



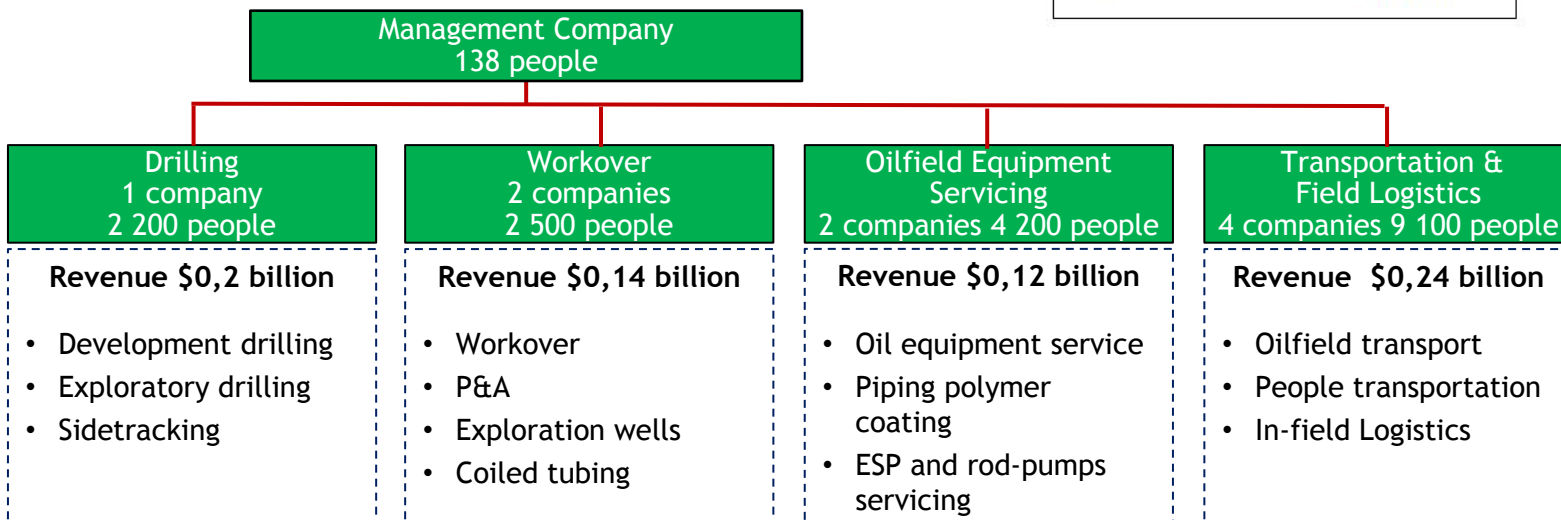
# TARGIN

Oilfield Services



# TARGIN snapshot

- 100% owned by AFK “Sistema”
- Spin-off from Bashneft in Q4’13
- Operations since 1938
- FY’13: revenue \$830M
- 18 000 people
- Debt-Free
- \$500M modernization program approved
- International QHSE management introduction



**New OFS company with good installed base, stable financial condition, and steady growth potential, both inside and outside Russia**



# TARGIN owner - AFK "Sistema"

Founded in 1993, Sistema is now the largest publicly listed diversified financial corporation in Russia & CIS

Assets under management\*: \$44B

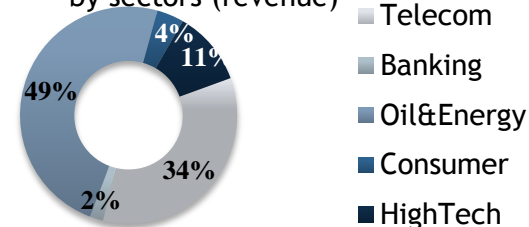
Market Capitalization\*\*: \$13.4B

Revenue in 2012: \$34B

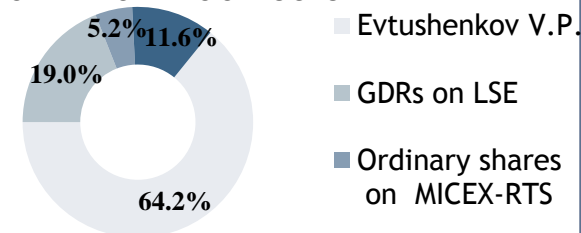
OIBDA in 2012: \$9B

- Active portfolio management through value added M&A and restructuring of the businesses
- Strong track record of monetising investments through sales to strategic acquirers and successful IPOs
- Strong cash flow generation and robust credit quality of Assets under Management
- Consistently low leverage and conservative credit metrics with under 2x Net Debt / OIBDA and over 4x interest coverage ratio
- Extensive pipeline of attractive M&A opportunities as well as multiple upside from existing portfolio

