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Industry Report

Extraction of crude petroleum and natural gas 2014 Bulgaria

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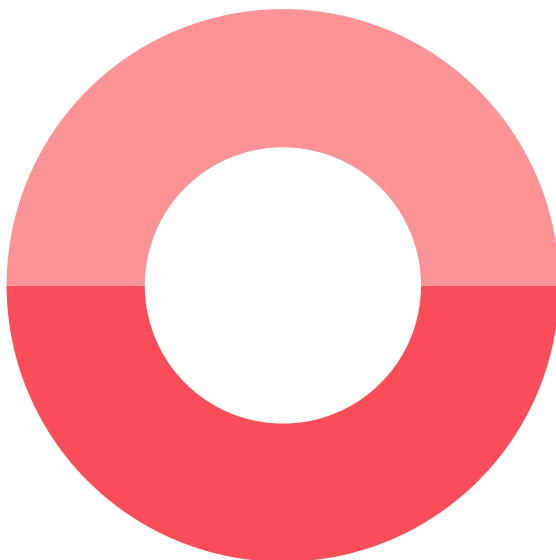
BULGARIA

I. KEY INDICATORS

- The Extraction of crude petroleum and natural gas industry in Bulgaria was represented by 8 companies at the end of 2014, compared to 7 in the previous year and 8 in 2012.
- The industry's net profit amounted to BGN 12,918,000 in 2014.
- The industry's total revenue was BGN 151,108,000 in 2014, down by 16.20% compared to the previous year.
- The combined costs of the companies in the Extraction of crude petroleum and natural gas industry reached BGN 134,458,000 in 2014, down by 5.25% year-on-year.
- The industry's total revenue makes up 0.2% to the country's Gross domestic product (GDP) in 2014, compared to 0.24% for 2013 and 0.35% in 2012.
- A total of 676 people were employed in the Extraction of crude petroleum and natural gas industry at the end of 2014, compared to 680 in 2013 and 622 in 2012.
- Most of the companies in the industry are based in Sofia, followed by Varna and Rogozina.

II. INTRODUCTION

In 2014 the companies in the Extraction of crude petroleum and natural gas industry numbered 8, distributed in 2 sectors.



Extraction of natural gas
Extraction of crude petroleum

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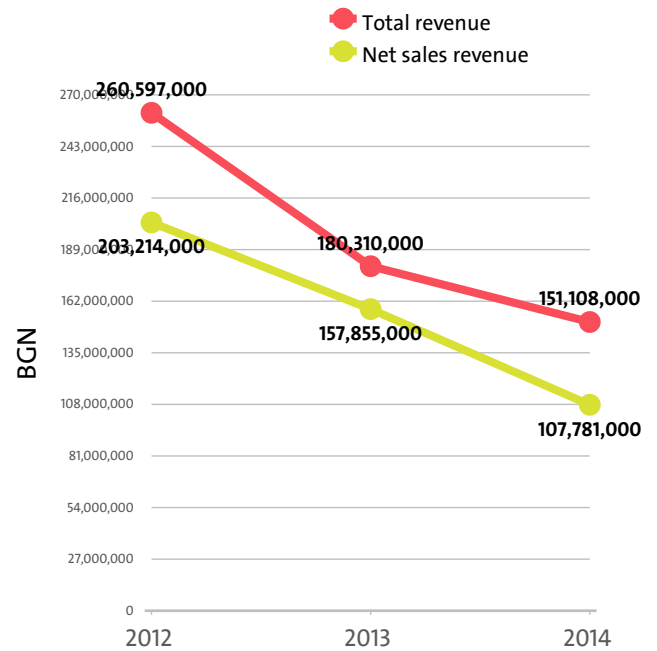
In 2013 there were a total of 7 companies operating in the industry. In 2012 their number totalled 8.

NUMBER OF COMPANIES IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS INDUSTRY BY SECTORS

SECTOR	2014	2013	2012
EXTRACTION OF NATURAL GAS	4	4	5
EXTRACTION OF CRUDE PETROLEUM	4	3	3

III. REVENUES

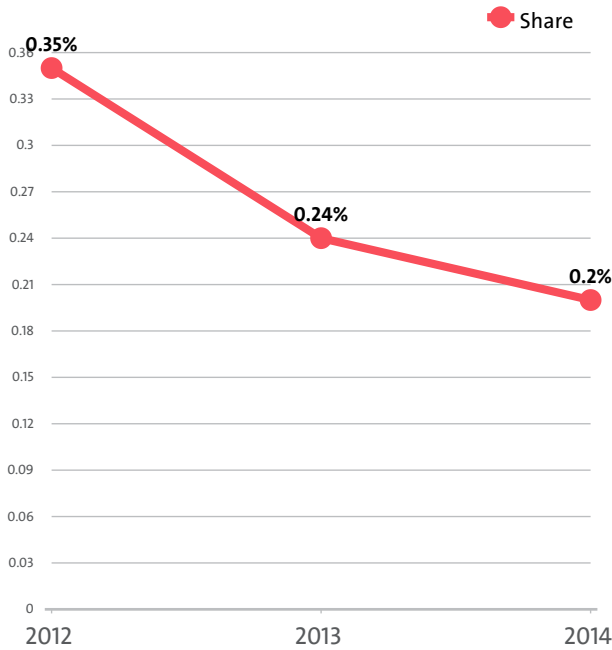
The total revenue in the industry was BGN 151,108,000 in 2014, BGN 180,310,000 in 2013 and 260,597,000 in 2012.



