

# COMPANY PROFILE



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An abstract graphic on the left side of the page. It features a large white number '1' positioned over a yellow semi-circle. Above the '1' is an orange shape with a white, hand-drawn scribble. Below the yellow semi-circle is a red sphere with diagonal stripes. The entire graphic is set against a dark blue background.

# 1

**ABOUT NIS**

# ABOUT NIS

NIS GROUP is one of the biggest vertically integrated energy systems in South-East Europe. NIS's headquarters and major production capacities are located in the Republic of Serbia: oil and gas fields, the Pancevo Refinery, tank farms and a network of retail stations. The goal that NIS pursues is to become a role model for other companies in terms of business efficiency and commitment to sustainable development principles, as well as to create new values for shareholders, personnel and the community where we operate under challenging macroeconomic conditions.

NIS Group's main activities include exploration, production and refinement of oil and natural gas, sales and distribution of a wide range of oil and gas products and implementation of projects in the domain of power and petrochemicals.

Company's most important resource is its people, a team of

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## 11,000

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driven professionals coming from over

## 20 countries.



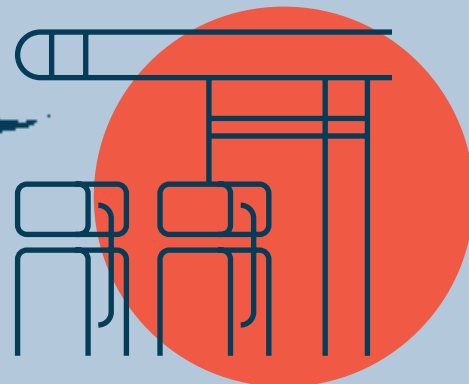
In addition to Serbia, NIS operates in the neighboring countries of the Balkan region. Regional expansion is traced in two principal directions – oil and gas exploration and production (in Romania and Bosnia and Herzegovina) and retail network development (in Bosnia and Herzegovina, Bulgaria and Romania). Besides, NIS is actively engaged in power trading activities and alongside Serbia is present on the markets of Bosnia and Herzegovina, Romania, Slovenia and Hungary.

Apart from commercial activities, NIS carries out numerous social projects aimed at improving the living conditions of the community where the company operates, with a particular focus on young people – drivers of future development.

NIS runs a network of over

# 400 petrol station

in the Balkan market under two brands – NIS Petrol and premium brand GAZPROM.





# Mission

Making responsible use of natural resources and cutting-edge technologies, give sustained energy to the Balkan people to move towards a better future.

# Vision

NIS will become a recognized leader of the Balkan region in its domain in terms of dynamics of sustainable development and efficiency improvement displaying a high level of social and ecological responsibility and modern customer service standards.



## Values:

### Responsibility

Responsible company and employees sensibly using resources for the common good.

### Transparency

We create transparent working environment relying on open and fair communication where everyone is equal.

### Innovativeness

We strive for and support new and better solutions in pursuit of self-improvement and sustained industry leadership.

### Professionalism

Everything we create is built on our professionalism that inspires changes throughout the community.





**BUSINESS  
ACTIVITIES**

## EXPLORATION AND PRODUCTION

### NIS is Serbia's only company dealing with exploration and production of oil and gas.

The majority of oil and gas fields are located in Serbia, whereas exploration activity is also undertaken in Bosnia and Herzegovina and Romania where pilot production of oil and gas started in 2019. Company's oldest concession is situated in Angola, with the production operations since 1985. As part of Exploration and production, production unit

for natural gas treatment, LPG and gasoline production and CO<sub>2</sub> removal operates in Elemir, with the design capacity of 65,000 tons of LPG and gasoline annually. Elemir also hosts the Amine unit for natural gas treatment with HiPACT technology (High Pressure Acidgas Capture Technology). This unit in Elemir is the first HiPACT facility in Europe, the gas treatment method it employs completely prevents the release of carbon dioxide in the atmosphere.



In 2019 a total of

# 1.286 mln t.o.e.

was produced in company's assets in Serbia and abroad, and 11 exploratory wells were drilled.