DIVERSIFIED PORTFOLIOS OF MARKET LEADERS by sectors (revenue)



SHAREHOLDERS STRUCTURE



## Investment portfolio structure

Oil&Energy	Telecom	Consumer	High Tech	Other***
<b>BASHNEFT (75%)</b> <i>Oil&amp;Gas operator</i> Listed on MICEX-RTS; Market cap \$ 13 B	<b>MTS (53%)</b> <i>Telecom</i> Listed on NYSE ; Market cap \$ 23 B	<b>INTOURIST (66%)</b> <i>Tourism</i>	<b>RTI (84.6%)</b> <i>High Tech</i>	<b>Real estate projects</b> ~0.6 mln sq.m.
<b>BPGC (79%)</b> <i>Energy</i>	<b>SSTL (86%)</b> <i>Telecom</i>	<b>DETSKY MIR (100%)</b> <i>Retail</i>	<b>NIS (60%)</b> <i>Navigation</i>	<b>RZ AGRO (50%)</b> <i>Agriculture</i>
<b>TARGIN (100%)</b> <i>Oilfield services</i>	<b>SMM (75%)</b> <i>Media</i>	<b>MTS BANK (88%)</b> <i>Banking</i>		<b>SG-trans (50%)&amp; Financial alliance (50%)</b> <i>Transportation</i>
<b>UPC (100%)</b> <i>Petrochemicals</i>		<b>MEDSI (75%)</b> <i>Healthcare</i>		
		<b>BINNOPHARM (74%)</b> <i>Bio-technology</i>		



\* As of Sep 2013  
 \*\* As of Nov 2013  
 \*\*\* Including non-consolidated

# Bashneft BASHNEFT

- Vertically-integrated oil company
- Industry leader in refining efficiency

## SIGNIFICANT RESERVES

- Proved oil reserves (1P) in 2012 - 2.01B bbl; (2P) - 2.54B bbl
- R/P 18.3 years (1P)
- 192 oilfields; own R&D department
- GROWING PRODUCTION
- One of the biggest oil producers in Russia
- Oil production at 307mbpd in 2012 (+2.0%YoY)
- Modern reservoir management, access to new licenses in Russia and overseas, and strong team as sources for production growth

