JSC Petroleum Industry of Serbia Novi Sad

Presentation for Investors

May 23rd 2011
Novi Sad
Investor Relations Sector

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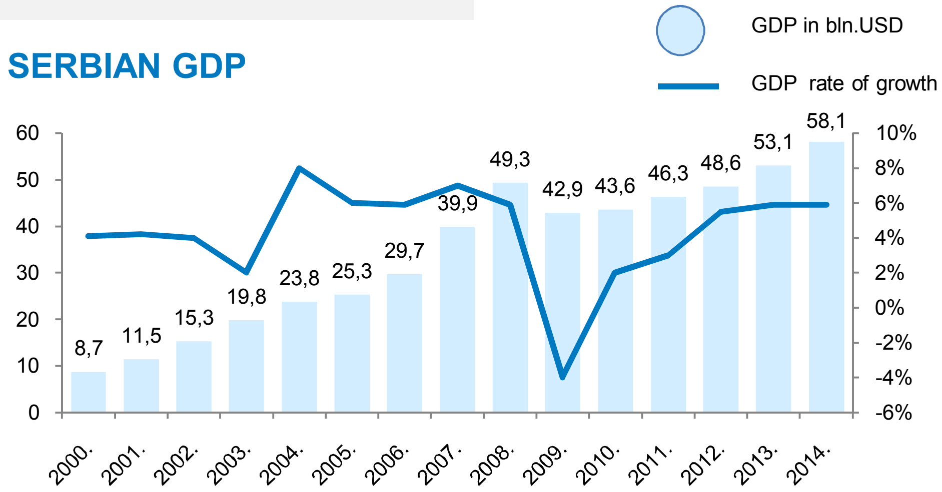
Macro Indicators

The most important facts about oil industry

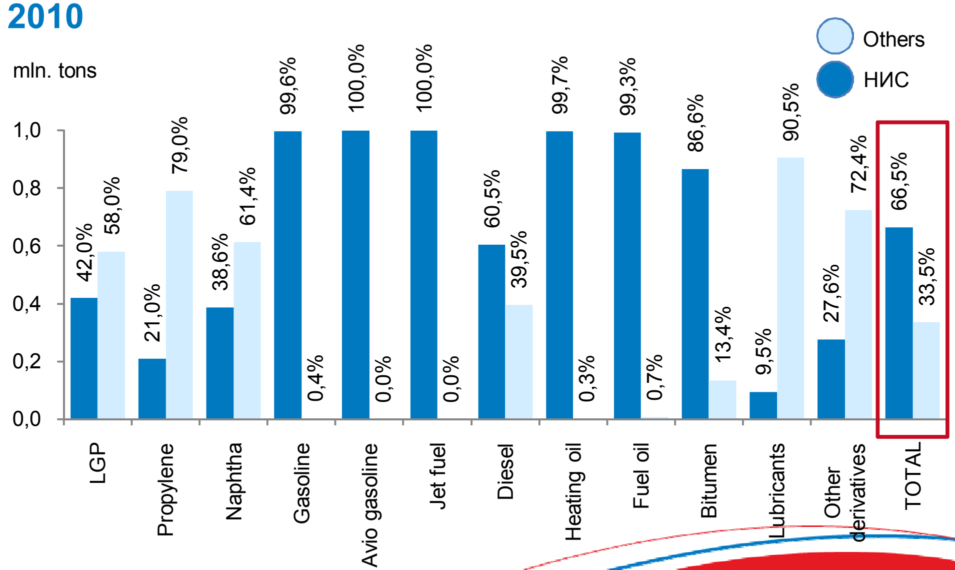
OIL PRICE

- Price of oil in the last period is characterized by great fluctuations. Price of the OPEC Basket reached over 140 USD/b in July 2008, and six months later droped for more than 100 USD/b to only 40 USD/b
- According to the forecasts, crude oil will play a leading role in energy supply until 2030.
- OECD forecasts are based on the fact that demand for oil has been falling since 2008 till 2010. The assumptions are that it will stay on that level until 2013.
- Almost 80% of the net growth in oil demand from 2008 till 2030 comes from developing region of Asia. Global refining system is estimated to grow for approx 6 mb/d new capacities for crude oil distillation until 2015. Almost 50% of these facilities are located in Asia, mostly China and India. At the same time USA, Canada and Europe will close 10 mb/d of refining capacity.
- Global refining system needs investment of approx. USD 780 billions until 2030
- Low oil prices during 2008 had significant impact on oil supply forecasts, decreasing the profitability and cash flows of oil companies. In next decade, nominal prices are forecast to range from 70 to 100 USD/b.

SERBIAN GDP



NIS SHARE IN ENERGY SECTOR OF SERBIA IN 2010



Serbia

Country	Country:	Serbia
	Form of polity:	Republic
	Administrative division:	167 municipalities
	Capital:	Belgrade
	Legal system:	Civil law
Population	Population:	7.3 mln.
	Population rate of growth:	-0.469%
	Urban population:	52%
	Average life expectancy:	74 years
	Education expenditure:	4.5%
Economy	GDP:	US$ 42.9 billion
	GDP Real rate of growth :	-2.9% (2009)
	GDP per capita:	US$10.600
	Work force:	3.1 million
	Unemployment rate:	16.6%
	Investment:	33.1% of GDP
Oil industry	Production:	12.307 bbl/d
	Consumption:	86.000 bbl/d
	Export:	5.045 bbl/d
	Import:	78.654 bbl/d
	Key players:	NIS, ECO Serbia (Hellenic Petroleum), INA Belgrade (INA Group), Intermol (MOL Group), OMV Serbia, Petrobart Avia, Lukoil Beopetrol

*Source: IEA

General Information

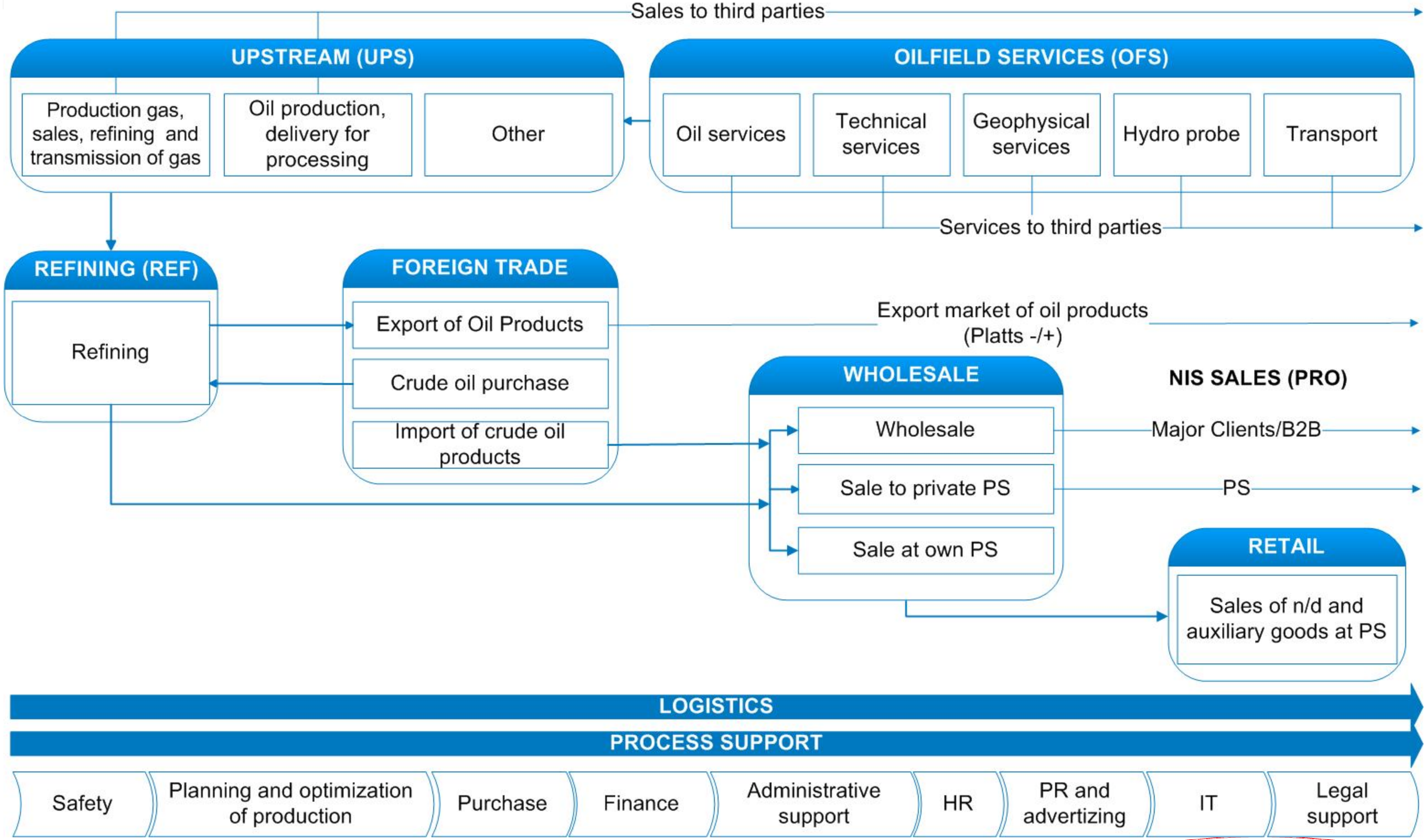
History

2010	•Beginning of the refinery complex modernization and trading with NIS shares on the Belgrade Stock Exchange
2009	•GPN becomes the owner of 51% of NIS
2005	•Public enterprise NIS becomes a shareholding company. NIS, Srbijagas and Transnafta were formed
1999	•NATO bombing of the refineries in Pancevo and Novi Sad
1991	•Public enterprise NIS founded and includes the whole oil industry in Serbia
1987	•Significant extension of the gas distribution network
1985	•Angola oil production started (concession)
1982	•Geological exploration of oil and gas in Montenegro started
1979	•Commissioning of the gas pipeline Horgos-Batajnica
1968	•Oil field Velebit discovered and Novi Sad and Pancevo refineries started operation
1963	•Gas pipeline completed (Mokrin – Kikinda – Elemir –Pancevo)
1953	•Construction of retail station network began
1952	•Oil field Vojvodina discovered
1951	•Gas supply system development started
1949	•«Naftagas» founded and gas fields in Velika Greda near Zrenjanin discovered
1945	•Oil products marketing and distribution started to extend
1934	•Oil refining in Serbia began