## SERVICES

**NIS has in-house service capacities that fulfill Group's needs in the area of oil and gas exploration and production and render services to third parties.**

The scope of services includes geophysical measurements, well construction, infrastructure development and workover, as well as special operations and measurements.

Furthermore, the service range covers maintenance of oil and gas equipment and machinery, construction, reconstruction and maintenance of oil and gas systems and facilities, passenger and cargo

transportation and engagement of specialized machinery. Due to modern equipment, continuous investment in equipment upgrade and experienced staff, Services have been contracted in many countries all over the world (Egypt, Turkmenistan, UAE, Russia and others). At the moment, they are engaged in Bosnia and Herzegovina and Romania.

The goal NIS pursues in this segment is to reinforce our presence in the domestic and international market, and our priorities include upgrade of the equipment, service provision of superior quality, improvement of technical and technological efficiency and increase of engagement with NIS and other companies.



## REFINING

**NIS has a refinery in the town of Pancevo with the maximum design capacity of 4.8 mln tons annually.**

The Pancevo Refinery produces motor fuels of Euro-5 standard, jet fuel, liquid petroleum gas, feed for petrochemical industry, fuel oil, bitumen and other petroleum products. NIS continuously works on upgrade of its refining capacities and manufactures a wide range of high-quality petroleum products supplying Serbia and the region.

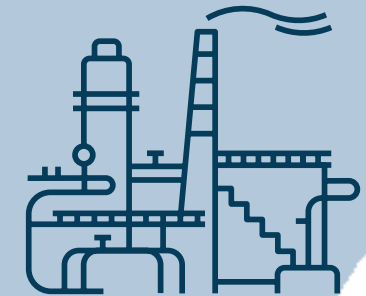
Upon successful completion of the turnaround, the Refinery processed

over 3,373 mln tons of crude oil and semi-finished products in 2019. Moreover, in October a new record was set – production of 59,000 tons of bitumen, the highest ever monthly result in the last 10 years. Another highlight of 2019 was signing a contract with an international company Lummus Technology (part of McDermott Group) to procure state-of-the-art INDMAX technology and base design for upgrade of FCC unit (catalytic cracking). NIS will derive numerous commercial and environmental benefits from the project. New technologies will boost propylene production; besides,

ETBE production unit will be built (production of high-octane gasoline components). Project's completion scheduled for Q2 2024 will result in considerable reduction of particulate emissions and improved efficiency of production of gasoline with bio-component.

NIS's development plans warrant its status of a socially responsible company continuously striving to improve its efficiency. It is further validated by the fact that the Pancevo Refinery is the first energy facility in the Republic of Serbia that was granted IPPC permit by the

competent authorities. The permit confirms that production processes in the Refinery are fully compliant with most rigorous national and European environmental protection standards.



In 2019 major turnaround was carried out in the Pancevo Refinery, the most comprehensive in the history of this plant, that received the investment of over

**2 bn dinars.**

## SALES

### NIS runs the retail network operating under two brands: NIS Petrol and premium GAZPROM.

Sales and distribution segment encompasses domestic and external trade, retail sales of petroleum products and non-fuel product range, and wholesales of petroleum products. As separate lines of business NIS also develops jet fuel supply, bunkering, sales of lubricants and bitumen. All types of fuel are subject to rigorous and regular quality controls and meet the requirements of national and international standards.

NIS manages a network of retail stations in Serbia and in the region (Bosnia and Herzegovina, Bulgaria and Romania); over 400 retail stations make up the network operating under two brands: NIS Petrol and premium GAZPROM. The latter offers superior quality of fuel and lubricants and a wide range of non-fuel goods and services (many stations work 24/7, have luxury shops with a vast assortment of articles, cafes or restaurants with internet access, spacious parking lots, children's playgrounds). NIS markets premium fuel – G Drive gasoline and diesel and develops a loyalty program "Sa nama na putu"

providing numerous benefits and saving opportunities to customers. Lubricants is one of the principal lines of "non-fuel" business and is instrumental in building up the brand recognition and customer loyalty. It comprises production, development and marketing of lubricants and technical liquids.