The companies in the Extraction of crude petroleum and natural gas market of Bulgaria earned combined net sales revenues of BGN 107,781,000 in 2014.

In annual terms, sales marked a drop of 31.72% compared to 2013. In comparison to 2012 they dropped by 46.96%. In 2013 sales fell by 22.32% year-on-year.

The Extraction of crude petroleum and natural gas industry total revenue make up 0.2% to the country's GDP in 2014, compared to 0.24% for 2013 and 0.35% in 2012.



In 2014 the Extraction of crude petroleum and natural gas industry contributed to GDP BGN 72,201,000 in Gross value added (GVA) accounting for 0.05% of the total for the country's economy.

In the previous year, the industry's GVA amounted BGN 105,303,000, accounting for 0.08% of the total for the country in 2013. In 2012 the GVA of the Extraction of crude petroleum and natural gas was BGN 219,395,000, or 0.17% of the GVA for the country's economy.

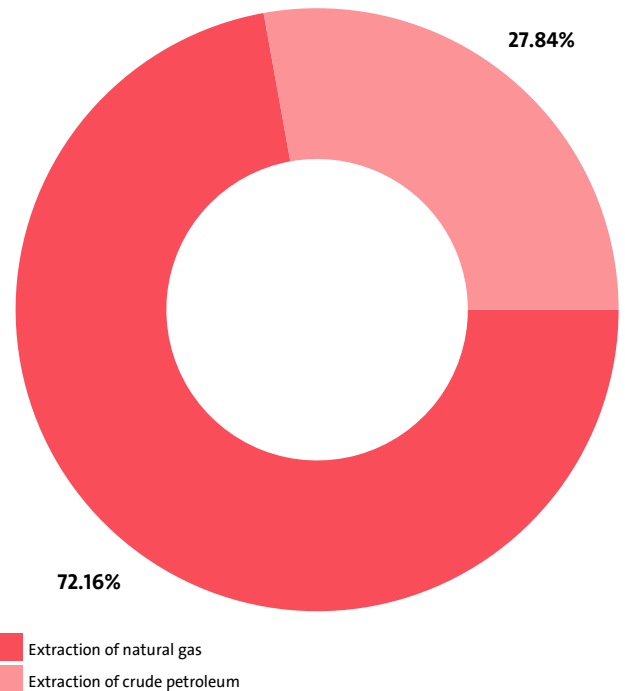
GVA BY SECTORS

RANK	SECTOR	BGN	SHARE OF THE COUNTRY'S GVA (%)
1	EXTRACTION OF NATURAL GAS	36,374,000	0.03
2	EXTRACTION OF CRUDE PETROLEUM	35,827,000	0.03

We expect, based on the trend in the last three years, the total revenue of the Extraction of crude petroleum and natural gas industry to change at a compound annual growth rate (CAGR) of -23.85% in 2015.

Extraction of natural gas contributed net sales revenue of BGN 77,779,000 or 72.16% of the total net sales in the industry, and sector Extraction of crude petroleum - BGN 30,002,000 (27.84%).

INDUSTRY'S NET SALES REVENUE STRUCTURE BY SECTORS



There was no industry's sector to report a growth in net sales revenues. In terms of annual drop, the top position was occupied by Extraction of natural gas with 37.07%.

TOP COMPANIES' REVENUE BY SEGMENTS

SEGMENT	COMPANY	TOTAL REVENUE (BGN)	NET SALES REVENUE (BGN)
EXTRACTION OF NATURAL GAS			
	PETROKELTIK OOD - LYUKSEMBURG	62,487,000	54,882,000
	PETROKELTIK BULGARIA EOOD	42,105,000	22,869,000
	SHEVRON BULGARIA EKSPLOREYSHAN END PRODAKSHAN EOOD	290,000	28,000
EXTRACTION OF CRUDE PETROLEUM			
	PROUCHVANE I DOBIV NA NEFT I GAZ AD	44,241,000	30,002,000
	MIZIYA OYL END GAZ BULGARIA EOOD	1,655,000	0
	VERMILION ENERDZHI BULGARIA EOOD	45,000	0

The top 5 companies in terms of total revenue in Extraction of crude petroleum and natural gas accounted for 99.78% of the industry's total in 2014, 100.00% in 2013 and 99.96% in 2012.

