



БАШНЕФТЬ
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

Bashneft Group

**IFRS results
for the third quarter of 2016**



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 3Q 2016

3Q 2016 vs. 2Q 2016:

- Average daily oil production grew up to **424.9 thousand bbl/d**;
- Average daily oil refining increased by **14.4%** to the level of **375.6 thousand bbl/d**;
- Refining depth totalled **87.2%**; the share of light products amounted to **67.6%**;
- Revenue increased by **14.1%** to **161.9 billion roubles**;
- Adjusted EBITDA decreased by **12.9%** to **28.9 billion roubles**;
- Operating cash flow increased by **2.1%** to **23.0 billion roubles**.

Operating results for 9M 2016 compared to 9M 2015

- Average daily oil production grew by **8.2%**;
- Average daily oil refining decreased by **5.6%**;
- The share of Euro 5 gasoline in the total output of motor gasoline amounts to **100%**;
- The share of Euro 5 diesel fuel in the total output of diesel fuel amounts to **100%**.

Key events:

- On October 10, 2016, the Government of the Russian Federation published a Decree on the Acquisition of the Government's Stake in PJSOC Bashneft (88,951,379 ordinary registered shares, or 50.0755% of the Group's authorized share capital) by PJSC Rosneft Oil Company;
- In July 2016, Bashneft completed the reorganization of Burneftegaz Group aimed at simplifying its corporate structure and improving its management efficiency. The reorganization involved consolidation of LLC Burneftegaz, LLC Tortasinskneft, LLC Berezovskneftegaz and LLC OFIS-2010 with LLC Sorovskneft.





