

NIS GROUP'S PERFORMANCE PRESENTATION

for second quarter of 2020

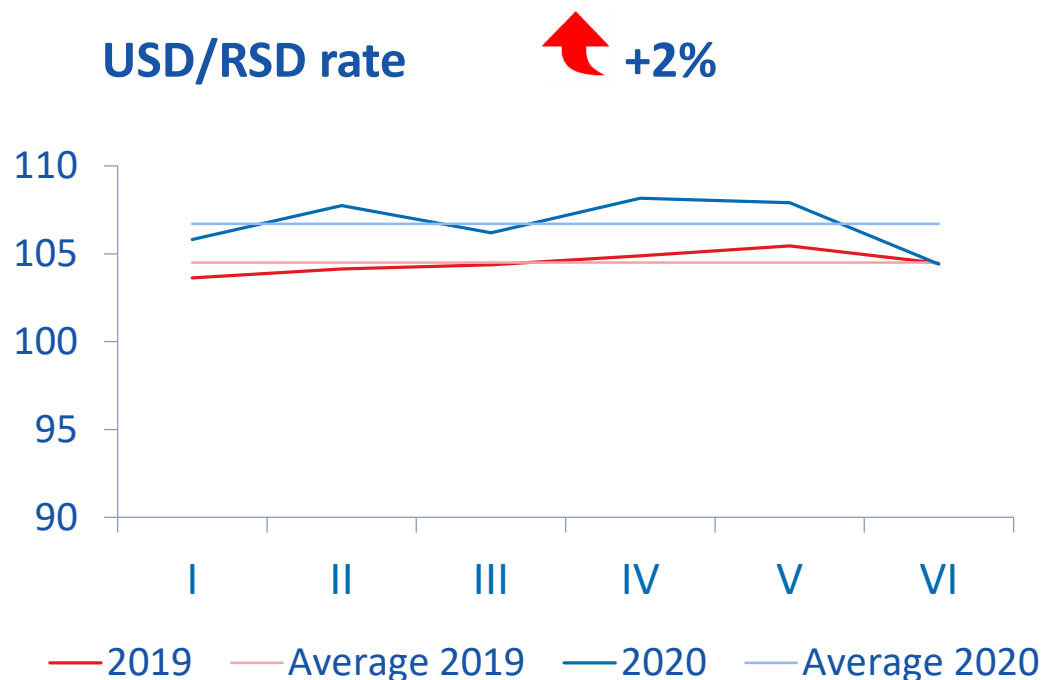
July 29, 2020
Anton Cherepanov
Finance, Economics, Planning and Accounting Function

Impact of COVID-19 pandemic

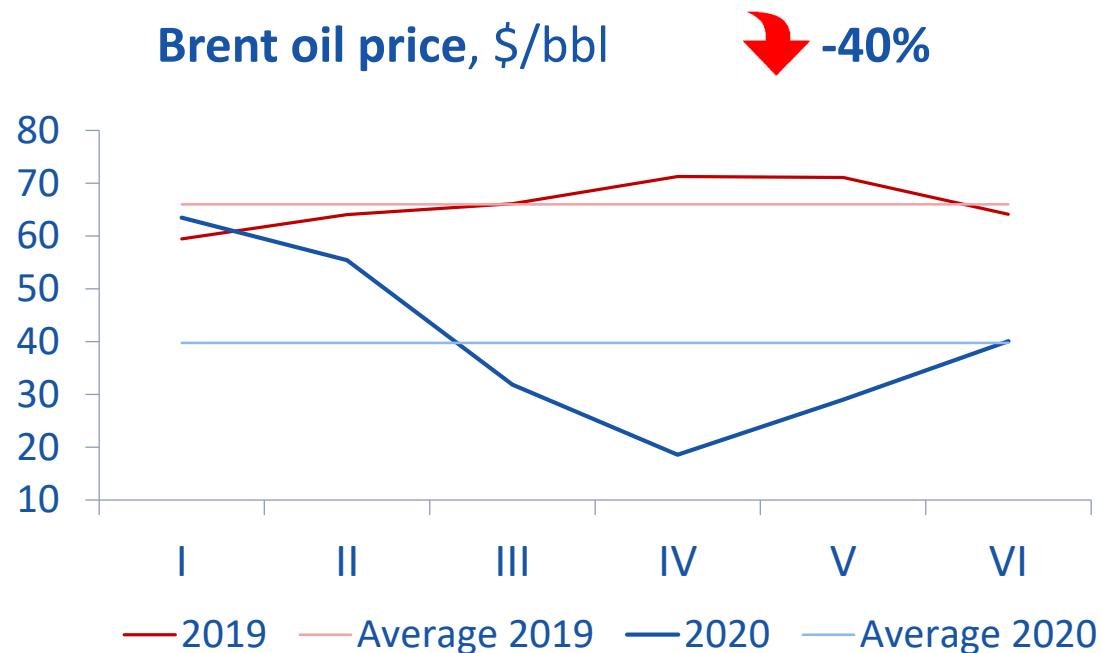
Macroeconomic Indicators

COVID-19 pandemic: effects and limitations:

- ❖ State of emergency in the Republic of Serbia to limit the spreading of the Covid-19 virus. Following the adoption of the Decision on lifting the state of emergency in May, protection measures will be strengthened in June.
- ❖ Decrease in motor fuel consumption in Serbia by about 10% compared to the first 6M of the previous year.

