



БАШНЕФТЬ
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

Bashneft Group

**IFRS results
for the third 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.

3Q 2015 vs. 2Q 2015:

- Average daily oil production grew by 5.1% to **407.4 thousand bbl/d**;
- Average daily oil refining increased by 13.1% to the level of **406.3 thousand bbl/d**;
- Refining depth increased to **87.3%**; the share of light products reached **68.7%**;
- The share of Euro 5 gasoline in the total gasoline output** increased to **92.9%**;
- The share of Euro 5 diesel fuel in the total output of diesel fuel amounted to **99.9%**;
- Revenue increased by **9.7%** to **167.6 billion roubles**;
- Adjusted EBITDA increased by **4.5%** to **37.5 billion roubles**;
- Net income grew by **22.7%** to **21.98 billion roubles**.

Financial results for 9M 2015 compared to 9M 2014:

- Adjusted EBITDA* increased by **17.3%** to **100.1 billion roubles**;
- Net income grew by **12.9%** to **51.3 billion roubles**.

Operating results for 9M 2015 compared to 9M 2014:

- Average daily oil production grew by **10.5%**;
- Average daily oil refining decreased by **12.3%**.

Key events in 2015:

- The Board of Directors has approved PJSOC Bashneft's strategy for the period from 2015 through 2020;
- In October, Bashneft's Board of Directors approved a new version of 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;
- Fitch Ratings upgraded Russia-based PJSOC Bashneft's credit ratings to 'BB+'; Outlook Stable;
- The Board of Directors of PJSOC Bashneft adopted resolutions aimed at streamlining the Company's corporate structure and transferring control over a number of its assets under Russian jurisdiction in accordance with a directive from the Government of the Russian Federation;
- In September, Bashneft started pilot operation of a new process line of the elemental sulphur production unit.





