

PRESENTATION OF NIS GROUP BUSINESS RESULTS IN THE FIRST THREE MONTHS OF 2022

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1. Macroeconomic Indicators and Highlights

Dear colleagues, good afternoon to all of you.

The first quarter of this year was marked by very complex macroeconomic conditions. Our company's priority was to maintain stability in the domestic market and to ensure a regular supply of petroleum products to the market.

In the first quarter of this year, the NIS Group achieved good financial and operational results compared to the same period of the previous year.

Macroeconomic indicators

The first quarter of this year marked the rise in the price of oil, as well as the rise in the dollar exchange rate.

If we take a look at the chart on the left, which refers to the USD/RSD exchange rate, in the first quarter of this year in relation to the same comparative period, we can see that the USD/RSD exchange rate has increased by about 7%.

When it comes to the *Brent* oil price fluctuations, which is shown in the graph on the right, we can say that the price of crude oil has been steadily increasing since the beginning of the year. The lowest price of almost \$79 per barrel was recorded on the first working day of this year, while on 8 March 2022, a 14-year maximum of almost \$138 per barrel was recorded. After that, the price of oil decreased, but by the end of the first quarter it remained at the level of more than \$100 a barrel.

The average price of *Brent* oil increased by 67% in the first quarter of this year compared to the same period last financial year.

Exploration and Production Block

The next slide refers to the most important events in the first quarter of this year in the Exploration and Production Block:

- The main objective in the first quarter of this year in the Exploration and Production Block was to achieve the planned production of hydrocarbons, implement the geological and exploration projects, and improve the efficiency in geological and technical activities.
- 10 development wells were drilled in Serbia, 1 development well in Romania and 1 exploration well in Bosnia and Herzegovina.

When it comes to financial indicators, in the first quarter of this year, CAPEX amounted to RSD 2.6 billion, while the EBITDA indicator amounted to RSD 12.9 billion.

Downstream Division

Refinery Block

The next slide is the slide number five. Here is an overview of the most important events in the Refinery Block.

They are as follows:

- The operation of the oil refinery in Pančevo, which fully met the needs of the market for petroleum products.
- Continuation of activities on the project for the reconstruction of the FCC plant and the construction of the new ETBE plant in accordance with the schedule.

When it comes to financial indicators, CAPEX was RSD 0.3 billion. and EBITDA was RSD 15.4 billion.

Sales and Distribution Block

The next slide presents the most important events of the Sales and Distribution Block.

In the first quarter of this year, the volume of retail sales in Serbia amounted to 211 thousand tonnes, which is much more than last year. The share of NIS in the retail market in the first quarter was 47%. The volume of wholesale for the first quarter of 2022 amounts to 398 thousand tonnes.

When it comes to financial indicators, CAPEX of the Sales and Distribution Block for the first quarter of this year was RSD 0.7 billion and EBITDA was RSD 2.5 billion.

Realization of development projects in Serbia in 2022

In the next slide we can see the map of the planned new petrol station construction and reconstruction projects in Serbia in 2022.

As can be seen, during this year, within the modernization and development of the retail network, it is planned to implement 3 projects of new construction, 5 projects of PS reconstruction, 1 project of long-term lease and 1 installation of CNG (compressed natural gas).

2. TE-TO Pančevo Project and HSE Indicators

The next slide is the CCPP Pančevo slide. We can see that the level of construction works, as well as the total project progress at the end of the first quarter of this year, is at the level of about 100%.

The block testing in the combined cycle was carried out and the complex testing "72 hours" was completed.

HSE indicators

We will now see the slide showing HSE indicators.

The LTIF indicator is at the same level as in the first quarter of the previous year.

When it comes to the RAR indicator, here we record a negative trend (growth of 43%) if we compare this indicator with the first quarter of last year.

3. Key Indicators and Market Share

With regard to key indicators, we have seen mostly positive trends.