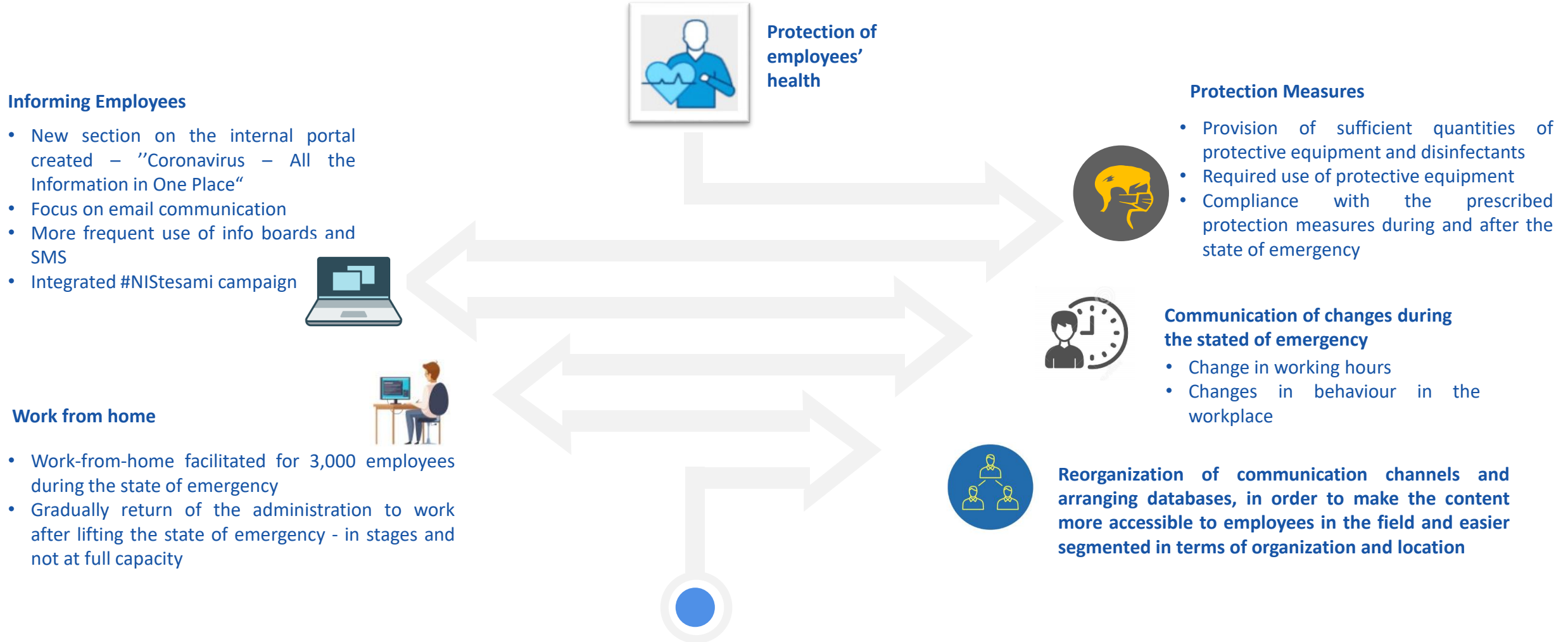


The average USD/RSD exchange rate is almost at the same level as in the first six months of last year, ie. it marks growth of 2%.



Compared to the first six months of the previous year, the price of Brent oil decreased by 40%.

COVID-19: Measures taken in NIS



Health, safety and social security of employees

Exploration and production Block



NIS drilled
13 development wells and
2 exploration well
in Serbia



The annual major overhaul of the
production facilities of the Oil and
Gas Treatment Unit in Elemir is
completed



Q2 2020¹:

CAPEX²: 4.5 bn RSD

EBITDA: 2.8 bn RSD

The main goal in the second quarter of 2020 in the Exploration and Production Block was to fulfill the planned production of hydrocarbons, to realize projects of geological exploration works and to increase the efficiency of geological and technical activities.

Downstream division - Refining



Start of all process units after the BA 44501 boiler repair

Overhaul of the Sulphur Regeneration Unit– Claus (C-2450)



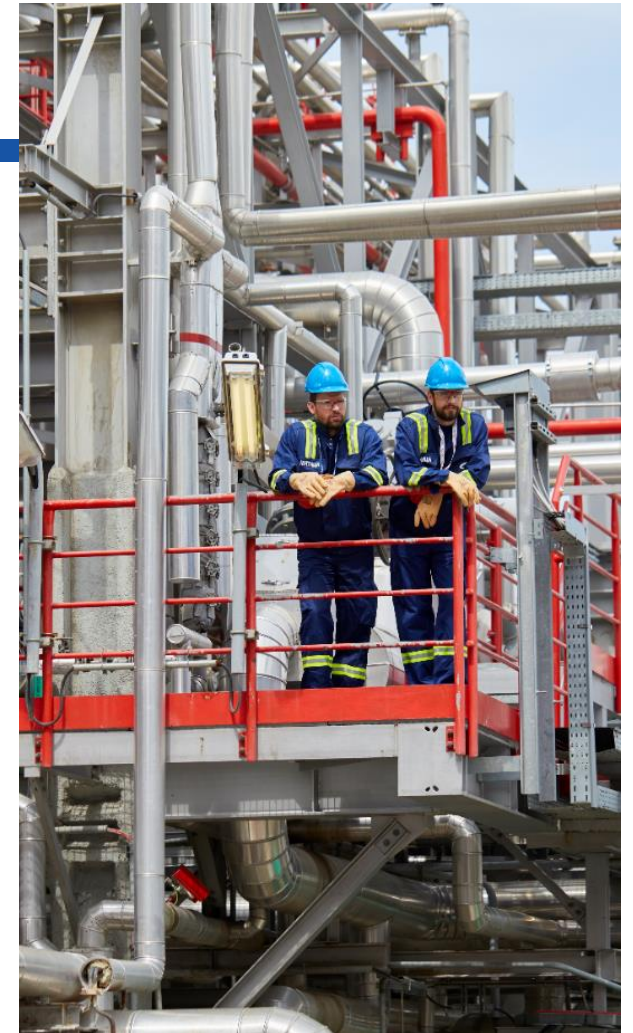
DCU activities: pre-commissioning of the Delayed Coker (C-5300), commissioning of the Sour Water Stripper (C-5900)/Amine Regeneration Unit III (C-5950) and DCU mechanical completion in June



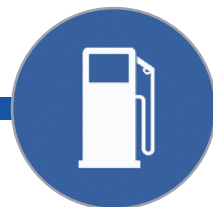
Q2 2020¹:

CAPEX²: **1.8** bn RSD

In the second quarter of 2020, Refining Block continued to operate in an extremely unstable environment, as a consequence of the drastic drop in the oil price on the world market and corona virus outbreak.



Downstream division – Sales and distribution



Three petrol stations under the NIS brand have been reopened in Serbia after full reconstruction:

- Podunavci PS
- Leskovac 4 PS
- Senta 1 PS



Start-up of a new CNG installation on Blok 45 petrol station



Q2 2020¹:

CAPEX² : 0.4 billion RSD

EBITDA: 3.1 billion RSD

Under conditions of the emergency state Lubricants Department successfully developed the recipe and embarked on production of a new product, NISOTEC Antisepsol disinfectant, to cover the needs of the whole company.

Bottom-of-the-Barrel Project

Basic project parameters

Investments, mn EUR	300
Start of production	2020

Implementation of the Bottom of the Barrel Project in Q2 2020:



The detailed design was completed and all licenses obtained



100% of equipment and material were delivered



The prestart-up and start-up activities at the complex are underway

Bridge crane



Coke furnace



Taking into account the restrictions caused by the pandemic of COVID-19 (entrance of foreign specialists into the country – representatives of equipment suppliers, license owners, delivery of spare parts and materials), active measures are being put in place to minimize delays in pre-commissioning and commissioning operations of the Bottom-of-the-Barrel Project.

TE-TO Pančevo Project

Basic project parameters

Expected total investments, mn. EUR	up to 180
Nominal electric power of the power plant, MWt	up to 200

Implementation of TE-TO Pančevo Project in Q2 2020:



Realization of contract with EPC contractor around EUR 105 mn, or 66% of the total projected amount



The engineering activities completed and building permits obtained for all construction stages of TE-TO Pančevo



Connection of the transmission line completed. The main equipment for the switchgear has been delivered to the warehouse. Foundations put in place for pipe racks for interconnection and gas pipeline in Street 4.