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1. Operating results

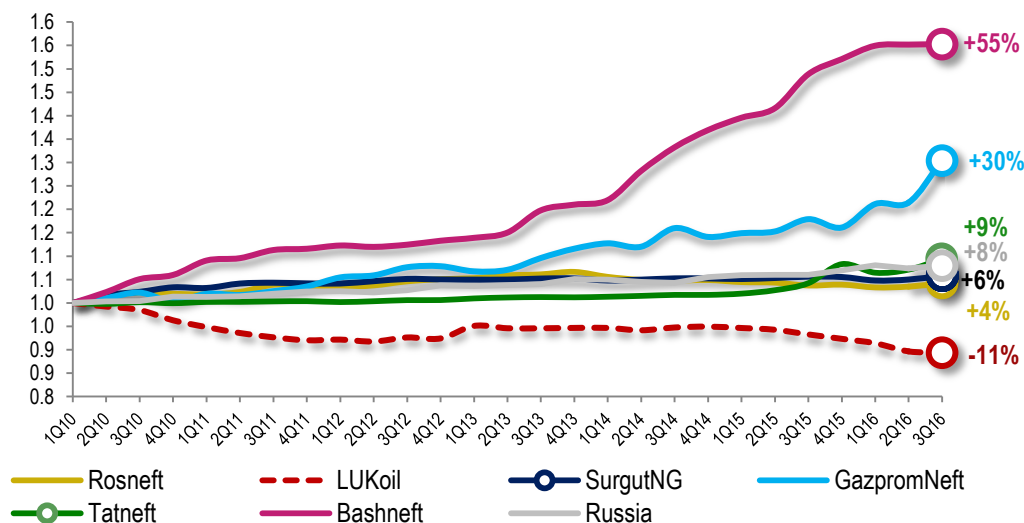


Production hit a new record high

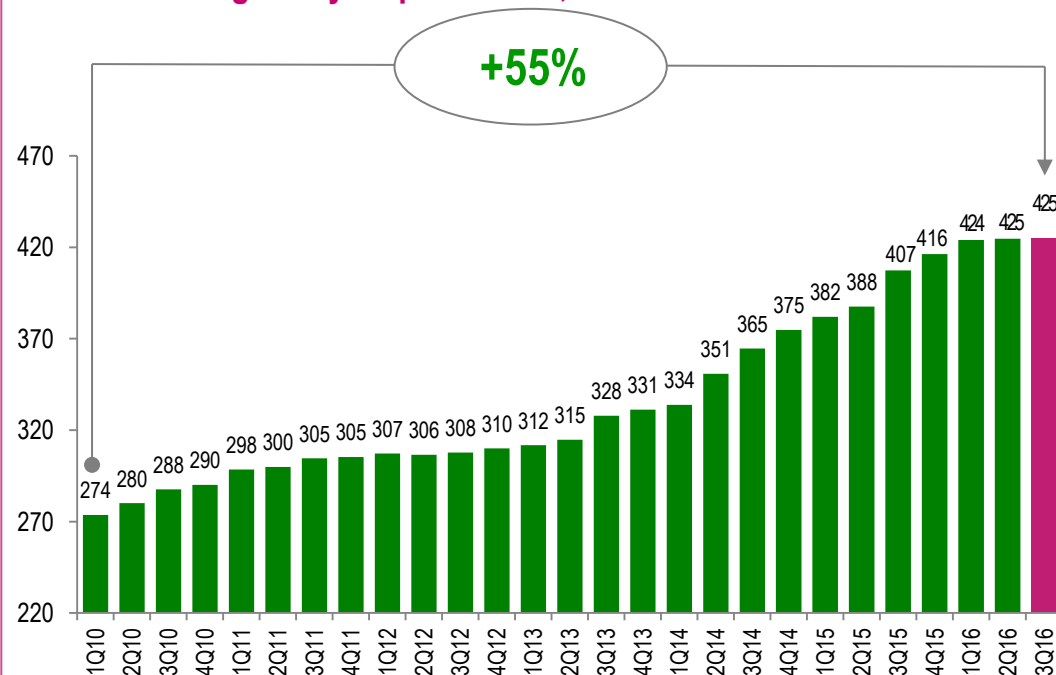
Main results

- In the third quarter of 2016, **oil production** totalled **5.355 million tonnes**. Production at Bashneft's oilfields grows faster than the industry average;
- In the third quarter of 2016 the **Group's average daily production** totalled **424.9 thousand barrels per day**. The main contributors to production growth were Bashneft-Polyus and Sorovskneft;
- **Production growth at greenfields** was driven by efficient implementation of the production drilling programme involving drilling highly productive horizontal wells, as well as by the use of state-of-the-art enhanced oil recovery techniques;
- Due to efficient waterflooding control, in the third quarter of 2016, average well output of existing wells in Bashkortostan remained almost unchanged compared to the first and second quarter of 2016 and totalled 3.2 tonnes per day.

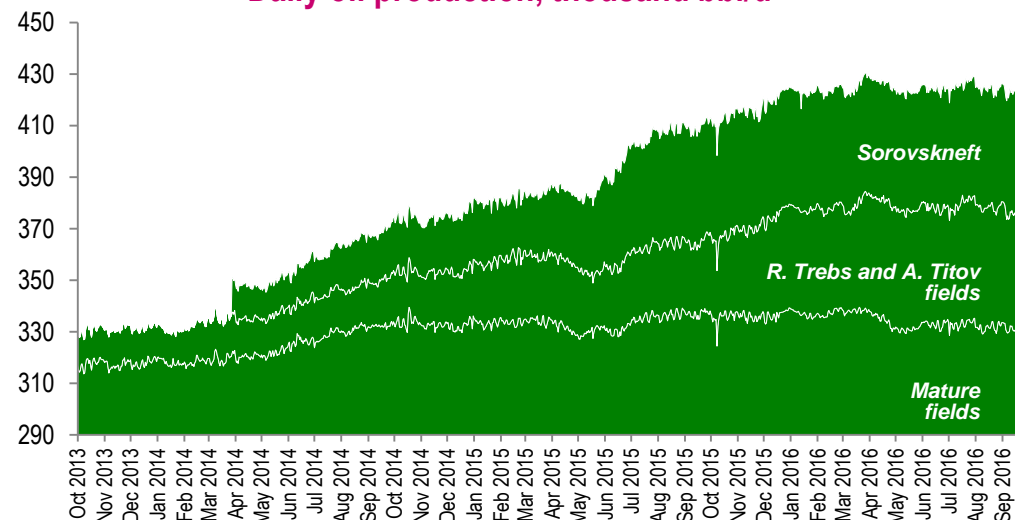
Index of changes in average daily production in Russia (1Q'10 = 1)*



Average daily oil production, thousand bbl/d



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 the third quarter of 2016, the refining depth totalled 87,2%

Main results

- In the third quarter of 2016, refining volume increased by 15.7% quarter on quarter and totalled 4.734 million tonnes. During the nine months ended September 30, 2016, refining volume decreased by 5.3% compared to the same period in 2015 and totalled 13.558 million tonnes, which was related to temporary shutdown of a number of process units in the second quarter of 2016;
- In the third quarter of 2016, average **refining depth** increased by 1.0 p.p. to 87.2%. **The share of light products** totalled 67.6%.

