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Oil Producer Bashneft's Profit Jumps 20% in Q2 as Output Soars

By The Moscow Times

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Russia's oil producer Bashneft posted a 20 percent increase in second-quarter net profit.

Bashneft, a mid-sized Russian oil producer, posted a 20 percent increase in second-quarter net profit as its average daily oil production reached the highest level in 20 years.

The rise in net profit comes as its parent company, oil-to-telecoms conglomerate Sistema, has been restricted in the sale of shares in Bashneft due to an investigation. Bashneft had been considering listing up to $2 billion worth of shares in London as early as September.

On Wednesday, Bashneft said oil production reached 4.37 million tons in the second quarter, up 11 percent compared with the same period last year. That is its highest output in 20 years.

"The solid set of numbers was primarily driven by the increase in oil products output. As it was expected, Bashneft showed upward dynamics across all three key financial parameters, revenue, EBITDA and net income," VTB Capital said in a note.

Net profit reached 15.9 billion rubles ($440 million) in the second quarter, with revenues up 21 percent at 163.2 billion rubles. Earnings before interest, taxation, depreciation and amortization (EBITDA) rose 26 percent to 28.6 billion rubles.

Since Sistema became the majority shareholder in 2009, Bashneft has been showing one of the highest production growth rates among Russian oil companies thanks to advanced recovery techniques used at its mostly depleted deposits.

Vedomosti has reported that state-controlled Rosneft, Russia's biggest oil producer, was interested in buying Bashneft. Rosneft declined to comment.

Mikhail Shamolin, Sistema's chief executive officer, said Wednesday that Sistema had not received any offers to sell Bashneft and did not plan to sell it, Interfax reported.

Local media have also reported that new restrictions on deals in Bashneft stock could be linked to elections of the leader of the Urals region of Bashkortostan due later this year. Sistema acquired the bulk of Bashneft shares from entities with connections to the former leader of Bashkortostan.

Sistema has said the restrictions are related to an investigation that it is not party to "and with which the company plans to fully cooperate."

Bashneft said last month it would postpone a share sale in London, citing unfavorable market conditions.

Sistema directly owns almost 72 percent of Bashneft's voting rights and has an economic stake of 86.7 percent, including 12.6 percent which it owns through subsidiary Sistema-Invest.

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