

STRATEGIC DIRECTIONS OF DEVELOPMENT BY 2025





March 2018

Strategic Objectives by 2025



- **Maintaining production and resource base growth** indicators
- **Developing processing** via modernisation and business profitability maximisation
- **Maximising petroleum product sale** through own premium sales channels and a business policy that ensures the most favourable conditions in the market for NIS's retail network
- Optimising the company's internal operational performance to a maximum, **attaining the position of the regional leader in efficiency**
- **Producing electricity** by building new production facilities
- **Ensuring steady further growth of NIS** as the leader in the Serbian market, in keeping with the strategic objectives and corporate business policy on maximising the company's integrated indicators (EBITDA and net profit)

Laying a foundation for further development and ensuring profitability for shareholders, employees and the wider community in a challenging macroeconomic environment.

Main Strategic Challenges and Development Plans by Block

	Challenges	Lines of development
Exploration and Production 	<ul style="list-style-type: none"> ▪ Necessity of optimising oil and gas production in the existing fields in Serbia ▪ Concessions 	<ul style="list-style-type: none"> ✓ Compensation for base production in Serbia through the delivery of GE and GTA projects ✓ GE programme and development strategy in concessions ✓ Resource base growth
Refining 	<ul style="list-style-type: none"> ▪ Strengthening of competition through improved efficiency of processing capacity ▪ Environmental protection 	<ul style="list-style-type: none"> ✓ Commissioning of the delayed coking unit in 2019 ✓ Energy and operational efficiency improvement
Sales and Distribution 	<ul style="list-style-type: none"> ▪ Strengthening of local actors ▪ Strengthening of the brand role ▪ Improving non-fuel product supply at PS ▪ Competition in the wholesale market and in foreign markets 	<ul style="list-style-type: none"> ✓ Retail network modernisation ✓ Increasing the sale of branded fuel and non-fuel products ✓ Wholesaling efficiency improvement ✓ Network optimisation in foreign assets and pilot PS
Energy 	<ul style="list-style-type: none"> ▪ Higher gas consumption 	<ul style="list-style-type: none"> ✓ Increasing co-generation electricity output ✓ Construction of CHPP Pančevo ✓ Development of electricity trading ✓ Wind farm construction

Key Strategic Indicators of the 2025 Corporate Strategy

Segment	Indicator	2016	2025	CAGR
Exploration and Production	 Growth of reserves, <i>toe million</i>	-	-	+2 p.p.
Refining	 Volume of processing ¹ , <i>million t</i>	3.2	4.1	+3 p.p.
	Depth of processing ² , %	85.5%	99.2%	+2 p.p.
Sales and Distribution	 Volume of sale, <i>million t</i>	3.3	4.3	+3 p.p.
Energy	 Electricity output, <i>GWh</i>	148	2,056 ³	+34 p.p.
	Maximum output capacity, <i>MW</i>	25	318 ³	+33 p.p.
NIS	 EBITDA, <i>USD million</i>	358	515	+4 p.p.
	CAPEX 2017 - 2025, <i>USD million</i>		2,235 ⁴	

¹ The volume of processing will be determined by applying the principle of economic feasibility and taking into account current market and technological conditions

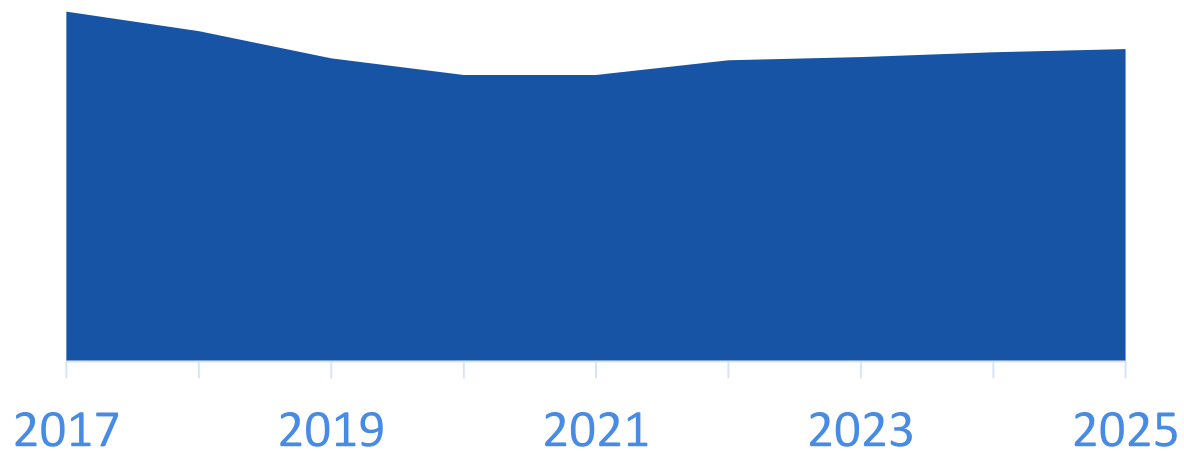
² According to the methodology applied in the Russian Federation