Business Structure Outline

- NIS
  - Head office administration service (STS)
  - Foreign Representative Offices
  - Block Upstream
    - Production, infrastructure and operation support
    - Oil and gas reserves management
    - Oil and gas fields development management
    - Strategy and large projects
    - R&D center management
  - Block Oilfield services
    - Oil services
    - Technical services
    - Hydrothermal boreholes and wells development
    - Machinery and Manpower Transportation
    - Sales, marketing and development of oil services
  - Block Refining
    - Planning and Refinig
    - Investment construction development
    - Power supply management
    - Equipment maintenance and repair
    - Storing and delivery of Finished product
  - Block Sales & Distribution
    - Retail
    - Wholesale
    - Logistic
    - Trading
    - Oils and lubes

Company Value Chain



Methodology for calculation of internal indicative prices for the calculation of operating results for each block

NIS GAZPROM NEFT

UPSTREAM (UPS)

Oil type 1: Urals -0,36$/t

$$P = (((Urp + Qc) \times Conv) - Tp) \times USD$$

Oil type 2: Urals -5,03$/t

REFINING (REF)

$$\sum_{opt} = (Qp + Ei) \times USD + Wm - D$$

SALES&DISTRIBUTION (PRO)

$$\sum_{opt} = (Qp + Ei) \times USD + Wm$$

Wholesale prices

Wholesales

$$\sum_{mark} = (Qp + Ei) \times USD + Wm + Rm$$

Retail prices

Retail

Upr – Price for Urals RCMB
Qc – Quality coefficient
Conv – Conversion
Tp – Transport price
Qp – Quotation price (FOB Med) in USD/t
Ei – Import expenses in USD/t
Wm – Wholesale margin
Rm – Retail margin
USD – Exchange rate USD/RSD (USD/RSD)
D – Discount on the price of product in USD/t

NIS is vertically integrated company in Southeast Europe

PRODUCTION(UPS)	SERVICES (UFS)	REFINING (REF)	SALES&DISTRIBUTION (PRO)	COMPANY
• Main production area in Vojvodina • Further exploration oriented towards nearby countries (B-H and Montenegro). • Annual production up to 1.5 million t..o.e. • Significant increase in the opportunities in the nearby countries and countries of the former Soviet union • Joint ownership of several concessions in Angola	• These services include: geophysical explorations, oil, gas and water drilling equipment, reconstruction and replacement of buildings and equipment, gas pipeline construction etc. • Business growth in the period to follow • Properly equipped for all exploration and production works • Compliance with ISO standards	• Relatively good position of the refineries (Pancevo and Novi Sad). • Max capacity of 7.3 million tons (incl. Novi Sad , capacity of Pancevo Oil Refinery is 4.8 m/t). • Appropriate logistic infrastructure in refineries (storage tanks, storage facilities possibilities of road, water and rail transport). • 2.57 million tons delivered to local and foreign markets in 2010 • LPG production in both refineries and Elemir Plant • Higher CAPEX in MHC/DHT in Pancevo Refinery shall allow euro diesel production growth up to 1.5MT per year	• Wholesale and retail activity • Number of retail stations - 471* • Retail network needs modernization • Leading position in LPG trade • Liberalization of the market will be the biggest challenge (starting from 1 Jan 2011). • Export markets are Ukraine, Croatia, Montenegro, Bosnia and Herzegovina, as well as the EU countries	• NIS activities depend to the greater extent on fluctuations of dollar (dollar input, output based on dollar). • Possible effect of the further weakening of local currency may be reduction in the expenses based on RSD and dinar margin increase. • Threat: pricing parity is more difficult in the ambient of high prices and related effects on the market may be unfavorable • Non profitable activity; Mineral water factory and O Zone Company (owns hotels and restaurants in Serbia and Montenegro)) . • Total number of employees on the 2010 end is approx. 10.000.

VOLUME	GROWTH	MARGINS	EXPENSES	CAPEX
▪ Increased annual oil and gas production volume ▪ Sales efficiency growth supported by re-branding and strengthening of the brand on the retail market ▪ Network development with new partners for franchising and at the same time modifications of the infrastructure on roads and settlements	▪ Orientation towards increase in margin on the non-core products (due to liberalization from 2011). ▪ Focus on quality of customer service. ▪ Implementation of advance products other than fuels. ▪ Opportunity to grow in neighboring countries.	▪ Increased share of premium fuels in total sale. ▪ Better refining margin . ▪ Assets management optimization. ▪ Voluntary leave program extension according to the Sales Agreement. ▪ Dividend policy based on the plans for CAPEX and cash flow. ▪ Disposal of unprofitable activity	▪ Further optimization of expenses in retail stations. ▪ Application of innovative and economic design of retail stations. ▪ Improvement in operability of refining and supply chain efficiency. ▪ Organizational structure best practices creation ▪ Optimization of the procurement process	▪ Pancevo refinery modernization by adding the units for: 1) MHC/DHT; 2) electric energy for hydrocracking and refinery; 3) recovery of spent sulphur ic acid 4) construction of hydrogen unit. ▪ Opportunities for new acquisition ▪ New retail stations on motorways, equipped for new service offer. ▪ Increasing presence in the Balkan region .

** Data from September 2010*

Share Purchase Agreement

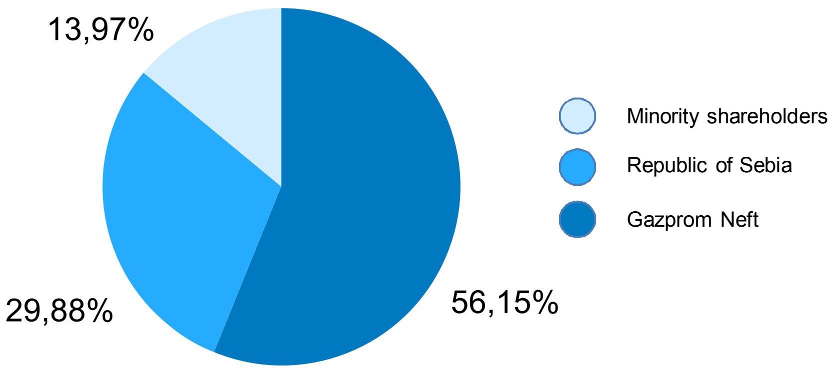
- Share Purchase Agreement for purchase of 51% of Petroleum Industry of Serbia by GPN was signed in December 2008.
- Value of this transaction (acquisition of 51% of the company) was Euro 400 million.
- GPN assumed the obligation to initiate a public bid for purchase of shares from small shareholders within 24 months after conclusion of the transaction. Bid price per share must not be lower than the price GPN paid to buy 51% of NIS. The Takeover bid was announced on January 31st 2011 and closed on March 16th 2011. Minority shareholders deposited total of 8.405.087 shares, i.e. 5,15% of total number of issued shares at price of 506,48 RSD per share which represents RSD value of 4,80996 EUR as of January 13th 2011.
- GPN has obligation to provide to NIS the amount of 500 million EUR by the end of 2012 by way of spetial purpose loans in order to implement reconstruction and modernization program in technology complex. The interest shell accrue quaterly and will amount to 12 months EUR LIBOR+2%. The term of the loan shall be 14 years from the first disbursement date, and starting date will be later of December 31st 2012 or the date of completion of the actual performance by the GPN. There shall be no collateral.
- Reconstruction and modernization program in technology complex will include hydrocracking facility (MHC/DHT), as well as environmental issues and after it is implemented the quality of oil products will be in accordance with Euro 5 standards.
- By signing the Share Purchase Agremeent GPN accepted social commitments of NIS and will ensure implementation of such commitments:
    - Salaries of NIS employees will be adjusted to Consumer Price Index (CPI), published in Official Gazette of Republic of Serbia
    - Employees cannot be discharged until the end of 2012 on the grounds of organizational and technological changes and
    - Offer of voluntary leave program, that assumes payment of EUR) 750 per year of service in NIS or other company plus one time payment in the amount of four average salaries in NIS (for previous months). After 2012 expenses of the work force reduction shall not be less than 90% of the amount provided in the Share Purchase Agreement.
- Share Purchase Agreement also provides that as long as the Republic of Serbia owns at least 10% of the capital, key decisions, including capital increase/reduction, changes in the statute, sales/purchase of assets, change of registered seat, company liquidation etc. can not be adopted without approval of the Government of the Republic of Serbia.
- It is also defined that until 2020 GPN covenants to use all commercially reasonable endeavors in exercising its powers as a shareholder in NIS to assure:
    - Continuous production in accordance with the annual or strategic plans (3-5 years) ;
    - That NIS not terminates operations at Company's refineries;
    - Crude oil refining volume to supply local market demand for finished products;
    - NIS share in the oil products trade on the local market shall not be less than in 2008;
    - NIS share in retail shall not be less than in 2008.
- Guaranteed buy out price of minority shares shall not be below EURO 4.80
- The Buyer's obligation is to provide distribution of dividends within four years from the Transfer closure date for each fiscal year in the amount not less than 15% of the respective net profit per year

Shares and Shareholders

Shares	
Total number of shares:	163.060.400
Nominal value:	RSD 500,00
CFI code:	ESVUFR
ISIN number:	RSNISHE79420

Shareholder structure as of March 31st 2011	
Gasprom Neft	56.15%
Republic of Serbia	29.88%
Minority shareholders	13.97%

Shareholder structure as of March 31st 2011



Share trading at Belgrade Stock Exchange 30.08.2010. – 31.03.2011.	
Last price	490 RSD
High	550 RSD
Low	442 RSD
Total turnover	4,274,909,473.00 RSD
Total volume	8,819,143 shares
Total number of transactions	1,594,311
Market capitalization as of March 31st 2011	79,899,596,000
Earnings per share as of March 31st 2011	60,29 RSD
P/E	8.13
Book value as of March 31st 2011	348.64 RSD
P/BV	1.41

Balance Sheet

(in RSD bill)

