



## **NIS Publishes Consolidated Results of the Group for the First Half of 2014**

Net profit of NIS Group (NIS j.s.c. Novi Sad, as well as the subsidiaries) according to the results for the first six months of 2014 amounts to 17 billion dinars, which is 5 percent less compared to the same indicator last year.

In addition to the complex macro-economic conditions, decline in key financial indicators of the company - the profitability and operating cash flow is caused by the increase in the tax burden and social obligations, including the growth of the debt of state-owned companies.

The sum of the calculated direct and indirect tax obligations of the NIS group according to the results of the first half of 2014, including excise tax, income tax and other taxes, exceeded last year's indicator by 15 percent amounting to 60.4 billion dinars. According to the state at the end of June of 2014, the total amount of overdue debt of state-owned companies for products and services of NIS amounts to more than 56 billion dinars.

Increase in the tax burden, the work on elimination of consequences of floods in the industrial facilities of the company, as well as a significant reduction in operating cash flow (OCF is 93 percent lower compared to the same period last year), have forced NIS to reduce the scope of the investment program by 26 percent compared to the same period last year. The amount of capital investments in the first six months of 2014 is 17.8 billion dinars. The company has been forced to compensate the lack of funding for strategically important projects by increasing its debt. The sum of bank debt of NIS on the basis of the results in the first six months of 2014 amounted to 672 million U.S. dollars, up 59 percent over the same period last year.

Necessary reduction in the investment program has resulted in changes to the plan of implementation of geological exploration work and geological and technical measures at sites of the company that require large capital, which slowed down the volume of hydrocarbon production. Thus, the volume of hydrocarbon production for the first half of the current year decreased slightly (-1%) compared to 2013 and amounts to 809 thousand tons of oil equivalent. According to the results for the first six months of 2014 refining volume is 1.574 million tons, which is 12 percent higher than the same period last year.

Sales of petroleum products for the reporting period amounted to 1.425 million tons, which is 6 percent higher than the same period last year. Increase of the efficiency of logistics infrastructure, improvement of the business policy with wholesale buyers, as well as increased sales of petroleum products in international markets, all had a positive influence on the volume of sales. Retail sale of NIS, according to the results of the first half of 2014, declined by 1 percent compared with the same indicator for the first six months of the last year, to a level of 336 thousand tons. The decrease of the retail sale was caused primarily due to flooding - reduced fuel consumption and temporary closing of a number of gas stations.

A key indicator of the efficiency of the company, EBITDA according to the results of the first half of 2014 amounted to EUR 30.9 billion, which is 10 percent increase compared to the



same indicator last year. In addition, the company's operating costs are significantly lower compared to other companies working in the energy market of the Balkan region.

Commenting on the results of NIS for the first six months of 2014, NIS CEO Mr. Kirill Kravchenko said: "NIS is going through a very complex phase in its development. The negative pressure of the external environment is becoming more intense, and we found it hard to keep financial and production indicators of the company at the required level. Today, NIS makes profit not due to favorable macro-economy, but rather in spite of it. I'm expecting that the next 6 months will be even more complex. Therefore, we will be focused on maintaining production volumes, preserving market for our products, as well as on further increase of operational efficiency. In addition, nonpayment of state-owned companies is forcing us to make a selection of investment projects and to reduce the total volume of capital investments."

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