



**BASHNEFT**  
JOINT STOCK OIL COMPANY

**Management's analysis of the financial position and  
operating results of Bashneft Group for the three months  
ended 30 June and 31 March 2016 and for the six months  
ended 30 June 2016 and 2015**



This report contains an overview of the financial position and operating results of PJSOC Bashneft and includes operating results of Bashneft Group for the six months ended 30 June 2016 and 2015, and for the three months ended 30 June and 31 March 2016, and should be read in conjunction with the Interim Condensed Consolidated Financial Statements and notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The terms "Bashneft", "the Company", "Bashneft Group" and "the Group" in various forms mean PJSOC Bashneft and its subsidiaries. The financial position and operating results analysed in this document are consolidated data on Bashneft Group.

Certain statements in this report may contain assumptions or forecasts with respect to forthcoming events within Bashneft Group. Such statements may contain the words "is expected", "is estimated", "intends", "will", "could", negations thereof or other similar expressions. These statements are only assumptions, and actual events or results may differ materially from them. The actual performance of Bashneft Group may differ materially from what is declared in our assumptions and forecasts as a result of a large number of factors. Such factors may include general economic conditions, Bashneft's competitive environment, risks related to operating in Russia, rapid technological and market changes in the Group's areas of business, as well as many other risks directly related to Bashneft Group.

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



## **OVERVIEW**

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

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

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

According to the results of an audit conducted by Miller & Lents Ltd. using international PRMS (SPE) criteria, the Group's proved oil reserves as of 31 December 2015 amounted to 324.5 million tonnes. Bashneft Group has a reserves-to-production ratio of 16 years. Proved and probable (2P) reserves totalled 436.0 million tonnes. Overall reserves of Bashneft Group (including possible reserves) amounted to 587.5 million tonnes. During the six months ended 30 June 2016, production at the developed licence areas totalled 10.6 million tonnes.

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

During the six months ended 30 June 2016, the Group's refineries processed 8.8 million tonnes of hydrocarbons. Refining depth averaged 86.2%, which is one of the best results among Russian vertically integrated oil companies.

During the six months ended 30 June 2016, Bashneft Group sold 4.6 million tonnes of petroleum products on the domestic market and exported 3.7 million tonnes of petroleum products. The Group also sold 5.5 million tonnes of crude oil, including 4.1 million tonnes of exported crude oil.

As of 30 June 2016, Bashneft Group's retail network comprised 572 operating petrol stations and 120 partner petrol stations, including 78 petrol stations operating under the Bashneft brand name under a franchise agreement.

## KEY FINANCIAL AND OPERATING RESULTS

	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Revenue (million roubles)	141,868	131,259	8.1%	273,127	295,675	-7.6%
EBITDA (million roubles)	33,405	28,545	17.0%	61,950	62,013	-0.1%
Adjusted EBITDA (million roubles) <sup>1</sup>	33,161	28,165	17.7%	61,326	62,591	-2.0%
Operating profit (million roubles)	22,639	18,337	23.5%	40,976	47,440	-13.6%
Profit for the period attributable to the owners of the parent company (million roubles)	14,833	14,434	2.8%	29,267	29,298	-0.1%
CAPEX (million roubles)	20,918	17,227	21.4%	38,145	27,563	38.4%
Operating cash flow (million roubles)	22,506	59,422	-62.1%	81,928	34,920	n/a
Adjusted operating cash flow (million roubles) <sup>2</sup>	22,506	20,179	11.5%	42,685	34,920	22.2%
Oil production (thousand tonnes)	5,294	5,286	0.2%	10,580	9,540	10.9%
Oil refining (thousand tonnes)	4,092	4,732	-13.5%	8,824	9,193	-4.0%

	30 June		31 March	30 June		
	2016	2016	Change	2016	2015	Change
Net debt (million roubles)	84,594	72,673	16.4%	84,594	125,870	-32.8%
Adjusted net debt (million roubles) <sup>3</sup>	104,938	107,463	-2.3%	104,938	123,388	-15.0%

Major events during the six months of 2016 that had an impact on the performance of Bashneft Group:

- in January 2016, the Group closed a financing transaction worth US\$ 500 million (39,243 million roubles). Financing was to be provided in the form of prepayment under a long-term contract for the supply of crude oil and petroleum products;
- in January and February 2016, the Group fully repaid the outstanding amount of a secured floating-rate loan and the corresponding outstanding amount of accrued interest denominated in US dollars and totalling 5,239 million roubles;
- in February 2016, the Group completed the purchase of bonds worth a total of 9,859 million roubles under a put option;
- in March 2016, the Group completed the acquisition of 21,505,680 ordinary shares (19.043% of the authorized share capital) of PJSC Ufaorgsintez from CJSC Sistema-Invest for 3,550 million roubles. The transaction enabled the Group to consolidate 100% of voting shares in PJSC Ufaorgsintez;

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

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
EBITDA	33,405	28,545	17.0%	61,950	62,013	-0.1%
Other operating (income)/expenses, net	(244)	(380)	-35.8%	(624)	578	n/a
<b>Adjusted EBITDA</b>	<b>33,161</b>	<b>28,165</b>	<b>17.7%</b>	<b>61,326</b>	<b>62,591</b>	<b>-2.0%</b>

<sup>2</sup> Adjusted operating cash flow excludes prepayment received in the 1<sup>st</sup> quarter of 2016 under the long-term crude oil and petroleum product supply contract, which totalled US\$ 500 million (39,243 million roubles).

<sup>3</sup> Adjusted net debt is calculated as net debt increased by the amount of the long-term portion of prepayment under crude oil and petroleum product supply contracts and reduced by the amount of short-term financial investments

- in March 2016, Vostok NAO Oil Company, a joint venture of the Group and PJSC Lukoil, started drilling the first prospecting well as part of its geological exploration programme in the Nenets Autonomous District;
- in May 2016, the Group redeemed bonds worth a total of 15,000 million roubles with the coupon rates of 12.0%-12.1% per annum. At the same time, the Group placed bonds with a total par value of 25,000 million roubles with the coupon rates of 10.5%-10.9% per annum;
- In June 2016, Bashneft annual shareholders meeting decided to declare dividends of 29,132 million roubles for the 2015 fiscal year (164 roubles per one ordinary and per one preferred registered share).