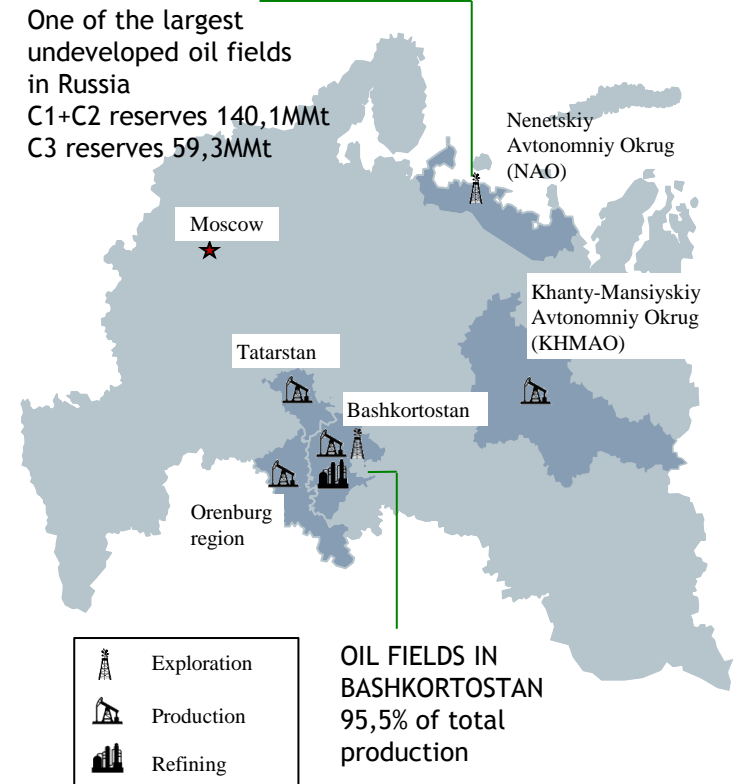
## LEADING DOWNSTREAM OPERATIONS

- Refining
- TOP-5 in Russia in terms of refining volume with refining facilities of total capacity of 482mbpd and leading technological complexity (Nelson index of 8.55 in 2012)
- Marketing and Sales
- Total oil products and petrochemicals sales of 19.3MMt in 2012
- Rapidly growing retail network (470 own and 261 partner filling stations as of Q1'13)
- STRONG FINANCIAL PROFILE
- Revenue FY'12 \$16.1B
- 18.5% Adj. EBITDA margin in 2012
- Low leverage (0.8x Net debt/Adj. EBITDA as of the end 2012)
- Consistently positive FCF
- Financial standing evidenced by solid credit ratings: Moody`s - Ba2 (stable); Fitch - BB (positive).

**Sustainable production growth, and high refining capacity**

## TREBS AND TITOV FIELDS

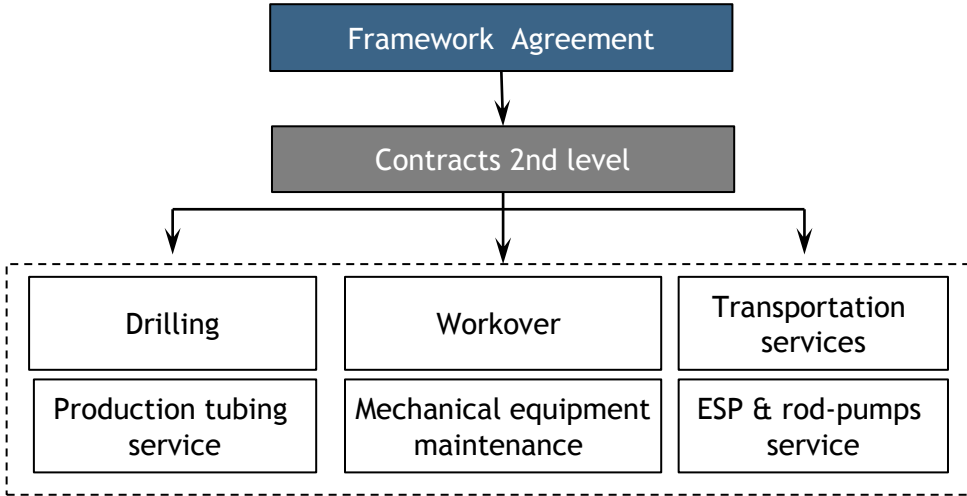
One of the largest undeveloped oil fields in Russia  
 C1+C2 reserves 140,1MMt  
 C3 reserves 59,3MMt



*Sales coverage is not presented on the map*

**TARGIN**

# TARGIN Long-term contract with Bashneft

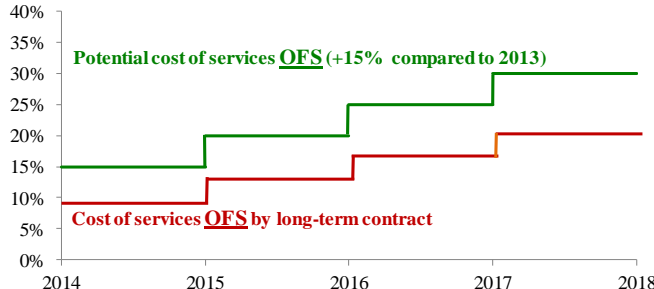
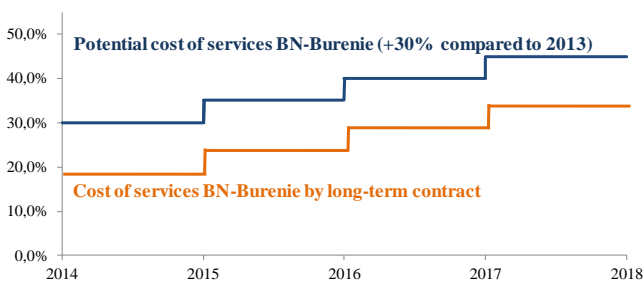


Segment	Operational indicators (2014-2016)		Price Index, % 2014 vs. 2013	Contract value 2014-2016 (\$ M)*
Workover	2 988	Thd.crew-hours	7,5%	386
Drilling	225	Wells	18%	339
Transport	14 447	Thd. hours	10,5%	257
Oilfield equipment services			15%	201
<b>TOTAL</b>				<b>1 183</b>