The overall progress of the project (as of June 2020) at the level of 88.43%.

Steam-turbine plant



Gas-turbine plant

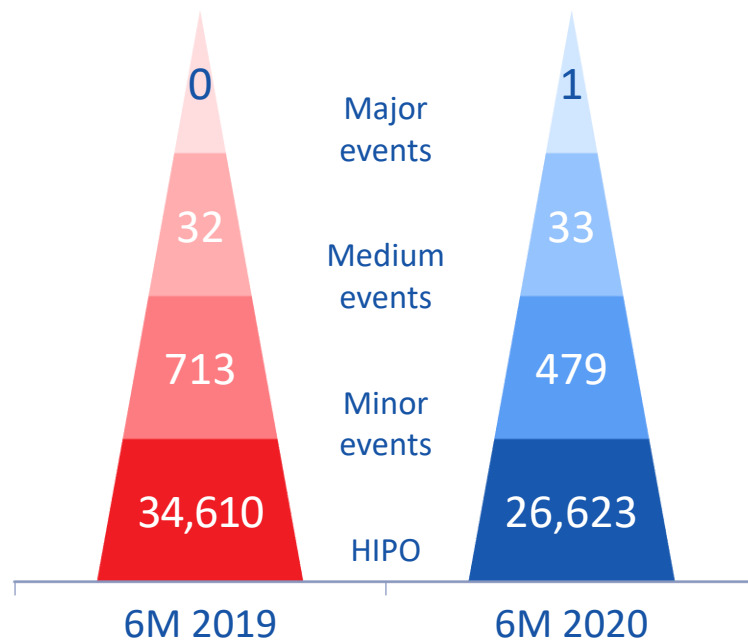


The COVID 2019-provoked state of emergency has been significantly affecting the Project Completion Schedule, which faces us with the following problems:

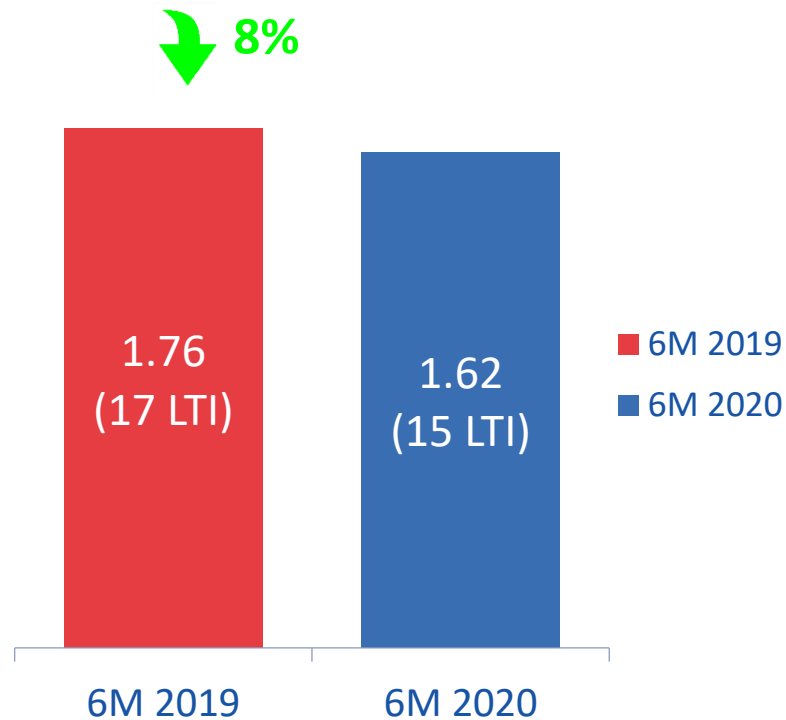
- The site operates in skeleton crew mode – 175 workers less
- Delaying the arrival of team members for the commissioning of the unit
- Delaying the arrival of representatives of equipment producing from China and Italy

The analysis of the above produced a conclusion that the Project Completion Period will be extended.

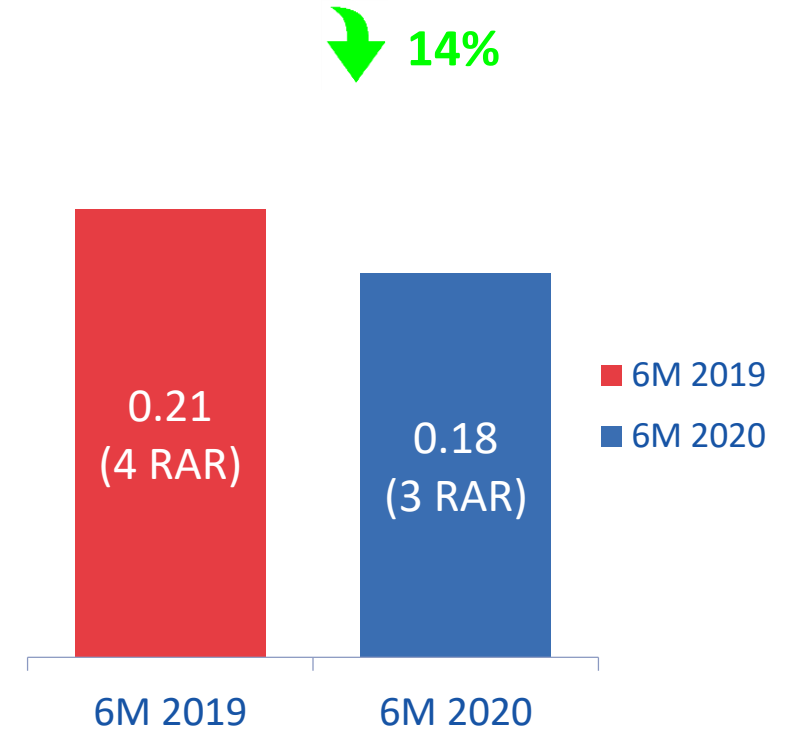
Increasing transparency



LTIF



RAR



Key Indicators

NIS Group

Q2 2020	Q2 2019	Δ	Key indicators	UoM	6M 2020	6M 2019	Δ
29.2	68.8	↓ -58%	Brent Dtd	\$/bbl	39.7	66.0	↓ -40%
33.4	63.9	↓ -48%	Sales revenues	bn RSD	85.9	117.4	↓ -27%
-2.9	9.6	↓ -130%	EBITDA	bn RSD	2.3	15.9	↓ -85%
-9.2	3.1	↓ -399%	Net income	bn RSD	-10.2	3.2	↓ -418%
7.8	4.7	↑ +68%	OCF	bn RSD	6.3	16.0	↓ -61%
44.1	39.8	↑ +11%	Accrued liabilities based on public revenues	bn RSD	83.9	79.8	↑ +5%
317	320	↓ -0.9%	Oil and gas output	thou. TOE	636	641	↓ -1%
770	604	↑ +27%	Crude oil and semi-finished products output	thou. tons	1,630	1,204	↑ +35%
778	793	↓ -2%	Total petroleum products sales volumes	thou. tons	1,556	1,519	↑ +2%
6.8	10.1	↓ -33%	CAPEX	bn RSD	14.5	18.4	↓ -21%
616	592	↑ +4%	Total debt to banks (total debt to banks + letters of credits)	mn EUR	616	592	↑ +4%

