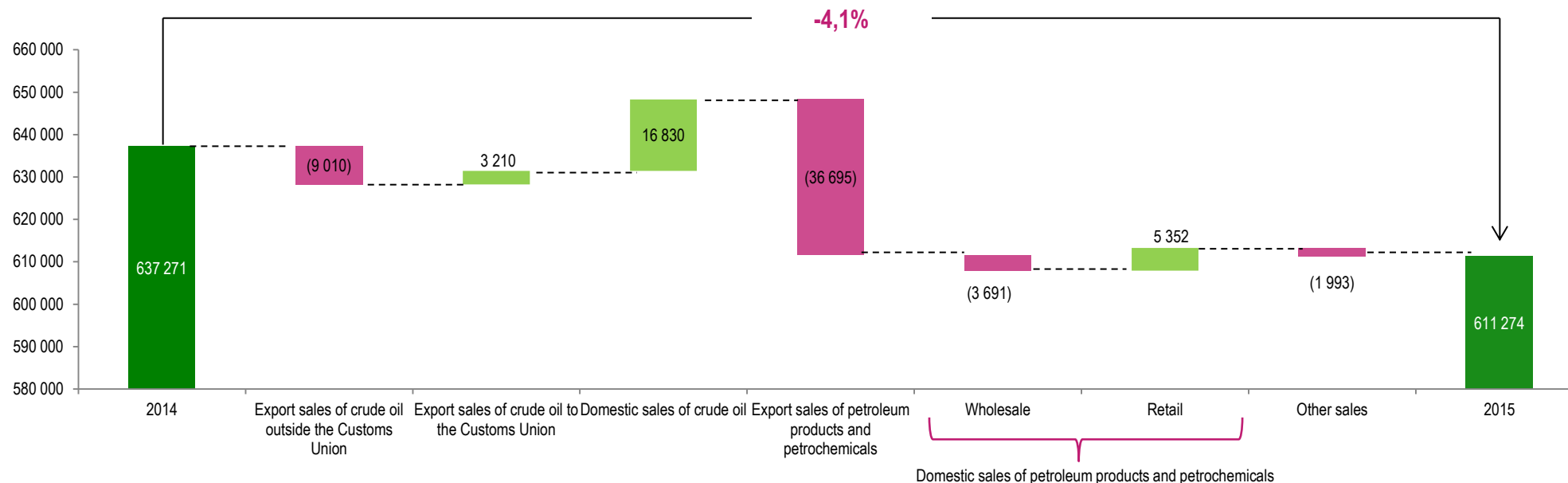
Main results for 2015

- In 2015 revenue decreased by 4.1% to 611.27 billion roubles. This change was caused by a fall in global prices combined with a reduction in export sales of petroleum products and petrochemicals. This decrease was partially offset by price growth on the domestic market;
- In 2015 revenue from domestic sales of crude oil totalled 32.57 billion roubles, up by 107% compared to 2014. This change was caused by an increase in crude oil sales volume and a rise in prices on the domestic market, as well as the acquisition of Burneftegaz Group and consolidation of LLC Bashneft-Polyus;
- Revenue from retail sales increased by 10.1% compared to the same period in 2014 and totalled 58.18 billion roubles. The increase in revenue from retail sales was related to a 4.3% increase in retail sales volume due to the ongoing rebranding programme and a rise in prices on the domestic market.