\* Price 2014

- Bashneft guarantees TARGIN access to 70% of 2013 volumes. Residual is to be tendered out, where TARGIN can also participate
- '3 + 2' years formula: share of fixed volumes goes from 70% of FY'13 in 2014 - 2016 down to 40% in 2017 - 2018

## Potential increase in the price of services



Long-term contract - guaranteed source for modernization financing

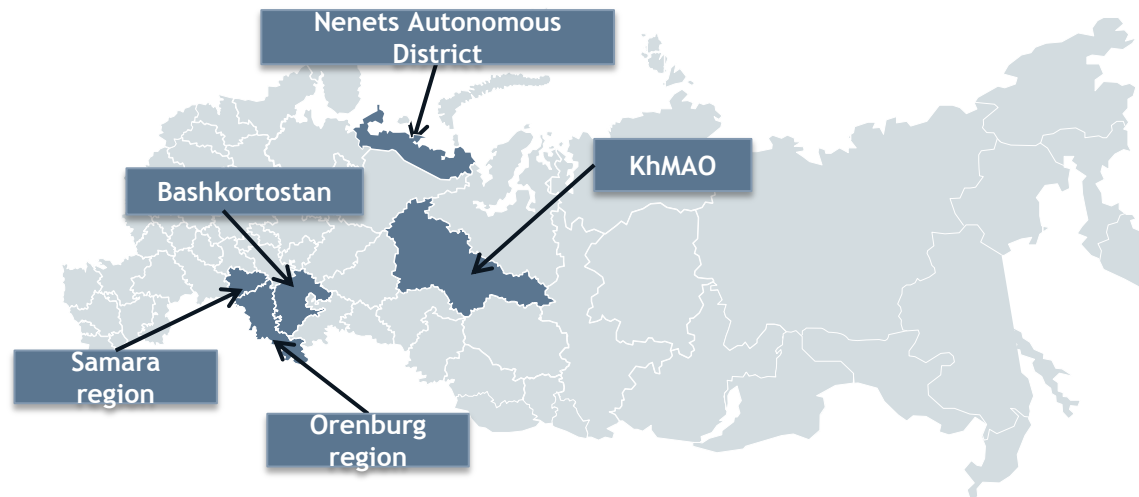


# Segments: Well Construction

The segment is represented by 1 business unit

42 Drilling Crews, 2 Completion Crews, 53 Drill Rigs

- Activities: Drilling; Sidetracking; Deepening wells; Well casing; Well testing
- Regions: Volga-Urals, West Siberia, North-West Russia
- Offices: Bashkortostan, W.Siberia, Timan-Pechora



Trained personnel, good experience, extensive equipment modernization program

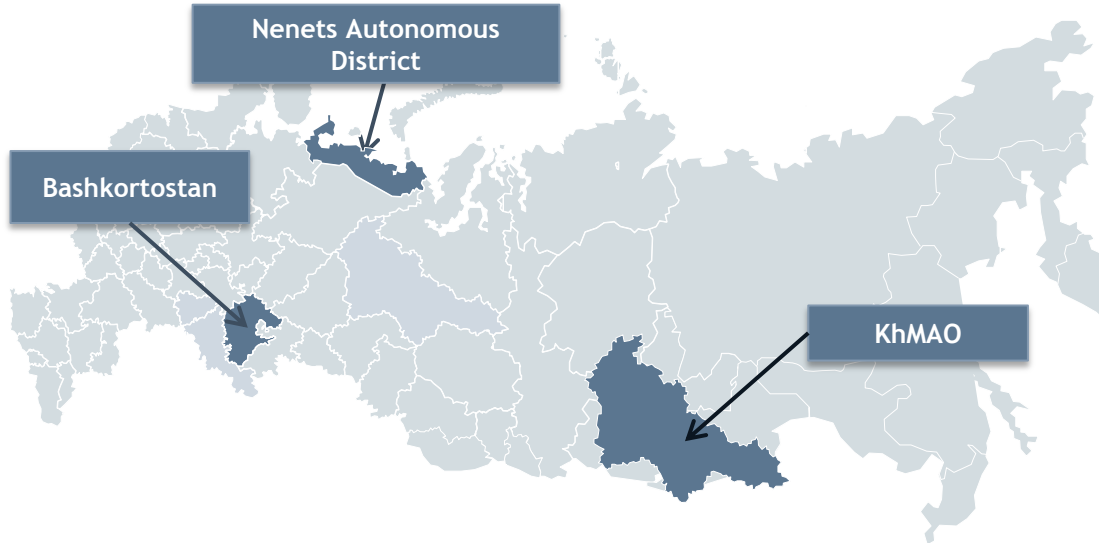


# Segments: Workover

The segment is represented by 2 business units, both located in Bashkortostan

165 Workover Crews, 8 Coiltubing Crews

- **Activities:** Workover; Coiled tubing operations; P&A; Workover supervising
- **Regions:** Volga-Urals, West Siberia, North-West Russia
- **Offices:** 3 in Bashkortostan, 1 in W. Siberia, 1 in Timan-Pechora



