

Bashneft Group

**Interim Condensed
Consolidated Financial Statements
for the three and the six months
ended 30 June 2015 (unaudited)**

BASHNEFT GROUP

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BASHNEFT GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015

The following statement, which should be read in conjunction with the independent auditors' report on review of the interim condensed consolidated financial statements set out on page 2, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the interim condensed consolidated financial statements of Public Joint Stock Oil Company Bashneft (the "Company") and its subsidiaries (the "Group").

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly in all material respects the consolidated financial position of the Group as of 30 June 2015, the results of its operations for the three and the six months then ended, cash flows and changes in shareholders' equity for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

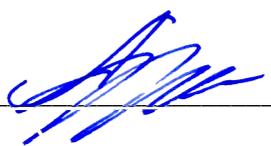
In preparing the interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with Russian Federation legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements for the three and the six months ended 30 June 2015 were approved by:



A.L. Korsik
President



Y.V. Galaydin
Chief Accountant

Ufa, Russian Federation
27 August 2015

INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To: Shareholders and Board of Directors of Public Joint Stock Oil Company Bashneft

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Oil Company Bashneft and its subsidiaries (the "Group") as of 30 June 2015 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and the six months then ended, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Deloitte & Touche

Moscow, Russian Federation
27 August 2015

BASHNEFT GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles, except for earnings per share data

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015	2014*	2015	2014*
Revenue	7	152,745	163,176	295,675	309,844
Cost of purchased crude oil, gas and petroleum products		(32,861)	(37,178)	(63,895)	(69,154)
Taxes other than income tax	8	(29,113)	(20,713)	(56,099)	(38,661)
Export tariffs and excise		(24,153)	(46,546)	(51,182)	(93,142)
Production and operating expenses		(16,879)	(17,343)	(35,294)	(31,575)
Transportation expenses		(9,055)	(8,053)	(17,825)	(15,128)
Depletion and depreciation		(7,480)	(5,730)	(14,573)	(10,785)
Selling, general and administrative expenses		(4,830)	(3,823)	(8,789)	(7,189)
Other operating expenses, net		(342)	(967)	(578)	(1,184)
Operating profit		28,032	22,823	47,440	43,026
Reversal of impairment/(impairment) of assets, net		248	40	(97)	(459)
Finance income	9	1,592	1,225	3,580	2,517
Finance costs	9	(4,929)	(3,340)	(9,209)	(5,275)
Foreign exchange loss, net		(1,370)	(637)	(3,321)	(2,175)
Share of (loss)/profit of joint ventures, net of income tax		(747)	119	(787)	59
Profit before income tax		22,826	20,230	37,606	37,693
Income tax	10	(4,405)	(4,362)	(7,506)	(7,881)
Profit for the period and total comprehensive income		18,421	15,868	30,100	29,812
Attributable to:					
Owners of the Company		17,908	15,855	29,298	29,814
Non-controlling interests		513	13	802	(2)
		18,421	15,868	30,100	29,812
EARNINGS PER SHARE					
Weighted average number of ordinary shares in issue during the period		144,417,602	148,611,817	144,417,602	152,825,253
Basic and diluted earnings per share attributable to shareholders of the parent company (Russian roubles per share)		105.75	90.58	173.01	163.06

*Certain comparative figures have been reclassified to conform with the financial statements presentation adopted for the current period

The accompanying notes on pages 8-25 form an integral part of these interim condensed consolidated financial statements

BASHNEFT GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015 (UNAUDITED) Millions of Russian roubles

	Notes	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	11	382,286	369,925
Advances paid for acquisition of property, plant and equipment		1,275	1,617
Intangible assets		3,253	2,982
Financial assets	12	3,508	3,567
Investments in joint ventures and related financial assets		3,808	3,791
Long-term inventories		3,352	2,846
Deferred tax assets		2,071	1,959
Other non-current assets		1,987	1,619
		401,540	388,306
Current assets			
Inventories		29,107	26,359
Financial assets	12	19,829	1,330
Trade and other receivables		16,459	14,696
Advances to suppliers and prepaid expenses		7,363	8,881
Income tax prepaid		352	469
Other taxes receivable		23,253	30,822
Cash and cash equivalents		45,784	52,818
		142,147	135,375
TOTAL ASSETS		543,687	523,681
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	1,954	1,984
Treasury shares	13	(12,720)	(18,122)
Additional paid-in capital		81,462	81,462
Retained earnings		135,285	130,494
Equity attributable to owners of the Company		205,981	195,818
Non-controlling interests		8,636	7,834
		214,617	203,652
Non-current liabilities			
Loans and borrowings	14	153,581	139,232
Decommissioning provision		7,919	7,473
Deferred tax liabilities		42,412	43,038
Prepayment on oil products supply agreement		17,347	17,347
Other non-current liabilities		2,101	1,722
		223,360	208,812
Current liabilities			
Borrowings	14	18,073	28,553
Trade and other payables		36,430	37,340
Dividends payable	13	19,510	398
Advances received		12,881	25,614
Provisions		789	824
Income tax payable		1,851	1,722
Other taxes payable		16,176	16,766
		105,710	111,217
TOTAL LIABILITIES		329,070	320,029
TOTAL EQUITY AND LIABILITIES		543,687	523,681