## **MAIN FACTORS INFLUENCING OPERATING RESULTS**

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

- international and domestic market prices for crude oil and petroleum products;
- the rouble/dollar exchange rate and inflation rate;
- taxation;
- transportation tariffs.

### **Prices for crude oil and petroleum products**

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

	2Q	1Q		6M		
	2016	2016	Change	2016	2015	Change
<b>Prices for crude oil and petroleum products<sup>4</sup></b>						
Brent crude oil (US\$ per barrel)	45.6	33.9	34.5%	39.8	57.8	-31.1%
Brent crude oil (roubles per barrel)	3,004	2,533	18.6%	2,797	3,320	-15.8%
Urals crude oil (US\$ per barrel)	44.3	32.7	35.5%	38.6	57.7	-33.1%
Urals crude oil (roubles per barrel)	2,919	2,442	19.5%	2,709	3,311	-18.2%
Fuel oil (average FOB Rotterdam/CIF NWE) (US\$ per tonne)	196.6	132.5	48.4%	164.8	296.1	-44.3%
Fuel oil (average FOB Rotterdam/CIF NWE) (roubles per tonne)	12,951	9,885	31.0%	11,576	16,996	-31.9%
Diesel fuel (average FOB Rotterdam/CIF NWE) (US\$ per tonne)	407.5	306.3	33.0%	357.3	544.3	-34.4%
Diesel fuel (average FOB Rotterdam/CIF NWE) (roubles per tonne)	26,853	22,857	17.5%	25,105	31,240	-19.6%
High-octane gasoline (FOB Rotterdam) (US\$ per tonne)	487.7	369.0	32.2%	428.8	598.5	-28.4%
High-octane gasoline (FOB Rotterdam) (roubles per tonne)	32,134	27,538	16.7%	30,128	34,351	-12.3%
Naphtha (average FOB Rotterdam/CIF NWE) (US\$ per tonne)	397.9	318.4	25.0%	358.5	500.4	-28.4%
Naphtha (average FOB Rotterdam/CIF NWE) (roubles per tonne)	26,215	23,764	10.3%	25,186	28,723	-12.3%
Vacuum gas oil (FOB NWE) (US\$ per tonne)	312.7	222.8	40.4%	268.1	408.2	-34.3%
Vacuum gas oil (FOB NWE) (roubles per tonne)	20,605	16,626	23.9%	18,837	23,428	-19.6%
<b>Russian market (roubles per tonne, with excises on petroleum products, net of VAT)<sup>5</sup></b>						
Crude oil	13,370	9,924	34.7%	11,647	13,222	-11.9%
Fuel oil	5,637	3,829	47.2%	4,733	8,462	-44.1%
Diesel fuel (summer gasoil)	27,839	25,787	8.0%	26,813	27,906	-3.9%
Diesel fuel (winter gasoil)	28,942	27,125	6.7%	28,033	29,264	-4.2%
High-octane gasoline	33,794	30,190	11.9%	31,992	29,333	9.1%
Low-octane gasoline	32,487	29,007	12.0%	30,747	28,247	8.9%

<sup>4</sup> Source: Platts.

<sup>5</sup> Source: Thomson Reuters KORTES.



## Rouble/dollar exchange rate and inflation rate

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

In addition, capital and operating expenses of Bashneft Group affected by inflation rate.

	2Q	1Q	Change	6M		
	2016	2016		2016	2015	Change
Rouble inflation (Consumer Price Index) during the stated periods <sup>6</sup>	1.2%	2.1%	-0.9 p.p.	3.3%	8.5%	-5.2 p.p.
Rouble/dollar exchange rate at the end of the period (roubles per US\$)	64.3	67.6	-4.9%	64.3	55.5	15.9%
Rouble/dollar average exchange rate for the period (roubles per US\$)	65.9	74.6	-11.7%	70.3	57.4	22.5%

## Taxation

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

	2Q	1Q	Change	6M		
	2016	2016		2016	2015	Change
<b>Mineral extraction tax (roubles per tonne)</b>						
Crude oil	6,139	4,080	50.5%	5,109	6,954	-26.5%
<b>Export tariff (US\$ per tonne)</b>						
Crude oil	67.2	55.0	22.2%	61.1	130.3	-53.1%
Gasoline	40.9	33.5	22.1%	37.2	101.6	-63.4%
Light and medium distillates	26.8	22.0	21.8%	24.4	62.5	-61.0%
Diesel fuel	26.8	22.0	21.8%	24.4	62.5	-61.0%
Fuel oil	55.0	45.1	22.0%	50.0	99.0	-49.5%
Straight-run gasoline (naphtha)	47.6	39.0	22.1%	43.3	110.7	-60.9%
<b>Export tariff (roubles per tonne)</b>						
Crude oil	4,428	4,105	7.9%	4,293	7,479	-42.6%
Gasoline	2,695	2,500	7.8%	2,614	5,832	-55.2%
Light and medium distillates	1,766	1,642	7.6%	1,714	3,587	-52.2%
Diesel fuel	1,766	1,642	7.6%	1,714	3,587	-52.2%
Fuel oil	3,624	3,366	7.7%	3,513	5,682	-38.2%
Straight-run gasoline (naphtha)	3,136	2,911	7.7%	3,042	6,354	-52.1%

The following rates of excise on petroleum products (roubles per tonne) have been set in the Russian Federation:

	2015	1 January – 31 March 2016	1 April – 31 December 2016	As from 1 January 2017
<b>Motor gasoline</b>				
non-compliant with class 5	7,300	10,500	13,100	12,300
compliant with class 5	5,530	7,530	10,130	7,430
<b>Straight-run gasoline</b>	<b>11,300</b>	<b>10,500</b>	<b>13,100</b>	<b>12,300</b>
<b>Diesel fuel</b>	<b>3,450</b>	<b>4,150</b>	<b>5,293</b>	<b>5,093</b>
<b>Engine oil</b>	<b>6,500</b>	<b>6,000</b>	<b>6,000</b>	<b>5,400</b>
<b>Medium distillates</b>	<b>-</b>	<b>4,150</b>	<b>5,293</b>	<b>5,093</b>

<sup>6</sup> Source: Federal State Statistics Service (Rosstat).

