

 **Transnafta**



A PARTNER WITH NATURE

COMPANY OVERVIEW

Public Enterprise Transnafta is registered for pipeline transportation of crude oil and petroleum products in Serbia.

The company operates a 154km section of the ex Yugoslav pipeline, transporting approximately 3 mil. tons of crude oil per year. The total length of the ex- Yugoslav Oil Pipeline is 575 km.

The pipeline supplies the two refineries in Serbia with crude oil, in Novi Sad and Pancevo.

PE Transnafta is a future-oriented company with a clear vision to create safe, continual and efficient system for crude oil transportation. With our development projects: PEOP, Petroleum Products Pipeline System and Construction of Storage Capacities for Hydrocarbons, we intend to create an energy corridor, characterized with a high level of service provided, yet committed to protecting the environment. All our projects are open to further regional interconnections.



STORAGE OF CRUDE OIL AND PETROLEUM PRODUCTS

Subject to conditions of high energy dependence, it is very important to provide the stability of market supply with crude oil and oil derivatives. The storage of crude oil and oil derivatives acts as a significant part thereof.

The storage of crude oil and petroleum products compulsory reserves is arranged by the European Union Directives (68/414/EEC, 2006/67/EC, 72/425/EEC, 2009/119/EEC) which the Member States must put in their national legislations in order to provide secure supply of petroleum products.

The strategic goal is to pay much more attention to this matter, so as to harmonize our legislation with the EU legislation as soon as possible.

PE Transnafta is planning to deal with the storage of compulsory reserves of crude oil and petroleum products for the State's needs and to offer the service of petroleum products commercial storage to all who need it, as well. With enlargement of its business activities towards storage of the crude oil and petroleum products compulsory reserves, the business of the Company will be encircled and completed.

In the spirit of that, PE Transnafta has obtained the licence for storage of crude oil and petroleum products in two existing storage tanks , each of 10.000 m³ at the Terminal Novi Sad, and the construction of new storage tank farm with capacity of 100.00 m³ for crude oil in Novi Sad and Pancevo is also planned.

With the strategic plan for environmental protection management regarding the storage facilities in JP Transnafta, the basic objectives and criteria for carrying out the environmental protection are defined, as well as the conditions for applying of the optimal industrial, technical, technological, economical and other measures for sustainable development and environmental protection management, and long-term and short-term measures for pollution preventing and control.

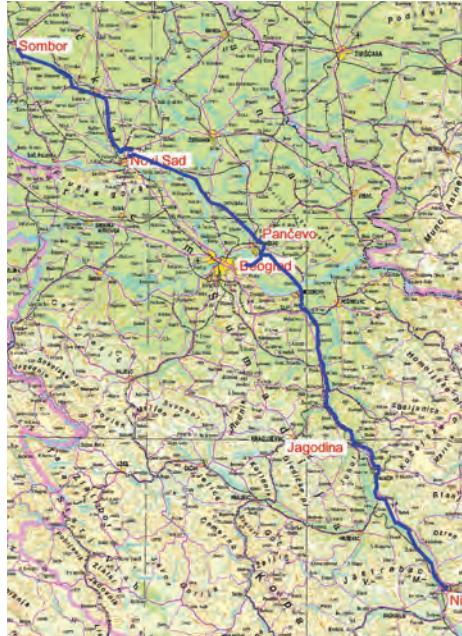


PETROLEUM PRODUCTS PIPELINE SYSTEM THROUGH SERBIA

Pipeline transport of hydrocarbons is the most efficient, most effective and the safest way of delivering petroleum products to consumption centers. It enables modern management of products, reduces losses and potential spills due to a minimum number of reloading.

Current distribution of products by tank trucks (65% of the whole distribution) results in 160 tank trucks passing through the capital city Belgrade per day.

By implementing the pipeline system, our intention is to decrease the air pollution caused by petroleum products transport to at least 50% and to minimize all of the existing environmental risks related to the current conventional modes of transport.



