

# Q2

## NIS GROUP'S PERFORMANCE PRESENTATION FOR SECOND QUARTER AND FIRST 6 MONTHS OF 2023

**Anton Cherepanov**

Function for finance, economics, planning  
and accounting

**July 27, 2023**

 **NIS** FUTURE  
AT WORK





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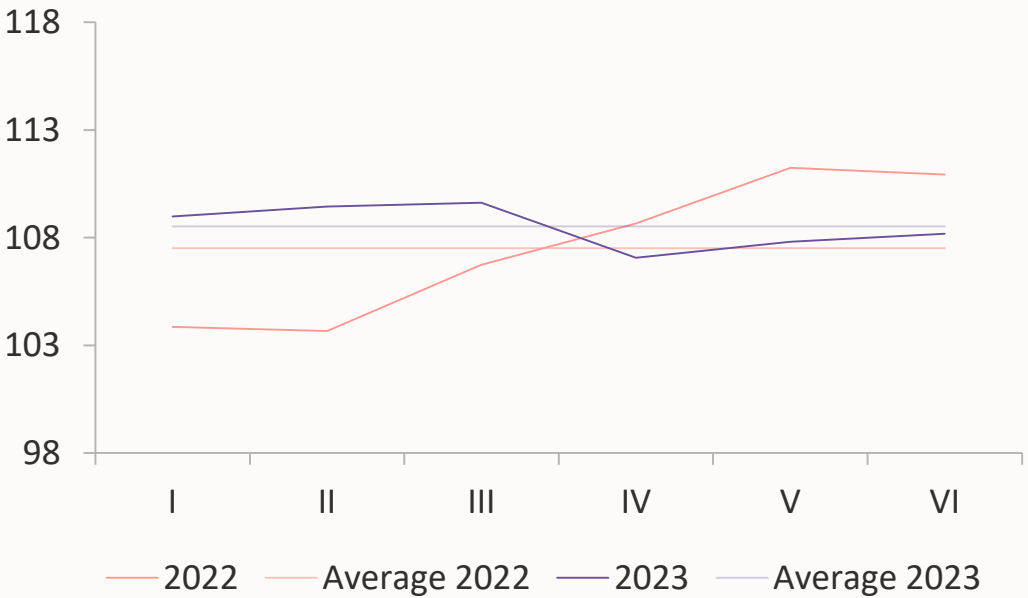
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# Macroeconomic Indicators

*Fall of oil price, growth of USD dollar comparing to RSD*

## USD/RSD rate

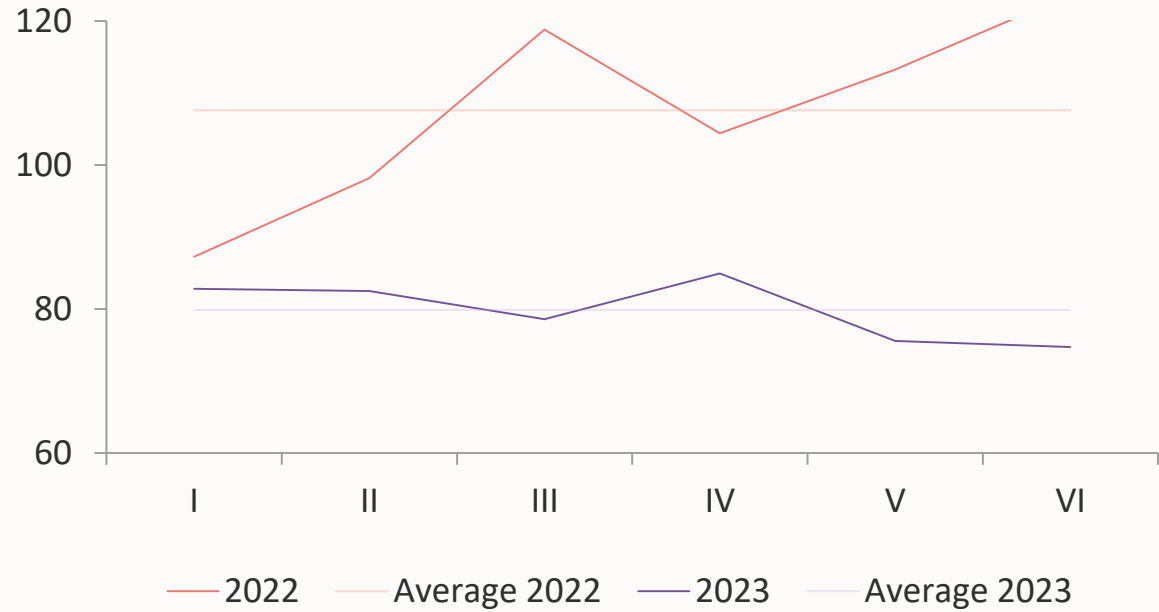
▲ +1%



The average USD/RSD exchange rate in the first six months of 2023 was higher by 1% compared to the same period last year.

## Brent oil price, \$/bbl

▼ -26%



The average price of Brent oil in the first six months of 2023 is 79.8 \$/bbl, which is a decrease of 26% compared to the same period in 2022.

# NIS in Q2 2023

## Block Exploration and production



### NUMBER OF WELLS:

Q2 2023

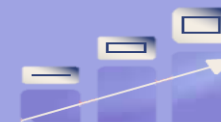
**12** development wells were drilled and **11** development wells were put into operation in Serbia.



### OIL AND GAS OUTPUT:

Q2 2023

Total volume of domestic oil and gas production in the second quarter amounts to **288** thousands t.o.e.



### FINANCIAL INDICATORS:

Q2 2023

CAPEX<sup>1</sup>: **3.9** bln RSD

EBITDA<sup>2</sup>: **7.5** bln RSD

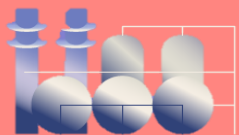
The main goal during second quarter of 2023 in the Exploration and production Block was to fulfill the planned production of hydrocarbons, the realization of geological research projects and increase the efficiency of geological and technical activities.

<sup>1</sup>Financing. CAPEX for 6M 2023 is RSD 8.9 billion

<sup>2</sup>EBITDA for 6M 2023 is RSD 14.5 billion

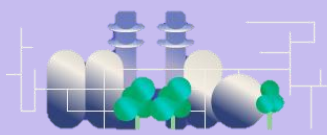
# NIS in Q2 2023

## Downstream - Refining



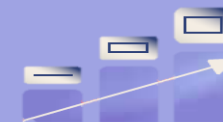
### Q2 2023

- The continuous operation of the Oil Refinery in Pančevo, which fully meets the needs of the petroleum product market, with the achieved volume of refining and processing of **1,020** thousand tons in the second quarter of 2023



### Q2 2023

- On June 9, in accordance with the Strategic Partnership Agreement between the Republic of Serbia, the NIS j.s.c Novi Sad Company and HIP Petrohemija, signed a document on closing the transaction



### FINANCIAL INDICATORS

#### Q2 2023

CAPEX<sup>1</sup>: **0.4** bln RSD

EBITDA<sup>2</sup>: **3.3** bln RSD

The Refining Block adjusted its operations to market conditions in order to continuously supply the market with petroleum products, as well as to provide fuel for the current agricultural season.

<sup>1</sup>Financing. CAPEX for 6M 2023 is RSD 0.8 billion

<sup>2</sup> EBITDA for 6M 2023 is RSD 11.7 billion



# NIS in Q2 2023

## Downstream – Sales and distribution



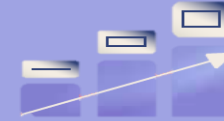
### DEVELOPMENT PROJECTS:

- By the end of the year, 10 PSs are expected **to be commissioned** after modernization in Serbia and one PS in Bosnia and Herzegovina.
- Implementation of the project of **reconstruction and modernization** of the petroleum products Niš Warehouse continued.



### Q2 2023

- The total sales volume of petroleum products in the second quarter of this year amounted to **960** thousand tonnes.



