



БАШНЕФТЬ
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

Bashneft Group

**IFRS results
for the fourth quarter and the twelve
months of 2014**



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.

Main results for 4Q 2014 and 12M 2014

Financial results for 4Q 2014 compared to 3Q 2014:

- Revenue increased by 1.0% to 164.6 billion roubles;
- Adjusted EBITDA* fell by 43.1% to 17.2 billion roubles;
- Net debt decreased by 10.9% to 113.6 billion roubles.

Operating results for 4Q 2014 compared to 3Q 2014 :

- Average daily oil production grew by 2.7% to 374.7 thousand bbl/d;
- Average daily refining declined by 3.4% to 423.6 thousand bbl/d;

2014 vs. 2013:

- Average daily oil production increased by 12.1%;
- Average daily refining rose by 1.2%;
- Refining depth totalled 84.8%; the share of light products amounted to 61.1%;
- The share of Euro 5 gasoline in the total gasoline output** amounted to 85.6%.
- Revenue increased by 13.1%;
- Adjusted EBITDA decreased by 1.4%;
- Net income fell by 6.5%.

Key events in 2014

- In 2014 Bashneft's reserve replacement ratio totalled 179%;
- Bashneft acquired a 100% stake in LLC Burneftegaz, an exploration and production company based in the Tyumen Region. The audit conducted by Miller and Lents has revealed that total (3P) reserves of the Sorovskoye field are estimated at 230.1 million barrels;
- The acquisition of two networks of filling stations enabled Bashneft to considerably expand its own sales network in 2014 (from 485 filling stations to 582 filling stations);
- Bashneft gained control over 98% of shares of UPC through termination of the agreement on the sale of these shares to OJSC JSFC Sistema concluded in September 2013;
- In 2014 Bashneft completed the reorganization through consolidation of CJSC Bashneft-Invest with the Company.





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1. Operating results

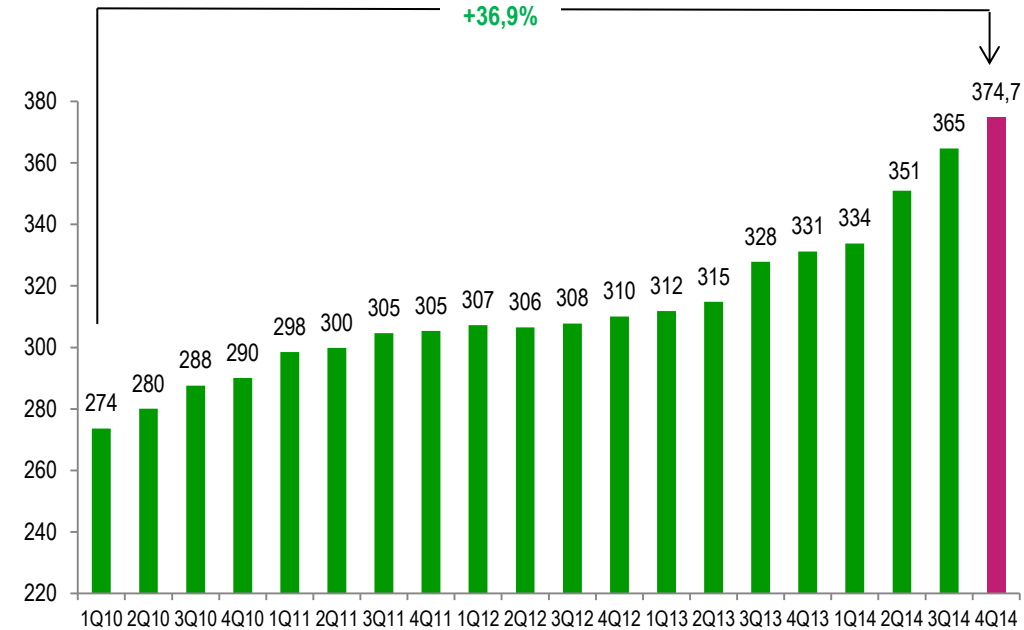


Production hit a new record high

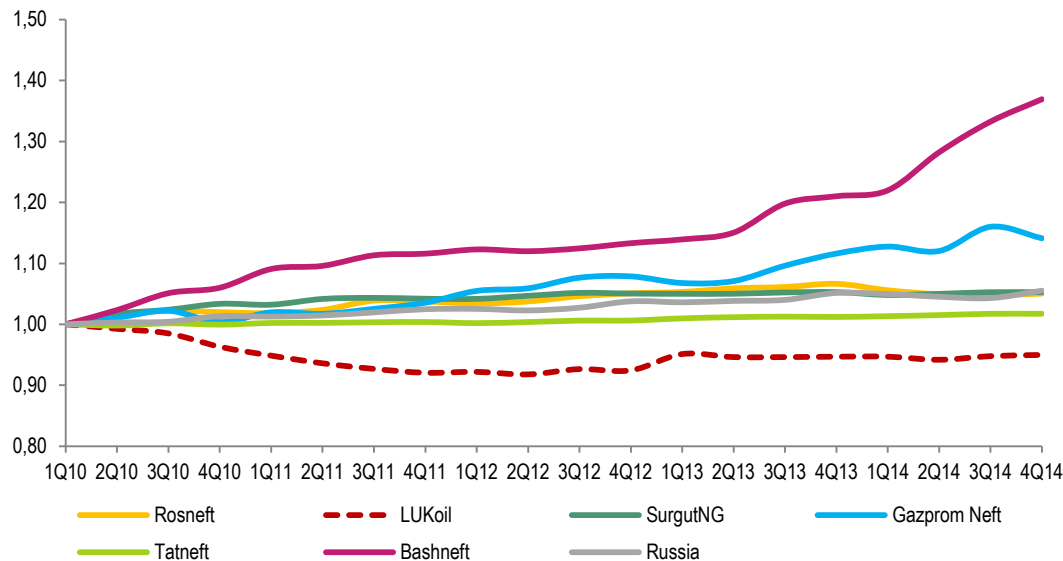
Main results

- In the fourth quarter of 2014, **oil production** totalled **4.723 million tonnes**. Production at Bashneft's oilfields continued to grow more rapidly than the industry average;
- **Production at brownfields** added **4.9%** compared to the fourth quarter of 2013;
- In the fourth quarter of 2014, the Company's **average daily production** reached **374.7 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 (+20.2% compared to the third quarter of 2014);
- Due to efficient waterflooding control, in the fourth quarter of 2014, average well output of existing wells in Bashkortostan continued to grow and reached 3.17 tonnes per day compared to 3.14 tonnes per day in the third quarter of 2014 and 3.05 tonnes per day in the second quarter of 2014.

