

Bashneft Group

Interim Condensed
Consolidated Financial Statements
for the three and the nine months
ended 30 September 2016 (unaudited)

BASHNEFT GROUP

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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 at 30 September 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and the nine months then ended, changes in equity and cash flows for the nine 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
10 November 2016

BASHNEFT GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

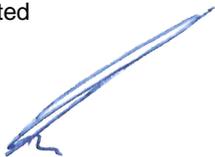
Millions of Russian roubles, except for earnings per share data

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
Revenue	6	161,875	167,629	435,002	463,304
Cost of purchased crude oil, gas and petroleum products		(32,868)	(35,967)	(84,480)	(99,862)
Taxes other than income tax	7	(26,669)	(27,691)	(72,388)	(83,790)
Export tariffs and excise		(29,658)	(29,678)	(70,850)	(80,860)
Production and operating expenses		(27,280)	(21,516)	(68,514)	(56,810)
Depletion and depreciation		(11,414)	(7,297)	(32,388)	(21,870)
Transportation expenses		(11,065)	(10,048)	(31,834)	(27,873)
Selling, general and administrative expenses		(5,454)	(5,262)	(16,729)	(14,051)
Other operating (expenses)/ income, net		(869)	233	(245)	(345)
Operating profit		16,598	30,403	57,574	77,843
(Impairment)/reversal of impairment of assets, net	10, 11	(4,976)	1,248	422	1,151
Finance income	8	1,352	1,613	4,521	5,193
Finance costs	8	(3,633)	(4,442)	(11,837)	(13,651)
Foreign exchange (loss)/gain, net		(295)	772	(4,980)	(2,549)
Share of loss of joint ventures, net of income tax		(73)	(70)	(663)	(857)
Profit before income tax		8,973	29,524	45,037	67,130
Income tax	9	(4,330)	(6,898)	(11,580)	(14,404)
Profit/(loss) for the period and total comprehensive income/(loss)		4,643	22,626	33,457	52,726
Attributable to:					
Owners of the Company		4,767	21,980	34,034	51,278
Non-controlling interests		(124)	646	(577)	1,448
		4,643	22,626	33,457	52,726

EARNINGS PER SHARE

Earnings per share attributable to shareholders of the parent company (Russian roubles per share):

Basic	14	28.07	129.80	200.44	302.81
Diluted	14	28.01	129.80	200.15	302.81


A.N. Shishkin
President


D.B. Torba
Chief Accountant

10 November 2016

The accompanying notes on pages 9-27 form an integral part of these interim condensed consolidated financial statements.

BASHNEFT GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2016 (UNAUDITED) Millions of Russian roubles

	Notes	30 September 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	10	430,697	400,450
Advances paid for acquisition of property, plant and equipment		1,948	872
Intangible assets		3,252	3,736
Financial assets	11	3,684	3,504
Investments in joint ventures and related financial assets		3,783	3,361
Long-term inventories		4,605	3,086
Deferred tax assets		584	1,997
Other non-current assets		2,736	2,501
		451,289	419,507
Current assets			
Inventories		25,276	22,048
Financial assets	11	5,000	5,000
Trade and other receivables		19,646	10,260
Advances to suppliers and prepaid expenses		5,459	6,155
Income tax prepaid		764	442
Other taxes receivable		18,077	23,745
Cash and cash equivalents		23,828	32,955
		98,050	100,605
TOTAL ASSETS		549,339	520,112
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	1,954	1,954
Treasury shares		(12,084)	(12,720)
Additional paid-in capital		81,462	81,462
Other equity reserves		926	673
Retained earnings		172,174	164,121
Equity attributable to owners of the Company		244,432	235,490
Non-controlling interests		3,053	9,223
		247,485	244,713
Non-current liabilities			
Borrowings	12	93,245	115,899
Decommissioning and rehabilitation provisions	3	18,389	9,758
Deferred tax liabilities		37,111	39,524
Prepayments on oil products supply agreements	13	45,595	13,492
Other non-current liabilities	3	4,838	2,055
		199,178	180,728
Current liabilities			
Borrowings	12	16,089	20,108
Trade and other payables		48,539	40,991
Dividends payable		298	420
Advances received		7,922	14,191
Prepayments on oil products supply agreement	13	8,471	3,855
Provisions		1,603	760
Income tax payable		2,609	921
Other taxes payable		17,145	13,425
		102,676	94,671
TOTAL LIABILITIES		301,854	275,399
TOTAL EQUITY AND LIABILITIES		549,339	520,112

The accompanying notes on pages 9-27 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

