

NIS GROUP’S PERFORMANCE PRESENTATION FOR SECOND QUARTER AND FIRST 6 MONTHS OF 2022

By Anton Cherepanov, Deputy General Director and Director of Function for finance, economics, planning and accounting

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1. Macroeconomic Indicators and important developments

Good afternoon to everyone.

I take the opportunity to specially acknowledge the personal attendance of the colleagues and partners, who went to the trouble of coming here to our business centre for this meeting. We haven't seen each other for a long time and we will have the opportunity to continue the presentations with your personal presence. Today I will present to you the results of NIS Group's operations in the second quarter and the first six months of this year. Before we start with the first slide of this presentation, I would like to make a short introduction.

The complex conditions that characterized the first quarter were continued during the second quarter, so we can say that the first six months were conditioned by those factors. In these conditions, the priority of our company was to preserve stability on the domestic market and ensure the orderly supply of the oil products market.

If we compare the operations of our company with the same period last year, I can say that in the second quarter and in the first 6 months of this year we achieved better financial and operational results.

Now we can start with the first slide. As before, we start the presentation with a slide on macroeconomic indicators.

Macroeconomic Indicators

On this slide, we can see the movement of the average exchange rate USD/RSD, as well as the movement of the average Brent oil price in the first 6M of this and the previous year.

On the graph on the left, we can see that the average exchange rate of the dollar against the dinar increased by 10% compared to the same period last year. As for the exchange rate of the euro, it remained at the same level in accordance with the state policy.

On the right side, we can see the movement of the average price of Brent oil and we see that a growth of 66% was recorded and the average level in the first half of the year is 107.6 dollars per barrel.

Exploration and Production Block

The following slide refers to the most important events in the second quarter of this year in the Research and Production Block.

15 development wells were drilled and put into operation in Serbia. The total volume of domestic oil production amounts to 201 thousand conditional tons of oil.

When it comes to financial indicators, in the second quarter of this year CAPEX amounted to RSD 2.9 billion, while the EBITDA indicator amounted to RSD 12.6 billion (in the first half of 2022, the indicator amounted to RSD 25.5 billion).

Downstream Division

Refining Block

Here we can view the most important events of Refining Block.

The highlights for the second quarter of 2022 are:

- Continuous operation of the Pancevo Oil Refinery, which fully meets the market's needs for oil products, with an increase in oil processing and semi-finished products in the second quarter.

- It is important to note that in May, the largest monthly volume of oil processing and semi-finished products was achieved in the history of NIS. 416,000 tons of oil and semi-products were processed.
- We also continued activities on the FCC plant reconstruction project and the construction of a new ETBE plant in accordance with the schedule..

When it comes to financial indicators in the second quarter, the CAPEX indicator amounted to RSD 0.3 billion, and EBITDA to RSD 33.1 billion. The EBITDA indicator in the first 6 months of this year amounted to RSD 48.5 billion.

Sales and Distribution Block

The following is a slide with the highlights of the Sales and Distribution Block.

The total turnover in the second quarter of this year is 1.1 million tons. This is a 15% increase compared to the second quarter of the previous year.

When it comes to financial indicators, CAPEX Sales and Distribution Block for the second quarter of this year amounted to 0.5 billion RSD, in the first 6 months of 2022 it amounted to 1.2 billion RSD), and EBITDA amounted to 0.1 billion RSD, and this is due to the limitation of the selling price of oil derivatives on the Serbian market.

Map of projects for new construction and reconstruction of petrol stations in Serbia in 2022

On this slide, we can see a map of the planned new construction and reconstruction projects of refuelling stations in Serbia in 2022.

As can be seen, during 2022, as part of the modernization and development of the retail network, a total of 10 projects are planned to be implemented: 3 new construction projects, 5 petrol station reconstruction projects, 1 long-term lease project and 1 CPG (compressed natural gas) installation.

On the slide, we can see in more detail which refueling stations are in question and in which format the new construction or reconstruction is planned. In the first six months, we implemented a total of 3 projects: one reconstruction project, 1 long-term lease project (Veternik) and one KPG installation at the Ledena Stena petrol station.

As for the current situation, we are finishing the tender for the reconstruction of the Kostolac petrol station, and we have also obtained a permit for the construction of the of the Blace and Vinogradi 1 refuelling stations situated along the highway.

Project of the construction of solar photovoltaic power plants at 8 petrol stations

On this slide, we can see information about the construction project of solar photovoltaic power plants at 8 petrol stations, which is in line with our strategy for a new source of energy.