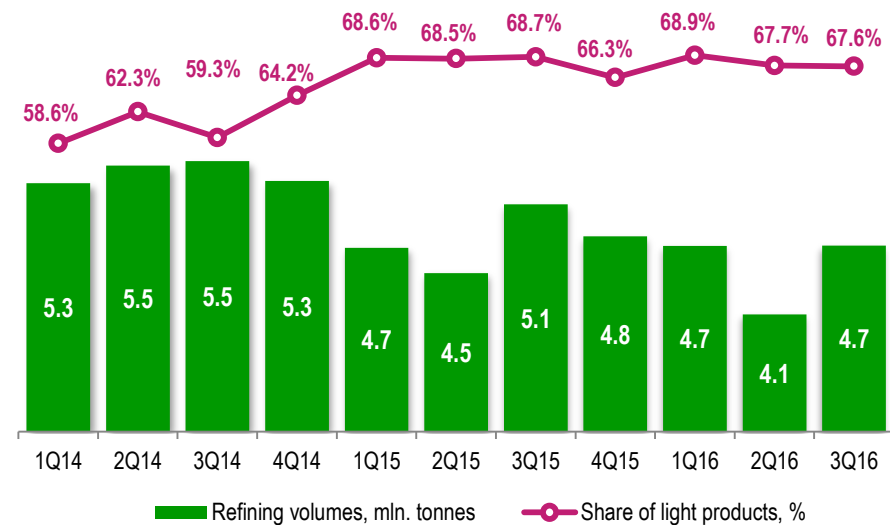
Motor gasoline production



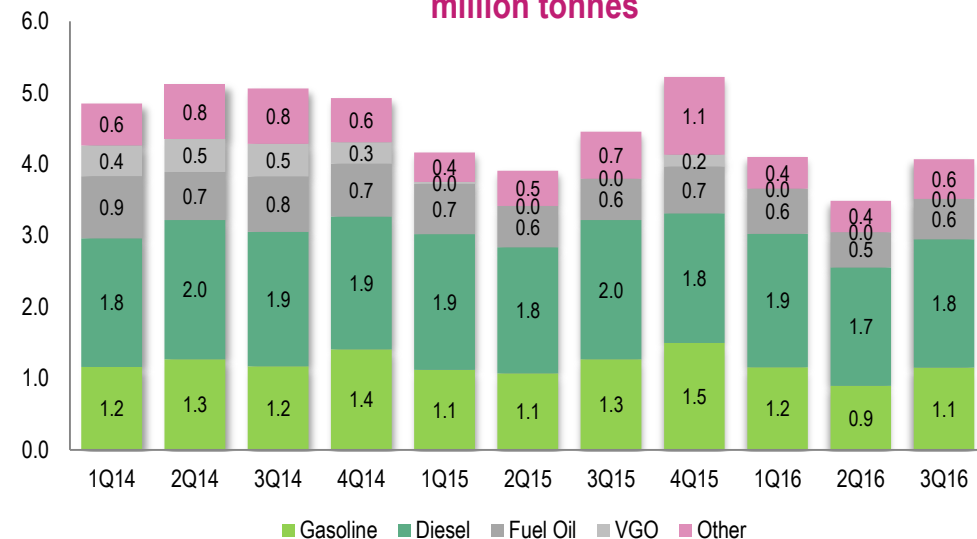
Diesel fuel production



Oil refining, million tonnes



Petroleum products, million tonnes





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2. Financial results

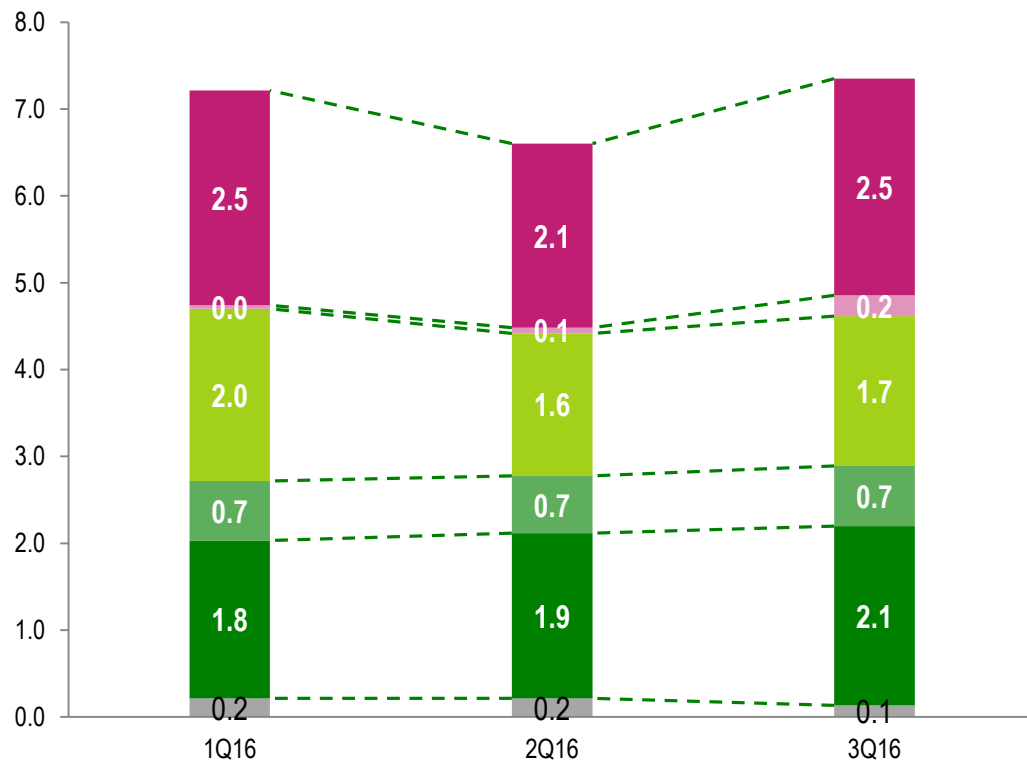


Bashneft Group's key indicators for 3Q 2016

3Q 2016	2Q 2016	Δ, %	Indicator	9M 2016	9M 2015	Δ, %
2.87	2.92	-1.8%	Urals price, thousand roubles/barrel	2.77	3.26	-15.0%
5,355	5,294	1.2%	Crude oil production, thousand tonnes	15,935	14,674	8.6%
4,734	4,092	15.7%	Oil refining, thousand tonnes	13,558	14,313	-5.3%
161.9	141.9	14.1%	Revenue, billion roubles	435.0	463.3	-6.1%
28.9	33.2	-12.9%	Adjusted EBITDA, billion roubles	90.2	100.1	-9.8%
4.8	14.8	-67.9%	Income for the period attributable to shareholders of the parent company, billion roubles	34.0	51.3	-33.6%
23.0	22.5	2.1%	Operating cash flow, billion roubles	104.9	70.2	49.3%
21.6	20.9	3.1%	Capital expenditures, billion roubles	59.7	42.9	39.3%
85.5	84.6	1.1%	Net debt, billion roubles	85.5	106.7	-19.9%

