



БАШНЕФТЬ
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

Bashneft Group

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



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.

1Q 2015 vs. 1Q 2014:

- Average daily oil production grew by 14.7% to **382 thousand bbl/d**;
- Average daily refining decreased by 11.3% to **382 thousand bbl/d**;
- Refining depth increased to **83.7%**; the share of light products grew to **68.6%**;
- The share of Euro 5 gasoline in the total gasoline output** totalled **84.0%**;
- The share of Euro 5 diesel fuel in the total output of diesel fuel amounted to **99.8%**;
- Revenue fell by 2.5% to **142.9 billion roubles**;
- Adjusted EBITDA increased by 5.0% to **26.7 billion roubles**.



Financial results for 1Q 2015 compared to 4Q 2014:

- Revenue fell by **13.1%**;
- Adjusted EBITDA* increased by **55.1%**;
- Net income increased to **11.4 billion roubles**.



Operating results for 1Q 2015 compared to 4Q 2014 :

- Average daily oil production increased by **1.9%**;
- Average daily refining declined by **9.7%**.

Key events 2015:

- A new Board of Directors was elected;
- In March, Bashneft's EGMS resolved to reduce the Group's authorized share capital by cancelling 2,724,173 ordinary treasury shares as part of reorganization;
- In March, Fitch removed Bashneft's ratings from Rating Watch Negative and affirmed the rating at BB, outlook stable;
- In April, Moody's Investors Service upgraded Bashneft's corporate family rating from Ba2 to Ba1 following the rating agency's decision to assign the company the government-related issuer status;
- At the end of May, the Board of Directors of Bashneft recommended dividends of 113 roubles per share for 2014;
- Bashneft's preferred shares are included in the top quotation list of the Moscow Exchange.





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1. Operating results

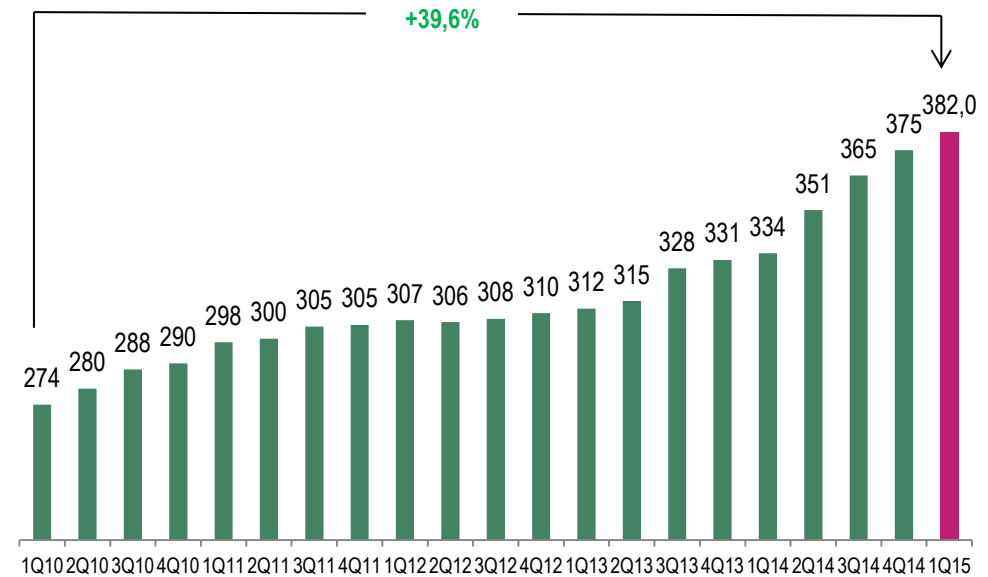


Production hit a new record high

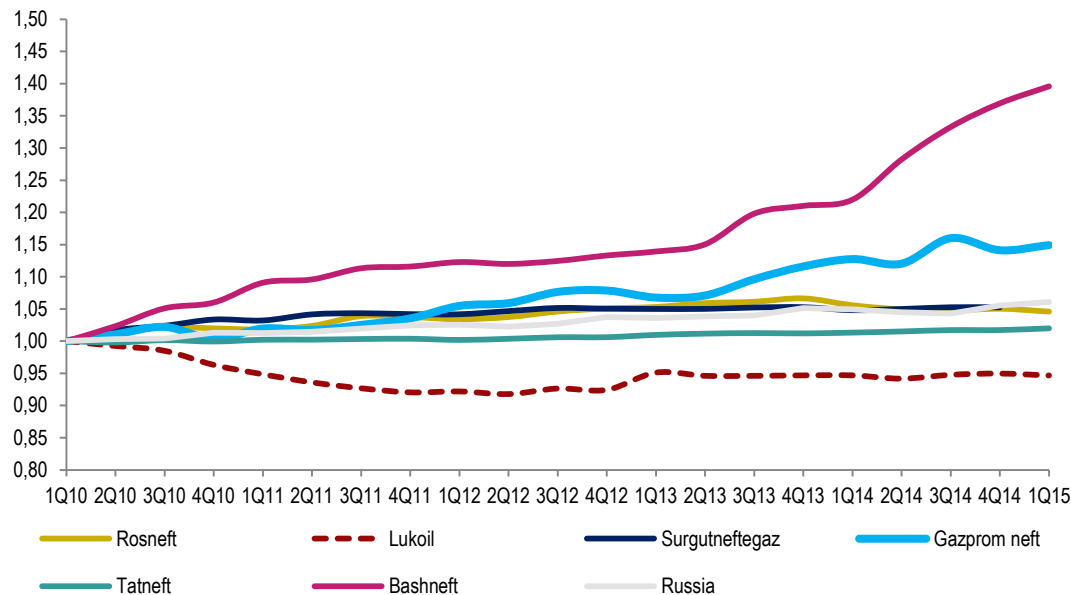
Main results

- In the first quarter of 2015, **oil production** totalled **4.709 million tonnes**. Production at Bashneft's oilfields continued to increase more rapidly than the industry average;
- **Production at brownfields** grew by **4.7%** compared to the first quarter of 2014;
- **In the first quarter of 2015, the Group's average daily production reached 382 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 (+8% compared to the fourth quarter of 2014);
- **Due to efficient waterflooding control, average well output** of existing wells in Bashkortostan continued to grow 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.