³ Output of NIS, CHPP Pančevo and Wind Farm included

⁴ PI = 1.5

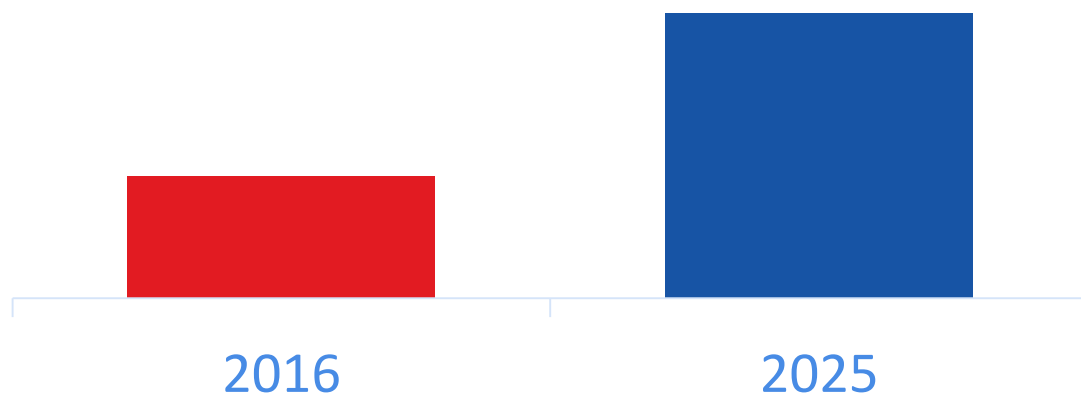
Exploration and Production Block

Oil and gas output, [million toe]