Changes in sales of crude oil and petroleum products

Sales of crude oil and petroleum products, million tonnes

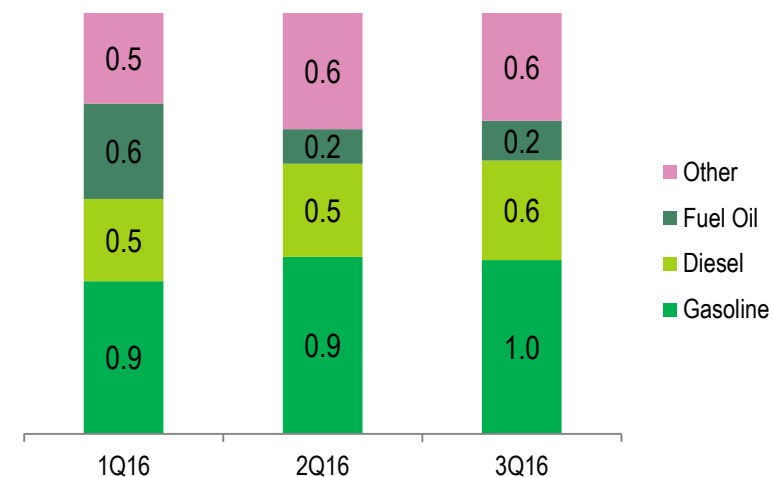


- Domestic sales of petroleum products and petrochemicals
- Export sales of petroleum products and petrochemicals to the Customs Union
- Export sales of petroleum products and petrochemicals outside the Customs Union
- Domestic sales of crude oil
- Export sales of crude oil outside the Customs Union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

Exports of petroleum products and petrochemicals, million tonnes



Domestic sales of petroleum products and petrochemicals, million tonnes



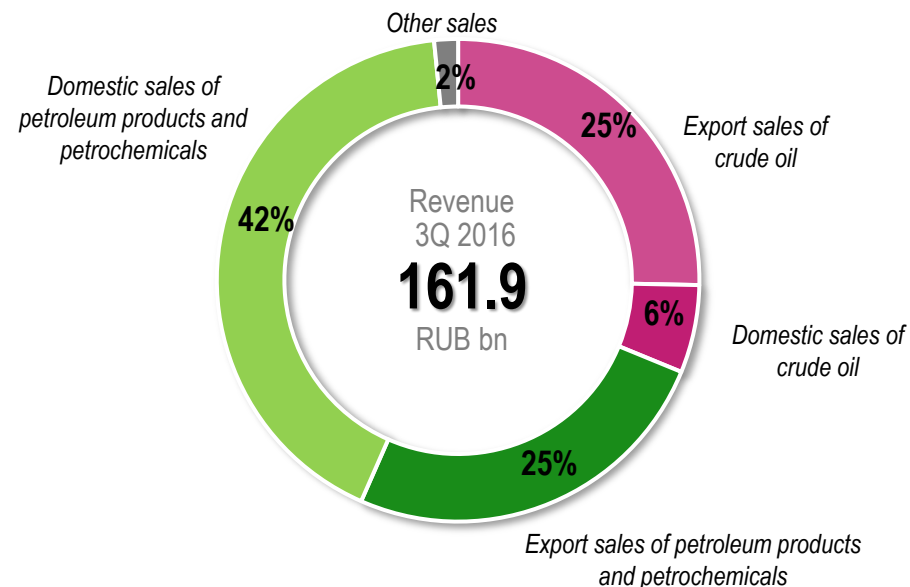
- Other
- Fuel Oil
- Diesel
- Gasoline

Changes in revenue in 3Q 2016

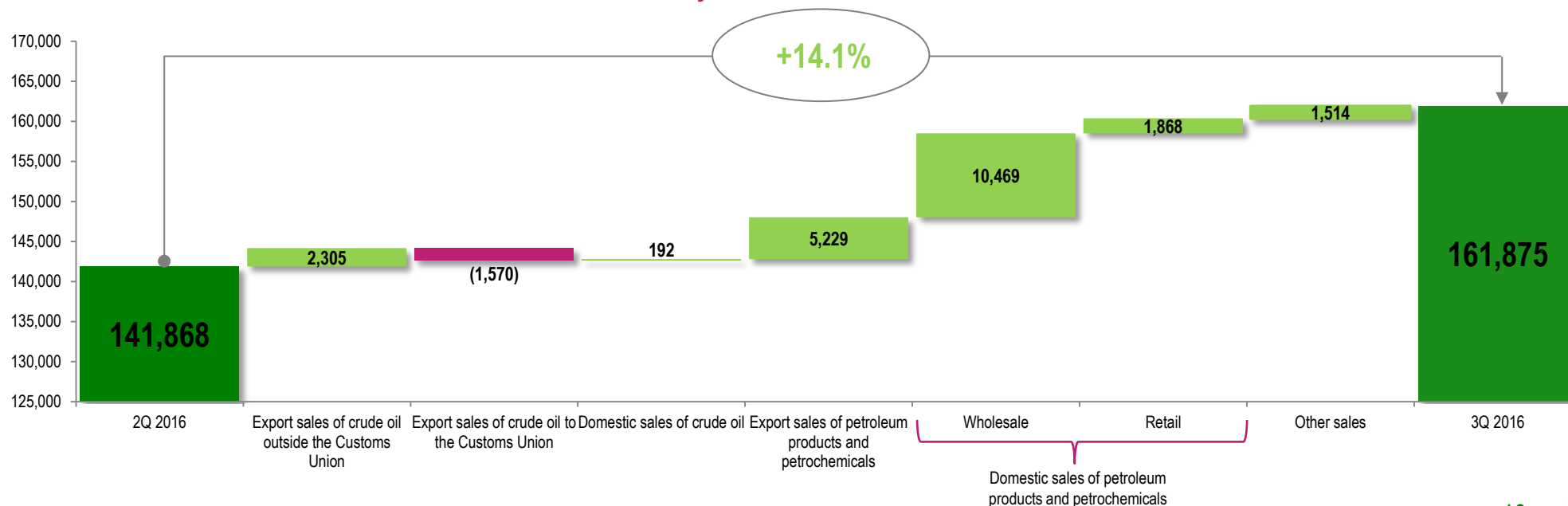
Main results for 3Q 2016

- In the third quarter of 2016, the revenue of Bashneft Group increased by 14.1% compared to the second quarter of 2016 and totalled 161,875 million roubles. This change was caused mainly by a rise in the volume of sales of crude oil and petroleum products;
- In the third quarter of 2016, revenue from export sales of crude oil amounted to 40,987 million roubles, which is 1,8% more than in the second quarter of 2016;
- In the third quarter of 2016, revenue from retail sales increased by 12.2% compared to the second quarter of 2016 and totalled 17,137 billion roubles, which was related to an 10.4% seasonal increase in retail sales volumes on the domestic market.