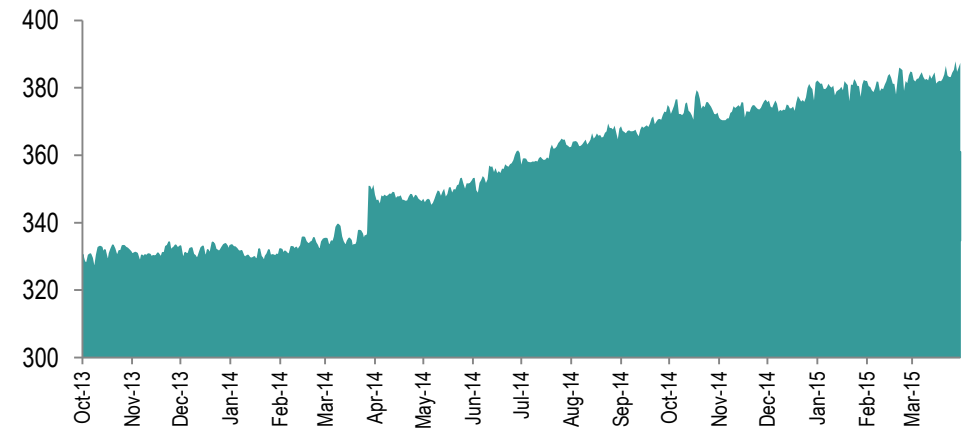
Average daily oil production, thousand bbl/d



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



Daily oil production, thousand bbl/d



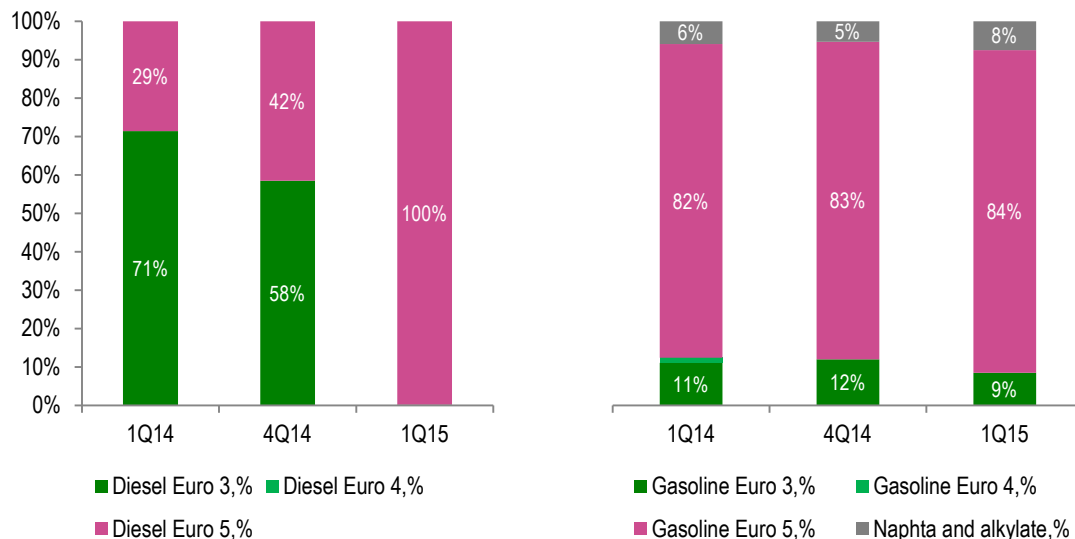
Note: (*) Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