The accompanying notes on pages 8-25 form an integral part of these interim condensed consolidated financial statements

BASHNEFT GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles

	Six months ended 30 June	
	2015	2014*
OPERATING ACTIVITIES		
Profit before income tax	37,606	37,693
Adjustments for:		
Depletion and depreciation	14,573	10,785
Loss on disposal of property, plant and equipment	499	326
Finance income	(3,580)	(2,517)
Finance costs	9,209	5,275
Impairment of assets, net	97	459
Share of loss/(profit) of joint ventures, net of income tax	787	(59)
Foreign exchange loss, net	3,321	2,175
Change in provisions, net	245	33
Other, net	(33)	357
Operating cash flows before working capital changes	62,724	54,527
Movements in working capital:		
Inventories	(3,110)	(2,922)
Trade and other receivables	(2,507)	(3,296)
Advances to suppliers and prepaid expenses	1,548	929
Other taxes receivable	7,553	(187)
Trade and other payables	(2,240)	(3,571)
Advances received	(12,734)	(5,059)
Prepayment on oil products supply agreement	-	17,347
Other taxes payable	(715)	(367)
Cash generated from operations	50,519	57,401
Interest paid	(7,630)	(4,621)
Income tax paid	(7,969)	(5,658)
NET CASH GENERATED FROM OPERATING ACTIVITIES	34,920	47,122

*Certain comparative figures have been reclassified to conform with the financial statements presentation adopted for the current period

The accompanying notes on pages 8-25 form an integral part of these interim condensed consolidated financial statements

BASHNEFT GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles

		Six months ended 30 June	
	Notes	2015	2014
INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(27,563)	(18,811)
Proceeds from disposal of property, plant and equipment		29	18
Investments in and loans to joint venture		(733)	(2,961)
Repayment of contributions from joint venture		-	3,133
Acquisition of subsidiaries, net of cash acquired	4	7	(36,084)
Disposal of structured entity		-	(24)
Payments for acquisition of intangible assets		(1,002)	(382)
Cash placed on bank deposits and payments for acquisition of other financial assets		(20,034)	(346)
Proceeds from disposal of financial assets		2,534	469
Interest received		2,975	930
Dividends received		2	-
		<u>(43,785)</u>	<u>(54,058)</u>
FINANCING ACTIVITIES			
Purchase of treasury shares	5	-	(17,869)
Proceeds from loans and borrowings		16,294	94,344
Repayments of loans and borrowings		(13,838)	(27,747)
Dividends paid by the Company		(18)	-
		<u>2,438</u>	<u>48,728</u>
Net (decrease)/increase in cash and cash equivalents		(6,427)	41,792
Cash and cash equivalents at beginning of the period		52,818	16,395
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(607)	(707)
Cash and cash equivalents at end of the period		<u>45,784</u>	<u>57,480</u>

The accompanying notes on pages 8-25 form an integral part of these interim condensed consolidated financial statements

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles

	Notes	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
Balance at 1 January 2014		2,501	(38,147)	72,682	199,131	236,167	155	236,322
Profit/(loss) for the period		-	-	-	29,814	29,814	(2)	29,812
Total comprehensive income/(loss) for the period		-	-	-	29,814	29,814	(2)	29,812
Dividends	13	-	-	-	(35,731)	(35,731)	-	(35,731)
Effect of reorganisation of CJSC Sistema-Invest and the Group	5	(517)	20,025	-	(76,028)	(56,520)	-	(56,520)
Non-controlling interests arising on change of control over LLC Bashneft-Polyus	4	-	-	-	-	-	27	27
Transfer of license on Trebs and Titov deposit to LLC Bashneft-Polyus		-	-	1,152	-	1,152	3,616	4,768
Other equity transactions		-	-	-	-	-	(44)	(44)
Balance at 30 June 2014		1,984	(18,122)	73,834	117,186	174,882	3,752	178,634
Balance at 1 January 2015		1,984	(18,122)	81,462	130,494	195,818	7,834	203,652
Profit for the period		-	-	-	29,298	29,298	802	30,100
Total comprehensive income for the period		-	-	-	29,298	29,298	802	30,100
Dividends	13	-	-	-	(19,130)	(19,130)	-	(19,130)
Cancellation of treasury shares	13	(30)	5,402	-	(5,372)	-	-	-
Other equity transactions		-	-	-	(5)	(5)	-	(5)
Balance at 30 June 2015		1,954	(12,720)	81,462	135,285	205,981	8,636	214,617

The accompanying notes on pages 8-25 form an integral part of these interim condensed consolidated financial statements

BASHNEFT GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

1. GENERAL INFORMATION

Organisation and operations

Public Joint Stock Oil Company Bashneft (the “Company” or “Bashneft”) and its subsidiaries (together referred to as the “Group” or the “Bashneft Group”) are primarily involved in oil production, refining, marketing and distribution of petroleum products in the Russian Federation. The Group’s oil production, refining, marketing and distribution base includes oil and gas fields, refineries and petrol stations. Bashneft is the parent company of a vertically integrated group of oil and gas companies.

The Company was incorporated in the Russian Federation as an open joint stock company on 13 January 1995, following the privatisation of Bashneft production association. In accordance with changes in the Civil Code of the Russian Federation the Company has registered changes to the Company’s Charter on 5 June 2015 and changed its corporate name to Public Joint Stock Oil Company Bashneft (PJSOC Bashneft). The Company’s registered office is located at 30, bldg.1, Karl Marx Street, the City of Ufa, the Republic of Bashkortostan, 450077, Russian Federation.