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1. Operating results

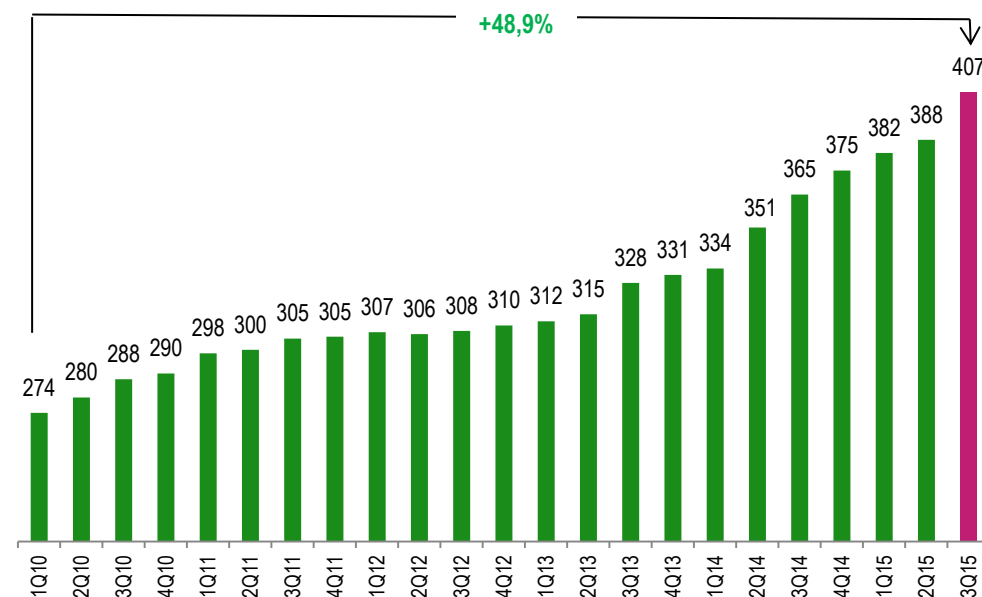


Production hit a new record high

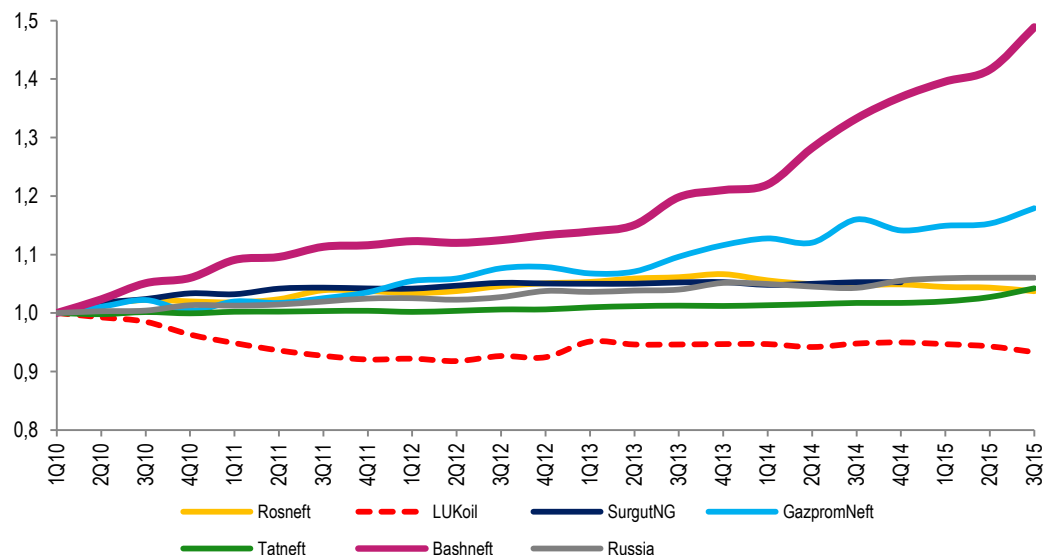
Main results

- In the third quarter of 2015, **oil production** totalled **5.134 million tonnes**. Production at Bashneft's oilfields continued to increase more rapidly than the industry average;
- **Production at brownfields** added **1.9%** compared to the third quarter of 2014;
- **In the third quarter of 2015, the Group's average daily production reached 407.4 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 (+38% compared to the second 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 third quarter of 2015 **average well output** of existing wells in Bashkortostan increased compared to the second 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 third quarter of 2014.

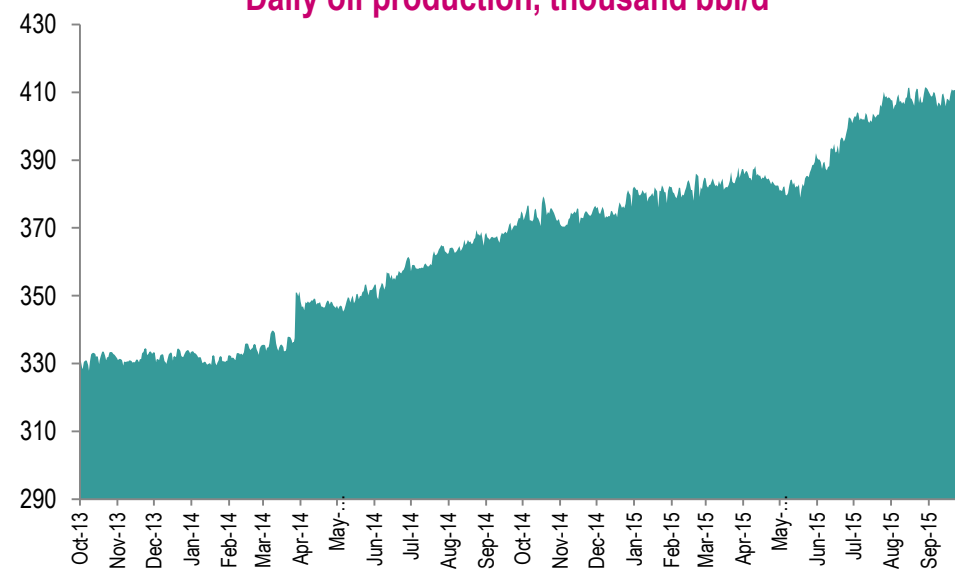
Average daily oil production, thousand bbl/d



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



Daily oil production, thousand bbl/d



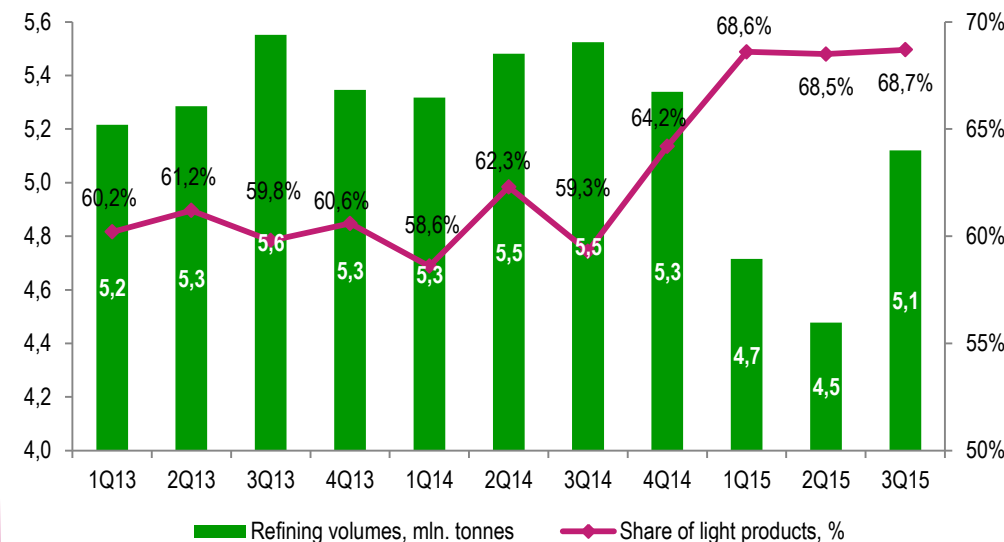
Note: (*) Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