Notes	Nine months ended 30 September 2016	Nine months ended 30 September 2015
OPERATING ACTIVITIES		
Profit before income tax	45,037	67,130
Adjustments for:		
Depletion and depreciation	32,388	21,870
Loss on disposal of property, plant and equipment	304	752
Finance income	8 (4,521)	(5,193)
Finance costs	8 11,837	13,651
Reversal of impairment of assets, net	10, 11 (422)	(1,151)
Share of loss of joint ventures, net of income tax	663	857
Foreign exchange loss, net	4,980	2,549
Share-based portion of long-term remuneration program	1,026	-
Change in rehabilitation liabilities	3 2,894	-
Change in provisions, net	695	(667)
Other, net	17	(45)
Operating cash flows before working capital changes	94,898	99,753
Movements in working capital:		
Inventories	(4,500)	(1,666)
Trade and other receivables	(11,091)	(2,582)
Advances to suppliers and prepaid expenses	697	1,300
Other taxes receivable	5,655	9,256
Trade and other payables	5,791	2,276
Advances received	(6,269)	(12,009)
Prepayment on oil products supply agreement	13 39,243	-
Settlement of prepayment on oil products supply agreement	13 (2,524)	-
Other taxes payable	3,904	1,419
Cash generated from operations	125,804	97,747
Interest paid	(9,677)	(11,890)
Income tax paid	(11,221)	(15,609)
NET CASH GENERATED FROM OPERATING ACTIVITIES	104,906	70,248

The accompanying notes on pages 9-27 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

	Notes	Nine months ended 30 September 2016	Nine months ended 30 September 2015
INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(59,709)	(42,862)
Proceeds from disposal of property, plant and equipment		325	54
Loans issued to joint venture		(1,144)	(891)
Repayment of loans issued to joint venture		58	190
Acquisition of subsidiaries, net of cash acquired		-	282
Payments for acquisition of intangible assets		(691)	(1,267)
Payments for acquisition of financial assets		(29,692)	(20,034)
Proceeds from disposal of financial assets		34,769	19,185
Interest received		5,134	5,095
Dividends received		3	2
		<u>(50,947)</u>	<u>(40,246)</u>
FINANCING ACTIVITIES			
Acquisition of non-controlling interests	4	(3,550)	-
Proceeds from borrowings		28,597	16,751
Repayments of borrowings		(56,321)	(36,405)
Dividends paid by the Company		(27,852)	(19,091)
Dividends paid by subsidiaries		(431)	-
		<u>(59,557)</u>	<u>(38,745)</u>
Net decrease in cash and cash equivalents		(5,598)	(8,743)
Cash and cash equivalents at the beginning of the period		32,955	52,818
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(3,529)	266
Cash and cash equivalents at the end of the period		<u>23,828</u>	<u>44,341</u>

The accompanying notes on pages 9-27 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 NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

	Notes	Share capital	Treasury shares	Additional paid-in capital	Other equity reserves	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
Balance at 1 January 2015		1,984	(18,122)	81,462	-	130,494	195,818	7,834	203,652
Profit for the period		-	-	-	-	51,278	51,278	1,448	52,726
Total comprehensive income for the period		-	-	-	-	51,278	51,278	1,448	52,726
Dividends	14	-	-	-	-	(19,130)	(19,130)	-	(19,130)
Cancellation of treasury shares	14	(30)	5,402	-	-	(5,372)	-	-	-
Other equity transactions		-	-	-	-	(5)	(5)	-	(5)
Balance at 30 September 2015		1,954	(12,720)	81,462	-	157,265	227,961	9,282	237,243
Balance at 1 January 2016		1,954	(12,720)	81,462	673	164,121	235,490	9,223	244,713
Profit/(loss) for the period		-	-	-	-	34,034	34,034	(577)	33,457
Total comprehensive income/(loss) for the period		-	-	-	-	34,034	34,034	(577)	33,457
Dividends	14	-	-	-	-	(27,847)	(27,847)	(431)	(28,278)
Acquisition of non-controlling interests	4	-	-	-	-	1,612	1,612	(5,162)	(3,550)
Long-term remuneration program		-	636	-	253	137	1,026	-	1,026
Other equity transactions		-	-	-	-	117	117	-	117
Balance at 30 September 2016		1,954	(12,084)	81,462	926	172,174	244,432	3,053	247,485

The accompanying notes on pages 9-27 form an integral part of these interim condensed consolidated financial statements

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

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 and refining in the Russian Federation, marketing and distribution of oil and petroleum products on domestic and export markets. 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. 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 September 2016 and 31 December 2015:

Company	Principal activities	Group’s effective interest	
		30 September 2016	31 December 2015
LLC Bashneft-Dobycha	Production of crude oil and gas	100%	100%
LLC Bashneft-Retail Sales	Petroleum products trading	100%	100%
LLC Sorovskneft (former LLC Burneftegaz)	Exploration and production of crude oil	100%	100%
LLC Bashneft-Polyus	Exploration and production of crude oil	74.9%	74.9%
PJSC Ufaorgsintez	Production of petrochemicals	95.056%	76.013%

Controlling shareholder

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 preference shares of the Company representing 71.62% of the Company’s charter capital previously owned by JSFC 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 JSFC Sistema to the Government of the Russian Federation, that became the ultimate controlling party of the Bashneft Group from 9 December 2014.