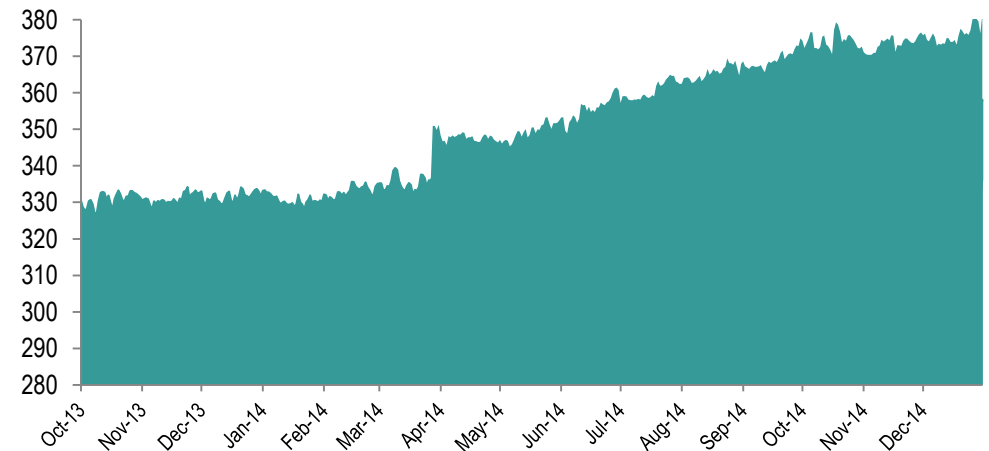
Average daily oil production, thousand bbl/d



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



Daily oil production, thousand bbl/d



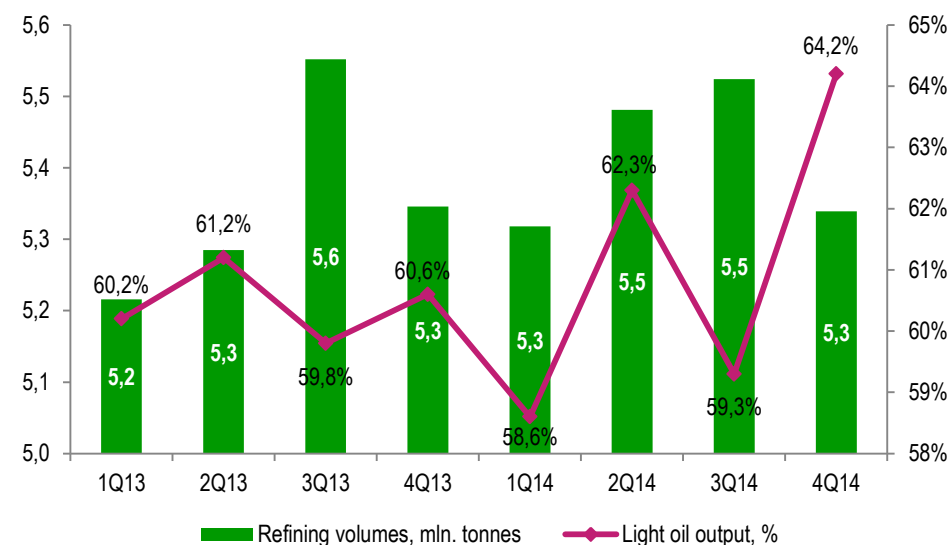
Note: (*) Rosneft's production is adjusted to include production of TNK-BP Holding starting from the first quarter of 2010.