TOP COMPANIES BY TOTAL AND NET SALES REVENUE IN THE INDUSTRY

RANK	COMPANY	TOTAL REVENUE (BGN)	NET SALE REVENUE (BGN)
1	PETROKELTIK OOD - LYUKSEMBURG	62,487,000	54,882,000
2	PROUCHVANE I DOBIV NA NEFT I GAZ AD	44,241,000	30,002,000
3	PETROKELTIK BULGARIA EOOD	42,105,000	22,869,000
4	MIZIYA OYL END GAZ BULGARIA EOOD	1,655,000	0
5	SHEVRON BULGARIA EKSPLOREYSHAN END PRODAKSHAN EOOD	290,000	28,000

The total revenues of the top companies in the Extraction of crude petroleum and natural gas were 0.2% of GDP in 2014, compared to 0.24% for 2013 and 0.35% in 2012.

The top 5 by assets in the Extraction of crude petroleum and natural gas field made up BGN 107,753,000, or 99.97% of the total net sales revenue.

TOP BY TOTAL ASSETS IN THE INDUSTRY

RANK	COMPANY	BGN
1	PETROKELTIK OOD - LYUKSEMBURG	136,802,000
2	PROUCHVANE I DOBIV NA NEFT I GAZ AD	130,348,000
3	PETROKELTIK BULGARIA EOOD	92,559,000
4	RUSGEEKOM BG EAD	58,357,000
5	VERMILION ENERDZHI BULGARIA EOOD	2,112,000

TOP COMPANIES WITH HIGHEST ANNUAL GROWTH IN OPERATING REVENUE IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS

RANK	COMPANY	Y/Y GROWTH
1	RUSGEEKOM BG EAD	343.59%
2	PETROKELTIK BULGARIA EOOD	73.86%

TOP COMPANIES BY TOTAL REVENUE IN THE MARKET EXTRACTION OF NATURAL GAS WERE:

COMPANY	BGN
PETROKELTIK OOD - LYUKSEMBURG	62,487,000
PETROKELTIK BULGARIA EOOD	42,105,000
SHEVRON BULGARIA EKSPLOREYSHAN END PRODAKSHAN EOOD	290,000
RUSGEEKOM BG EAD	285,000

The largest companies in terms of total revenue in sector Extraction of crude petroleum and natural gas earned total revenue of BGN 105,167,000 and accounted for 69.60% of the industry's total revenue.

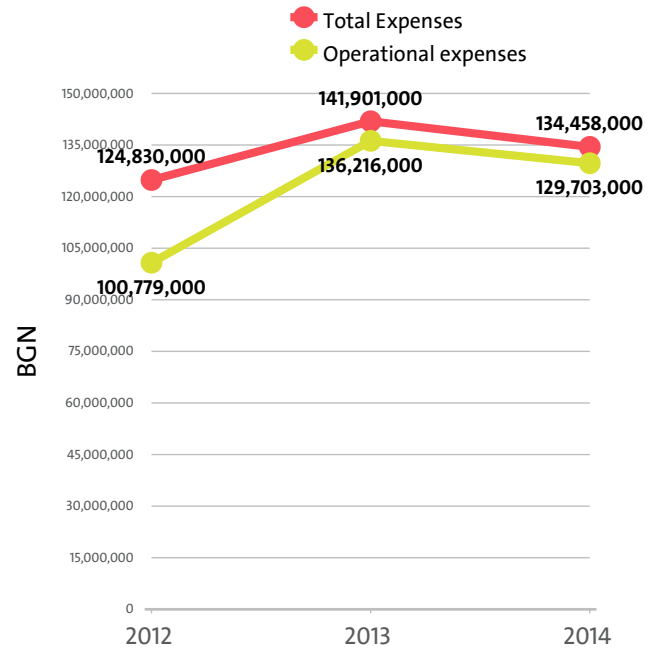
TOP COMPANIES BY TOTAL REVENUE IN THE FIELD EXTRACTION OF CRUDE PETROLEUM WERE:

COMPANY	BGN
PROUCHVANE I DOBIV NA NEFT I GAZ AD	44,241,000
MIZIYA OYL END GAZ BULGARIA EOOD	1,655,000
VERMILION ENERDZHI BULGARIA EOOD	45,000

The largest companies in terms of total revenue in sector Extraction of crude petroleum and natural gas earned total revenue of BGN 45,941,000 and accounted for 30.40% of the industry's total revenue.

IV. EXPENSES

The combined costs of the companies in the Extraction of crude petroleum and natural gas industry reached BGN 134,458,000 in 2014.



In annual terms, total expenses decreased by 5.25% compared to 2013 and increased by 7.71% in comparison to 2012.