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 preference shares of Bashneft (25% plus 1 share) were transferred to the Republic of Bashkortostan, represented by the Ministry of Land and Property Relations.

On 10 October 2016 the Government of the Russian Federation issued a Decree on alienation in favor of PJSC Rosneft Oil Company of ordinary shares of PJSOC Bashneft in the amount of 88,951,379 shares, representing 50.0755% of the share capital of the Company at a price of RUB 329,690 million. On 12 October 2016 in accordance with that Decree PJSC Rosneft Oil Company completed corporate actions related to the preparation and execution of the acquisition of the Government’s stake in the Company.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements for the three and the nine months ended 30 September 2016 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 2015, 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 2015, except for amendments, related to application of new standards or interpretations described below beginning from 1 January 2016.

Standards and interpretations effective in the current period

The amendments to IFRS 11 *Joint Arrangements*, IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible assets*, IAS 27 *Consolidated and separate financial statements*, IAS 1 *Presentation of Financial Statements* and *annual Improvements to IFRSs 2012-2014 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. The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

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 nine months ended 30 September 2016 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2015, except for revision of reserves category, discount rate (30 September 2016: 9.2%; 31 December 2015: 11.15%-11.59%) and inflation forecast (30 September 2016: 4.0%; 31 December 2015: 5.10%-12.50%) used in determination of closure dates and estimation of net present value of environmental obligations (Note 10). Those revisions were made in order to reflect new information about management plans of the Group on fulfilment of the respective obligations.

In the third quarter of 2016 management of the Group has also revised its estimates of rehabilitation and decommissioning liabilities for assets which are not directly associated with oil production activities, provision for clean-up costs at liquidated wells stock and estimated provisions for restoration after completion of construction works and reclamation of sand pits. As a result of the revision, amount of environmental obligations increased by RUB 2,894 million.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

4. ACQUISITION OF NON-CONTROLLING INTERESTS

PJSC Ufaorgsintez

PJSC Ufaorgsintez ("Ufaorgsintez") is a subsidiary of the Group engaged in production of petrochemicals. On 24 March 2016, the Group acquired an additional 19.043% interest in Ufaorgsintez, increasing its ownership interest to 95.056%. Cash consideration of RUB 3,550 million was paid to the non-controlling interests. Following is a schedule of additional interest acquired in Ufaorgsintez:

	<u>24 March 2016</u>
Carrying value of the additional interests in Ufaorgsintez	5,162
Cash consideration paid to non-controlling interests	<u>(3,550)</u>
Difference recognised in retained earnings	<u>1,612</u>

5. 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, as well as certain non-core revenues and expenses are presented as All other segments.

There are varying levels of integration between the Group's operating segments. Inter-segment expenses of the Downstream segment represent crude oil transfer from the Upstream segment for the purpose of refining and crude oil sales. Such inter-segment expenses are measured with a reference to market prices for crude oil and include remeasurement of stock based on inter-segment price. 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. External revenue of the Downstream segment related to deliveries under prepayments on long-term oil and oil products supply agreements (see note 13) is recognised at settlement-date exchange rates with a corresponding adjustment recognised within External expenses of All other segments. All other significant accounting policies of the reportable and other segments are the same as the Group's accounting policies.

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 same 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

Information about the Group's reportable segments for the three months ended 30 September 2016 is presented below:

	<u>Upstream</u>	<u>Downstream</u>	<u>All other segments</u>	<u>Adjustments and eliminations</u>	<u>Consoli- dated</u>
External revenues	352	162,387	611	(1,475)	161,875
Inter-segment revenues	67,042	222	3,355	(70,619)	-
External expenses	(50,473)	(91,992)	(4,287)	1,475	(145,277)
Inter-segment expenses	(785)	(67,903)	(2,506)	71,194	-
Segment EBITDA	<u>23,519</u>	<u>6,340</u>	<u>(2,481)</u>	<u>634</u>	28,012
Depletion and depreciation					(11,414)
Impairment of assets, net					(4,976)
Finance income					1,352
Finance costs					(3,633)
Foreign exchange loss, net					(295)
Share of loss of joint venture, net of income tax					<u>(73)</u>
Profit before income tax					8,973
Income tax expense					<u>(4,330)</u>
Profit for the period					<u>4,643</u>

Information about the Group's reportable segments for the three months ended 30 September 2015* is presented below:

	<u>Upstream</u>	<u>Downstream</u>	<u>All other segments</u>	<u>Adjustments and eliminations</u>	<u>Consoli- dated</u>
External revenues	348	166,899	382	-	167,629
Inter-segment revenues	61,378	85	2,668	(64,131)	-
External expenses	(43,341)	(90,588)	(3,297)	-	(137,226)
Inter-segment expenses	(311)	(62,164)	(1,868)	64,343	-
Segment EBITDA	<u>21,276</u>	<u>17,936</u>	<u>(1,878)</u>	<u>366</u>	37,700
Depletion and depreciation					(7,297)
Reversal of impairment of assets, net					1,248
Finance income					1,613
Finance costs					(4,442)
Foreign exchange gain, net					772
Share of loss of joint ventures, net of income tax					<u>(70)</u>
Profit before income tax					29,524
Income tax expense					<u>(6,898)</u>
Profit for the period					<u>22,626</u>