Revenue breakdown for 3Q 2016

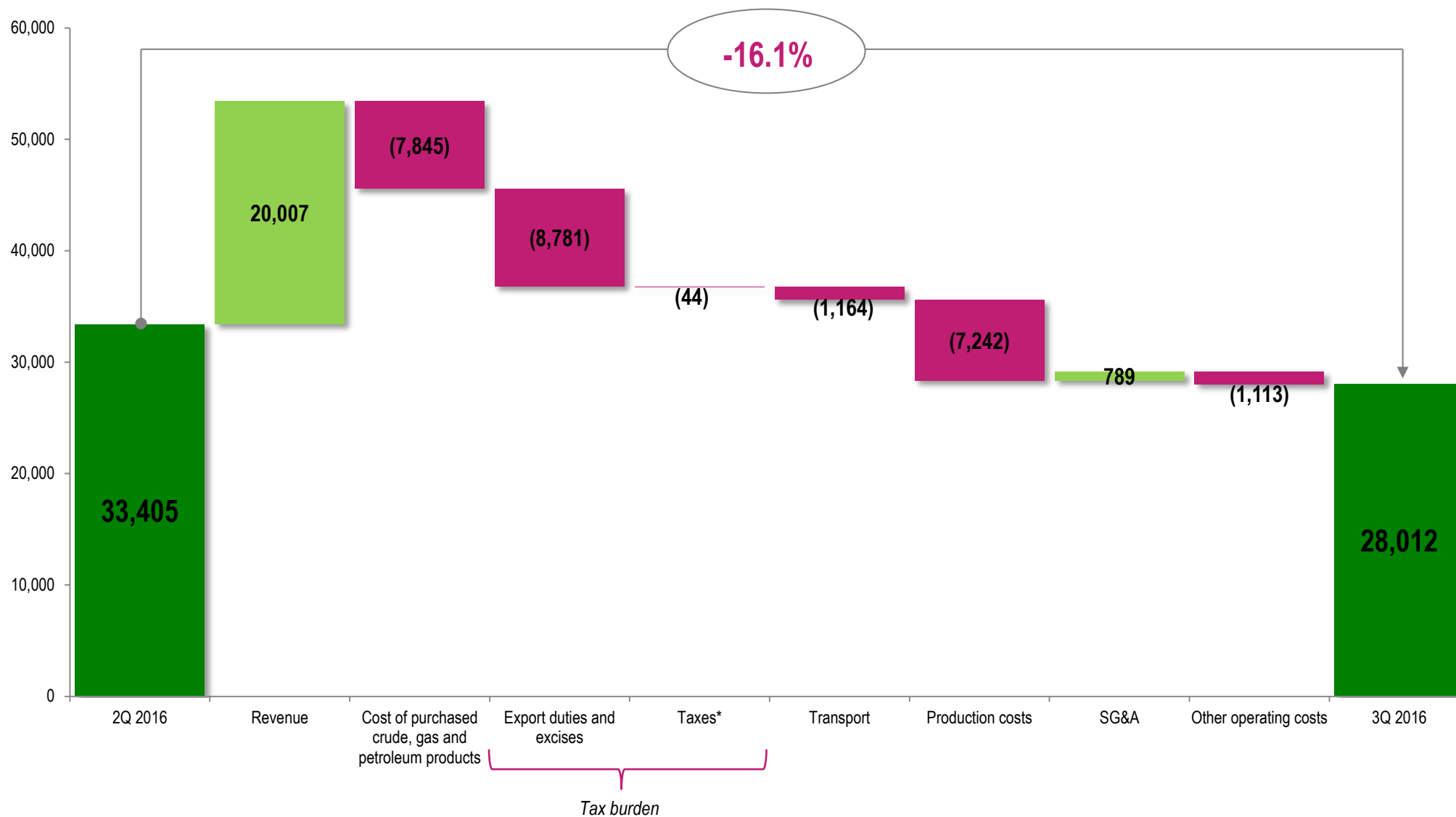


Revenue factor analysis, million roubles, 3Q 2016 vs. 2Q 2016



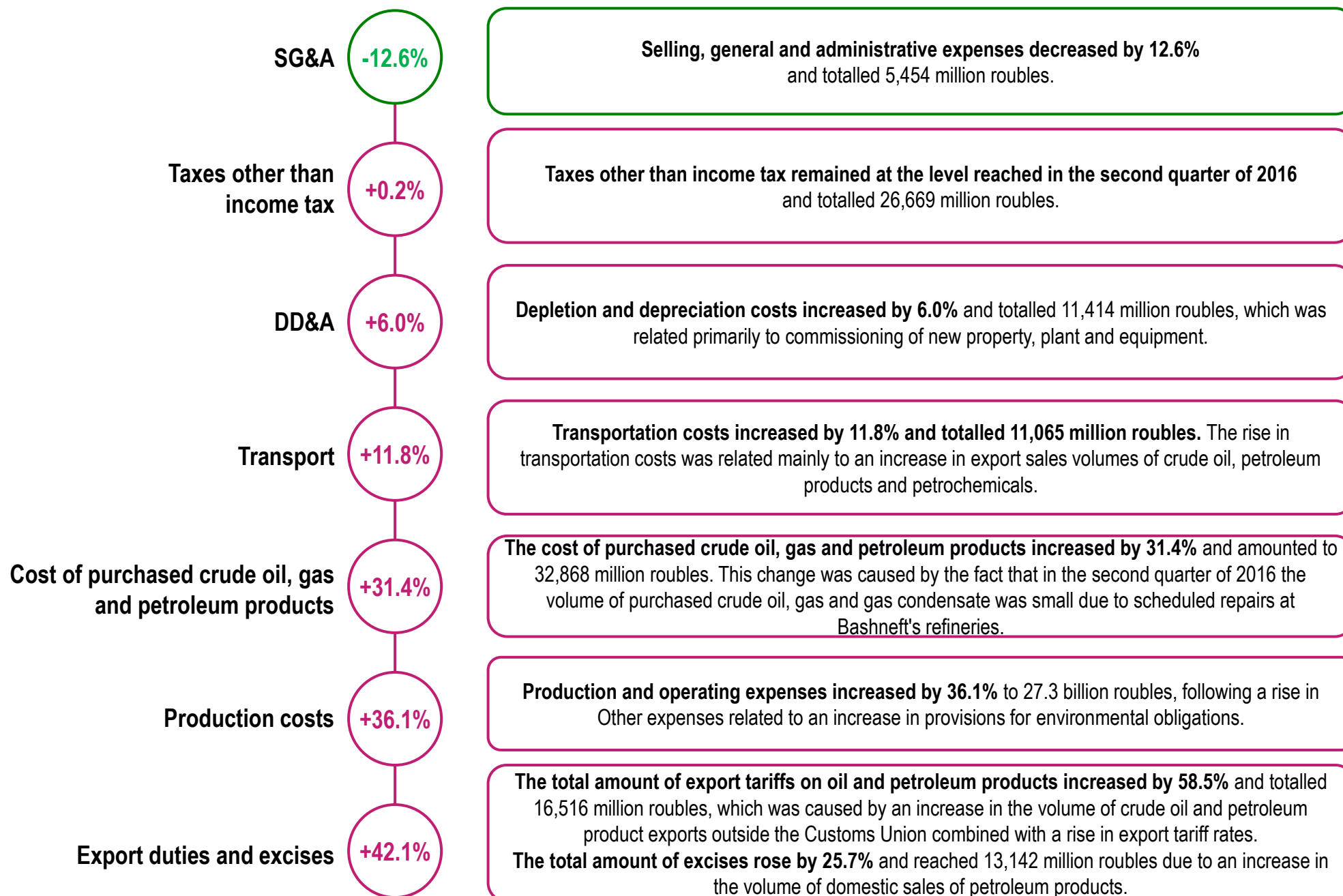
Factor analysis of EBITDA

EBITDA factor analysis, million roubles, 3Q 2016 vs. 2Q 2016



Note: (*) other than income tax.

Changes in operating expenses in 3Q 2016*



Note: (*) as compared to the second quarter of 2016 (excluding other operating expenses (income)).

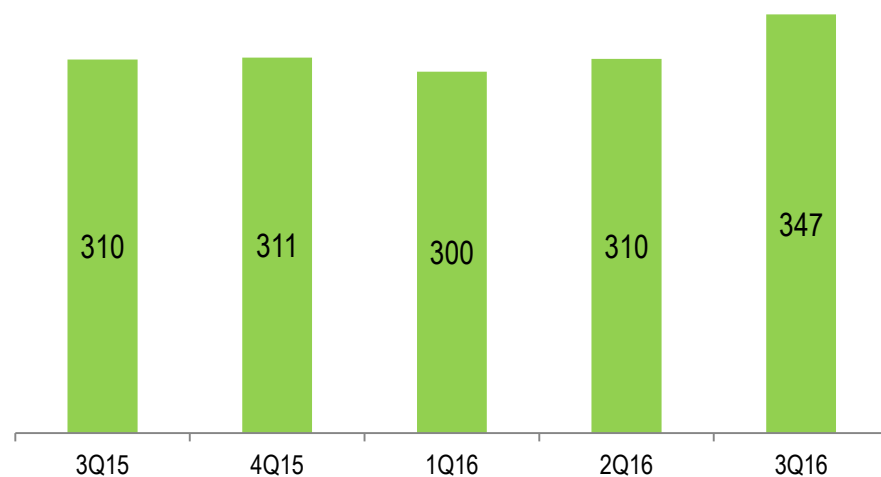
3Q 2016 vs 2Q 2016

- In the third quarter of 2016, unit costs for production of crude oil increased by 11.9% quarter on quarter and amounted to 347 roubles per barrel.

9M 2016 vs. 9M 2015

- During the nine months ended September 30, 2016, unit costs for production of crude oil increased by 10.6% compared to the same period in 2015 and amounted to 323 roubles per barrel.
- The increase in unit costs during both periods was related primarily to a rise in electricity prices and an increase in the scope of certain enhanced oil recovery measures.