The following principal subsidiaries incorporated in the Russian Federation were included in the scope of consolidation at 30 June 2015 and 31 December 2014:

Company	Principal activities	Group’s effective interest	
		30 June 2015	31 December 2014
LLC Bashneft-Dobycha	Production of crude oil and gas	100%	100%
LLC Bashneft-Retail Sales	Petroleum products trading	100%	100%
LLC Burneftegaz	Exploration and production of crude oil	100%	100%
LLC Bashneft-Polyus	Exploration and production of crude oil	74.9%	74.9%

Controlling shareholder

JSFC Sistema (“Sistema”) was the controlling shareholder of Bashneft during the six months ended 30 June 2014 and Mr. Vladimir P. Evtushenkov, being the controlling shareholder of Sistema was ultimate controlling party of Bashneft.

On 9 December 2014 in accordance with the decision of the Moscow Commercial Court dated 30 October 2014 the 122,971,934 ordinary and 6,192,245 preferred shares of the Company representing 71.62% of the Company’s charter capital previously owned by Sistema and CJSC Sistema-invest were transferred to the Russian Federal Property Management Agency. As a result of the transfer effective control over the Company passed from Sistema to the Government of the Russian Federation, that became the ultimate controlling party of the Bashneft Group from 9 December 2014.

Going concern

In assessing its going concern status, the Group has taken into account its financial position, anticipated future trading performance, its borrowings and other facilities and its capital expenditure commitments and plans, together with other risks facing the Group. After making appropriate enquires, the Group considers that it has adequate resources to continue in operational existence for at least the next 12 months from the date of issuance of these interim condensed consolidated financial statements. Consequently, the Group has determined that it is appropriate to adopt the going concern basis in the preparation of these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements for the three and the six months ended 30 June 2015 have been prepared in accordance with IAS 34. These interim condensed consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The same accounting policies and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014, except for amendments, related to application of new standards or interpretations described below.

Standards and interpretations effective in the current period

The amendments to IAS 19 *Employee Benefits (Defined Benefit Plans: Employee contributions)* and *annual improvements 2010-2012 cycle and 2011-2013 cycle* were applied for the first time in these interim condensed consolidated financial statements. The application of these amendments did not result in significant changes to the Group's financial position or results of operations.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgements, estimates and assumptions made by management of the Group and applied in these interim condensed consolidated financial statements for the three and the six months ended 30 June 2015 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2014.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles

4. BUSINESS COMBINATIONS

Business combination during the six months ended 30 June 2014

LLC Burneftegaz

On 26 March 2014 the Group acquired a 100% interest in the outstanding charter capital of LLC Burneftegaz ("Burneftegaz"), which is engaged in exploration and production of crude oil in the Tyumen District of the Russian Federation for total cash consideration of RUB 35,953 million. The acquisition of Burneftegaz followed the Group's strategy for the upstream segment growth, which involved the expansion of the resource base of the Group by acquiring assets with considerable production potential.

At the date of acquisition, the fair values of identifiable assets and liabilities of Burneftegaz were as follows:

	Fair value at the acquisition date
ASSETS	
Property, plant and equipment	41,784
Advances paid for acquisition of property, plant and equipment	526
Inventories	293
Trade and other receivables	142
Advances to suppliers and prepaid expenses	110
Other taxes receivable	107
Cash and cash equivalents	208
Other assets	42
	43,212
LIABILITIES	
Deferred tax liabilities	(5,516)
Trade and other payables	(691)
Advances received	(185)
Other taxes payable	(478)
Borrowings	(363)
Other liabilities	(26)
	(7,259)
Fair value of net assets acquired	35,953
Cash consideration	35,953
Excess of the cost of acquisition over the Group's share in the fair value of net assets acquired	-
Net cash outflow arising on acquisition	
Consideration paid	35,953
Cash and cash equivalents acquired	(208)
Net cash outflow on acquisition	35,745

Burneftegaz contributed RUB 2,255 million of revenue, RUB 340 million of profit before tax and RUB 273 million of profit from the date of acquisition to 30 June 2014.

The Group's financial results if the combination had taken place at the beginning of the six months ended 30 June 2014 are not disclosed as Burneftegaz did not prepare financial statements in accordance with IFRS before the acquisition.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles

LLC Bashneft-Polyus

Until 23 May 2014 LLC Bashneft-Polyus ("Bashneft-Polyus") was a joint venture between the Company and OJSC Lukoil established for the development of Trebs and Titov oil deposits. The Company holds 74.9% interest in the charter capital of Bashneft-Polyus.