Growth of reserves

 + 2 p.p. CAGR



Oil and gas output

- Delivery of GE and GTA projects

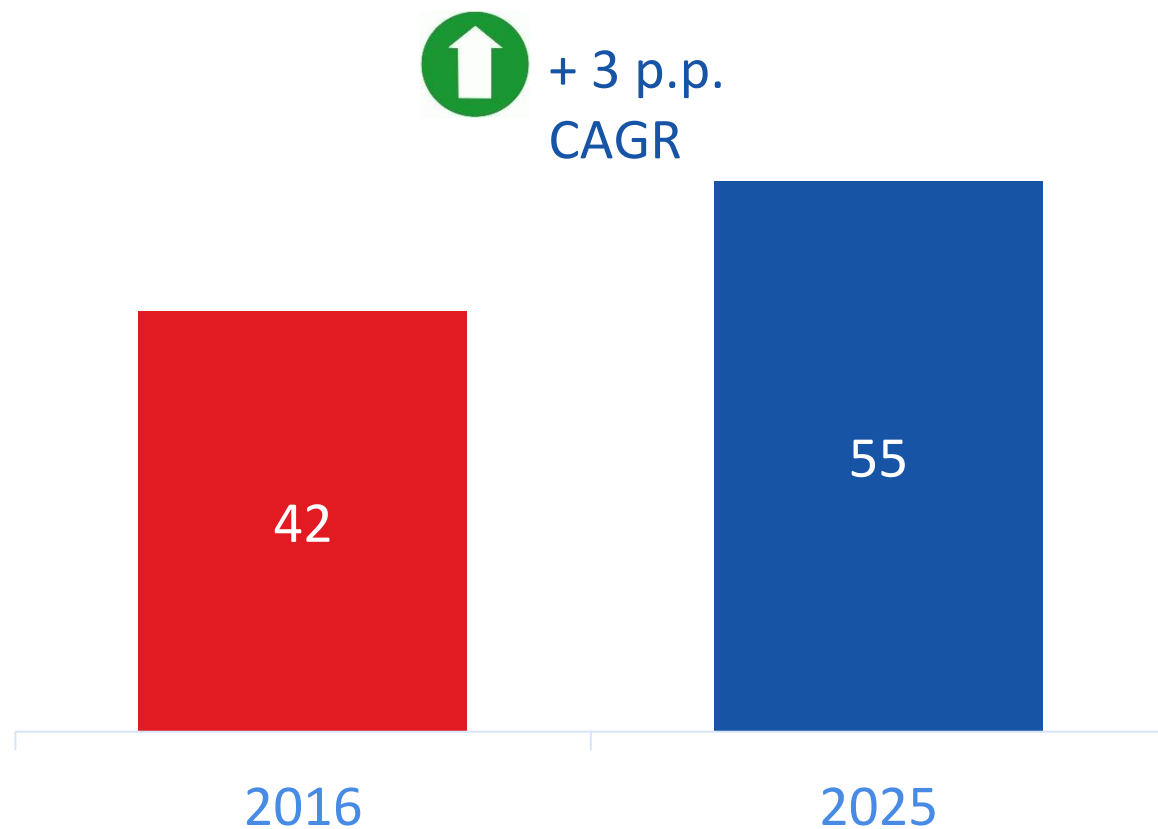
Resource base

- Verification of NIS's resource base in compliance with the requirements set out in Serbian legislation and international classification

Concessions

- Investment in Romanian concessions with a view to increasing the resource base
- Consideration of projects in Hungary, Bosnia and Herzegovina, and Angola

Number of wells, [#]



The Services Block will:

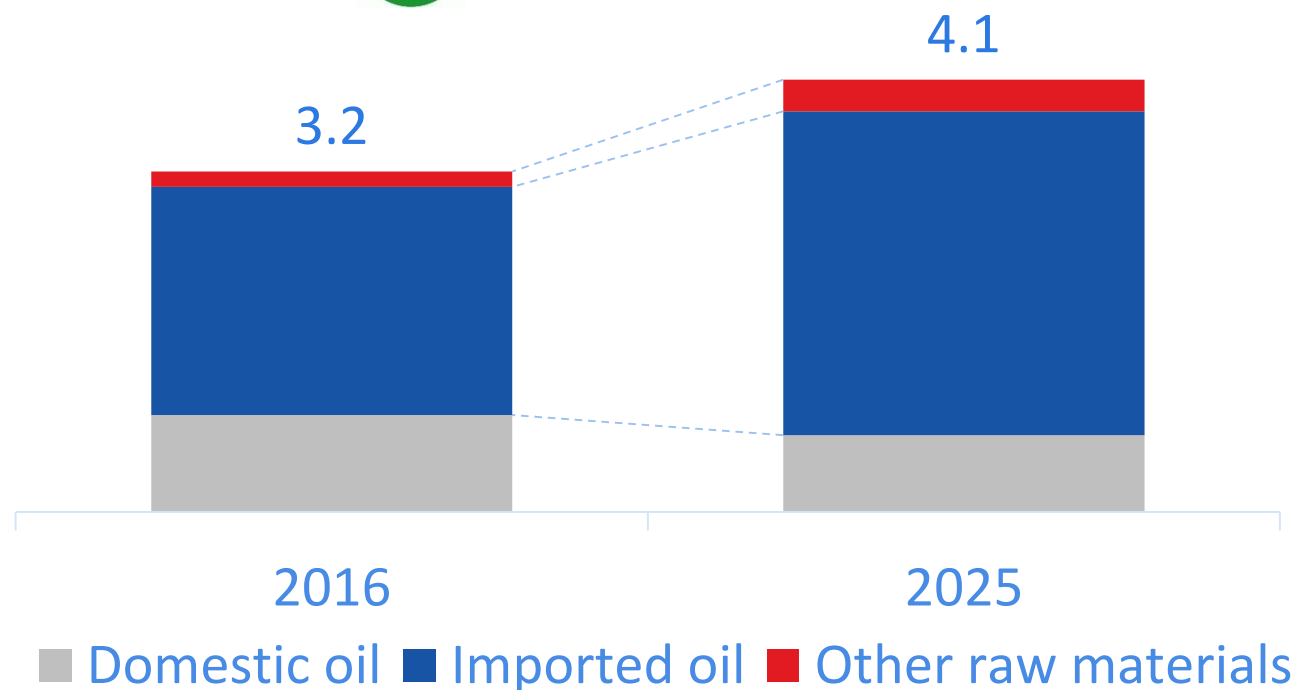
- Continue to support oil and gas production in Serbia and concessions,
- Be involved in **refinery facilities maintenance**, and
- Continue the activities of **equipment maintenance and technological transport**,

with maximum utilisation of its personnel and technical capacity, by acting in accordance with technical and economic justification and through constant investment, modernisation and personnel reinforcement.