Unit production costs, roubles/bbl*



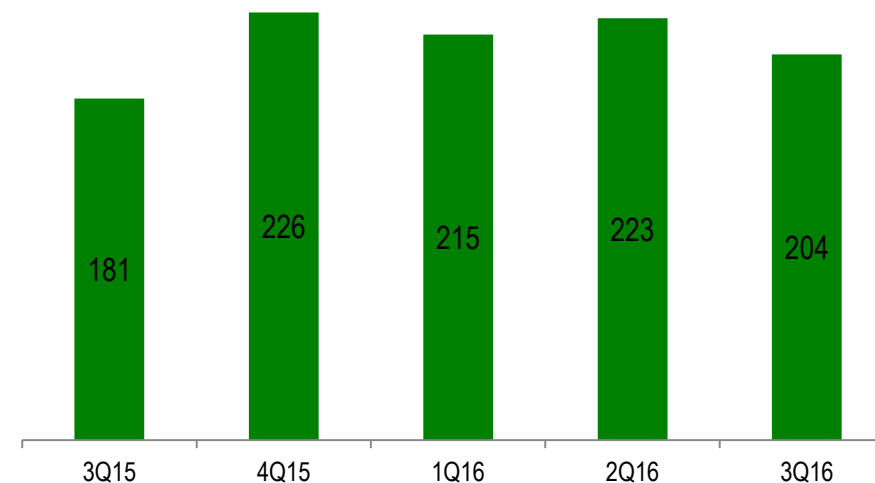
3Q 2016 vs. 2Q 2016

- In the third quarter of 2016, unit refining costs decreased by 8.5% quarter on quarter and totalled 204 roubles per barrel due to an increase in refining volumes.

9M 2016 vs. 9M 2015

- During the nine months ended September 30, 2016, unit refining costs increased by 13.2% compared to the same period in 2015, which was related to a reduction of refining volumes, an increase in the cost of auxiliary materials and heat and electricity prices.

Unit refining costs, roubles/bbl*



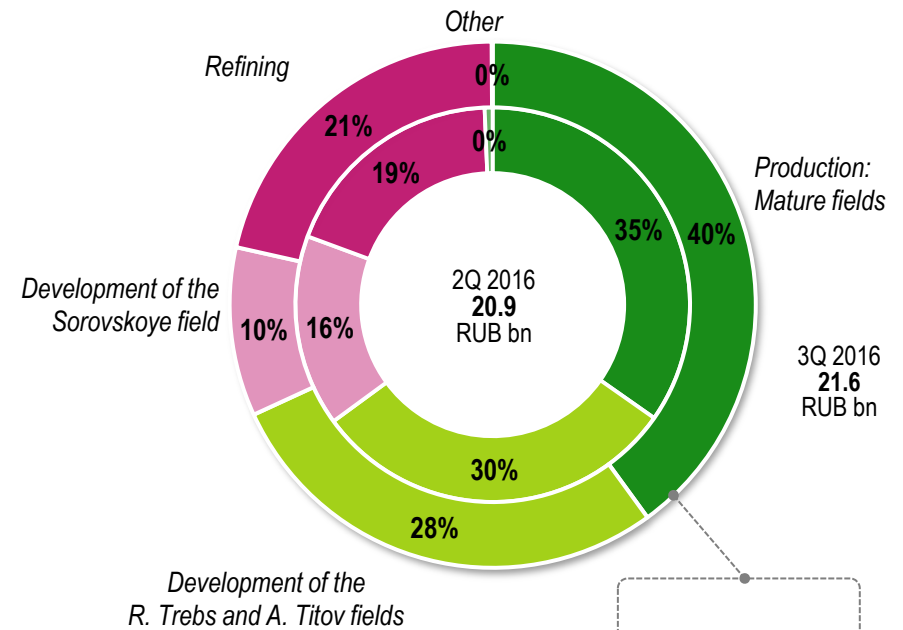
3Q 2016 vs 2Q 2016

- In the third quarter of 2016, capital expenditures increased by 3.1% compared to the second quarter of 2016 and totalled 21,564 million roubles.

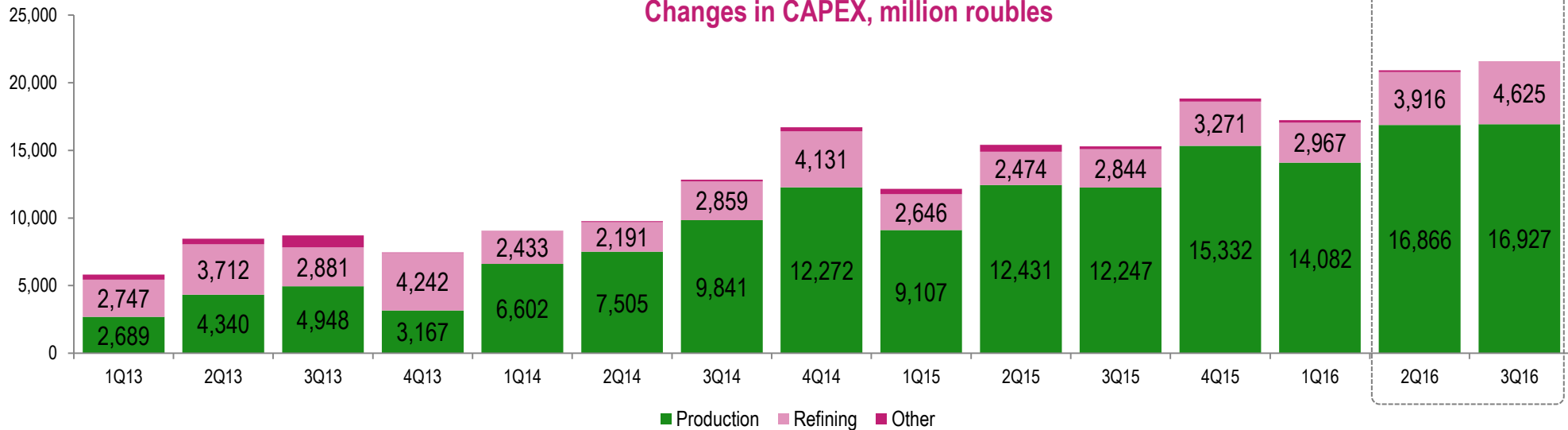
9M 2016 vs. 9M 2015

- During the nine months of 2016, capital expenditures increased by 39.3% compared to the same period in 2015, mostly due to an increase in capital expenditures in the Production segment, including expenditure on the Sorovskoye field and the R. Trebs and A. Titov fields.