On 23 May 2014 the Company and OJSC Lukoil agreed to change their participation agreement which substantially altered effective control over the operational and financial activities of Bashneft-Polyus in favour of the Company. At the date of acquisition of control, the fair value of identifiable assets and liabilities of Bashneft-Polyus was as follows:

	Fair value at the acquisition date
ASSETS	
Property, plant and equipment	11,644
Advances paid for acquisition of property, plant and equipment	46
Inventories	846
Trade and other receivables	15,436
Advances to suppliers and prepaid expenses	412
Other taxes receivable	2,351
Cash and cash equivalents	11
Other assets	2
	30,748
LIABILITIES	
Trade and other payables	(4,606)
Advances received	(17)
Other taxes payable	(2,232)
Borrowings from OJSC Lukoil and JSOC Bashneft	(23,334)
Deferred tax liabilities	(386)
Other liabilities	(67)
	(30,642)
Fair value of net assets obtained	106
Fair value of previously held share of investment in joint venture, net of loans from the Group treated as additional contribution to the joint venture	451
Non-controlling interests' share in fair value of net assets	27
Excess of the cost of acquisition over the Group's share in the fair value of net assets acquired, recognised in Other operating expenses, net	372
Net cash inflow arising on acquisition	
Cash and cash equivalents acquired	11
Net cash inflow on acquisition	11

Following the consolidation of Bashneft-Polyus, loans issued by the Group to Bashneft-Polyus of RUB 17,380 million at the date of acquisition, which were previously presented as an additional contribution to the joint-venture, were eliminated in full as intra-group balances.

Bashneft-Polyus contributed RUB 1,148 million of revenue, RUB 48 million of profit before tax and RUB 93 million of profit from the date of acquisition to 30 June 2014.

If the acquisition of control had taken place at the beginning of the six months ended 30 June 2014, the Group's revenue would have been RUB 311,457 million and profit for the six months would have been RUB 29,952 million.

Other acquisition

During the six months ended 30 June 2014 the Group also acquired a subsidiary in the Downstream segment for total cash consideration of RUB 350 million. The fair value of the net assets acquired approximated the consideration paid.

BASHNEFT GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles

5. REORGANISATION OF CJSC SISTEMA-INVEST AND THE GROUP

On 3 February 2014 at an Extraordinary General Shareholders' Meeting of the Company, a reorganisation programme was approved involving establishment of CJSC Bashneft-Invest ("Bashneft-invest") through a spinoff from CJSC Sistema-Invest ("Sistema-invest") and its consolidation with Bashneft.

In April 2014 as part of the reorganisation of the Group, the Company acquired 2,724,173 of its own ordinary shares and 8,885,866 of its own preferred shares for total cash consideration of RUB 17,869 million.

Bashneft-invest was created on 5 May 2014 as a wholly owned subsidiary of the Company through a spinoff from Sistema-invest. Sistema-invest is a legal entity controlled by Sistema that owned equity interests in the Company, OJSC Ufaorgsintez and OJSC Bashkirian Power Grid Company. Bashneft's effective interest of 49.41% in the assets and liabilities of Sistema-invest were accounted for as held for sale from 31 December 2013. On the date of the spinoff Bashneft-invest effectively obtained 9,943,730 ordinary shares of the Company and legally acquired 28,196,195 ordinary shares previously recognised as assets effectively owned, but held by Sistema-invest. Those shares are accounted for as treasury shares in the financial statements of the Group at the date of the transaction. Additionally, Bashneft-invest assumed the liabilities that existed under the loan payable by Sistema-invest to the Company.

As a result of the reorganisation the Company no longer owns any shares in Sistema-invest.

The result from the reorganisation of Sistema-invest is summarised in the following table:

	<u>5 May 2014</u>
Decrease in assets classified as held for sale	(39,483)
Decrease in liabilities directly associated with assets classified as held for sale	<u>832</u>
Increase in treasury shares	<u><u>38,651</u></u>

On 6 May 2014 Bashneft-invest was legally merged with the Company. The reorganisation of the Group was completed on the date of the merger when the Company cancelled 38,139,925 ordinary shares and 8,885,866 preferred shares which were obtained through reorganisation of Sistema-invest and buy back transactions, respectively.

The result from the cancellation of treasury shares is:

	<u>6 May 2014</u>
Decrease in treasury shares	(76,545)
Decrease in share capital	<u>517</u>
Decrease in retained earnings	<u><u>(76,028)</u></u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Millions of Russian roubles

6. SEGMENT INFORMATION

The Board of Directors (the "Board") is the Group's chief operating decision maker. Operating segments have been determined based on the information reviewed by the Board for the purposes of assessing performance.

The Board considers financial and operational results based on the stages of the production process and the marketing of associated products. The Group's reportable segments under IFRS 8 *Operating Segments* are, therefore, as follows:

- Upstream: this segment comprises subsidiaries and business units of the Company engaged in the exploration and production of crude oil; and
- Downstream: this segment comprises subsidiaries and business units of the Company engaged in processing and sale of crude oil, oil products and petrochemicals on export and domestic markets.

The information about other subsidiaries and business units of the Company engaged in non-core activities, none of which meets the criteria for separate reporting, is presented as All other segments.

There are varying levels of integration between the Group's operating segments. Inter-segment revenues of the Upstream segment represent oil transfer to the Downstream segment for the purpose of refining and crude oil sales and measured with a reference to market prices for crude oil. Inter-segment revenues of the Downstream segment and All other segments represent oil products deliveries and services provided. Inter-segment pricing is estimated to represent an arm's length basis.

Information regarding the results of each reportable segment is reviewed by the Board. Segment EBITDA is used to measure segment performance, as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries. Segment EBITDA is determined as summation of Operating profit and Depletion and depreciation. Since Segment EBITDA is not a standard IFRS measure, the Group's definition of Segment EBITDA may differ from that of other companies. The significant accounting policies of the reportable and other segments are the same as the Group's accounting policies.