One of the biggest fleet in Russia



# Segments: Oilfield Equipment Servicing

2 Mechanical Plants

4 200 people

- **Activities:**  
Manufacturing of oilfield equipment, mechanical equipment, ESP cable, production tubing, anti corrosive pipe coating, flow measuring units  
Servicing mechanical equipment, ESP & Rod pumps, production tubing, various oilfield and drilling equipment
- **Regions:** Volga-Urals, West Siberia, East Siberia
- **Offices:** Bashkortostan, KhMAO, Irkutsk



Basic operations and services along with unique equipment manufacturing





# Segments: Transportation & In-Field Logistics

The segment is represented by 4 business unit

~5 100 vehicles, ~9 100 employees

- **Activities:** Passengers transportation; Cargo transportation; Crane services; In-Field logistics
- **Regions:** Volga-Urals, West Siberia, North-West Russia

## In-Field logistics:



225 Cranes



1 161 Cargo trucks



662 Tractors

## Transportation:



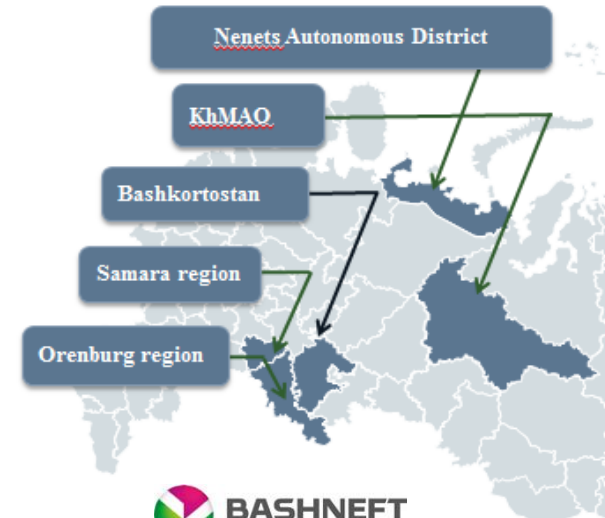
916 Buses



753 Passenger vehicles



1 250 specialized vehicles



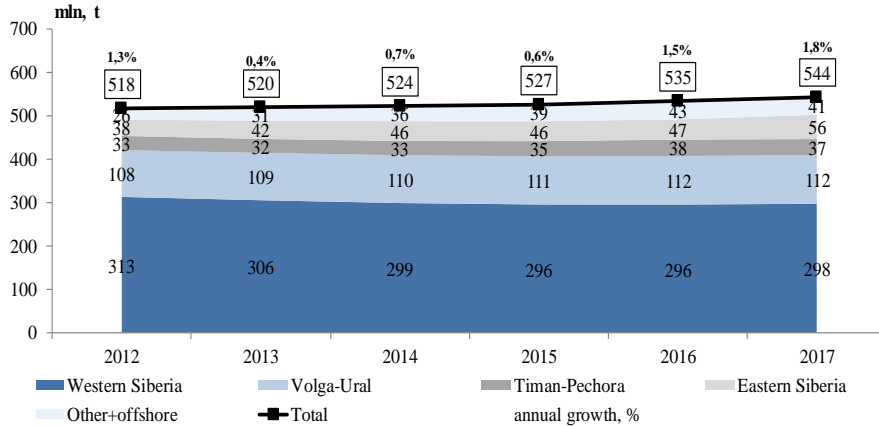
Full range of vehicles for Oil&Gas production and Oilfield service companies



