

Serbia: GazpromNeft NIS financial result in the shadow of economic crisis in Balkans

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The first half of 2014th was a quite hard for the economy of the Balkan region. GazpromNeft NIS oil company of Serbia also felt the significant negative impact of macroeconomic factors.

The sum of the calculated direct and indirect taxes of NIS groups according to the results of the first half of 2014th, including excise tax, income tax and other taxes exceeded last year's indicator by 15 percent and it amounts 516 MEUR.

According to the state at the end of June of 2014th, the total volume of overdue debts of state enterprises for NIS products and services amounts to more than 478, 6 MEUR. According to the results for the six months of 2014th thenet profit of NIS (NIS joint-stock company, as well as subsidiary companies and its daughter companies) amounts 162 MEUR, which is 5 percent less than the same indicator last year, announcedthat company.

"NIS goes through a very complex phase in its development. Negative pressure of the external environment becomes more intense, and it is very hard for us to keep financial and production indicators of the company at the required level. Nowadays NIS has profit notdue to favorable macro-economy, but rather in spite of it. We expect that the next semester will be even more complex. That is why we will be focused on maintaining the productionvolume, marketconservation of our productssale, as well as further increasing operational efficiency. Moreover, failure to pay state companies force us to make a selection of investment projects and to reduce the total volume of capital investment ",said executive director, Kirill Kravchenko.

"The increase in the tax burden, the elimination of floodsconsequences in the companyindustrial facilities, as well as a significant reduction in operating cash flow (OCF is 93 percent lower compared to the same period last year)forcedNIS to reduce the scope of the investment program by 26 percent compared to the same period last year. Volume of capital investments in the first six months of 2014thamounted to 152 MEUR ",saidin the statement.

The company has been forced to compensate lack of funding for strategically important projects by increasing debt. On the basis of the results in the first six months of 2014th the sum of NISbank debt amounted to 672 million U.S. dollars, it is 59 percent over the same period last year.

Necessary reduction in the investment program has resulted in theplan changefor implementation of geological exploration work and geological and technical measures at companies' sites 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 those of 2013 and it is 809 thousand tons of oil equivalent.

According to the results of the first six months of 2014 the refining volume is 1,547 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. A positive influence at higher sale volume had the efficiency increase of logistics infrastructure company policy, business improvement with wholesalers, as well as increase of petroleum products sale in international markets. According to the results of the first half of 2014 retail declined by 1 percent compared with the same indicator for six months last year, to a level of 336 thousand tons. Retail decrease was caused primarily due to flooding - by reduction of fuel consumption and a work interruption of a number of gas stations.

A key indicator of the company's efficiency, EBITDA (operating income before interest payments, taxes, depreciation and amortization) according to the results of the first half of 2014 amounted to 30.9 billion EUR, which is 10 percent better than the same indicator last year. In addition, the company's operating costs are significantly lower than the indicators of other companies working in the energy market of the Balkan region.

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In addition to the complex macro-economic conditions, decline in the company key financial indicators - the profitability and operating cash flow was caused by the increase in the tax burden and social obligations, including the growth of the state enterprises debt. "We expect that the next semester will be even more complex. That is why we will be focused on maintaining the production volume, market conservation of our products sale, as well as further increasing operational efficiency. Moreover, failure to pay state companies force us to make a selection of investment projects and to reduce the total volume of capital investment", said executive director, Kirill Kravchenko.