Refining Block

Volume of processing, [million t]

↑ + 3 p.p. CAGR

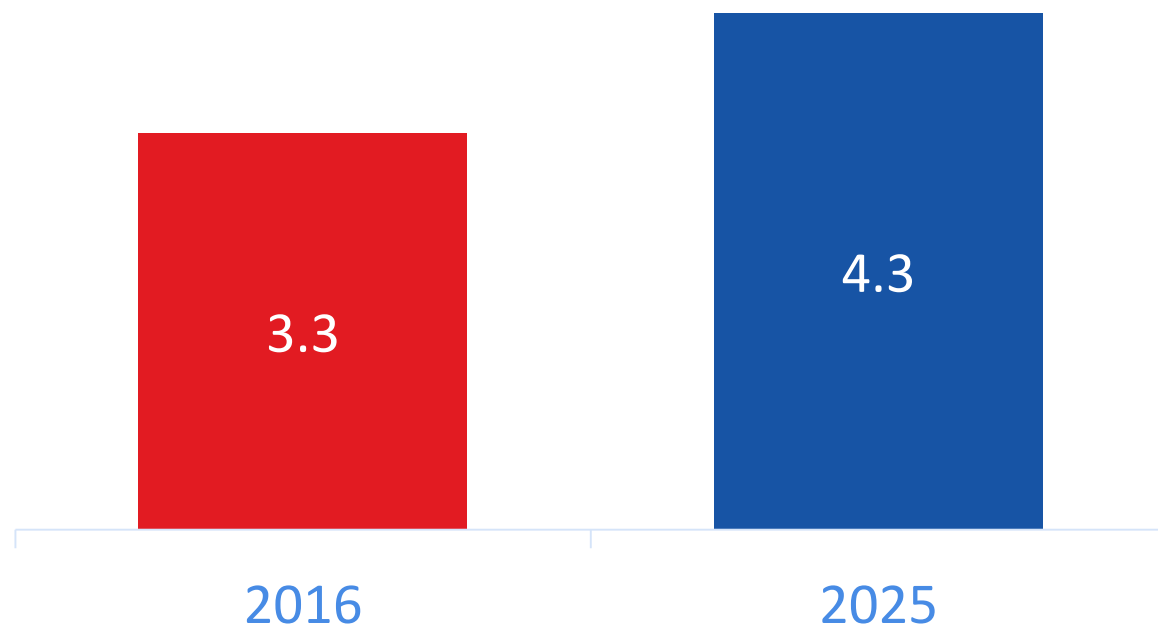


- Increase in the volume of processing
- Commissioning of the delayed coking unit (DCU) and processing of vacuum residues, which will facilitate:
 - ✓ Considerable improvement in petroleum product structure
 - ✓ Increase in the depth of processing
 - ✓ Cessation of heavy fuel oil production
 - ✓ Increased share of heavy crude oil in the basket of raw materials
- Improvement in output and operational efficiency

Sales and Distribution Block

Volume of sale, [million t]

 + 3 p.p. CAGR



Assets structure and PS network

- Retail network modernisation: increasing the number of formatted PS, network optimisation based on NIS Petrol and GAZPROM formats
- Increasing profitability of the retail network by selling branded fuels and improving the sale of non-fuel products

Wholesaling

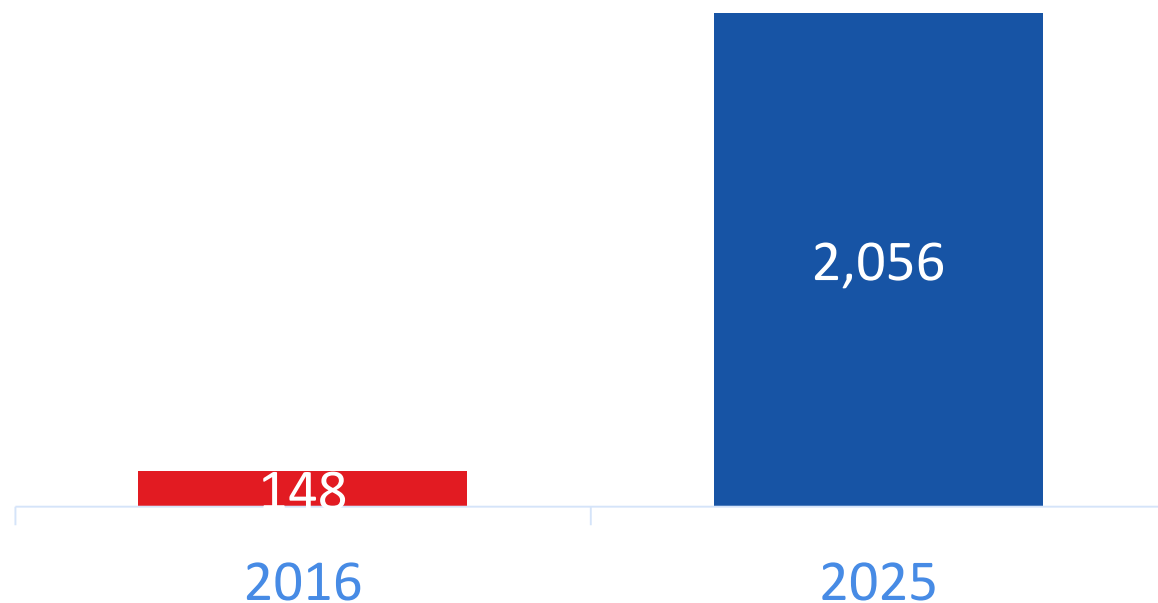
- Improving wholesaling efficiency
- Organising wholesaling activities in a manner that will ensure the best conditions for NIS's retail network in the Serbian market