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

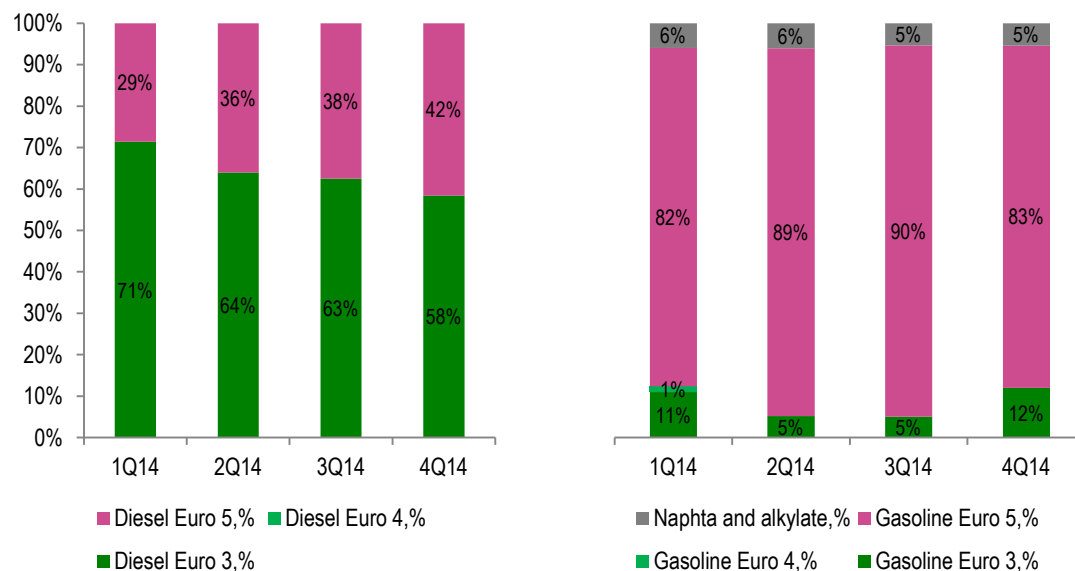
Main results

- In 2014 refining increased by 1.2% compared to 2013 and amounted to **21.661 million tonnes** due to an improvement in market conditions and the launch of alkylation units and a catalytic cracking gasoline hydrotreater;
- In the fourth quarter of 2014, Bashneft's refineries processed **5.339 million tonnes** of hydrocarbons, which is **3.4% less** than in the previous quarter (5.524 million tonnes) due to a seasonal decline in demand for petroleum products;
- In 2014 **Euro 5** gasoline accounted for **85.6%** of the total gasoline output.