In January 2022, the construction of these solar photovoltaic power plants at 8 refueling stations (PETROL STATIONS) was contracted.

At the end of the second quarter, the status is as follows: work on all fuel supply stations has been completed, two power plants have been put into operation, namely the Stari Banovci petrol station, which was put into operation at the end of May, and Kragujevac, which was put into operation in July, while the administrative procedure for connecting for other petrol stations in progress.

A little more detail for this project: the individual power of the power plant is about 33 kWh at seven stations and 60 kWh at the Dayton station in Belgrade, which is presented in the picture, and which is located at the station in front of the NIS building. The total power of these eight solar panels is about 0.3 MWh. The goal of the construction is to replace the supply of electricity

from the electricity distribution system (EDS) with the placement of small periodic surpluses in the EDS. Power plants will have the status of buyer-producer of electricity.

The total annual production of all these power plants will amount to about 341,000 kWh, which will reduce CO₂ emissions by 375 tons per year.

2. The TE TO Pancevo project and HSE indicators

The TE TO Pancevo project

Next is the slide for TE-TO Pancevo. We can see that the degree of realization of the construction works and the degree of realization of the project documentation works is at the level of almost 100% and the overall progress of the project is at the level of almost 100%.

The power plant received a permit for trial operation on 11th April 2022 and is ready to operate at the installed capacity. The power plant supplies electricity to the transmission network and steam to the Pančevo Refinery.

On the right, you can see a more detailed status of the project at the end of the second quarter, but we can certainly conclude that most of the works are in the final phase.

As for the amount of electricity delivered in six months, about 107,000 MWh was delivered to the network, and high-pressure steam was also delivered to the Pancevo refinery in the amount of about five thousand tons.

HSE indicators

Next is the slide with HSE indicators.

Both the LTIF indicator and the RAR indicator show growth.

During the second quarter, there was a change in the methodology for calculating HSE indicators, and on the slide you can see that the comparable data with the previous comparative period are actually marked with an orange frame.

When it comes to the LTIF indicator, we note a negative trend here, and the reason is that there was mostly increased work activity. Namely, last year due to the pandemic, many activities were of reduced intensity and a good part of the employees worked from home, and this year we are recording an increase in all operational indicators, which affects the growth of HSE indicators. For the RAR indicator, if we present the data according to the old methodology, which is actually comparable, this indicator is at the same level.

3. Key indicators and Market Positioning

Key indicators

Key indicators follow next. If we look at the table with financial and operational indicators, in the first 6 months of 2022 compared to the same period of the previous business year, we recorded mostly positive trends.

As I already mentioned at the beginning of the presentation, the price of Brent oil in the first 6 months of 2022 recorded a growth of 66%.

The EBITDA indicator amounts to RSD 66.24 billion in the first 6 months of this year, which is about 3 times more compared to the same period last year, while Net Profit amounts to RSD 43.7 billion and records a growth of more than 7 times. Operating cash flow amounts to RSD 27.2 billion, which also represents growth compared to the same period in 2021. 7.6 billion dinars were set aside for investments.

In the volume of oil and gas production, we note a slight decrease of 1% and the total volume of oil and gas production for the first 6 months of 2022 is 583 thousand tons. The volume of processing is 2.1 million tons, which represents an increase of 23%, while the volume of turnover records an increase of 18% compared to the same period of the previous business year, and the total volume of turnover of oil derivatives is almost 2.1 million tons.

Total indebtedness to banks amounts to EUR 590 million, so this is a slight decrease compared to last year.

Motor fuel market trends

The following is a slide on motor fuel market trends.

From the map on the right, we can see that the consumption of motor fuels in the first 6 months of this year, compared to the same period last year, is expected to increase in all countries of the region compared to the same period last year. The main factors of consumption growth are the growth of transport, the growth of the construction industry, infrastructure projects, the recovery of tourism, but also the increased stocks of end users who want to ensure supply in conditions of increased uncertainty, which was at the beginning of the second quarter of this year.

Market share in Serbia and the motor fuel market

This is a slide about the motor fuel market in Serbia. In the first 6 months of this year, motor fuel consumption in Serbia increased by about 13% compared to the same period last year, and NIS's share is about 78%.

The increase in the share of NIS in the motor fuel market compared to the same period in 2021 is connected to the decrease in imports due to the controlled price of derivatives, which for a long period was at a level lower than the import parity. The regulation that prescribed a preferential price for supplying farmers at NIS' network of stations led to a huge increase in sales to the agro retail segment of NIS.

Retail market of motor fuels

On slide no. 15 we can see the retail market.