The share of light products increased to a record high of 68.7%

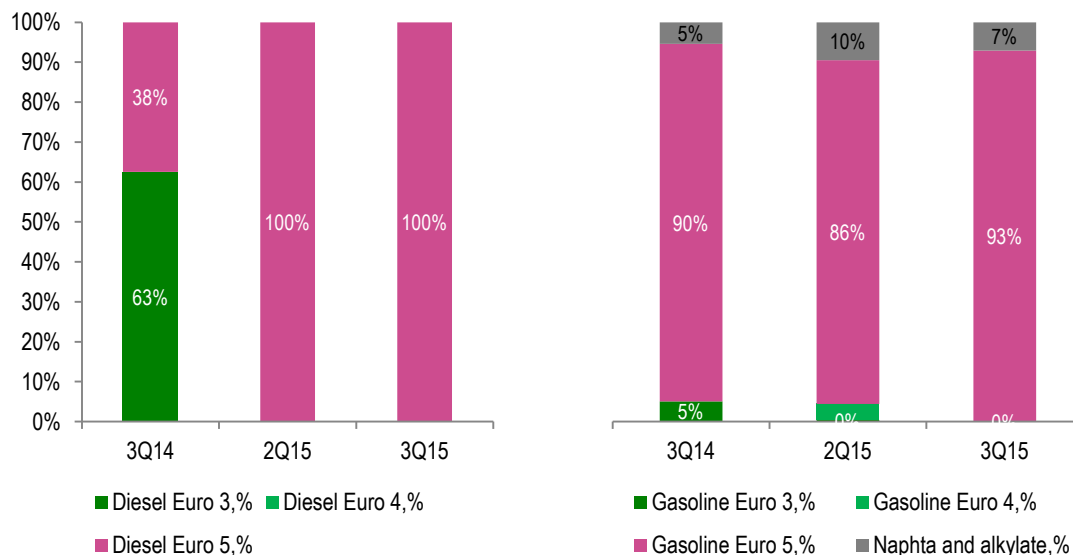
Main results

- In the third quarter of 2015, Bashneft's refining complex processed 5.12 million tonnes of oil, which is 7.3% less than in the third quarter of 2014. During the nine months of 2015, refining volume totalled 14.313 million tonnes, which is 12.3% less than during the nine months of 2014. This level of refining is in keeping with the plan; given the current macroeconomic and tax conditions, it helps maximize the value of the product mix by increasing the output of light products;
- In the third quarter of 2015, Euro 5 gasoline accounted for 92.9% of the total gasoline output. The share of Euro 5 diesel fuel totalled 99.9%;
- The Group continued to reduce the output of low-margin heavy petroleum products. For instance, the Group did not produce VGO; at the same time, it reduced the output of fuel oil by 25.3% compared to the third quarter of 2014, while during the nine months of 2015 the output of fuel oil decreased by 19.6%.

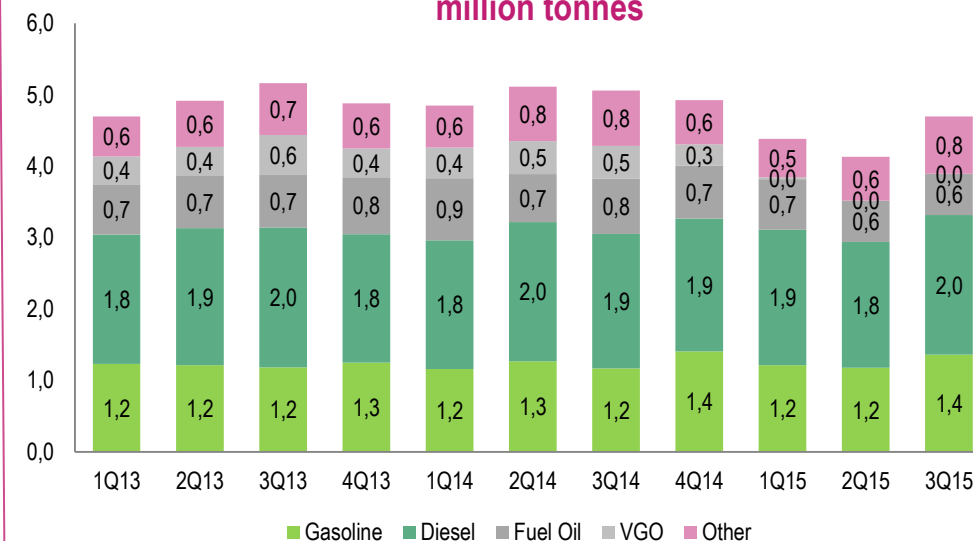
Oil refining, million tonnes



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 2015

3Q 2015	2Q 2015	Δ, %	Indicator	9M 2015	9M 2014	Δ, %
3.14	3.28	-4.1%	Urals price, thousand roubles/barrel	3.26	3.73	-12.6%
63.0	52.7	19.5%	Average rouble/dollar exchange rate	59.3	35.4	67.5%
5,134	4,831	6.3%	Crude oil production, thousand tonnes	14,674	13,085	12.1%
5,120	4,478	14.3%	Oil refining, thousand tonnes	14,313	16,323	-12.3%
4,837	4,305	12.4%	Petroleum products and petrochemicals sales, thousand tonnes	13,496	14,739	-8.4%
167.6	152.7	9.7%	Revenue, billion roubles	463.3	472.7	-2.0%
37.5	35.9	4.5%	Adjusted EBITDA, billion roubles	100.1	85.3	17.3%
22.0	17.9	22.7%	Income for the period attributable to shareholders of the parent company, billion roubles	51.3	45.4	12.9%
15.3	15.4	-0.7%	Capital expenditures, billion roubles	42.9	31.6	35.5%
101.7	106.0	-4.1%	Net debt, billion roubles	101.7	127.6	-20.2%

