



BASHNEFT
JOINT STOCK OIL COMPANY

Management's analysis of the financial position and operating results of Bashneft Group for the three months ended 31 December and 30 September 2015 and for the twelve months ended 31 December 2015 and 2014



This report contains an overview of the financial position and operating results of PJSOC Bashneft and includes operating results of Bashneft Group for the twelve months ended 31 December 2015. The terms “Bashneft”, “the Company”, “Bashneft Group” and “the Group” in various forms mean PJSOC Bashneft and its subsidiaries. The financial position and operating results analysed in this document are consolidated data on Bashneft Group.

Certain statements in this report 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. These statements are only assumptions, and actual events or results may differ materially from them. The actual results of Bashneft Group may differ substantially from what is declared in assumptions and forecasts as a result of a large number of factors. Such factors may include general economic conditions, Bashneft’s competitive environment, risks associated with operating in Russia, rapid technological and market changes in the Company’s areas of business, as well as many other risks directly related to Bashneft Group.

The barrel-tonne conversion factor used in this report is 7.3.



OVERVIEW

Bashneft Group is one of Russia's leading vertically integrated oil companies involved in crude oil production and refining, as well as in selling oil, petroleum products and petrochemicals.

The Company was established as an open joint-stock company on 13 January 1995 after the privatization of Bashneft production association.

The Group holds licences for the development of 194 oil and gas fields in the Republic of Bashkortostan, the Khanty-Mansi Autonomous District, the Nenets Autonomous District, the Orenburg Region and the Republic of Tatarstan. 181 of the Group's fields are in commercial production.

According to the results of an audit conducted by Miller & Lents Ltd. using international PRMS (SPE) criteria, the Group's proved oil reserves as of 31 December 2015 amounted to 324.5 million tonnes. Bashneft Group has a reserves-to-production ratio of 16 years. Proved and probable (2P) reserves totalled 436.0 million tonnes. Overall reserves of Bashneft Group (including possible reserves) amounted to 587.5 million tonnes. During the twelve months ended 31 December 2015, production at the developed licence areas totalled 19.9 million tonnes.

Bashneft Group includes three refineries, which rank among the most technologically advanced facilities in Russia and are leaders in terms of refining depth and quality of petroleum products, and a petrochemical plant, PJSC Ufaorgsintez. The refineries' installed capacity totals 23.2 million tonnes of hydrocarbons per year.

PJSC Ufaorgsintez is a major producer of phenol, acetone, high-density polyethylene and polypropylene.

During the twelve months ended 31 December 2015, the Group's refineries processed 19.1 million tonnes of hydrocarbons. Refining depth averaged 85.8%, which is one of the best results among Russian vertically integrated oil companies.

During the twelve months ended 31 December 2015, Bashneft Group sold 9.8 million tonnes of petroleum products on the domestic market and exported 8.4 million tonnes of petroleum products. The Group also sold 9.3 million tonnes of crude oil, including 6.7 million tonnes of exported crude oil.

As of 31 December 2015, Bashneft Group's retail network comprised 566 operating petrol stations and 178 partner petrol stations operating under the Bashneft brand name.



KEY FINANCIAL AND OPERATING RESULTS

| | 4Q | | Change | 12M | | |
|--|---------|---------|--------|---------|---------|--------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Revenue (million roubles) | 147,970 | 167,629 | -11.7% | 611,274 | 637,271 | -4.1% |
| EBITDA (million roubles) | 27,207 | 37,700 | -27.8% | 126,920 | 100,778 | 25.9% |
| Adjusted EBITDA (million roubles) ¹ | 30,228 | 37,467 | -19.3% | 130,286 | 102,529 | 27.1% |
| Operating profit (million roubles) | 15,565 | 30,403 | -48.8% | 93,408 | 76,997 | 21.3% |
| Profit for the period attributable to the owners of the parent company (million roubles) | 6,897 | 21,980 | -68.6% | 58,175 | 43,146 | 34.8% |
| Net debt (million roubles) | 98,052 | 101,745 | -3.6% | 98,052 | 113,637 | -13.7% |
| ROACE | n/a | n/a | n/a | 25% | 22% | 3 p.p. |
| Oil production (thousand tonnes) | 5,245 | 5,134 | 2.2% | 19,919 | 17,808 | 11.9% |
| Oil refining (thousand tonnes) | 4,821 | 5,120 | -5.8% | 19,134 | 21,661 | -11.7% |

Significant events during the twelve months of 2015:

- in February 2015, the Group acquired LLC Yanaulsk Division of Neftestroyontazh (its name was changed to LLC Bashneft-Stroy in April 2015);
- in June 2015, the Company cancelled 2,724,173 ordinary shares previously held in treasury stock;
- in June 2015, the Meeting of Shareholders of Bashneft resolved to pay dividends of 20,073 million roubles for the 2014 fiscal year (113 roubles per ordinary share and per preference registered share). All payments were made in July and August 2015 on time and in full;
- in July 2015, the Republic of Bashkortostan represented by the Ministry of Land and Property Relations became the owner of 38,128,551 ordinary shares and 6,280,076 preference shares of PJSOC Bashneft (25.0% of its authorized share capital plus 1 share), while the interest of the Federal Agency for State Property Management in the Company's share capital decreased proportionally to 88,951,379 ordinary shares (50.08% of the Company's authorized share capital);
- in September 2015, the Company started pilot operation of a new process line for production of the elemental sulphur at the Bashneft-Ufaneftekhim Branch. Investments in the project totalled 2.4 billion roubles.

¹ Adjusted EBITDA excludes the impact of other operating income and expenses, which include financial results from sales of property, plant and equipment and inventories, disposal of assets, etc.

| (million roubles) | 4Q | | Change | 12M | | |
|--|---------------|---------------|---------------|----------------|----------------|--------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| EBITDA | 27,207 | 37,700 | -27.8% | 126,920 | 100,778 | 25.9% |
| Other operating expenses/(income), net | 3,021 | (233) | n/a | 3,366 | 1,751 | 92.2% |
| Adjusted EBITDA | 30,228 | 37,467 | -19.3% | 130,286 | 102,529 | 27.1% |



MAIN FACTORS INFLUENCING OPERATING RESULTS

Operating results of Bashneft Group can be significantly influenced by the following key external factors:

- international and domestic market prices for crude oil and petroleum products;
- the rouble/dollar exchange rate and inflation rate;
- taxation and government regulation of tariffs of natural monopolies.

