



**БАШНЕФТЬ**  
АКЦИОНЕРНАЯ НЕФТЯНАЯ КОМПАНИЯ

## Bashneft Group

**IFRS results  
for the second 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 2Q 2016

## 2Q 2016 vs. 1Q 2016:

- Average daily oil production grew by 0.2% to 424.7 thousand bbl/d;
- Average daily oil refining declined by 13.5% to the level of 328.3 thousand bbl/d;
- Refining depth totalled 86.2%; the share of light products amounted to 67.7%;
- Revenue increased by 8.1% to 141.9 billion roubles;
- Adjusted EBITDA rose by 17.7% to 33.2 billion roubles;
- Net income reached 14.8 billion roubles.

## Operating results for 1H 2016 compared to 1H 2015:

- Average daily oil production grew by 10.3%;
- Average daily oil refining decreased by 4.5%;
- 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:

- In June, the Meeting of Shareholders resolved to allocate 29.1 billion roubles (164 roubles per share), or 50% of Bashneft's IFRS net income, for dividend payments for 2015. Most of the payments were made in July and August 2016;
- The Group completed the acquisition of 21,505,680 ordinary shares (19.043% of the authorized share capital) of PJSC Ufaorgsintez from CJSC Sistema-Invest for 3,550 million roubles. The transaction enabled the Group to consolidate 100% of voting shares in PJSC Ufaorgsintez;
- In May 2016, the Group redeemed bonds worth a total of 15,000 million roubles with the coupon rates of 12.0%-12.1% per annum. At the same time, the Group placed bonds with a total par value of 25,000 million roubles with the coupon rates of 10.5%-10.9% per annum.





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# 1. Operating results

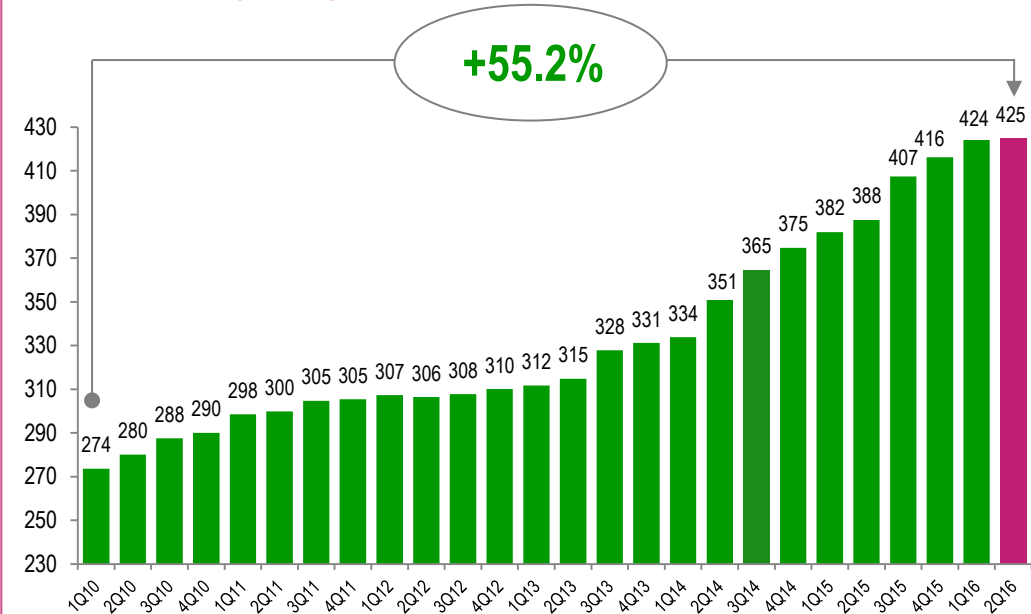


# Production hit a new record high

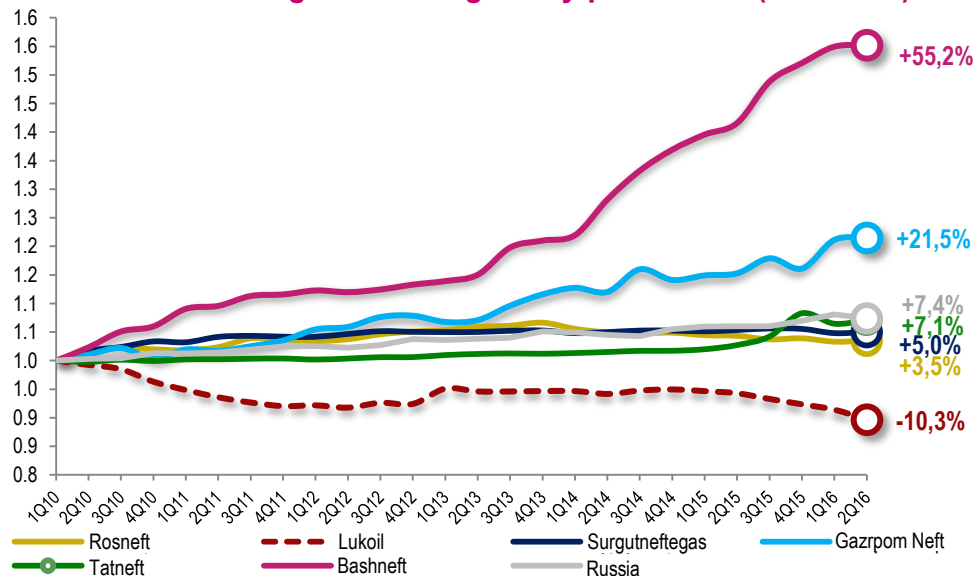
## Main results

- In the second quarter of 2016, **oil production** totalled **5.294 million tonnes**. Production at Bashneft's oilfields continued to increase more rapidly than the industry average;
- In the second quarter of 2016, **production at brownfields** in Bashkortostan increased by **0.6%** year on year mainly due to commissioning of new wells and highly efficient geological and engineering operations performed in Bashkortostan;
- In the second quarter of 2016, the **Group's average daily production reached 424.7 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 second quarter of 2016, **average well output** of existing wells in Bashkortostan remained almost unchanged compared to the first quarter of 2016 and **totalled 3.2 tonnes per day**.

