



Financial Results of NIS in 2012

Based on individual and unaudited financial statements for 2012, NIS has achieved a net profit of 49.5 billion dinars, which is an annual increase of 22 percent. Profit growth is the result of more efficient operations and cost reduction, as well as of increase of the domestic market share of crude oil and petroleum products.

EBITDA for 2012 amounted to 66.5 billion dinars, which is 27 percent more than in the same period of 2011. The growth of EBITDA, in addition to increasing operation efficiency, was impacted by implementation of earlier investments in the renewal of the resource base and increase of domestic oil and gas production.

NIS has remained the single largest tax provider in the country. The amount of accrued taxes, fees and other fiscal obligations of NIS for 2012 was 91.4 billion dinars, which is more than 8 percent over the amount paid for the same purpose in 2011.

Last year for NIS was characterized by the introduction of modern technology in all aspects of operations and expansion of the retail network in the country and the region. Last year total investments at NIS Group (NIS and the newly established subsidiaries) reached a record high of 50.8 billion dinars, or 48 percent more than in 2011. The company has invested the largest amount of money, which is 20.4 billion dinars, in environmental projects and completion of Pančevo Oil Refinery modernization (hydrocracking and hydro-treating MHC/DHT plant, the construction of a hydrogen plant and the plant for spent sulfuric acid regeneration, reconstruction of the port of Pančevo, automation of refining, and reconstruction and construction of LPG park). Another 13.2 billion dinars were invested in the development of retail network. Nine petrol stations were completely rebuilt and 231 petrol stations were rebranded. In the scope of retail network development in the region, which is the strategic goal of NIS, the company purchased a warehouse in Bulgaria, a network of 28 petrol stations in Bosnia and Herzegovina and one in Romania. Finally, 10.1 billion dinars were invested in geological research and projects to increase oil and gas production and the amount of reserves.

Over last year, the company's total debt to banks (debt to banks and L/C) decreased by 10 percent in comparison to the end of 2011, and at the end of 2012, it totaled to 403 million dollars. Ratio of debt to EBITDA was 0.45.

According to individual financial statements, the operating cash flow (OCF) has increased from 35 billion dinars in 2011 to 36.8 billion during 2012, which is an increase of 5 percent. Last year, NIS continued the trend of growth in domestic oil and gas production, and in 2012, 1694 tons of oil and gas equivalent ** were produced, which is 11 percent more than in the same period last year. At the same time, the volume of certified stocks of hydrocarbons increased in 2012 by 12.1 percent.

*operating profit (Earnings Before Interest, Taxes, Depreciation, and Amortization)

** 1.256 m³ of gas = 1 ton of oil equivalent (TOE)



The refining volume of crude oil in Pančevo Oil Refinery in 2012 amounted to 2142 million tons of oil, and the total turnover of petroleum products reached the level of 2395 tons. Notwithstanding the decline in the national market, NIS has increased the volume of retail sales by 15 percent, with an increase of Company share in the retail market by 5.9 percent.

The financial results for 2012 showed that the year was the most successful since the NIS was established. We managed not only to preserve but also to increase the company's profitability, while reducing the level of bank debt, under conditions of 2012 when Serbia broke two infamous records – the rate of recession in Southeastern Europe and by the rate of inflation in Europe. A key reason for successful operation of NIS is the constant growth of investments in new technologies, development of retail network in the country and in the region, as well as in exploration and increase of oil and gas reserves. As the Serbian proverb says: "An agreement builds the house"; and our house was strengthened last year through the agreement of two shareholders - Gazprom Neft and the Serbian government, "said Mr. Kirill Kravchenko, CEO of NIS.

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