Motor Fuel Market Trends

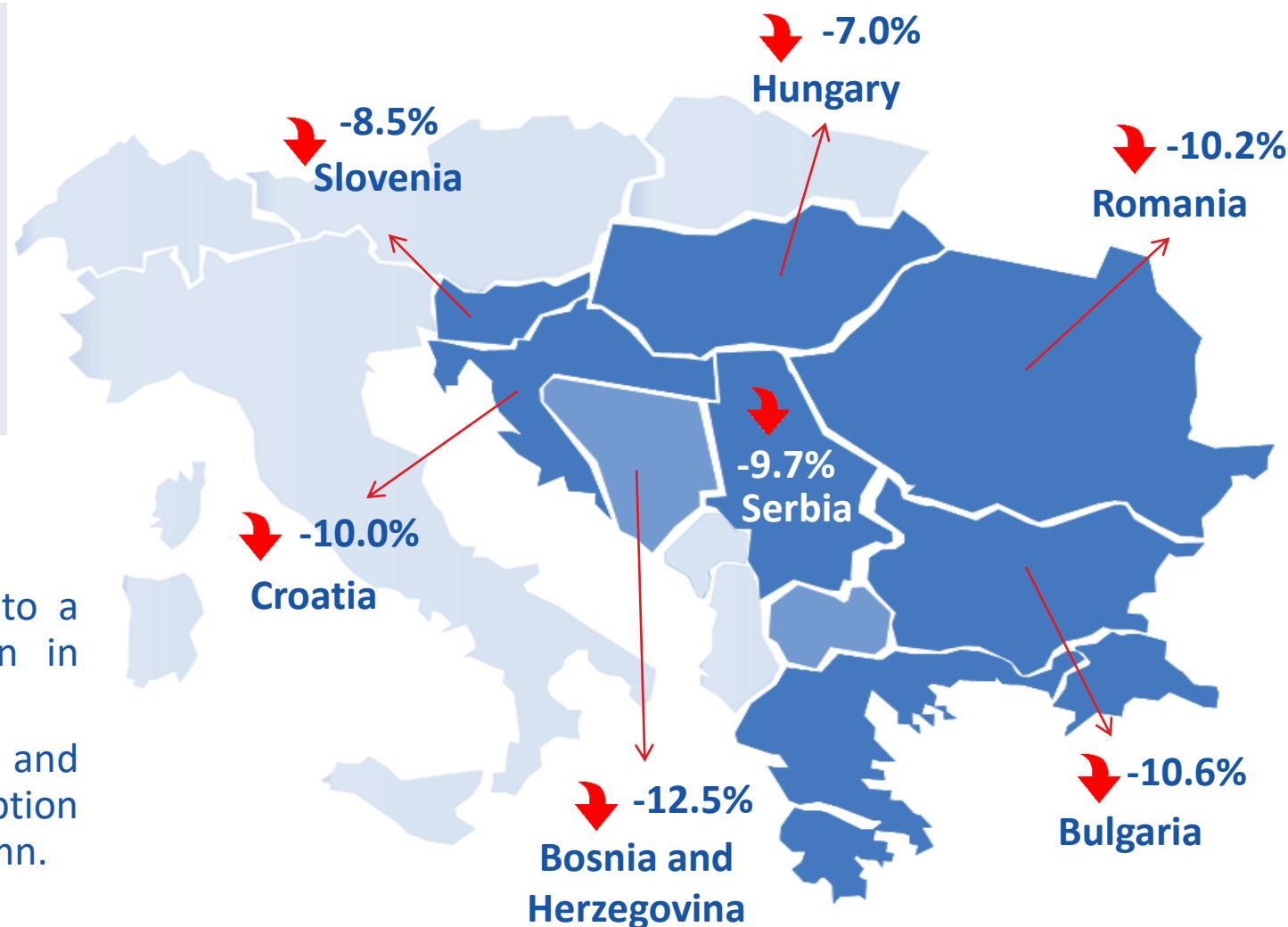
6M 2020/2019

Consumption of motor fuels in the region is declining.

- High growth rates at the start of the year mitigated a larger decline triggered by the pandemic on the consumption trend, which resulted in a negative effect on the entire first half of the year
- Price volatility in the world market.

Serbia

- Negative effects of the pandemic contributed to a significant decline in motor fuel consumption in Serbia.
- Accumulation of stocks in the period of falling and low prices partially mitigated the actual consumption decline which will be more clearly visible in autumn.

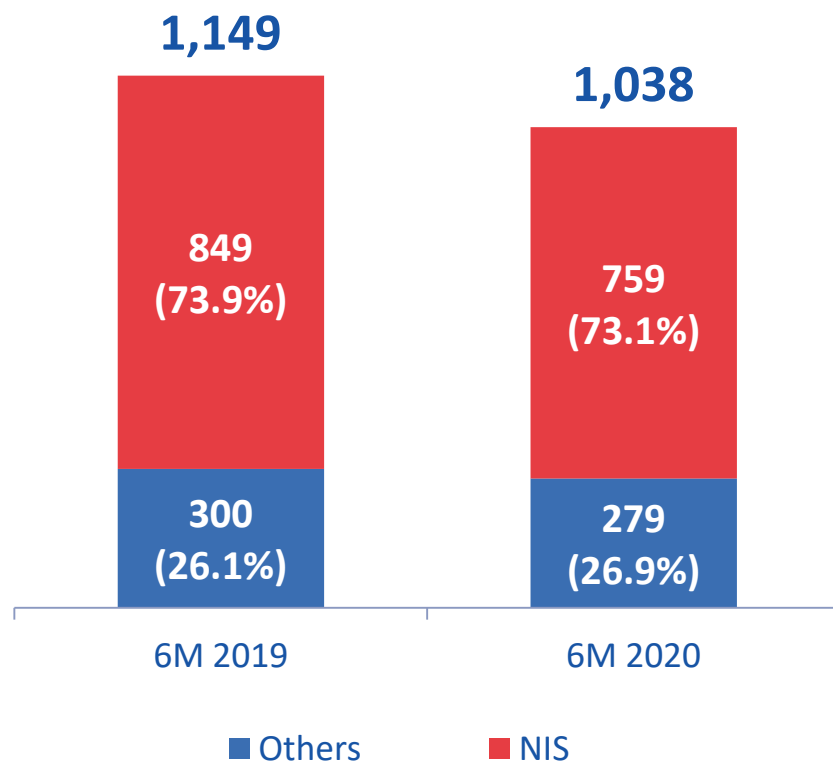


Market Share – Serbia

Motor fuels Market

Petroleum products market volumes, thou. tons¹

↓ -10%



- The motor fuels consumption drop is yet another consequence of the pandemic. After the growth in the first two months, there was a sharp decline in the period from mid-March to June.