Balance Sheet	31.12.2010.	31.12.2009.	31.12.2008.
Non current assets	**108,3**	**95,7**	**112,8**
Intangible assets	4,8	4,8	5,5
Property, plants and equipment	98,0	84,1	96,2
Investment properties	1,4	0,5	0,7
Long term financial investments	4,1	6,3	10,4
Current assets	**68,8**	**48,4**	**47,8**
Inventories	34,0	23,1	24,5
Non current assets available for sales	0,0	0,1	0,0
Trade receivables	13,0	11,4	14,4
Income tax over paid	0,0	0,0	0,5
Short term investments	2,5	0,9	2,6
Value added tax and pre paid expenses	3,9	4,2	1,8
Cash and cash equivalent	10,6	8,7	4,0
Deferred tax assets	4,8	0,0	0,0
Total property	**177,1**	**144,1**	**160,6**
Total assets	**177,1**	**144,1**	**106,6**
Off balance sheet assets	**88,8**	**151,2**	**106,5**
Capital	**47,0**	**32,3**	**70,0**
Share capital and other capital	87,1	87,1	87,1
Reserves	0,9	0,9	0,9
Revaluation reserves	0,0	0,0	0,1
Unrealized gains from securities	0,0	0,1	0,1
Unrealized losses from securities	0,0	0,0	0,0
Retained earnings (loss)	-41,0	-55,8	-18,2
Long term provisions and liabilities	**67,4**	**56,7**	**20,2**
Long term provisions	18,5	16,1	**7,9**
Long term borrowings	26,6	34,7	12,2
Other long term liabilities	22,3	5,9	0,1
Short term liabilities	**61,2**	**53,2**	66,6
Short term financial liabilities	21,8	18,6	**47,4**
Trade payables	24,9	23,4	11,7
Other short term liabilities	6,4	3,9	4,0
VAT and other public expenses and accruals and deferred income	7,5	7,3	3,3
Income tax payable	0,6	0,0	0,2
Deferred tax liabilities	1,5	1,9	3,8
Total equity and liabilities	**177,1**	**144,1**	160,6
Off balance liabilities	**88,8**	**151,2**	**106,5**

Income statement

(in RSD bln.)

Income statement	2010	2009	2009 before adjustment at 2 Feb 2009	2008
Operating income with excise	**227,1**	**168,4**	**168,4**	**169,2**
Excise*	**57,5**	**50,1**	**50,1**	**37,2**
Operating income without excise	**169,6**	**118,3**	**118,3**	**132,0**
Revenue from goods and services	161,2	118,4	118,4	168,5
Income for activating own products and goods	2,9	0,7	0,7	0,7
Decrease in inventories of finished goods	5,4	(1,2)	(1,2)	(0,2)
Other operating income	0,1	0,4	0,4	0,2
Operating expenses	**(143,4)**	**(120,4)**	**(115,1)**	**(164,2)**
Costs of good sold	(5,4)	(6,0)	(6,0)	(39,4)
Material costs	(95,3)	(68,6)	(68,6)	(93,2)
Employee expenses and benefits	(21,3)	(19,8)	(19,8)	(14,1)
Depreciation and provision expenses	(8,4)	(14,0)	(7,4)	(6,9)
Other operating expenses	(13,0)	(12,0)	(13,2)	(10,6)
Operating profit (loss)	**26,2**	**(2,1)**	**3,2**	**5,0**
Financial income	6,3	11,1	11,1	8,5
Financial expenses	(19,1)	(15,9)	(15,9)	(18,9)
Other income	5,2	5,9	3,3	8,5
Other expenses	(6,6)	(38,5)	(6,4)	(11,0)
Profit (loss) before tax	**12,0**	**(39,5)**	**(4,7)**	**(7,9)**
Income tax	4,5	1,9	0,3	(0,1)
Taxable expenses of the period	(0,8)	-	-	(0,1)
Deferred tax income (expenses) of the period	5,3	1,9	0,3	-
Net gain (loss)	**16,5**	**(37,6)**	**(4,4)**	**(8,0)**
Including impairment of assets (reported by independent evaluator)	-	-	(14,5)	-
Including adjustments at 2 Feb 2009	-	-	(18,7)	-
Net loss including impairment of assets (reported by independent evaluator) and adjustments at 2 Feb 2009	-	-	(37,6)	-

(in RSD bln.)

Cash flow statement	2010.	2009.	2008.
Net cash flow/outflow from operating activities (OCF)	17,8	17,6	(11,8)
Net cash flow/outflow from investing activities	(17,9)	(9,5)	(10,4)
Net cash flow/outflow from financing activities	1,9	(3,5)	25,2
Total net cash flow	**1,9**	**4,6**	**3,0**

Strategy and Growth

Company's Strategic Goals

Transformation from the national company into a regional player

NIS GAZPROM NEFT

Current position 2010

Vertically integrated company that manages:

•Localized production region of oil and gas;

• Refining in RS;

•Marketing of the products on the local market and

• Its own sales network in RS without one single brand.

Transformation and modernization program that will ensure profitable and stable position in medium term.

Medium –term position until 2013

Growing player on the Balkan market

•Growing volume and low price of production in RS and abroad;

•Refining with increased share of white products and reduction of operating expenses;

•Leading sales network in Republic of Serbia;

•Products sales through premium channels on the markets of the Balkan and Europe

To become a vertically integrated company with fastest growth in the Balkans in oil and gas production and oil products production and trade.

Long-term position until 2020

Balkan leader in efficiency

- Production increase and hydrocarbon inventory increase (owing to GIR) in Serbia, Montenegro, Bosnia and Herzegovina, Romania and other countries;
- Motor fuel production according to EU standards;
- Leader on the RS retail market and provision of the stable growth in sales to the direct buyers in RS and the Balkans

Company capable of competing with the South European market. Regional player with the fastest growth in the Balkans in production volume, refining and retail.

Target:

Creation of the basis for quality volume increase, provision of company vertical integration.

Target:

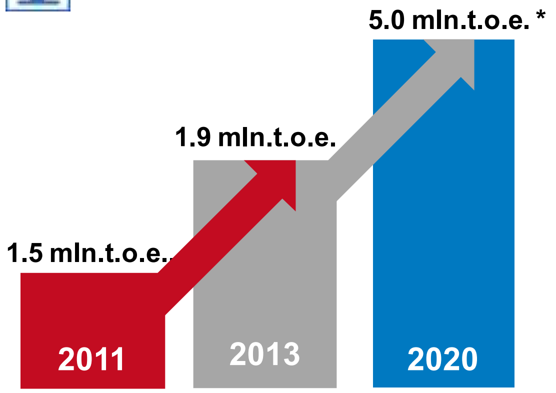
Implementation of big projects, that will provide long term development and business growth at regional level

Target:

New scope of business, increased international activity

Strategic Goals – Volumes Increase

Uprstream

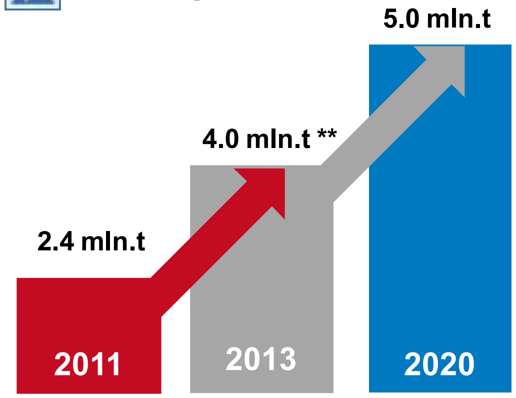


2020 Goal

5 mln. t.o.e. annual production in RS and abroad

- Production in the new fields in 2020 at least 20% of the total production; project implementation abroad in 1-2 regions with minimum production equal to at least 30% of production in Serbia (max. 2 mln.tons);
- Gas production in Serbia – approx 926 mil.m^3, from foreign projects- approx 1.211 mil m^3/year.

Refining

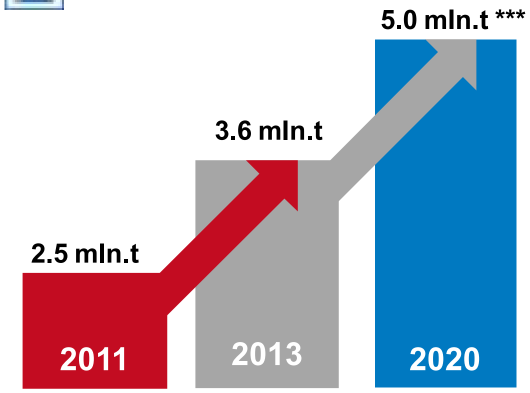


2020 Goal

5 mill tons of refined feedstock annually.

- Maximal utilization of projected capacity of Pancevo Rafinery (4,7 mil. t.)
- Consideration of options for further development of Novi Sad Refinery

Sales and Distribution



2020 Goal

5 mill tons of oil products sales through premium channels ** in RS and abroad annually**

- 1.1 mln. tons – retail on fuel stations in RS;
- 2.4 , mln.tons – wholesale (including aviation fuel, boat engine fuel, lubes, etc);
- 1.5 mill tons.-export through profitable channels

** Including realization of ambitious program of regional development for Upstream Block*
*** Raw materials volume. Specific tasks and production volumes will be determined in process of annual planning starting from optimization model production planning based on ASPEN PIMS.*
**** Includes import and sales of products, for example LPG*
***** Premium channels include sales to final buyers (including wholesale to small buyers, retail, domestic export, production lines)*

Goals and tasks from 2011 till 2013 are oriented towards long-term strategy development objectives

	Strategic goals until 2020	Tasks in the period from 2011 until 2013
General	• Projects realization abroad in 1-2 regions with level of production of minimum 30% of manufacturing in Serbia (up to 2 mln. Tons)	• Increase in financial indicator EBITDA. • Reduction of loss and increase in economic effectiveness. • Reduction of number of permanently employed employees. • Environmental program
Oil	• Production in Serbia up to 1.3 million tons • Production in foreign projects in the maximum value of up to 1,8 mln.tons /year(at least 30% of total production).	• Preservation of base production through GTM and new exploration and production technologies. • Implementation of exploration and production projects in the Balkans and Africa. • Spreading of resource base through GRR program. • Implementation of ”low cost” strategy.
Gas	• Production in Serbia - up to 1.000 mln.m^3, inlc. production of non conventional gas – up to 250 mill m^3/year(at least 20% of total production. • Production in foreign projects - up to1.200 mill m^3/ year in maximum scenario (at least 30% of total production)	• Preservation of base production through GTM and new exploration and production technologies. • Implementation of exploration and development projects of non conventional resources. • Implementation of exploration and development projects in the Balkans region. • Spreading of resource base through GRR program.
LPG	• Обезбеђивање улаза гаса на ТНГ-Елемир најмање 400 мил.$м^3$/год. • LPG production of at least 30,000 tons /year	• Implementation of gas production increase and construction of gas transport infrastructure in LPG-Elemir plant.
Alternative energy sources	• Provision of at least 5% of own energy needs from energy sources. • Reduction of own oil and gas consumption.	• Implementation of pilot project in the field of geothermal, solar and wind power. Transition from the sales of thermal water to the electric energy production..
OFS	•Increase in efficiency and capitalization •Service prices reduction. •Third parties share growth and project implementation with high potential margin •Maximum use of production capacities (with maximum operating revenue). •Strategic partnership	•Maximum usage of capacity •High production and technological standards and quality of services •Strengthening of the position on the local and foreign market. •Capitalization strategy implementation and self financing. •Strategic partnership with multinational oil service companies.