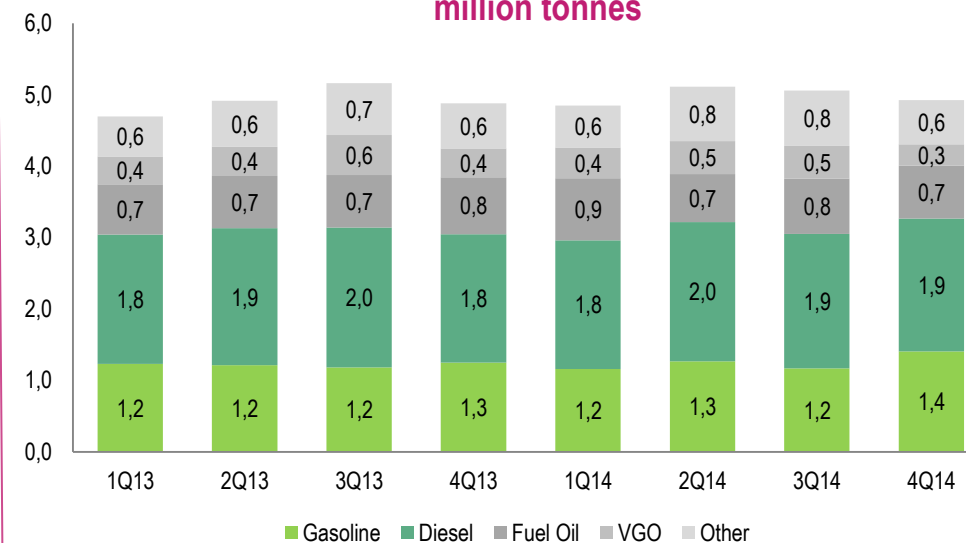
Oil refining, million tonnes



Output of gasoline and diesel fuel meeting the Euro standards



Petroleum products and petrochemicals, million tonnes





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2. Financial results

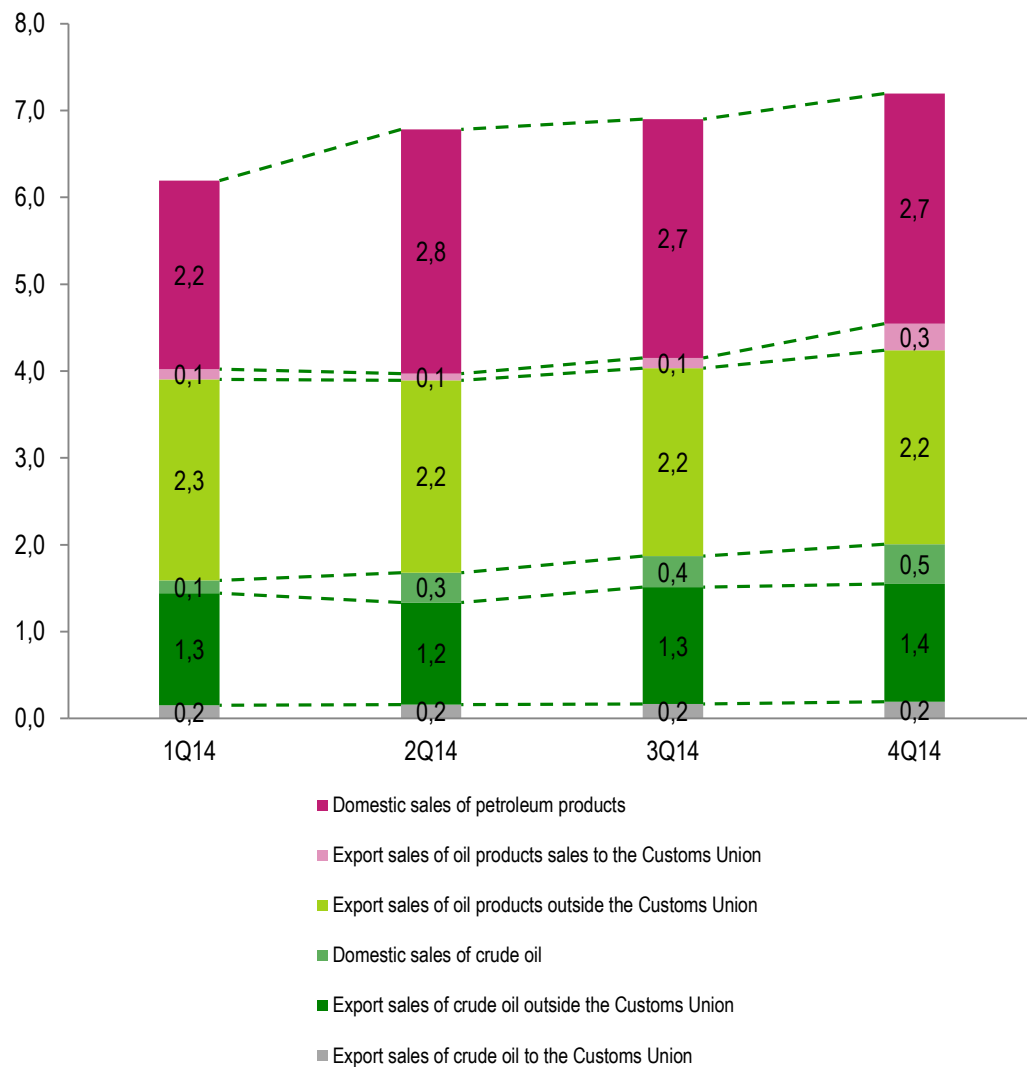


Bashneft Group's key indicators for 4Q 2014

4Q 2014	3Q 2014	Δ, %	Indicator	2014	2013	Δ, %
3.60	3.68	-2.0%	Urals price, thousand roubles/barrel	3.76	3.44	+9.4%
4,723	4,596	+2.8%	Crude oil production, thousand tonnes	17,808	16,073	+10.8%
5,339	5,524	-3.4%	Oil refining, thousand tonnes	21,661	21,399	+1.2%
5,189	5,029	+3.2%	Petroleum products and petrochemicals sales, thousand tonnes	19,928	19,816	+0.6%
164.6	162.9	+1.0%	Revenue, billion roubles	637.3	563.3	+13.1%
17.2	30.3	-43.1%	Adjusted EBITDA, billion roubles	102.5	104.0	-1.4%
(2.3)	15.6	--	Income for the period attributable to shareholders of the parent company, billion roubles	43.1	46.2	-6.5%
16.7	12.8	+30.2%	Capital expenditures, billion roubles	48.3	30.4	+58.8%
113.6	127.6	-10.9%	Adjusted net debt, billion roubles	113.6	74.4	+52.8%

Changes in sales of crude oil and petroleum products

Sales of crude oil and petroleum products, million tonnes

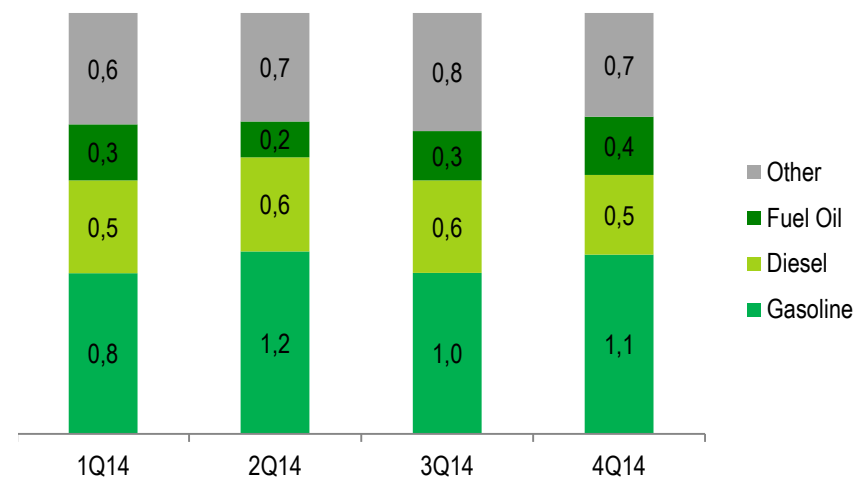


Sales of petroleum products to the Customs Union are growing

Exports of petroleum products and petrochemicals, million tonnes



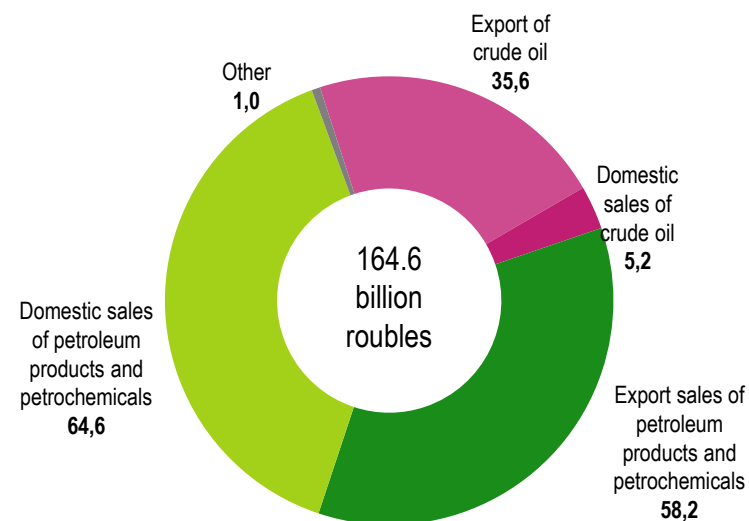
Domestic sales of petroleum products and petrochemicals, million tonnes