* Certain comparative figures have been adjusted following the amendments to segmentation process introduced in 2016 aimed to increase itemisation of expenses and allocation of revenue and costs between segments.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

Information about the Group's reportable segments for the nine months ended 30 September 2016 is presented below:

	Upstream	Downstream	All other segments	Adjustments and eliminations	Consoli- dated
External revenues	991	435,062	1,153	(2,204)	435,002
Inter-segment revenues	196,068	943	9,202	(206,213)	-
External expenses	(135,096)	(235,541)	(8,995)	2,204	(377,428)
Inter-segment expenses	(2,768)	(194,913)	(7,018)	204,699	-
Segment EBITDA	<u>79,646</u>	<u>16,612</u>	<u>(4,667)</u>	<u>(1,629)</u>	89,962
Depletion and depreciation					(32,388)
Reversal of impairment of assets, net					422
Finance income					4,521
Finance costs					(11,837)
Foreign exchange loss, net					(4,980)
Share of loss of joint venture, net of income tax					<u>(663)</u>
Profit before income tax					45,037
Income tax expense					<u>(11,580)</u>
Profit for the period					33,457

Information about the Group's reportable segments for the nine months ended 30 September 2015* is presented below:

	Upstream	Downstream	All other segments	Adjustments and eliminations	Consoli- dated
External revenues	1,032	461,430	842	-	463,304
Inter-segment revenues	189,784	503	6,178	(196,465)	-
External expenses	(127,955)	(252,236)	(5,270)	-	(385,461)
Inter-segment expenses	(1,400)	(188,146)	(4,294)	193,840	-
Segment EBITDA	<u>71,223</u>	<u>32,835</u>	<u>(1,772)</u>	<u>(2,573)</u>	99,713
Depletion and depreciation					(21,870)
Reversal of impairment of assets, net					1,151
Finance income					5,193
Finance costs					(13,651)
Foreign exchange loss, net					(2,549)
Share of loss of joint ventures, net of income tax					<u>(857)</u>
Profit before income tax					67,130
Income tax expense					<u>(14,404)</u>
Profit for the period					52,726

* Certain comparative figures have been adjusted following the amendments to segmentation process introduced in 2016 aimed to increase itemisation of expenses and allocation of revenue and costs between segments.

BASHNEFT GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Millions of Russian roubles

Substantially all of the Group's operations are conducted in the Russian Federation. Therefore, the Group has not presented any 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 September		Nine months ended 30 September	
	2016	2015	2016	2015
Export outside the Customs Union	75,888	76,586	213,870	242,687
Russian Federation	79,802	86,347	206,351	205,841
Export to other countries of the Customs Union	6,185	4,696	14,781	14,776
Total	161,875	167,629	435,002	463,304

6. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Petroleum products	108,785	120,712	292,498	329,465
Crude oil	50,507	45,678	137,790	130,479
Other revenue	2,583	1,239	4,714	3,360
Total	161,875	167,629	435,002	463,304

7. TAXES OTHER THAN INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Mineral extraction tax	23,622	24,682	62,862	75,028
Contributions to Pension Fund of the Russian Federation	1,420	1,397	4,530	4,275
Property tax	716	537	2,024	1,604
Other social contributions	616	572	1,791	1,637
Other taxes	295	503	1,181	1,246
Total	26,669	27,691	72,388	83,790

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Millions of Russian roubles

8. FINANCE INCOME AND FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Finance income				
Interest income on cash and deposits	1,246	1,521	4,202	4,874
Interest income on loans and promissory notes	106	92	316	317
Dividends income	-	-	3	2
Total	1,352	1,613	4,521	5,193
Finance costs				
Interest expense on borrowings	2,844	4,043	9,466	12,486
Interest expense related to prepayments on oil products supply agreements (Note 13)	459	138	1,380	380
Unwinding of discount	287	223	862	669
Other accretion expenses	43	38	129	116
Total	3,633	4,442	11,837	13,651

9. INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Current period income tax expense	4,796	7,892	11,124	16,068
Adjustments relating to current income tax of prior years	1,418	(18)	1,456	50
Current income tax expense	6,214	7,874	12,580	16,118
Deferred tax benefit	(1,884)	(976)	(1,000)	(1,714)
Income tax expense	4,330	6,898	11,580	14,404