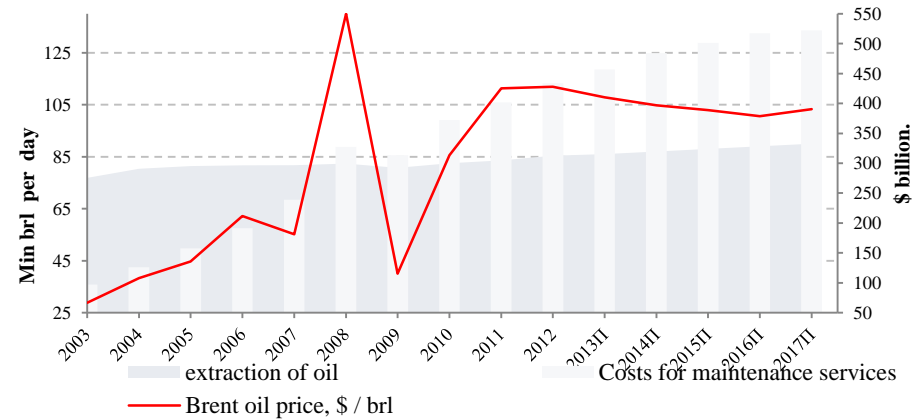
# Key Metrics

# Russian Oilfield Services Market

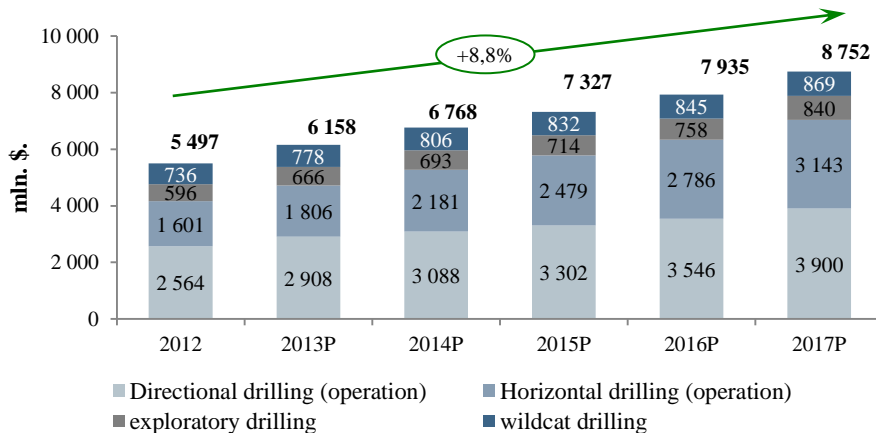
Forecast oil production in Russia in 2013-2022,MMt



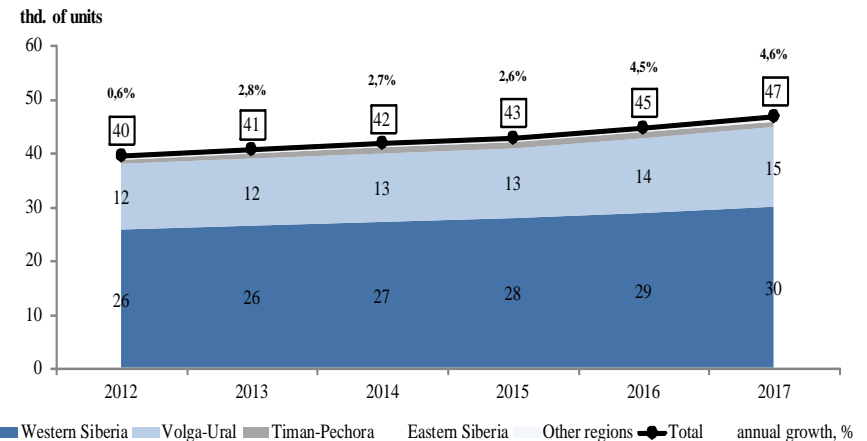
Costs of services suppliers grow at a conservative forecast of oil prices



Estimates of the drilling market in 2013-2017



Estimates of the workover market in 2013-2017



- Oilfield services market grew by more than 2 times over the past 7 years
- TARGIN work in key segments - Drilling and Workover