As I mentioned at the beginning of the presentation, *Brent* oil prices increased by 67% in the first quarter of 2022 compared to the same period last financial year. EBITDA amounted to RSD 25.4 billion in the first quarter of this year, which is about 2.7 times more compared to the same period last year, while net profit amounted to RSD 15.6 billion and recorded an increase of 10.4 times. Operating cash flow amounts to RSD 23.3 billion, which also represents an increase compared to the same period in 2021. RSD 3.8 billion was allocated for investments.

With regard to the volume of oil and gas production, we recorded a slight increase of 0.1% and the total volume of domestic oil and gas production for the first quarter of 2022 amounted to 292.1 thousand tonnes. The refining volume amounts to 904.9 thousand tonnes, which represents an increase of 20%, while the turnover increased by 23% compared to the same period last year, bringing the total turnover of petroleum products to 959 thousand tonnes.

Total bank indebtedness amounts to EUR 621 million, and it decreased by 3% compared to the first quarter of last year.

Motor Fuel Market Trends

The following slide is presenting the motor fuel market trends.

From the map on the right, we can see that the consumption of motor fuels has been increasing, as expected, in all countries of the region compared to the same period last year. The main factors in the growth of consumption are the growth of transport, the growth of the construction industry and the recovery of tourism.

In Serbia, the consumption of motor fuels increased by about 14%.

Market share in Serbia and motor fuel market

This slide is about the motor fuel market in Serbia. In the first quarter of this year, the consumption of motor fuels in Serbia increased by 14% compared to the same period last year, and the share of NIS amounts to around 76%.

The share growth of NIS in the motor fuel market is related to the development of retail sales and active wholesale in the first half of the quarter, but also to the increased speculative procurement of clients who have purchased fuel in larger quantities than usual.

NIS has ensured the security of the supply of petroleum products to the Serbian market despite challenging circumstances.

Retail Market of Motor Fuels

In the first quarter of 2022, compared to the same period of the previous year, the retail market grew by 17%.

The growth of consumption in the retail market can be explained partly by the expected growth due to the increase of fleet of vehicles and economic activities, and partly by the extraordinary growth in demand due to market volatility, especially at the beginning of the agricultural season. The government reacted by imposing restrictions on retail petrol and diesel prices.

The market share of NIS remained stable at 47%.

Market share - region

Regarding the market share in the region, in Bosnia and Herzegovina, the share is almost at the same level when compared to the same period last year, and the percentage of share is 31.1% (in Q1 2021: 31.6%), while the share in the retail market is about 11%, which represents an increase compared to the same quarter of the previous year. The number of petrol stations remained the same (42 petrol stations).

As regards Bulgaria, our share grew both in the total and retail market, so the total market share is 5.1% (Q1 2021: 4.8%) and retail market share is 4.6% (Q1 2021: 4.5%). The number of petrol stations in Bulgaria is 34.

In Romania, the market share increased in the total market, and the share is 2.7% (Q1 2021: 1.4%), while the share in the retail market is almost at the same level as in the first quarter of last year, and it is 1.5% (Q1 2021: 1.6%). The number of petrol stations in Romania is 19.

Operating Indicators

Exploration and Production Block

We will now discuss the performance indicators. We start with Exploration and Production. In the first quarter of this year, a total of 292 thousand tonnes of oil and gas equivalent were produced, which is by 0.1% more compared to the same period last year. The Exploration and Production Block succeeded in achieving the planned volume of hydrocarbon production during the first quarter of this year.

Refining Block

In the first quarter of this year, a total of 905 thousand tonnes of crude oil and semi-finished products were refined, which represents an increase of 20% compared to the same period of the previous financial year. The increase in the volume of refining is the result of continuous production and provision of the necessary supplies, in order to ensure uninterrupted dispatch and regular supply of the market with all types of products.

Sales and Distribution Block

In the first quarter of this year, the turnover increased by 23% compared to the same period last year, bringing the total turnover to 959,000 tonnes.

This growth was conditioned by growth in retail, wholesale, as well as export.