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

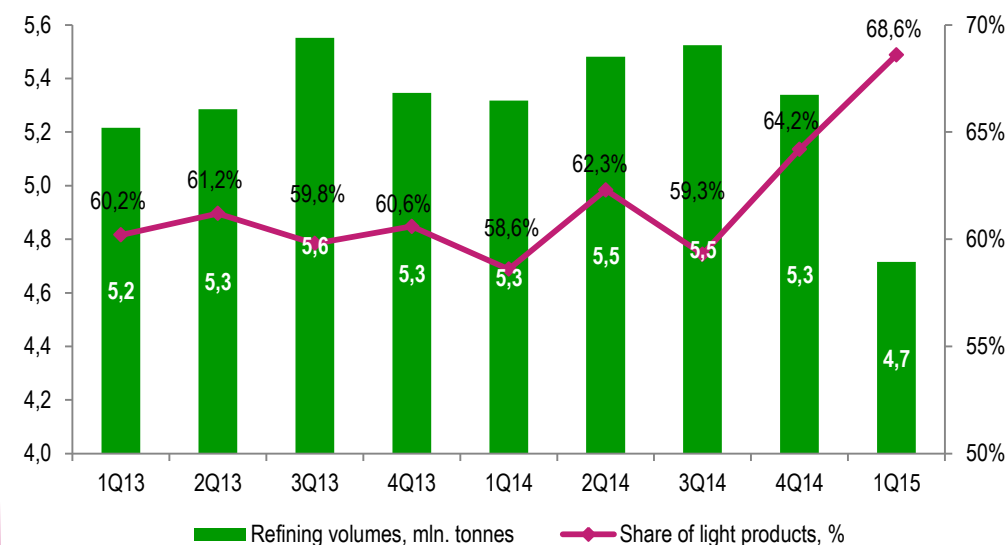
Main results

- In the first quarter of 2015, refining declined by 11.7% and 11.3% compared to the fourth quarter and the first quarter of 2014 respectively and totalled 4.715 million tonnes.
- This level of refining is in keeping with the plan; given the current macroeconomic conditions and a new tax policy, it helps to maximize the value of the product mix by increasing the output of light products. The decrease in refining made it possible to reduce the output of heavy petroleum products, which are less profitable, in the first quarter of 2015;
- In the first quarter of 2015, Euro 5 gasoline accounted for 84.0% of the total gasoline output. The share of Euro 5 diesel fuel totalled 99.8%;
- In the first quarter of 2015, the share of light products increased by 10 p.p. year on year to 68.6%.

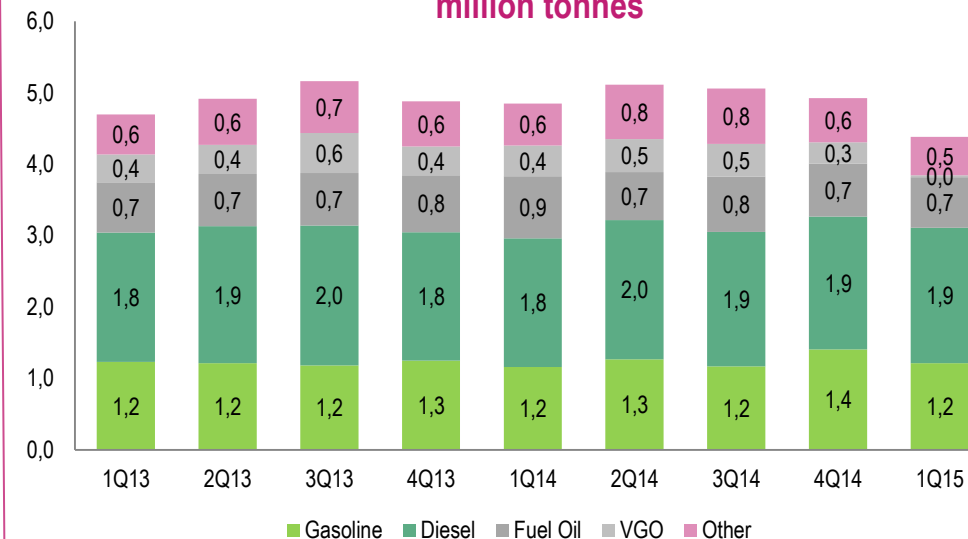
Output of gasoline and diesel fuel meeting the Euro standards