Prices for crude oil and petroleum products

Prices for crude oil and petroleum products are the main factor determining the financial and, indirectly, operating results of Bashneft Group. The Group's ability to control the prices for its products is limited, as these prices mostly depend on the global market and on the supply and demand balance in particular regions of Russia. A decrease in prices for crude oil or petroleum products may adversely affect Bashneft's performance and financial position and lead to a reduction of oil production profitability of the Group. This, in turn, will result in a decline in the volume of Bashneft's economically viable hydrocarbon reserves for development and impact the economic efficiency of its geological exploration programmes and geological and engineering operations.

| | 4Q | 3Q | | 12M | | |
|---|--------|--------|--------|--------|--------|--------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| Prices for crude oil and petroleum products² | | | | | | |
| Brent crude oil (US\$ per barrel) | 43.8 | 50.5 | -13.3% | 52.4 | 98.9 | -47.0% |
| Brent crude oil (roubles per barrel) | 2,886 | 3,179 | -9.2% | 3,193 | 3,802 | -16.0% |
| Urals crude oil (US\$ per barrel) | 42.6 | 49.9 | -14.6% | 51.9 | 98.0 | -47.0% |
| Urals crude oil (roubles per barrel) | 2,809 | 3,144 | -10.7% | 3,162 | 3,763 | -16.0% |
| Fuel oil (average FOB Rotterdam/CIF NWE) (US\$ per tonne) | 181.5 | 240.3 | -24.5% | 252.8 | 523.4 | -51.7% |
| Fuel oil (average FOB Rotterdam/CIF NWE) (roubles per tonne) | 11,971 | 15,131 | -20.9% | 15,409 | 20,109 | -23.4% |
| Diesel fuel (average FOB Rotterdam/CIF NWE) (US\$ per tonne) | 401.1 | 476.7 | -15.9% | 490.7 | 841.7 | -41.7% |
| Diesel fuel (average FOB Rotterdam/CIF NWE) (roubles per tonne) | 26,452 | 30,020 | -11.9% | 29,912 | 32,341 | -7.5% |
| Naphtha (average FOB Rotterdam/CIF NWE) (US\$ per tonne) | 410.6 | 428.6 | -4.2% | 459.2 | 834.0 | -44.9% |
| Naphtha (average FOB Rotterdam/CIF NWE) (roubles per tonne) | 27,074 | 26,992 | 0.3% | 27,994 | 32,044 | -12.6% |
| Vacuum gas oil (FOB NWE) (US\$ per tonne) | 302.1 | 349.9 | -13.7% | 364 | 686 | -46.9% |
| Vacuum gas oil (FOB NWE) (roubles per tonne) | 19,921 | 22,034 | -9.6% | 23,797 | 26,346 | -9.7% |
| Russian market (roubles per tonne, with excises, net of VAT)³ | | | | | | |
| Crude oil | 12,165 | 12,561 | -3.2% | 12,807 | 11,545 | 10.9% |
| Fuel oil | 6,097 | 7,930 | -23.1% | 7,738 | 9,260 | -16.4% |
| Diesel fuel (summer) | 28,553 | 28,771 | -0.8% | 28,284 | 26,580 | 6.4% |
| Diesel fuel (winter) | 31,190 | 30,355 | 2.8% | 30,018 | 29,083 | 3.2% |
| High-octane gasoline | 31,440 | 34,978 | -10.1% | 31,271 | 30,965 | 1.0% |
| Low-octane gasoline | 31,754 | 32,410 | -2.0% | 30,164 | 29,208 | 3.3% |

² Source: Platts.

³ Source: Kortess.



Rouble/dollar exchange rate and inflation rate

Over 50% of the Group's revenue comes from exports of oil and petroleum products. Therefore, fluctuations in rouble exchange rates have a direct impact on the financial and operating results of Bashneft Group.

In addition, changes in the Consumer Price Index also affect the financial results of Bashneft Group; the inflation rate affects both capital and operating expenses of the Group.

| | 4Q | 3Q | Change | 12M | | |
|--|------|------|----------|-------|-------|----------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Rouble inflation (Consumer Price Index) during the stated periods ⁴ | 2.5% | 1.9% | 0.6 p.p. | 12.9% | 11.4% | 1.5 p.p. |
| Rouble/dollar exchange rate at the end of the period | 72.9 | 66.2 | 10.1% | 72.9 | 56.3 | 29.5% |
| Rouble/dollar exchange rate, period average | 65.9 | 63.0 | 4.6% | 61.0 | 38.4 | 58.9% |

Taxation

Price fluctuations on the global market affect export tariffs and the mineral extraction tax.

| | 4Q | 3Q | Change | 12M | | |
|---|-------|-------|--------|-------|--------|--------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Mineral extraction tax (roubles per tonne) | | | | | | |
| Crude oil | 5,099 | 6,263 | -18.6% | 6,312 | 5,827 | 8.3% |
| Export tariff (US\$ per tonne) | | | | | | |
| Crude oil | 92.3 | 128.7 | -28.3% | 120.3 | 366.5 | -67.2% |
| Gasoline | 71.9 | 100.3 | -28.3% | 93.8 | 329.8 | -71.6% |
| Light and medium distillates | 44.3 | 61.7 | -28.2% | 57.7 | 241.9 | -76.1% |
| Diesel fuel | 44.3 | 61.7 | -28.2% | 57.7 | 237.8 | -75.7% |
| Fuel oil | 70.1 | 97.7 | -28.2% | 91.4 | 241.9 | -62.2% |
| Export tariff (roubles per tonne) | | | | | | |
| Crude oil | 6,087 | 8,105 | -24.9% | 7,333 | 14,083 | -47.9% |
| Gasoline | 4,741 | 6,317 | -24.9% | 5,718 | 12,673 | -54.9% |
| Light and medium distillates | 2,921 | 3,886 | -24.8% | 3,517 | 9,293 | -62.2% |
| Diesel fuel | 2,921 | 3,886 | -24.8% | 3,517 | 9,137 | -61.5% |
| Fuel oil | 4,623 | 6,153 | -24.9% | 5,572 | 9,293 | -40.0% |

⁴ Source: Federal State Statistics Service (Rosstat).