Regional development

- Network optimisation in foreign markets
- Implementation of PS construction pilot projects

Electricity output, [GWh]

 + 34 p.p. CAGR



Electricity output

- Commissioning of CHPP Pančevo
- Further development of co-generations and increasing their output

Sale of gas and CNG

- Increasing CNG sale

Electricity trading

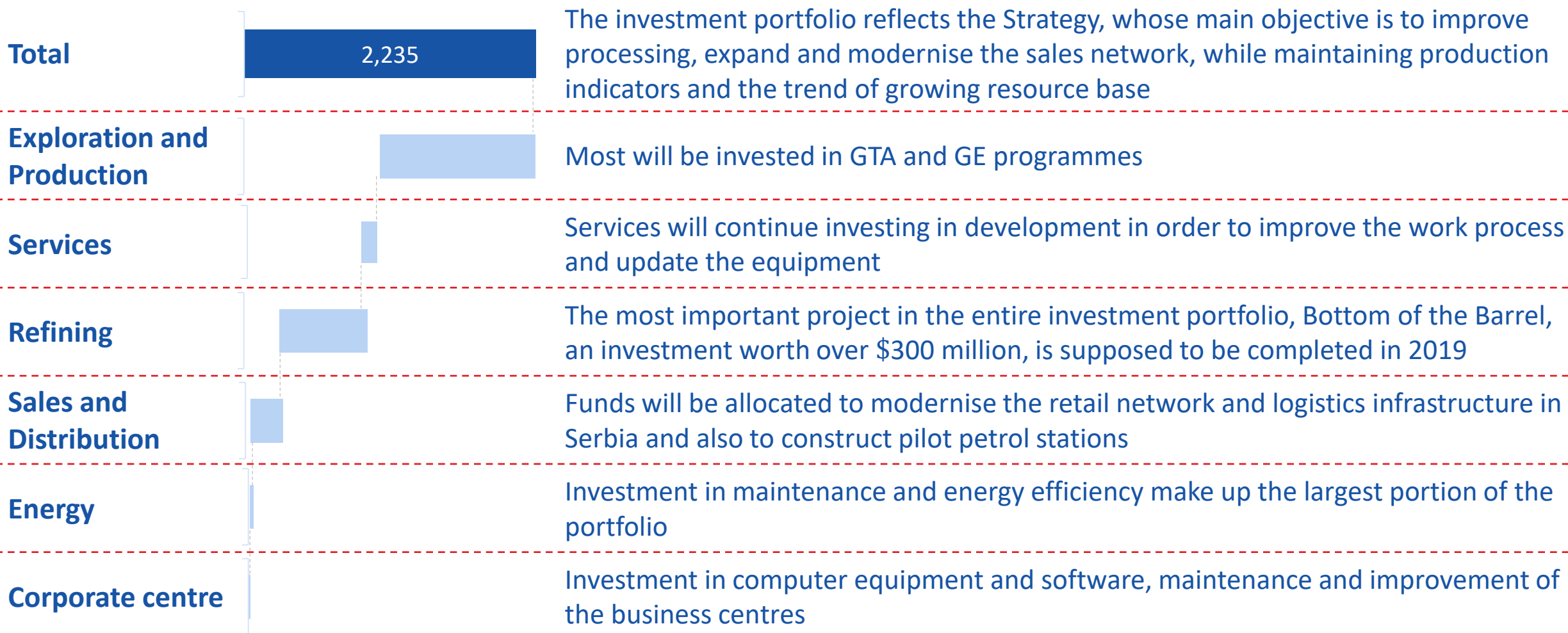
- Establish presence in all regional markets
- Set up a risk control system that will facilitate trade development and performance improvement

CHPP Pančevo and Wind Farm

- Commissioning of the wind farm and CHPP Pančevo

2017 - 2025 Investment Portfolio

CAPEX, [USD million]



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