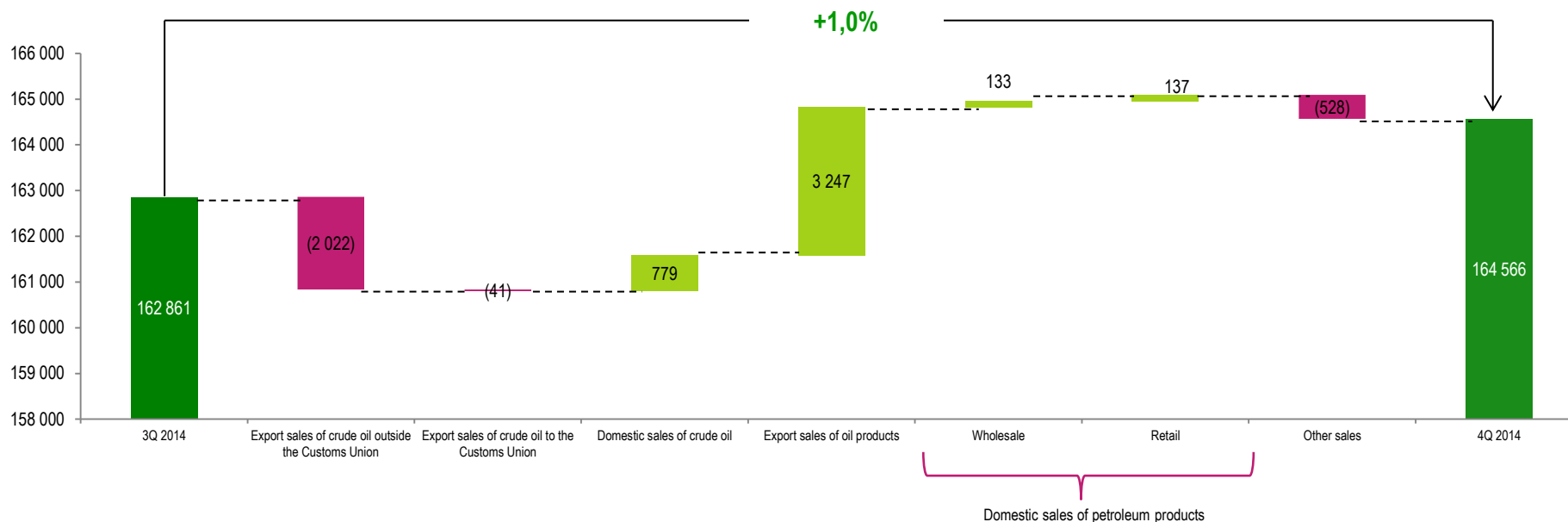
Main results in 4Q 2014

- In the fourth quarter of 2014, the revenue of Bashneft Group remained at the level reached in the third quarter of 2014 and totalled 164,566 million roubles;
- In 2014 revenue grew by 13.1% as compared to 2013 and totalled 637,271 million roubles. This change was related to an increase in crude oil sales and the growth of prices denominated in roubles;
- The increase in revenue from export sales of petroleum products and petrochemicals to the Customs Union was caused by a significant rise in sales of petroleum products (305 thousand tonnes in the fourth quarter of 2014 compared to 120 thousand tonnes in the third quarter of 2014) due to a shift of focus in the markets.