The following excise rates have been set in the Russian Federation:

| (roubles per tonne) | 2014 | 2015 | 1 January – 31 March 2016 | 1 April – 31 December 2016 | As from 1 January 2017 |
|------------------------------------|---------------|---------------|---------------------------------|----------------------------------|---------------------------|
| Gasoline | | | | | |
| non-compliant with classes 3, 4, 5 | 11,110 | 7,300 | 10,500 | 13,100 | 12,300 |
| compliant with class 3 | 10,725 | 7,300 | 10,500 | 13,100 | 12,300 |
| compliant with class 4 | 9,916 | 7,300 | 10,500 | 13,100 | 12,300 |
| compliant with class 5 | 6,450 | 5,530 | 7,530 | 10,130 | 7,430 |
| Naphtha | 11,252 | 11,300 | 10,500 | 13,100 | 12,300 |
| Diesel fuel | | | | | |
| non-compliant with classes 3, 4, 5 | 6,446 | 3,450 | 4,150 | 5,293 | 5,093 |
| compliant with class 3 | 6,446 | 3,450 | 4,150 | 5,293 | 5,093 |
| compliant with class 4 | 5,427 | 3,450 | 4,150 | 5,293 | 5,093 |
| compliant with class 5 | 4,767 | 3,450 | 4,150 | 5,293 | 5,093 |
| Lubricants | 8,260 | 6,500 | 6,000 | 6,000 | 5,400 |

Mineral extraction tax

The mineral extraction tax rate is calculated based on Urals world prices in U.S. dollars per barrel of crude oil and is set monthly in Russian roubles based on the exchange rate for the corresponding month.

From 1 January 2015 the tax code has been amended in relation to the calculation of mineral extraction tax on oil. As a result mineral extraction tax on oil is calculated using the following formula:

$766 \times K_c - 530 \times K_c \times (1 - K_v \times K_z \times K_d \times K_{dv} \times K_{kan})$, where

K_c is a coefficient reflecting changes in global oil prices.

K_v is a depletion coefficient for a specific subsoil area.

K_z is a coefficient reflecting the amount of reserves at a specific subsoil area.

K_d is a coefficient reflecting the complexity of oil production.

K_{dv} is a depletion coefficient for a specific hydrocarbon deposit.

K_{kan} is a coefficient characterizing the oil-producing region and the properties of oil.

Actual mineral extraction tax expenses for the twelve months of 2015 were 25% lower than the current mineral extraction tax rate due to the fact that:

- A number of Bashneft Group's fields have a level of depletion exceeding 80%;
- The R. Trebs and A. Titov fields are situated in the Nenets Autonomous District.

| | 4Q | | 3Q | | 12M | |
|---|-------|-------|--------|-------|-------|--------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| Current mineral extraction tax rates (roubles per barrel) | 698.5 | 857.9 | -18.6% | 864.7 | 798.2 | 8.3% |
| Actual mineral extraction tax expenses (roubles per barrel) | 524.6 | 654.8 | -19.9% | 652.2 | 538.8 | 21.0% |



OPERATING RESULTS

Oil and gas reserves

In accordance with the valuation of reserves performed by an independent reserves appraiser Miller and Lents, Ltd. under the Petroleum Resources Management System (PRMS) of the Society of Petroleum Engineers (SPE), changes in the amount of oil and gas reserves in 2015 are presented in the table below:

| (million tonnes) | 31 December | | Change, 2015 vs. 2014 |
|---|--------------|--------------|--------------------------|
| | 2015 | 2014 | |
| Proved reserves | 324.5 | 304.2 | 6.7% |
| Probable reserves | 111.5 | 93.6 | 19.1% |
| Total proved and probable reserves | 436.0 | 397.8 | 9.6% |
| Possible reserves | 151.5 | 120.1 | 26.1% |
| Total reserves | 587.5 | 517.9 | 13.4% |

Exploration drilling and discovery of oilfields (mature fields)

| | 12M | | Change, 2015 vs. 2014 |
|---|------|------|--------------------------|
| | 2015 | 2014 | |
| Exploration drilling (thousand metres) ⁵ | 31.0 | 22.4 | 38.4% |
| Number of exploration wells drilled | 17 | 20 | -15.0% |
| Number of oil and gas deposits discovered | 20 | 18 | 11.1% |

Production drilling (mature fields)

| | 12M | | Change, 2015 vs. 2014 |
|--|--------|--------|--------------------------|
| | 2015 | 2014 | |
| Production drilling (thousand metres) | 172.2 | 125.6 | 37.1% |
| Number of wells drilled | 80 | 50 | 60.0% |
| Average output of existing wells (tonnes per day) | 3.2 | 3.1 | 3.2% |
| including average output of new wells (tonnes per day) | 28.7 | 32.8 | -12.5% |
| Water cut (%) | 90.65% | 90.45% | 0.2% |

In 2015 the amount of production drilling increased by 37.1% to 172.2 thousand metres. The number of wells drilled on mature fields increased to 80 wells.

The main oilfields developed by the Group are the Arlanskoye, Ilishevskoye and Yugomashevskoye fields. As the oilfields have been exploited for a long time, the water cut is rather high.

⁵ Including deepening for additional exploration.



Production

| | 4Q | 3Q | Change | 12M | | Change |
|--|--------------|--------------|-------------|---------------|---------------|--------------|
| | 2015 | 2015 | | 2015 | 2014 | |
| Oil production (thousand tonnes) | 5,245 | 5,134 | 2.2% | 19,919 | 17,808 | 11.9% |
| <i>mature fields</i> | 4,236 | 4,239 | -0.1% | 16,715 | 16,315 | 2.5% |
| <i>fields of Burneftegaz Group</i> | 572 | 546 | 4.8% | 1,804 | 665 | n/a |
| <i>the R. Trebs and A. Titov fields</i> | 437 | 349 | 25.2% | 1,400 | 828 | 69.1% |
| Daily average production of crude oil (thousand barrels per day) | 416.2 | 407.4 | 2.2% | 398.4 | 360.5 | 10.5% |

In the 4th quarter of 2015, production volume increased by 2.2% compared to the 3rd quarter of 2015 and totalled 5,245 thousand tonnes.

During the twelve months ended 31 December 2015, production volume increased by 11.9% compared to the same period in 2014 and totalled 19,919 thousand tonnes due to higher efficiency of production drilling and further development of the R. Trebs and A. Titov fields and fields of Burneftegaz Group.