## Mineral extraction tax

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

In accordance with the Tax Code, as from 1 January 2015, mineral extraction tax per tonne of crude oil is calculated as follows:

$$\text{Mineral extraction tax} = \text{Tax rate} \times Kc - Dm$$

where Dm is calculated using the following formula:  $DM = KNDPI \times KC \times (1 - KV \times KZ \times KD \times KDV \times KKAN)$ ,

where:

As from 1 January 2016, the tax rate for crude oil amounts to 857 roubles (766 roubles in 2015; 919 roubles in 2017);

KC is a coefficient reflecting changes in global oil prices which is calculated as  $(C - 15) \times R / 261$ , where C is the average price of Urals crude oil in US dollars and R is the average US dollar exchange rate set by the Central Bank of the Russian Federation;

KNDPI amounts to 559 starting from 1 January 2016 (530 roubles in 2015);

KV is a depletion coefficient for a specific subsoil area;

KZ is a coefficient reflecting the amount of reserves at a specific subsoil area;

KD is a coefficient reflecting the complexity of oil production;

KDV is a depletion coefficient for a specific hydrocarbon deposit;

KKAN is a coefficient characterizing the oil-producing region and the properties of oil.

Actual mineral extraction tax expenses during the six months of 2016 were 27% lower than the current mineral extraction tax rate due to the fact that:

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

	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Current mineral extraction tax rates (roubles per barrel)	841.0	558.9	50.5%	699.9	952.6	-26.5%
Actual mineral extraction tax expenses (roubles per barrel)	614.8	407.2	51.0%	511.1	720.9	-29.1%



## Export tariff on crude oil

Under applicable legislation, the rates of the export customs tariff on crude oil shall not exceed the maximum tariff rate, which is calculated as follows:

Average price for Urals crude oil (C), US\$ per tonne	Export tariff, US\$ per tonne
$C \leq 109.5$	No tariff is imposed
$109.5 < C \leq 146$	$35\% \times (C - 109.5)$
$146 < C \leq 182.5$	$12.78 + 45\% \times (C - 146)$
$C > 182.5$	$29.2 + 42\% \times (C - 182.5)$ (until 31 December 2016 inclusive) $29.2 + 30\% \times (C - 182.5)$ (as from 1 January 2017)

C is the average price for Urals crude oil on the Mediterranean and Rotterdam crude oil markets during the monitoring period preceding the calendar month when the tariff rate was set. The monitoring period is a period from the 15th day of each calendar month until the 14th day of the next calendar month inclusive.

## Export tariff on petroleum products

The rates of the export customs tariff on certain categories of petroleum products are calculated as the rate of the export tariff on crude oil multiplied by a calculation coefficient, which varies depending on the type of petroleum products. Under applicable legislation, the following calculation coefficients are used:

	2015	2016	As from 1 January 2017
Light and medium distillates (except for straight-run and commercial gasoline), benzene, toluene, xylene, lubricants	48%	40%	30%
Straight-run gasoline	85%	71%	55%
Commercial gasoline	78%	61%	30%
Fuel oil, petroleum bitumen, used petroleum products, paraffin wax, vaseline	76%	82%	100%
Raw petroleum coke, propylene trimers and tetramers		6.5% for all periods	
Calcined petroleum coke		0% for all periods	



## **Transportation tariffs**

The Group transports produced oil and certain types of petroleum products both across the Russian Federation and beyond via a system of trunk pipelines owned by PJSC Transneft and by rail. The principal rail carrier is OJSC Russian Railways. PJSC Transneft and OJSC Russian Railways are natural monopolists.

The following tariffs<sup>7</sup> were applied on principal transportation routes for the Group's crude oil and petroleum products (the tariffs are stated per tonne, in thousand roubles, net of VAT):

### **Crude oil – pipeline transportation**

departure point	destination	2Q 2016	1Q 2016
Mugen	JSC Antipinsky Refinery (Konda)	0.32	0.32
Kaltasy	Fényeslitke (Hungary) / Budkovce (Slovakia)	1.78	1.76
Kaltasy	Sheskhari transshipment complex	1.24	1.24
Kaltasy	Primorsk oil storage facility	1.40	1.40
Kaltasy	Naftan	1.15	1.15

### **Petroleum products – pipeline transportation**

departure point	destination	2Q 2016	1Q 2016
<b><u>Diesel fuel</u></b>			
Cherkassy	Bryansk oil loading terminal	1.70	1.69
Cherkassy	Primorsk seaport	3.21	3.18
Cherkassy	Gomel oil loading terminal	1.85	1.85

### **Petroleum products – rail transportation**

departure point	destination	2Q 2016	1Q 2016
<b><u>Gasoline</u></b>			
Group of Ufa refineries	Ventspils	4.36	4.36
Group of Ufa refineries	Vysotsk	2.42	2.42
<b><u>Diesel fuel</u></b>			
Group of Ufa refineries	Novorossiysk	3.23	3.23
<b><u>Fuel oil</u></b>			
Group of Ufa refineries	Vysotsk	3.18	3.30
Group of Ufa refineries	Avtovo	3.29	3.29

<sup>7</sup> Source: PJSC Transneft (Oil Transporting Joint-Stock Company Transneft until July 21, 2016) and OJSC Russian Railways.