### FINANCIAL INDICATORS

#### Q2 2023

CAPEX<sup>1</sup>: **0.5** bln RSD

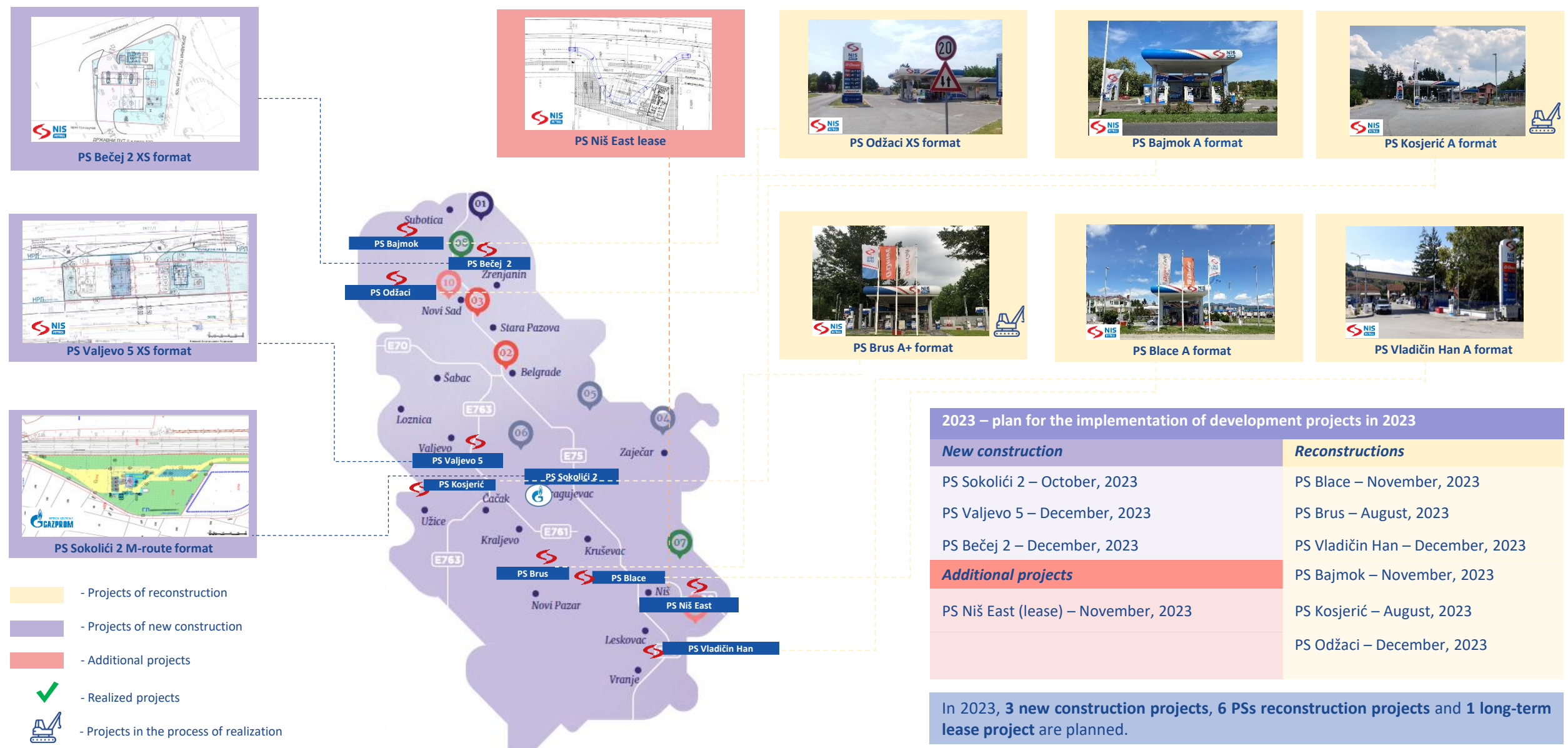
EBITDA<sup>2</sup>: **5.2** bln RSD

This year, NIS continued to sell products under conditions of price regulation by Serbia's Government decrees, so that the state determines the maximum selling price of oil products on the petrol stations. Compared to the previous year, the attractiveness of the preferential price for farmers has decreased due to price dynamics (the price is lower on average) and as a result, part of the volumes of Agro diesel for sale has been returned from NIS gas stations to the stations of other market players.

<sup>1</sup>financing, CAPEX for 6M 2023 is RSD 1.4 billion

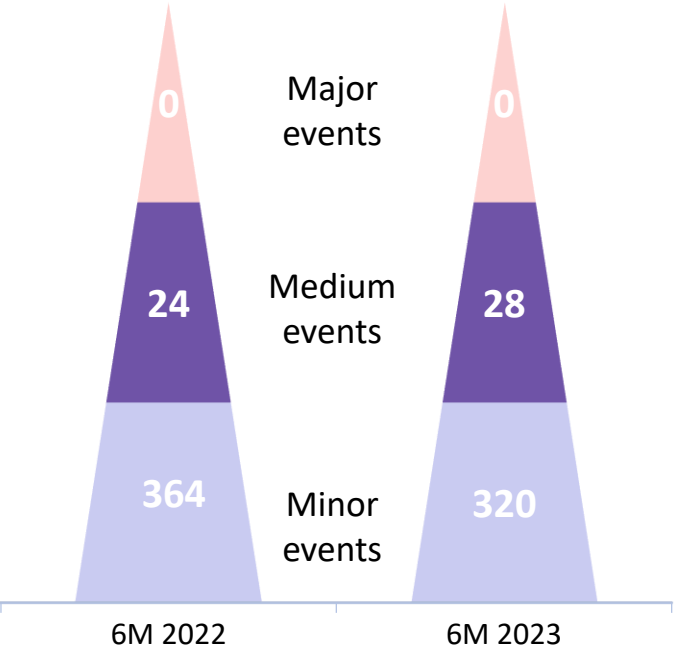
<sup>2</sup>EBITDA for 6M 2023 is 9.7 billion

# Realization of development projects in Serbia in 2023



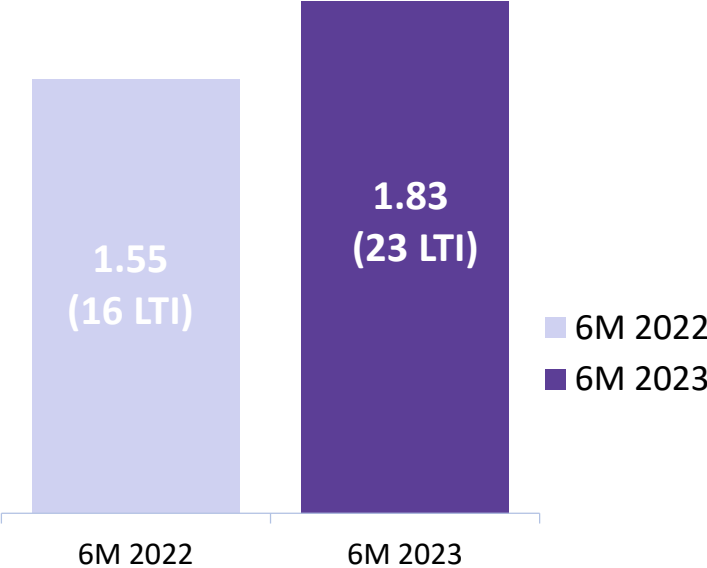
# HSE indicators

## Number of events in NIS



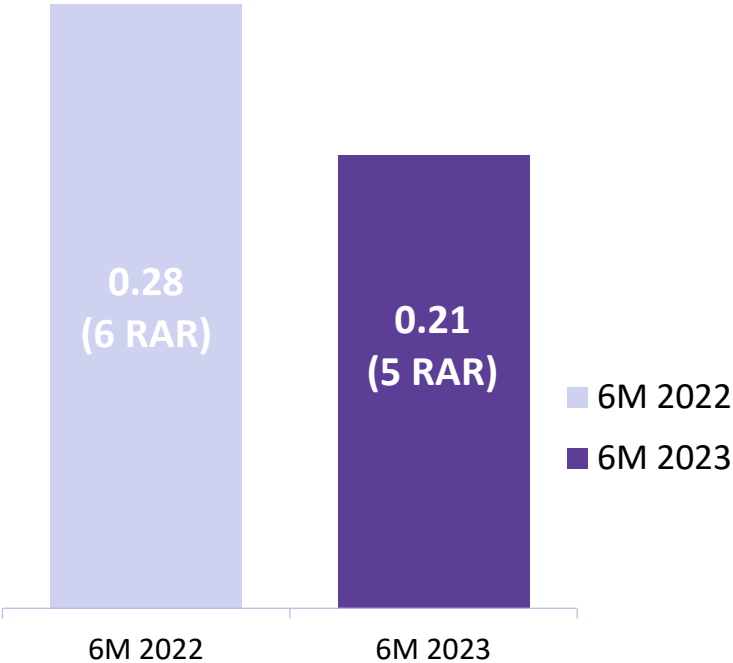
## LTIF

▲ +18%



## RAR<sup>2</sup>

▼ -25%



<sup>1</sup>LTIF (Lost Time Injury Frequency) – Ratio of employee injuries with sick leaves to the total number of working hours.

<sup>2</sup>RAR (Road Accident Rate) - Indicator of the number of traffic accidents.