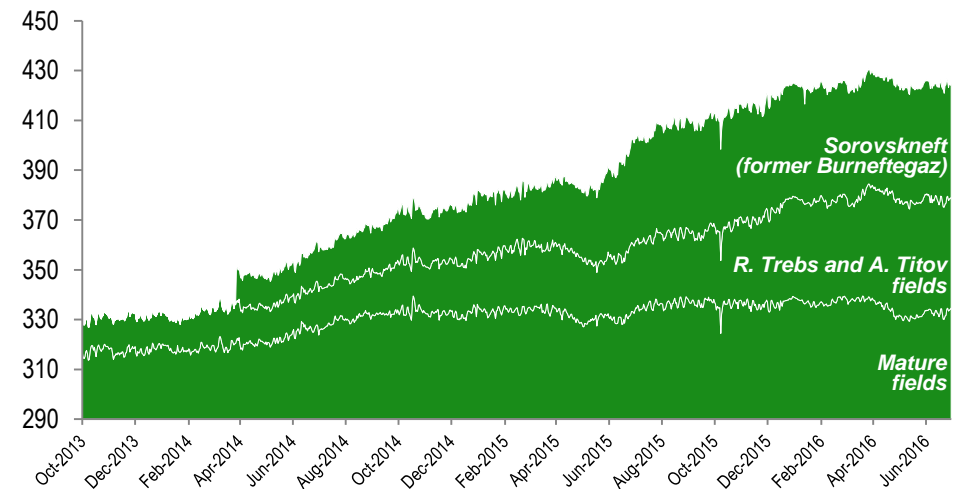
## Average daily oil production, thousand bbl/d



## 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 the second quarter of 2016, the refining depth totalled 86.2%

## Main results

- In the second quarter of 2016, refining volume decreased by 13.5% quarter on quarter and totalled 4.092 million tonnes. During the six months ended June 30, 2016, refining volume declined by 4.0% compared to the same period in 2015 and totalled 8.824 million tonnes; during both periods, this was related to scheduled major repairs at the industrial site at the Bashneft-UNPZ and the consequent shutdown of a number of process units;
- In the second quarter of 2016, average refining depth remained flat quarter on quarter at 86.2%. The share of light products decreased by 1.2 p.p. to 67.7%.