Speculative stocks made by certain clients and traders during the period of falling and low prices (predominantly May) have a slightly higher share of imported goods in the structure, which led to a smaller decrease in the share in motor fuel market compared to the first 6 months of the previous year.

Market Share – Serbia

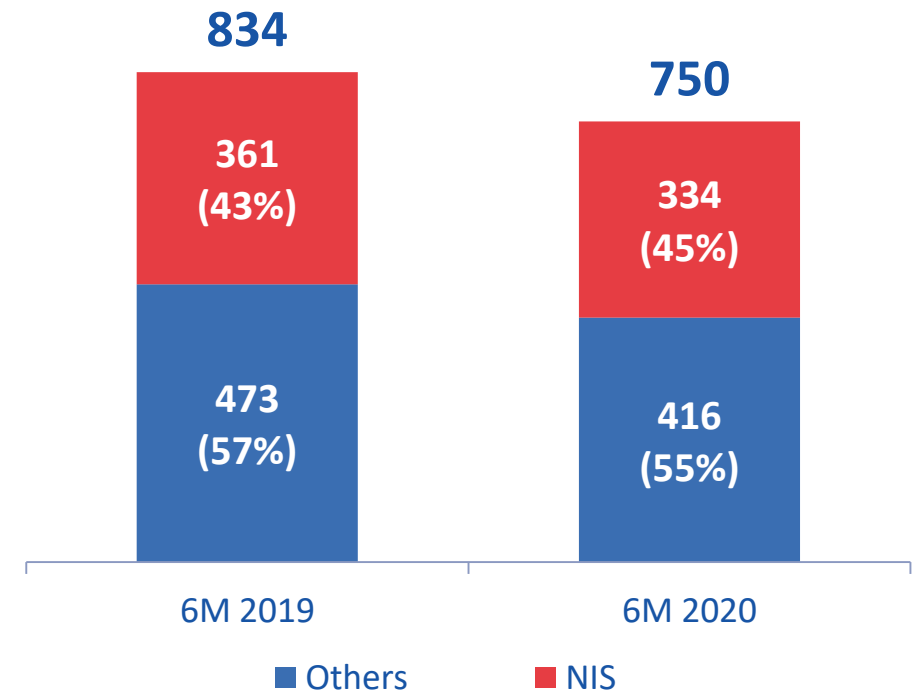
Motor Fuel Retail Market

NIS market share is growing, the growing share in all three segments – diesel, gasoline and LPG – contributes to that.

- The same situation is in the retail segment. After growing in the first two months from mid-March to early June due to the pandemic, in the first half of the year the retail recorded a 10% decline compared to the same period last year.

Retail market, thou. tons¹

 -10%



Market Share – Region

6M 2020/2019

Romania

No. of PSs:	↑	19
% total market:	↑	1.1%
% retail market:	↑	1.4%

Bosnia and Herzegovina

No. of PSs :	↗	37
% total market:	↑	21.7%
% retail market:	↑	10.0%

Bulgaria

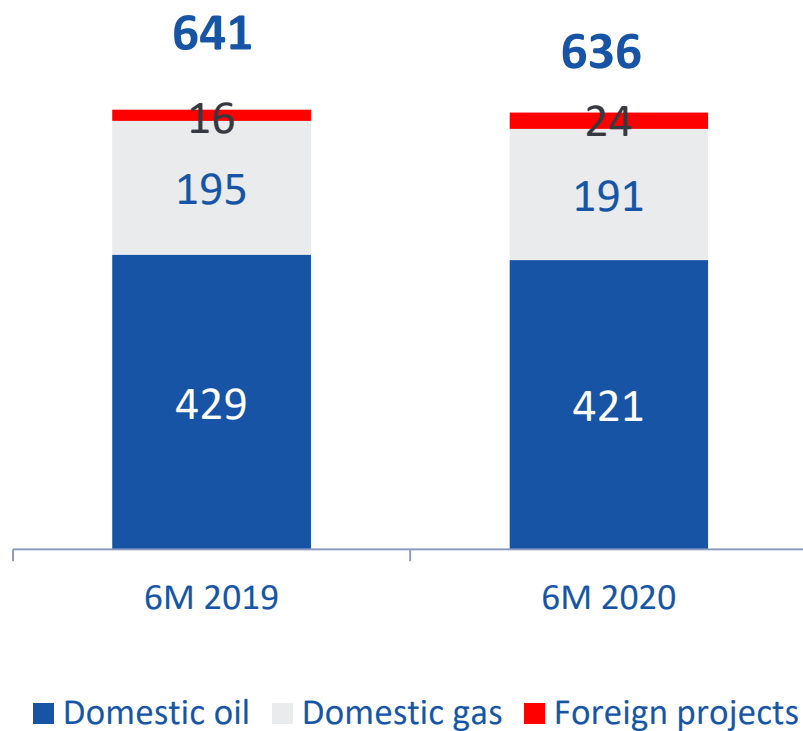
No. of PSs*:	↓	34
% total market:	↓	4.7%
% retail market:	↓	4.2%