## **OPERATING RESULTS**

### **Production**

(thousand tonnes)	2Q	1Q	Change	6M		Change
	2016	2016		2016	2015	
<b>Oil production</b>	<b>5,294</b>	<b>5,286</b>	<b>0.2%</b>	<b>10,580</b>	<b>9,540</b>	<b>10.9%</b>
<i>mature fields</i>	4,151	4,206	-1.3%	8,357	8,240	1.42%
<i>Sorovsk field</i>	572	569	0.5%	1,141	686	66.3%
<i>the R. Trebs and A. Titov fields</i>	571	511	11.7%	1,082	614	76.2%
Daily average production of crude oil (thousand barrels per day)	424.7	424.0	0.2%	424.4	384.8	10.3%

In the 2nd quarter of 2016, production volume remained flat quarter on quarter and totalled 5,294 thousand tonnes.

During the six months ended 30 June 2016, production volume increased by 10.9% compared to the same period in 2015 and totalled 10,580 thousand tonnes, primarily due to further development of Sorovsk field and the R. Trebs and A. Titov fields.

### **Refining**

(thousand tonnes)	2Q	1Q	Change	6M		Change
	2016	2016		2016	2015	
<b>Crude oil refining</b>	<b>4,092</b>	<b>4,732</b>	<b>-13.5%</b>	<b>8,824</b>	<b>9,193</b>	<b>-4.0%</b>
<b>Output of petroleum products and petrochemicals</b>						
Diesel fuel	1,660	1,871	-11.3%	3,531	3,661	-3.6%
Gasoline (including alkylate <sup>8</sup> )	895	1,153	-22.4%	2,048	2,191	-6.5%
Fuel oil	492	630	-21.9%	1,122	1,283	-12.5%
Petrochemicals	288	341	-15.5%	629	600	4.8%
Other	437	446	-2.0%	883	933	-5.4%
<b>Total production of petroleum products and petrochemicals</b>	<b>3,772</b>	<b>4,441</b>	<b>-15.1%</b>	<b>8,213</b>	<b>8,668</b>	<b>-5.2%</b>
Refining depth (%)	86.2%	86.2%	-	86.2%	85.2%	1.0 p.p.
Share of light products (%)	67.7%	68.9%	-1.2 p.p.	68.3%	68.5%	-0.2 p.p.

In the 2nd quarter of 2016, refining volume decreased by 13.5% compared to the 1st quarter of 2016 and totalled 4,092 thousand tonnes. During the six months ended 30 June 2016, refining volume declined by 4.0% compared to the same period in 2015 and totalled 8,824 thousand tonnes, which in both periods was related to scheduled major repairs at the industrial site of the Ufimsky Refinery Plant and the consequent temporary shutdown of a number of process units.

<sup>8</sup> Stable natural gasoline.



## FINANCIAL RESULTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(million roubles)	2Q	1Q	Change	6M		
	2016	2016		2016	2015	Change
<b>Revenue</b>						
Crude oil sales	49,580	37,703	31.5%	87,283	84,801	2.9%
Petroleum products and petrochemicals sales	91,219	92,494	-1.4%	183,713	208,753	-12.0%
Other sales	1,069	1,062	0.7%	2,131	2,121	0.5%
<b>Total revenue</b>	<b>141,868</b>	<b>131,259</b>	<b>8.1%</b>	<b>273,127</b>	<b>295,675</b>	<b>-7.6%</b>
<b>Operating expenses</b>						
Cost of purchased crude oil, gas and petroleum products	(25,023)	(26,589)	-5.9%	(51,612)	(63,895)	-19.2%
Export tariffs and excises	(20,877)	(20,315)	2.8%	(41,192)	(51,182)	-19.5%
Taxes other than income tax	(26,625)	(19,094)	39.4%	(45,719)	(56,099)	-18.5%
Production and operating expenses	(20,038)	(21,196)	-5.5%	(41,234)	(35,294)	16.8%
Transportation costs	(9,901)	(10,868)	-8.9%	(20,769)	(17,825)	16.5%
Depletion and depreciation	(10,766)	(10,208)	5.5%	(20,974)	(14,573)	43.9%
Selling, general and administrative expenses	(6,243)	(5,032)	24.1%	(11,275)	(8,789)	28.3%
Other operating income/(expenses), net	244	380	-35.8%	624	(578)	n/a
<b>Total costs and expenses</b>	<b>(119,229)</b>	<b>(112,922)</b>	<b>5.6%</b>	<b>(232,151)</b>	<b>(248,235)</b>	<b>-6.5%</b>
<b>Operating profit</b>	<b>22,639</b>	<b>18,337</b>	<b>23.5%</b>	<b>40,976</b>	<b>47,440</b>	<b>-13.6%</b>
(Impairment)/reversal of impairment of assets, net	(179)	5,577	n/a	5,398	(97)	n/a
Financial income	1,692	1,477	14.6%	3,169	3,580	-11.5%
Financial costs	(4,076)	(4,128)	-1.3%	(8,204)	(9,209)	-10.9%
Foreign exchange losses, net	(1,165)	(3,520)	-66.9%	(4,685)	(3,321)	41.1%
Share in the losses of joint ventures, net of income tax	(289)	(301)	-4.0%	(590)	(787)	-25.0%
<b>Total other expenses</b>	<b>(4,017)</b>	<b>(895)</b>	<b>n/a</b>	<b>(4,912)</b>	<b>(9,834)</b>	<b>-50.1%</b>
<b>Profit before tax</b>	<b>18,622</b>	<b>17,442</b>	<b>6.8%</b>	<b>36,064</b>	<b>37,606</b>	<b>-4.1%</b>
Income tax	(3,955)	(3,295)	20.0%	(7,250)	(7,506)	-3.4%
<b>Profit for the period</b>	<b>14,667</b>	<b>14,147</b>	<b>3.7%</b>	<b>28,814</b>	<b>30,100</b>	<b>-4.3%</b>
Other comprehensive expenses net of income tax	-	-	n/a	-	-	n/a
<b>Total comprehensive income for the period</b>	<b>14,667</b>	<b>14,147</b>	<b>3.7%</b>	<b>28,814</b>	<b>30,100</b>	<b>-4.3%</b>
(Losses)/profit for the period attributable to non-controlling interests	(166)	(287)	-42.2%	(453)	802	n/a
<b>Profit for the period attributable to owners of the parent company</b>	<b>14,833</b>	<b>14,434</b>	<b>2.8%</b>	<b>29,267</b>	<b>29,298</b>	<b>-0.1%</b>
Total comprehensive (expenses)/income for the period attributable to non-controlling interests	(166)	(287)	-42.2%	(453)	802	n/a
<b>Total comprehensive income for the period attributable to owners of the parent company</b>	<b>14,833</b>	<b>14,434</b>	<b>2.8%</b>	<b>29,267</b>	<b>29,298</b>	<b>-0.1%</b>