Revenue breakdown for 2015, billion roubles

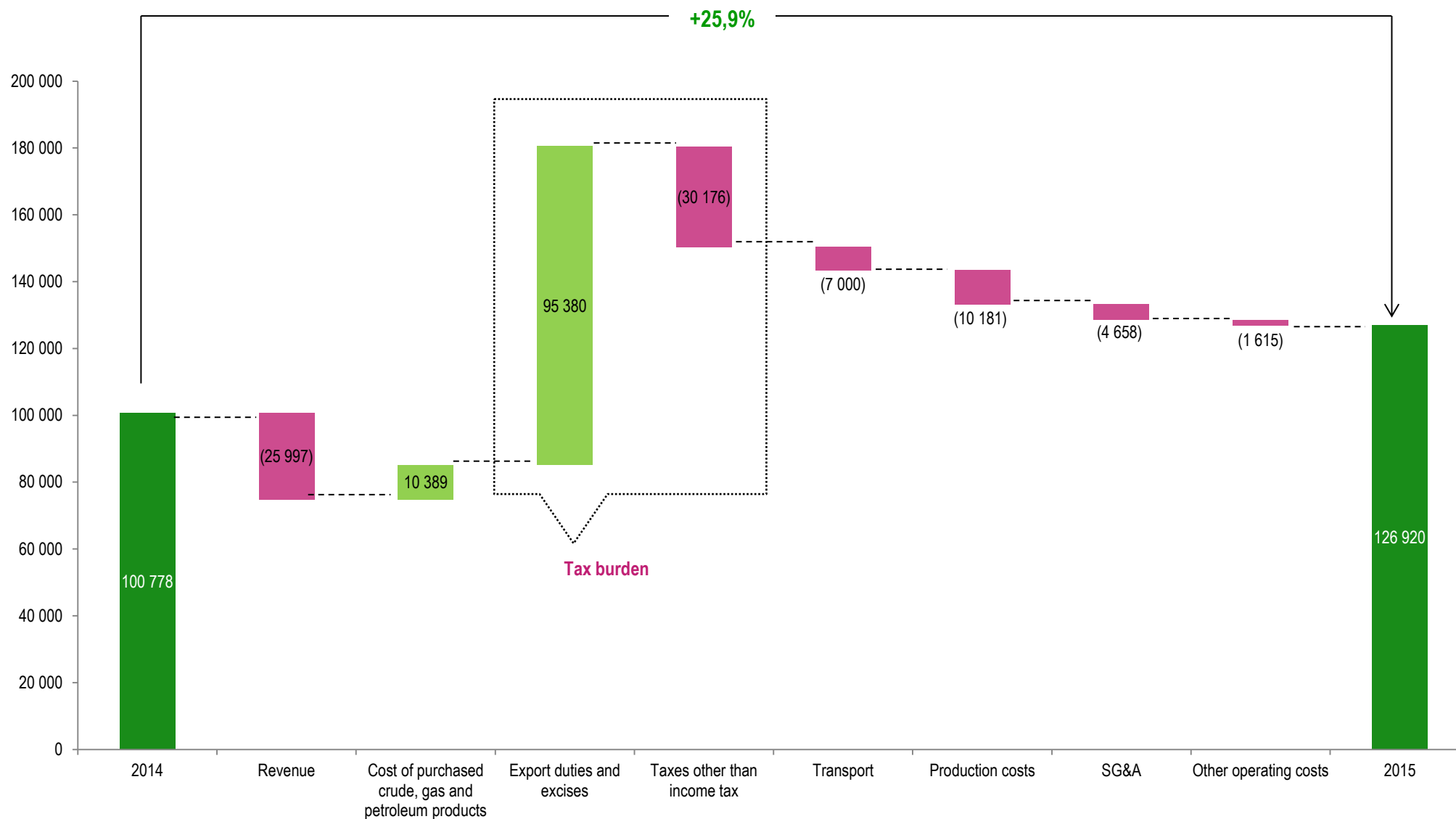


Revenue factor analysis, million roubles, 2015 vs. 2014

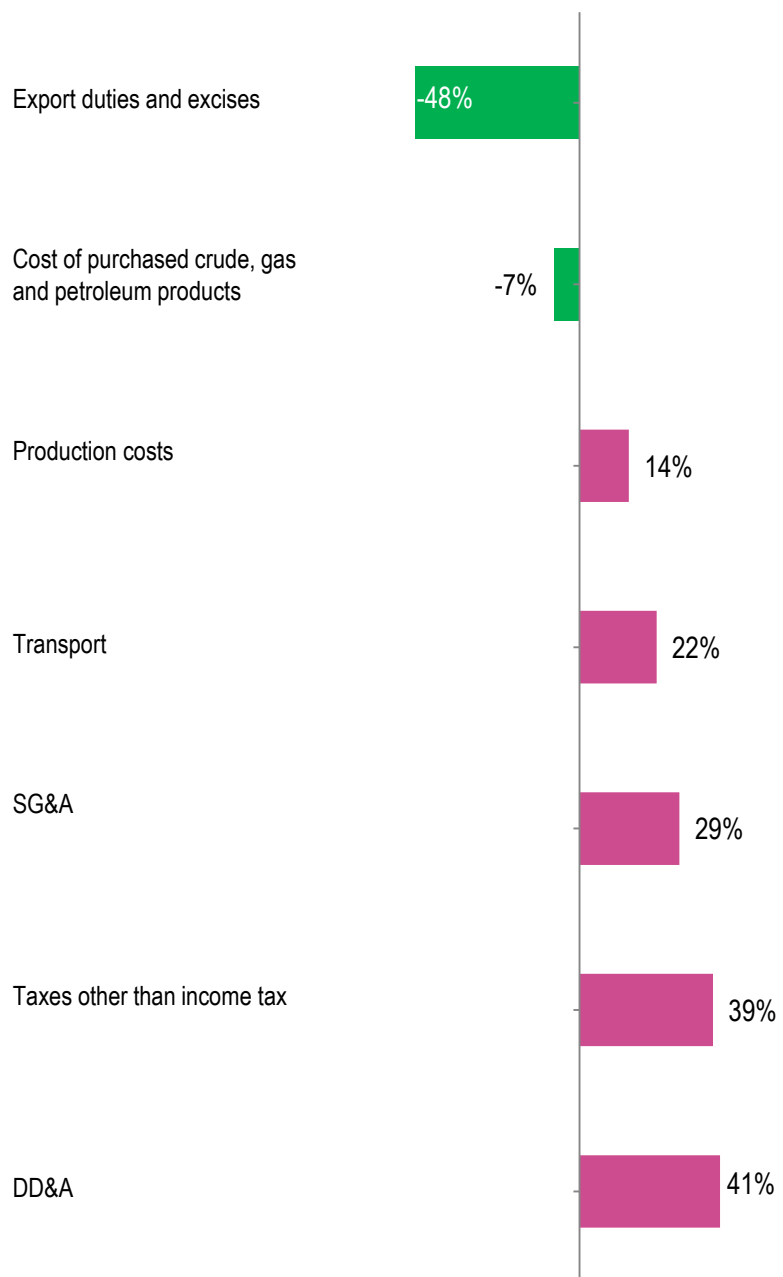


Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 2015 vs. 2014



Changes in operating expenses in 2015*



The total amount of export tariffs on oil and petroleum products decreased by 53.1%, which was caused by a reduction in export duty rates;
The total amount of excises decreased by 26.0% due to a decrease in excise rates.

The cost of purchased crude oil, gas and petroleum products decreased by 7.4% and amounted to 129.45 billion roubles. This change was related to a reduction in the volume of purchased crude oil, gas and petroleum products due to a decrease in refining volume, which was partially offset by price growth on the domestic market.

Production and operating expenses. An increase in crude oil production expenses to 43.24 billion roubles was related to higher cost of raw and other materials and services provided by oilfield service companies. Refining expenses increased to 27.68 billion roubles due to a decline in refining volumes, an increase in the amount of repairs and growing expenditures due to a change in the production plan with regard to the process unit utilization rate.

Transportation costs grew by 22.4% to 38.26 billion roubles due to an increase in the volume of crude oil exports combined with expansion of the geographical footprint of the wholesale business on the domestic market, consolidation of the UPC Group, as well as an increase in transportation tariffs and the weakening of the rouble.

Taxes other than income tax increased by 38.8% and amounted to 107.95 billion roubles. This growth was driven by an increase in mineral extraction tax payments due to the adoption of a law on the tax manoeuvre, as well as production growth. An increase in social taxes was related to consolidation of the UPC Group.

Depletion and depreciation costs rose by 40.9% due to an increase in production and sales of crude oil, as well as commissioning of new property, plant and equipment, the acquisition of Burneftegaz Group and consolidation of LLC Bashneft-Polyus and the UPC Group.

Note: (*) as compared to 2014 (excluding other operating expenses (income)).