Retail in Serbia and foreign assets – growth of 21%;

Wholesale in Serbia and foreign assets – growth as a result of the increase in sales of Euro Diesel, due to the increase in demand in January and February, as well as increased demand for petroleum products due to the rapid increase in global prices of petroleum products, when NIS provided security of supply to the Serbian market for petroleum products;

Export, transit and BU – growth of sales of aviation fuel, as well as growth of sales of bitumen.

4. Financial Indicators

Next, we will discuss the financial indicators.

EBITDA

The EBITDA indicator amounted to RSD 25.4 billion in the first quarter of this year, which is almost 3 times more compared to the same period last year.

This indicator increase is conditioned by:

- The impact of the positive effect of the rise in oil prices, as well as of cheaper stocks of previous periods in refining compared to the first quarter of 2021
- The improvement of the refining range, partially offset by lower margins due to retail price caps and
- Lower premiums when purchasing crude oil.

Net profit

The next slide shows net profit. The net profit growth is the result of the EBITDA growth indicator.

The net profit of NIS Group for the first quarter of this year was RSD 15.6 billion, which is almost RSD 14 billion more than in the previous year. The main reason for the growth was the growth of the EBITDA indicator.

OCF

This slide shows the operating cash flow.

In the first quarter of this year, the operating cash flow was increased compared to the same comparative period, and the operating cash flow was RSD 23.3 billion.

The increase of this indicator is conditioned by higher inflows from customers, but also by higher operating costs.

Realization of CF

In this slide we can see the realization of the CF.

In the first quarter of this year, we achieved a positive OCF of RSD 23.3 billion, and after the investments free cash flow was about RSD 19 billion. After net borrowings, the net CF amounts to RSD 22.5 billion.

I'll now return to the previous slide because it is important for NIS. Due to all the circumstances and developments regarding the business, due to the high volatility on the market, regarding the price of crude oil, I note that NIS buys about 75% of crude oil on the market and should have reserves and limits for the movement of the price of oil on the market in order to ensure our financial stability.

CAPEX

In the first quarter of 2022, RSD 3.8 billion was allocated for the financing of investments.

The main investment directions were projects aimed at oil and gas production. A significant part of the investment belongs to the investment in concessions (Romania, North Teremia) and the projects of reconstruction of the warehouse of the Sales and Distribution Block. In addition, NIS invested in projects in the field of refining, sales and distribution, energy and service, as well as in several projects in the corporate centre.

5. Operational Efficiency Improvement Measures

The next slide presents the operational efficiency improvement measures.

The total effect of realization of the achievable level of potential in the first quarter of this year on the EBITDA indicator amounted to RSD 0.6 billion.

6. Debt to banks, Benchmarking and Conclusion

Debt to banks

At the end of the first quarter of 2022, debt to banks increased compared to the level of debt at the end of 2021 and it amounts to EUR 621 million.

The increase in debt is due to the withdrawal of loans in the amount of EUR 31 million, in order to provide funds for maintaining liquidity in the conditions of tightening sanctions and repayment of a total of EUR 0.5 million (regular liabilities, due in the first quarter).

Share capital structure change

We also prepared a slide about the change in ownership structure.

On 6 May, at the Belgrade Stock Exchange, Gazprom Neft sold 6.15% of NIS shares to Gazprom through a block transaction (10,035,687 shares).

In the chart on the left we can see what the changed ownership structure looks like.

As a result of this transaction, NIS will be deconsolidated from the financial statement of Gazprom Neft according to IFRS and will be recorded as a associated entity. Also, the change of ownership structure will provide the conditions for the smooth running of NIS operations on the market.

Benchmarking

This slide shows a comparative analysis. The indicators are at about the same level, for example the share of light products, NIS is in the 2nd position.

Conclusion

Finally, we can take a look at both positive and negative points in the first quarter of this year.

The negative points include complex macroeconomic conditions.

The positive points include:

- The rise in the price of oil and petroleum products compared to the same period last year
- The growth in production, refining, and turnover in the first quarter of 2022 compared to the same period last year
- The increase in OCF, EBITDA, and net profit indicators compared to the same period last year.