## REVENUE

In the 2nd quarter of 2016, the revenue of Bashneft Group increased by 8.1% compared to the 1st quarter of 2016 and totalled 141,868 million roubles. This change was caused by a rise in prices, which was partially offset by a decrease in the volume of sales of crude oil and petroleum products.

During the six months ended 30 June 2016, revenue declined by 7.6% compared to the same period in 2015 and amounted to 273,127 million roubles. This change was caused by a fall in prices, which was partially offset by an increase in the volume of sales of crude oil.

(million roubles)	2Q	1Q	Change	6M		
	2016	2016		2016	2015	Change
<b>Revenue</b>						
Export sales of crude oil outside the Customs Union	36,757	27,691	32.7%	64,448	66,464	-3.0%
Export sales of crude oil to the Customs Union	3,495	2,725	28.3%	6,220	6,013	3.4%
Domestic sales of crude oil	9,328	7,287	28.0%	16,615	12,324	34.8%
<b>Total sales of crude oil</b>	<b>49,580</b>	<b>37,703</b>	<b>31.5%</b>	<b>87,283</b>	<b>84,801</b>	<b>2.9%</b>
<b>Export sales of petroleum products and petrochemicals</b>	<b>35,857</b>	<b>40,053</b>	<b>-10.5%</b>	<b>75,910</b>	<b>103,704</b>	<b>-26.8%</b>
<i>outside the Customs Union</i>	34,444	39,090	-11.9%	73,534	99,637	-26.2%
<i>to the Customs Union</i>	1,413	963	46.7%	2,376	4,067	-41.6%
<b>Domestic sales of petroleum products and petrochemicals</b>	<b>55,362</b>	<b>52,441</b>	<b>5.6%</b>	<b>107,803</b>	<b>105,049</b>	<b>2.6%</b>
<i>wholesale</i>	40,093	39,109	2.5%	79,202	77,831	1.8%
<i>retail</i>	15,269	13,332	14.5%	28,601	27,218	5.1%
<b>Total sales of petroleum products and petrochemicals</b>	<b>91,219</b>	<b>92,494</b>	<b>-1.4%</b>	<b>183,713</b>	<b>208,753</b>	<b>-12.0%</b>
Other sales <sup>9</sup>	1,069	1,062	0.7%	2,131	2,121	0.5%
<b>Total revenue</b>	<b>141,868</b>	<b>131,259</b>	<b>8.1%</b>	<b>273,127</b>	<b>295,675</b>	<b>-7.6%</b>

(thousand tonnes)	2Q	1Q	Change	6M		
	2016	2016		2016	2015	Change
<b>Sales volumes</b>						
Export sales of crude oil outside the Customs Union	1,899	1,819	4.4%	3,718	2,972	25.1%
Export sales of crude oil to the Customs Union	216	214	0.9%	430	381	12.9%
Domestic sales of crude oil	661	684	-3.4%	1,345	922	45.9%
<b>Total sales of crude oil</b>	<b>2,776</b>	<b>2,717</b>	<b>2.2%</b>	<b>5,493</b>	<b>4,275</b>	<b>28.5%</b>
<b>Export sales of petroleum products and petrochemicals</b>	<b>1,707</b>	<b>2,024</b>	<b>-15.7%</b>	<b>3,731</b>	<b>4,141</b>	<b>-9.9%</b>
<i>outside the Customs Union</i>	1,642	1,982	-17.2%	3,624	3,927	-7.7%
<i>to the Customs Union</i>	65	42	54.8%	107	214	-50.0%
<b>Domestic sales of petroleum products and petrochemicals</b>	<b>2,119</b>	<b>2,473</b>	<b>-14.3%</b>	<b>4,592</b>	<b>4,518</b>	<b>1.6%</b>
<i>wholesale</i>	1,715	2,109	-18.7%	3,824	3,758	1.8%
<i>retail</i>	404	364	11.0%	768	760	1.1%
<b>Total sales of petroleum products and petrochemicals</b>	<b>3,826</b>	<b>4,497</b>	<b>-14.9%</b>	<b>8,323</b>	<b>8,659</b>	<b>-3.9%</b>
<b>Total sales of crude oil, petroleum products and petrochemicals</b>	<b>6,602</b>	<b>7,214</b>	<b>-8.5%</b>	<b>13,816</b>	<b>12,934</b>	<b>6.8%</b>

<sup>9</sup> Revenue from other sales includes revenue from sales of goods and services that are not related to the Group's core business, such as lease of property, sales of related goods at petrol stations and sales of other goods and services.



## **Export and domestic sales of crude oil**

In the 2nd quarter of 2016, revenue from export sales of crude oil amounted to 40,252 million roubles, which is 32.3% more than in the 1st quarter of 2016. The increase in revenue in the 2nd quarter of 2016 was related mainly to a rise in prices in global markets and a 4.0% increase in the volume of crude oil sales.