Upstream (UPS) – Growth Priorities

MARKET TRENDS*

- The biggest international companies compensate the fall in production in traditional regions of activity in CIS and Middle East countries.
- Reduced resources and more complex geological conditions of hydrocarbon deposits, increase in unconventional inventories.
- Increase in Lifting costs and other costs of exploration and production.
- Outsourcing of non-core activities.

NIS Priorities

1. Production level growth and resource base increase.
2. Leader in costs decrease of hydrocarbon production
3. High productivity of operations.
4. State-of the art technologies and methods for oil and gas production
5. Focus on core activities (oil and gas production)
6. Spreading concession activities (concession production share minimum 30% of total production).
7. Increase in Investment effectiveness (LC decrease , GTM optimization, application of new technologies. etc.)
8. Growth in resource base in and out of Serbia

Source of information CERA 2010, BP World Energy Outlook 2010, Exploration and production development strategy GPN

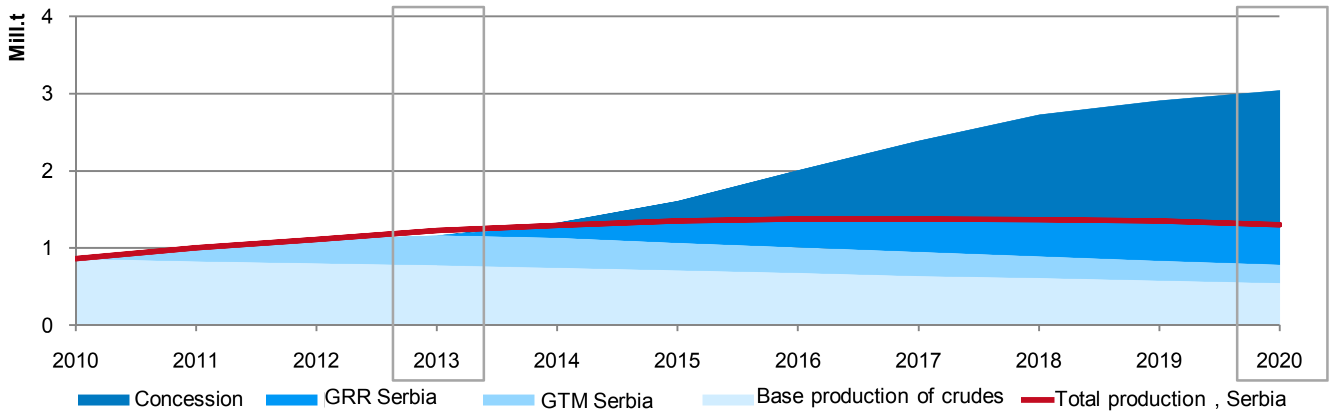
Upstream (UPS) – Production Volume Growth

70% of oil and gas production in 2020 will be achieved thanks to GRR

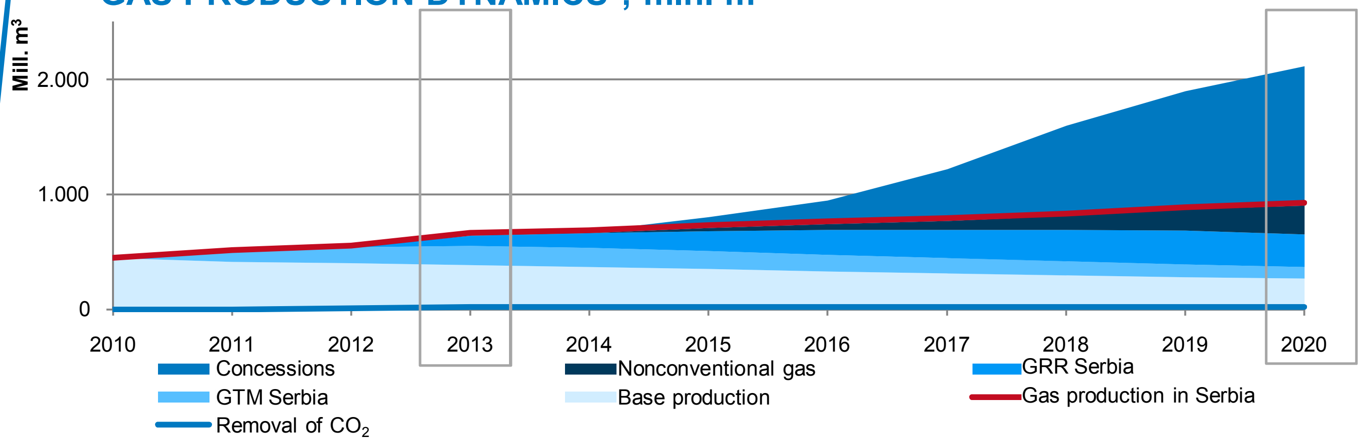
- Lower production in the existing fields is partly compensated through the use of the state-of the art production technology.
- Increase in production supported by active development of new fields and projects abroad.
- Increase in production of natural gas supported by exploration and development of nonconventional resources

Target profile of NIS Production - 2011-2020. *

OIL PRODUCTION DYNAMICS *, mill tons



GAS PRODUCTION DYNAMICS*, mln. m^3



** Without Challenge for production of additional volumes*

Oilfield services (OFS) – Growth Priorities

MARKET TRENDS*

- Companies specializing for the specific types of services and foundation of specialized companies for oil services
- Growth in regional competition (large number of vertically integrated companies in the nearby countries).
- Decrease in service value.
- Service quality improvement.

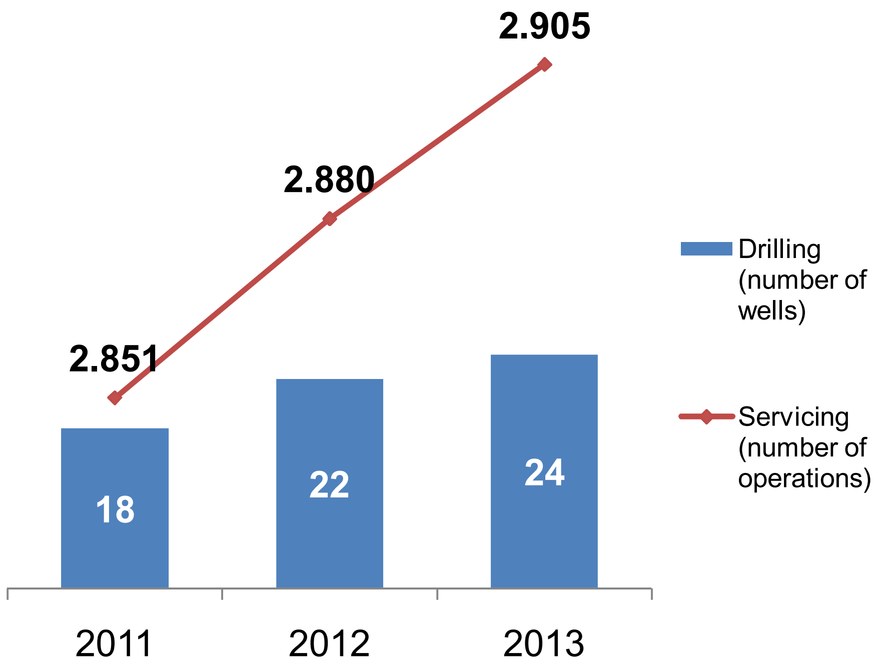
NIS priorities

1. Increase in service efficiency
2. Increase in usage of Oil services
3. Growth in operating revenues from third parties
4. Satisfying the internal production requirements of NIS in oil services
5. Entrance to the international market in order to maximize usage of production capacities and implementation of projects with high margin potentials.
6. Separation of the Oilfield services block and forming of a specialized company for oil services (spin-off)

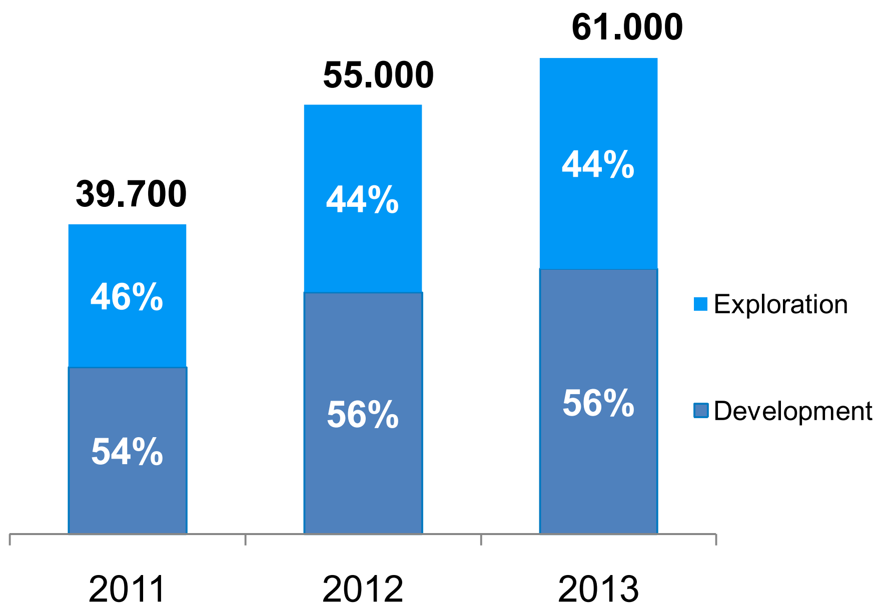
Source of information: CERA 2010

Services (OFS) - Indicators

DRILLING AND WELL SERVICING



DEVELOPMENT AND EXPLORATION DRILLING (m)



Services (OFS) – Development Regions

1. Serbia

- Priority on performance of NIS/GPN production program.
- Large OFS market in different regions of PC.