Oil refining, million tonnes



Petroleum products and petrochemicals, million tonnes





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2. Financial results

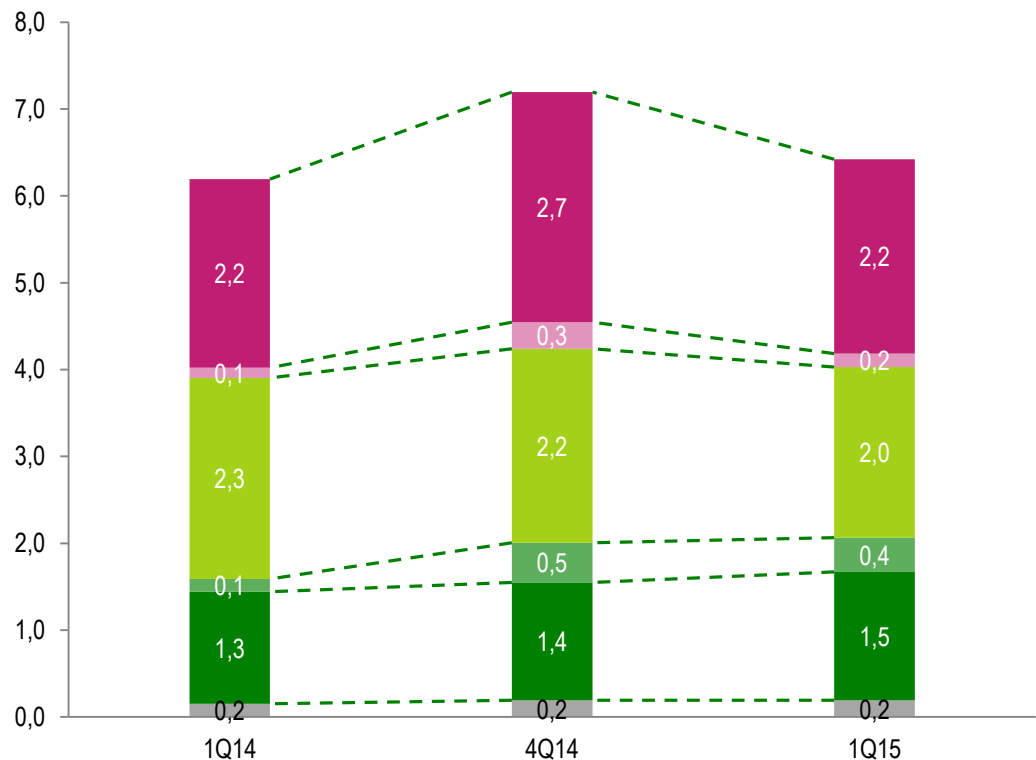


Bashneft Group's key indicators for 1Q 2015

1Q 2015	4Q 2014	Δ, %	Indicator	1Q 2015	1Q 2014	Δ, %
3.31	3.60	-8.1%	Urals price, thousand roubles/barrel	3.31	3.73	-11.3%
62.2	47.4	+31.2%	Average rouble/dollar exchange rate	62.2	35.0	+77.7%
4,708	4,723	-0.3%	Crude oil production, thousand tonnes	4,708	4,115	+14.4%
4,715	5,339	-11.7%	Oil refining, thousand tonnes	4,715	5,318	-11.3%
4,354	5,189	-16.1%	Petroleum products and petrochemicals sales, thousand tonnes	4,354	4,605	-5.5%
142.9	164.6	-13.1%	Revenue, billion roubles	142.9	146.7	-2.5%
26.7	17.2	+55.1%	Adjusted EBITDA, billion roubles	26.7	25.5	+5.0%
11.4	(2.3)	--	Income for the period attributable to shareholders of the parent company, billion roubles	11.4	14.0	-18.4%
12.2	16.7	-27.2%	Capital expenditures, billion roubles	12.2	9.1	+34.3%
129.2	113.6	+13.7%	Adjusted net debt, billion roubles	129.2	114.0	+13.3%

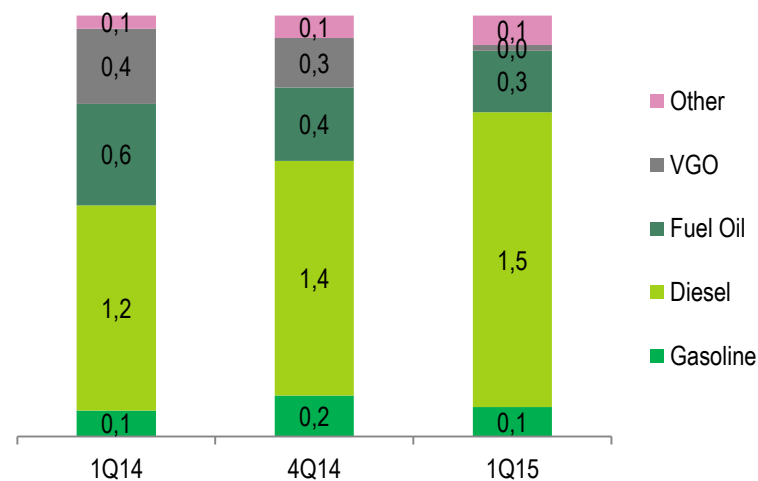
Changes in sales of crude oil and petroleum products

Sales of crude oil and petroleum products, million tonnes

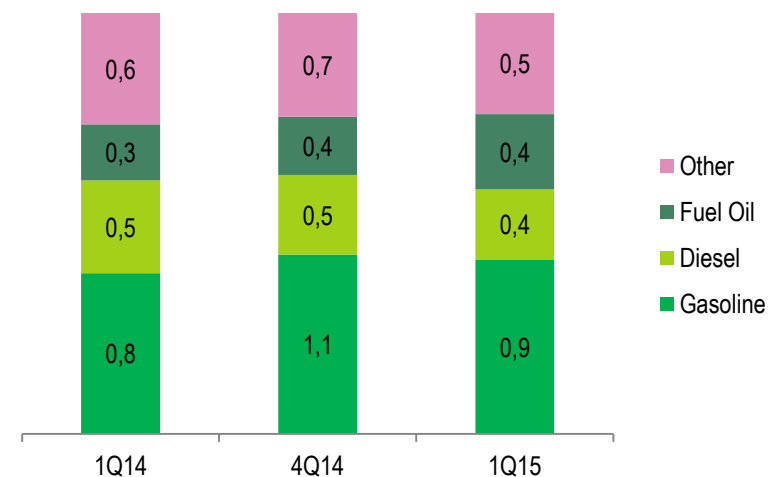


- Domestic sales of petroleum products and petrochemicals
- Export sales of petroleum products and petrochemicals to the Customs Union
- Export sales of petroleum products and petrochemicals outside the Customs Union
- Domestic sales of crude oil
- Export sales of crude oil outside the Customs Union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