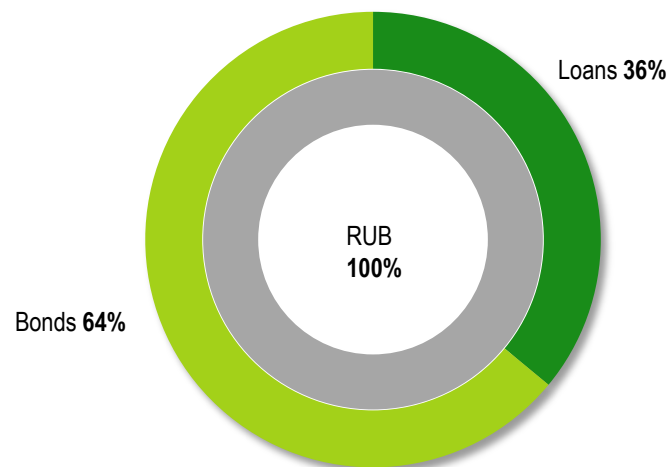
CAPEX breakdown, billion roubles



Changes in CAPEX, million roubles



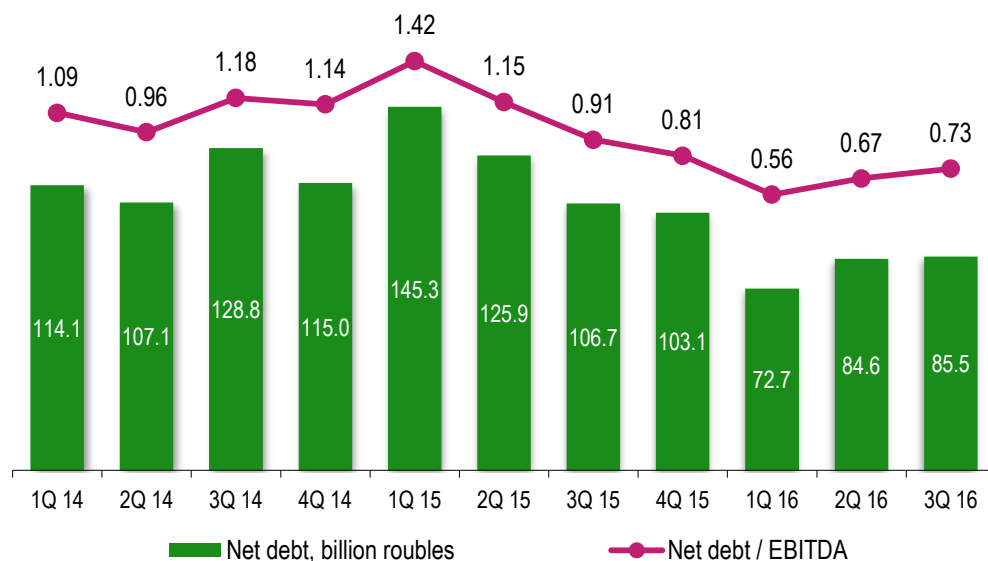
Debt breakdown as of the end of 3Q 2016



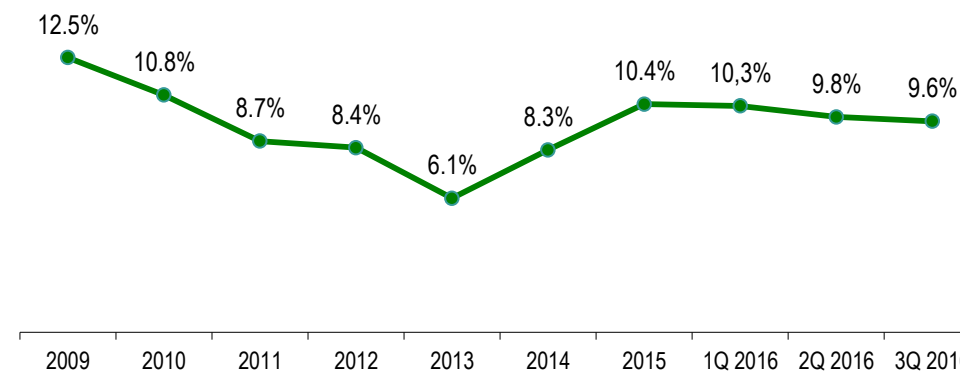
3Q 2016 vs. 2Q 2016

- In the third quarter of 2016, total debt amounted to 109.3 billion roubles, down by 3.6% compared to the second quarter of 2016;
- In the third quarter of 2016, net debt increased by 1.1% compared to the second quarter of 2016 and totalled 85.5 billion roubles;
- As of September 30, 2016, the annual weighted average interest rate on borrowings and bonds stood at 9.6% compared to 9.8% as of June 30, 2016.

Net debt



Changes in the weighted average interest rate





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Thanks for your attention!

5, 1-st Tverskaya-Yamskaya,

Moscow, 125047, Russia

Tel: +7 495 228 – 15 – 96

Fax +7 495 228 – 15 – 97

ir@bashneft.ru