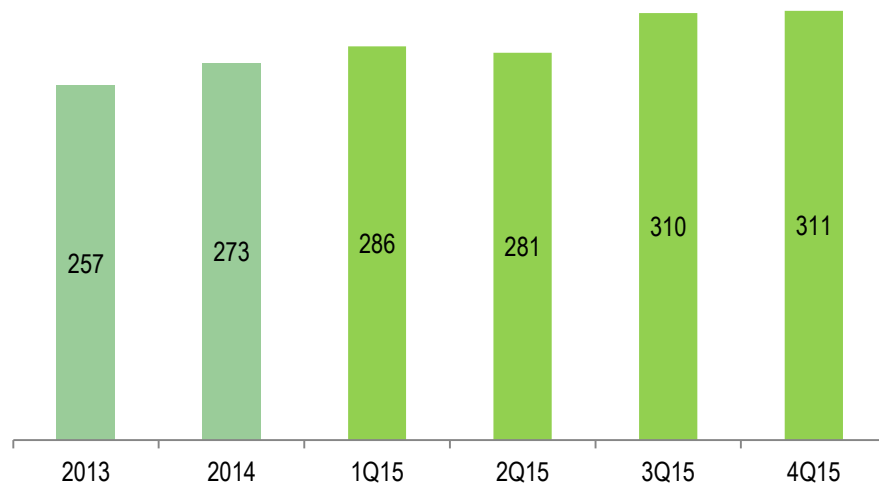
4Q 2015 vs. 3Q 2015

- In the fourth quarter of 2015, unit costs for production of crude oil remained at the level reached in the third quarter of 2015 and amounted to 311.1 roubles per barrel.

2015 vs. 2014

- In 2015 unit costs for production of crude oil grew by 8.9% and totalled 297.4 roubles per barrel due to higher cost of raw and other materials and services provided by oilfield service companies.

Unit production costs, roubles/bbl*



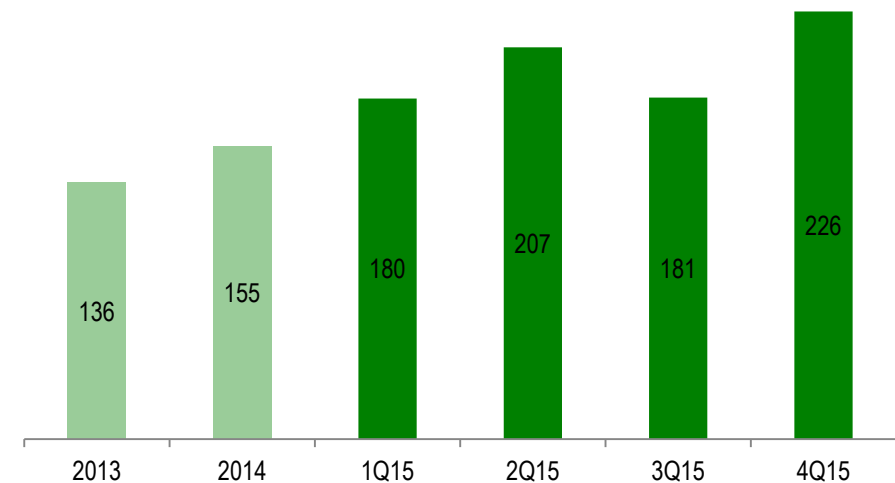
4Q 2015 vs. 3Q 2015

- In the fourth quarter of 2015, unit refining costs grew by 25.2% to 226.2 roubles per barrel due to a 5.8% decrease in refining volumes, an increase in the amount of repairs and higher cost of auxiliary materials.

2015 vs. 2014

- Unit refining costs added 27.9% due to an 11.7% decline in refining volumes, an increase in the amount of repairs and growing expenditures due to a change in the production plan with regard to the process unit utilization rate.