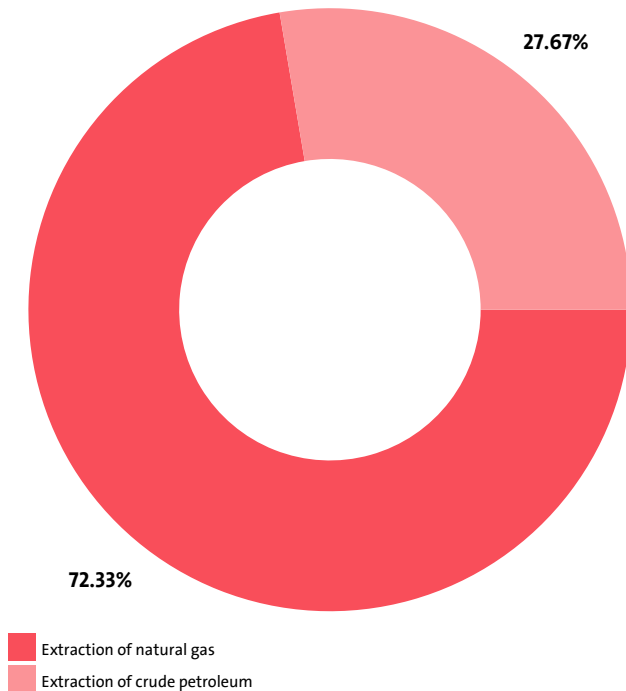
The total operating expenses of the companies in the Extraction of crude petroleum and natural gas industry were BGN 129,703,000 in 2014.

Operating costs dropped by 4.78% compared with the previous year and increased by 28.70% when compared to 2012.

We expect, based on the trend in the last three years, the total costs of the Extraction of crude petroleum and natural gas industry to change at a compound annual growth rate (CAGR) of 3.78% in 2015.

Extraction of natural gas reported the highest total costs, of BGN 97,254,000, followed by Extraction of crude petroleum with BGN 37,204,000.

INDUSTRY'S TOTAL COSTS STRUCTURE BY SECTORS

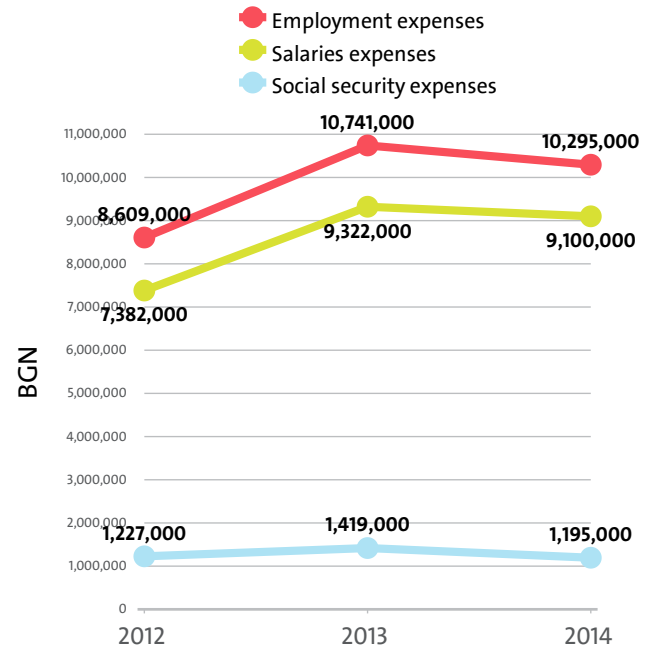


Extraction of crude petroleum marked the highest annual increase in total expenses, of 5.80%, while total expenses went down the most, by 8.88%, for Extraction of natural gas.

In terms of operating expenses, the highest rise, of 8.18%, was recorded by the Extraction of crude petroleum sector. The sharpest decline was posted by Extraction of natural gas - 8.95%.

The biggest spenders in the industry, with costs of over 10% of industry's costs, numbered 2, including PETROKELTIK OOD - LYUKSEMBURG, Prouchvane i Dobiv na Neft i Gaz AD. Below 5% threshold are 6 companies, including RUSGEOKOM BG EAD, MIZIYA OYL END GAZ BULGARIA EOOD, MIZIYA OPEREYSHANS BULGARIA OOD, VERMILION ENERDZHI BULGARIA EOOD, PETROKELTIK BULGARIA EOOD.

Employment expenses in the Extraction of crude petroleum and natural gas industry dropped by 4.15% on the year to BGN 10,295,000 in 2014.



The highest growth in labour costs, of 9.59%, was registered by Extraction of crude petroleum, while Extraction of natural gas marked the sharpest fall, of 28.56%.

The monthly costs per employee in the Extraction of crude petroleum and natural gas industry averaged BGN 1,269 in 2014, BGN 1,316 in 2013 and BGN 1,153 in 2012.

The monthly social security costs per employee in the industry averaged BGN 147 in 2014, versus BGN 174 in 2013 and BGN 164 in 2012.