Revenue breakdown for 4Q 2014, billion roubles

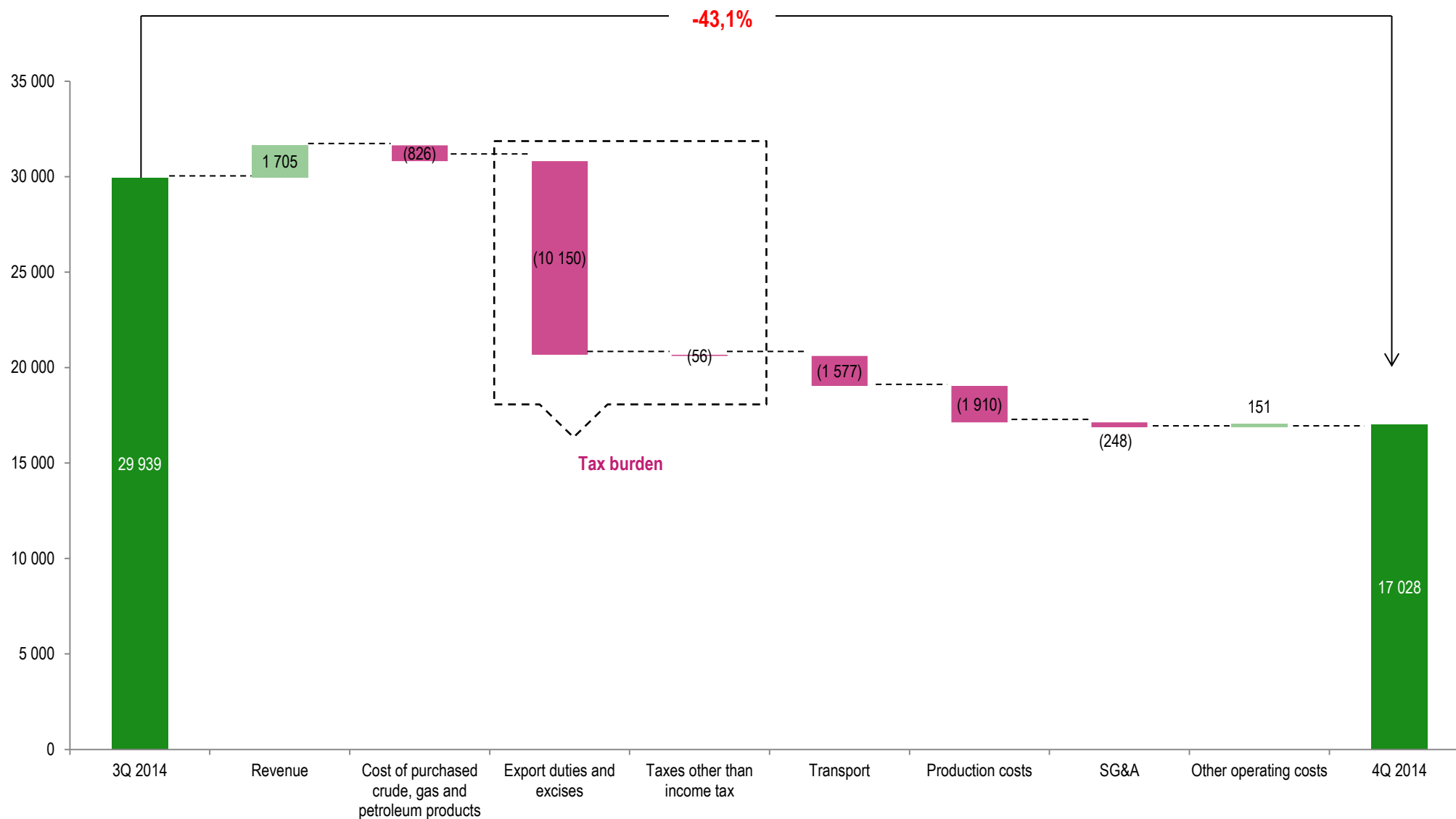


Revenue factor analysis, million roubles, 4Q 2014 vs. 3Q 2014



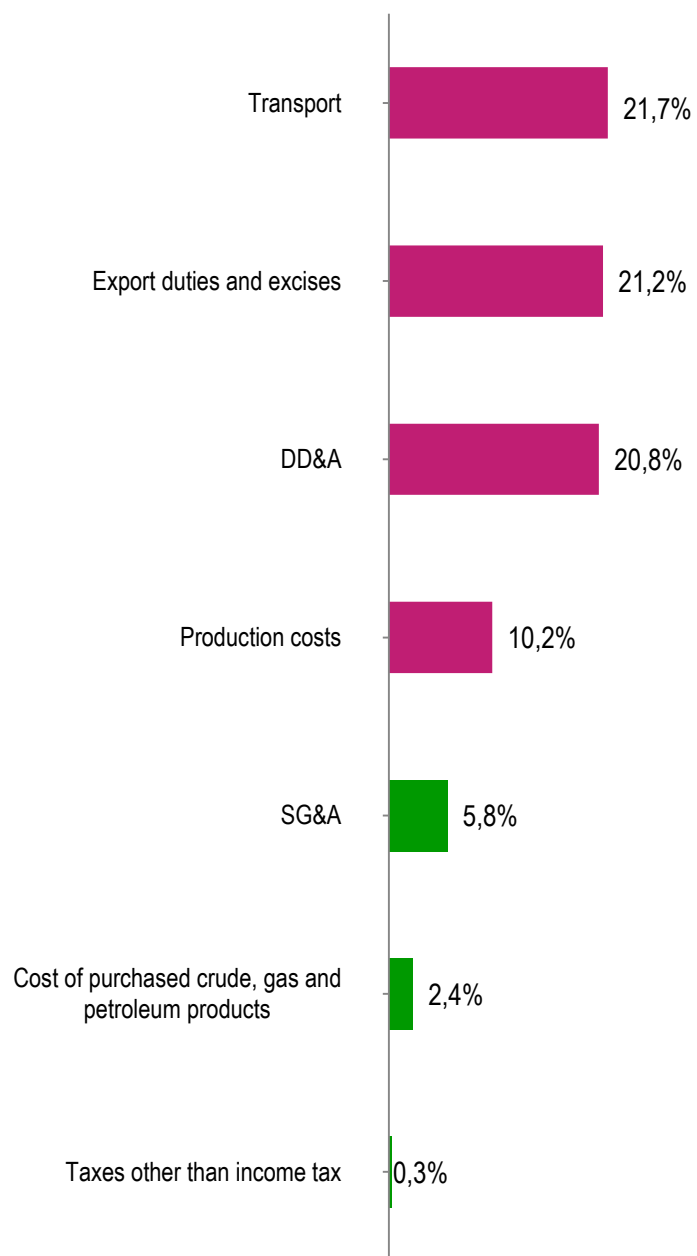
Factor analysis of EBITDA and operating expenses

EBITDA factor analysis, million roubles, 4Q 2014 vs. 3Q 2014



Note: (*) other than income tax.

Changes in operating expenses in 4Q 2014*



Transportation costs increased by 21.7%, which was related primarily to an increase in exports of crude oil and petroleum products.

The total amount of export duties on oil and petroleum products increased by 27.5% due to an increase in exports of crude oil and petroleum products outside the Customs Union combined with a rise in rouble-denominated export duty rates.
The total amount of excises decreased by 3.0% due to a reduction in domestic sales of petroleum products.

Depletion and depreciation costs increased by 20.8%, which was related mainly to commissioning of property, plant and equipment, including a hydrogen production unit and field facilities at the R. Trebs field, as well as consolidation of the UPC Group.

Growth of production and operating expenses was driven by an increase in expenditure on oil refining (27.8%).

The cost of purchased crude oil, gas and petroleum products rose by 2.4% due to an increase in sales of petroleum products.

Taxes other than income tax remained at the level reached in the third quarter of 2014.

4Q 2014 vs. 3Q 2014

- In the fourth quarter of 2014, unit costs for production of crude oil decreased by 1.0% to 279.7 roubles per barrel.

2014 vs. 2013

- In 2014 unit costs for production of crude oil grew by 6.4% and reached 273.2 roubles per barrel. This increase was related to:
 - additional geological and engineering operations performed in order to boost production;
 - a rise in electricity prices;
 - higher cost of services provided by oilfield service companies.

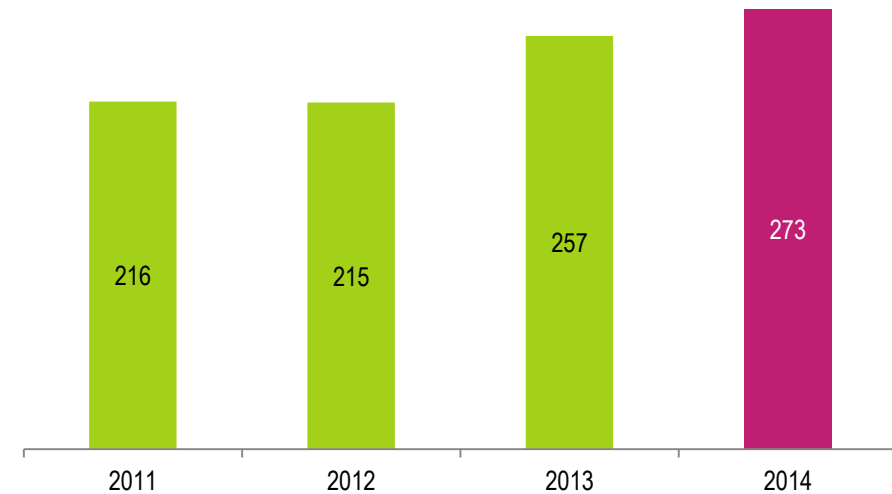
4Q 2014 vs. 3Q 2014

- In the fourth quarter of 2014, unit refining costs increased by 32.2% to 204.3 roubles per barrel. This increase was caused by an increase in the amount of repairs and heat and electricity consumption in winter.