1. Asia

- Presence over 10 years in the Republic of Turkmenistan, with existing production base and facilities.

2. East Europe

Romania, Hungary, Croatia, Bosnia-Herzegovina, and others

- Depleted resources and lack of potential for development and growth in gas and oil sector, due to decreased requirements for OFS.
- Most of the oil companies in oil and gas sector in East Europe has own oil services.
- Strong positions of the existing independent OFS companies (CROSCO, PETROMSERVICE), and long presence of international OFS companies in the region (Schlumberger, Halliborton, Baker Hughes,etc.).

3. Middle East

Iraq, Iran

- Largest reserves in the region.
- Limited competition.
- Strong cultural identity of the region.
- Political and economic instability.

3. North Africa

Libya

- Largest reserves in the region.
- Government looking for foreign partners to develop new oil fields and improve the indicators of oil production on depleted developed fields.
- Political and economic instability.

Algeria

- One of the biggest gas exporter in the world.
- Most of the land in Algeria has not been explored despite its good oil and gas outlooks.
- Almost full state OFS monopoly.

3. West Africa

Angola

- NIS is involved in off shore blocks development.
- Long history of economic relations with Serbia.
- On-shore production potential.
- Political and economic instability.

Refining (REF) – Growth Priorities

MARKET TRENDS*

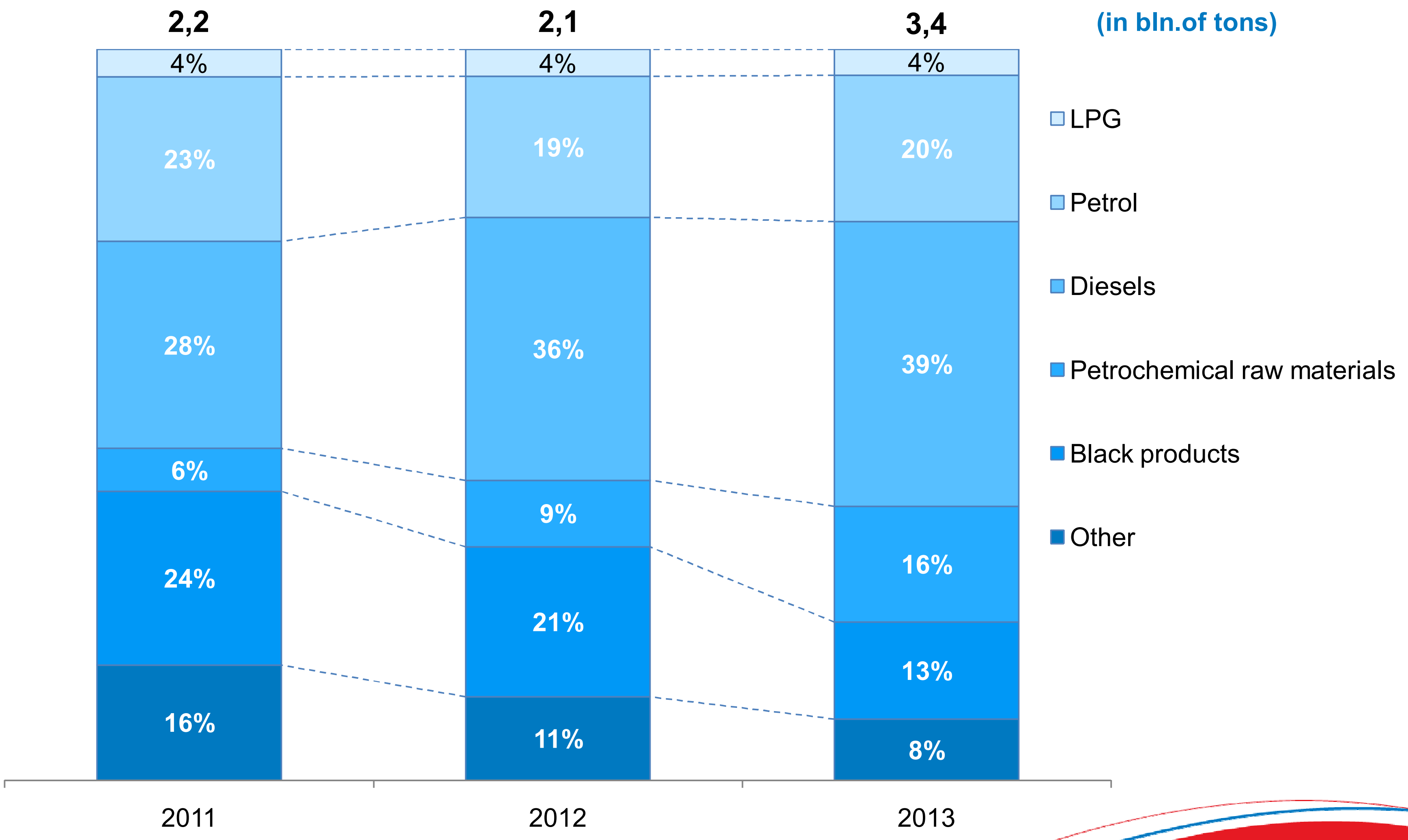
- Surplus of refining capacities in the region.
- Reduction of the refining margins.
- High competitiveness on the oil products market.
- Constant changes in legislation and harmonization with EU legislation and technical rules
- Mandatory minimum share of bio –fuels in EU.
- Market liberalization in RS

PRIORITIES OF NIS

1. Reconstruction and Modernization program
2. Reduction of loss and own consumption
3. Refining margin increase
4. Products quality improvement (EUR-5, white products output, refining level)
5. Improvement in operations

** Source : WoodMac, 2010*

Dynamics and Structure of Planned Oil Production



Trade (PRO) – Growth Priorities

MARKET TRENDS*

- Maintenance of high attractiveness of premium sales channels and strong competition
- Market liberalization(free import of petrol)
- Surplus offer and preserved capacity surplus
- Branded retail stations as a guarantee f fuel quality
- Market development is expected to put accent on different brand positions for better competiveness
- Changes in competition environment :
    - Format polarization and further differentiation of offer;
    - Increase in revenues from non-core assortment and services;
    - New players in the Balkan region.

PRIORITIES OF NIS

1. Retail fuel stations network development
2. Stable share in the basic fuels market
3. Premium sales development.
4. Production trends development
5. Economy efficiency and competitive advantages development.
6. Development and strengthening of the brand(s).

Source: WoodMac 2010, McKinsey reports 2010

Trade Transformation

A

Growth motivator

- One of the biggest vertically integrated companies in the region in terms of retail volumes.
- Market leader in regions where NIS has logistics advantages .
- Entrance to new regions of high potential.

B

Strong brand

- Leading brand of retail stations in Serbia, highly recognizable, and loyalty of key segments.
- Guarantee for high fuel and service quality.
- Differentiated competitors' offer for key client segments.

C

Economic effectiveness

- Highest operation efficiency comparing to other vertically integrated companies.
- Leader in profit growth from sales of non core assortment and services.

Retail

1. Creation of strategic plan.
2. Introduction of pricing to micro market.
3. Increase in profit from sales of non core assortment.
4. Introduction of brand optimization program

Wholesale

5. Introduction of market and client analysis system.
6. Introduction of active sales.
7. Increase in profit management efficiency.

Export

8. Increase efficiency in export planning.

Logistics

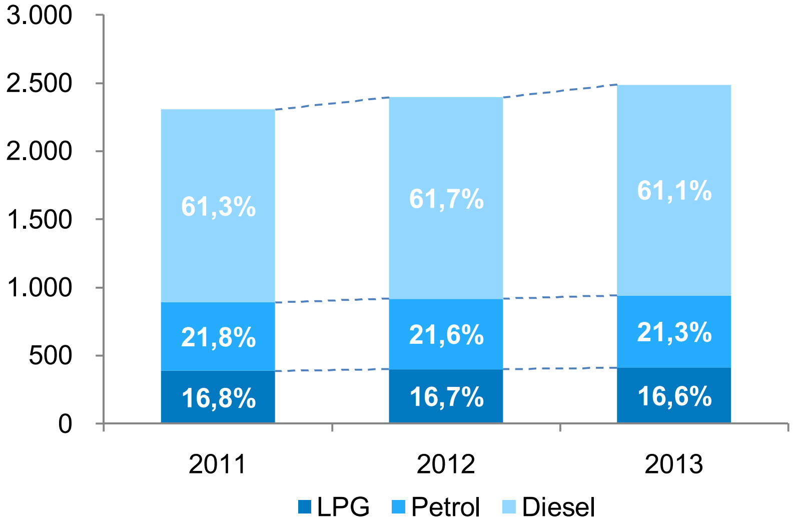
9. Increase efficiency of storage network.
10. Specification and introduction of new road transport model.
13. Computer control of logistics facilities.

12. Production trend development.

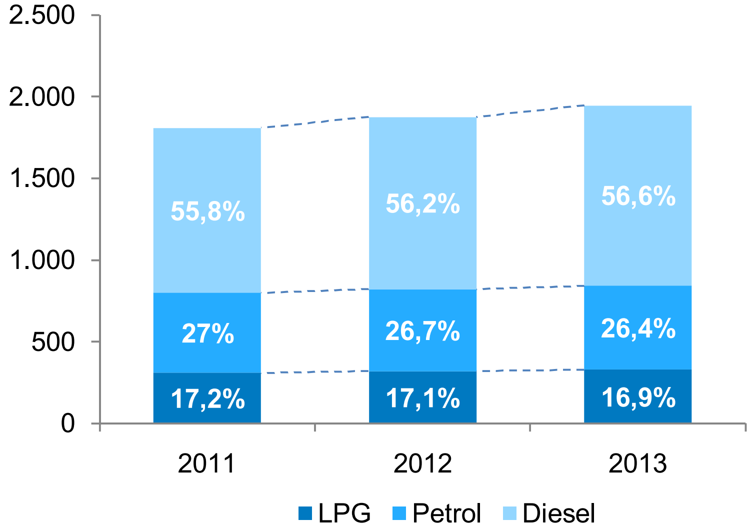
11. Optimization of personnel costs.