Refining

| (thousand tonnes) | 4Q | 3Q | Change | 12M | | Change |
|--|--------------|--------------|--------------|---------------|---------------|---------------|
| | 2015 | 2015 | | 2015 | 2014 | |
| Crude oil refining | 4,821 | 5,120 | -5.8% | 19,134 | 21,661 | -11.7% |
| Petroleum product output | | | | | | |
| Gasoline (including naphtha and alkylate ⁶) | 1,202 | 1,363 | -11.8% | 4,953 | 5,005 | -1.0% |
| Diesel fuel | 1,815 | 1,950 | -6.9% | 7,426 | 7,489 | -0.8% |
| Fuel oil | 654 | 579 | 13.0% | 2,516 | 3,053 | -17.6% |
| Other | 838 | 801 | 4.6% | 2,818 | 4,390 | -35.8% |
| Total production of petroleum products | 4,509 | 4,693 | -3.9% | 17,713 | 19,937 | -11.2% |
| including those used in the production of petrochemicals | 160 | 143 | 11.9% | 566 | 130 | n/a |
| Refining depth (%) | 85.3% | 87.3% | -2.0 p.p. | 85.8% | 84.8% | 1.0 p.p. |
| Share of light products (%) | 66.3% | 68.7% | -2.4 p.p. | 68.0% | 61.1% | 6.9 p.p. |
| Production of petrochemicals | 213 | 218 | -2.3% | 851 | 229 | n/a |

In the 4th quarter of 2015, refining volume decreased by 5.8% compared to the 3rd quarter of 2015 and amounted to 4,821 thousand tonnes due to scheduled repairs at process units, including a catalytic cracker at the Bashneft-Ufaneftekhim branch. A 3.9% decline in the output of petroleum products in the 4th quarter of 2015 was also caused by repairs at the catalytic cracker, which resulted in a decrease in the output of engine fuel and an increase in the output of fuel oil.

During the twelve months ended 31 December 2015, refining volume decreased by 11.7% compared to the same period in 2014 and totalled 19,134 thousand tonnes, which was related to unfavourable macroeconomic conditions and changes in tax legislation that came into force in 2015.

⁶ Stable natural gasoline.



FINANCIAL RESULTS⁷

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2015

| (million roubles) | 4Q | | Change | 12M | | Change |
|--|------------------|------------------|---------------|------------------|------------------|---------------|
| | 2015 | 3Q 2015 | | 2015 | 2014 | |
| Revenue | | | | | | |
| Crude oil sales | 40,039 | 45,678 | -12.3% | 170,518 | 159,488 | 6.9% |
| Petroleum products and petrochemicals sales | 106,797 | 120,712 | -11.5% | 436,262 | 471,296 | -7.4% |
| Other sales | 1,134 | 1,239 | -8.5% | 4,494 | 6,487 | -30.7% |
| Total revenue | 147,970 | 167,629 | -11.7% | 611,274 | 637,271 | -4.1% |
| Operating expenses | | | | | | |
| Cost of purchased crude oil, gas and petroleum products | (29,587) | (35,967) | -17.7% | (129,449) | (139,838) | -7.4% |
| Taxes other than income tax | (24,157) | (27,691) | -12.8% | (107,947) | (77,771) | 38.8% |
| Export tariffs and excises | (22,784) | (29,678) | -23.2% | (103,644) | (199,024) | -47.9% |
| Production and operating expenses | (24,204) | (21,516) | 12.5% | (81,014) | (70,833) | 14.4% |
| Transportation expenses | (10,384) | (10,048) | 3.3% | (38,257) | (31,257) | 22.4% |
| Depletion and depreciation | (11,642) | (7,297) | 59.5% | (33,512) | (23,781) | 40.9% |
| Selling, general and administrative expenses | (6,626) | (5,262) | 25.9% | (20,677) | (16,019) | 29.1% |
| Other operating (expenses)/income, net | (3,021) | 233 | n/a | (3,366) | (1,751) | 92.2% |
| Total costs and expenses | (132,405) | (137,226) | -3.5% | (517,866) | (560,274) | -7.6% |
| Operating profit | 15,565 | 30,403 | -48.8% | 93,408 | 76,997 | 21.3% |
| (Impairment)/reversal of impairment of assets, net | (1,669) | 1,248 | n/a | (518) | (13,030) | -96.0% |
| Financial income | 1,401 | 1,613 | -13.1% | 6,594 | 4,747 | 38.9% |
| Financial costs | (4,962) | (4,442) | 11.7% | (18,613) | (13,058) | 42.5% |
| Foreign exchange (losses)/gains, net | (864) | 772 | n/a | (3,413) | 1,299 | n/a |
| Share of loss of joint ventures | (124) | (70) | 77.1% | (981) | (117) | n/a |
| Total other expenses | (6,218) | (879) | n/a | (16,931) | (20,159) | -16.0% |
| Profit before tax | 9,347 | 29,524 | -68.3% | 76,477 | 56,838 | 34.6% |
| Income tax | (2,509) | (6,898) | -63.6% | (16,913) | (13,817) | 22.4% |
| Profit for the period | 6,838 | 22,626 | -69.8% | 59,564 | 43,021 | 38.5% |
| Other comprehensive expenses net of income tax | - | - | 0% | - | (25) | -100% |
| Total comprehensive income for the period | 6,838 | 22,626 | -69.8% | 59,564 | 42,996 | 38.5% |
| (Loss)/profit for the period attributable to non-controlling interests | (59) | 646 | n/a | 1,389 | (125) | n/a |
| Profit for the period attributable to owners of the parent company | 6,897 | 21,980 | -68.6% | 58,175 | 43,146 | 34.8% |
| Total comprehensive (expenses)/income for the period attributable to non-controlling interests | (59) | 646 | n/a | 1,389 | (125) | n/a |
| Total comprehensive income for the period attributable to owners of the parent company | 6,897 | 21,980 | -68.6% | 58,175 | 43,121 | 34.9% |

⁷ According to consolidated International Financial Reporting Standards ("IFRS") financial statements.



REVENUE

In the 4th quarter of 2015, the revenue of Bashneft Group decreased by 11.7% compared to the 3rd quarter of 2015 and totalled 147,970 million roubles. This change was caused by a reduction in the domestic sales volume of petroleum products and petrochemicals and a decrease in the crude oil volume sales outside the Customs Union.