During the six months ended 30 June 2016, revenue from export sales of crude oil totalled 70,668 million roubles, which is 2.5% less than in the same period in 2015. The decline in revenue was caused by a fall in prices in global markets, which was partially offset by an increase in crude oil sales volumes.

In the 2nd quarter of 2016, revenue from domestic sales of crude oil totalled 9,328 million roubles, which is 28.0% more than in the 1st quarter of 2016, due to a rise in prices on the domestic market.

During the six months ended 30 June 2016, revenue from domestic sales of crude oil totalled 16,615 million roubles, which is 34.8% higher than in the same period in 2015. This change was caused by an increase in crude oil sales volumes, which was partially offset by a fall in prices in the domestic market.

## **Export sales of petroleum products and petrochemicals**

(thousand tonnes)	2Q	1Q	Change	6M		Change
	2016	2016		2016	2015	
Diesel fuel	1,191	1,402	-15.0%	2,593	2,881	-10.0%
Fuel oil	297	120	n/a	417	685	-39.1%
High-octane gasoline	57	230	-75.2%	287	258	11.2%
Other	61	106	-42.5%	167	71	n/a
<b>Total sales of petroleum products</b>	<b>1,606</b>	<b>1,858</b>	<b>-13.6%</b>	<b>3,464</b>	<b>3,895</b>	<b>-11.1%</b>
Petrochemicals sales	101	166	-39.2%	267	246	8.5%
<b>Total export sales of petroleum products and petrochemicals</b>	<b>1,707</b>	<b>2,024</b>	<b>-15.7%</b>	<b>3,731</b>	<b>4,141</b>	<b>-9.9%</b>

## **Export sales of petroleum products and petrochemicals outside the Customs Union**

In the 2nd quarter of 2016, revenue from export sales of petroleum products and petrochemicals outside the Customs Union totalled 34,444 million roubles, which is 11.9% lower than in the 1st quarter of 2016, mainly due to a 17.2% reduction in the sales volume of petroleum products and petrochemicals.

During the six months ended 30 June 2016, revenue from sales of petroleum products and petrochemicals outside the Customs Union decreased by 26.2% compared to the same period in 2015 and totalled 73,534 million roubles. This change was caused mainly by a fall in prices combined with a reduction in sales volumes of petroleum products and petrochemicals.

## **Export sales of petroleum products and petrochemicals to the Customs Union**

In the 2nd quarter of 2016, revenue from sales of petroleum products to the Customs Union amounted to 1,413 million roubles, which is 46.7% more than in the 1st quarter of 2016. The growth of revenue from export sales of petroleum products to the Customs Union was related to a 54.8% increase in the volume of petroleum product sales to the Customs Union in the 2nd quarter of 2016.

During the six months ended 30 June 2016, revenue from sales of petroleum products and petrochemicals to the Customs Union decreased by 41.6% compared to the same period in 2015 and totalled 2,376 million roubles.



The decline in revenue was caused by a 50.0% reduction in the volume of petroleum product sales related to a decrease in gasoline sales volumes due to the existing market conditions.

### **Domestic sales of petroleum products and petrochemicals**

(thousand tonnes)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
High-octane gasoline	883	891	-0.9%	1,774	1,913	-7.3%
Diesel fuel	469	483	-2.9%	952	830	14.7%
Fuel oil	173	561	-69.2%	734	621	18.2%
Other	427	368	16.0%	795	859	-7.5%
<b>Total sales of petroleum products</b>	<b>1,952</b>	<b>2,303</b>	<b>-15.2%</b>	<b>4,255</b>	<b>4,223</b>	<b>0.8%</b>
Petrochemicals sales	167	170	-1.8%	337	295	14.2%
<b>Total domestic sales of petroleum products and petrochemicals</b>	<b>2,119</b>	<b>2,473</b>	<b>-14.3%</b>	<b>4,592</b>	<b>4,518</b>	<b>1.6%</b>

### **Wholesale of petroleum products and petrochemicals**

In the 2nd quarter of 2016, revenue from wholesale distribution of petroleum products on the domestic market grew by 2.5% compared to the 1st quarter of 2016 and amounted to 40,093 million roubles, which was caused mainly by a rise in prices.

During the six months ended 30 June 2016, revenue from wholesale distribution of petroleum products and petrochemicals on the domestic market increased by 1.8% compared to the same period in 2015 and totalled 79,202 million roubles. The increase in revenue was related to a 1.8% increase in sales volumes.

### **Retail sales of petroleum products**

In the 2nd quarter of 2016, revenue from retail sales increased by 14.5% compared to the 1st quarter of 2016 and totalled 15,269 million roubles, which was related to an 11.0% seasonal increase in retail sales volumes on the domestic market.

During the six months ended 30 June 2016, revenue from retail sales increased by 5.1% compared to the same period in 2015 and totalled 28,601 million roubles. The increase in revenue from retail sales was caused mainly by a rise in prices on the domestic market.



## **COSTS AND EXPENSES**

### **Production and operating expenses**

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

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
<b>Production and operating expenses</b>						
Production	11,986	11,558	3.7%	23,544	19,723	19.4%
Refining	6,666	7,414	-10.1%	14,080	12,975	8.5%
Petrochemicals	1,379	1,414	-2.5%	2,793	2,436	14.7%
Other (including change in WIP and finished product balances, geological and engineering operations and other costs, net)	7	810	-99.1%	817	160	n/a
<b>Total production and operating expenses</b>	<b>20,038</b>	<b>21,196</b>	<b>-5.5%</b>	<b>41,234</b>	<b>35,294</b>	<b>16.8%</b>

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

Unit costs for production of crude oil (roubles per barrel)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
	310	300	3.3%	305	283	7.8%

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

In the 2nd quarter of 2016, unit costs for production of crude oil remained at the level reached in the 1st quarter of 2016 and amounted to 310 roubles per barrel.

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

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

Unit refining costs (roubles per barrel)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
	223	215	3.7%	219	193	13.5%

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

In the 2nd quarter of 2016, unit refining costs increased by 3.7% compared to the 1st quarter of 2016 and totalled 223 roubles per barrel due to a reduction in refining volumes.