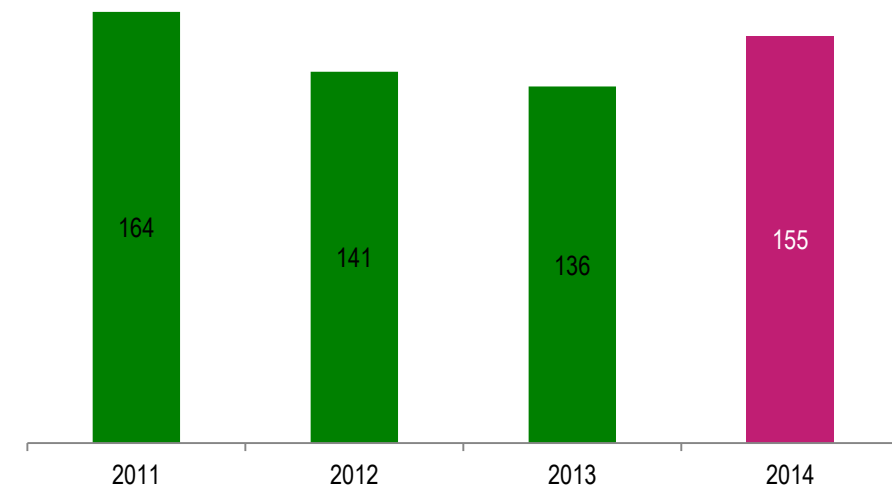
2014 vs. 2013

- In 2014 unit refining costs increased by 14.1% compared to 2013 and totalled 155.0 roubles per barrel, which was related mainly to an increase in expenditure on repairs.

Unit production costs, roubles/bbl*



Unit refining costs, roubles/bbl*



An efficient CAPEX programme to support future growth

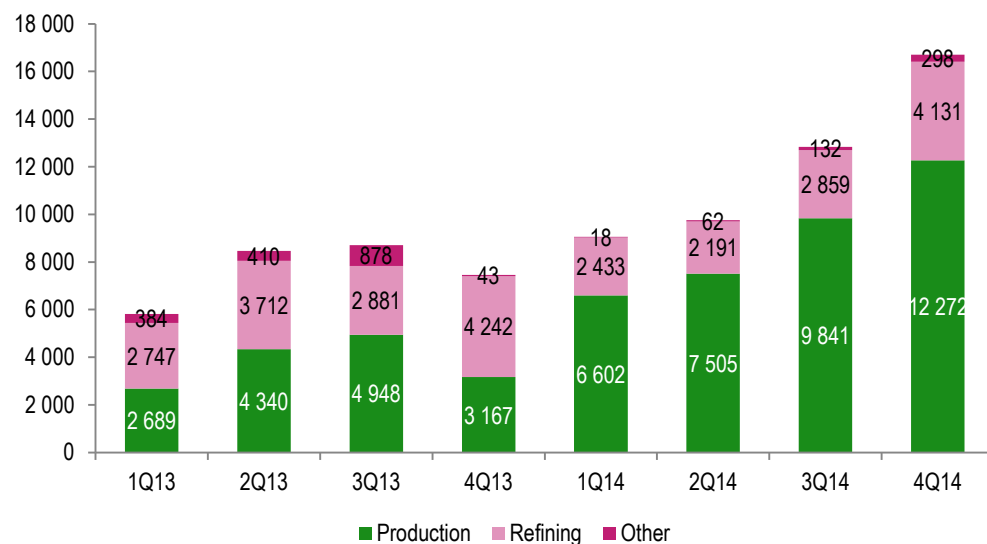
4Q 2014 vs. 3Q 2014

- In the fourth quarter of 2014, capital expenditures increased by 30.2%. This increase was caused mainly by a rise in capital expenditure in the Upstream segment due to an increase in expenditure on the development of the Sorovskoye field and the R. Trebs and A. Titov fields, combined with an increase in expenditure in the Downstream segment related to construction of process lines of the elemental sulphur production unit, rebranding efforts and consolidation of OJSC Ufaorgsintez.

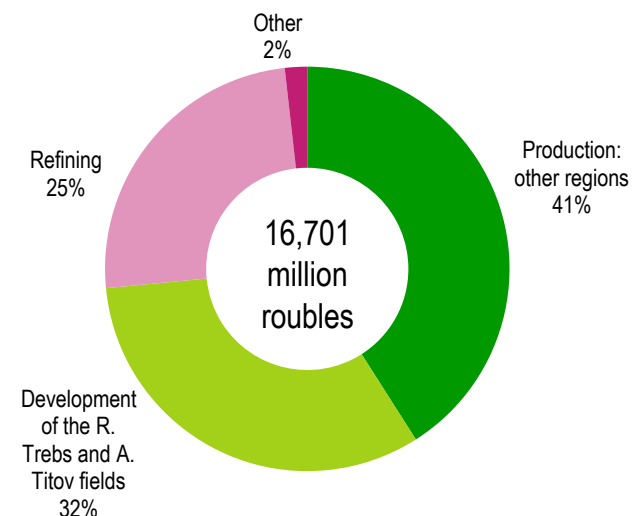
2014 vs. 2013

- In 2014 capital expenditures increased by 58.8%, primarily due to an increase in capital expenditure in the Upstream segment driven by expenditure on the development of the R. Trebs and A. Titov fields and the acquisition of Burneftegaz Group.