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



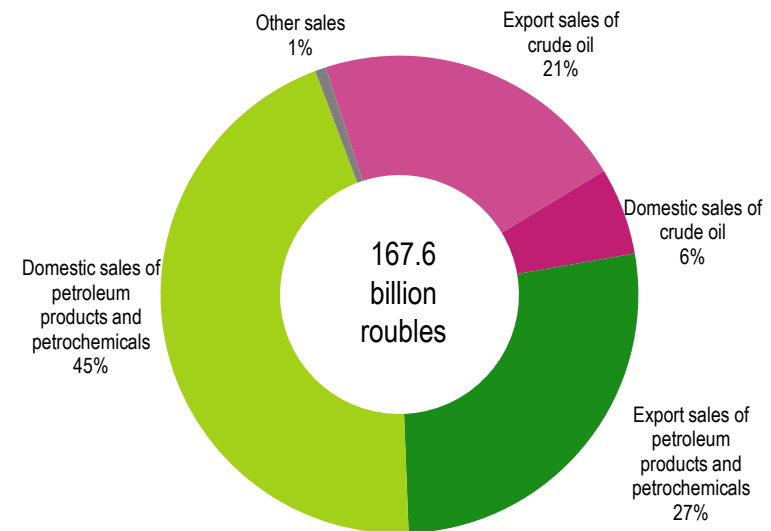
Domestic sales of petroleum products and petrochemicals, million tonnes



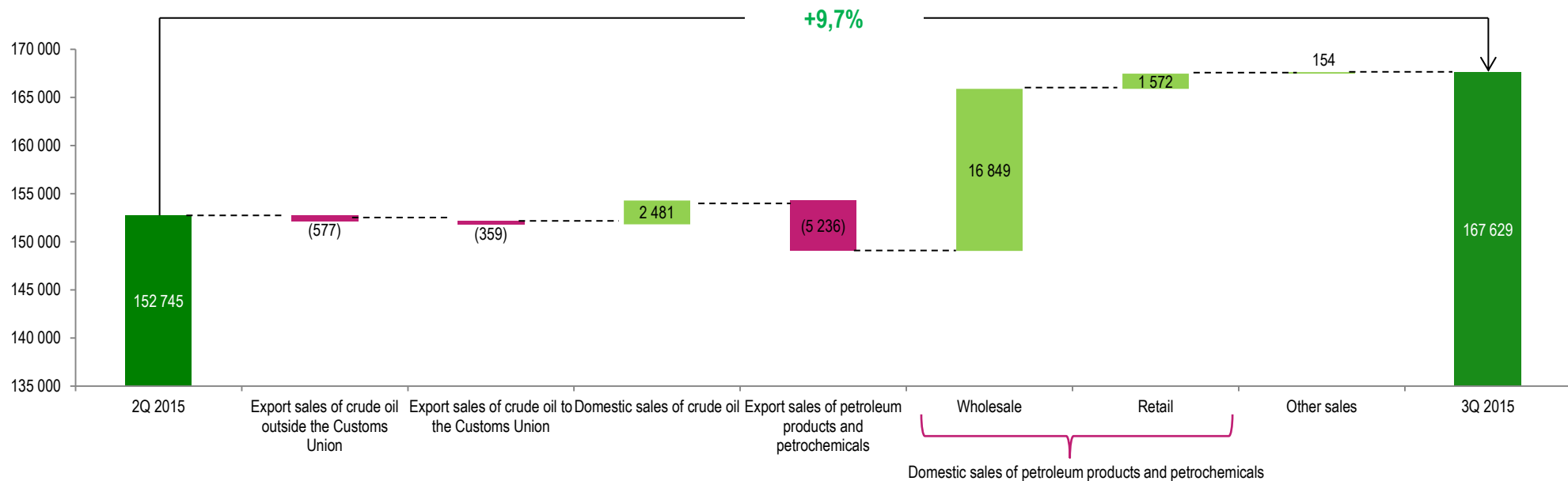
Main results for 3Q 2015

- In the third quarter of 2015, the revenue of Bashneft Group increased by 9.7% compared to the second quarter of 2015 and totalled 167.6 billion roubles. This change was caused by an increase in the volume of domestic sales of crude oil and petroleum products;
- In the third quarter of 2015, revenue from domestic sales of crude oil totalled 9.9 billion roubles, which is 33.5% more than in the second quarter of 2015. The increase in revenue was caused by a 44.6% increase in crude oil sales volume, which was driven mainly by production growth at Burneftegaz;
- In the third quarter of 2015, revenue from wholesale distribution of petroleum products on the domestic market gained 39.7% and totalled 59.2 billion roubles;
- Revenue from retail sales increased by 10.9% and totalled 16.0 billion roubles, which was related to a 7.3% seasonal increase in retail sales volumes on the domestic market.