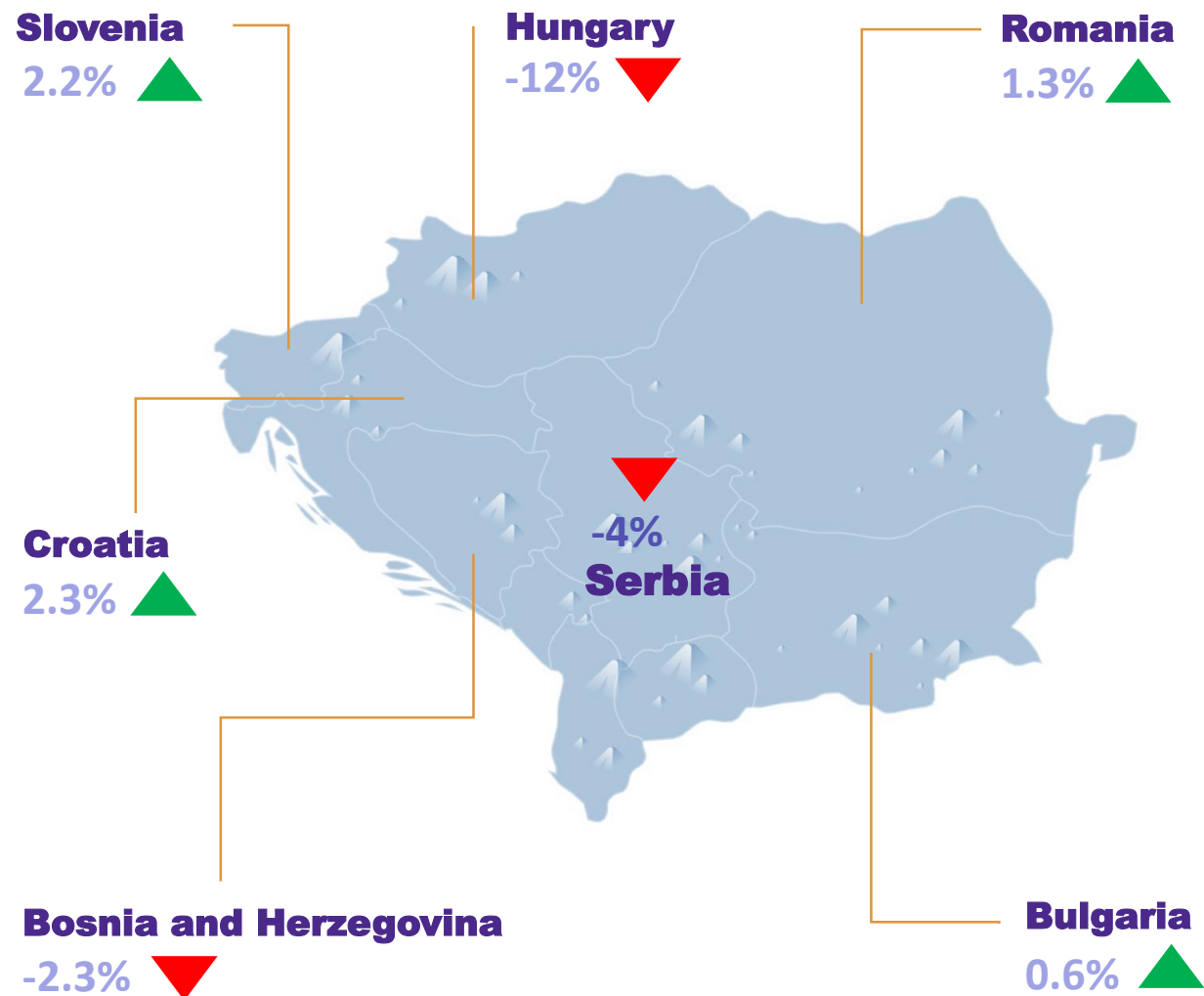


# Key Indicators

Q2 2023	Q2 2022		Δ [%]	Key indicators	Unit of measures	6M 2023	6M 2022		Δ [%]
78.4	113.8	▼	-31%	Brent Dtd	\$/bbl	79.8	107.6	▼	-26%
91.0	142.2	▼	-36%	Sales revenues	bn RSD	186.9	240.3	▼	-22%
8.6	40.9	▼	-79%	EBITDA	bn RSD	28.5	66.2	▼	-57%
2.0	28.1	▼	-93%	Net profit	bn RSD	13.7	43.7	▼	-69%
-22.4	3.9	▼	decrease	OCF	bn RSD	-4.8	27.2	▼	decrease
56.7	64.8	▼	-12%	Accrued liabilities based on public revenues	bn RSD	107.0	117.9	▼	-9%
288	291	▼	-1%	Oil and gas output	thou. TOE	571	583	▼	-2%
1,020	1,199	▼	-15%	Crude oil and semi-finished products output	thou. tonnes	1,976	2,104	▼	-6%
960	1,129	▼	-15%	Total petroleum products sales volume	thou. tonnes	1,869	2,088	▼	-10%
5.1	3.8	▲	+32%	CAPEX	bn RSD	11.6	7.6	▲	+52%
553	590	▼	-6%	Total debt to banks (total debt to banks + letters of credits)	mn EUR	553	590	▼	-6%

# Motor Fuel Market Trends 6M 2023/6M 2022

- The crisis that began in the second half of February 2022 and supply uncertainty led to an increase in consumption in all countries of the region and the creation of consumer stockpiling. Compared to this period, the first half of this year saw a decrease in consumption due to a high base period.



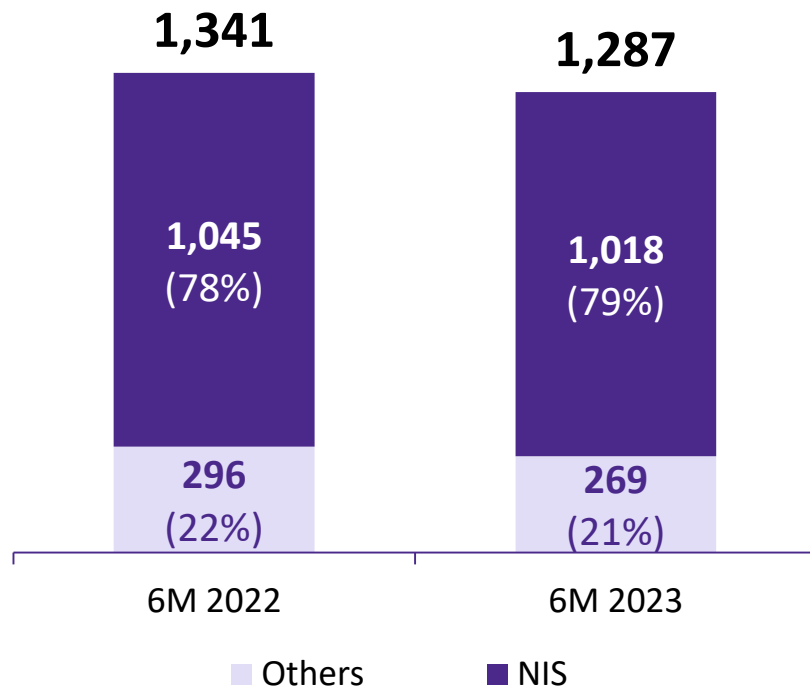
# Market Share - Serbia:

## Motor fuels market

In the first half of 2023, the motor fuel consumption in Serbia was 3.9% lower comparing to the same period in the last year.

**Motor fuels market volume,**  
thousand tonnes<sup>1</sup>

▼ -3.9%



- The increase in the share of NIS in the motor fuel market in the first half of the year compared to the same period in 2022 is connected with the controlled price of derivatives which is continuously in force for the entire period of the current year, while until second half of February 2022 the price was formed on the market.
- Also, the prescribed preferential price for supplying farmers is in force. However, during the second quarter of this year, the attractiveness of the price of diesel for farmers decreases, which is related to the dynamics of price regulation, so the sale of agro diesel returned to other participants.

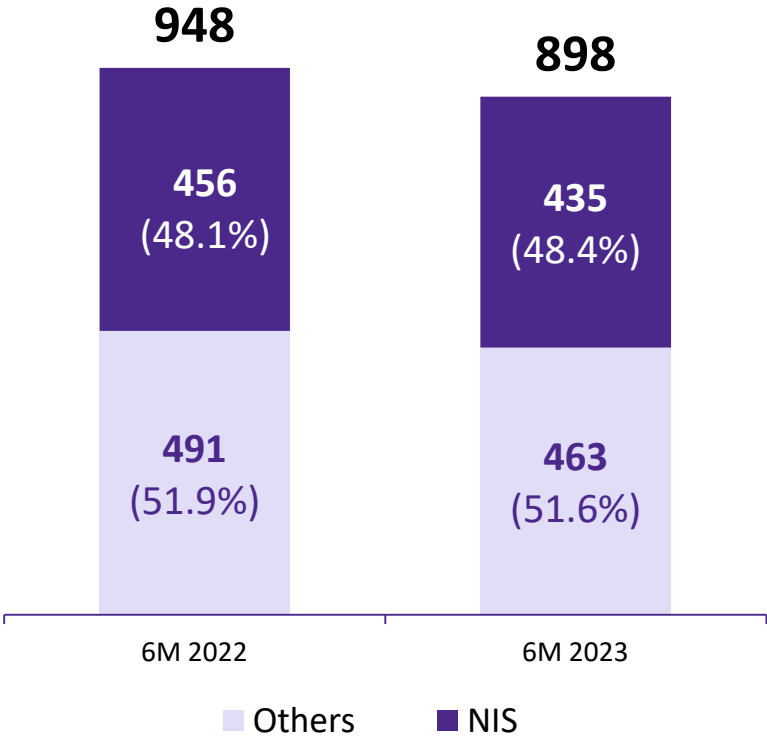
# Market Share - Serbia:

## Motor fuel retail market

In the first six months of 2023, the consumption recorded a fall as opposed to 2022 by 5.2%, while NIS' share is bigger than the same period in last year by 0.3%.