Information about the Group's reportable segments for the three months ended 30 June 2015 is as follows:

	<u>Upstream</u>	<u>Down- stream</u>	<u>All other segments</u>	<u>Eliminations</u>	<u>Consoli- dated</u>
External revenues	390	152,202	153	-	152,745
Inter-segment revenues	66,183	74	2,435	(68,692)	-
External expenses	(43,587)	(80,119)	(1,007)	-	(124,713)
Inter-segment expenses	(633)	(66,752)	(1,413)	68,798	-
Segment EBITDA	<u>25,825</u>	<u>9,249</u>	<u>332</u>	<u>106</u>	35,512
Depletion and depreciation					(7,480)
Reversal of impairment of assets, net					248
Finance income					1,592
Finance costs					(4,929)
Foreign exchange loss, net					(1,370)
Share of loss of joint venture, net of income tax					(747)
Profit before income tax					22,826
Income tax expense					(4,405)
Profit for the period					18,421

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Millions of Russian roubles

Information about the Group's reportable segments for the three months ended 30 June 2014 is as follows:

	<u>Upstream</u>	<u>Down- stream</u>	<u>All other segments</u>	<u>Eliminations</u>	<u>Consoli- dated</u>
External revenues	1,328	161,560	288	-	163,176
Inter-segment revenues	51,567	357	1,157	(53,081)	-
External expenses*	(36,517)	(102,529)	(1,307)	-	(140,353)
Inter-segment expenses	(337)	(52,252)	(53)	52,642	-
Segment EBITDA*	18,569	10,158	265	(439)	28,553
Depletion and depreciation					(5,730)
Reversal of impairment of assets, net*					40
Finance income					1,225
Finance costs					(3,340)
Foreign exchange loss, net					(637)
Share of profit of joint venture, net of income tax					119
Profit before income tax					20,230
Income tax expense					(4,362)
Profit for the period					15,868

*Certain comparative figures have been reclassified to conform with the financial statements presentation adopted for the current period

Information about the Group's segments for the six months ended 30 June 2015 is as follows:

	<u>Upstream</u>	<u>Down- stream</u>	<u>All other segments</u>	<u>Eliminations</u>	<u>Consoli- dated</u>
External revenues	784	294,530	361	-	295,675
Inter-segment revenues	127,788	352	4,195	(132,335)	-
External expenses	(83,376)	(162,559)	(2,300)	-	(248,235)
Inter-segment expenses	(1,584)	(128,723)	(2,067)	132,374	-
Segment EBITDA	50,285	11,112	577	39	62,013
Depletion and depreciation					(14,573)
Impairment of assets, net					(97)
Finance income					3,580
Finance costs					(9,209)
Foreign exchange loss, net					(3,321)
Share of loss of joint venture, net of income tax					(787)
Profit before income tax					37,606
Income tax expense					(7,506)
Profit for the period					30,100

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Information about the Group's segments for six months ended 30 June 2014 is as follows:

	Upstream	Down- stream	All other segments	Eliminations	Consoli- dated
External revenues	2,411	306,832	601	-	309,844
Inter-segment revenues	98,465	1,351	2,293	(102,109)	-
External expenses*	(66,838)	(197,292)	(2,688)	-	(266,818)
Inter-segment expenses	(1,018)	(100,553)	(99)	101,670	-
Segment EBITDA*	<u>37,675</u>	<u>16,099</u>	<u>476</u>	<u>(439)</u>	<u>53,811</u>
Depletion and depreciation					(10,785)
Impairment of assets, net*					(459)
Finance income					2,517
Finance costs					(5,275)
Foreign exchange loss, net					(2,175)
Share of profit of joint venture, net of income tax					<u>59</u>
Profit before income tax					<u>37,693</u>
Income tax expense					<u>(7,881)</u>
Profit for the period					<u><u>29,812</u></u>

*Certain comparative figures have been reclassified to conform with the financial statements presentation adopted for the current period

Substantially all of the Group's operations are conducted in the Russian Federation. The Group therefore has not presented any geographical disclosure about its non-current assets by geographical area, as amounts not pertaining to the Russian Federation are immaterial.

The Group's revenue from external customers by geographical location is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Export outside the Customs Union**	83,386	88,586	166,101	181,785
Russian Federation	65,291	70,924	119,494	120,396
Export to the Customs Union**	<u>4,068</u>	<u>3,666</u>	<u>10,080</u>	<u>7,663</u>
Total	<u>152,745</u>	<u>163,176</u>	<u>295,675</u>	<u>309,844</u>

** the Customs Union means the customs union established by the states of Belarus, Kazakhstan, Russia, the Republic of Armenia (starting from 10 October 2014) and the Kyrgyz Republic (starting from 8 May 2015). Within the single customs territory there is a free movement of goods and vehicles for domestic consumption allowed.