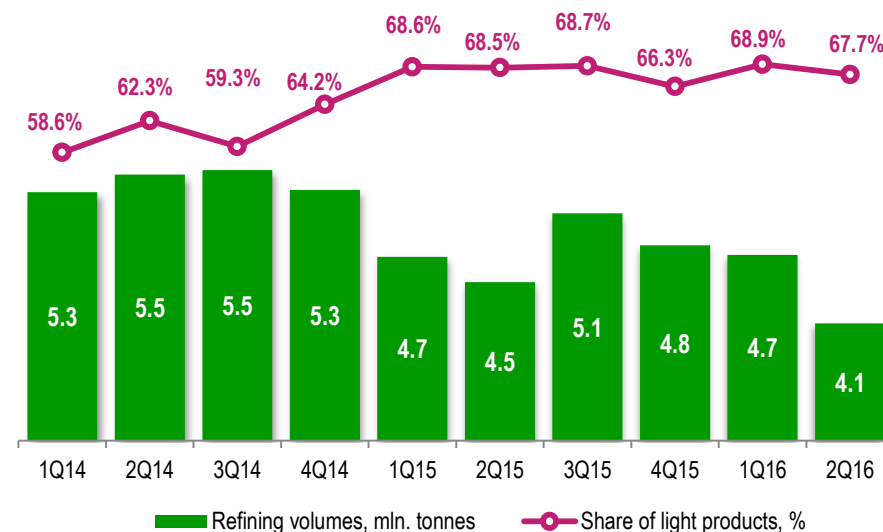
### Motor gasoline production



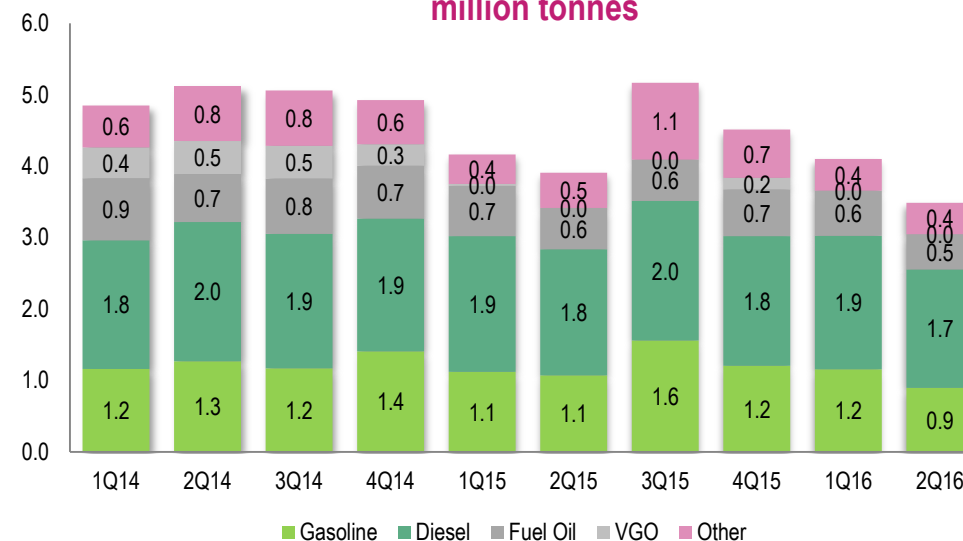
### Diesel fuel production



## Oil refining, million tonnes



## Petroleum products, million tonnes





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## 2. Financial results



# Bashneft Group's key indicators for 2Q 2016

2Q 2016	1Q 2016	Δ, %	Indicator	1H 2016	1H 2015	Δ, %
2.92	2.44	19.5%	Urals price, thousand roubles/barrel	2.71	3.31	-18.2%
5,294	5,286	0.2%	Crude oil production, thousand tonnes	10,580	9,540	10.9%
4,092	4,732	-13.5%	Oil refining, thousand tonnes	8,824	9,193	-4.0%
141.9	131.3	8.1%	Revenue, billion roubles	273.1	295.7	-7.6%
33.2	28.2	17.7%	Adjusted EBITDA, billion roubles	61.3	62.6	-2.0%
14.8	14.4	2.8%	Income for the period attributable to shareholders of the parent company, billion roubles	29.3	29.3	-0.1%
22.5	20.2	11.5%	Adjusted operating cash flow <sup>1</sup> , billion roubles	42.7	34.9	22.2%
20.9	17.2	21.4%	Capital expenditures, billion roubles	38.1	27.6	38.4%
84.6	72.7	16.4%	Net debt, billion roubles	84.6	125.9	-32.8%
104.9	107.5	-2.3%	Adjusted net debt <sup>2</sup> , billion roubles	104.9	123.4	-15.0%

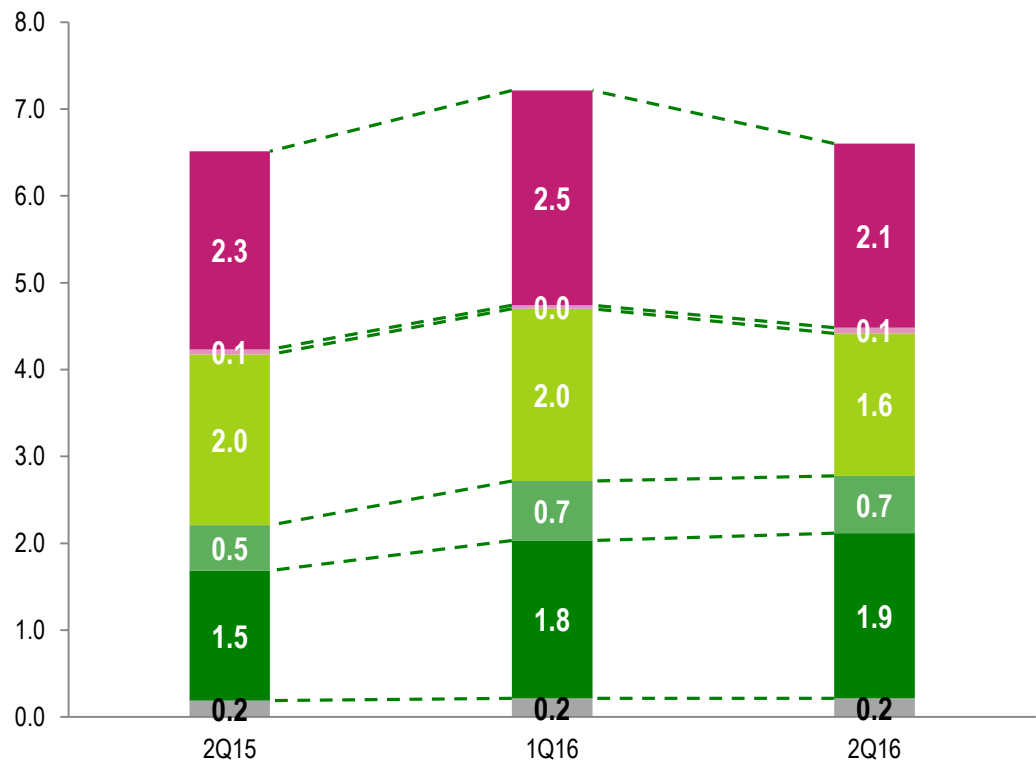
<sup>1</sup> Adjusted operating cash flow excludes prepayment received in the 1<sup>st</sup> quarter of 2016 under the long-term crude oil and petroleum product supply contract, which totalled US\$ 500 million (39,243 million roubles);

<sup>2</sup> Adjusted net debt is calculated as net debt increased by the amount of the long-term portion of prepayment under crude oil and petroleum product supply contracts and reduced by the amount of short-term financial investments.



