



NIS ANNOUNCES INFORMATION FROM AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR 2014

Extremely unfavorable macroeconomic conditions that have formed on the world market of hydrocarbons in the second half of 2014 had a negative impact on company's financial results.

However, due to the implementation of programs for increasing the efficiency of the business processes in the primary business segments, NIS has managed to minimize the drop in EBITDA to 8% to a level of 63.4 billion dinars, despite the sharp decline in world prices of oil and petroleum products. Programs for increasing efficiency and reducing the basic costs and expenses had a positive impact on financial result that amounted to € 8.3 billion.

A significant drop in prices of hydrocarbon feedstock, as well as strengthening the exchange rate of major world's currencies against the Serbian dinar, led to a decrease in profit of NIS group by 42% compared to the last years' level. Net profit of NIS according to the results of the reporting period amounted to 27.8 billion dinars. The company estimates that the impact of the changes in exchange rate on the financial result amounted to 13.2 billion dinars.

The amount of direct and indirect taxes in 2014 amounted to 136.2 billion dinars, which is 13% more than last year. The increase in the tax burden is influenced primarily by external factors such as the increase of the excise tax on petroleum products and the introduction of additional taxes on forming of the reserves.

Despite the further decline of basic derivatives market in the Balkan region, which has enhanced in 2014 due to floods in Serbia, Bulgaria, Bosnia and Herzegovina, the company has maintained a sales volume of petroleum products at a level of 3 million tons, that is on the last year's level. At the same time, the share of motor fuel in the sales was increased to 58%. The daily turnover of fuels at a premium petrol station network Gazprom in Serbia reached 7.1 ton per station, which puts the network to a leading position by this indicator in the domestic market.

According to the results for 2014 the volume of processing in the refinery was 3.1 million tons, which is slightly higher than the last year's level. The basic indicators of efficiency in the refining complex - indices of energy efficiency, staff and operational readiness are significantly increased. According to these indicators, the company has approached the level of basic refineries in central and southern Europe.



Due to the implementation of projects in the field of geological research and defining the geological model of the Pannonian Basin, the company has increased its hydrocarbon reserves by 9% compared with the level of last year. The volume of oil and gas production in Serbia was 1.59 million conditional tons, which is 3% lower than last year. The drop in production volume was primarily due to the decrease of the investment program.

Capex in 2014 amounted to 39.4 billion dinars, which is 29% lower than last year. The company was forced to reduce its investment program due to unpaid debts of the state's largest debtors and the unfavorable situation on the world's oil markets.

Commenting on the results of NIS in 2014, CEO Kirill Kravchenko said: "In fact, today we are experiencing a crisis that we have survived in 2008. However, the current situation is more complex, primarily due to record low oil prices, competition and growing technological needs. NIS is stable in this turbulent period. We are focused on constant increase in the efficiency of the business, increase of hydrocarbon reserves, we have the resources necessary for the implementation of important investment projects. All this seemed impossible in 2008. It is important that we have the understanding of the Government of the Republic of Serbia. In 2014 Memorandum that regulates mechanism of repaying the debt of largest debtors of the company was signed. I hope that in 2015 we will start its realization."

Deputy CEO,
Director of Legal and Corporate Affairs

Sergey Fominykh