NIS pursued its program of retail network upgrade, as a result, three modern digital stations were opened on Serbian highways, and the 19th retail facility was built in Romania –

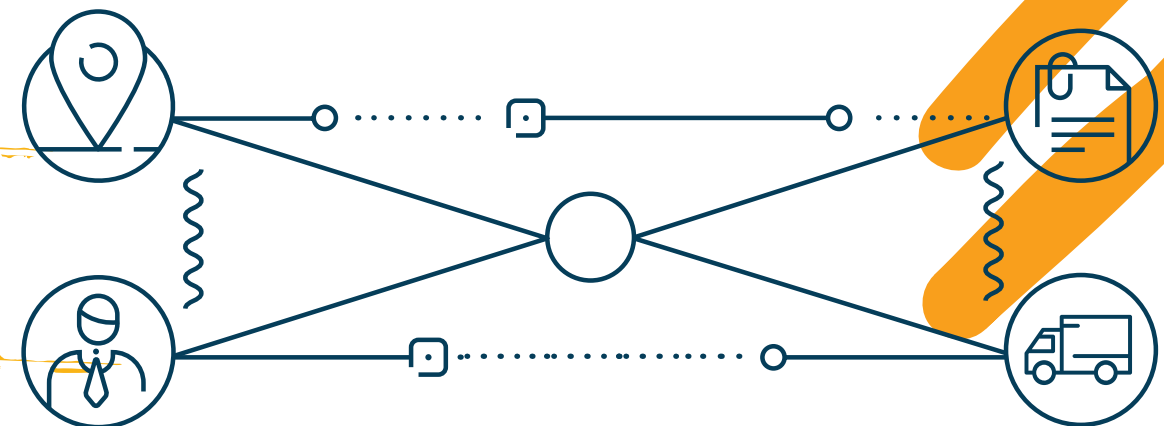
Otopeni petrol station.

NISOTEC, the company brand, won the Grand Champion's cup and 11 golden medals at 2019 International Agricultural Fair in Novi Sad.

In 2019 the total sales volume of petroleum products amounted to

# 3,702 mln tons

retail sales increased by 5% and sales of foreign subsidiaries increased by 21%.



## ENERGY

### NIS deals with generation of electrical and thermal power from both conventional and renewable sources.

Besides, the company is engaged in power trading, procurement, sale and management of natural gas portfolio, sale of compressed natural gas, development and implementation of strategically important energy projects, elaboration and execution of energy efficiency improvement projects.

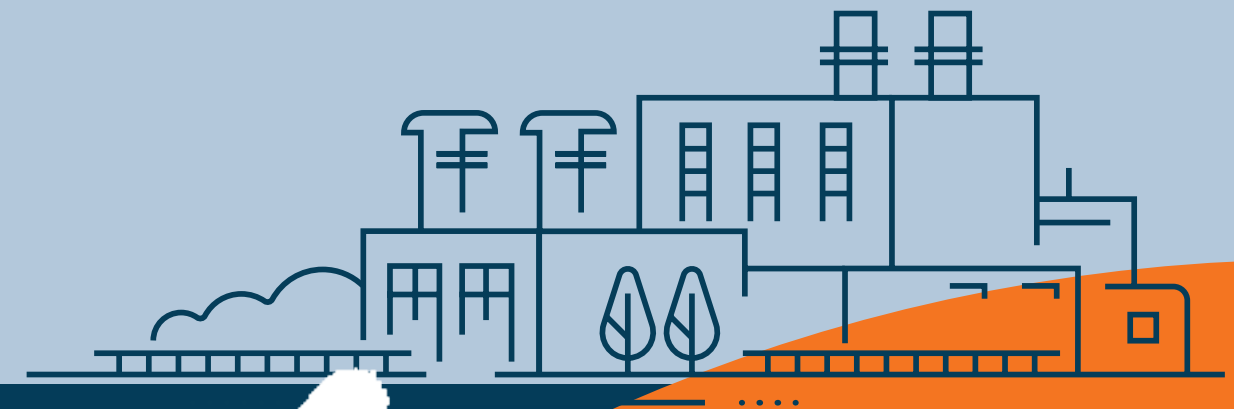
Since 2013, NIS has put into operation mini power stations in its oil and gas fields on 8 locations with the maximum capacity of 14.5 MW. Mini stations of this kind render essential environmental benefits since heat and power are produced from the gas unfit for usage due to high content of nitrogen and carbon dioxide, moreover, lack of gas infrastructure rendered its monetization impossible. NIS builds up its power trading capacities, and in addition

to the Serbian market is present in Bosnia and Herzegovina, Romania, Slovenia and Hungary and carries out trading on the border with North Macedonia.