# Changes in sales of crude oil and petroleum products

## Sales of crude oil and petroleum products, million tonnes

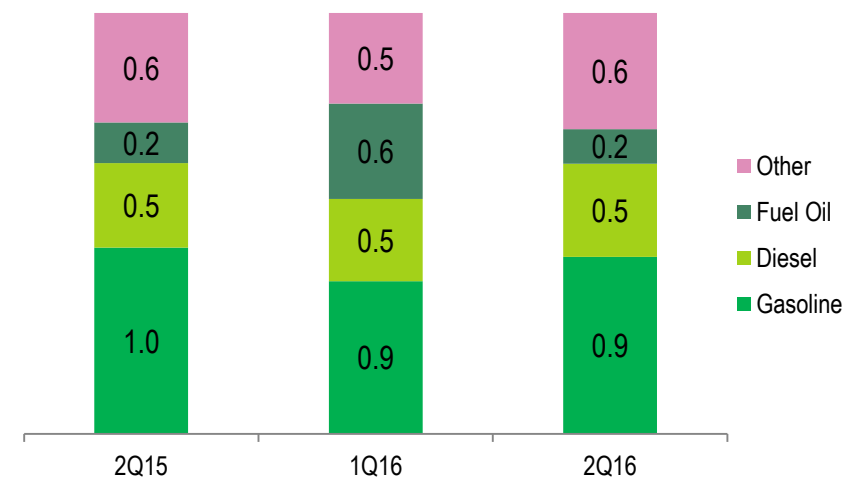


- Domestic sales of petroleum products and petrochemicals
- Export sales of petroleum products and petrochemicals to the Customs Union
- Export sales of petroleum products and petrochemicals outside the Customs Union
- Domestic sales of crude oil
- Export sales of crude oil outside the Customs Union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

## Exports of petroleum products and petrochemicals, million tonnes



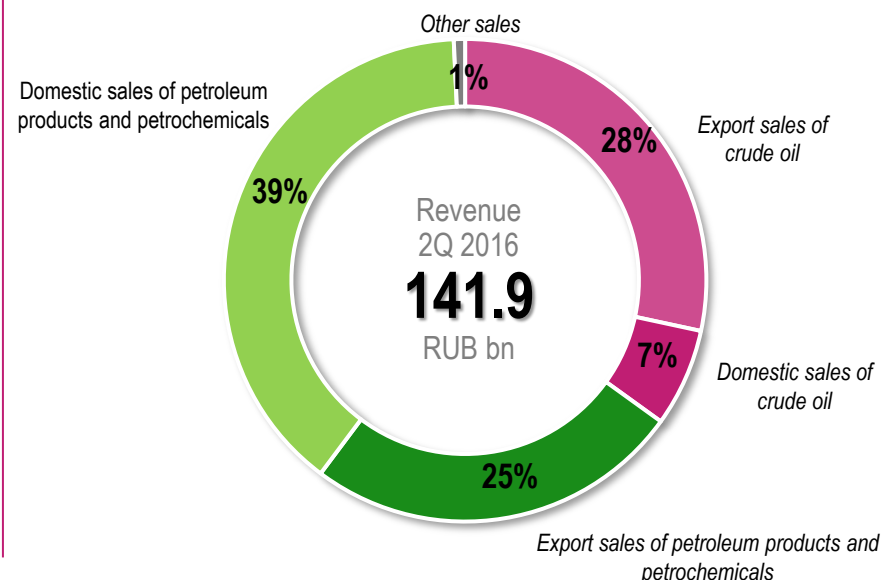
## Domestic sales of petroleum products and petrochemicals, million tonnes