Unit refining costs, roubles/bbl*



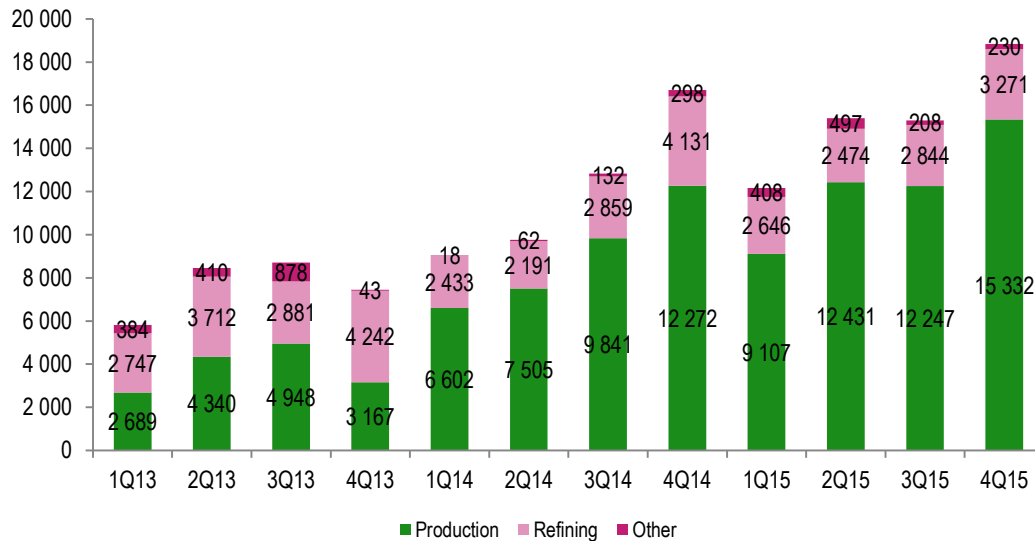
4Q 2015 vs. 3Q 2015

- In the fourth quarter of 2015, capital expenditures grew by 23.1% and totalled 18.83 billion roubles, which was caused by an increase in capital expenditures in the Production segment.

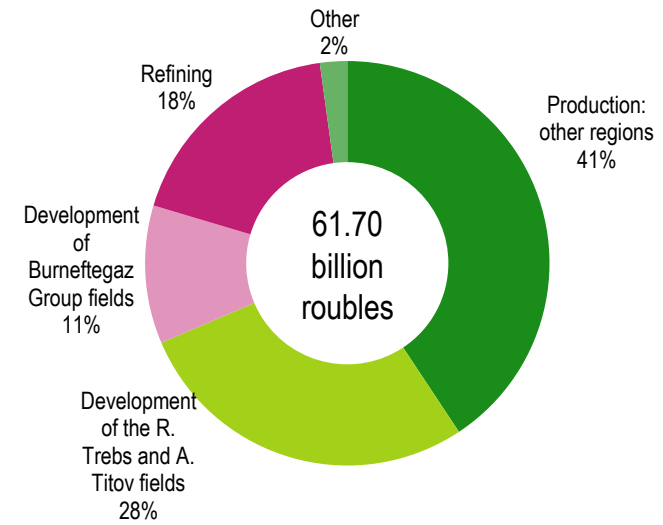
2015 vs. 2014

- In 2015 capital expenditures increased by 27.6% due to an increase in capital expenditures in the Production segment, including those related to acquisition of Burneftegaz Group.