ENVIRONMENT

PE Transnafta adheres to the principle of sustainable development, with its self initiative in accepting all the standards and regulations of the European Union in the area of environmental protection.

In compliance with the activities started on the implementation of the PEOP project, construction of the petroleum products pipeline system through Serbia and also the construction of the storage area for crude oil and oil derivatives, PE Transnafta will give its contribution to the realization of these important infrastructure projects, followed by significant contribution to environmental protection.

The Company's objective is to promote the importance of the construction of the petroleum products pipeline system through Serbia from the aspect of the environmental protection and sustainable development, to raise awareness of its importance. The essential objective is to explain to the general public and representatives of the local self-governments, in fact to all those that will have the regional terminals for petroleum products shipping built on their territory, the advantages of the pipeline transportation compared to the road, rail and waterway transport. Such approach creates conditions for the partner relationship between PE Transnafta and regions in Serbia.



There are a lot of advantages to modern business management in the area of pipeline transportation of the crude oil and petroleum products in regards to environmental protection:

- * Lower emission of aromatic hydrocarbons into the air (less manipulative activities by reloading);
- * Reduced environment vulnerability (reduced number of accidents and spills from the vehicles transporting oil derivatives);
- * Higher population safety (reduced number of transporting vehicles passing through the inhabited places);
- * Higher traffic safety, with road infrastructure preservation.



PEOP – A PARTNER WITH NATURE

PanEuropean Oil Pipeline (PEOP) is a vision of an energy corridor that provides a sustainable and diversified source of energy for both EU and countries on the corridor route.

PEOP has been recognized as a project of PanEuropean interest with enabling mechanism contributing to secure, sustainable, efficient and competitive European Energy Network.





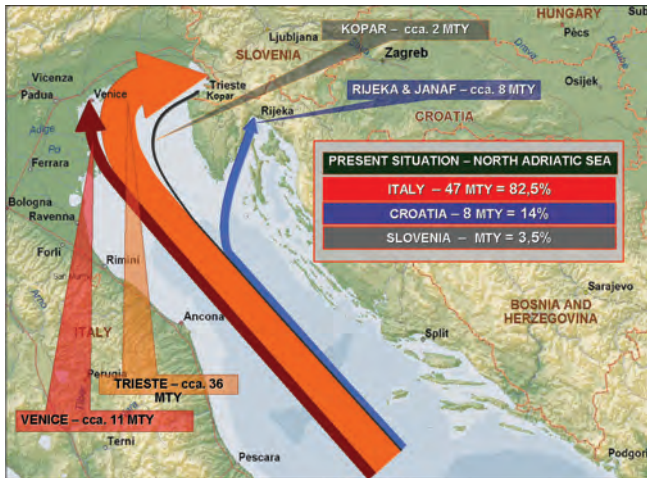
Having important oil consumers and processors on the route, PEOP has a high industrial importance thus offering a new link for major oil companies between the resources in the Caspian Sea Region and refineries in Europe. Core markets for PEOP are the industrial heartlands of Northern Italy, Germany, Austria and the Czech Republic.

A Project Development Company (PDC) is established to advocate for the PEOP project. The shareholders of PDC are Oil Terminal and Conpet from Romania, Janaf from Croatia and Transnafta from Serbia.

This is a regional project with designed length of 1320 km, that would start in Romania and end in Italy, connecting countries from Black Sea Region to Central Europe.

It is envisaged to be the 'pipe-into-pipe' system directly feeding the TAL system in Italy, from where the crude oil would be shipped to the other Central European refineries in EU.





It is estimated that after the PanEuropean Oil Pipeline is built, the oil tanker traffic in the Adriatic Sea would decrease by 50 MTA, thus preventing an increase of the current sea pollution level and negative impact on other seas' biodiversity, being in danger due to traffic accidents, accidental spills and waste waters.

Since there is no possibility of increase in crude oil transport volume from Black Sea Region in the future, due to already existing congestion and dangerous tanker traffic, PEO is the only environmental and cost-effective solution that supports the human development followed by environmental protection of the highest extent.