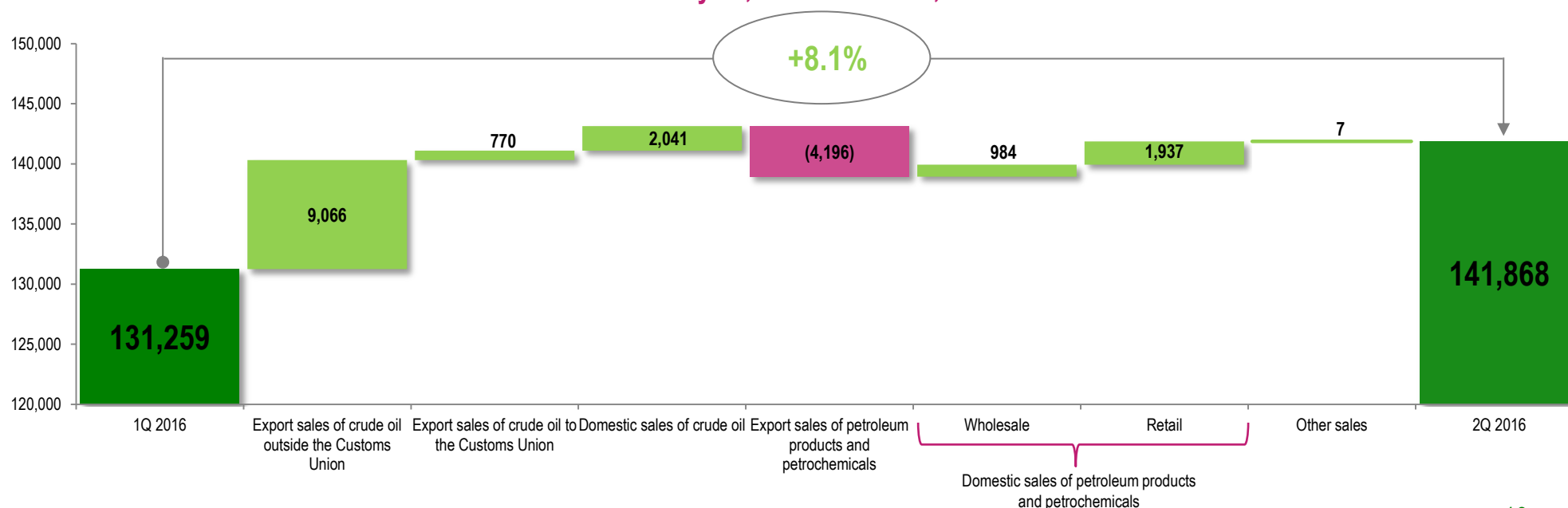
## Main results for 2Q 2016

- In the second quarter of 2016, the revenue of Bashneft Group increased by 8.1% compared to the first quarter of 2016 and totalled 141,868 million roubles. This change was caused by a rise in prices, which was partially offset by a decrease in the volume of sales of crude oil and petroleum products;
- In the second quarter of 2016, revenue from export sales of crude oil amounted to 40,252 million roubles, which is 32.3% more than in the first quarter of 2016. The increase in revenue in the second quarter of 2016 was related mainly to a rise in prices in global markets and a 4.0% increase in the volume of crude oil sales;
- In the second quarter of 2016, revenue from retail sales increased by 14.5% compared to the first quarter of 2016 and totalled 15,269 million roubles, which was related to an 11.0% seasonal increase in retail sales volumes on the domestic market.