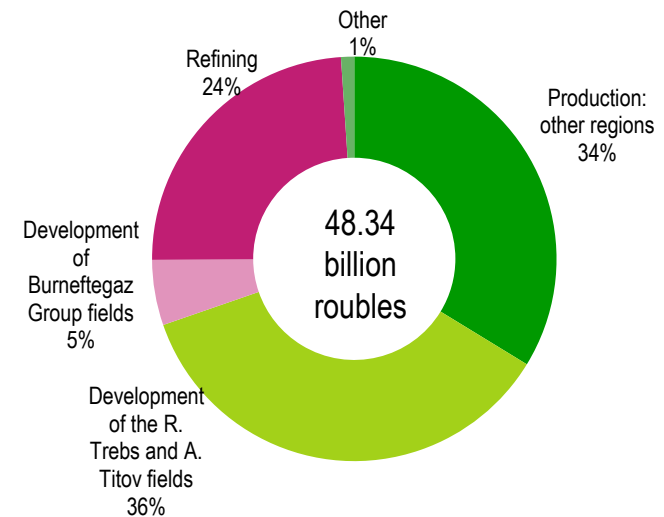
Changes in CAPEX, million roubles



CAPEX breakdown in 2015, billion roubles

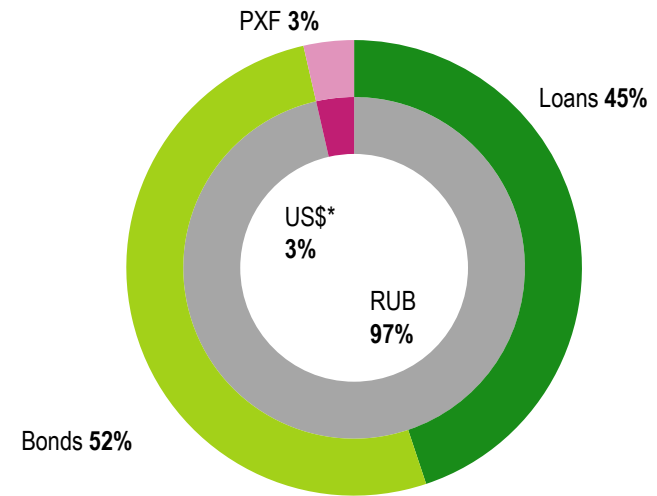


CAPEX breakdown in 2014, billion roubles

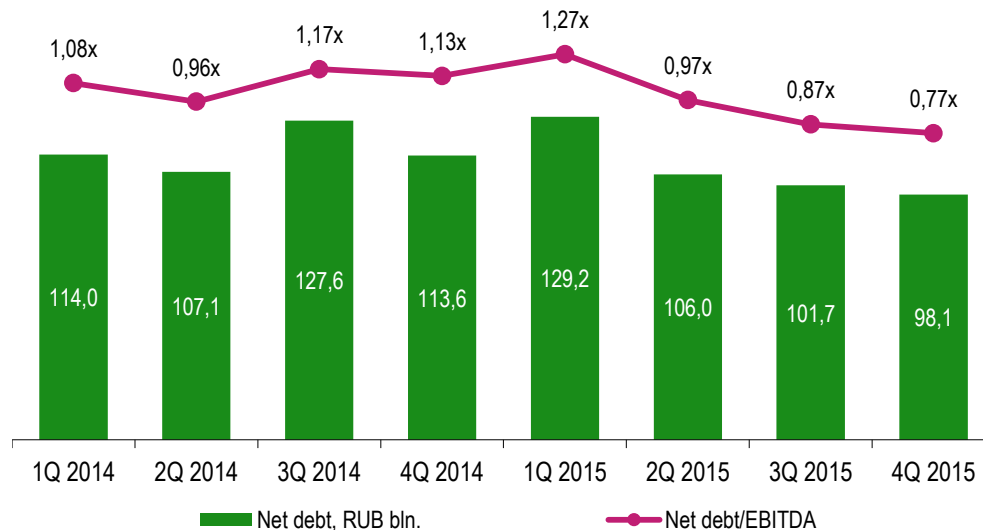


- As of December 31, 2015, the Group's total debt in the form of short-term and long-term loans and borrowings totalled 136.0 billion roubles compared to 151.1 billion roubles as of September 30, 2015;
- Debt management measures enabled Bashneft to reduce the cost of servicing of all Russian loans;
- In the fourth quarter of 2015, the weighted average interest rate on loans decreased to **10.4%** compared to **10.6%** p.a. a quarter earlier as a result of a reduction in interest rates on rouble-denominated loans and partial repayment of rouble-denominated loans.

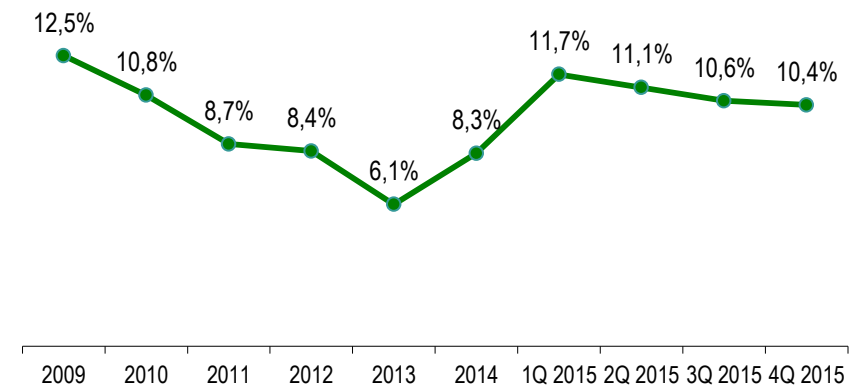
Debt breakdown as of the end of 4Q 2015



Net debt ratios



Changes in the weighted average interest rate





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