



## **NIS Board of Directors Approved Development Conception for Production of Base Oils in the Refinery Novi Sad**

At the session held on May 18, NIS Board of Directors approved the development conception for production of base oils in the Refinery Novi Sad and brought decision to start the project works with it.

The project for development of production of base oils in its processing plants is a part of NIS strategy – a way of diversifying the Company's product portfolio and its orientation towards the European market conditions, as well as increased efficiency and competitiveness in the regional market of petroleum products.

NIS will soon start searching for a design company for developing a technical project for new production. In accordance with the conception, the construction works in the Refinery Novi Sad could start in the first quarter of 2013. Commissioning of new production lines is scheduled for the first half of 2015. The investments in the project is estimated at about 100 million\$.

In accordance with the adopted conception, base oils production complex will be able to produce about 180 thousand tons of products a year.

Conception of development project for base oils production in Novi Sad is the result of long cooperation between the NIS expert team and the Government of the Autonomous Province of Vojvodina and Novi Sad.

The Government of the Autonomous Province of Vojvodina has ensured optimal conditions for the implementation of this project. Apart from the confirmation of possibility to extend licenses for the exploitation of Velebit oil field, whose oil will become major crude for base oils production due to its specific chemical composition, the territory of free zone Novi Sad has also been extended. This will ensure conditions for intensive development of production plants, job vacancies and development of technological base. Apart from rather complex macro-economic conditions and manufacturing capacity surplus in the region of Southeast Europe, the development of specialized production in Novi Sad will enable both the preservation of the refinery and significantly increase the efficiency of the process due to full utilization of logistic capacities, such as possession of oil depots, system for receiving components and shipment of finished products, bunkering stations, reservoirs. The Refinery Novi Sad will become NIS center for oil production, which will enable the company to significantly reduce costs of production, storage and shipment.



Among other things, streamlining of the refinery production capacities within the approved conception will create preconditions for further development and other forms of production – bitumen, technical liquids etc.

NIS CEO Kiril Kravchenko said: “We continue with streamlining of the company and development of our production base, which we started in 2009. Our investment program includes technical renovation and introduction of new technological solutions in all segments of business. Development of base oils production in the Refinery Novi Sad is a part of the modernization project for processing capacities. We diversify our product portfolio, adapt to changing market conditions and consumers in a better way. It is important that in this course of action we find understanding and support from our main partners. We highly appreciate the energy and determination with which the Government of the Autonomous Province of Vojvodina has supported us in relation production preservation in the Refinery Novi Sad “.

Bojan Pajtić, a Prime Minister of AP Vojvodina Government, declared: «NIS a.d. decision on investment and development of base oil production in Novi Sad Refinery, as the result of AP Vojvodina Government support for engagement of 250 young experts in this company and in this concrete project, is neither the only joint venture, nor the only example of AP Vojvodina Government support to NIS a.d. company. By last-year agreement there was initiation for forming a joint company for the purpose of developing geothermal potentials of the province and more efficient usage of renewable energy resources, which is in the interest of both Vojvodina and those companies, such as NIS a.d., which are profitable in energy sector. Work of such company shall certainly affect better market status and create new conditions for employment. Vojvodina definitely has the image of an attractive and reliable host of all foreign companies which invest their funds, ideas and knowledge in this province. Exactly the following is to confirm that image: 6,5 billion euros of foreign companies’ investments, 65.500 employees, acknowledgment by “Financial Times”, as well as the fourth signed agreement on social-economical cooperation between NIS a.d. and AP Vojvodina Government»..

**Deputy CEO –  
Director of Function for Legal and Corporate Affairs**

**Sergey Fominykh**

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