



NIS Reports First Half 2012 Financial and Operating Results

In the first six months of 2012 positive business trends in NIS have continued despite unfavorable circumstances not only in the Republic of Serbia, but globally as well. Net profit of 22 billion RSD has been realized for the first six months, which is approximately at the same level as the net profit realized in the same period last year. Such a result is primarily based on the increase of the efficiency of business operations and cost reduction in all business areas. The major factor negatively affecting the financial performance of the company is the depreciation of domestic currency. The loss of the company caused by negative exchange rate changes for the first six months of 2012 amounts to nearly 10 billion RSD.

The value of NIS investments in the first half of 2012 is 17.2 billion RSD, representing a 76 percent increase in comparison to the same period last year. The biggest investments have been realized for the reconstruction and modernization of the Pančevo Oil Refinery and environmental projects – 9.46 billion RSD. Investments into exploration and production amounted to 4.3 billion RSD, while 2.25 billion RSD have been invested into development of retail network.

In comparison to the first six months of the last year, production of domestic crude and gas has been increased by 13 percent and amounts to 826 thsd of oil equivalent, which has largely been influenced by implementation of contemporary geological and technical measures. Refining volume has been reduced by 5 percent due to the scheduled turnaround of Pančevo Oil Refinery which is within the scope of preparations for the start-up of the Mild Hydrocracking and Hydrotreating Unit (MHC/DHT). Total turnover has also been reduced by 6 percent which is less than the fall in the total consumption of petroleum products in Serbia (-12 percent) caused by the difficult economic situation, general depreciation of economic activities and decreased purchasing power of the population. Under such difficult circumstances NIS has managed to increase its market share. It needs to be emphasized that the retail sales volume has been increased by 7 percent in comparison to the same period last year, which is resulting from the increased efficiency of the company's retail network operation, closing of inefficient petrol stations, as well as from the increased level of services provided at petrol stations.

In addition to net profit, NIS has also been successful in terms of other financial indicators. EBITDA for the first six months of 2012 is higher almost by 80 percent in comparison to the same period last year and amounts to 36.8 billion RSD. Operational cash flow (OCF) has been increased by 52 percent.



Total bank debt has been reduced for 92 million USD, in comparison to the one at the end of 2011. It should be emphasised that the last installment of loan within the framework of liabilities of Gazprom Neft based on Sales and Purchase agreement was realized in April this year, which means that all contractual obligations have been fulfilled two months ahead of the deadline.

Besides all unfavorable economic factors, fluctuations of the oil prices at international commodity stock market have also significantly affected the business operations of the company. Since the beginning of 2012 the price of crude oil has been constantly dropping, which has certainly negatively affected the price of oil products.

NIS CEO Kirill Kravchenko has said: "We can say that the results of Q2 are optimistic: we have succeeded to continue positive trends in terms of profit, we have fully implemented the planned investment program, and all of this despite increasingly worse macroeconomic situation both in the region and in Serbia. We are aware of the fact that the pressure of external factors will significantly influence the results in 2012, so we will have to put in great effort, but at the same time not to expect too much."

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