Retail market,  
thousand tonnes<sup>1</sup>

▼ -5.2%



- In 2023, the NIS company ensures the safe supply of oil derivatives to the Serbian market in all sales channels.

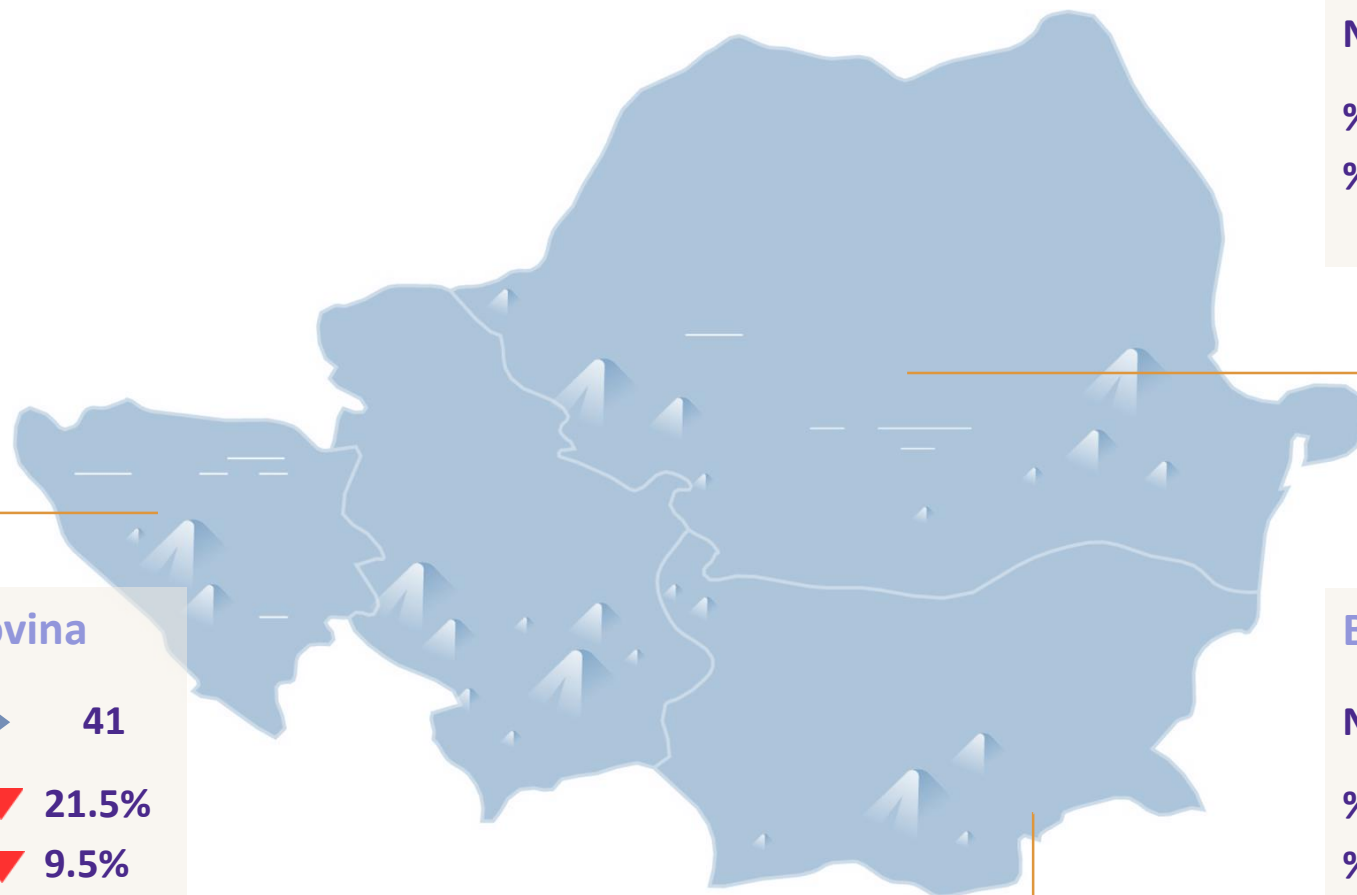
The total number of petrol stations in  
Serbia on June 30, 2023

330


<sup>1</sup>NIS sale and other competitors include motor fuels (gas, CNG-motor fuel, motor gasoline, diesels). LPG bottles are not included. Data for the 6M 2023 are based on estimates. Retail sales of other market participants are supplied by NIS wholesalers and other participants in the Serbian wholesale market.