Revenue breakdown for 3Q 2015, billion roubles

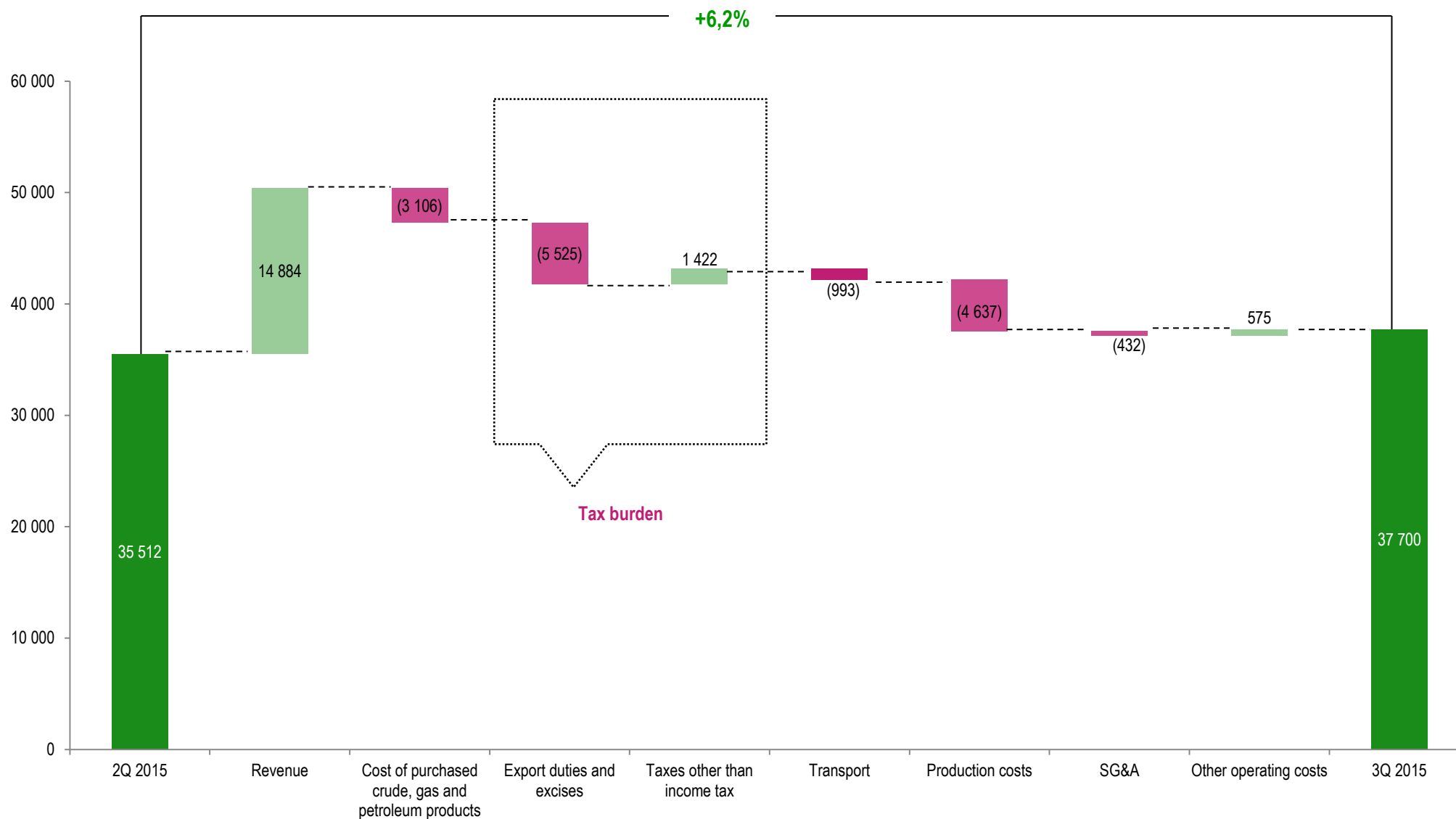


Revenue factor analysis, million roubles, 3Q 2015 vs. 2Q 2015



Factor analysis of EBITDA and operating expenses

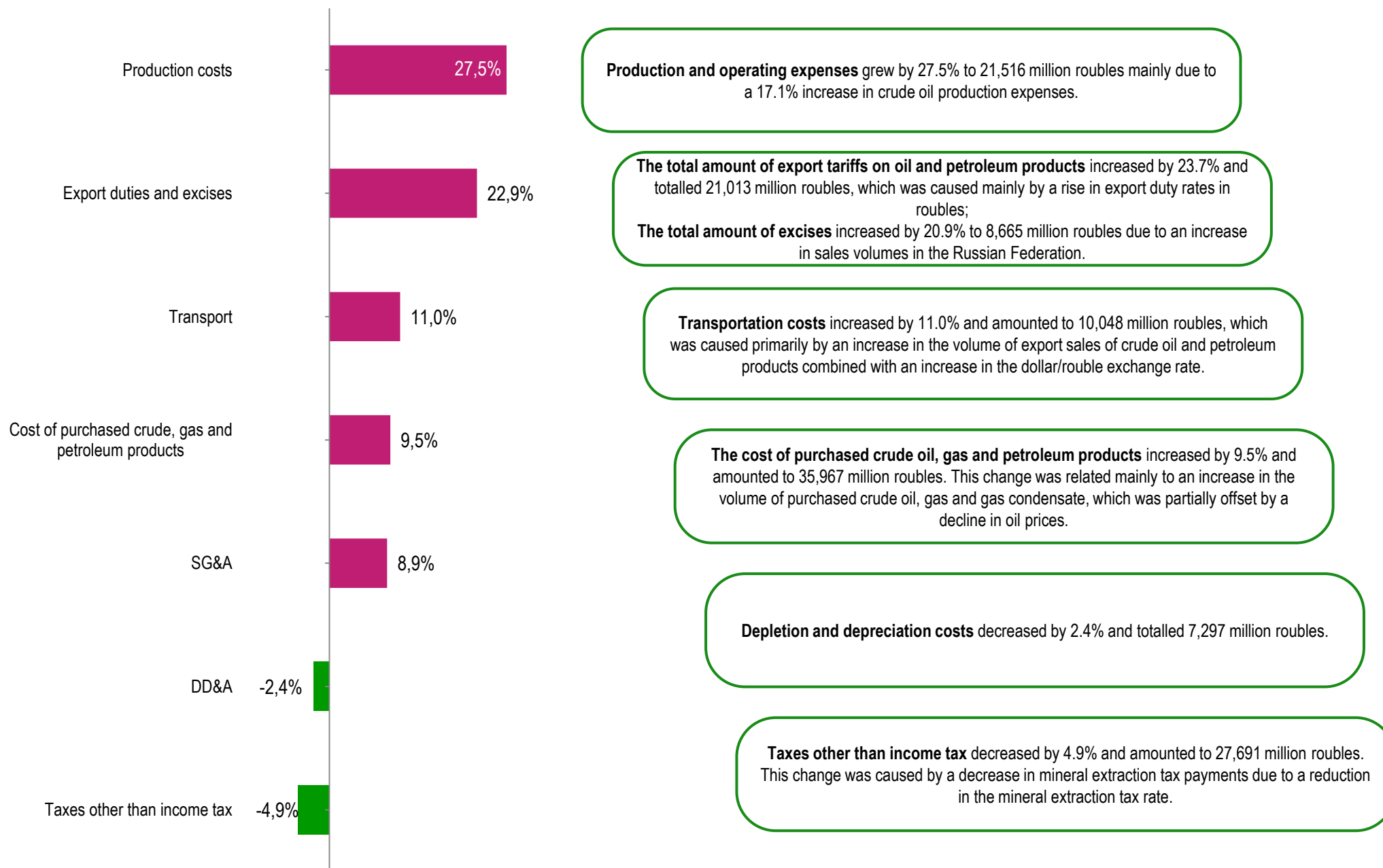
EBITDA factor analysis, million roubles, 3Q 2015 vs. 2Q 2015



Note: (*) other than income tax.



Changes in operating expenses in 3Q 2015*



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

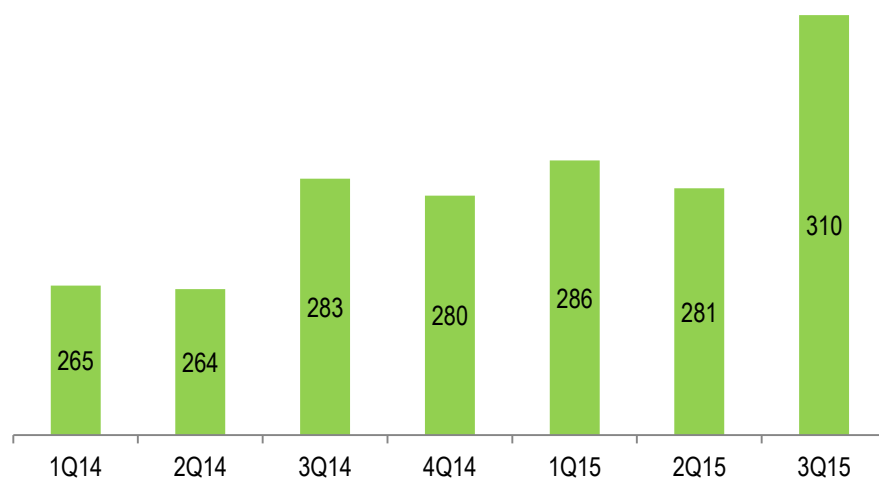
3Q 2015 vs. 2Q 2015

- In the third quarter of 2015, unit costs for production of crude oil grew by 10.2% and totalled 309.6 roubles per barrel due to higher cost of services provided by oilfield service companies.

9M 2015 vs. 9M 2014

- During the nine months ended 30 September 2015, unit costs for production of crude oil increased by 8.0% and amounted to 292.4 roubles per barrel due to higher cost of raw and other materials and services provided by oilfield service companies.

