

You have years-long experience at managerial positions in the oil and gas business. What trends can be expected – further drop or a rise of oil price on the global market?

– In complex macroeconomic circumstances and with current geopolitical trends, it is very inconvenient to give any kind of prognosis. Still, I think that the gradual recovery of oil prices, with occasional stumbles, is a quite realistic scenario which, at the moment, the majority of analysts believe in. There are several factors supporting such a scenario. First, the companies which are the world's largest oil producers have neither many possibilities nor interests to continue increasing the production in these circumstances, so the balance between supply and demand should start occurring. Second, leading producers are not in a position to invest considerable resources into exploration of new oil fields. Third, the growth of oil demand in the world is connected with a global economic growth, and in the past few months the prognosis of that growth has been additionally lowered. Therefore, the global economic growth should remain at the current level or increase slightly next year.

At the same time, it is expected that the global oil demand will be higher this year. All of that should lead to the predicted gradual recovery of oil prices. But, we should have in mind that it will not be an easy and quick process and that there will be stumbles on the market, and that certain geopolitical trends and changes in the energy sector might happen, which can shape the price of oil outside the expectations.

How did NIS operate in the conditions of crisis on the global market in 2015?

– The most important thing is that in 2015, NIS managed to retain its profitability, despite very complex business conditions. We made a net profit of RSD 14.6 billion, and the EBITDA indicator was RSD 46.5 billion. It was achieved despite the negative influence of exchange differences of RSD 8.1 billion.

There are two formulas thanks to which we remained a successful company in the times of crisis, too. Firstly, we are constantly increasing operational efficiency in all directions of business operations. The effect of operational efficiency measures on both EBITDA and cash flow was RSD 13.3 billion last year. Besides that, we continue to develop our company in order to stay competitive, so we invested RSD 30.3 billion in 2015. For comparison purposes, it is the amount two times higher than the net profit of the company.

Due to austerity measures, numerous companies lowered their investments, while NIS invested two times the amount of its net profit for 2015 into the development of the company. Is the trend expected to continue next year as well, and in what ways did NIS make savings in crisis conditions.

– Even in these difficult times for oil companies, NIS does not give up its key investments. First and foremost, we will invest into the increase of oil and gas reserves and bottom-of-

the-barrel. In addition, the priorities will be expansion in the area of electric energy and modernization of retail network. Thus, we are not planning to give up on that, regardless of the fact that another difficult business year awaits us.

When it comes to austerity measures, the conducted program for increasing operational efficiency has yielded major results. Also, there have been changes on other levels, too. For example, the level of premium products in the Pančevo Oil Refinery has been increased and there have been investments in various parts of this facility. There have also been some innovations in terms of sales, with the introduction of new branded 100 octane fuel G-Drive. Also, the way of motivating employees has been changed, as the level of flexible income compared to guaranteed income has been increased, taking into account results, of course. Also, benefits for managers have been reduced, as well as the number of foreign employees in favour of local experts. Expenses regarding cooperation with partners have also been reduced. Finally, NIS employees also played a big part in austerity measures: last year, they made over 800 suggestions for improving internal efficiency.

Of course, we are aware that business conditions in 2016 will remain very complex, which is why we remain focused on implementing the operational efficiency program so that NIS would remain a successful company.

It is important to mention that we invest a lot in HSE development, i.e. in the care of people's health, safety and environmental protection. Experience has taught us that constant improvement in this field is a synonym for a successful business. HSE indicators and business results are closely connected. Implementation of strict procedures and conscious implementation of this system leads to improvement of basically all business areas and growth of both financial and production indicators. Only a loss-free production is a successful production.

source: nis.eu