During the twelve months ended 31 December 2015, revenue declined by 4.1% compared to the same period in 2014 and amounted to 611,274 million roubles. This change was caused by a decrease in international prices and a reduction in the export sales volume of petroleum products and petrochemicals. This decrease was partially offset by an increase in domestic prices.

| (million roubles) | 4Q | | Change | 12M | | |
|---|----------------|----------------|---------------|----------------|----------------|--------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Revenue | | | | | | |
| Export sales of crude oil outside the Customs Union | 26,917 | 33,078 | -18.6% | 126,459 | 135,469 | -6.7% |
| Export sales of crude oil to the Customs Union | 2,769 | 2,712 | 2.1% | 11,494 | 8,284 | 38.7% |
| Domestic sales of crude oil | 10,353 | 9,888 | 4.7% | 32,565 | 15,735 | 107.0% |
| Total sales of crude oil | 40,039 | 45,678 | -12.3% | 170,518 | 159,488 | 6.9% |
| Export sales of petroleum products and petrochemicals outside the Customs Union | 44,051 | 43,508 | 1.2% | 187,196 | 217,692 | -14.0% |
| Export sales of petroleum products and petrochemicals to the Customs Union | 2,053 | 1,984 | 3.5% | 8,104 | 14,303 | -43.3% |
| Domestic sales of petroleum products and petrochemicals | 60,693 | 75,220 | -19.3% | 240,962 | 239,301 | 0.7% |
| <i>wholesale</i> | 45,703 | 59,244 | -22.9% | 182,778 | 186,469 | -2.0% |
| <i>retail</i> | 14,990 | 15,976 | -6.2% | 58,184 | 52,832 | 10.1% |
| Total sales of petroleum products and petrochemicals | 106,797 | 120,712 | -11.5% | 436,262 | 471,296 | -7.4% |
| Other sales | 1,134 | 1,239 | -8.5% | 4,494 | 6,487 | -30.7% |
| Total revenue | 147,970 | 167,629 | -11.7% | 611,274 | 637,271 | -4.1% |

| (thousand tonnes) | 4Q | | Change | 12M | | |
|---|--------------|--------------|---------------|---------------|---------------|--------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Sales volume | | | | | | |
| Export sales of crude oil outside the Customs Union | 1,438 | 1,525 | -5.7% | 5,935 | 5,170 | 14.8% |
| Export sales of crude oil to the Customs Union | 204 | 193 | 5.7% | 778 | 666 | 16.8% |
| Domestic sales of crude oil | 871 | 759 | 14.8% | 2,552 | 1,305 | 95.6% |
| Total sales of crude oil | 2,513 | 2,477 | 1.5% | 9,265 | 7,141 | 29.7% |
| Export sales of petroleum products and petrochemicals outside the Customs Union | 2,090 | 1,920 | 8.9% | 7,937 | 8,926 | -11.1% |
| Export sales of petroleum products and petrochemicals to the Customs Union | 107 | 93 | 15.1% | 414 | 622 | -33.4% |
| Domestic sales of petroleum products and petrochemicals | 2,457 | 2,824 | -13.0% | 9,799 | 10,380 | -5.6% |
| <i>wholesale</i> | 2,058 | 2,395 | -14.1% | 8,211 | 8,858 | -7.3% |
| <i>retail</i> | 399 | 429 | -7.0% | 1,588 | 1,522 | 4.3% |
| Total sales of petroleum products and petrochemicals | 4,654 | 4,837 | -3.8% | 18,150 | 19,928 | -8.9% |
| Total sales of crude oil, petroleum products and petrochemicals | 7,167 | 7,314 | -2.0% | 27,415 | 27,069 | 1.3% |



Export and domestic sales of crude oil

In the 4th quarter of 2015, revenue from export sales of crude oil decreased by 17.1% compared to the 3rd quarter of 2015 and amounted to 29,686 million roubles. The reduction in revenue was caused by a decrease in prices in global markets.

During the twelve months ended 31 December 2015, revenue from export sales of crude oil declined by 4.0% compared to the same period in 2014 and totalled 137,953 million roubles. The reduction in revenue was caused by a decrease in prices in global markets.

In the 4th quarter of 2015, revenue from domestic sales of crude oil totalled 10,353 million roubles, which is 4.7% more than in the 3rd quarter of 2015. The increase in revenue was caused by a 14.8% increase in crude oil sales volume, which was partially offset by a decrease in prices on the domestic market.

During the twelve months ended 31 December 2015, revenue from domestic sales of crude oil totalled 32,565 million roubles, which is 107.0% higher than in the same period in 2014. This change was caused by an increase in crude oil sales volume and a rise in prices on the domestic market, as well as the acquisition of Burneftegaz Group and consolidation of LLC Bashneft-Polyus in March and May 2014 respectively.

Export sales of petroleum products and petrochemicals

| (thousand tonnes) | 4Q | | 3Q | 12M | | |
|---|--------------|--------------|-------------|--------------|--------------|---------------|
| | 2015 | 2015 | | Change | 2015 | 2014 |
| Diesel fuel | 1,423 | 1,394 | 2.1% | 5,698 | 5,162 | 10.4% |
| Fuel oil | 337 | 398 | -15.3% | 1,420 | 1,848 | -23.2% |
| High-octane gasoline | 108 | 72 | 50.0% | 438 | 527 | -16.9% |
| Naphtha | 38 | 51 | -25.5% | 190 | 126 | 50.8% |
| Vacuum gas oil | 164 | - | n/a | 193 | 1,650 | -88.3% |
| Other | 44 | 31 | 41.9% | 124 | 147 | -15.6% |
| Total sales of petroleum products | 2,114 | 1,946 | 8.6% | 8,063 | 9,460 | -14.8% |
| Petrochemicals sales | 83 | 67 | 23.9% | 288 | 88 | n/a |
| Total sales of petroleum products and petrochemicals | 2,197 | 2,013 | 9.1% | 8,351 | 9,548 | -12.5% |

Export sales of petroleum products and petrochemicals outside the Customs Union

In the 4th quarter of 2015, revenue from sales of petroleum products outside the Customs Union increased by 1.2% compared to the 3rd quarter of 2015 and totalled 44,051 million roubles.

During the twelve months ended 31 December 2015, revenue from sales of petroleum products and petrochemicals outside the Customs Union decreased by 14.0% compared to the same period in 2014 and totalled 187,196 million roubles. This change was caused by an 11.1% reduction in the sales volume of petroleum products related to a decrease in production of fuel oil and vacuum gas oil combined with a decrease in prices.

Export sales of petroleum products and petrochemicals to the Customs Union

In the 4th quarter of 2015, revenue from sales of petroleum products to the Customs Union amounted to 2,053 million roubles, which is 3.5% more than in the 3rd quarter of 2015. The increase in revenue from export sales of petroleum products to the Customs Union was caused by a 15.1% rise in the sales volume of petroleum products to the Customs Union in the 4th



quarter of 2015 (107 thousand tonnes in the 4th quarter of 2015 compared to 93 thousand tonnes in the 3rd quarter of 2015) due to a shift of focus in the markets.

During the twelve months ended 31 December 2015, revenue from sales of petroleum products and petrochemicals to the Customs Union decreased by 43.3% compared to the same period in 2014 and amounted to 8,104 million roubles. The reduction in revenue was caused by a 33.4% decline in the sales volume combined with a decrease in prices.