Operating Indicators

Exploration and Production

Oil and gas output,
thou. TOE

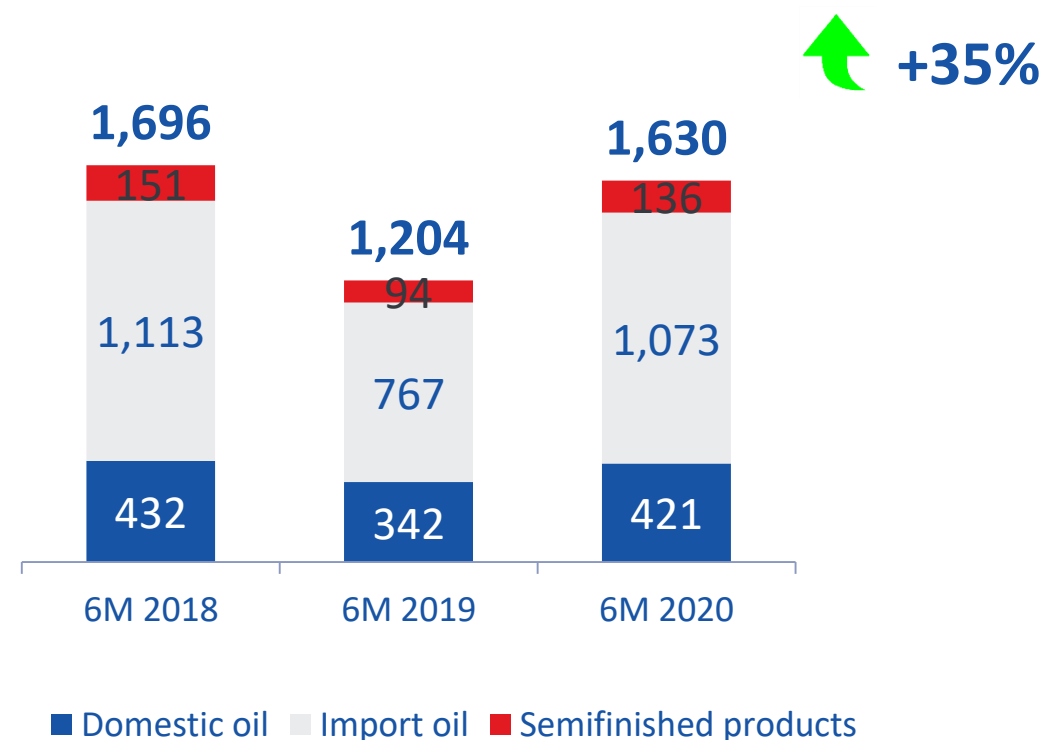
↓ -1%



- Planned volume of hydrocarbon production achieved (4% higher than planned)

- Increase in the refining volume by 35% as a result of the capital turnaround carried out in the first half of 2019.
- Decrease in volume of refining in the first half of this year compared to the same period in 2018 is due to fall of oil prices and restrictions caused by the COVID-19 virus

Refining of oil and semi-finished products, thou. tons

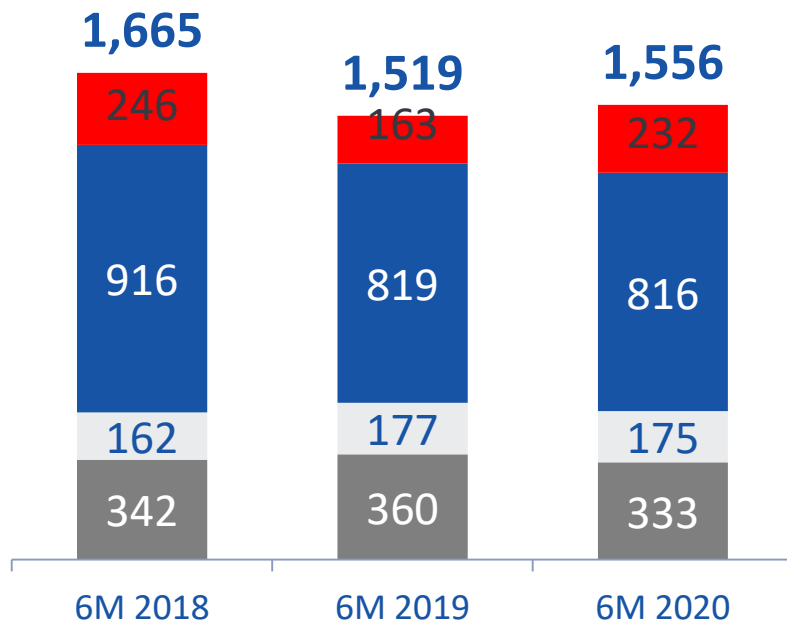


Operating Indicators

Sales and Distribution

Sales volumes*, thou. tons

↑ +2%



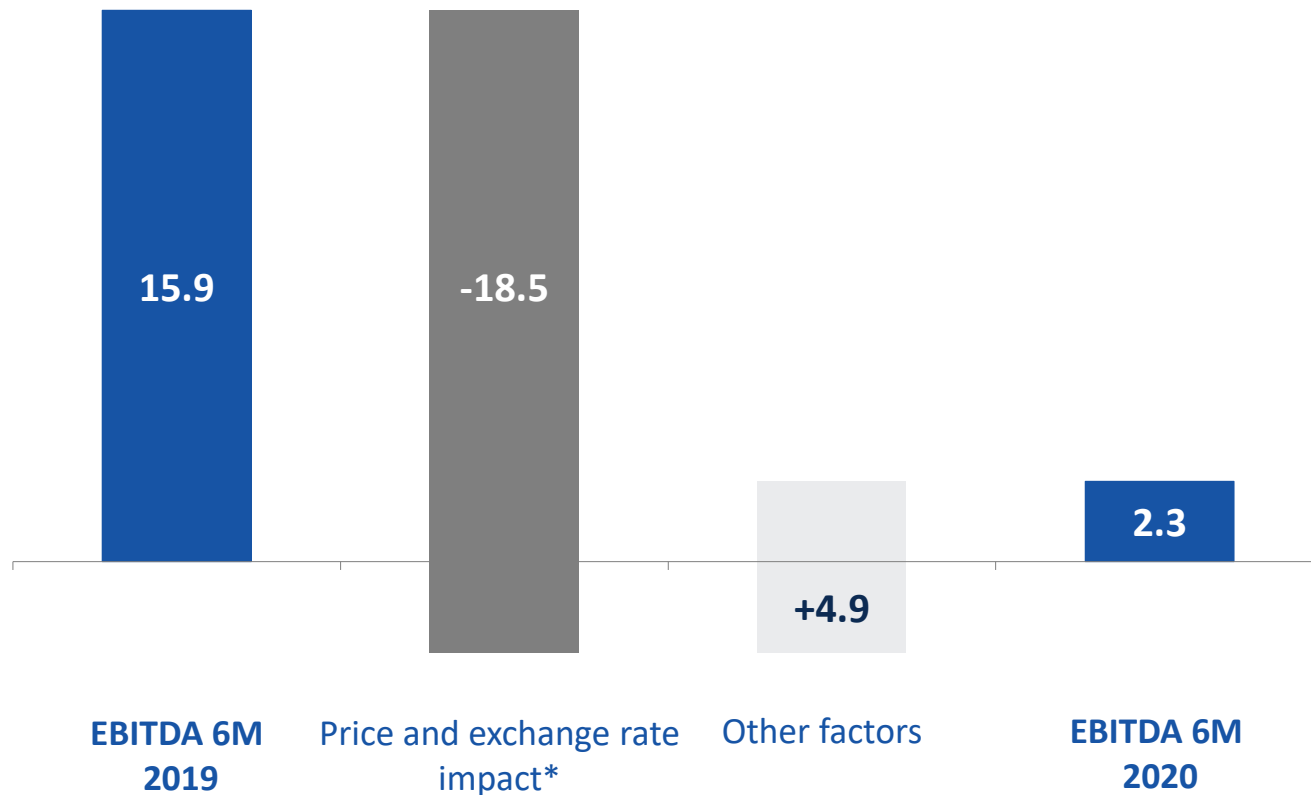
■ Retail-Serbia ■ Foreign assets
■ Wholesale - Serbia ■ Export

- Compared to the first six months of the previous year, we marked a growth of 2% in the total sales volume:
 - Retail in Serbia – decrease 8%
 - Wholesale in Serbia – decrease 0.4%
 - Export – increase 42%
 - Foreign assets – decrease 1%
- Decrease in sales volume in the first 6M this year compared to the same period in 2018 is due to restrictions caused by the COVID-19 virus.