Motor Fuels Market

VOLUME OF THE SERBIAN MOTOR FUEL MARKET ('000 t)

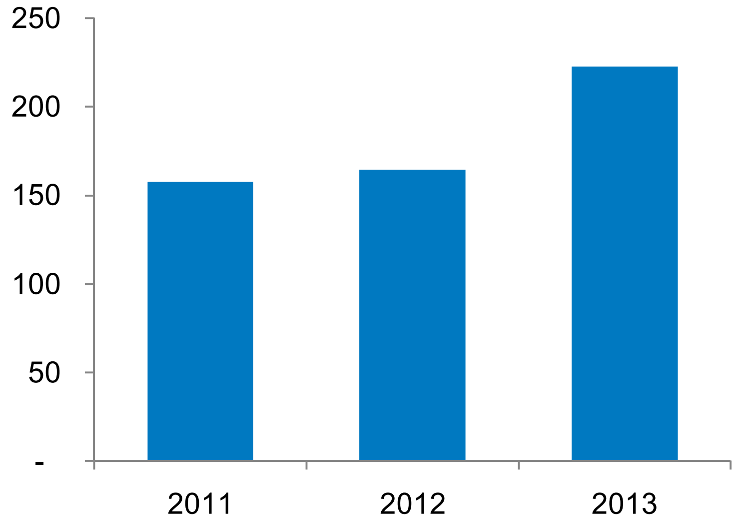


SERBIAN RETAIL MARKET STRUCTURE PER PRODUCT ('000 t)



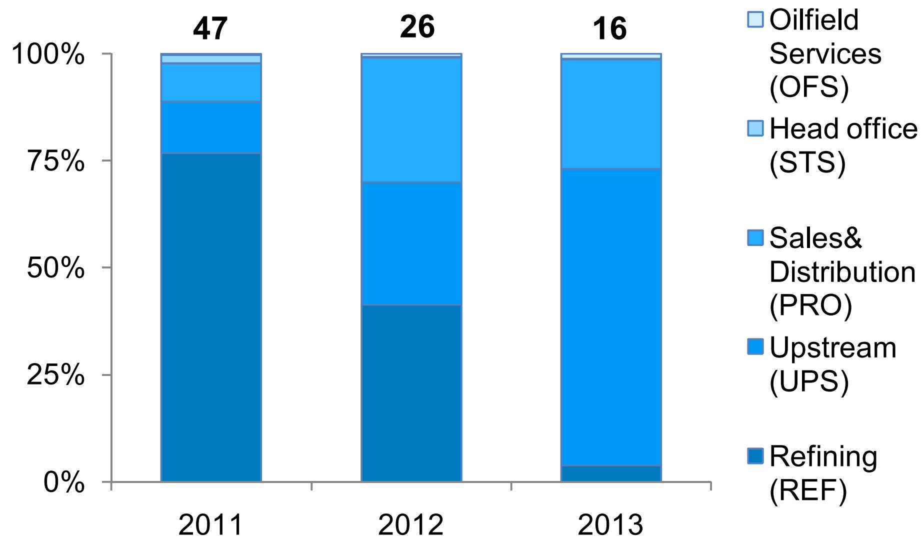
Financial Indicators

OPERATING INCOME (bln. RSD)



- Rapid increase in 2013 operating income is projected owing to hydrocracking investment in Pancevo Refinery as a part of the modernization project. This will preserve NIS competitiveness, provide fuel of the EU standard and increase production volume.
- Income growth will result from increased export, mainly of Euro diesel, to Bulgaria and Romania.

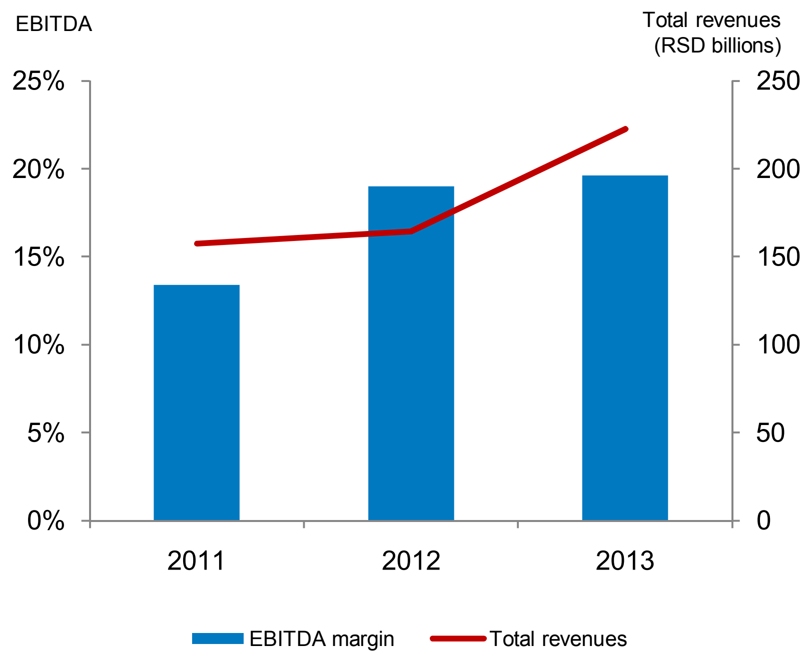
CAPEX BY PROFILE BLOCKS (bln.RSD)



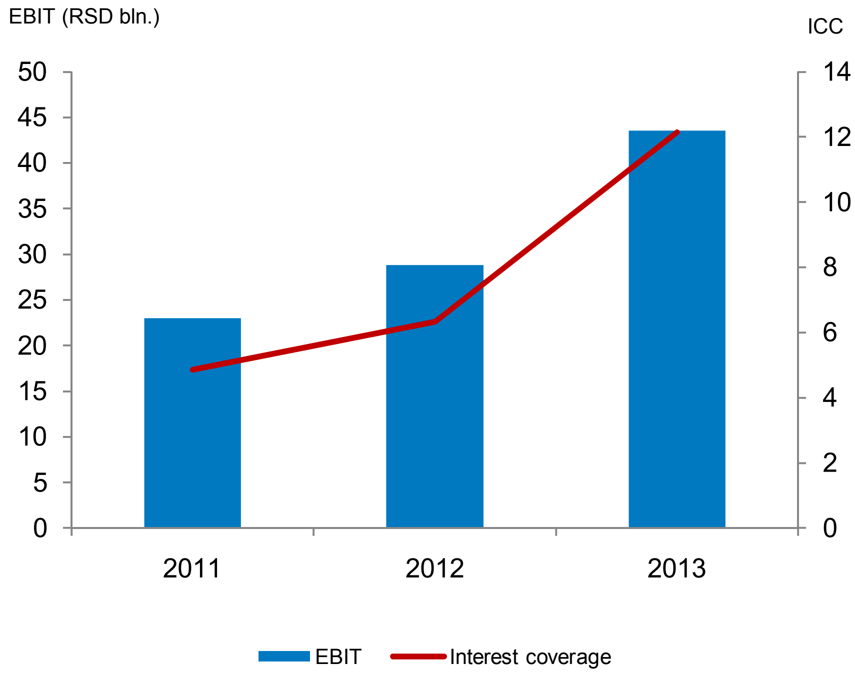
- Modernization project includes investment in the following facilities:
  - MHC/DHT,
  - Electric energy plant for hydrocracking and refinery,
  - Spent sulfuric acid recovery unit, and
  - Construction of a hydrogen generation unit.

Financial Indicators

TOTAL REVENUES AND EBITDA MARGIN



EBIT AND INTEREST COVERAGE COEFFICIENT



Conclusions

Advantages and Opportunities

1	Integration	Integration into GPN structure, usage of the parent company resources for business development initiatives.
2	Rising production trend	New trend in crude oil production (until acquisition production has recorded continuous decline; after acquisition of the Company by GNP such trend reversed).
3	MHC/DHT Completion	Completion of MHC/DHT until the end of 2012 which will provide improved competitiveness on the domestic and foreign markets and the opportunity for NIS a.d. to make its market position stronger through the quality of its products.
4	Modernization	Ambitious but realistic retail network modernization plan, (large number of petrol stations at attractive sites , in accordance with the top world standards).
5	Lower loss	Effective efforts to reduce losses in production and refining will lead to higher intercompany efficiency.
6	Foreign markets	Real chances to win the neighboring external markets.
7	Intensified services	Intensification of services for the requirements of NIS a.d and third parties.
8	More acquisitions	Intensified acquisition of new concession projects in the region.
9	Ooptimization of organizational structure	Optimized organizational structure of NIS a.d. comparing to the one at the time of acquisition, to enable better efficiency.
10	Cost optimization	Optimization of all costs in the company; outsourcing of the unprofitable activities.
11	New products	Introduction of new products and services to NIS, with the logistic support of GPN.
12	Alternative energy sources	Alternative energy resources research.
13	Light products	Higher portion of light products in the refining yield.
14	New technologies	Introduction of new and sophisticated technologies in oil and gas production.

Key Risks and Constraints

Constraints

	Description	Effect on NIS*
1 Obligations of the parties arising from the Sales Agreement	• Investment obligations. • Social responsibilities. • Obligation to keep business volume.	• Repayment of Euro 500 million loan to GPN for MHC/DHT and environmental projects (grace period of 3 years and loan repayment until 2023). • Impossible disposal/rationalization of assets until the beginning of 2013.
2 Bringing credit indicators to regular level	• Keeping of indebtness to the level 3x higher than EBITDA with repayment of up to 100 mill US$ /year.	• Impossibility of project implementation whose completion time is longer than 1-2 years concurrently with the MHC-DHT project.
3 Other constraints	• Legislation (quality, anti-monopoly law,).	• Significant impact on business result and competition.

Risks

	Description	Effect on NIS*
1 Not reaching market goals	• High risk of not attaining retail and export objectives, due to market liberalization in RS and strong competition in the Balkans markets.	• With total refinery capacity usage below 3 mln. t (without export of motor fuels) projected EBITDA cannot be reached. • With same share in the Serbian retail market, current decrease in EBITDA remains.
2 Not reaching project goals	• Medium risk of late MHC/DHT project completion. • Risk of late resolution of property issues. • High risk of not achieving GRR goals.	• Postponement of MHC/DHT completion for 1 year would cost the Company, in terms of OCF, over RSD 5 billion. • Decrease in production volume for 20% of new reservoirs will reduce EBITDA for 10 % in 2014.
3 Legal environment getting worse, other risks	• High risk of potential financial loss in connection with judicial risks (projection~ 50 mln. €). • Risk of lagging behind the scheduled real estate entering into land register.	• Increase in production tax can reduce profitability of production to the level of Russian Federation. • Current situation shows that only 26% of Company's real estate are entered in land registers

General Conclusion

- Within 3 years, strategy implementation will enable NIS to overcome lagging behind competition according to the key indicators of effectiveness, and increase EBITDA of the company.