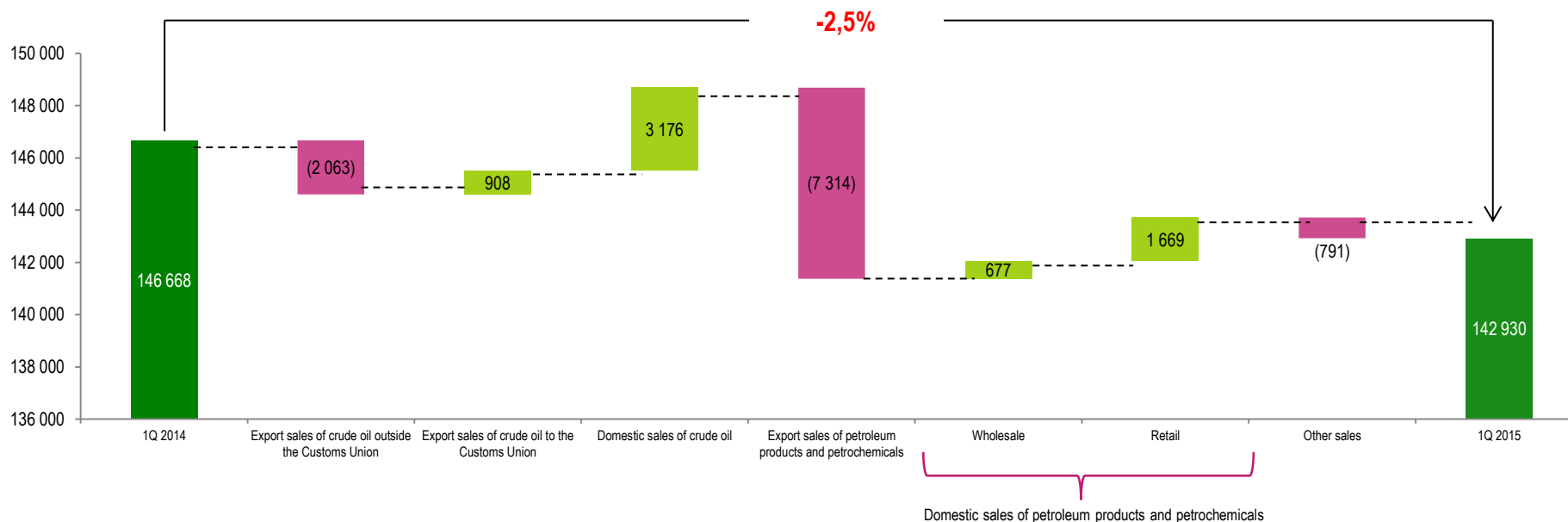
Main results for 1Q 2015

- In the first quarter of 2015, the revenue of Bashneft Group decreased by 13.1% compared to the fourth quarter of 2014 and totalled 142.9 billion roubles. This change was caused by a decline in sales of petroleum products and a fall in prices;
- Revenue decreased by 2.5% compared to the first quarter of 2014. This change was related mainly to a reduction in sales of petroleum products;
- An increase in revenue from domestic sales of crude oil in the first quarter of 2015 compared to the same period in the previous year was related to an increase in oil production and a rise in prices on the domestic market;
- Revenue from retail sales increased by 15.0% compared to the same period in 2014, mainly due to a 7.5% increase in retail sales related to expansion of the network of petrol stations and the ongoing rebranding programme, as well as price growth on the domestic market.