Domestic sales of petroleum products and petrochemicals

| (thousand tonnes) | 4Q | | 3Q | 12M | | |
|---|--------------|--------------|---------------|--------------|---------------|--------------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| High-octane gasoline | 977 | 1,181 | -17.3% | 4,071 | 4,162 | -2.2% |
| Diesel fuel | 508 | 616 | -17.5% | 1,954 | 2,214 | -11.7% |
| Fuel oil | 287 | 215 | 33.5% | 1,123 | 1,215 | -7.6% |
| Other | 534 | 670 | -20.3% | 2,129 | 2,615 | -18.6% |
| Total sales of petroleum products | 2,306 | 2,682 | -14.0% | 9,277 | 10,206 | -9.1% |
| Petrochemicals sales | 151 | 142 | 6.3% | 522 | 174 | n/a |
| Total sales of petroleum products and petrochemicals | 2,457 | 2,824 | -13.0% | 9,799 | 10,380 | -5.6% |

Wholesale of petroleum products and petrochemicals

In the 4th quarter of 2015, revenue from wholesale of petroleum products on the domestic market decreased by 22.9% compared to the 3rd quarter of 2015 and amounted to 45,703 million roubles, which was related mainly to a 14.1% decrease in wholesale volume (2,058 thousand tonnes in the 4th quarter of 2015 compared to 2,395 thousand tonnes in the 3rd quarter of 2015) due to a reduction in petroleum product output in the 4th quarter of 2015 and a decrease in prices on the domestic market.

During the twelve months ended 31 December 2015, revenue from wholesale of petroleum products and petrochemicals on the domestic market decreased by 2.0% compared to the same period in 2014 and totalled 182,778 million roubles, which was related mainly to a 7.3% decrease in wholesale volume (8,211 thousand tonnes during the twelve months ended 31 December 2015 compared to 8,858 thousand tonnes during the twelve months ended 31 December 2014). This was partially offset by an increase in domestic prices.

Retail sales of petroleum products

In the 4th quarter of 2015, revenue from retail sales decreased by 6.2% compared to the 3rd quarter of 2015 and totalled 14,990 million roubles, which was related to a 7.0% seasonal decline in retail sales volume on the domestic market.

During the twelve months ended 31 December 2015, revenue from retail sales increased by 10.1% compared to the same period in 2014 and totalled 58,184 million roubles. The increase in revenue from retail sales was related to a 4.3% increase in retail sales volume due to the ongoing rebranding programme and a rise in prices on the domestic market.



Other sales

Revenue from other sales includes revenue from sales of goods and services that are not related to the Group's core business, such as lease of property, sales of related goods at petrol stations and sales of other goods and services.

In the 4th quarter of 2015, other revenue amounted to 1,134 million roubles compared to 1,239 million roubles in the 3rd quarter of 2015.

During the twelve months ended 31 December 2015, other revenue fell by 30.7% compared to the same period in 2014, which was caused mainly by consolidation of the UPC Group.

COSTS AND EXPENSES

Production and operating expenses

The breakdown of production and operating expenses of Bashneft Group by business segment is shown in the table below.

| (million roubles) | 4Q | | Change | 12M | | |
|---|---------------|---------------|--------------|---------------|---------------|--------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Production and operating expenses | | | | | | |
| Production | 11,911 | 11,604 | 2.6% | 43,238 | 35,512 | 21.8% |
| Refining | 7,959 | 6,749 | 17.9% | 27,683 | 24,516 | 12.9% |
| Other (including petrochemicals, change in WIP and finished product balances and other costs) | 4,334 | 3,163 | 37.0% | 10,093 | 10,805 | -6.6% |
| Total production and operating expenses | 24,204 | 21,516 | 12.5% | 81,014 | 70,833 | 14.4% |

Unit production and operating expenses for crude oil extraction are shown in the table below.

| | 4Q | | Change | 12M | | |
|---|--------|--------|--------|--------|--------|--------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Crude oil production expenses (million roubles) | 11,911 | 11,604 | 2.6% | 43,238 | 35,512 | 21.8% |
| Unit costs for production of crude oil (roubles per barrel) | 311.1 | 309.6 | 0.5% | 297.4 | 273.2 | 8.9% |

Crude oil production expenses include labour costs, expenditure on raw and other materials, as well as the acquisition of heat and electricity, repairs and maintenance of oil and gas producing assets, and the use of enhanced oil recovery techniques.

In the 4th quarter of 2015, unit costs for production of crude oil remained at the level reached in the 3rd quarter of 2015 and amounted to 311.1 roubles per barrel.

During the twelve months ended 31 December 2015, unit costs for production of crude oil increased by 8.9% compared to the same period in 2014 and amounted to 297.4 roubles per barrel due to higher cost of raw and other materials and services provided by oilfield service companies.

Unit production and operating expenses for oil refining are shown in the table below.

| | 4Q | | Change | 12M | | |
|--|-------|-------|--------|--------|--------|--------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Refining expenses (million roubles) | 7,959 | 6,749 | 17.9% | 27,683 | 24,516 | 12.9% |
| Unit refining costs (roubles per barrel) | 226.2 | 180.6 | 25.2% | 198.2 | 155.0 | 27.9% |



Refining expenses include labour costs, expenditure on raw and other materials (excluding purchased crude oil, gas and petroleum products), as well as the acquisition of heat and electricity, repairs and maintenance of oil refining assets.

In the 4th quarter of 2015, unit refining costs grew by 25.2% compared to the 3rd quarter of 2015 and amounted to 226.2 roubles per barrel due to a 5.8% decrease in refining volume, an increase in the amount of repairs and higher cost of auxiliary materials.

During the twelve months ended 31 December 2015, unit refining costs grew by 27.9% compared to the same period in 2014. This increase was caused by an 11.7% decline in refining volume, an increase in the amount of repairs and growing expenditures due to a change in the production plan with regard to the process unit utilization rate.

Cost of purchased crude oil, gas and petroleum products

In addition to production of its own crude oil, Bashneft purchases West-Siberian oil and gas (including gas condensate) for subsequent refining.

The table below shows the volume of purchased crude oil, gas and petroleum products which formed the cost of goods sold in the corresponding period.

| (thousand tonnes) | 4Q | | 3Q | 12M | | |
|---|--------------|--------------|---------------|--------------|---------------|---------------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| Purchased crude oil, gas, and gas condensate | 2,427 | 2,740 | -11.4% | 9,504 | 11,402 | -16.6% |
| Purchased petroleum products | 11 | 19 | -42.1% | 60 | 107 | -43.9% |
| Total volume of purchased crude oil, gas, and petroleum products | 2,438 | 2,759 | -11.6% | 9,564 | 11,509 | -16.9% |

In the 4th quarter of 2015, the cost of purchased crude oil, gas and petroleum products decreased by 17.7% compared to the 3rd quarter of 2015 and amounted to 29,587 million roubles. This change was caused mainly by a reduction in the volume of purchased crude oil, gas and gas condensate due to a decrease in refining volume, as well as by a decrease in prices.