Source: REnergyCo; RPI; Wall Street research, Citi Group



# Operational and Financial indicators

Segment	Revenue, \$ B	Personnel	Operational indicators	Clients																				
<b>Drilling</b>	<table border="1"> <tr><th>Year</th><th>Revenue (\$ B)</th><th>% Change</th></tr> <tr><td>2012</td><td>0.17</td><td></td></tr> <tr><td>2013</td><td>0.21</td><td>+20%</td></tr> <tr><td>2014 (P)</td><td>0.27</td><td>+30%</td></tr> </table>	Year	Revenue (\$ B)	% Change	2012	0.17		2013	0.21	+20%	2014 (P)	0.27	+30%	<ul style="list-style-type: none"> <li>&gt; 2 200 people</li> </ul>	<ul style="list-style-type: none"> <li>53 drilling rigs</li> <li>42 drilling crews</li> <li>2 completion crews</li> <li>&gt; 1M feet drilled in 2013</li> </ul>									
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<b>Oilfield Equipment Servicing</b>	<table border="1"> <tr><th>Year</th><th>Revenue (\$ B)</th><th>% Change</th></tr> <tr><td>2012</td><td>0.11</td><td></td></tr> <tr><td>2013</td><td>0.12</td><td>+2%</td></tr> <tr><td>2014 (P)</td><td>0.14</td><td>+20%</td></tr> </table>	Year	Revenue (\$ B)	% Change	2012	0.11		2013	0.12	+2%	2014 (P)	0.14	+20%	<ul style="list-style-type: none"> <li>&gt; 4 200 people</li> </ul>	<ul style="list-style-type: none"> <li>260 000 workover operations</li> <li>80 000 servicing operations</li> </ul>									
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<b>Transportation &amp; In-Field Logistics</b>	<table border="1"> <tr><th>Year</th><th>Field logistics (\$ B)</th><th>Transportation (\$ B)</th><th>Total (\$ B)</th><th>% Change</th></tr> <tr><td>2012r</td><td>0.14</td><td>0.07</td><td>0.21</td><td></td></tr> <tr><td>2013</td><td>0.16</td><td>0.08</td><td>0.24</td><td>+12%</td></tr> <tr><td>2014r</td><td>0.17</td><td>0.08</td><td>0.25</td><td>+4%</td></tr> </table>	Year	Field logistics (\$ B)	Transportation (\$ B)	Total (\$ B)	% Change	2012r	0.14	0.07	0.21		2013	0.16	0.08	0.24	+12%	2014r	0.17	0.08	0.25	+4%	<ul style="list-style-type: none"> <li>&gt; 9 100 people</li> </ul>	<ul style="list-style-type: none"> <li>&gt;5 100 transport units:                             <ul style="list-style-type: none"> <li>field logistics &gt; 3 250</li> <li>transportation &gt;1 650</li> </ul> </li> <li>&gt;12 million machine hours:                             <ul style="list-style-type: none"> <li>field logistics &gt; 8M</li> <li>transportation &gt; 4M</li> </ul> </li> </ul>	
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Stable installed base for modernization & growth financing



# Key Metrics

Segment	Indicator	As Is (2014)	To Be (2017)	Industry Leaders
Drilling	Share of "Bashneft" in revenue,%	63.5	63.9	n/a
	NPT, %	15	15	10
	The average age of rigs, years	17	<10	15
Workover	Share of "Bashneft" in revenue,%	99.2	79.3	n/a
	NPT, %	7	2	4
	Production per one crew, M RUB / year	30.6	37.7	n/a
	The average age of WO rigs, years	10	7	11
Oilfield equipment servicing	Share of "Bashneft" in revenue, %	97	75	n/a
	NPT, %	15	15	10
Transportation & In-Field Logistics	Share of "Bashneft" in revenue,%	43	30	n/a
	Fleet Utilization factor, %	61	62	61
	The average age of vehicles, years	11.2	9	11

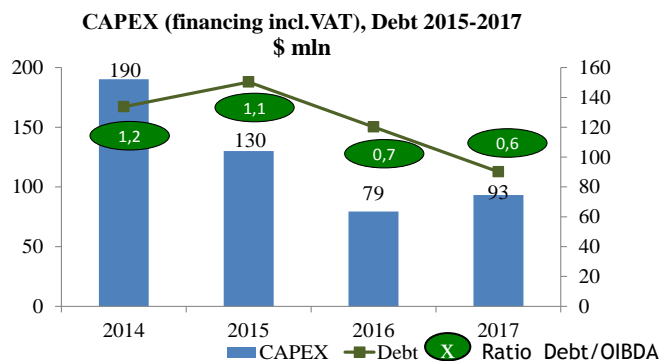
Fleet quality and age are close or better than industry average