Revenue breakdown for 1Q 2015, billion roubles

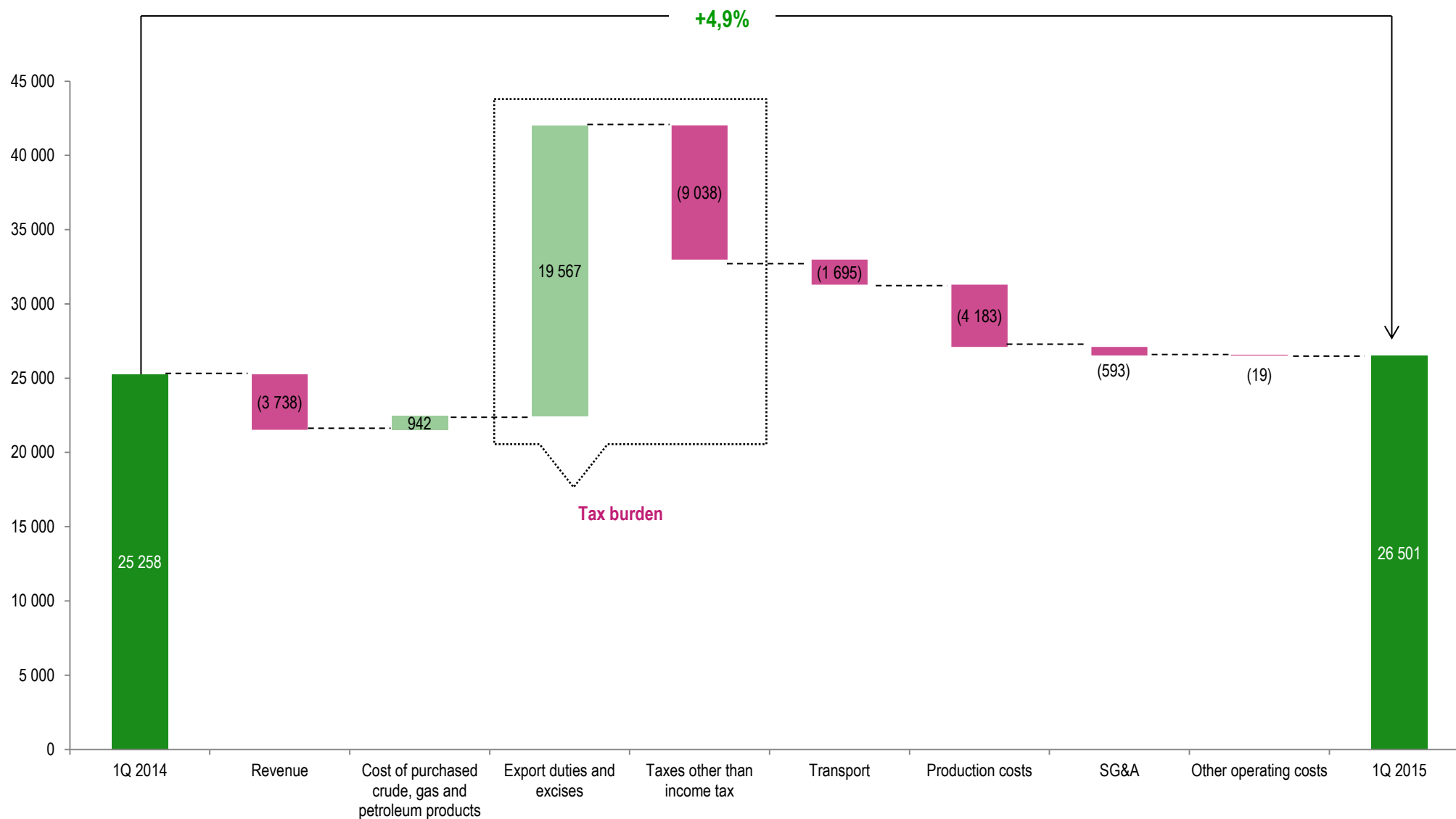


Revenue factor analysis, million roubles, 1Q 2015 vs. 1Q 2014



Factor analysis of EBITDA and operating expenses

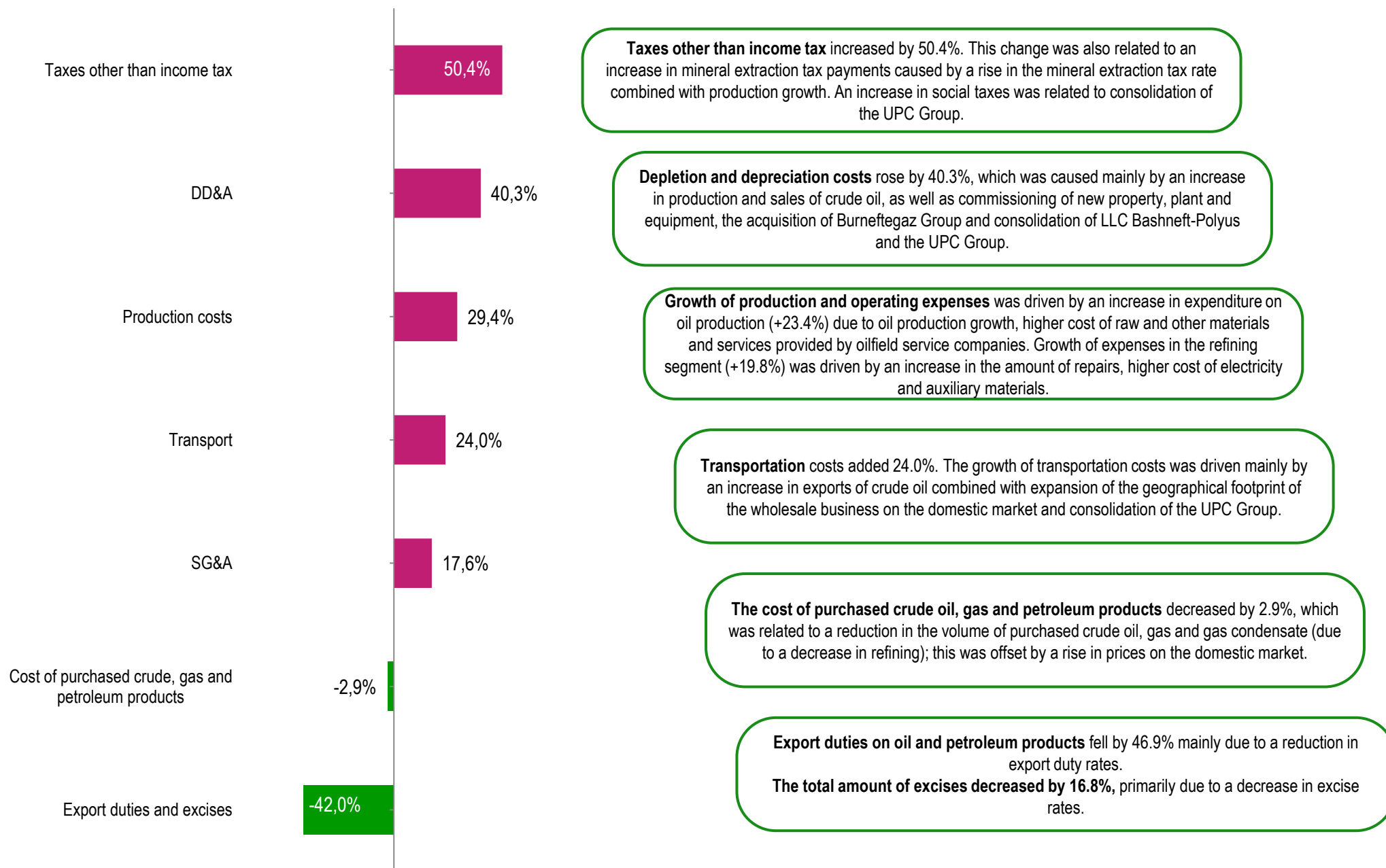
EBITDA factor analysis, million roubles, 1Q 2015 vs. 1Q 2014



Note: (*) other than income tax.



Changes in operating expenses in 1Q 2015*



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

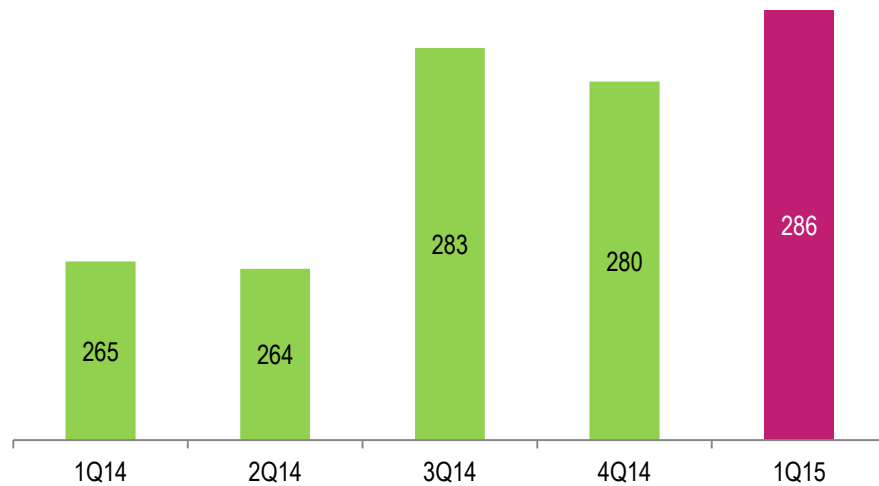
1Q 2015 vs. 1Q 2014

- Unit costs for production of crude oil grew by 7.8% due to higher cost of raw and other materials and services provided by oilfield service companies.