Unit production costs, roubles/bbl*



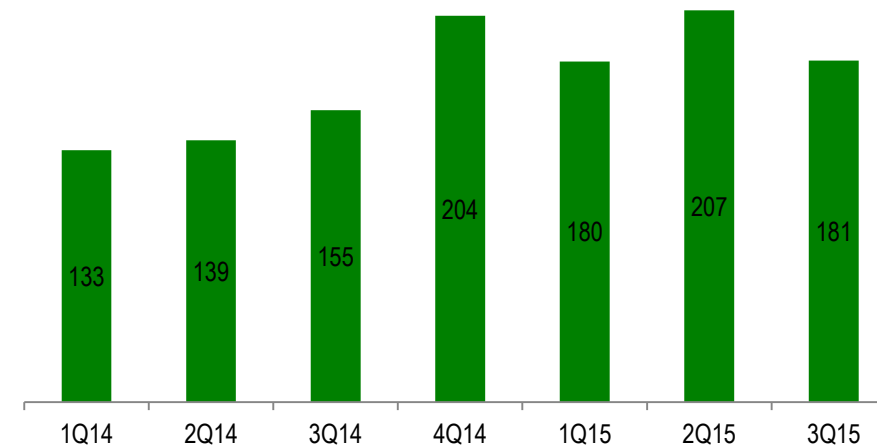
3Q 2015 vs. 2Q 2015

- In the third quarter of 2015, unit refining costs decreased by 12.8% and totalled 180.6 roubles per barrel due to a 14.3% increase in refining volumes.

9M 2015 vs. 9M 2014

- During the nine months of 2015, unit refining costs added 35.9%. 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

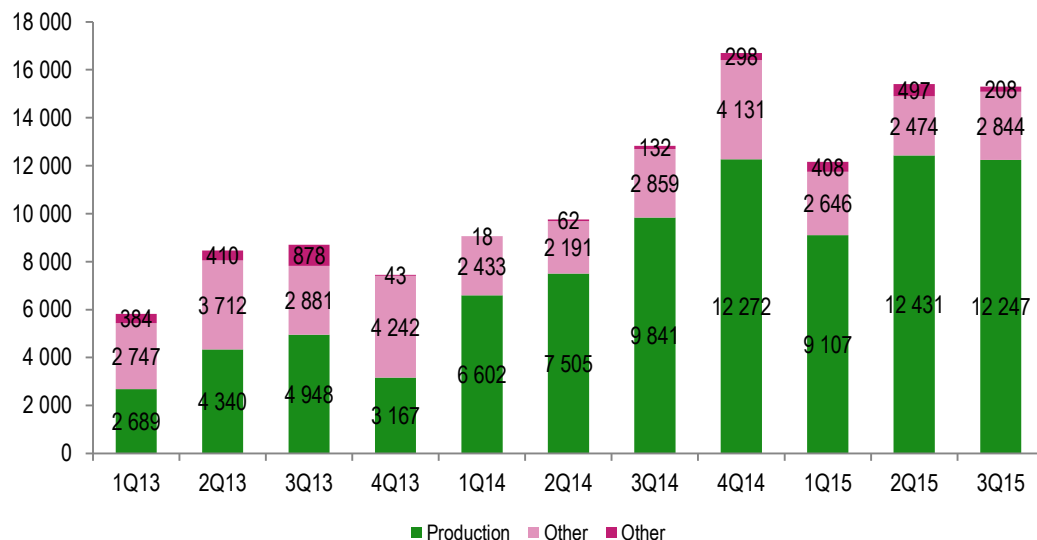
3Q 2015 vs. 2Q 2015

- In the third quarter of 2015, capital expenditures remained at the level reached in the second quarter of 2015 and totalled 15.3 billion roubles.

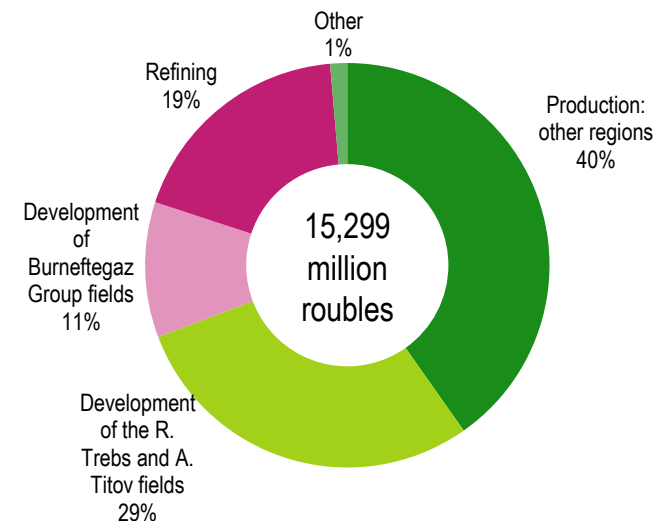
9M 2015 vs. 9M 2014

- During the nine months of 2015, capital expenditures increased by 35.5%, which was related mainly to an increase in capital expenditures in the Production segment, including those related to acquisition of Burneftegaz Group.