# Market share – region 6M 2023/6M 2022




## Bosnia and Herzegovina


No. of PS':  41


% total market:  21.5%

% retail market:  9.5%


## Romania:


No. of PS':  19


% total market:  0.5%

% retail market:  0.8%

## Bulgaria

No. of PS:  23

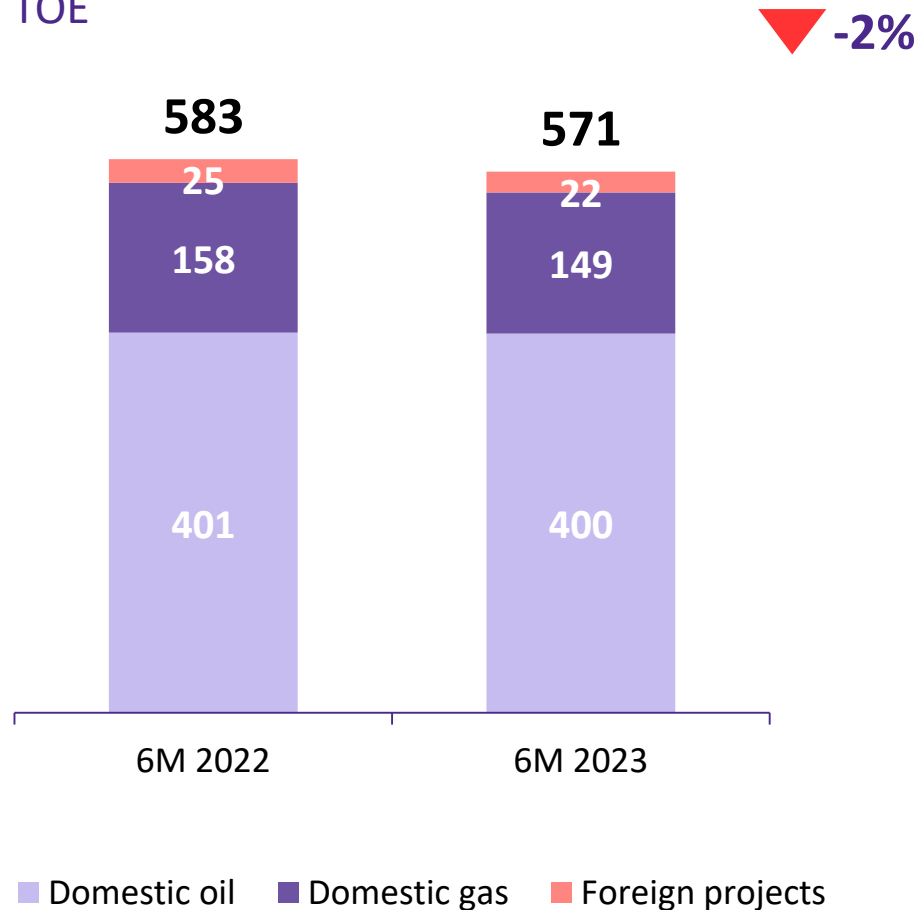
% total market:  4.0%

% retail market:  2.9%

# Operating Indicators

## Exploration and production

**Oil and gas output,**  
thou. TOE

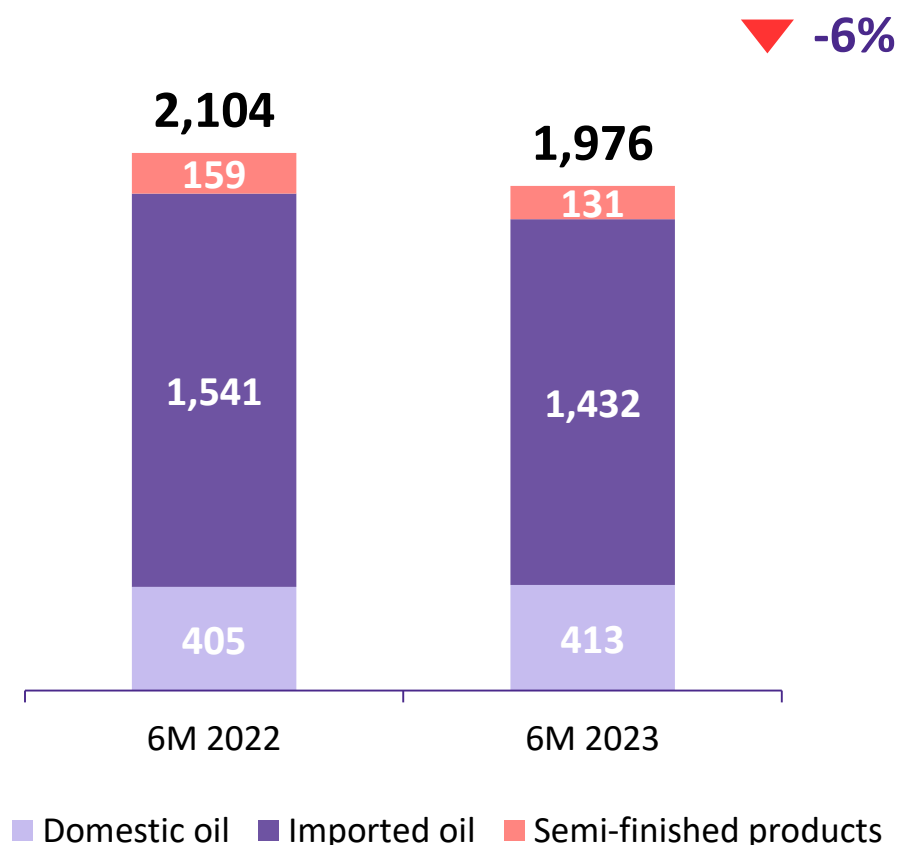


- Planned volume of hydrocarbon production achieved

# Operating Indicators

## Downstream Refining

### Refining of oil and semifinished products, thousand tonnes



Reduction of the refining scope by 6% compared to the first six months of 2022 is the result of:

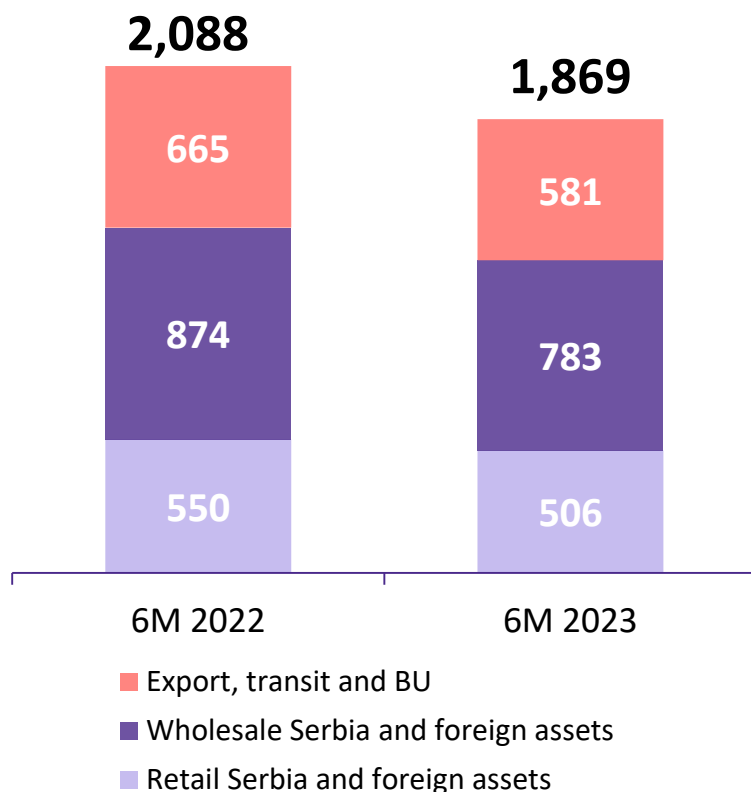
- Changes in macroparameters, restrictions to the export of petroleum products and the complex situation on the import oil market. In addition, the continuous production and regular supply of the domestic market with all types of products was achieved, while ensuring a stable level of stocks.

# Operating Indicators

## Downstream Sales and distribution

Sales volume,  
thousand tonnes

▼ -10%



- **Retail in Serbia and foreign assets\*** – a decline by 8%, primarily in foreign countries, due to:
  - the geopolitical situation in the EU countries (especially in Romania, and in Bulgaria as a result of the shutdown of 11 petrol stations);
  - increased diesel sales in retail in 2022, as a consequence of the state regulation of prices at a low level, lower prices at the NIS petrol stations than the maximum established price, which is not the case this year.
- **Wholesale in Serbia and foreign assets** – a decline by 11% primarily due to:
  - the decrease in sales of petroleum products in foreign countries Bosnia and Herzegovina and Romania because of the ban on exports from Serbia.
  - increased wholesale diesel sales in 2022 as a result of government regulation of prices at a low level, influenced the high demand last year compared to this year.
- **Export, transit and BU\*\* :**
  - decrease in the sales of fuel oil, bitumen and primary gasoline on the domestic market;
  - a decrease in consumption;
  - decrease in export of technological and bitumen as a consequence of production optimization.

The decrease in sales partially compensates for the increase in aviation fuel sales by 43% compared to the second quarter of 2022 due to the expansion of the international flight line of Air Serbia and foreign airlines, as well as the increase in the amount of aviation fuel exported compared to the same period last year.



# Financial Indicators

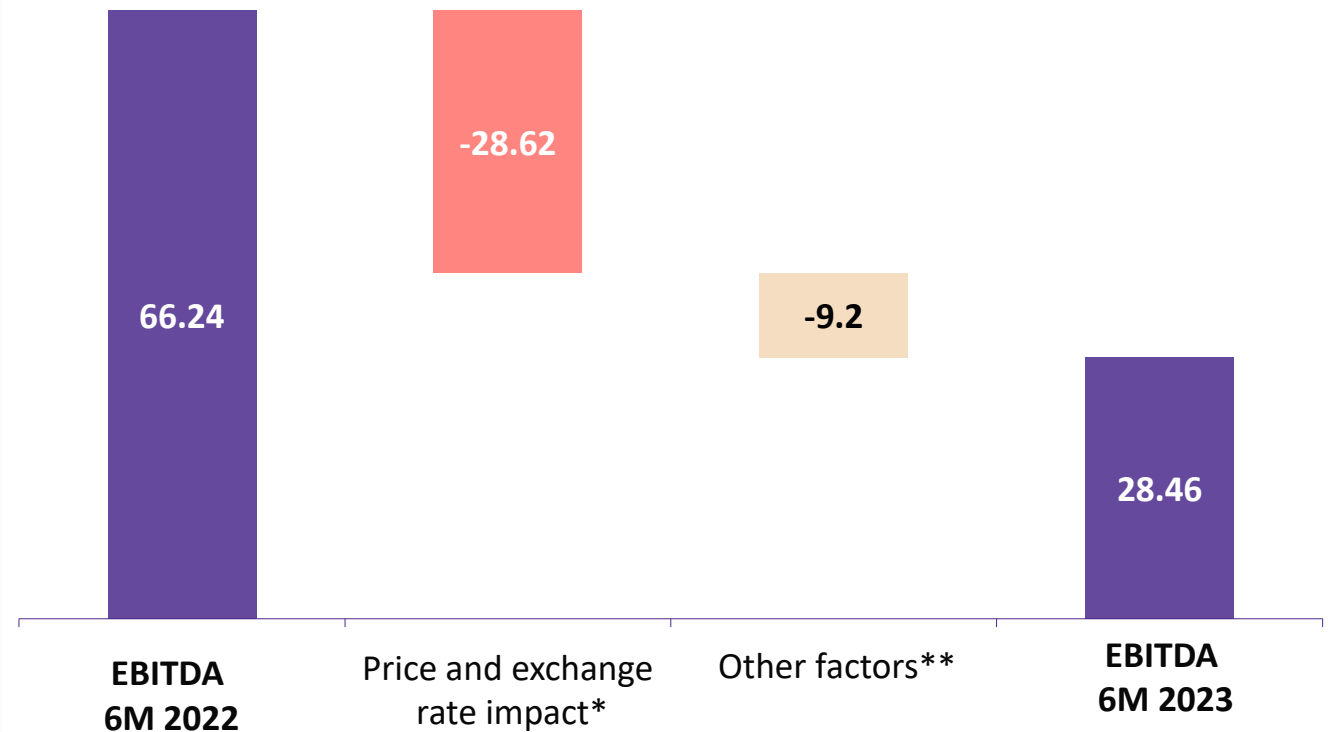
## EBITDA

Decrease in EBITDA indicator in the first 6 months of 2023 in comparison to the same period last year is the consequence of:

- Impact of decrease in oil and petroleum product prices in the world market, as well as the effect of “expensive” stocks;
- Deterioration of the scope of the refining of oil and petroleum products, which was partially compensated by the increase in the margin of petroleum products;
- Payment of the donation to the Government of Republic of Serbia;
- Increase in costs compared to the comparative period.