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Millions of Russian roubles

10. PROPERTY, PLANT AND EQUIPMENT

	Notes	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Cost			
Balance at the beginning of the period		552,027	487,410
Acquisition of subsidiaries		-	776
Constructions and additions		60,223	44,425
Change in estimates for decommissioning provision	3	7,749	-
Disposals		<u>(2,372)</u>	<u>(2,030)</u>
Balance at the end of the period		<u>617,627</u>	<u>530,581</u>
Accumulated depletion, depreciation and impairment			
Balance at the beginning of the period		(151,577)	(117,485)
Charge for the period		(31,714)	(21,304)
Disposals		1,743	1,224
Impairment		<u>(5,382)</u>	<u>(1,839)</u>
Balance at the end of the period		<u>(186,930)</u>	<u>(139,404)</u>
Net book value			
At the beginning of the period		<u>400,450</u>	<u>369,925</u>
At the end of the period		<u>430,697</u>	<u>391,177</u>

At 30 September 2016 balances of construction in progress included in Property, plant and equipment were RUB 77,291 million (31 December 2015: RUB 57,912 million). During the nine months ended 30 September 2016, as a result of the routine quarterly reviews a number of construction in progress items which were unlikely to complete were identified. Provision for impairment of such construction in progress items amounted to RUB 807 million and was recognized within Impairment of assets in the interim condensed consolidated statement of profit or loss and other comprehensive income.

On 16 July 2016 an accident at the hydrocracking unit of the production site of "Bashneft-Ufaneftekhim" led to the partial destruction and temporary shutdown of the unit. Based on the act of primary inspection of damaged assets the list of damaged properties was prepared and as a result impairment provision in the amount of RUB 1,994 million was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income within Impairment of assets. Finalisation of damaged properties list is expected by the end of 2016.

During the third quarter 2016 the Group has identified a number of impairment indicators at non-core business cash-generating units. Impairment test was carried out and as a result, the impairment provision in the amount of RUB 1,476 million was recognised within Impairment of assets in the interim condensed consolidated statement of profit or loss and other comprehensive income.

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Millions of Russian roubles

11. FINANCIAL ASSETS

	30 September 2016	31 December 2015
Non-current investments		
Loan given, at amortised cost	3,500	3,500
Deposits and other financial assets	184	4
Total	3,684	3,504
Current investments		
Deposits	5,000	5,000
Total	5,000	5,000

At 30 September 2016 deposits comprised of RUB-denominated deposits maturing in December 2016 and with interest rates of 10.40% (31 December 2015: 12.33%) per annum.

Financial assets impaired in 2014 were recovered and collected in full during January-March 2016 following successful negotiations with debtors, as a result a reversal of impairment in the amount of RUB 5,590 million was recognised.

12. BORROWINGS

	30 September 2016		31 December 2015	
	Rate, %	Outstanding balance	Rate, %	Outstanding balance
Non-current liabilities				
Unsecured non-convertible bonds issued in February 2013	8.65%-8.85%	29,986	8.65%-8.85%	29,979
Unsecured non-convertible bonds issued in May 2016	10.50%-10.90%	24,996	-	-
Unsecured floating (2015: fixed) interest rate loan	CBR key rate*0.76	17,860	8.00%	15,473
Unsecured non-convertible bonds issued in May 2014	10.70%	10,000	10.70%	10,000
Unsecured floating interest rate borrowing	Central Bank key rate + 1.00%	9,909	Central Bank key rate + 1.00%	24,824
Deferred payment letter of credit	EURIBOR 12M+2.00%	494	-	-
Unsecured fixed interest rate borrowing	-	-	11.00%	20,655
Unsecured non-convertible bonds issued in June 2015	-	-	12.00%-12.10%	9,978
Unsecured non-convertible bonds issued in May 2015	-	-	12.00%	4,990
Total		93,245		115,899
Current liabilities				
Unsecured fixed interest rate borrowing	11.00%	10,687	-	-
Unsecured non-convertible bonds issued in December 2009	8.35%	5,282	8.35%	5,278
Unsecured non-convertible bonds issued in February 2012	9.50%	120	16.00%	9,979
Secured floating interest rate borrowing	-	-	USD Libor 1M+1.70%	4,851
Total		16,089		20,108

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Millions of Russian roubles

Unsecured non-convertible bonds

In February 2012, the Group issued 10,000,000 non-convertible RUB-denominated bonds at a par value of RUB 1,000 and a maturity date in February 2022. In February 2016, the Company redeemed 9,858,534 bonds at par value. Subsequently the new coupon rate at 9.50% was approved for outstanding bonds. The Group has a right to determine new coupon rate in February 2017 at which point bondholders have the right to redeem residual bonds at par value.

In May 2016, the Company executed early redemption of series BO-03, BO-04 and BO-07 non-convertible RUB-denominated bonds with a par value of RUB 1,000 each and issuance of series BO-02, BO-06 and BO-08 non-convertible RUB-denominated bonds with a par value of RUB 1,000 each.