## Revenue breakdown for 2Q 2016

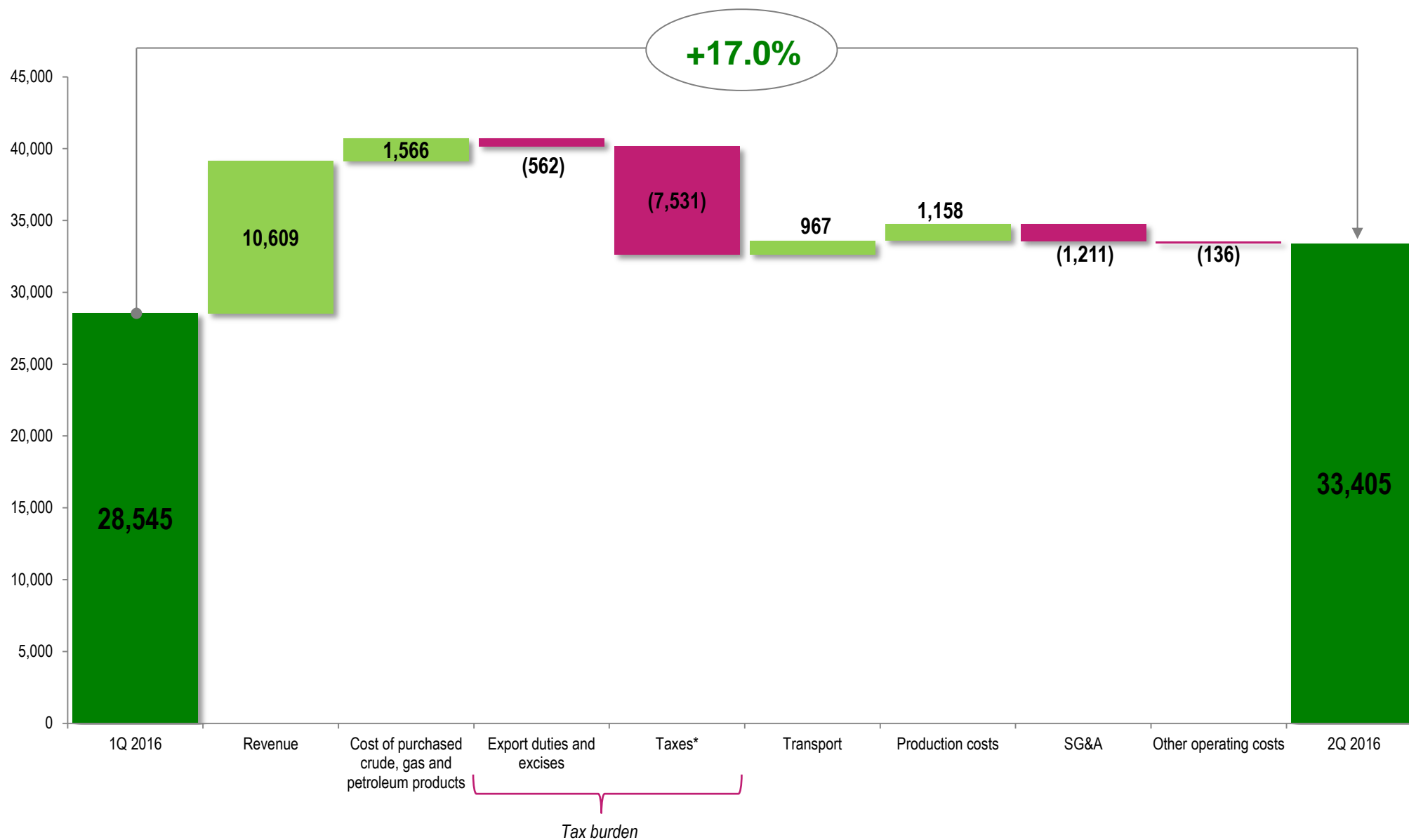


## Revenue factor analysis, million roubles, 2Q 2016 vs. 1Q 2016



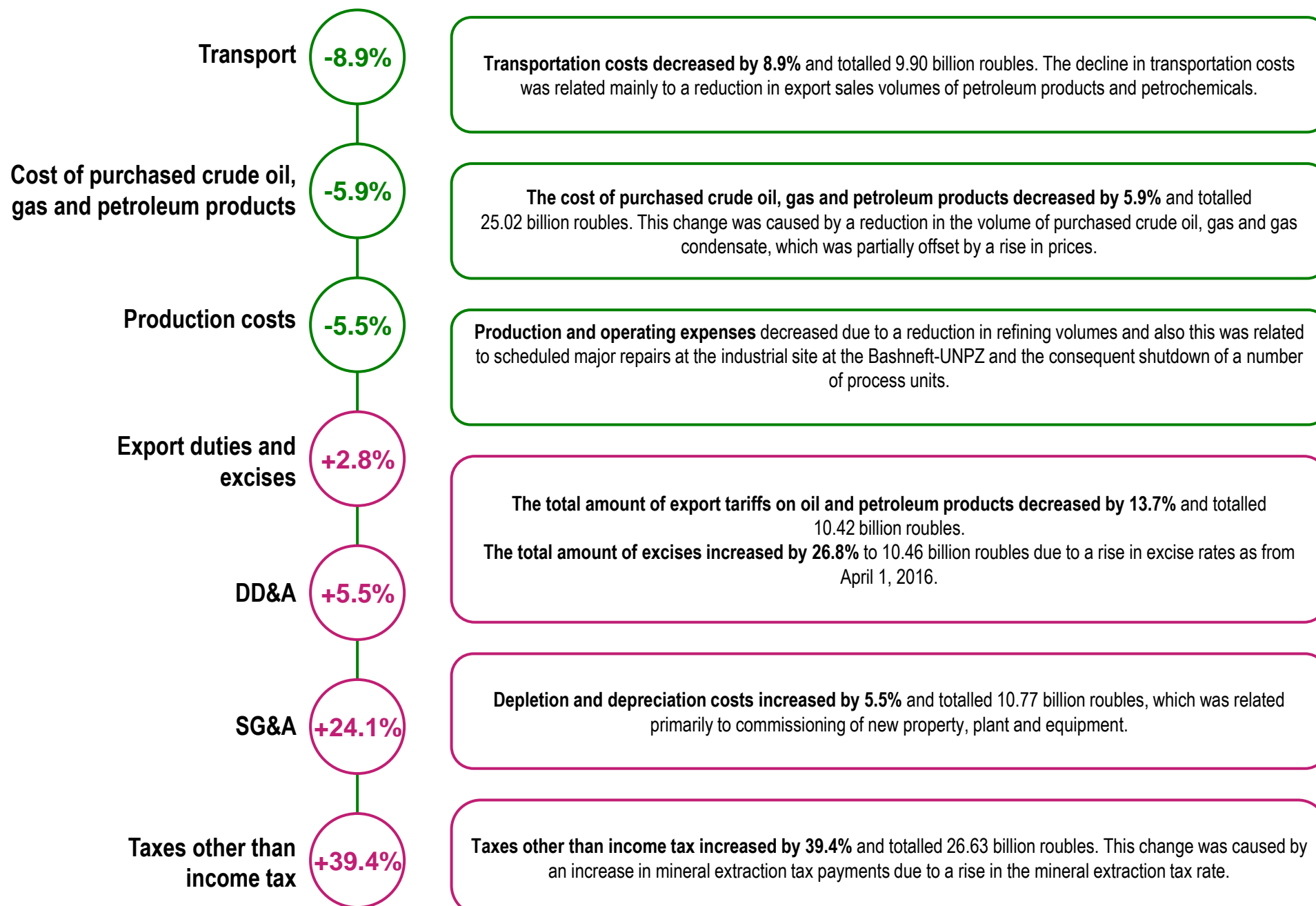
# Factor analysis of EBITDA

EBITDA factor analysis, million roubles, 2Q 2016 vs. 1Q 2016



Note: (\*) other than income tax.

# Changes in operating expenses in 2Q 2016\*



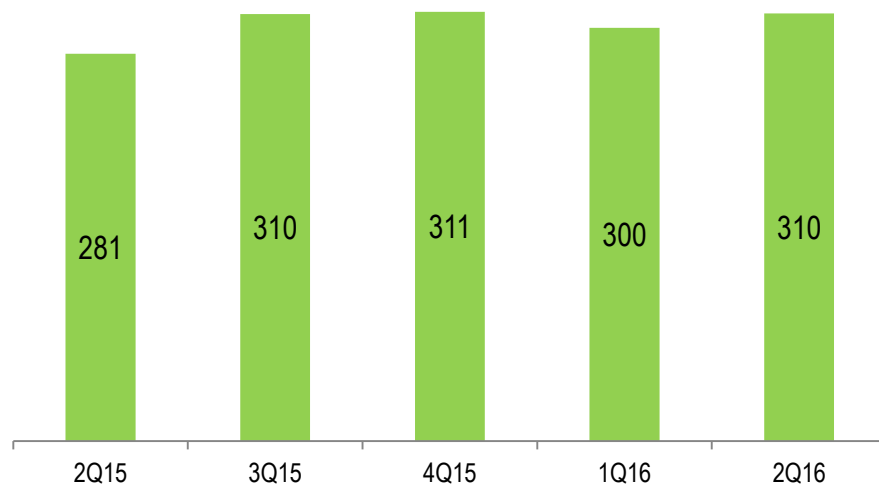
## 2Q 2016 vs. 1Q 2016

- In the second quarter of 2016, unit costs for production of crude oil remained at the level reached in the first quarter of 2016 and amounted to 310 roubles per barrel.

## 1H 2016 vs. 1H 2015

- During the six months ended June 30, 2016, unit costs for production of crude oil increased by 7.8% compared to the same period in 2015 and amounted to 305 roubles per barrel, which was related mainly to a rise in electricity prices and an increase in the scope of repairs.