### EBITDA, bln RSD

▼ -57%

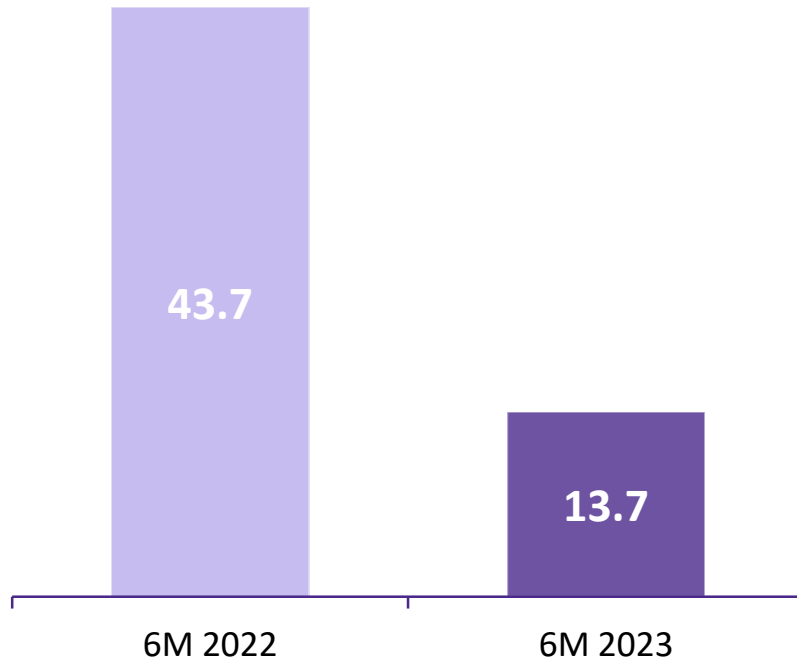


# Financial Indicators

## Net income

**Net income,**  
bln RSD

▼ -69%



The decrease of net profit is conditioned by:

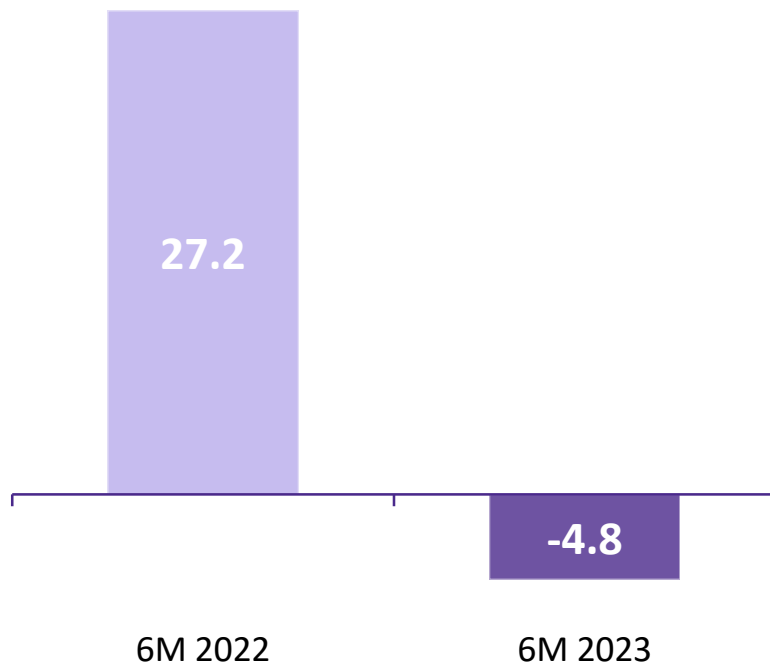
- The decline in EBITDA, which was partially compensated by the higher growth of financial income then to the growth of financial expenses, as well as the decrease in expenses related to income tax as a consequence of lower profit before taxation.

# Financial Indicators

## OCF

OCF, bln RSD

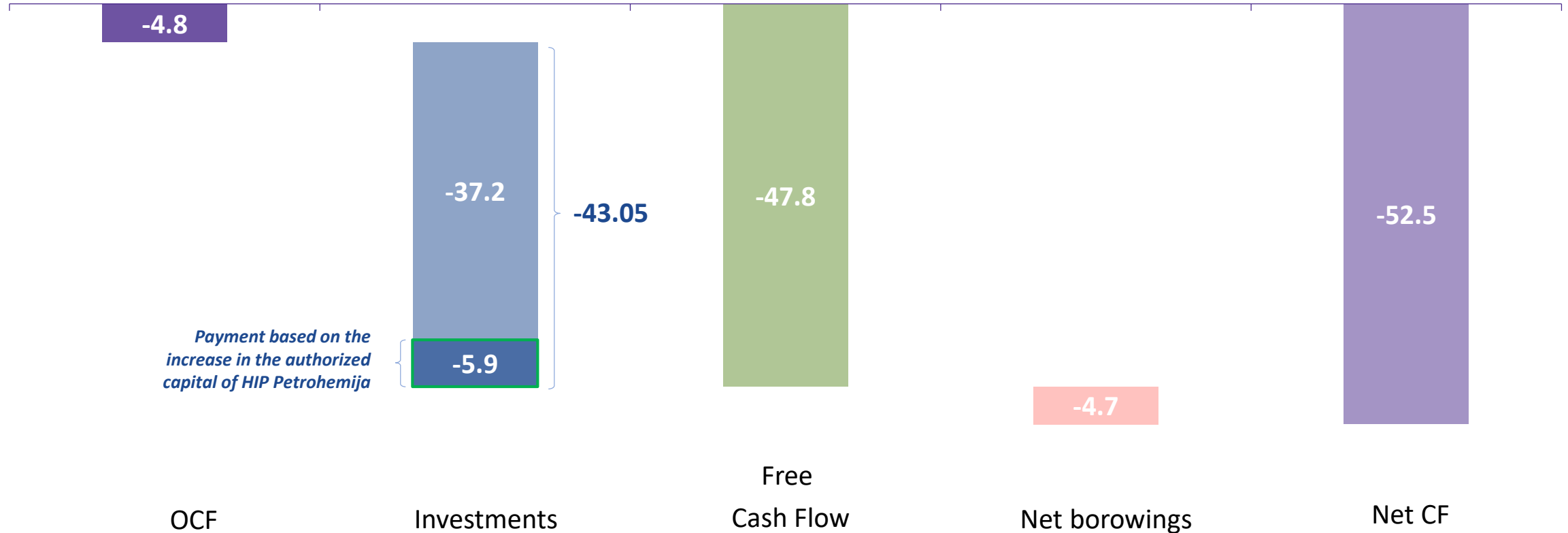
▼ decrease



The decrease of the OCF indicator was influenced by:

- Lower inflows;
- Payment of the donation to the Government of the Republic of Serbia;
- Higher taxes based on the profit tax from 2022.