In the first six months of 2022, compared to the same period of the previous year, the retail market recorded a growth of 13%. NIS's market share is 48%.

The growth of NIS participation in the retail market can be explained by: the benefited (and significantly lower) price for farmers at NIS stations, increased demand, partial spillover of the client from the wholesale to the retail channel due to the limitation of quantities in the wholesale offer supplied from imports. A large number of private stations had interruptions in sales during the second quarter. As for the number of NIS refuelling stations, it is 330 at the end of the second quarter of this year in Serbia.

Market in the region

When it comes to the market share in the region in the first 6 months of this year compared to the same period last year, in Bosnia and Herzegovina the market share in the total market is almost at the same level as in the 6 months of the previous year and the percentage of participation is almost a third: 31.2%, while on the retail market the share is around 12%, which represents growth. The number of refuelling stations remained the same (42 refuelling stations).

In Bulgaria, we have a slight decline in the share of the total market, so the share of the total market is 3.9%, while the retail share is almost at the same level.

In Romania, we are recording an increase in market share in the total market, and the share is 2.5%, which is twice as much as last year when that percentage was 1.2%. This is due to the development of the wholesale segment, and the participation in the retail market is almost at the same level and amounts to 1.2%. The number of refuelling stations in Romania is 19.

4. Operative Indicators

Exploration and Production Block

Now, we follow with the operative indicators. We start with Exploration and Production.

In the first six months of this year, a total of 583 thousand conditional tons of oil and gas were produced, which is almost at the same level as the previous year.

Exploration and Production Block managed to achieve the planned volume of hydrocarbon production during the first six months of this year, both in Serbia and in the region.

Refining Block

The next slide is about the key indicators for the Refining Block.

In the first 6 months of this year, a total of 2.1 million tons of crude oil and semi-products were processed, which represents a growth of 23% compared to the same period of the previous business year.

The increase in the volume of processing is the result of the stabilization of the market in 2022, as well as continuous production and provision of necessary supplies, with the aim of unhindered shipping and orderly supply of all types of derivatives to the market, with restrictions on imports into Serbia.

I wanted to mention that the volume of processing is the largest volume in the history of NIS for the first half of the year and it is 17% more than in all previous years. In 2016, in the first half of the year, that volume was about 1.75 million tons of oil, and this year that volume is almost 2.1 million tons of oil.

Sales and Distribution Block

The following slide reflects the indices of the Sales and Distribution Block.

In the first six months of this year, there was an 18% increase in turnover compared to the same period of the previous year, and the total turnover amounted to 2.1 million tons, almost similar to the volume of processing.

Compared to the first 6M of the previous year, the growth of the total volume of turnover is conditioned by the growth of both retail and wholesale:

In the case of retail sales in Serbia and innoactives, we recorded a growth of 19% in the first six months of this year compared to 6M 2021, primarily in Serbia and Bosnia, due to the increase in demand during the period of rapid growth in world quotations of oil derivatives, the attraction of new corporate clients, as well as due to growth participation of NIS in the market during the period of introduction of retail price restrictions in the Republic of Serbia, when NIS was a "stability factor" in the Serbian market and ensured uninterrupted supply in a period of sudden demand and was the only one on the market to guarantee a low price for agriculture.

When it comes to wholesale in Serbia and innoactivities, growth was achieved in the first six months of this year compared to the same comparative period, primarily due to the increase in consumption during the period of sharp growth in world quotations of oil derivatives, as well as due to the development of wholesale in Romania.

5. Financial Indicators

And now, the financial indicators.

EBITDA

The *EBITDA* indicator in the first 6 months of this year is 66.2 billion dinars, which is about 3 times more compared to the same period of the previous year.

The growth of this indicator is conditioned by:

- Due to the positive effect of oil price growth, as well as cheaper stocks of previous periods in processing compared to 6M 2021
- By improving the scope of the processing assortment, which was partially compensated by lower margins due to retail price restrictions and
- Lower premiums when purchasing crude oil.

Net Profit

NIS Group's Net Profit for the first 6 months of this year is 43.7 billion dinars, which is 7 times better than last year's result.

The growth of the net result is conditioned by the growth of the EBITDA indicator. Also, we can mention that this is the best result in the history of NIS. If we look at the dynamics, the previous highest result was in 2013, when the Net Profit for the first half of the year amounted to 22 billion dinars. It was similar to the price of oil when the price of oil was \$108.7 per barrel. The inflows obtained from Net Profit were used for the purchase of larger quantities of oil and other products, which were necessary for the smooth operation of NIS and the preservation of energy stability in Serbia.