NIS's goals in the energy sector include increasing power generation and improving efficiency. Key projects comprise the construction of Combined Heat and Power Plant

Pancevo, further increase of power production from small stations and considerable gains in power trading share.

In 2019 NIS embarked on power generation on the territory of the European Union, more specifically, on Jimbolia gas field in Romania. The power generated there is sold on the Romanian market.



In 2019

construction of the Combined Heat and Power Plant "Pancevo" started, a project worth around

# 180 mln euros.



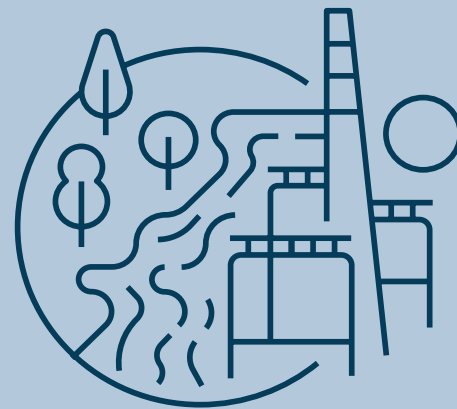


**DEVELOPMENT  
OF THE COMPANY**

## 2025 STRATEGY

Business of NIS is based on the 2025 Corporate development strategy. It establishes the directions of company's development: further upgrade of refining capacities, retention of oil and gas production indicators, growth of hydrocarbon reserves, modernization and formatting of the retail network, construction of new power generation capacities and sustained regional leadership in terms of business efficiency.

**The strategy also defines an ambitious investment cycle in the amount of over 2 bn euros in the period 2017- 2025.**



## INVESTMENTS IN FOCUS

**In 2019 NIS invested 42.2 bn dinars in development projects, which constitutes the biggest investment amount from 2013.**

Priority investment areas were oil and gas exploration and production, further upgrade of the Pancevo Refinery, retail network development in Serbia and in the region and implementation of environmental projects across all business segments.

In 2019 net profit of NIS Group was equal to 16.6 bn dinars, EBITDA (earnings before interest, tax, depreciation and amortization) – 44.5 bn dinars. Group's liabilities for taxes and other public revenues amounted to 189.8 bn dinars. Last

year NIS remained a reliable source of revenue for its shareholders and paid out 6.5 bn dinars in dividends.

Company's commitment to local community and continued effort to improve the quality of our products and services resulted in numerous awards and recognitions including the Award for socially responsible business from the Trade and Commerce Chamber of Serbia, National award in the area of health and safety, recognition for the best corporate brand in the category "Production of goods and services" in "Best of Serbia" award distribution organized by Serbian Chamber of Trade and Commerce and the Ministry of trade, tourism and telecommunications.



## KEY PROJECTS

NIS domestic and regional business strategy is based on continuous up-grade, introduction of cutting-edge technologies, construction of state-of-the-art refining facilities, automation and digitization of business and retail network improvement.

Company's leading projects are Bottom of the Barrel on the Pancevo Refinery and CHPP Pancevo.

### BOTTOM OF THE BARREL

**Bottom of the Barrel project with the construction of Delayed Coker Unit is a capital investment of the second stage of the Pancevo Refinery's upgrade worth around 300 mln euros.**

The new facility will contribute to increased production of high-quality gasoline and diesel and will mark the beginning of domestic coke production.

Besides, implementation of the DCU project will help Serbia to fulfill its international obligations on reduction of the sulphur content in certain liquid fuels and will additionally decrease the emissions of powdered matters. Construction works continued throughout 2019, and unit's commissioning will increase refinery's processing depth from current 86% to 99.2%.