1Q 2015 vs. 4Q 2014

- Unit costs for production of crude oil increased slightly by 2.1% and totalled 285.5 roubles per barrel.

Unit production costs, roubles/bbl*



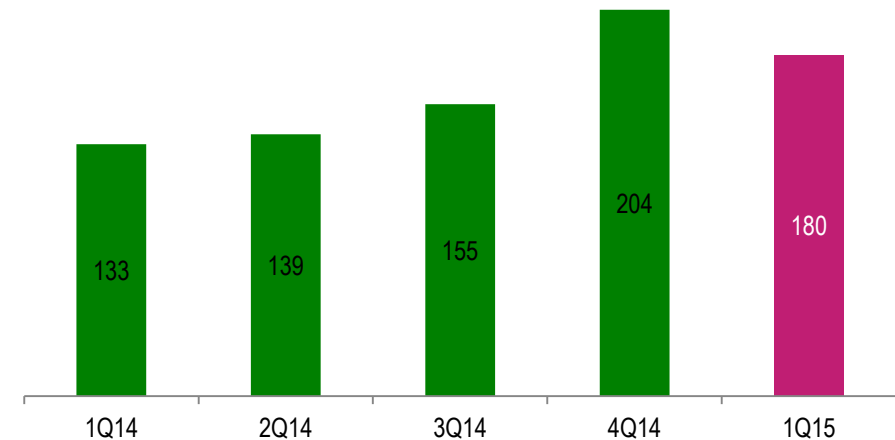
1Q 2015 vs. 1Q 2014

- Unit refining costs added 35.2%. This increase was caused by an increase in the amount of repairs, higher cost of electricity and auxiliary materials.

1Q 2015 vs. 4Q 2014

- Unit refining costs decreased by 11.8% to 180.2 roubles per barrel due to a reduction in the amount of repairs and a decrease in expenditure on raw and other materials.

Unit refining costs, roubles/bbl*



An efficient CAPEX programme to support future growth

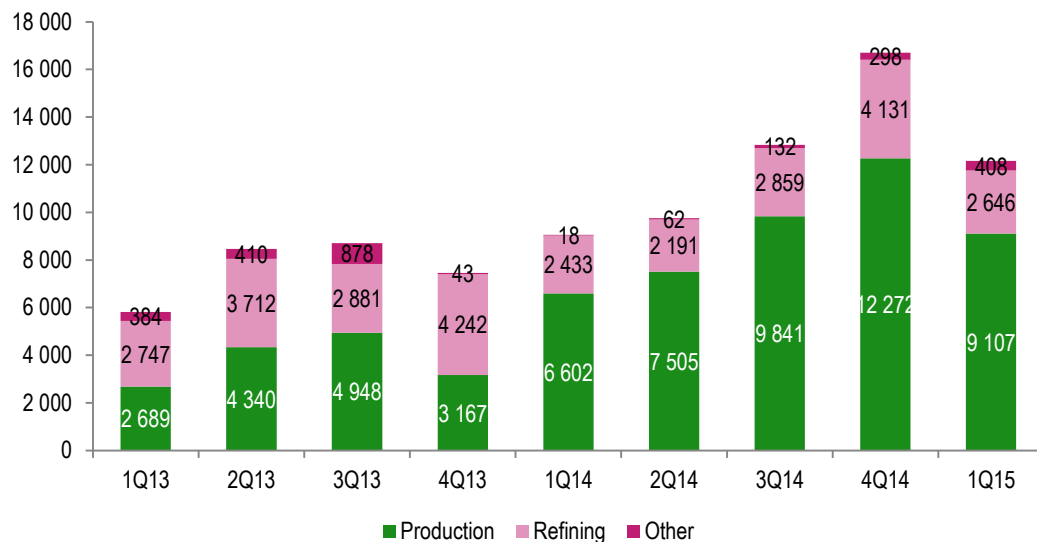
1Q 2015 vs. 1Q 2014

- Capital expenditures added 34.3% compared to the same period in 2014 due to an increase in capital expenditures in the Production segment, including those related to acquisition of Burneftegaz Group.

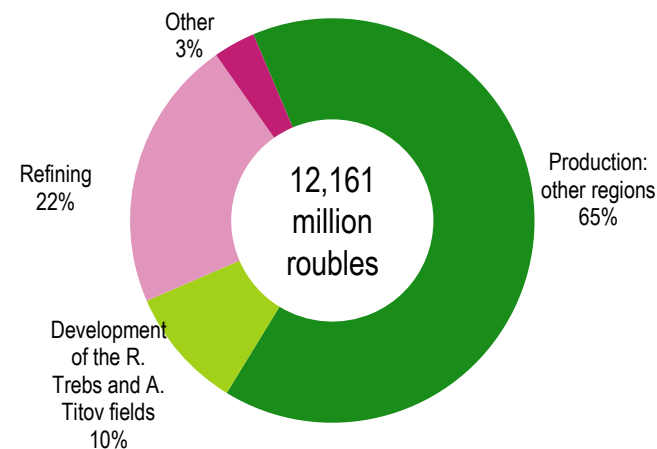
1Q 2015 vs. 4Q 2014

- Capital expenditures declined by 27.2% and totalled 12.2 billion roubles. This decrease was caused mainly by a reduction in capital expenditure on the development of the R. Trebs and A. Titov fields.