During the twelve months ended 31 December 2015, the cost of purchased crude oil, gas and petroleum products decreased by 7.4% compared to the same period in 2014 and totalled 129,449 million roubles. This change was related to a reduction in the volume of purchased crude oil, gas and petroleum products due to a decrease in refining volume, which was partially offset by an increase in domestic prices.

Transportation expenses

In the 4th quarter of 2015, transportation costs remained approximately at the level reached in the 3rd quarter of 2015 and totalled 10,384 million roubles.

During the twelve months ended 31 December 2015, transportation costs grew by 22.4% compared to the same period in 2014 and totalled 38,257 million roubles. The growth of transportation costs was driven mainly by an increase in the volume of crude oil exports combined with expansion of the geographical footprint of the wholesale business on the domestic market, consolidation of the UPC Group, as well as an increase in transportation tariffs and the weakening of the rouble.



Depletion and depreciation

| (million roubles) | 4Q | | Change | 12M | | |
|---|---------------|--------------|--------------|---------------|---------------|--------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Production | 7,560 | 3,279 | n/a | 17,512 | 10,341 | 69.3% |
| Refining, petrochemicals and marketing | 3,888 | 3,822 | 1.7% | 15,222 | 12,676 | 20.1% |
| Other | 194 | 196 | -1.0% | 778 | 764 | 1.8% |
| Total depletion and depreciation | 11,642 | 7,297 | 59.5% | 33,512 | 23,781 | 40.9% |

In the 4th quarter of 2015, depletion and depreciation costs rose by 59.5% compared to the 3rd quarter of 2015 and totalled 11,642 million roubles. This change was caused by an increase in depletion and depreciation costs in the Production segment due to the significant commissioning of new property, plant and equipment.

During the twelve months ended 31 December 2015, depletion and depreciation costs increased by 40.9% compared to the same period in 2014, primarily due to an increase in production of crude oil, commissioning of new property, plant and equipment, the acquisition of Burneftegaz Group and consolidation of LLC Bashneft-Polyus and the UPC Group.

Taxes other than income tax

| (million roubles) | 4Q | | Change | 12M | | |
|--|---------------|---------------|---------------|----------------|---------------|--------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Mineral extraction tax | 20,938 | 24,682 | -15.2% | 95,966 | 69,077 | 38.9% |
| Social taxes | 2,059 | 1,969 | 4.6% | 7,971 | 5,920 | 34.6% |
| Property tax | 675 | 537 | 25.7% | 2,279 | 1,713 | 33.0% |
| Other | 485 | 503 | -3.6% | 1,731 | 1,061 | 63.1% |
| Total taxes other than income tax | 24,157 | 27,691 | -12.8% | 107,947 | 77,771 | 38.8% |

In the 4th quarter of 2015, taxes other than income tax decreased by 12.8% compared to the 3rd quarter of 2015 and amounted to 24,157 million roubles. This change was caused by a decrease in mineral extraction tax payments due to a reduction in the mineral extraction tax rate.

During the twelve months ended 31 December 2015, taxes other than income tax grew by 38.8% compared to the same period in 2014 and totalled 107,947 million roubles. This change was caused by an increase in mineral extraction tax payments due to the adoption of a law on the “tax manoeuvre”, as well as production growth. An increase in social taxes was related to consolidation of the UPC Group.

Export tariffs and excises

| (million roubles) | 4Q | | Change | 12M | | |
|---|---------------|---------------|---------------|----------------|----------------|---------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Export tariffs on crude oil | 8,983 | 11,849 | -24.2% | 43,093 | 73,406 | -41.3% |
| Export tariffs on petroleum products | 7,807 | 9,164 | -14.8% | 32,372 | 87,520 | -63.0% |
| Total export tariffs: | 16,790 | 21,013 | -20.1% | 75,465 | 160,926 | -53.1% |
| Excises | 5,994 | 8,665 | -30.8% | 28,179 | 38,098 | -26.0% |
| Total export tariffs and excises | 22,784 | 29,678 | -23.2% | 103,644 | 199,024 | -47.9% |

In the 4th quarter of 2015, the total amount of export tariffs on oil and petroleum products decreased by 20.1% compared to the 3rd quarter of 2015 and totalled 16,790 million roubles, which was caused mainly by a reduction in export duty rates in roubles.



In the 4th quarter of 2015, the total amount of excises decreased by 30.8% compared to the 3rd quarter of 2015 and amounted to 5,994 million roubles due to a reduction in sales volume in the Russian Federation.

During the twelve months ended 31 December 2015, the total amount of export tariffs on oil and petroleum products decreased by 53.1% compared to the same period in 2014, which was caused mainly by a reduction in export duty rates.

During the twelve months ended 31 December 2015, the total amount of excises decreased by 26.0% compared to the same period in 2014, which was caused mainly by a reduction in relevant excise rates.

CASH FLOW

The table below represents the main items of the cash flow statement for the analysed periods:

| (million roubles) | 4Q | | 3Q | 12M | | |
|--|----------|----------|--------|----------|----------|--------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| Net cash generated from operating activities | 22,065 | 35,328 | -37.5% | 92,313 | 106,059 | -13.0% |
| Net cash (used in)/generated from investing activities | (17,858) | 3,539 | n/a | (58,104) | (85,192) | -31.8% |
| Net cash (used in)/generated from financing activities | (15,605) | (41,183) | -62.1% | (54,350) | 3,968 | n/a |

Net cash generated from operating activities:

| (million roubles) | 4Q | | 3Q | 12M | | |
|--|---------------|---------------|---------------|---------------|----------------|---------------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| Operating cash flow before working capital changes | 30,513 | 37,404 | -18.4% | 130,641 | 104,308 | 25.2% |
| Movements in working capital excluding cash and cash equivalents | 2,014 | 9,824 | -79.5% | (367) | 28,650 | n/a |
| Interest paid | (4,927) | (4,260) | 15.7% | (16,817) | (12,065) | 39.4% |
| Income tax paid | (5,535) | (7,640) | -27.6% | (21,144) | (14,834) | 42.5% |
| Net cash generated from operating activities | 22,065 | 35,328 | -37.5% | 92,313 | 106,059 | -13.0% |

In the 4th quarter of 2015, net cash generated from operating activities totalled 22,065 million roubles. The main factors behind the change compared to the 3rd quarter of 2015 consisted in a decrease in operating profit and movements in working capital.