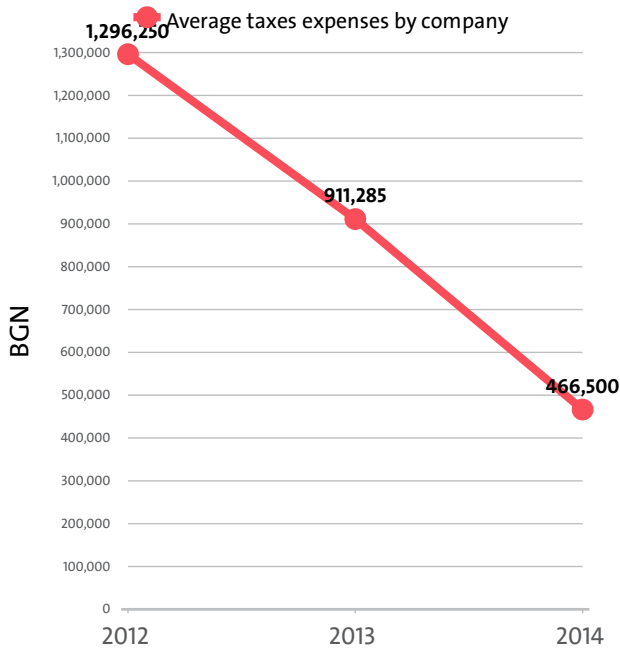
EMPLOYMENT EXPENSES IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS BY SECTORS IN 2014

RANK	SECTOR	EMPLOYMENT EXPENSES (BGN)	AVERAGE EXPENSES PER EMPLOYEE (BGN)
1	EXTRACTION OF CRUDE PETROLEUM	7,531,000	11,954
2	EXTRACTION OF NATURAL GAS	2,764,000	60,087

THE TOP COMPANIES BY AVERAGE MONTHLY COSTS PER EMPLOYEE IN THE INDUSTRY

RANK	COMPANY	BGN
1	SHEVRON BULGARIA EKSPLOREYSHAN END PRODAKSHAN EOOD	27,361
2	MIZIYA OYL END GAZ BULGARIA EOOD	19,583
3	PETROKELTIK BULGARIA EOOD	4,394
4	PETROKELTIK OOD - LYUKSEMBURG	2,873
5	RUSGEOKOM BG EAD	2,431

The industry's tax expenses stood at BGN 3,732,000 in 2014. In 2013 it paid taxes of BGN 6,379,000. In 2012 the industry paid BGN 10,370,000 in taxes.

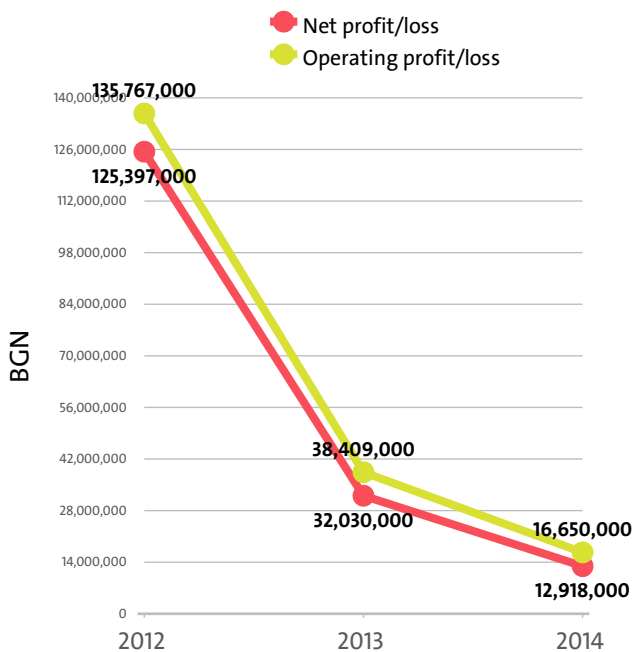


EXPENSES ON TAXES BY SECTORS

RANK	SECTOR	BGN	Y/Y CHANGE
1	EXTRACTION OF NATURAL GAS	3,622,000	-22.16%
2	EXTRACTION OF CRUDE PETROLEUM	110,000	-93.63%

V. PROFITABILITY

The industry's net profit amounted to BGN 12,918,000 in 2014, compared to a net profit of BGN 32,030,000 in 2013 and a net profit of BGN 125,397,000 in 2012.



TOP COMPANIES BY HIGHEST NET PROFIT IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS

RANK	COMPANY	BGN
1	PETROKELTIK BULGARIA EOOD	34,487,000
2	PROUCHVANE I DOBIV NA NEFT I GAZ AD	8,419,000

3	MIZIYA OYL END GAZ BULGARIA EOOD	214,000
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TOP COMPANIES BY HIGHEST NET LOSS IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS

RANK	COMPANY	BGN
1	PETROKELTIK OOD - LYUKSEMBURG	27,176,000
2	SHEVRON BULGARIA EKSPLOREYSHAN END PRODAKSHAN EOOD	2,821,000
3	RUSGEOKOM BG EAD	199,000
4	VERMILION ENERDZHI BULGARIA EOOD	5,000
5	MIZIYA OPEREYSHANS BULGARIA OOD	1,000

The combined operating earnings of the companies in the Extraction of crude petroleum and natural gas field went down by 56.65% y/y to BGN 16,650,000 in 2014.