# Realization of CF in first six months of 2023, in bln RSD



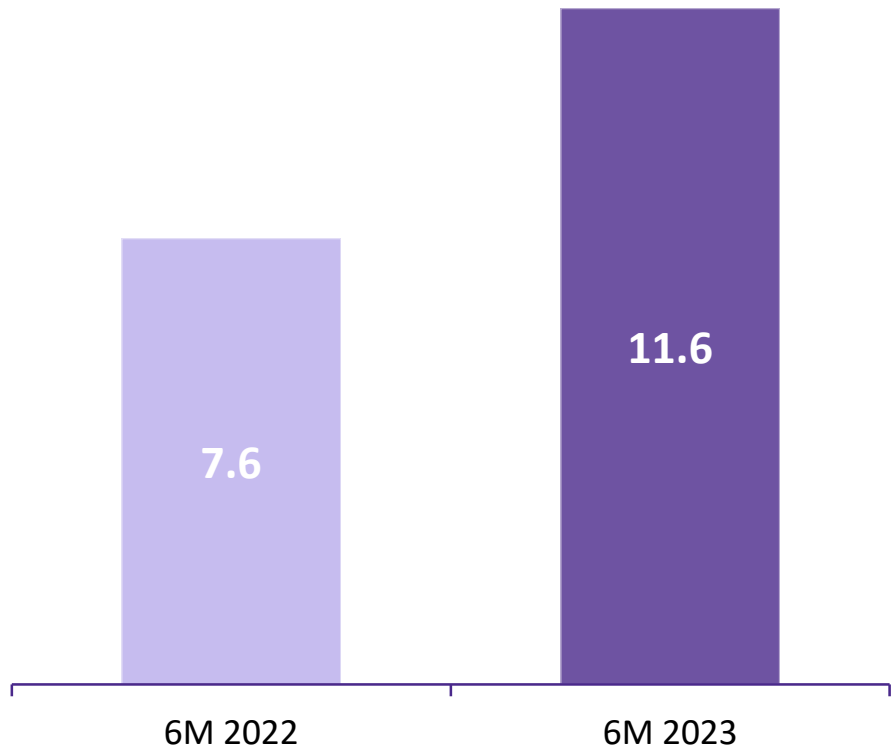


# Financial Indicators

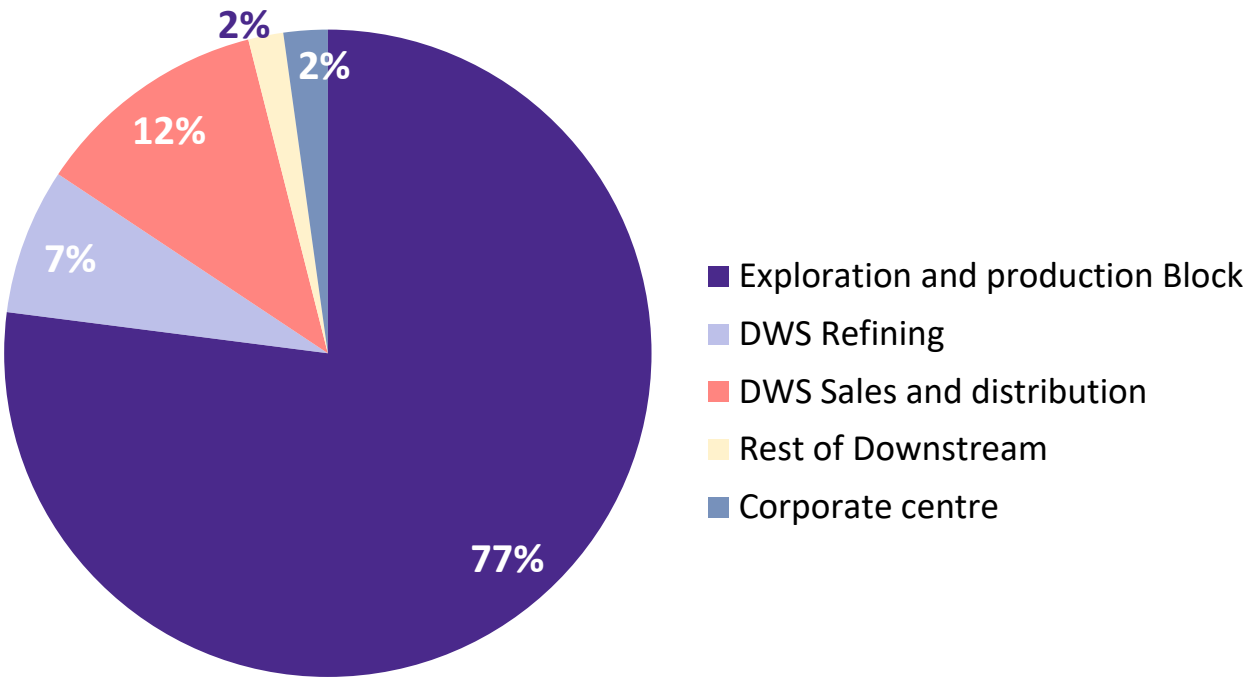
## CAPEX

CAPEX<sup>1</sup>, bln RSD

▲ +52%



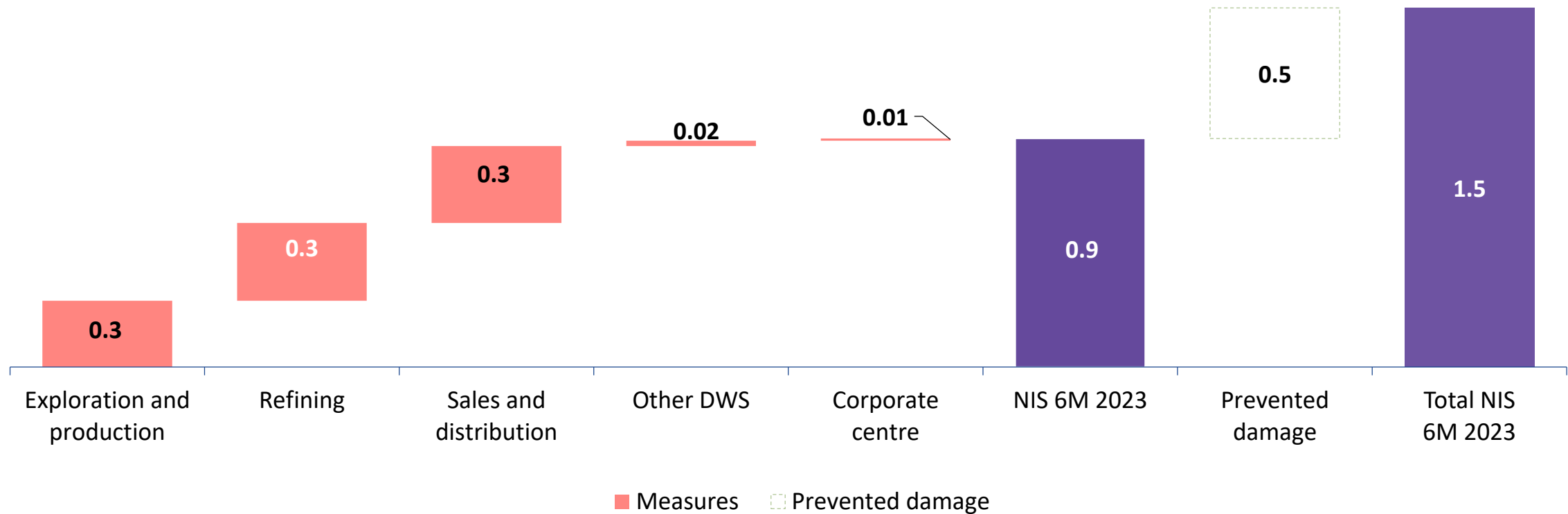
CAPEX by segments



# Operational Efficiency Improvement Measures

## Effect on EBITDA, bln RSD

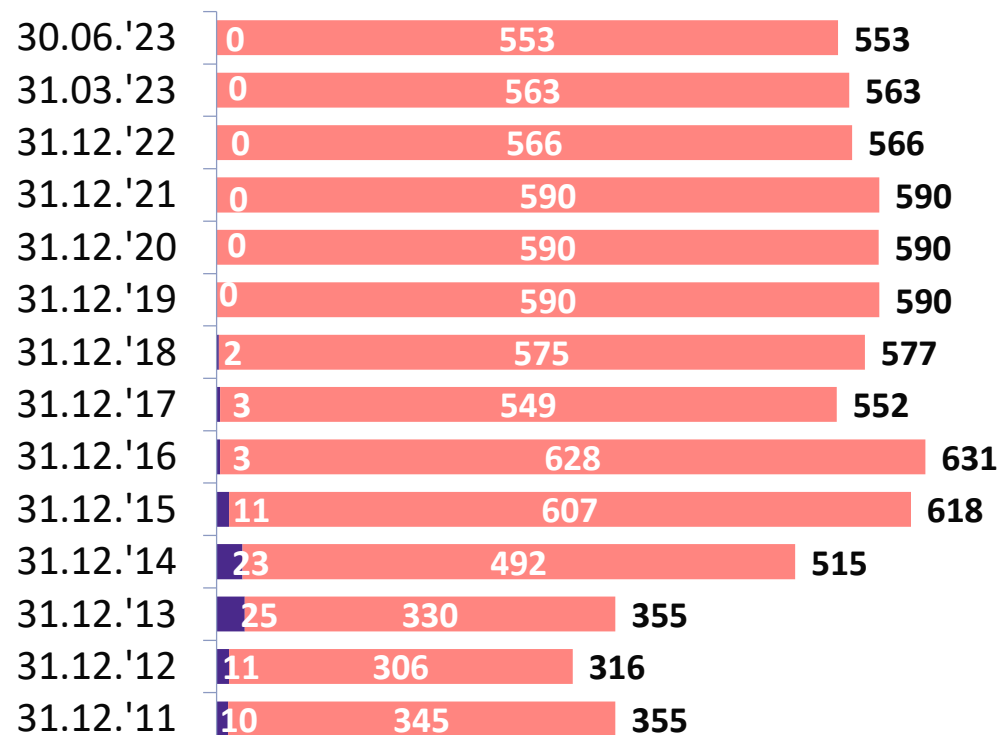
The overall effect of operational efficiency improvement measures in first six monts of 2023 on EBITDA indicator is RSD **0.9** billion.