During the twelve months ended 31 December 2015, net cash generated from operating activities decreased by 13.0% compared to the same period in 2014, which was mainly related to movements in working capital excluding cash and cash equivalents.

Net cash (used in)/generated from investing activities:

| (million roubles) | 4Q | | 3Q | 12M | | |
|--|-----------------|--------------|------------|-----------------|-----------------|---------------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| Capital expenditures | (18,833) | (15,299) | 23.1% | (61,695) | (48,344) | 27.6% |
| Acquisition of financial assets, less proceeds from disposal of financial assets | (146) | 17,574 | n/a | (805) | 2,076 | n/a |
| Acquisition of subsidiaries, net of cash of acquired companies | - | 275 | -100.0% | 282 | (41,283) | n/a |
| Other | 1,121 | 989 | 13.3% | 4,114 | 2,359 | 74.4% |
| Net cash (used in)/generated from investing activities | (17,858) | 3,539 | n/a | (58,104) | (85,192) | -31.8% |



In the 4th quarter of 2015, net cash used in investing activities amounted to 17,858 million roubles. The main factor that had an impact on this indicator consisted in the absence of proceeds from the sale of financial assets.

During the twelve months ended 31 December 2015, net cash used in investing activities decreased by 31.8% compared to the same period in 2014 and totalled 58,104 million roubles. The main factor that had an impact on this indicator consisted in the fact that there were no major acquisitions of companies during the twelve months ended 31 December 2015.

Net cash (used in)/generated from financing activities:

| (million roubles) | 4Q | | Change | 12M | | |
|---|-----------------|-----------------|---------------|-----------------|---------------|------------|
| | 2015 | 2015 | | 2015 | 2014 | Change |
| Proceeds from borrowings | 2,079 | 457 | n/a | 18,830 | 101,507 | -81.4% |
| Repayment of borrowings | (17,659) | (22,567) | -21.7% | (54,064) | (44,051) | 22.7% |
| Total proceeds from and repayment of borrowings: | (15,580) | (22,110) | -29.5% | (35,234) | 57,456 | n/a |
| Dividends paid | (25) | (19,073) | -99.9% | (19,116) | (35,619) | -46.3% |
| Purchase of treasury shares | - | - | n/a | - | (17,869) | -100.0% |
| Net cash (used in)/generated from financing activities | (15,605) | (41,183) | -62.1% | (54,350) | 3,968 | n/a |

In the 4th quarter of 2015, net cash used in financing activities totalled 15,605 million roubles and was allocated for repayment of loans and borrowings.

During the twelve months ended 31 December 2015, net cash used in financing activities totalled 54,350 million roubles.

FINANCING AND DEBT

| (million roubles) | 31 December | | Change | 31 December | | |
|----------------------------------|----------------|-------------------|---------------|----------------|----------------|---------------|
| | 2015 | 30 September 2015 | | 2015 | 2014 | Change |
| Short-term borrowings | 20,108 | 27,015 | -25.6% | 20,108 | 28,553 | -29.6% |
| Long-term loans and borrowings | 115,899 | 124,071 | -6.6% | 115,899 | 139,232 | -16.8% |
| Total debt | 136,007 | 151,086 | -10.0% | 136,007 | 167,785 | -18.9% |
| Cash and cash equivalents | (32,955) | (44,341) | -25.7% | (32,955) | (52,818) | -37.6% |
| Short-term financial investments | (5,000) | (5,000) | - | (5,000) | (1,330) | n/a |
| Adjusted net debt | 98,052 | 101,745 | -3.6% | 98,052 | 113,637 | -13.7% |

As of 31 December 2015, the Group's total debt in the form of short-term and long-term loans and borrowings totalled 136,007 million roubles compared to 151,086 million roubles as of 30 September 2015.

As of 31 December 2015, the annual weighted average interest rate on loans and borrowings stood at 10.4% compared to 10.6% and 8.3% as of 30 September 2015 and 31 December 2014 respectively.



CAPITAL EXPENDITURES

| (million roubles) | 4Q | | 3Q | 12M | | |
|---|---------------|---------------|--------------|---------------|---------------|--------------|
| | 2015 | 2015 | Change | 2015 | 2014 | Change |
| Production | 15,332 | 12,247 | 25.2% | 49,117 | 36,220 | 35.6% |
| <i>including</i> | | | | | | |
| <i>development of the R. Trebs and A. Titov</i> | | | | | | |
| <i>fields</i> | 4,649 | 4,436 | 4.8% | 17,132 | 17,388 | -1.5% |
| <i>development of fields of Burneftegaz Group</i> | 1,978 | 1,656 | 19.4% | 6,813 | 2,525 | n/a |
| Refining, petrochemicals and marketing | 3,271 | 2,844 | 15.0% | 11,235 | 11,614 | -3.3% |
| Other | 230 | 208 | 10.6% | 1,343 | 510 | n/a |
| Total cash used in capital expenditures | 18,833 | 15,299 | 23.1% | 61,695 | 48,344 | 27.6% |

In the 4th quarter of 2015, capital expenditures grew by 23.1% compared to the 3rd quarter of 2015 and totalled 18,833 million roubles, which was caused mainly by an increase in capital expenditures in the Production segment.

During the twelve months of 2015, capital expenditures increased by 27.6% compared to the same period in 2014, which was related mainly to an increase in capital expenditures in the Production segment, due to increased capital expenditures on mature fields in the Republic of Bashkortostan, as well as those related to Burneftegaz Group.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Prepayment on oil products supply agreement

In January 2016 the Company received an advance of 500 million dollars (39,243 million roubles) under a new long-term oil products supply agreement. The total delivery volume approximates up to 3,780 thousand tonnes of oil products and/or 5,040 thousand tonnes of crude oil in the period from the date of the contract to March 2021.

The agreements stipulate pricing calculated with reference to market quotes, and prepayments are settled through physical deliveries of oil and/or petrochemical products.

The Group considers this agreement to be a regular way sale contract which was entered into for the purpose of the delivery of goods within the normal course of business.

Early repayment of loans and borrowings

In February 2016, the Company acquired under the offer 9,858,534 series 04 bonds at par value amounted to 9,859 million roubles. The new coupon rate at 9.50% was approved. Under bonds placement conditions the bondholders have the right to redeem the bonds at par value 1 year after a previous offer.

In January and February 2016, the Group fully repaid current portion of secured floating rate borrowing denominated in dollars together with related interest accrued to date in the amount of 5,239 million roubles.