OPERATING PROFIT/LOSS BY SECTORS (BGN)

SECTOR	2014	2013	2012
EXTRACTION OF CRUDE PETROLEUM	8,737,000	15,842,000	12,817,000
EXTRACTION OF NATURAL GAS	7,913,000	22,567,000	122,950,000

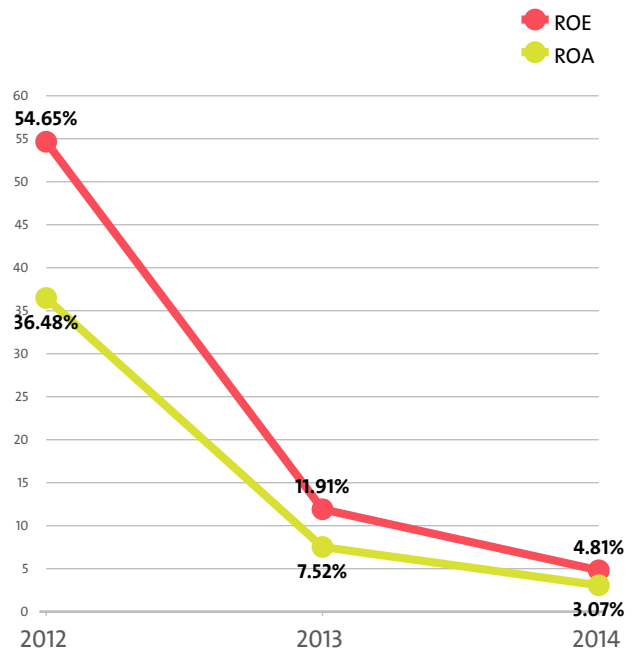
The profit margin for the Extraction of crude petroleum and natural gas industry stood at 12.32% in 2014, while in 2013 it amounted to 22.01% and 56.54% in 2012.

PROFIT MARGIN BY SECTORS

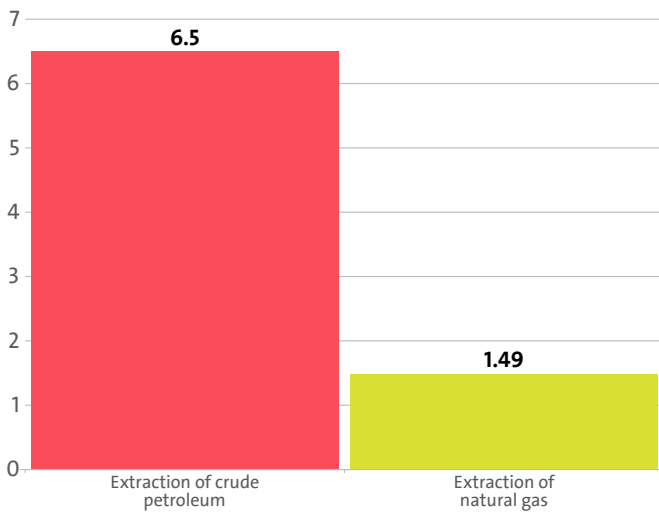
RANK	SECTOR	PROFIT MARGIN
1	EXTRACTION OF CRUDE PETROLEUM	20.49%
2	EXTRACTION OF NATURAL GAS	8.56%

The Extraction of crude petroleum and natural gas industry's return on equity (ROE) is 4.81% compared to 11.91% in 2013 and 54.65% in 2012.

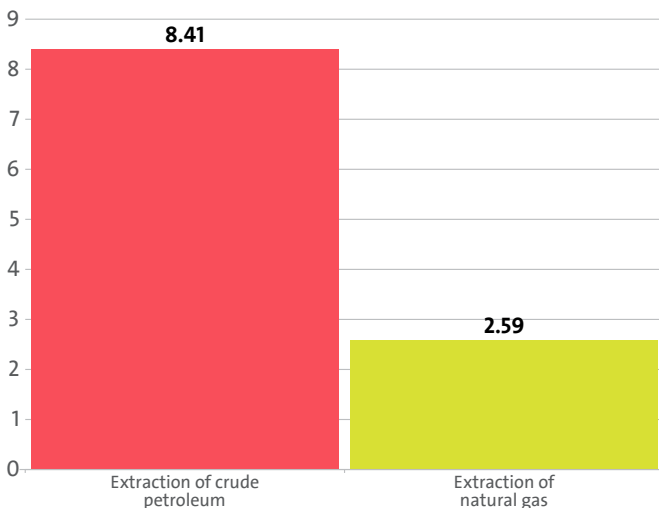
The Extraction of crude petroleum and natural gas's return on assets (ROA) was 3.07%, while in 2013 it amounted to 7.52% and 36.48% in 2012.