Unit production costs, roubles/bbl\*



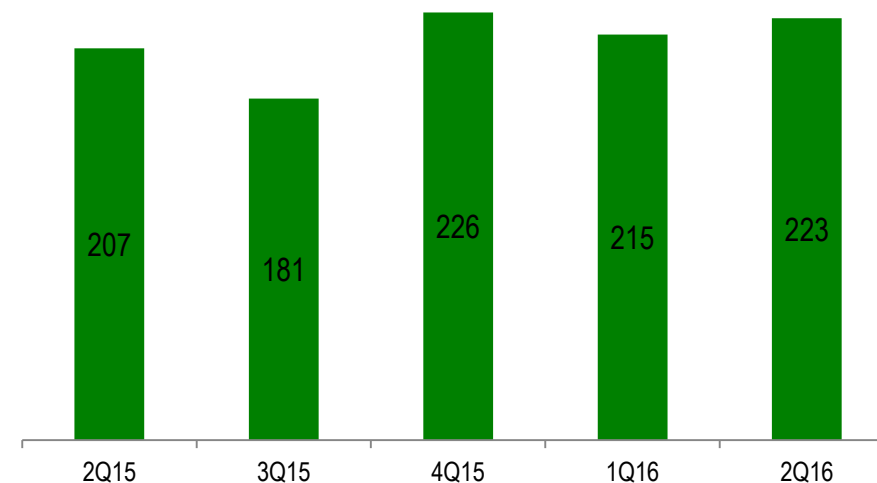
## 2Q 2016 vs. 1Q 2016

- In the second quarter of 2016, unit refining costs increased by 3.7% compared to the first quarter of 2016 and totalled 223 roubles per barrel due to a reduction in refining volumes.

## 1H 2016 vs. 1H 2015

- During the six months ended June 30, 2016, unit refining costs increased by 13.5% compared to the same period in 2015 due to an increase in the cost of auxiliary materials and heat and electricity prices.

Unit refining costs, roubles/bbl\*



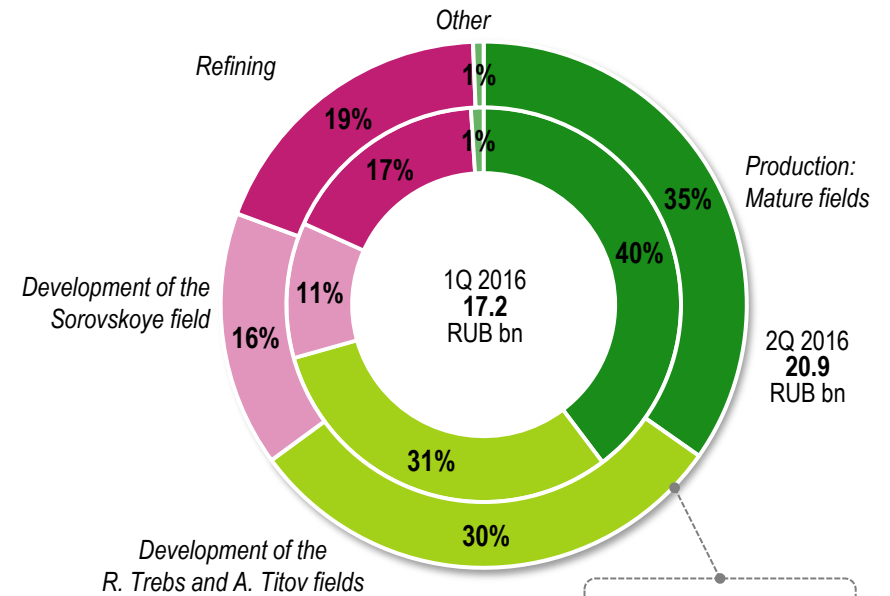
## 2Q 2016 vs. 2Q 2015

- In the second quarter of 2016, capital expenditures grew by 21.4% compared to the first quarter of 2016 and totalled 20,918 million roubles. This increase was caused mainly by an increase in capital expenditures in the Production segment, including expenditure on the Sorovskoye field.

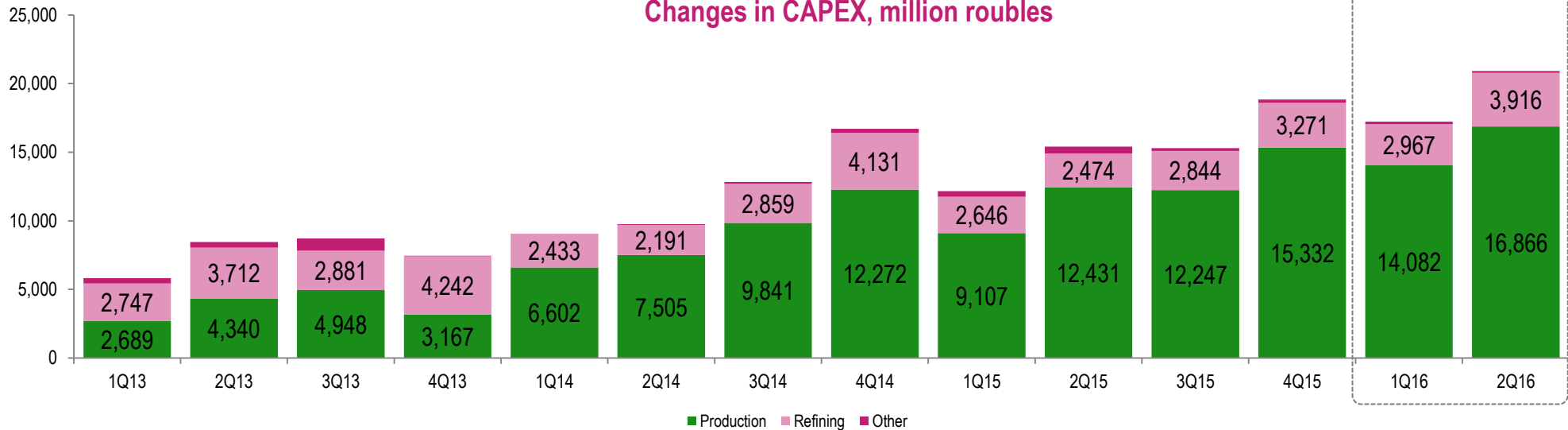
## 1H 2016 vs. 1H 2015

- During the six months of 2016, capital expenditures increased by 38.4% compared to the same period in 2015 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.

