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Sole Serbian Refiner Sees 22% Profit Decline This Year

By The Moscow Times

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BELGRADE — Serbia's sole oil refiner NIS, majority owned by Gazpromneft, expects its net profit to fall 22 percent this year on the back of higher taxes and weak refining margins, which are not seen recovering before 2016, NIS chief executive officer Kirill Kravchenko said.

European refineries have been hit by low refining margins — the difference between the prices of oil products and crude oil — due to a slowdown in demand and overcapacity in the cash-strapped region.

"Now, 80 percent of the plants in Europe are working with zero margins. We plan that margins [will recover] in 2016," Kravchenko told reporters in comments cleared for publication on Monday.

NIS operates a plant in Pancevo. Another refinery, in Serbia's second largest city of Novi Sad, has been shelved. The plant is expected to be relaunched in 2016, Kravchenko has said.

Kravchenko said this year's net income was expected to fall to 38.6 million dinars ($0.45 million) from 49.5 million dinars in 2012. The company saw its first-half net income falling 13 percent due to lower oil and natural gas prices as well as a higher tax bill.

NIS has been looking for ways to diversify its source of crude oil as its own oil production, at 1.2 million tons in 2012, is not enough to cover its refining output, which stood at 2.1 million tons last year.

Kravchenko said NIS plans to start buying Iraqi Kirkuk crude blend next year, as it strives to boost refining production to 3.1 million tons this year and 3.4 million tons in 2014.

So far, NIS has been purchasing Russian Urals blend and CPC Blend.

Kravchenko said the company might ship Iraqi oil by 140,000-ton tankers and then import it via a pipeline in Croatia.

"Iraqi crude may fully supplant CPC Blend," he said, citing one of the oil mix options.

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