7. REVENUE

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Petroleum products	107,527	122,981	208,753	229,175
Crude oil	44,133	38,081	84,801	76,728
Other revenue	<u>1,085</u>	<u>2,114</u>	<u>2,121</u>	<u>3,941</u>
Total	<u>152,745</u>	<u>163,176</u>	<u>295,675</u>	<u>309,844</u>

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Millions of Russian roubles

8. TAXES OTHER THAN INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Mineral extraction tax	26,247	18,671	50,346	34,524
Contributions to Pension Fund of the Russian Federation	1,397	1,046	2,878	2,167
Property tax	533	410	1,067	792
Other social contributions	519	357	1,065	748
Other taxes	417	229	743	430
Total	29,113	20,713	56,099	38,661

9. FINANCE INCOME AND FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Finance income				
Interest income on cash and deposits	1,467	522	3,353	890
Interest income on loans, promissory notes and bonds	123	703	225	1,627
Dividends income	2	-	2	-
Total	1,592	1,225	3,580	2,517
Finance costs				
Interest expense on borrowings	4,667	3,163	8,685	4,922
Unwinding of discount	223	152	446	305
Other accretion expenses	39	25	78	48
Total	4,929	3,340	9,209	5,275

10. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Current period income tax expense	6,488	5,853	8,176	8,088
Adjustments relating to current income tax of prior years	63	6	68	14
Current income tax expense	6,551	5,859	8,244	8,102
Deferred tax benefit	(2,146)	(1,497)	(738)	(221)
Income tax expense	4,405	4,362	7,506	7,881

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Millions of Russian roubles

11. PROPERTY, PLANT AND EQUIPMENT

	2015	Six months ended 30 June 2014
Cost		
Balance at the beginning of the period	487,410	356,736
Acquisition of subsidiaries	776	53,832
Constructions and additions	27,970	17,860
Disposals	(1,843)	(1,686)
Balance at the end of the period	514,313	426,742
Accumulated depletion, depreciation and impairment		
Balance at the beginning of the period	(117,485)	(79,367)
Charge for the period	(14,194)	(10,720)
Disposals	1,315	1,341
Impairment	(1,663)	(38)
Balance at the end of the period	(132,027)	(88,784)
Net book value		
At the beginning of the period	369,925	277,369
At the end of the period	382,286	337,958

At 30 June 2015 balances of construction in progress included in property, plant and equipment were RUB 57,684 million (31 December 2014: RUB 46,757 million).

12. FINANCIAL ASSETS

	30 June 2015	31 December 2014
Non-current investments		
Loans given, at amortised cost	3,504	3,559
Deposits	4	8
Total	3,508	3,567
Current investments		
Deposits	19,829	-
Loans given, at amortised cost	-	1,330
Total	19,829	1,330

At 30 June 2015 deposits were denominated in roubles, maturing in July 2015 and February 2016 and with interest rates varying from 12.33% to 16.15% per annum.

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Millions of Russian roubles

13. SHARE CAPITAL

Authorised, issued and fully paid share capital

	<u>30 June 2015</u>	<u>31 December 2014</u>
147,846,489 (31 December 2014: 150,570,662) ordinary shares with a par value of RUB 1.00	1,626	1,656
29,788,012 (31 December 2014: 29,788,012) preferred shares with a par value of RUB 1.00	<u>328</u>	<u>328</u>
Total	<u>1,954</u>	<u>1,984</u>

As a result of the Group reorganisation on 6 May 2014 (refer to note 5) the Company cancelled 38,139,925 ordinary and 8,885,866 preferred shares which were obtained through reorganisation of Sistema-invest and buy back transactions in 2014, respectively.

On 5 June 2015 the Company cancelled 2,724,173 ordinary shares previously held in treasury stock. As a result, the number of treasury shares decreased to 8,293,055 (31 December 2014: 11,017,228 shares). Upon cancellation of treasury shares, the Group recognised decrease in share capital of RUB 30 million representing a nominal value of shares cancelled. Difference between cost of treasury shares and its nominal value was recognised in Group Retained earnings in the amount of RUB 5,372 million.

Dividends

On 10 June 2014, the Company declared dividend of RUB 211 per ordinary and preferred share amounting to RUB 37,481 million. A part of the dividend declared was attributable to companies of the Group.

On 30 June 2015, the Company declared dividend of RUB 113 per ordinary and preferred share amounting to RUB 20,073 million. A part of the dividend declared was attributable to the companies of the Group. At 30 June 2015 dividends payable equaled RUB 19,510 million.

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Millions of Russian roubles

14. LOANS AND BORROWINGS

		30 June 2015		31 December 2014
	Rate, %	Outstanding balance	Rate, %	Outstanding balance
Non-current liabilities				
Unsecured fixed interest rate loans and borrowings	8.00%-14.00%	63,556	8.00%-10.55%	91,944
Unsecured non-convertible bonds issued in February 2013	8.65%-8.85%	29,974	8.65%-8.85%	29,969
Unsecured floating interest rate borrowing*	Central Bank key rate + 1.50%	29,797	-	-
Unsecured non-convertible bonds issued in May 2014	10.70%	10,000	10.70%	10,000
Unsecured non-convertible bonds issued in June 2015	12.00%-12.10%	9,988	-	-
Unsecured non-convertible bonds issued in December 2009	8.35%	5,277	8.35%	5,274
Unsecured non-convertible bonds issued in May 2015	12.00%	4,989	-	-
Secured floating rate borrowings	-	-	Libor 1M+ 1.70%	2,045
Total		153,581		139,232
Current liabilities				
Unsecured non-convertible bonds issued in February 2012	16.00%	9,980	9.00%	9,998
Current portion of secured floating rate borrowings	Libor 1M+ 1.70%	8,093	Libor 1M+ 1.70%	18,555
Total		18,073		28,553