# Investment program 2014 - 2017

Segment	Purpose	Goals
Drilling	Modernization of older rigs and purchase new equipment	<ul style="list-style-type: none"> <li>Modernization of 25 rigs</li> <li>Purchase of 8 new rigs by the end of 2015</li> </ul>
Workover	Renew WO rigs and equipment	<ul style="list-style-type: none"> <li>Purchase new rigs, equipment, wagon houses, tools</li> <li>WO rigs replacement rate 12% per year</li> </ul>
Oilfield equipment servicing	Extension of product line and production capacity increase	<ul style="list-style-type: none"> <li>Development of new products (Production tubing, ESP and rod pumps rental)</li> <li>Increase in capacity plants for the repair of tubing and sucker rods</li> </ul>
Transportation & In-Field Logistics	Keeping the age structure of the park	<ul style="list-style-type: none"> <li>Decrease the average age to 9 years</li> </ul>

Segment	CAPEX 2014 -2017 (Incl. VAT, \$M)	CAPEX 2014 (Incl. VAT, \$M)	Financing source	
			Self-financing, \$M	Borrowing, \$M
Drilling	337	150	30	120
Workover	48	9	6	3
Oilfield equipment servicing	30	12	3	9
Transportation & In-Field Logistics	78	18	3	15
<b>TOTAL</b>	<b>493</b>	<b>189</b>	<b>42</b>	<b>147</b>



The investment program is the base for Technological growth and Geographical expansion within the Russian market and Internationally



# Technological Development concept

## 2014-2015 Efficiency

- Modernization program implemented
- Business structure and personnel optimization
- Active regional development
- Learning Center & training program launched
- Competencies development
- New technologies field tests
- CTO position introduction
- Initiation of collaboration with technology co's
- BD/Sales function introduction
- Quality function introduction

## 2016-2018 Extension

- New technologies and Solutions adoption & development
- Engineering Center launching
- Presence in key market niches
- Partnerships and partial integration with technology companies
- FSU market access

## 2019+ Sustainable growth

- Diversified business - customers, geography, products portfolio
- Recognized brand
- Key competencies presence
- Acting R&D Center
- Presence in International OFS market

## Growth Sourcing

### Organic

- Skills & Competencies development
- Equipment modernization
- Personnel development
- Geographical expansion
- Ensuring top-class QHSE

### Alliances

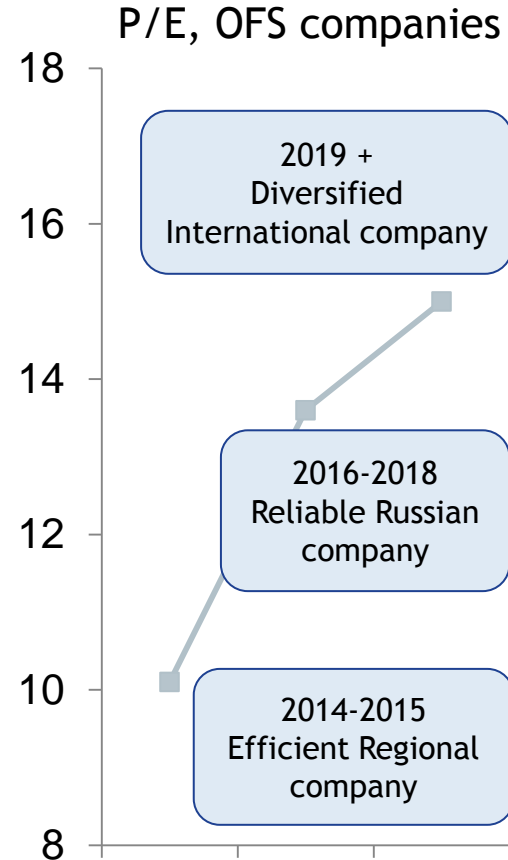
- Efficient access to know-how and technology
- Own efficiency increase
- Manufacturing localization
- Tactical JOAs (reciprocal market access - geography and market niches)

### M&A

- Fit-for-purpose technology, capacity, market access acquisition
- Share sale to a strategic investor - entire Holding or Business Unit

# Summary

- TARGIN is a financially stable Russian OFS operator, with secured baseline revenue over 2014 - 2018
- Company is setting up the base for future growth through fleet modernization (50 versatile and younger than industry average rigs by 2017), investment in people, introduction of client-oriented Sales, Engineering & Quality functions
- Modern technology application, as well as own R&D, are considered main vehicles for sustainable long-term growth
- TARGIN is actively searching for technology partners, in Well Construction, Artificial Lift and Workover domains first-of-all, and is ready to consider various cooperation options - from tactical sales alliances to joint R&D, M&A, products & services localization in Russia & CIS



Source: Deutsche Bank







**TARGIN**

**TARGIN**