OCF

This slide demonstrates the operative cash flow results.

In the first 6 months of this year, we recorded an increase in operating cash flow compared to the same comparative period, but it is less than the EBITDA indicator, which is due to the increase in working capital and operating cash flow amounts to 27.2 billion dinars.

The growth of this indicator is due to a higher inflow from customers, but also higher operating costs.

Realization of CF

On this slide we can see the realization of CF. In the first six months of this year, we achieved a positive OCF that amounted to 27.18 billion RSD, so that after investments Free cash flow would be around 18.6 billion dinars. After net loans, net CF amounts to 16.8 billion dinars.

CAPEX

In the first 6 months of 2022, around eight billion dinars were allocated for financing investments, which is 12% less than the amount allocated in the same period last year.

The main directions of investment were projects focused on oil and gas production. A significant part of the investment belongs to the investment in concessions (Romania, Northern Teremia), the reconstruction projects of the Sales and Distribution Block warehouse. In addition, NIS invested in projects in the fields of processing, transport, energy and services, as well as in a certain number of projects in the corporate center.

6. Efficiency Improvement Measures

Next is the slide with measures to increase operational efficiency.

The total effect of realizing the achievable level of potential in the first 6 months of this year on the EBITDA indicator was 1.5 billion dinars.

7. Indebtedness, comparative analysis, and conclusion

Indebtedness

At the end of the second quarter of this year, the debt to banks is at the level of the debt at the end of 2021 and amounts to 590 million euros. We have a slight decrease compared to the first half of last year, but we remain at the level of debt of last year of 2021.

Comparative Analysis

This is a comparative analysis slide.

It is a comparative analysis based on data for the first three months, because at the moment we do not have data for all companies for the first six months. If we look at the data for the first quarter, when it comes to the EBITDA margin indicator, for NIS it is at the highest level compared to its competitors and is 25.9 percent, but if we take into account the data for the first half of this year, as far as this indicator is concerned, it amounts to 29%.

The EBITDA/FTE indicator, here, NIS is at almost the same level as before, in the 4th position.

When it comes to daily traffic, as far as the NIS brand is concerned, we are in fifth place, which is 6.8 tons per day. However, the Gazprom brand is in third place.

The share of light derivatives, here NIS is in the 1st position and that is the impact of modernization of the refinery, because our refinery is one of the most modern in Eastern Europe, so the share of light derivatives is almost 85%, which is almost at the maximum level.

And finally the OPEX indicator, it is at the same level, which is about ten dollars per barrel.

XIV regular session of the Shareholders Assembly held

I wanted to point out the changes that took place in the first half of the year. If you remember the presentation for the first quarter, we showed you the change in the ownership structure, so I would just like to remind you of the basic information:

On May 6, Gazprom Neft sold 6.15% of NIS shares to Gazprom on the Belgrade Stock Exchange, so now GPN has 50%, GP 6.15%, the Republic of Serbia about 30% and other shareholders about 14%.

As a result of this transaction, NIS will be deconsolidated from the financial statements of Gazprom Neft according to IFRS and has been recorded as a related party since May.

The following is a slide about the 14th regular session of the Shareholders' Assembly held on June 29 this year, where the Decision on the payment of dividends was adopted:

The total amount that will be paid as dividends is RSD 5.8 billion, ie RSD 35.46 per share (gross amount). The dividend day was June 19, 2022.

At the assembly, 11 members were appointed as members of the Board of Directors of NIS, specifically:

- At the proposal of PJSC Gazprom: Vsevolod Vorobyov
- At the proposal of PJSC Gazprom Neft: Vadim Yakovlyev, Pavel Oderov, Anatoly Cherner, Aleksey Jankevich, Kirill Turdenov
- At the proposal of the Republic of Serbia the same members remained: Dragutin Matanović, Dejan Radenković, Danica Drašković.

- Independent members: Olga Visocka and Aleksandar Čepurin.
- Also, at the last assembly, amendments to the Company's statutes were adopted, as a result of the change in the ownership structure. The point stating that Gazprom Neft has the right to operational management of NIS has been deleted.

Conclusion

And finally, we can look at what was positive and what was negative during the first six months of this year:

We single out as positive:

- Growth in the price of oil and oil derivatives compared to the same period of the previous year
- Growth in the volume of processing and turnover in the first half of 2022, whereby the highest six-month volume of processing and refining was achieved in the Pancevo oil refinery since 2009.

Our financial indicators are at a very high level and provide stability to business and preserve the market in Serbia.