- The largest contribution to the profitability will come from production and trade development. Stable development of production and trade provide for active growth on foreign market.

- Strategy implementation provides for the investment in key business areas in the amount of RSD 90 billion (2011-2013).

Acronyms

Symbols:

- N/A not available
- N/M not measurable
- mln.– millions
- bln.- billions

Currencies:

- RSD – Serbian dinar
- USD – USD dollar
- EURO – European Union Currency

Other:

- USD/b – USD dollar per barrel
- MB/d – million barrels per day
- GDP – gross domestic product
- BBl (b) - barrel
- Bbl/d – barrel/per day
- MC – market capitalization
- Platts – provider of energy and metals information
- RNP – Pancevo Oil Refinery
- RNS – Novi Sad Oil Refinery
- UPS – Upstream
- OFS – Oilfield services
- REF - Refining
- PRO – Sales and distribution
- STS - NIS Management
- SPA – Share Purchase Agreement between GPN and the Republic of Serbia
- MHC/DHT – hydrocracking unit in Pancevo
- RS - Republic of Serbia
- GRR – geological exploration work
- GTM – geological technical work
- FSU – former Soviet Union
- GFO – general financial overview
- t.o. e. – ton of oil equivalent
- EV – Invested capital value (own capital + interest bearing liabilities
- GIR – Geological exploration works
- LPG – Liquid petroleum gas

Finance:

- OCF – Operating cash flow
- FCF – Free cash flow
- Gearing – Level of indebtedness (including intercompany loans)
- IC – Interest coverage (indicator of capacity to cover due interest)

Economic organization

- **OPEC – Organization of the Petroleum Exporting Countries —** Members: Algeria (1969), Angola (2007), Ecuador (rejoined in 2007), Islamic Republic of Iran (1960), Iraq (1960), Kuwait (1960), Socialist People's Libyan Arab Jamahiriya (1962), Nigeria (1971), Qatar (1961), Saudi Arabia (1960), United Arab Emirates (1967), Venezuela (1960).
- **EIU -** The Economist Intelligence Unit
- **OECD – Organization for Economic Operation and Development —** Members Australia, Austria, Belgium, Canada , Check Republic, Denmark, Finland, France, Germany, Greece, Hungary, Island, Ireland, Japan, Luxemburg, Mexico, Holland, New Zealand, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, Great Britain and USA.
- **CERA - Cambridge Energy Research Associates**,

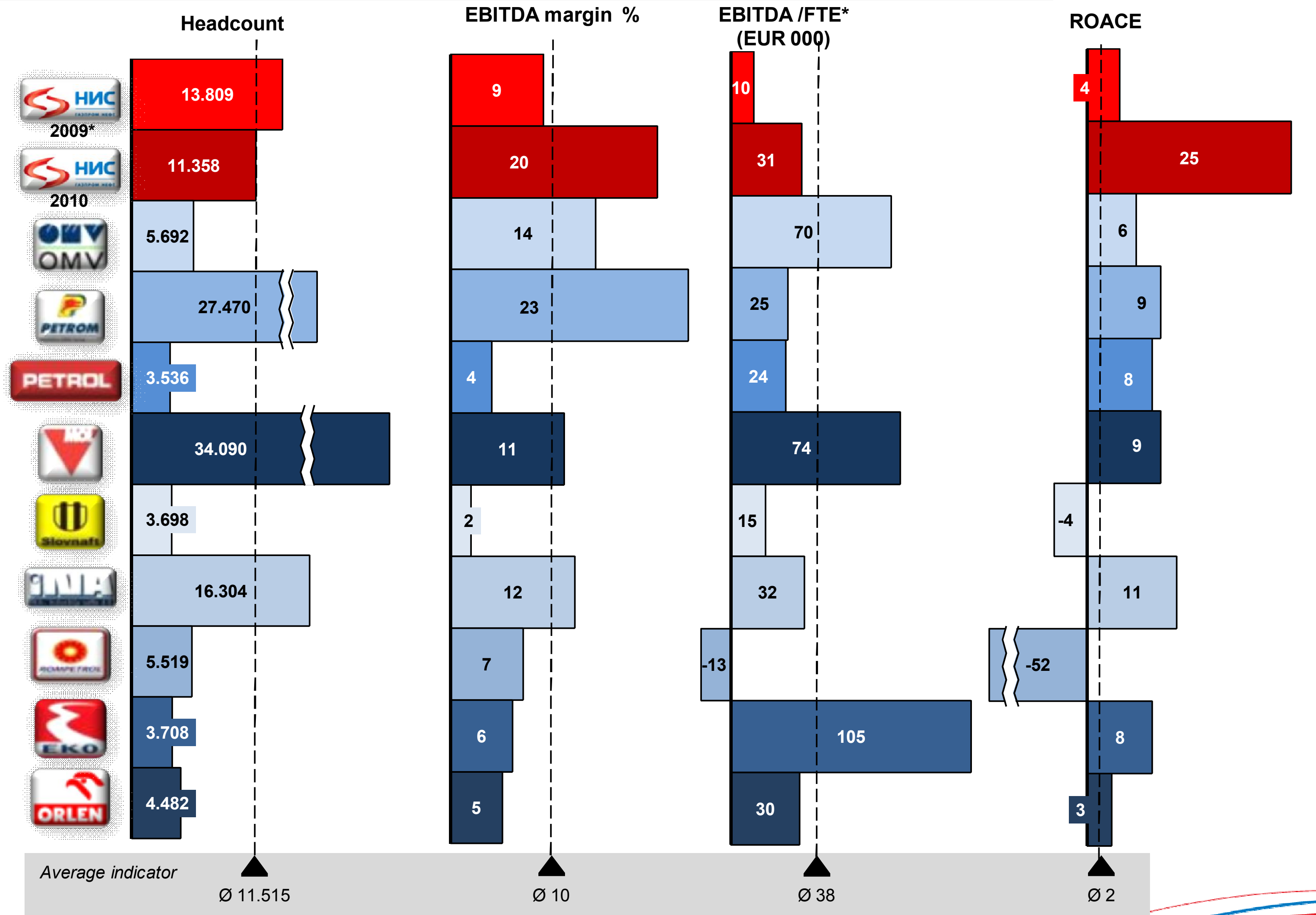
Oil companies

- GPN – Gazprom Neft, oil company with the headquarter in Russia
- EKO – Hellenic Petroleum, oil company with headquarter in Greece
- OMV – Oil company with headquarter in Austria
- INA –oil company with headquarter in Croatia
- MOL – oil company with headquarter in Hungary
- Lukoil – oil company with headquarter in Russia
- BP – British Petroleum, a petroleum company with headquarters in UK

Appendices

Comparative analysis of basic indicators

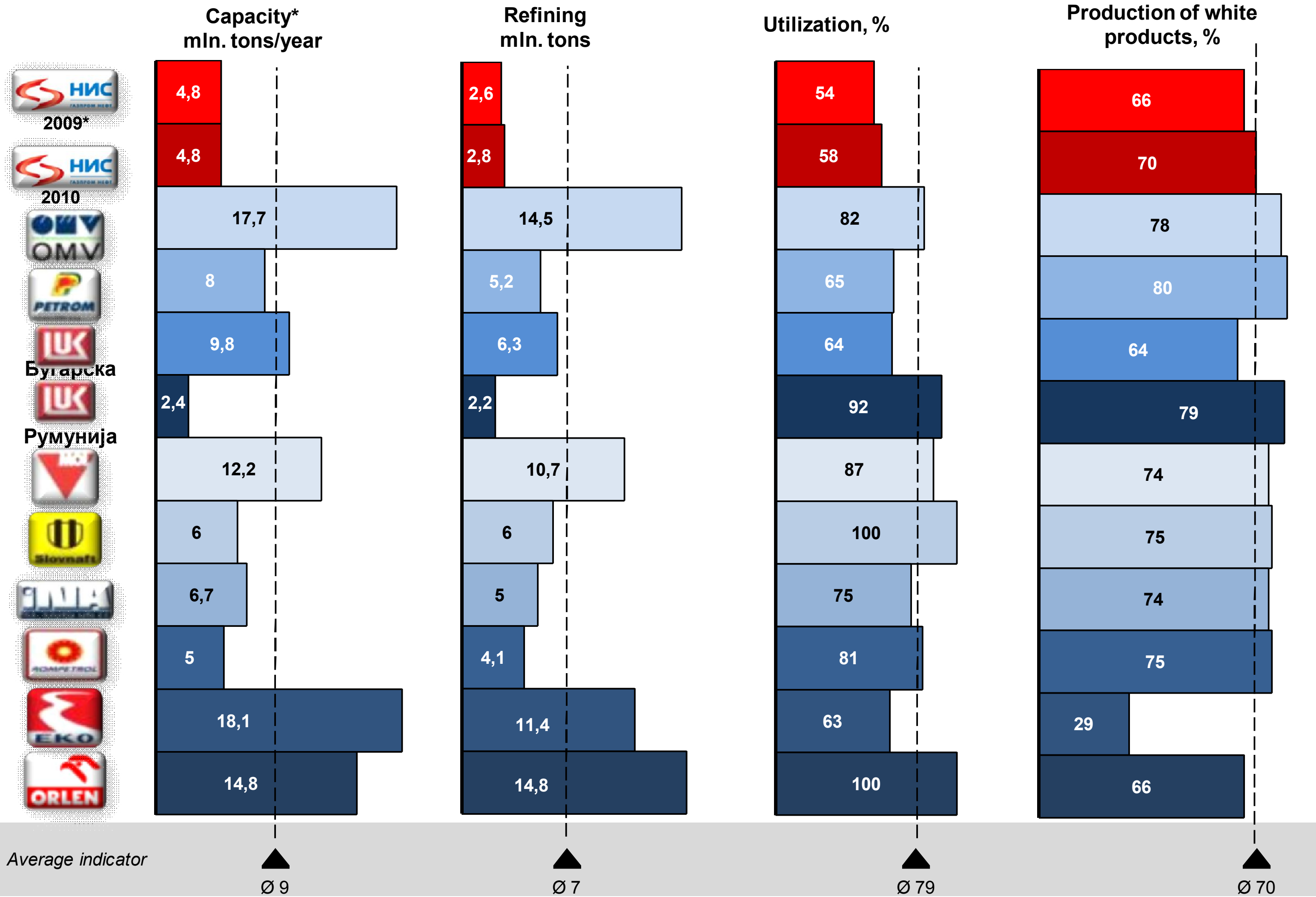
According to the data for 2009



Source: Annual financial report of Dow Jones, Data book company
** According to the balance at 31 Dec 2009 before correction*