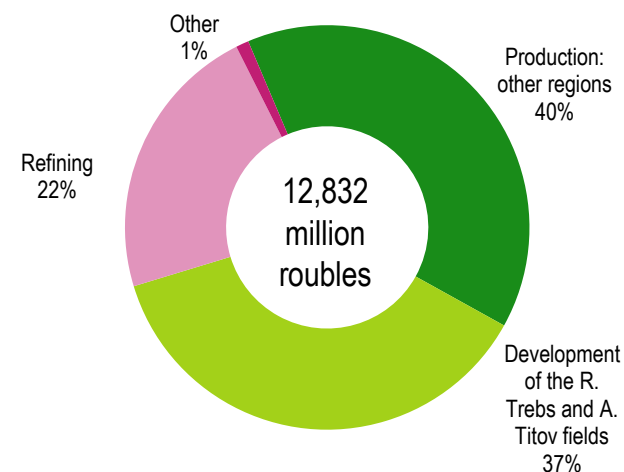
Changes in CAPEX, million roubles



CAPEX breakdown in 4Q 2014, million roubles

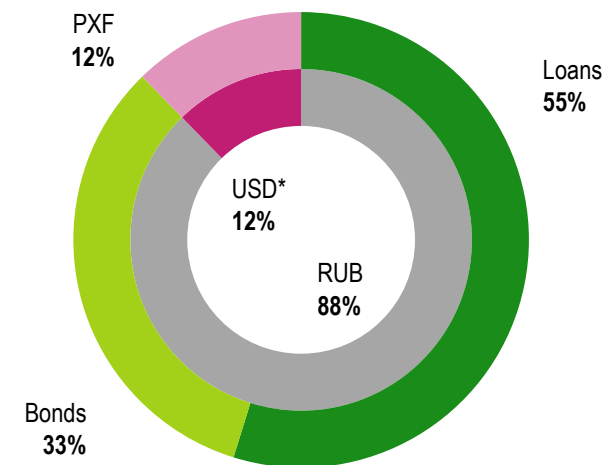


CAPEX breakdown in 3Q 2014, million roubles

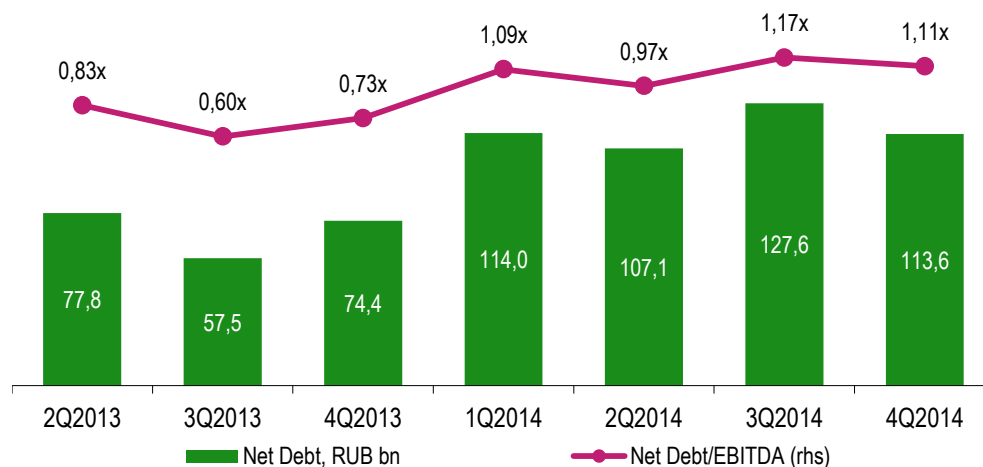


- As of December 31, 2014, total debt amounted to RUB 167.8 bn compared to RUB 166.4 bn as of September 30, 2014;
- In 4Q2014 the weighted average interest rate on loans was up to 8.3% per annum from 7.9% a quarter earlier as a result of lower share of fx-denominated debt with lower interest rate
- The Group formed liquidity cushion (RUB 52.8 of cash and equivalents at December 31, 2014) which is further supported by available credit lines from major Russian banks. Next sizeable debt repayment will be only in February 2016;
- November 20, 2014 Moody's confirmed Bashneft's rating at Ba2 with positive outlook. Later, on December 23, Moody's put ratings on review for downgrade due to the agency's expectation of further deterioration of Russian economy
- March 24, 2015 Fitch removed the ratings from Rating Watch Negative and affirmed the rating at BB with stable outlook.

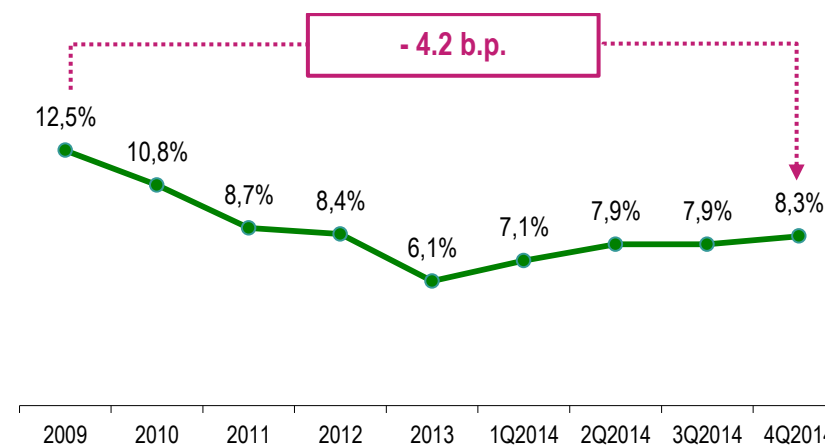
Debt breakdown as of the end of 4Q2014



Net debt ratios



Changes in the weighted average interest rate





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