### CHPP Pancevo

The project scope is construction of the cogeneration power plant on the basis of steam-gas cycle with concurrent production of heat and power in the form of process steam. At present, it is the best technology from the standpoint of efficiency and environment, it is the most economically viable solution that uses natural gas as fuel and at the same time provides a high level of fuel energy utilization, i.e. low fuel consumption per unit of useful energy. CHPP is designed to fulfill growing Refinery's demand in power and process steam.

**Furthermore, CHPP will contribute to reinforcing the power supply stability by directing up to 65% of the generated power to Serbia's energy system.**

The project of construction of the Combined Heat and Power Plant Pancevo is carried out jointly with Russian "Gazprom energoholding", with NIS share of 49%.



## DIGITAL TRANSFORMATION

In pursuit of perpetual improvement of the quality of its products and services, NIS relies on innovations and introduction of cutting-edge technologies and modern equipment across all business segments.

**Within the scope of the digital transformation effort, 50 projects were identified in 2019 in all Blocks and Functions.**

With the help of innovative technologies, the company intends to boost its efficiency and effectiveness of oil and gas exploration and production, elevate qualifications of its employees, reinforce safety and reliability of facilities, and step up

communications with customers. In 2019 NIS enhanced cooperation with leading global companies in the area of information technologies and oil and gas (BCG, Schlumberger, AspenTech and others) with the aim to boost our employees' competencies in the digital domain, implement cutting-edge technologies and leverage world's best practices. AI and machine learning are of particular importance for digital modeling of oil and gas fields and predictive maintenance of drilling and refining equipment. Digital solutions are also put to good use in petrol stations changing the ways we communicate with customers and provide supplementary services.

## INNOVATIONS

NIS is committed to continuous technological advancement and introduction of innovations in all business segments.

**Scientific-technological center (STC) established in 2009 is in charge of scientific, technical and innovative support in the domain of oil and gas exploration and production at NIS. Centre's main resource is a team of highly qualified, skilled and experienced experts.**

STC delivers scientific and technological support at all stages of oil and gas production, from design and supervision of

exploration activities to model generation, monitoring of reservoir engineering, design of infrastructure facilities and well development, as well as digital transformation and training, development of innovations and application of cutting-edge IT products. A digital laboratory operates within STC whose employees deal with research and development within digital projects and explore opportunities of their application in the oil and gas industry.

STC is set to become a regional base capable of fulfilling the needs of NIS, Gazprom neft and their subsidiaries and rendering external services outside NIS.





## ANNIVERSARY OF ARRIVAL OF THE MAJORITY SHAREHOLDER

**In 2019 we marked a ten-year anniversary of Gazpromneft's arrival in Serbia in the capacity of the majority shareholder. Jointly with the Republic of Serbia, the partners have fundamentally modernized NIS since then. Over 3 bn euros have been invested in the development of the company.**

Concerted effort of principal shareholders has transformed NIS into one of the leading energy

systems in South-East Europe in the period full of challenges. Shareholders' cooperation is a solid foundation for future development, not only of the company but of the community where it operates. NIS has become a business system of high importance for the Republic of Serbia as one of the most profitable companies, one of the major domestic investors and exporters, and one of the most attractive employers keen to retain top talent in Serbia and bring back expatriated specialists working abroad.



## CORPORATE GOVERNANCE

NIS is committed to high standards of corporate governance underpinned by internationally recognized principles and best global practices. Effective operation of NIS's governing bodies maintains stable development of the company and helps build trust of shareholders, investors and partners. NIS applies highest stakeholder communication standards and abides by the principles of a two-way and transparent interaction. With

a view to setting up efficient communication with shareholders and investors, NIS established offices in charge of minority shareholders' affairs in Novi Sad and Belgrade, Section for investor relations, dedicated Call-center, email and webpage.