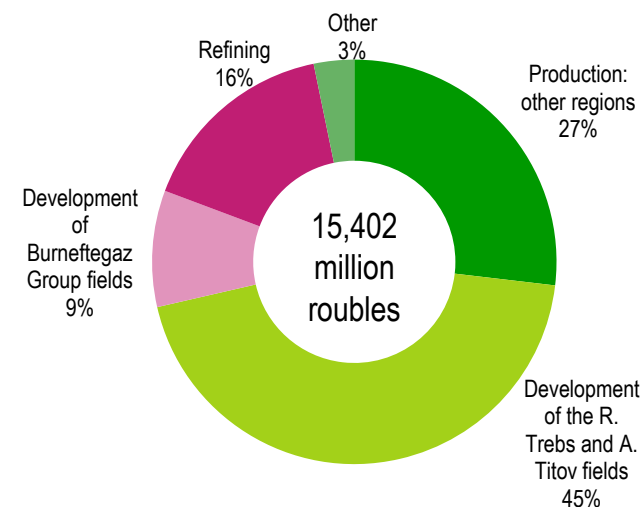
Changes in CAPEX, million roubles



CAPEX breakdown in 3Q 2015, million roubles

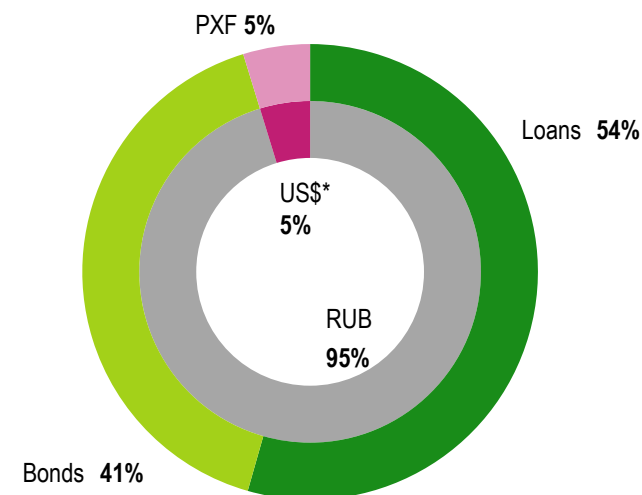


CAPEX breakdown in 2Q 2015, million roubles

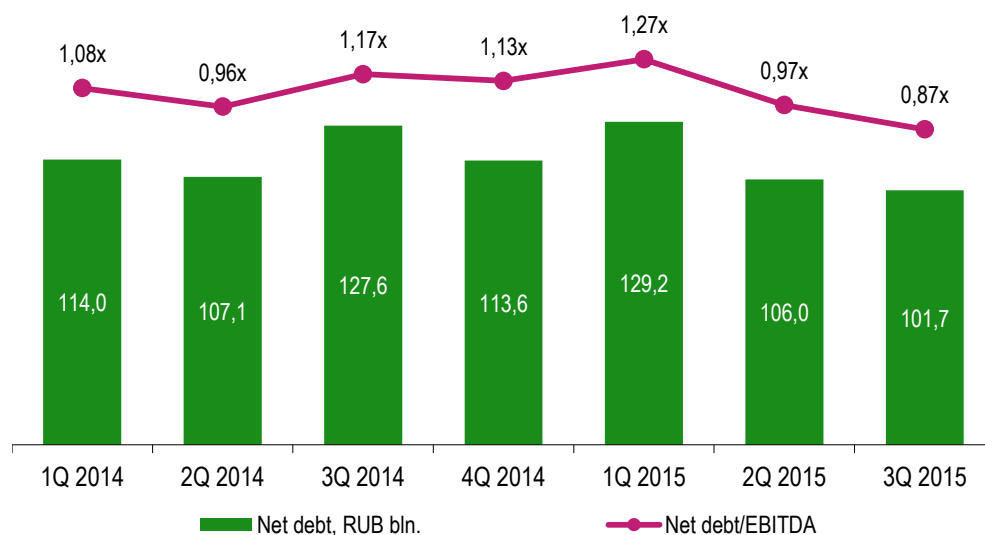


- As of 30 September 2015, the Group's total debt in the form of short-term and long-term loans and borrowings totalled 151.1 billion roubles compared to 171.7 billion roubles as of 30 June 2015;
- Debt management measures enabled Bashneft to reduce the cost of servicing of all Russian loans;
- In the third quarter of 2015, the weighted average interest rate on loans decreased to **10.6%** compared to **11.1%** 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.

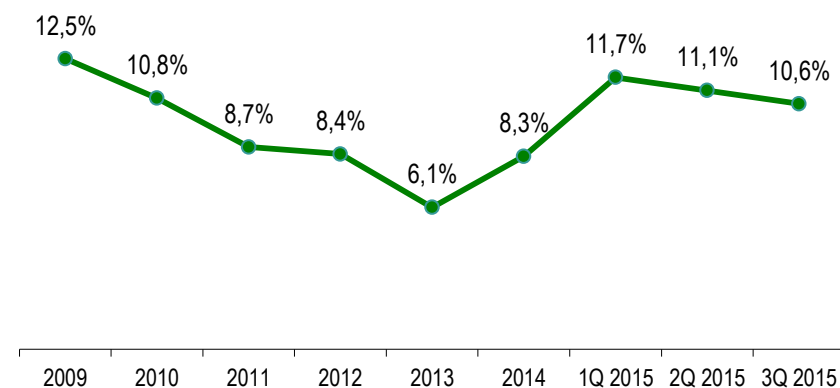
Debt breakdown as of the end of 3Q 2015



Net debt ratios



Changes in the weighted average interest rate





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