Financial Indicators

EBITDA

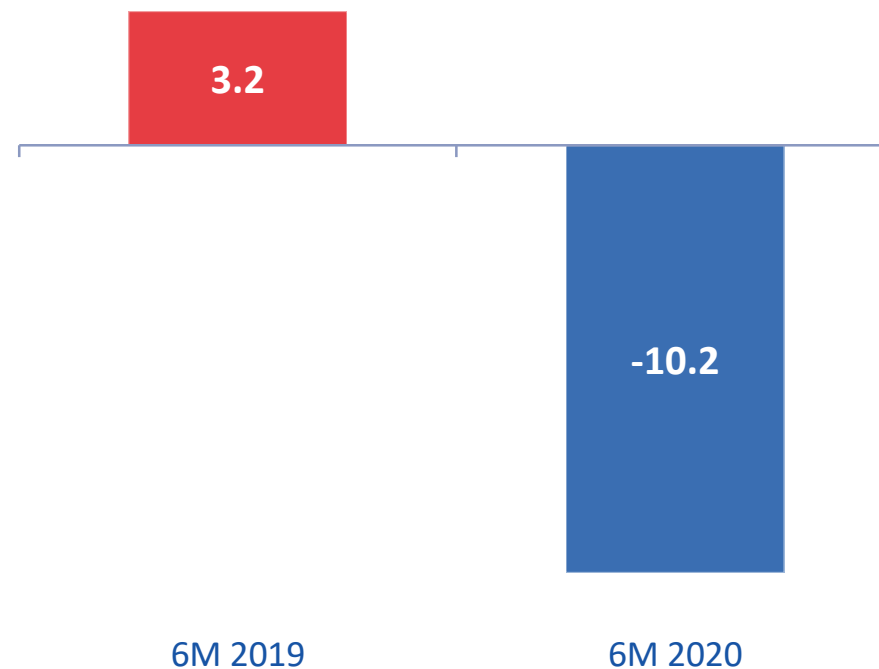
↓ -85%



- The decrease in EBITDA indicator reflects the drastic fall of oil prices and petroleum products in the global market and effects of the higher feedstock prices on refining
- The sharp fall in oil prices was partially offset by reducing cost and improving the efficiency of petroleum product sale

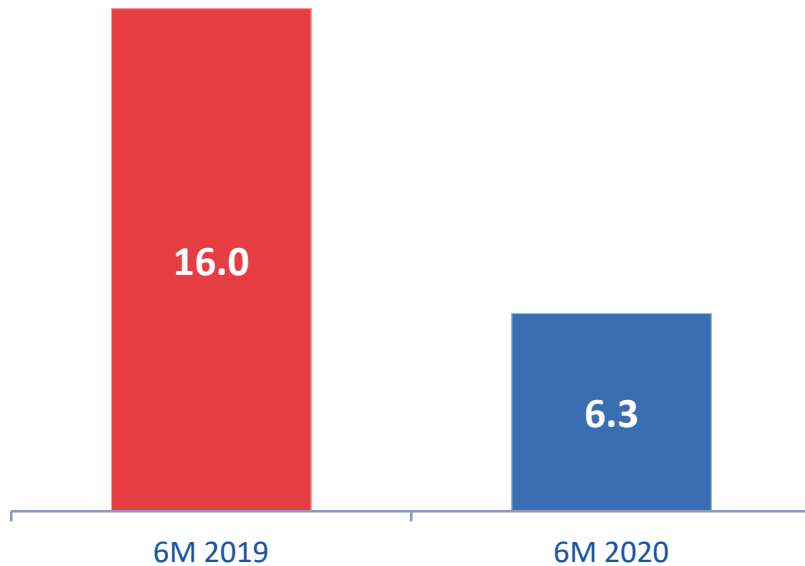
- Lower EBITDA

Net loss (income), bn RSD  -4x



OCF, bn RSD

↓ -61%



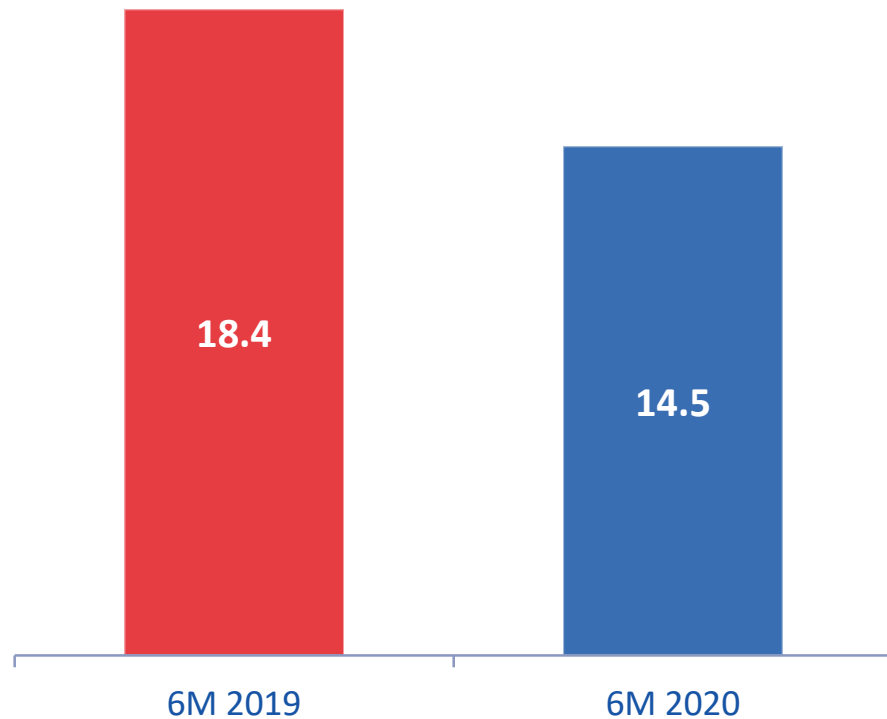
- Lower inflow
- Higher payments arising from liabilities towards the state