The detailed information related to early redemption of bonds in May 2016 is presented below:

Bonds	Quantity of bonds	Price of redemption	Coupon rate before the redemption date	Offer date* according to bonds issue agreement
Series BO-03	5,000,000	101.3% of the par value	12.00%	May 2020
Series BO-04	5,000,000	101.4% of the par value	12.00%	May 2020
Series BO-07	5,000,000	101.4% of the par value	12.10%	June 2021

The detailed information related to issuance of bonds in May 2016 is presented below:

Bonds	Quantity of bonds	Redemption date	Early redemption date at the discretion of the Company	Coupon rate before the offer date**	Offer date*
Series BO-02	10,000,000	May 2026	not applicable	10.50%	May 2023
Series BO-06	10,000,000	April 2026	May 2021	10.90%	April 2025
Series BO-08	5,000,000	April 2026	May 2022	10.90%	April 2025

Secured borrowing

At 31 December 2015, USD secured floating interest rate borrowings comprise a pre-export finance term loan facility agreement with a group of international banks allowing borrowings of up to USD 600 million. The loan facility matures in 2016. The facility was secured by future revenue from the export of petroleum products for the duration of the facility. The interest rate is USD Libor 1M +1.70%. In January and February 2016, the Group fully repaid outstanding amount of secured floating rate borrowing denominated in USD together with related interest accrued to date in the amount of RUB 5,239 million.

Unsecured loan

During the three months ended 31 March 2016 the interest rate for unsecured loan was changed from a fixed rate of 8.00% to a floating rate of Central Bank key rate * 0.76.

* Offer date is the date when subsequent coupon rates are to be determined, at which point bondholders have the right to redeem the bonds at par value.

** Coupon income is payable semiannually.

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Millions of Russian roubles

13. PREPAYMENTS ON OIL PRODUCTS SUPPLY AGREEMENTS

In January 2016, the Company received a long-term advance of USD 500 million (RUB 39,243 million) under new long-term oil products supply agreement. As of 30 September 2016, RUB 2,803 and RUB 36,440 million were classified as short-term and long-term parts of prepayment, accordingly. The minimum monthly delivery volume is set as 60,000 tons of oil products or 80,000 tons of crude oil from the date of the contract to March 2021. Under the terms of agreement interest is accrued and settled on a monthly basis, the prepayment will be settled starting from July 2017.

In April 2014, the Company entered into a long-term oil products supply agreement and subsequently received a long-term advance of USD 500 million (RUB 17,347 million). As of 30 September 2016 RUB 5,668 million and RUB 9,155 million (31 December 2015: RUB 3,855 million and RUB 13,492 million) were classified as short-term and long-term parts of the prepayment, accordingly. The minimum monthly delivery volume is set as 50,000 tons of oil products and/or crude oil from the date of the contract to July 2019. Under the terms of agreement interest is accrued and settled on a monthly basis. The shipments of petroleum products in accordance with the terms of the prepayment contract started in May 2016.

The movement of the prepayments on oil products supply agreements is represented below:

	Nine months ended 30 September 2016
Total balance at the beginning of the period	17,347
Received	39,243
Settled	<u>(2,524)</u>
Total balance at the end of the period	<u>54,066</u>
Less current portion	<u>(8,471)</u>
Long-term portion of prepayments on oil products supply agreements	<u>45,595</u>

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

The Group considers those agreements to be a regular way sale contracts which were entered into for the purpose of the delivery of goods within the normal course of business.

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Millions of Russian roubles

14. SHARE CAPITAL

Authorised, issued and fully paid share capital and treasury shares

	<u>30 September 2016</u>	<u>31 December 2015</u>
147,846,489 (31 December 2015: 147,846,489) ordinary shares with a par value of RUB 1.00	1,626	1,626
29,788,012 (31 December 2015: 29,788,012) preference shares with a par value of RUB 1.00	<u>328</u>	<u>328</u>
Total	<u>1,954</u>	<u>1,954</u>

Changes in treasury shares balances during the nine months ended 30 September 2016 and 2015 were as follows:

	<u>Preference shares</u>	<u>Ordinary shares</u>
	(number of shares)	
Balance as of 1 January 2015	<u>4,864,168</u>	<u>6,153,060</u>
Cancellation of treasury shares	-	<u>(2,724,173)</u>
Balance as of 30 September 2015	<u>4,864,168</u>	<u>3,428,887</u>
Balance as of 1 January 2016	<u>4,864,168</u>	<u>3,428,887</u>
Settlement of share-based portion of long-term remuneration program	<u>(456,752)</u>	-
Balance as of 30 September 2016	<u>4,407,416</u>	<u>3,428,887</u>

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. 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.

In June 2016 in accordance with the terms of the long-term remuneration program employees of the Company received 456,752 treasury shares.

Dividends

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.

On 30 June 2016, the Company declared dividend of RUB 164 per ordinary and preferred share amounting to RUB 29,132 million. A part of the dividend declared was attributable to the companies of the Group. At 30 September 2016 dividends payable equaled RUB 298 million.