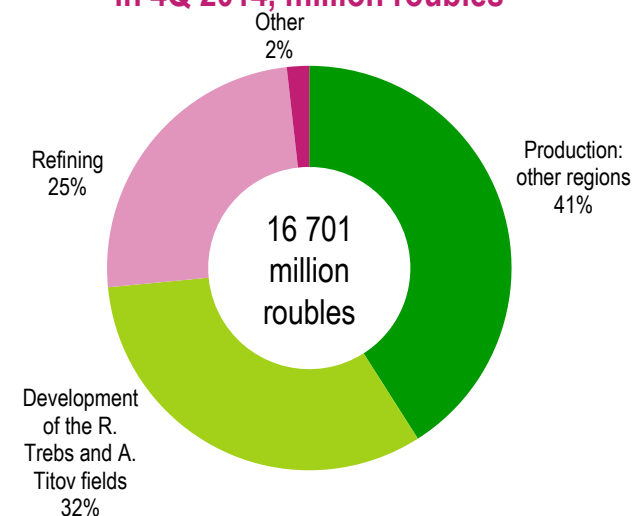
Changes in CAPEX, million roubles



CAPEX breakdown in 1Q 2015, million roubles

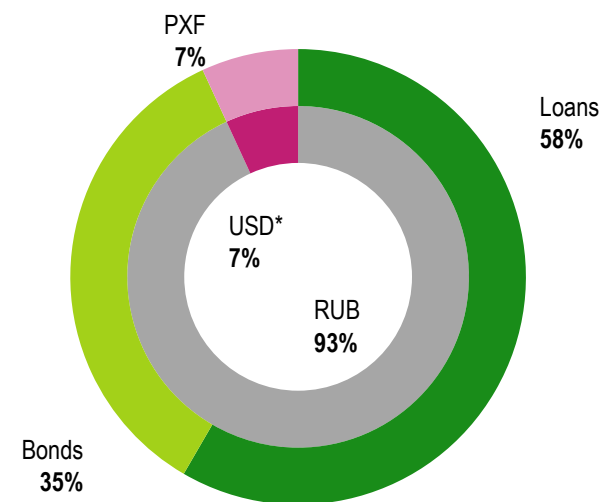


CAPEX breakdown in 4Q 2014, million roubles

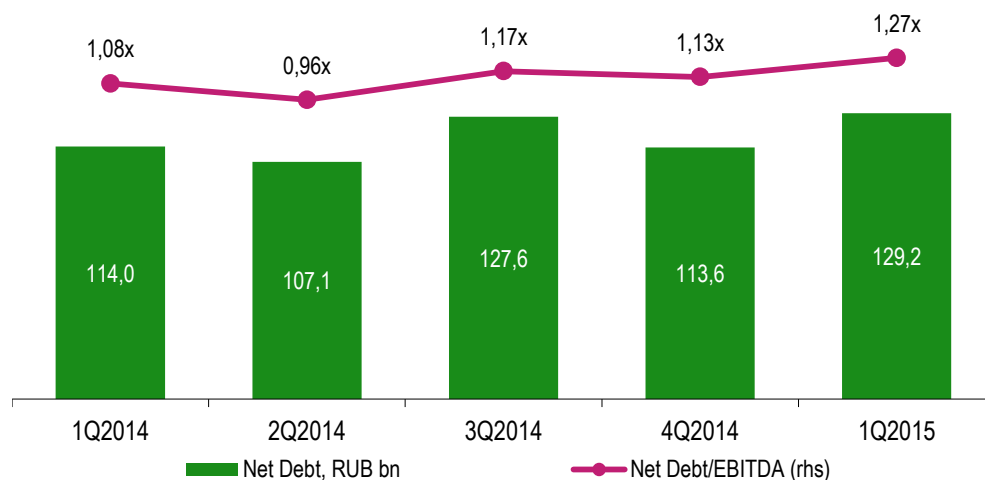


- As of March 31, 2015 **total debt** amounted to **RUB 158.6 bn** compared to RUB 167.8 bn as of December 31, 2014;
- In 1Q2015 the weighted average interest rate on loans was up to **11.7%** per annum from **8.3%** a quarter earlier as a result an increase in rates for RUB-denominated instruments following CBR key rate hike;
- April 29, 2015 Moody's upgraded ratings to Ba1/Negative on par with the Russia sovereign rating, following assignment of a government-related issuer. March 24, 2015 Fitch removed the ratings from Rating Watch Negative and affirmed the rating at BB with stable outlook;
- In February 2015 the group executed put option on series 04 bonds, setting a new coupon rate until the next put option in a year, while bought out amount was RUB 21 mn out of the total volume of RUB 10 bn.;
- In the end of May – beginning of June Bashneft placed two series of exchange bonds, BO-03 and BO-04, with a total amount of RUB 10 bn. Both series bear 12% coupon rate and have embedded put options in 5 years and call options in 2 years.

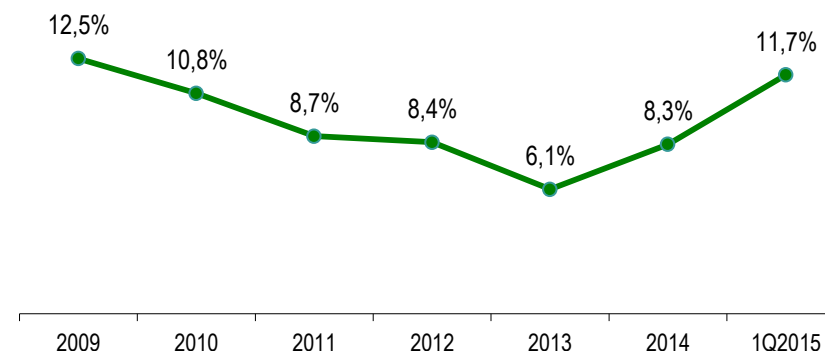
Debt breakdown as of the end of 1Q2015



Net debt ratios



Changes in the weighted average interest rate



Note: (*) including CCY swaps



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