* The balance of this unsecured borrowing was presented at 31 December 2014 within unsecured fixed interest rate loans and borrowings and was reclassified in 2015 as described below

In May 2015, the Group issued 5,000,000 non-convertible RUB-denominated bonds at a par value of RUB 1,000 and a maturity date in May 2025. The bonds have a coupon rate of 12.00% per annum from the issuance date to May 2020 payable semi-annually. Subsequent coupon rates are to be determined in May 2020 at which point the bondholders have the right to redeem the bonds at par value. The bonds allow early redemption at the discretion of the Company in May 2017.

In June 2015, the Group issued 5,000,000 non-convertible RUB-denominated bonds at a par value of RUB 1,000 and a maturity date in May 2025. The bonds have a coupon rate of 12.00% per annum from the issuance date to May 2020 payable semi-annually. Subsequent coupon rates are to be determined in May 2020 at which point the bondholders have the right to redeem the bonds at par value. The bonds allow early redemption at the discretion of the Company in May 2017.

In June 2015, the Group issued 5,000,000 non-convertible RUB-denominated bonds at a par value of RUB 1,000 and a maturity date in June 2025. The bonds have a coupon rate of 12.10% per annum from the issuance date to June 2021 payable semi-annually. Subsequent coupon rates are to be determined in June 2021 at which point the bondholders have the right to redeem the bonds at par value. The bonds allow early redemption at the discretion of the Company in June 2017.

Following the increase of Central Bank key rate in late December 2014, interest rate for several borrowing facilities of the Group were increased in March-April 2015. In addition, a fixed rate was changed to a floating rate of Central Bank key rate + 1.50% for unsecured borrowings with carrying value of RUB 29,797 million as of 30 June 2015.

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Millions of Russian roubles

15. RELATED PARTIES

Government-related entities and institutions

The Government of Russian Federation is the ultimate controlling party of Bashneft Group since 9 December 2014 and the Group has applied the exemption allowed by IAS 24 *Related Party Disclosures* not to disclose all government related transactions.

In the normal course of business the Group enters into transactions with the entities controlled by the government.

The Group had transactions during the three and the six months ended 30 June 2015 and balances outstanding as at 30 June 2015 with government-controlled banks. All transactions are carried out on market rates.

At 30 June 2015 and 31 December 2014, the Group had the following outstanding balances in government-controlled banks:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Cash and cash equivalents	43,105	47,865
Deposits	17,329	-
Borrowings	80,425	80,314

For the three and the six months ended 30 June 2015 the Group entered into the following transactions with the government-controlled banks:

	<u>Three months ended 30 June 2015</u>	<u>Six months ended 30 June 2015</u>
Interest income	1,286	3,000
Interest expenses	2,631	4,755
Cash placed on bank deposits	5,000	17,329

Dividends declared on 30 June 2015 attributable to the Russian Federation, represented by the Russian Federal Property Management Agency amounted to RUB 10,052 million. Dividends declared on 30 June 2015 attributable to the Republic of Bashkortostan, represented by the Ministry of Land and Property Relations amounted to RUB 5,018 million (refer to note 18).

For the three and the six months ended 30 June 2015 significant transactions with government-related entities were related to transportation of oil and oil products and purchase of heat and electricity and comprised approximately the following percentages of the total transportation expenses and total production and operating expenses:

	<u>Three months ended 30 June 2015</u>	<u>Six months ended 30 June 2015</u>
Transportation of oil and oil products	79%	81%
Purchase of heat and electricity	6%	8%

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At 30 June 2015 and 31 December 2014 the most significant balances owned by and owned to government-related parties were approximately the following percentages of the total balance of trade and other receivables, advances to suppliers and advances received:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Advances to suppliers	46%	42%
Trade and other receivables	6%	2%
Advances received	6%	1%

Joint ventures

At 30 June 2015 and 31 December 2014, the Group had the following outstanding balances with joint ventures:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Amount owed by joint ventures	808	154
Amount owed to joint ventures	-	3

The amounts outstanding were unsecured and are expected to be settled in cash. The Group does not create an allowance for doubtful receivables in respect of outstanding balances of related parties. No balances owed by related parties were past due but not impaired.

During the six months ended 30 June 2015 no expense has been recognised for bad debts in respect of amounts owed by related parties.

The Group entered into the following transactions with joint ventures of the Group:

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Loans issued	550	-	733	-
Loans received	-	199	-	199
Sale of goods and services	23	130	28	307
Interest income	8	222	10	565
Interest expenses	-	1	-	1
Purchase of property and construction services	-	1,098	-	2,903
Purchase of goods and services	-	497	-	1,174

Transactions with Sistema group companies during the three and the six months ended 30 June 2014

	<u>Three months ended 30 June 2014</u>	<u>Six months ended 30 June 2014</u>
Dividends declared	28,098	28,098
Purchase of goods and services	5,665	10,881
Sale of goods and services	4,113	7,859
Purchase of property and construction services	2,145	3,652
Interest income	375	920
Proceeds from borrowing	901	901
Repayment of borrowing	901	901

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Millions of Russian roubles

On 9 December 2014 effective control over the Company passed from Sistema to the Government of the Russian Federation and, from that date, the Russian Federation became the ultimate controlling party of the Group. As of the same date, Sistema and businesses controlled by Sistema (collectively "Sistema group companies") ceased to be related parties of the Bashneft Group.