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Millions of Russian roubles

Earnings per share

The calculation of basic and diluted earnings per share for the reporting periods is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Profit for the period attributable to owners of the Company (basic and diluted)	4,767	21,980	34,034	51,278
Weighted average number of outstanding ordinary and preference shares	169,798,198	169,341,446	169,798,198	169,341,446
Weighted average number of preference shares remained contingently issuable at the end of the period related to the long-term remuneration program	403,714	-	242,935	-
Weighted average number of outstanding ordinary and preference shares, assuming dilution	170,201,912	169,341,446	170,041,133	169,341,446
Earnings per share attributable to shareholders of the parent company (Russian roubles per share):				
Basic	28.07	129.80	200.44	302.81
Diluted	28.01	129.80	200.15	302.81

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 nine months ended 30 September 2016 and balances outstanding as at 30 September 2016 with government-controlled banks. All transactions are carried out on market rates.

At 30 September 2016 and 31 December 2015, the Group had the following outstanding balances in government-controlled banks:

	30 September 2016	31 December 2015
Borrowings	20,592	45,479
Cash and cash equivalents	18,077	30,887
Financial assets	3,500	5,000

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Millions of Russian roubles

For the three and the nine months ended 30 September 2016 and 2015 the Group entered into the following transactions with the government-controlled banks:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Repayment of borrowings	5,000	20,000	25,000	20,000
Cash placed on bank deposits	-	-	16,000	17,329
Proceeds from repayment of bank deposits	12,500	12,329	17,500	12,329
Finance costs	825	1,976	3,285	6,731
Finance income	932	1,334	3,261	4,334

Dividends declared on 30 June 2016 attributable to the Russian Federation, represented by the Russian Federal Property Management Agency amounted to RUB 14,588 million (30 June 2015: RUB 10,052 million). Dividends declared on 30 June 2016 attributable to the Republic of Bashkortostan, represented by the Ministry of Land and Property Relations amounted to RUB 7,283 million (30 June 2015: RUB 5,018 million).

For the three and the nine months ended 30 September 2016 and 2015 significant transactions with government-related entities were related to transportation of crude oil and oil products, purchase of heat and electricity (included in production and operating expenses), purchase of crude oil, gas and petroleum products and sale of oil products, and comprised approximately the following percentages of the total amounts presented in the statement of profit or loss:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Transportation of crude oil and oil products	73%	73%	75%	78%
Purchase of heat and electricity	4%	5%	6%	7%
Purchase of crude oil, gas and petroleum products	1%	2%	2%	2%
Sale of petroleum products	2%	2%	2%	1%

At 30 September 2016 and 31 December 2015 the most significant balances owed by and owed to government-related parties were approximately the following percentages of the total balance of advances to suppliers, trade and other receivables and advances received:

	30 September 2016	31 December 2015
Advances to suppliers	62%	59%
Trade and other receivables	4%	8%
Advances received	7%	7%

Joint ventures

At 30 September 2016 and 31 December 2015, the Group had the following outstanding balances with joint ventures:

	30 September 2016	31 December 2015
Amount owed by joint ventures	1,931	781

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Millions of Russian roubles

The amounts outstanding were unsecured and 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.

No expense has been recognised in the current period for bad debts in respect of amounts owed by related parties.

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

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Loans issued	314	158	1,114	891
Interest income	34	16	77	26
Proceeds from repayment of loans issued	58	190	58	190
Sale of goods and services	5	49	11	77

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

There were no financial instruments measured at fair value as at 30 September 2016 and 31 December 2015. Except for instruments presented in the table below, fair values of financial instruments approximate their carrying values according to assessment prepared by management.

The financial instruments in the table are grouped into Levels 1 to 3 based on the degree to which the inputs used to calculate the fair value are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the financial instruments; and
- Level 3 fair value measurements are those derived from inputs for the financial instruments that are not based on observable market data.

	Carried at	Level	30 September 2016		31 December 2015	
			Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Loans given	Amortised cost	3	3,500	2,170	3,500	2,346
			3,500	2,170	3,500	2,346
Financial liabilities						
Unsecured non-convertible bonds traded on active market	Amortised cost	1	45,388	45,040	55,262	53,233
Unsecured floating (2015: fixed) and fixed interest rate loans and borrowings	Amortised cost	3	28,547	23,442	36,128	35,113
			73,935	68,482	91,390	88,346

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Millions of Russian roubles

There have been no transfers between levels during the nine months ended 30 September 2016 and the year ended 31 December 2015. Loans given and unsecured floating (2015: fixed) and fixed interest rate loans and borrowings are classified at Level 3. As such, their valuation requires assumptions which are not readily available. These instruments were valued using discounted cash flows model. Unobservable inputs include:

- For loans given: discount rate calculated as Group's weighted average cost of capital and forecast exchange rates for US dollars for the period from the reporting date until 2022;
- For unsecured floating (2015: fixed) and fixed interest rate loans and borrowings: discount rate calculated as Group's cost of debt and forecast exchange rates for US dollars for the period from the reporting date until 2020.