**In 2019, for the third time in a row, NIS was awarded Golden plaque of the Belgrade Stock Exchange for the best investor relations.**





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**SUSTAINABLE  
DEVELOPMENT**

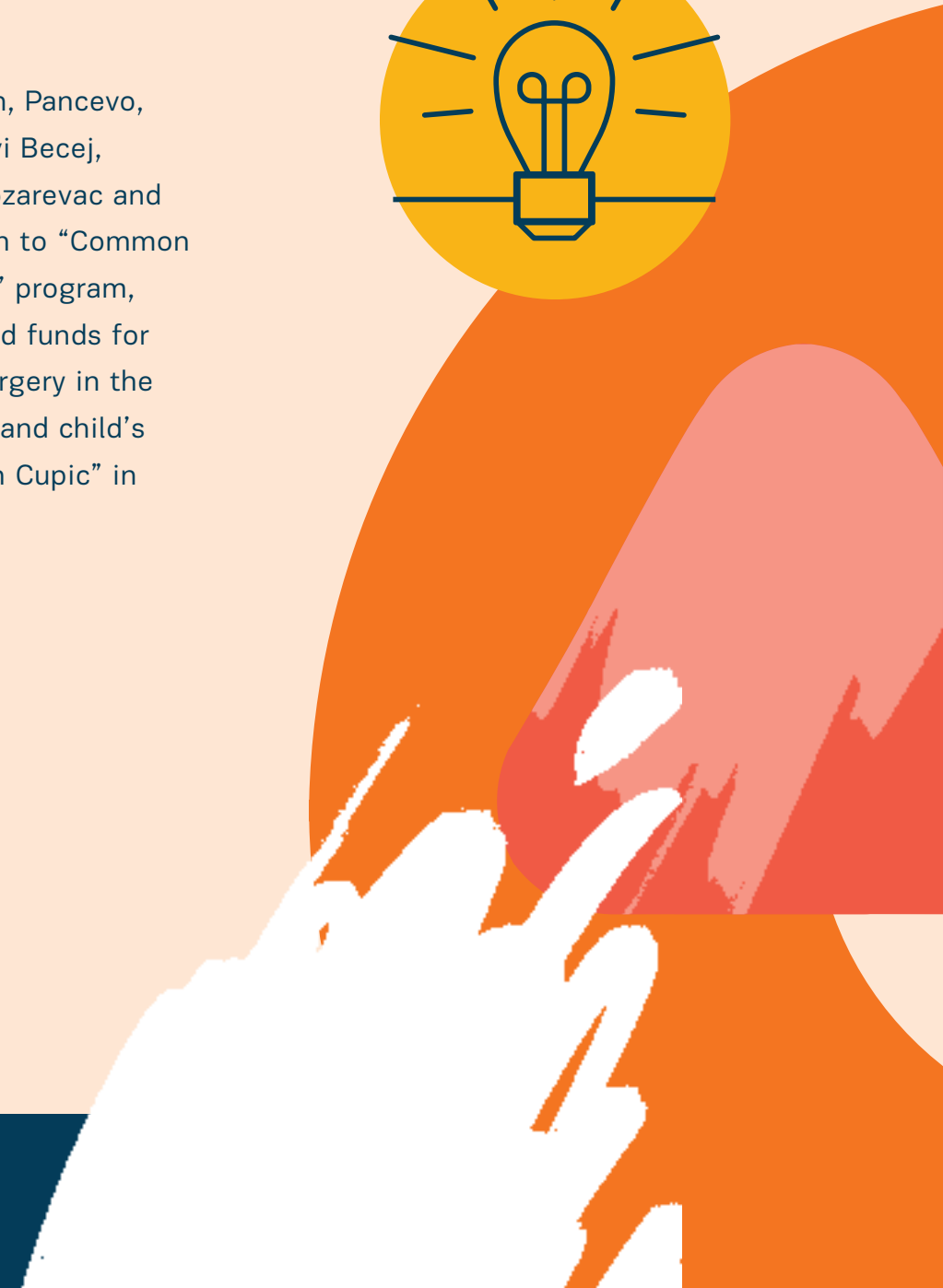
## SOCIAL RESPONSIBILITY

Sustainable development is a strategic priority of NIS. In this area, the company is focused on supporting the young as drivers of future development and making sure they can fulfill their full potential in Serbia. Under the slogan “Future at work”, NIS has been one of the leading social investors in the country, and in the last ten years the company has invested over 3.8 bn dinars in numerous educational, healthcare, social, cultural and sports projects. In 2019 alone, 371 mln dinars were invested in various socially responsible projects.