Compensation of key management personnel

The remuneration of directors and other key management personnel was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Wages and salaries	176	178	321	344
Phantom shares granted	111	124	223	258
Termination bonuses	5	4	5	4
Total	292	306	549	606

At 30 June 2015, outstanding balances in respect of wages and salaries of key management personnel were RUB 380 million (31 December 2014: RUB 47 million).

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

At 30 June 2015 and 31 December 2014 management believes that the carrying values of financial liabilities recorded at amortised cost in the consolidated financial statements approximated their fair values, except for the unsecured non-convertible bonds and certain unsecured fixed interest rate loans and borrowings:

	30 June 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
Unsecured non-convertible bonds	70,208	67,109	55,241	48,717
Unsecured fixed interest rate loans and borrowings	63,556	62,850	91,944	85,283

At 30 June 2015 non-current loans given with carrying value of RUB 4,291 million (31 December 2014: RUB 3,500 million) had a fair value of RUB 3,532 million (31 December 2014: RUB 2,278 million).

Management believes that the carrying value of current financial assets and liabilities approximated their fair values due to their short-term nature.

At 30 June 2015 and 31 December 2014 there were no assets and liabilities of the Group that are measured at fair value in accordance with the fair value hierarchy.

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17. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2015, contractual capital commitments of the Group amounted to RUB 88,576 million (31 December 2014: RUB 67,430 million). These commitments are expected to be settled during 2015-2025. Included in total capital commitments is RUB 31,405 million (31 December 2014: RUB 35,858 million) of capital commitments which mainly relates to drilling services based on the Group's capital construction programme, which is re-evaluated on an annual basis.

Operating leases: Group as a lessee

The Group leases certain production equipment, transport and office premises. The leases typically run for periods varying from 1 to 10 years with no renewal option at the end of the lease term. The Group's extraction, refining, marketing and distribution and other facilities are located on land under operating leases, which expire in various years through 2063.

The amount of rental expenses for the three months ended 30 June 2015 were RUB 497 million (for the three months ended 30 June 2014: RUB 318 million) and for the six months ended 30 June 2015 were RUB 884 million (for the six months ended 30 June 2014: RUB 622 million).

Future minimum rental expenses under non-cancellable operating leases are as follows:

	30 June 2015	31 December 2014
Due in one year	1,551	1,066
Due from one to five years	4,698	2,977
Thereafter	13,255	11,951
Total	19,504	15,994

Taxation contingencies in the Russian Federation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods.

Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. With regard to matters where practice concerning payment of taxes is unclear, management estimated that the Group had no material exposure at 30 June 2015 and 31 December 2014. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Legal contingencies

At 30 June 2015, unresolved legal claims against the Group amounted to RUB 564 million (31 December 2014: RUB 289 million). Management estimates the unfavourable outcome of the legal claims to be possible, and consequently no provision has been raised. The Group is rigorously defending itself in relation to such legal claims.

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Millions of Russian roubles

Insurance

The Group does not have full coverage for property damage or loss, for business interruption and third party liabilities in respect of damage on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that losses relating to such matters could have an adverse effect on the Group's operations and financial position.

Management believes that the Group has adequate property damage coverage for its main production assets.

Russian Federation economic environment

Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015, the oil price decreased significantly, which led to substantial decrease of the Russian Rouble exchange rate.

Starting from March 2014, sanctions have been imposed by the U.S. and E.U. on certain Russian officials, businessmen and companies.

In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. In the first quarter of 2015 international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

18. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Change in shareholders structure

On 3 July 2015 in accordance with the Decree of the President of the Russian Federation Mr. Vladimir V. Putin 38,128,551 ordinary shares and 6,280,076 preferred shares of Bashneft (25% of the authorised capital) were transferred to the Republic of Bashkortostan, represented by the Ministry of Land and Property Relations.

The Bashneft Shareholders meeting held in June 2015 set the deadline for dividend claims registration on 17 July 2015. Therefore, the Republic of Bashkortostan, represented by the Ministry of Land and Property Relations became entitled to the dividends declared on 30 June 2015 of RUB 5,018 million.

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Millions of Russian roubles

Borrowings

In July 2015 the Group renegotiated with banks the interest rates for unsecured fixed interest rate borrowings with a carrying value of RUB 40,636 million as of 30 June 2015. As a result interest rates for these unsecured borrowings is a fixed interest rates varying from 12.00% to 12.50% per annum (previously, varying from 13.00% to 14.00% per annum).

In July 2015 the Group renegotiated with a bank the interest rate for unsecured floating interest rate borrowing with a carrying value of RUB 29,797 million as of 30 June 2015. As a result interest rate for this unsecured borrowing is a Central Bank key rate + 1.00% per annum (previously, Central Bank key rate + 1.50% per annum).

In July and August 2015 the Group made an early repayment of unsecured fixed interest rate borrowings of RUB 15,000 million and unsecured floating interest rate borrowings of RUB 5,000 million, which were classified as long-term borrowings as of 30 June 2015.