LEADING INDUSTRY'S SECTORS BY ROA



LEADING INDUSTRY'S SECTORS BY ROE



TOP COMPANIES BY HIGHEST AVERAGE NET PROFIT PER EMPLOYEE IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS

RANK	COMPANY	BGN	COMPANY HEADQUARTERS (CITY)
1	PETROKELTIK BULGARIA EOOD	1,915,944	VARNA
2	MIZIYA OYL END GAZ BULGARIA EOOD	107,000	SOFIA
3	PROUCHVANE I DOBIV NA NEFT I GAZ AD	13,406	VARNA

The average net sales revenue per employee in the Extraction of crude petroleum and natural gas industry amounted to BGN 159,439 in 2014, down by 31.32% compared to 2013 and down by 51.20% compared to 2012.

The industry's average operating revenue per employee decreased by 22.10% year-on-year in 2014 to BGN 199,898. It fell by 48.22% compared to 2012.

The Extraction of crude petroleum and natural gas industry generated an average BGN 223,533 in total revenue per employee. In 2013 and 2012 the figure was BGN 265,162 and BGN 418,966, respectively.

The average total revenue per company in the Extraction of crude petroleum and natural gas industry decreased to BGN 18,888,500 in 2014 from BGN 25,758,571 in 2013. The 2012 value was BGN 32,574,625.

A company in the Extraction of crude petroleum and natural gas sector made on average a net sales revenue of BGN 13,472,625 in 2014, compared to BGN 22,550,714 in 2013 and BGN 25,401,750 in 2012.

The Extraction of crude petroleum and natural gas industry made 0.05% of the overall sales country-wide, reducing its market share by 0.03 pp.

Operating profit per employee for the industry as a whole was BGN 24,630 in 2014. For comparison in 2013 it amounted to BGN 56,484 and BGN 56,484 in 2012.

THE TOP BY OPERATIONAL PROFIT PER EMPLOYEE IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS

RANK	COMPANY	BGN
1	PETROKELTIK BULGARIA EOOD	2,128,889
2	MIZIYA OYL END GAZ BULGARIA EOOD	116,500
3	PROUCHVANE I DOBIV NA NEFT I GAZ AD	13,551

TOP COMPANIES WITH HIGHEST CORRELATION OPERATING REVENUE - NUMBER OF EMPLOYEES - EMPLOYMENT EXPENSES*

RANK	COMPANY NAME	CORRELATION (BGN)
1	PETROKELTIK OOD - LYUKSEMBURG	2,854,053
2	PETROKELTIK BULGARIA EOOD	2,015,333
3	MIZIYA OYL END GAZ BULGARIA EOOD	587,000
4	PROUCHVANE I DOBIV NA NEFT I GAZ AD	54,033

*The correlation is calculated by subtracting the quotient of the operating profit, and the employment expenses to the number of employees.

AVERAGE REVENUES PER EMPLOYEE IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS IN 2014

SECTOR	AVERAGE NET SALES REVENUE (BGN)	AVERAGE OPERATING REVENUE (BGN)	AVERAGE TOTAL REVENUE (BGN)	NUMBER OF EMPLOYEES
EXTRACTION OF NATURAL GAS	1,690,848	2,010,717	2,286,239	46
EXTRACTION OF CRUDE PETROLEUM	47,622	67,679	72,922	630

AVERAGE REVENUE PER COMPANY IN EXTRACTION OF CRUDE PETROLEUM AND NATURAL GAS IN 2014

SECTOR	AVERAGE NET SALES REVENUE (BGN)	AVERAGE OPERATING REVENUE (BGN)	AVERAGE TOTAL REVENUE (BGN)	NUMBER OF COMPANIES
EXTRACTION OF NATURAL GAS	19,444,750	23,123,250	26,291,750	4
EXTRACTION OF CRUDE PETROLEUM	7,500,500	10,659,500	11,485,250	4

The total indebtedness of the companies in the Extraction of crude petroleum and natural gas industry was BGN 133,913,000 versus BGN 141,183,000 a year ago. In 2012 the industry's indebtedness totalled BGN 98,663,000.

INDUSTRY'S INDEBTEDNESS BY SECTORS (BGN)

SECTOR	2014	2013	2012
EXTRACTION OF NATURAL GAS	106,793,000	115,232,000	73,415,000
EXTRACTION OF CRUDE PETROLEUM	27,120,000	25,951,000	25,248,000

Debt-to-assets ratio of the companies in the industry is 0.32 in 2014. It was 0.33 in 2013 and 0.29 in 2012.