Comparative analysis of basic indicators

According to the data for 2009



Source: Annual financial report of Dow Jones, Data book company
* RNP

Effect of the crude oil transfer price on EBITDA of refining and trade (bln. USD) 1/3

NIS
GAZPROM NEFT

2013 EBITDA – PRO

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

REDUCTION FACTOR OF EURODIESEL TRANSFER PRICE	10	15	20	23	30
0	-51,77%	-51,77%	-51,77%	-51,77%	-51,77%
-5	-44,51%	-44,51%	-44,51%	-44,51%	-44,51%
-10	-37,25%	-37,25%	-37,25%	-37,25%	-37,25%
-15	-29,98%	-29,98%	-29,98%	-29,98%	-29,98%
-20	-22,72%	-22,72%	-22,72%	-22,72%	-22,72%

2020 EBITDA - PRO

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

REDUCTION FACTOR OF EURODIESEL TRANSFER PRICE	10	15	20	23	30
0	-32,46%	-32,46%	-32,46%	-32,46%	-32,46%
-5	-27,91%	-27,91%	-27,91%	-27,91%	-27,91%
-10	-23,36%	-23,36%	-23,36%	-23,36%	-23,36%
-15	-18,80%	-18,80%	-18,80%	-18,80%	-18,80%
-20	-14,25%	-14,25%	-14,25%	-14,25%	-14,25%

2013 EBITDA - REF

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

REDUCTION FACTOR OF EURODIESEL TRANSFER PRICE	10	15	20	23	30
0	37,39%	45,67%	53,95%	58,92%	70,51%
-5	29,13%	37,41%	45,69%	50,65%	62,24%
-10	20,86%	29,14%	37,42%	42,39%	53,98%
-15	12,60%	20,88%	29,16%	34,12%	45,72%
-20	4,33%	12,61%	20,89%	25,86%	37,45%

2020 EBITDA – REF

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

REDUCTION FACTOR OF EURODIESEL TRANSFER PRICE	10	15	20	23	30
0	39,99%	47,73%	55,47%	60,11%	70,95%
-5	31,56%	39,30%	47,04%	51,68%	62,52%
-10	23,13%	30,87%	38,61%	43,25%	54,08%
-15	14,70%	22,44%	30,17%	34,82%	45,65%
-20	6,26%	14,00%	21,74%	26,39%	37,22%

Effect of the crude oil transfer price on EBITDA of refining and trade (bln. USD) 2/3

2013 EBITDA - PRO

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

TRANSFER PRICE REDUCTION FACTOREBMB	10	15	20	23	30
0	-29,97%	-29,97%	-29,97%	-29,97%	-29,97%
-5	-26,24%	-26,24%	-26,24%	-26,24%	-26,24%
-10	-22,51%	-22,51%	-22,51%	-22,51%	-22,51%
-15	-18,78%	-18,78%	-18,78%	-18,78%	-18,78%
-20	-15,05%	-15,05%	-15,05%	-15,05%	-15,05%

2013 EBITDA - REF

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

TRANSFER PRICE REDUCTION FACTOR EBMB	10	15	20	23	30
0	12,47%	20,76%	29,05%	34,02%	45,63%
-5	8,22%	16,51%	24,08%	29,77%	41,38%
-10	3,96%	12,25%	20,54%	25,52%	37,12%
-15	-0,29%	8,00%	16,29%	21,26%	32,87%
-20	-4,54%	3,75%	12,04%	17,01%	28,62%

2020 EBITDA - PRO

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

TRANSFER PRICE REDUCTION FACTOR EBMB	10	15	20	23	30
0	-18,77%	-18,77%	-18,77%	-18,77%	-18,77%
-5	-16,42%	-16,42%	-16,42%	-16,42%	-16,42%
-10	-14,08%	-14,08%	-14,08%	-14,08%	-14,08%
-15	-11,73%	-11,73%	-11,73%	-11,73%	-11,73%
-20	-9,38%	-9,38%	-9,38%	-9,38%	-9,38%

2020 EBITDA - REF

REDUCTION FACTOR FOR THE TRANSFER PRICE CALCULATION OF CRUDE OIL TRANSPORT

TRANSFER PRICE REDUCTION FACTOR EBMB	10	15	20	23	30
0	14,63%	22,38%	30,13%	34,78%	45,63%
-5	10,28%	18,03%	25,78%	30,43%	41,28%
-10	5,93%	13,68%	21,43%	26,08%	36,93%
-15	1,59%	9,34%	17,09%	21,74%	32,59%
-20	-2,76%	4,99%	12,74%	17,39%	28,24%

Effect of the crude oil transfer price on EBITDA of refining and trade (bln. USD) 3/3

2013 EBITDA -REF

REDUCTION FACTOR FOR THE EURODIESEL TRANSFER PRICE CALCULATION USD/T

TRANSFER PRICE REDUCTION EBMB 95 USD/t	0	-12	-24	-36	-48
0	92,29%	72,45%	52,62%	33,37%	12,95%
-10	83,98%	64,15%	44,31%	25,06%	4,64%
-20	75,67%	55,84%	36,00%	16,75%	-3,67%
-30	67,36%	47,53%	27,69%	8,44%	-11,98%
-40	58,92%	39,08%	19,25%	0,00%	-20,42%

2020 EBITDA – REF

REDUCTION FACTOR FOR THE EURODIESEL TRANSFER PRICE CALCULATION USD/T

TRANSFER PRICE REDUCTION EBMB 95 USD/t	0	-12	-24	-36	-48
0	94,16%	73,92%	53,69%	34,05%	13,21%
-10	85,68%	65,45%	45,21%	25,57%	4,73%
-20	77,21%	56,97%	36,73%	17,09%	-3,74%
-30	68,73%	48,49%	28,25%	8,61%	-12,22%
-40	60,11%	39,88%	19,64%	0,00%	-20,84%

2013 EBITDA – PRO

REDUCTION FACTOR FOR THE EURODIESEL TRANSFER PRICE CALCULATION USD/T

TRANSFER PRICE REDUCTION EBMB 95 USD/t	0	-12	-24	-36	-48
0	-81,00%	-64,00%	-46,00%	-29,00%	-11,00%
-10	-74,00%	-56,00%	-39,00%	-22,00%	-4,00%
-20	-66,00%	-49,00%	-32,00%	-15,00%	3,00%
-30	-59,00%	-42,00%	-24,00%	-7,00%	11,00%
-40	-52,00%	-34,00%	-17,00%	0,00%	18,00%

2020 EBITDA – PRO

REDUCTION FACTOR FOR THE EURODIESEL TRANSFER PRICE CALCULATION USD/T

TRANSFER PRICE REDUCTION EBMB 95 USD/t	0	-12	-24	-36	-48
0	-50,85%	-39,92%	-28,99%	-18,39%	-7,13%
-10	-46,27%	-35,34%	-24,41%	-13,81%	-2,56%
-20	-41,70%	-30,77%	-19,84%	-9,23%	2,02%
-30	-37.12%	-26,19%	-15,26%	-4,65%	6,60%
-40	-32,46%	-21,54%	-10,61%	0,00%	11,25%

EV sensitivity (bln.RSD)

CRUDE OIL PRICE

EXCHANGE RATE RSD/EURO	50	55	60	65	70
90	-6,15%	6,77%	12,13%	20,64%	29,11%
95	-27,61%	-10,76%	-3,88%	6,87%	17,42%
100	-53,53%	-31,43%	-22,58%	-8,91%	4,23%
108	-85,49%	-56,13%	-44,66%	-27,23%	-10,78%
115	-122,85%	-86,22%	-71,15%	-48,72%	-28,04%

MINIMUM COMPENSATION FOR USE OF MINERAL RESOURCES - MONTENEGRO

MINIMUM COMPENSATION FOR USE- SERBIA	8%	9%	10%	11%	12%
1%	2,59%	2,34%	2,10%	1,85%	1,61%
2%	1,54%	1,29%	1,05%	0,80%	0,56%
3%	0,49%	0,24%	0,00%	-0,24%	-0,49%
4%	-0,56%	-0,80%	-1,05%	-1,29%	-1,54%
5%	-1,61%	-1,85%	-2,10%	-2,34%	-2,59%

OPERATING EXPENSES GROWTH RATES

SALARIES GROWTH RATE	93%	94%	95%	96%	97%
95%	1,29%	1,29%	1,29%	1,29%	1,29%
96%	0,66%	0,66%	0,66%	0,66%	0,66%
97%	0,00%	0,00%	0,00%	0,00%	0,00%
98%	-0,69%	-0,69%	-0,69%	-0,69%	-0,69%
99%	-1,40%	-1,40%	-1,40%	-1,40%	-1,40%

MINIMUM COMPENSATION FOR USE OF MINERAL RESOURCES - MONTENEGRO

MAXIMUM PRICES- ANGOLA	8%	9%	10%	11%	12%
10	1,21%	0,97%	0,72%	0,48%	0,23%
15	0,85%	0,61%	0,36%	0,12%	-0,13%
20	0,49%	0,24%	0,00%	-0,24%	-0,49%
25	0,13%	-0,12%	-0,36%	-0,61%	-0,85%
30	-0,23%	-0,48%	-0,72%	-0,97%	-1,21%

EXCHANGE RATE EURO/USD

INFLATION IN SERBIA	1,00	1,10	1,20	1,30	1,40
100%	53,64%	32,53%	14,92%	0,00%	-12,84%
101%	53,35%	32,24%	14,63%	-0,29%	-13,14%
102%	53,06%	31,95%	14,34%	-0,58%	-13,43%
103%	52,77%	31,66%	14,05%	-0,87%	-13,72%
104%	52,48%	31,37%	13,76%	-1,16%	-14,01%