# Debt to banks

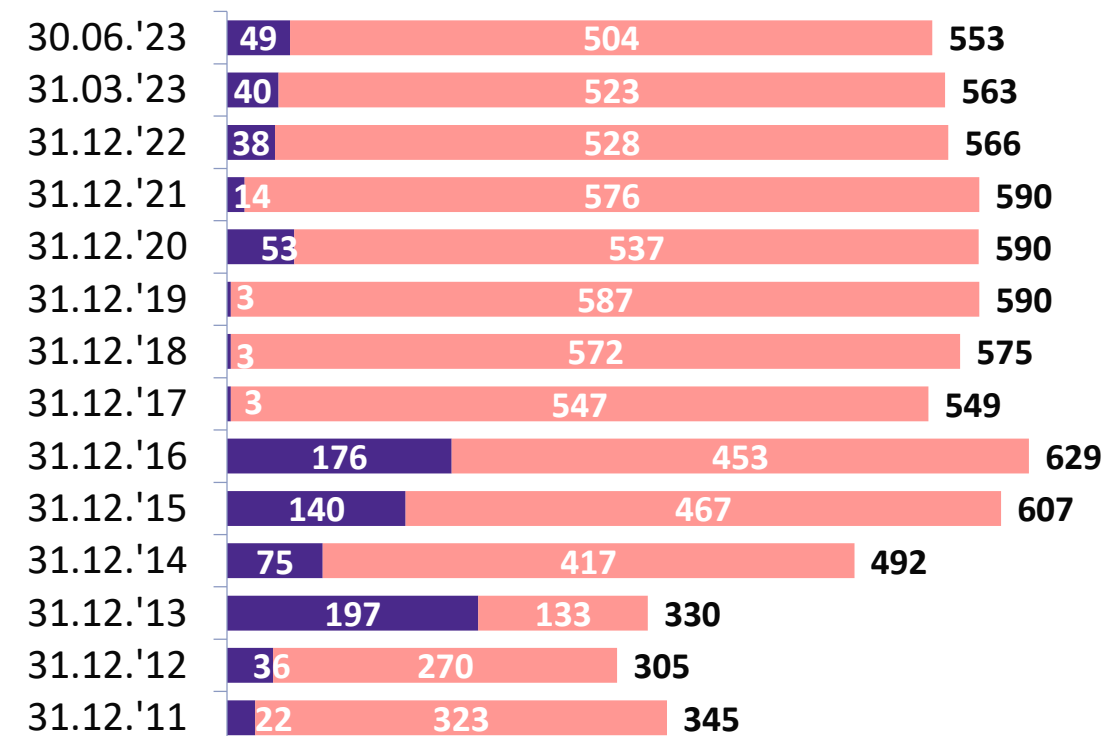
## Maturity and Currency Structure of Credit Portfolio

### Bank indebtedness, mn EUR



■ Letter to credits ■ Debts to the banks

### Debts to banks, mn EUR



■ up to 1 year ■ over 1 year

#### Debt structure:

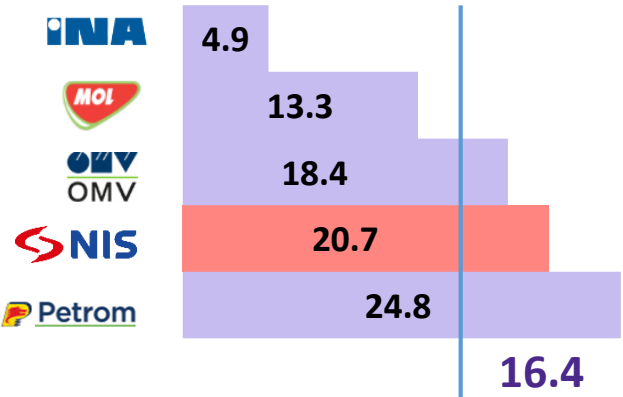
USD 0.1% ►

EUR 98.6% ▼

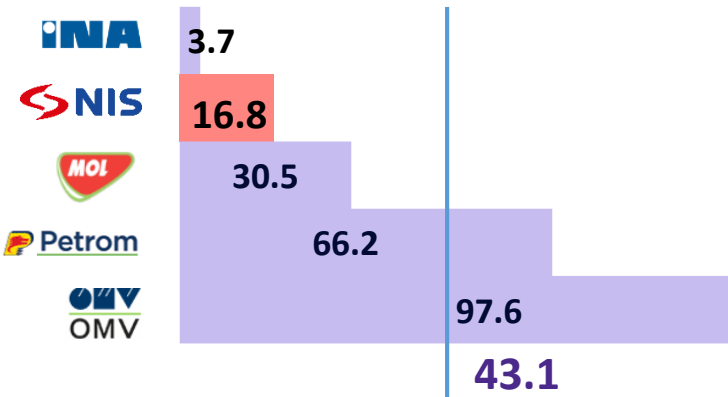
Other 1.4% ▲

# Benchmarking

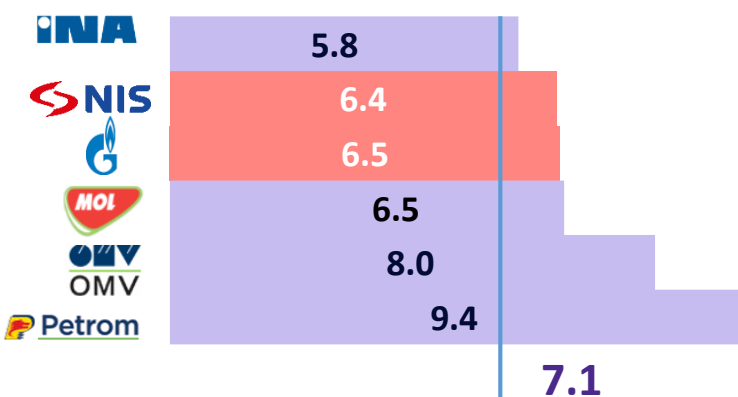
EBITDA margin (%)



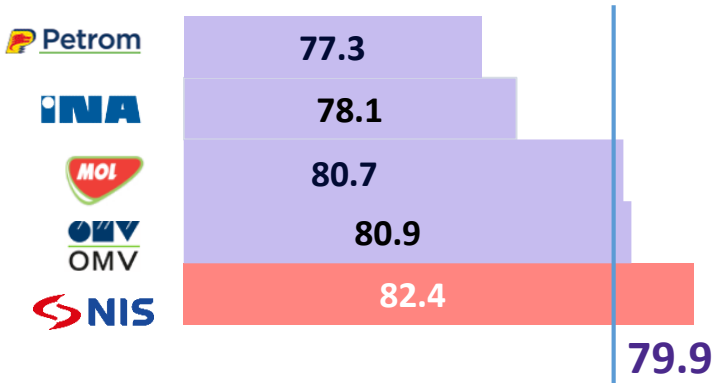
EBITDA/FTE (thou. USD)



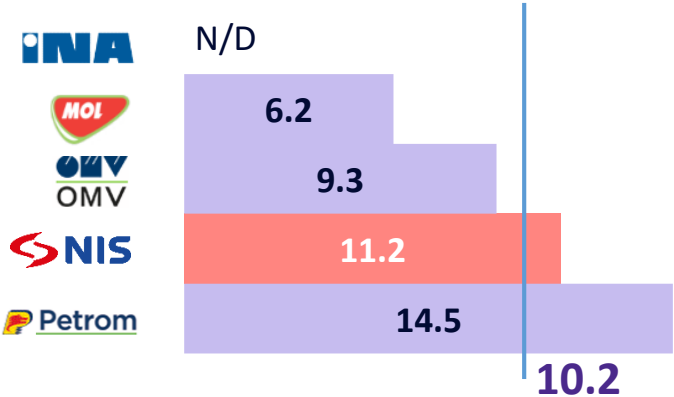
Daily volume (t/day)



Share of light products (%)



UPS OPEX (\$/boe)





# XV regular meeting of the Shareholders' Assembly

The XV regular meeting of the Shareholders' Assembly took place on June 29, 2023

- ❖ The assembly approved the decision on payment of dividends:
  - Total amount:  
RSD 23,364,924,716, which is RSD **143.29** per share (gross)
  - Dividend day: **June 19, 2023**
- ❖ Members of the NIS Board of Directors were re-appointed as members who performed this function in the previous mandate period:
  - Goran Knezevic was appointed instead of an independent member of the board of directors Alexander Chepurin
- ❖ The assembly approved the annual report and financial statements for 2022 with an audit report

# Conclusion



- ▼ Complex macroeconomic conditions
- ▼ Decrease of oil price and oil derivatives
- ▼ Market limitations

- ▲ Preserved stability on the domestic market of oil derivatives



Q2

**THANK YOU  
FOR THE  
ATTENTION**

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AT WORK