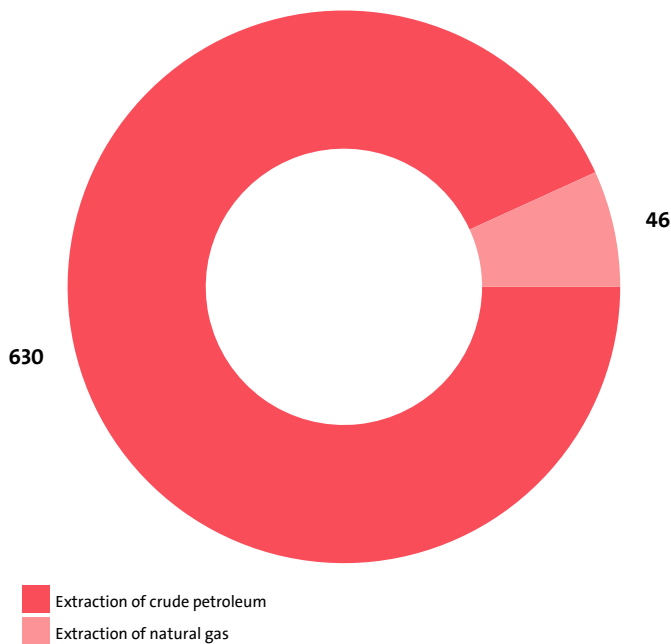
According to market experts, the greatest impact on the development of the Extraction of crude petroleum and natural gas industry has change in inventories of finished goods and work in progress. In 2014 it stood at BGN 0, according to the financial statements of the companies in the industry.

VI. EMPLOYMENT

A total of 676 people were employed in the Extraction of crude petroleum and natural gas field at the end of 2014, compared to 680 in 2013 and 622 in 2012.

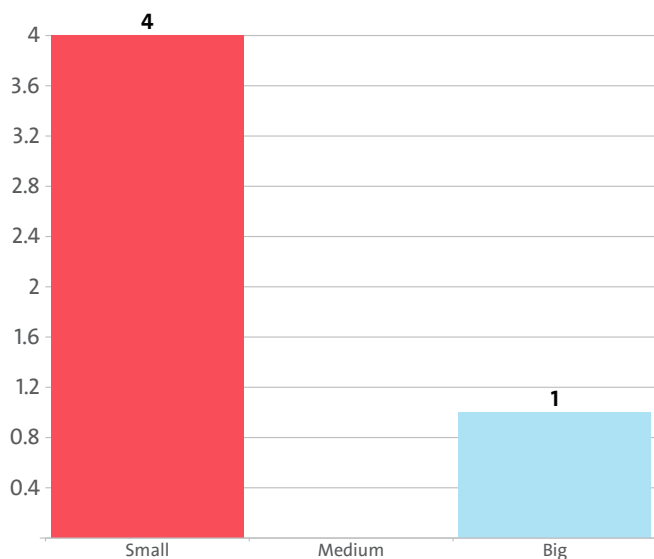
NUMBER OF EMPLOYEES BY INDUSTRY SECTORS

SECTOR	NUMBER	SHARE OF INDUSTRY TOTAL
EXTRACTION OF CRUDE PETROLEUM	630	93.20%
EXTRACTION OF NATURAL GAS	46	6.80%



When it comes to employees the sizes of firms vary. Some 5 have less than 50 employees, 1 count more than 250 employees*.

* Companies without data in the number of employees at end of the year are not taken into consideration.



The employees of the leading 5 companies in terms of numbers make up 99.70% of the workforce in the industry in

2014.

TOP FIRMS BY SHARE IN INDUSTRY'S TOTAL NUMBER OF EMPLOYEES

RANK	COMPANY	NUMBER OF EMPLOYEES	SHARE
1	PROUCHVANE I DOBIV NA NEFT I GAZ AD	628	92.90%
2	PETROKELTIK OOD - LYUKSEMBURG	19	2.81%
3	PETROKELTIK BULGARIA EOOD	18	2.66%
4	RUSGEOKOM BG EAD	6	0.89%
5	SHEVRON BULGARIA EKSPLOREYSHAN END PRODAKSHAN EOOD	3	0.44%

The Extraction of crude petroleum and natural gas industry is the 77th largest employer in the country with 676 employees with the largest employer being Retail trade, except of motor vehicles and motorcycles with 204,297 and Libraries, archives, museums and other cultural activities at the bottom with 66 employees.

The Extraction of crude petroleum and natural gas's share in the country's total employment was 0.03% in 2014, 0.03% in 2013 and 0.03% in 2012.

We expect, based on the trend in the last three years, the number of employees of the Extraction of crude petroleum and natural gas industry to change at a compound annual growth rate (CAGR) of 4.25% in 2015.

The industry is represented by the following companies

RUSGEOKOM BG EAD

MIZIYA OYL END GAZ BULGARIA EOOD

PETROKELTIK OOD - LYUKSEMBURG

MIZIYA OPEREYSHANS BULGARIA OOD

VERMILION ENERDZHI BULGARIA EOOD

PROUCHVANE I DOBIV NA NEFT I GAZ AD

PETROKELTIK BULGARIA EOOD

SHEVRON BULGARIA EKSPLOREYSHAN END
PRODAKSHAN EOOD

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