**“Common Cause - Community”, company’s program of cooperation with local communities, focused in 2019 on supporting healthcare and medical establishments, in particular those with the youngest patients.**

20 projects of the program received an investment of 116.5 mln dinars in 2019 for procurement of modern medical equipment and reconstruction of principal medical establishments in partner cities and communities: Belgrade, Novi Sad,

Nis, Cacak, Zrenjanin, Pancevo, Kikinda, Kanjiza, Novi Becej, Srbobran, Zitiste, Pozarevac and Plandiste. In addition to “Common Cause – Community” program, the company donated funds for equipment of the surgery in the Institute for mother and child’s healthcare “Dr Vukan Cupic” in Belgrade.



In 2019 NIS continued investing in education of the young and its cooperation with national and international educational and scientific institutions within the framework of a corporate program “Power of Knowledge”. The company signed Memorandums on cooperation with Gubkin Russian State University of Oil and Gas, Saint-Petersburg Mining Institute and MGIMO in Moscow, as well as with leading Serbian universities – Belgrade and Novi Sad Universities.

In addition to that, in 2019 NIS celebrated an important anniversary – ten-year partnership with the Research center “Petnica”, a leading regional establishment for education and development of young talents. Besides, for the seventh consecutive time, the company has sponsored the most prominent regional event promoting education and science among

the youth – Belgrade Science Festival. Jointly with EXIT fund, for the fourth consecutive time, we organized Youth Heroes contest in order to raise public awareness and promote young heroes of Serbia, a source of inspiration and pride and a role model for new generations.

NIS remains an active supporter of art and culture. For the fourth time in a row, NIS was by Emir Kusturica’s side in the organization of the Autumn Theatre festival on Mokra Gora, an event promoting theater and young artists. Furthermore, the company has supported, for the eleventh consecutive time, International Children’s Festival “The Joy of Europe”, as well as another unique international cultural event, Belgrade’s dance Festival.

NIS takes special pride in its employees, members of the

Volunteer club, who came up with and implemented numerous actions of support of socially vulnerable categories, children and youth in 2019, and beautification initiatives in children’s hospitals. Among other things, more than 300 employees of the company from all over Serbia supported NURDOR’s activists and took part in “Take a step” action aimed at raising funds for construction of the third Parent house in Belgrade. At the end of the year, NIS’s volunteers distributed personalized presents among children without parental care in orphanages of Subotica, Krusevac, Negotin and Nis. In the coming period, NIS will continue to invest significant resources in development of communities and enhancement of living conditions throughout Serbia.





## HUMAN RESOURCES

NIS's personnel is the energy that drives the company forward and its most valuable resource. Company's main goal is to create the environment for its employees where they can fully actualize their potential.

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**The company pays special attention to training and development, in this regard, in 2019 alone 257 mln dinars were invested in educational programs attended by over 4,000 people.**

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In 2019, the Corporate University of NIS pursued its effort in setting up a system of continuous learning, improvement of managerial and leadership skills and capability building in line with the global standards.

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**Last year, Corporate University's programs saw a record number of attendees – 2,000.**

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In keeping with the international trends, the company invested in creating modern electronic courses for its people - e-learning training.

Pursuing the goal of enabling professional development for its staff, raising their efficiency and job satisfaction and attracting top young talent, NIS developed a new HR strategy in 2019 whose implementation will be one of company's top priorities in the future. NIS is regarded as one of the most attractive employers on the market, our goal is to become number one.



# HEALTH, SAFETY AND ENVIRONMENT

Health and safety of employees, contractors, third parties, local communities and environmental protection are a top priority for NIS. In HSE area (Health, Safety, Environment) NIS has set a most ambitious target – zero injuries at work and zero negative impacts on the environment.

**To turn this goal into reality, NIS developed and put in place “12 Golden HSE rules” that must be followed both by company’s employees and all other people present at NIS’s locations.**



In 2019, NIS achieved solid results in HSE area.

**Lost time injury frequency indicator (LTIF) was decreased by 25% compared with 2018, whereas investments in environmental projects amounted to 534 mln dinars.**

Environmental projects were implemented across all business segments, with special focus on the Pancevo’s Refinery. Commitment to further improvements in this area remains a top priority for NIS.





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