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



## **Cost of purchased crude oil, gas and petroleum products**

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

Volumes of purchased crude oil, gas and petroleum products which formed the cost of goods sold are shown in the table below.

(thousand tonnes)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Purchased crude oil, gas, and gas condensate	1,703	2,380	-28.4%	4,083	4,337	-5.9%
Purchased petroleum products	40	14	185.7%	54	30	80.0%
<b>Total volume of purchased crude oil, gas, and petroleum products</b>	<b>1,743</b>	<b>2,394</b>	<b>-27.2%</b>	<b>4,137</b>	<b>4,367</b>	<b>-5.3%</b>

In the 2nd quarter of 2016, the cost of purchased crude oil, gas and petroleum products decreased by 5.9% compared to the 1st quarter of 2016 and amounted to 25,023 million roubles. This change was caused by a reduction in the volume of purchased crude oil, gas and gas condensate which was related to scheduled repairs and which was partially offset by a rise in prices.

During the six months ended 30 June 2016, the cost of purchased crude oil, gas and petroleum products decreased by 19.2% compared to the same period in 2015 and totalled 51,612 million roubles; this was caused mainly by a fall in prices.

## **Transportation costs**

In the 2nd quarter of 2016, transportation costs decreased by 8.9% compared to the 1st quarter of 2016 and totalled 9,901 million roubles. The decline in transportation costs was related mainly to a reduction in export sales volumes of petroleum products and petrochemicals.

During the six months ended 30 June 2016, transportation costs grew by 16.5% compared to the same period in 2015 and totalled 20,769 million roubles. The increase in transportation costs was related primarily to a rise in tariffs and an increase in the volume of crude oil exports.

## **Depletion and depreciation**

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
<b>Depletion and depreciation</b>	<b>10,766</b>	<b>10,208</b>	<b>5.5%</b>	<b>20,974</b>	<b>14,573</b>	<b>43.9%</b>

In the 2nd quarter of 2016, depletion and depreciation costs increased by 5.5% compared to the 1st quarter of 2016 and totalled 10,766 million roubles, which was related primarily to commissioning of new property, plant and equipment.

During the six months ended 30 June 2016, depletion and depreciation costs rose by 43.9% compared to the same period in 2015, which was caused mainly by an increase in the volume of crude oil production, as well as commissioning of new property, plant and equipment.



## Taxes other than income tax

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Mineral extraction tax	23,422	15,818	48.1%	39,240	50,346	-22.1%
Social taxes	2,147	2,138	0.4%	4,285	3,943	8.7%
Property tax	627	681	-7.9%	1,308	1,067	22.6%
Other	429	457	-6.1%	886	743	19.2%
<b>Total taxes other than income tax</b>	<b>26,625</b>	<b>19,094</b>	<b>39.4%</b>	<b>45,719</b>	<b>56,099</b>	<b>-18.5%</b>

In the 2nd quarter of 2016, taxes other than income tax increased by 39.4% compared to the 1st quarter of 2016 and amounted to 26,625 million roubles. This change was caused by an increase in mineral extraction tax payments due to a rise in the mineral extraction tax rate.

During the six months ended 30 June 2016, taxes other than income tax declined by 18.5% compared to the same period in 2015 and totalled 45,719 million roubles. This change was caused by a decrease in mineral extraction tax payments due to a reduction in the mineral extraction tax rate.

## Export tariffs and excises

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Export tariffs on crude oil	8,417	7,453	12.9%	15,870	22,261	-28.7%
Export tariffs on petroleum products	2,001	4,615	-56.6%	6,616	15,401	-57.0%
<b>Total export tariffs:</b>	<b>10,418</b>	<b>12,068</b>	<b>-13.7%</b>	<b>22,486</b>	<b>37,662</b>	<b>-40.3%</b>
Excises	10,459	8,247	26.8%	18,706	13,520	38.4%
<b>Total export tariffs and excises</b>	<b>20,877</b>	<b>20,315</b>	<b>2.8%</b>	<b>41,192</b>	<b>51,182</b>	<b>-19.5%</b>

In the 2nd quarter of 2016, the total amount of export tariffs on oil and petroleum products decreased by 13.7% compared to the 1st quarter of 2016 and totalled 10,418 million roubles.

In the 2nd quarter of 2016, the total amount of excises increased by 26.8% compared to the 1st quarter of 2016 and amounted to 10,459 million roubles due to a rise in excise rates as from 1 April 2016.

During the six months ended 30 June 2016, the total amount of export tariffs on oil and petroleum products decreased by 40.3% compared to the same period in 2015, which was caused mainly by a reduction in export tariff rates.

During the six months ended 30 June 2016, the total amount of excises grew by 38.4% compared to the same period in 2015, which was caused mainly by a rise in excise rates.



## **CASH FLOW**

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

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Cash generated from operating activities	22,506	59,422 <sup>10</sup>	-62.1%	81,928 <sup>10</sup>	34,920	134.6%
Cash used in investing activities	(33,518)	(22,167)	51.2%	(55,685)	(43,785)	27.2%
Cash (used in)/generated from financing activities	(8,693)	(18,249)	-52.4%	(26,942)	2,438	n/a

Cash generated from operating activities:

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Operating cash flow before working capital changes	33,678	29,104	15.7%	62,782	62,724	0.1%
Movements in working capital less cash and cash equivalents	(4,290)	38,136 <sup>10</sup>	n/a	33,846 <sup>10</sup>	(12,205)	n/a
Interest paid	(3,367)	(3,834)	-12.2%	(7,201)	(7,630)	-5.6%
Income tax paid	(3,515)	(3,984)	-11.8%	(7,499)	(7,969)	-5.9%
<b>Cash generated from operating activities</b>	<b>22,506</b>	<b>59,422</b>	<b>-62.1%</b>	<b>81,928</b>	<b>34,920</b>	<b>134.6%</b>

In the 2nd quarter of 2016, cash generated from operating activities totalled 22,506 million roubles. The main factor behind the change compared to the 1st quarter of 2016 consisted in movements in working capital due to the receipt of funds related to the prepayment under the long-term oil and petroleum product supply contract totalling US\$ 500 million (39,243 million roubles) in the 1st quarter of 2016. This event also resulted in a significant increase in cash generated from operating activities for the six months ended 30 June 2016 compared to the same period in 2015.