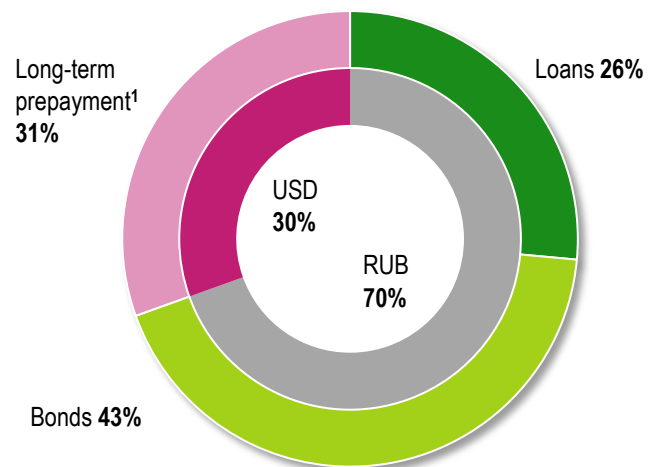
## CAPEX breakdown, billion roubles



## Changes in CAPEX, million roubles



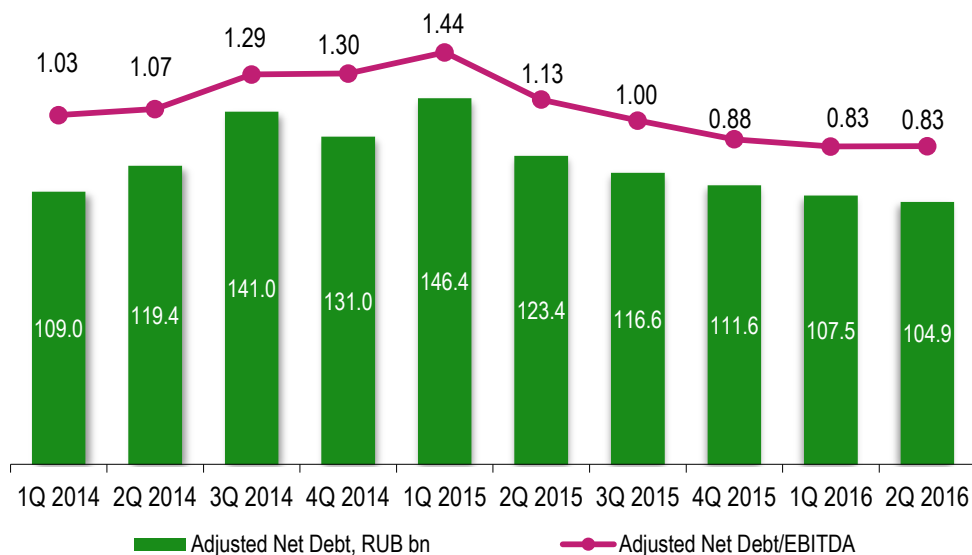
## Debt breakdown as of the end of 2Q 2016



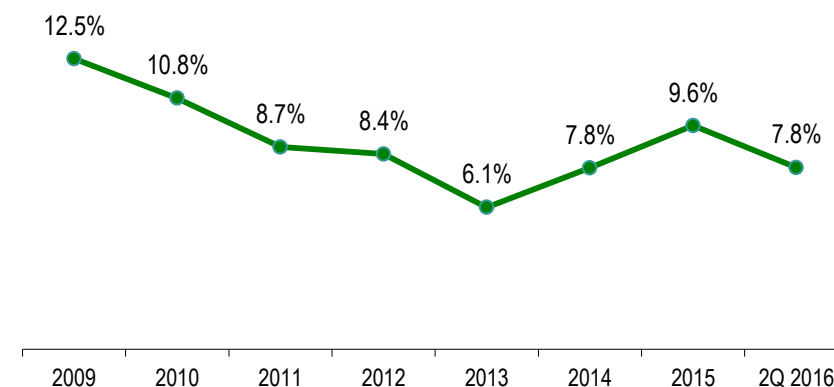
## 2Q 2016 vs. 1Q 2016

- In the second quarter of 2016, net debt increased by 16.4% compared to the first quarter of 2016 and totalled 84.6 billion roubles;
- In the second quarter of 2016, adjusted net debt decreased by 2.3% compared to the first quarter of 2016 and totalled 104.9 billion roubles.

## Adjusted Net Debt<sup>3</sup> ratios



## Changes in the weighted average interest rate



1. Received in USD and accounted for at fixed exchange rates in RUB as a non-financial liability;  
 2. Assuming 65 US\$ / RUB exchange rate; Including prepayments on oil and oil products supply agreements;  
 3. Adjusted net debt is calculated as net debt increased by the amount of the long-term portion of prepayments on oil and oil products supply agreements and reduced by the amount of short-term financial investments.



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