Changing certain inputs to reasonable possible alternative assumptions does not change the fair value significantly.

17. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 September 2016, contractual capital commitments of the Group amounted to RUB 80,910 million (31 December 2015: RUB 66,805 million). These commitments are expected to be settled during 2016-2020. The amount of RUB 36,167 million (31 December 2015: RUB 35,515 million) included in total capital commitments relates to drilling services.

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 facilities are located on land under operating leases, which expire in various years through 2065.

The amount of rental expenses for the three months ended 30 September 2016 were RUB 355 million (for the three months ended 30 September 2015: RUB 584 million) and for the nine months ended 30 September 2016 were RUB 1,370 million (for the nine months ended 30 September 2015: RUB 1,469 million).

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

	30 September 2016	31 December 2015
Due in one year	1,527	1,671
Due from one to five years	4,847	5,314
Thereafter	11,297	14,529
Total	17,671	21,514

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Millions of Russian roubles

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. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

In 2014, amendments were introduced into the Russian tax legislation in respect of taxation of profit of controlled foreign companies. According to these changes, the 2015 undistributed profits of the Group foreign subsidiaries, recognised as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2016. Instead, income of an active controlled foreign company as defined by tax law is not considered for the purposes of income tax base calculation of the controlling entity in Russia. Since the Group's foreign companies are recognised as active under the Russian tax law, their incomes do not increase taxable income of controlling entities.

With regard to matters where practice concerning payment of taxes is unclear, management estimated possible tax exposure in the amount of RUB 748 million at 30 September 2016 (31 December 2015: nil).

Legal contingencies

At 30 September 2016, unresolved legal claims against the Group amounted to RUB 352 million (31 December 2015: RUB 15 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.

Performance guarantee

At 30 September 2016 the Group had an outstanding performance guarantee issued to the South Oil Company of Iraq in connection with exploration and development services for Block 12 (Iraq) of USD 61 million or RUB 3,850 million equivalent (31 December 2015: USD 64 million or RUB 4,464 million equivalent) and an outstanding performance guarantee issued to Myanmar Oil and Gas Enterprise to perform exploration and development services for Block EP-4 (Mayaman Area) of USD 25 million or RUB 1,551 million equivalent (31 December 2015: USD 31 million or RUB 2,259 million equivalent).

Insurance

The Group maintains insurance coverage for its main production assets including coverage for property damage or loss and third party liabilities in respect of damage on the Group's property or relating to the Group's operations. Insurance coverage for business interruption is maintained for major production assets in Downstream segment. However, there are risks of losses and damages of assets, as well as causes of damages to third parties, which were not insured or partially insured, that 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.

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Millions of Russian roubles

Russian Federation economic environment

Emerging markets such as Russia 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 Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia 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.

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. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook.

During 2015 the economic situation is more stable, although 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

Early repayment of non-current loan given

On 11 October 2016, the Group entered into agreement with a third party to reassign the Group's rights to a non-current loan issued in exchange for a cash payment in amount of RUB 3,712 million. The amount represents the principal amount of the loan and accrued interests up to the date of the transaction.

Change of controlling shareholder and key management personnel of the Company

On 10 October 2016 the Government of the Russian Federation issued a Decree on alienation in favor of PJSC Rosneft Oil Company of ordinary shares of PJSOC Bashneft in the amount of 88,951,379 shares, representing 50.0755% of the share capital of the Company at a price of RUB 329,690 million. On 12 October 2016 in accordance with that Decree PJSC Rosneft Oil Company completed corporate actions related to the preparation and execution of the acquisition of the Government's stake in the Company.

On 13 October 2016 by a resolution of the Board of Directors Andrey Nikolayevich Shishkin was appointed as President and Chairman of the Management Board of the Company for a term of 5 years. The Board of Directors also elected a new Management Board consisting of:

1. Shishkin Andrey Nikolayevich;
2. Mincheva Natalia Alexandrovna;
3. Sudakov Andrey Viktorovich;
4. Lazeev Andrey Nikolayevich;
5. Nyrkov Denis Yuryevich;
6. Latysh Rostislav Rostislavovich;
7. Lobachev Sergey Vyacheslavovich.

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Millions of Russian roubles

Borrowings

On 26 October 2016, the Group exercised a voluntary buy-back of 10,000,000 non-convertible RUB-denominated bonds (Series BO-05) with a par value of RUB 1,000 for RUB 1,022 per bond. Bonds had a maturity in May 2024 and a coupon rate of 10.70% per annum.

On 27 October 2016, the Group issued 5,000,000 non-convertible RUB-denominated bonds (Series BO-09) at a par value of RUB 1,000 and a maturity date in October 2026. These bonds have a coupon rate of 9.30% per annum from the date of issuance to October 2022 payable semi-annually. Subsequent coupon rates are to be determined in October 2022 at which point the bondholders have the right to redeem the bonds at par value.