Cash used in investing activities:

(million roubles)	2Q		1Q	6M		
	2016	2016	Change	2016	2015	Change
Capital expenditures	(20,918)	(17,227)	21.4%	(38,145)	(27,563)	38.4%
Acquisition of financial assets, less proceeds from disposal of financial assets	(13,830)	(6,423)	115.3%	(20,253)	(18,233)	11.1%
Interest received	970	2,073	-53.2%	3,043	2,975	2.3%
Other	260	(590)	n/a	(330)	(964)	-65.8%
<b>Cash used in investing activities</b>	<b>(33,518)</b>	<b>(22,167)</b>	<b>51.2%</b>	<b>(55,685)</b>	<b>(43,785)</b>	<b>27.2%</b>

In the 2nd quarter of 2016, cash used in investing activities totalled 33,518 million roubles and was allocated for financing of capital investments and bank deposits.

During the six months ended 30 June 2016, cash used in investing activities increased by 27.2% compared to the same period in 2015 and totalled 55,685 million roubles; it was allocated for financing of capital investments and bank deposits.

<sup>10</sup> Including prepayment received in the 1<sup>st</sup> quarter of 2016 under the long-term crude oil and petroleum product supply contract, which totalled US\$ 500 million (39,243 million roubles).



## Cash (used in)/generated from financing activities:

(million roubles)	2Q		Change	6M		
	2016	2016		2016	2015	Change
Proceeds from borrowings	26,836	432	n/a	27,268	16,294	67.3%
Repayment of borrowings	(35,518)	(15,113)	n/a	(50,631)	(13,838)	n/a
<b>Total proceeds from and repayment of borrowings:</b>	<b>(8,682)</b>	<b>(14,681)</b>	<b>40.9%</b>	<b>(23,363)</b>	<b>2,456</b>	<b>n/a</b>
Acquisition of non-controlling interests	-	(3,550)	-100.0%	(3,550)	-	n/a
Dividends paid	(11)	(18)	-38.9%	(29)	(18)	61.1%
<b>Cash (used in)/generated from financing activities</b>	<b>(8,693)</b>	<b>(18,249)</b>	<b>-52.4%</b>	<b>(26,942)</b>	<b>2,438</b>	<b>n/a</b>

Acquisition of non-controlling interests includes the acquisition of 21,505,680 ordinary shares (19.043% of the authorized share capital) of PJSC Ufaorgsintez for 3,550 million roubles.

## FINANCING AND DEBT

(million roubles)	30 June		Change	30 June		
	2016	2016		2016	2015	Change
Short-term borrowings	21,025	31,054	-32.3%	21,025	18,073	16.3%
Long-term borrowings	92,437	90,700	1.9%	92,437	153,581	-39.8%
<b>Debt</b>	<b>113,462</b>	<b>121,754</b>	<b>-6.8%</b>	<b>113,462</b>	<b>171,654</b>	<b>-33.9%</b>
Cash and cash equivalents	(28,868)	(49,081)	-41.2%	(28,868)	(45,784)	-36.9%
<b>Net debt</b>	<b>84,594</b>	<b>72,673</b>	<b>16.4%</b>	<b>84,594</b>	<b>125,870</b>	<b>-32.8%</b>
Short-term financial investments	(29,500)	(16,500)	78.8%	(29,500)	(19,829)	48.8%
Long-term portion of prepayment under crude oil and petroleum product supply contracts	49,844	51,290	-2.8%	49,844	17,347	187.3%
<b>Adjusted net debt</b>	<b>104,938</b>	<b>107,463</b>	<b>-2.3%</b>	<b>104,938</b>	<b>123,388</b>	<b>-15.0%</b>

As of 30 June 2016, the Group's total debt in the form of short-term and long-term loans and borrowings totalled 113,462 million roubles compared to 121,754 million roubles as of 31 March 2016.

As of 30 June 2016, the annual weighted average interest rate on borrowings and bonds stood at 9.8% compared to 10.3% as of 31 March 2016. As of 30 June 2016, the annual weighted average interest rate on borrowings and bonds including interest payments on the long-term portion of prepayment under oil and petroleum product supply contracts stood at 7.8% compared to 8.2% as of 31 March 2016.

## CAPITAL EXPENDITURES

(million roubles)	2Q		Change	6M		
	2016	2016		2016	2015	Change
Production	16,866	14,082	19.8%	30,948	21,538	43.7%
<i>including</i>						
<i>development of the R. Trebs and A. Titov fields</i>	6,316	5,327	18.6%	11,643	8,047	44.7%
<i>development of Sorovsk field</i>	3,283	1,914	71.5%	5,197	3,179	63.5%
Refining, petrochemicals and marketing	3,916	2,967	32.0%	6,883	5,120	34.4%
Other	136	178	-23.6%	314	905	-65.3%
<b>Total cash used in capital expenditures</b>	<b>20,918</b>	<b>17,227</b>	<b>21.4%</b>	<b>38,145</b>	<b>27,563</b>	<b>38.4%</b>

In the 2nd quarter of 2016, capital expenditures grew by 21.4% compared to the 1st quarter of 2016 and totalled 20,918 million roubles. This increase was caused mainly by an increase in capital expenditures in the Production segment, including expenditure on Sorovsk field.

During the six months of 2016, capital expenditures increased by 38.4% compared to the same period in 2015 due to an increase in capital expenditures in the Production segment, including expenditure on Sorovsk field and the R. Trebs and A. Titov fields.