Financial Indicators

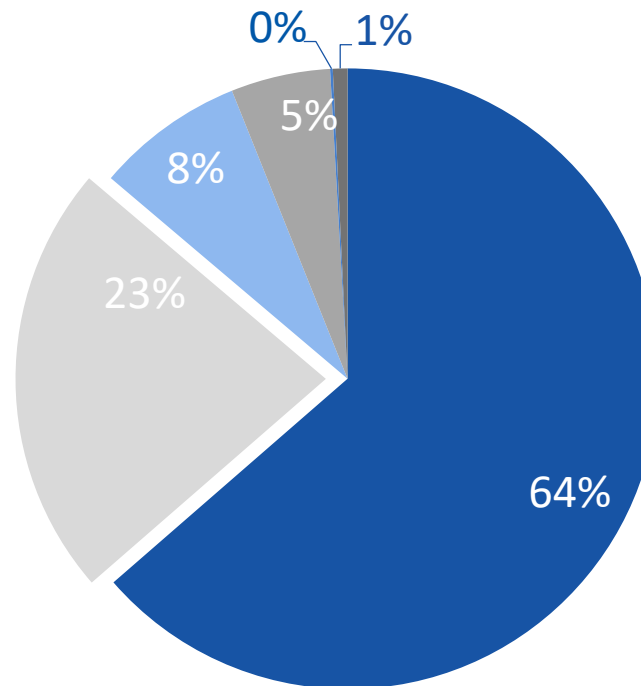
CAPEX

CAPEX, bn RSD

↓ -21%



CAPEX by segments

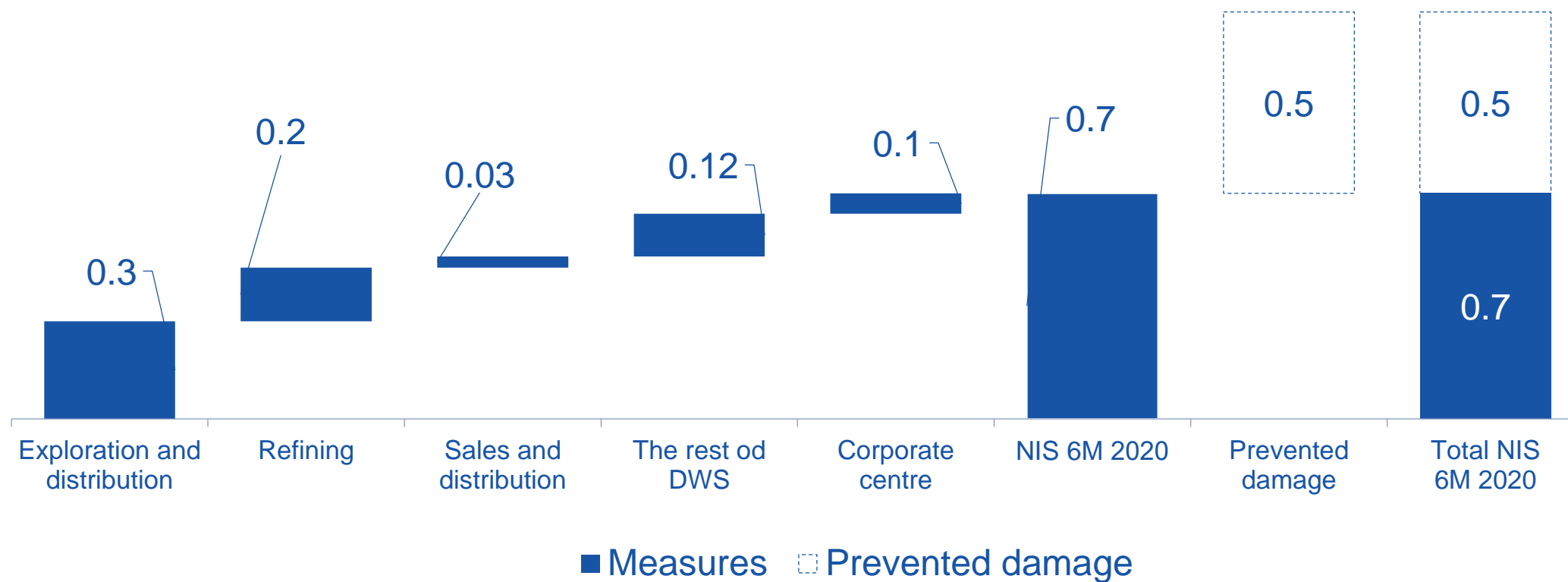


- Exploration and production Block
- Bottom-of-the-barrel Project
- DWS Refining
- DWS Sales and production
- The rest of Downstream Division
- Corporate centre

Operational Efficiency Improvement Measures

Effect on EBITDA, bn RSD

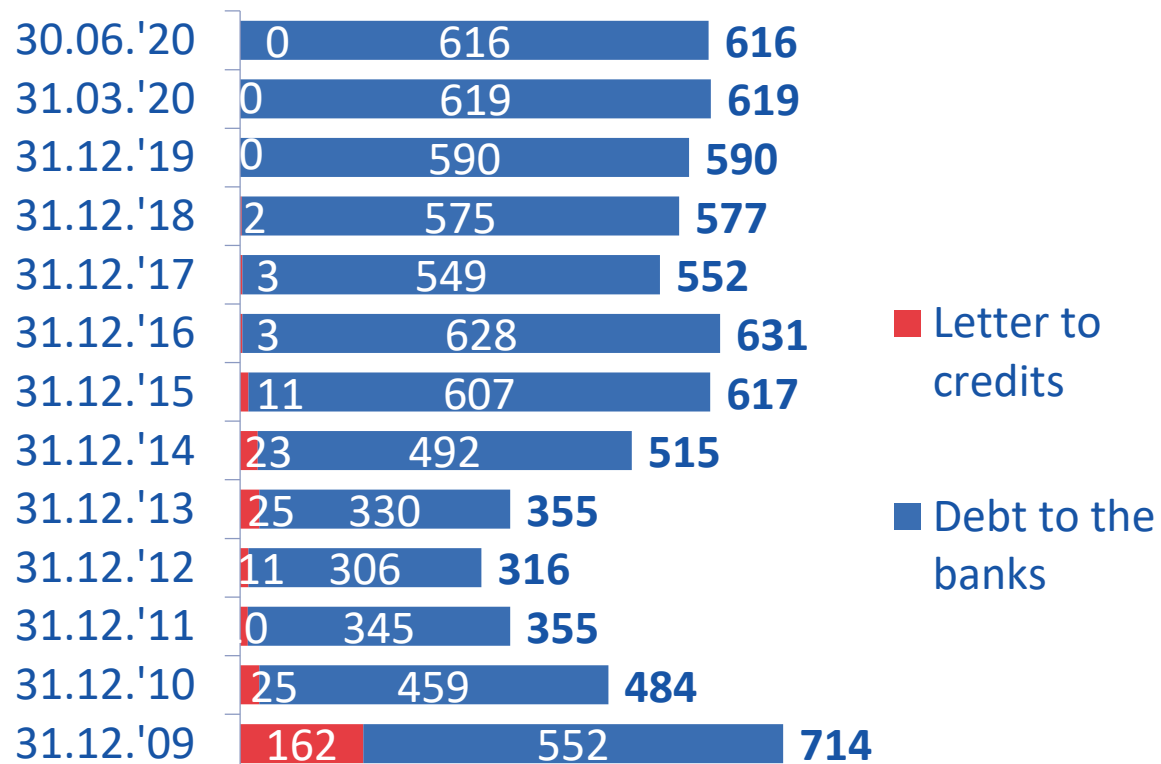
- The overall effect of operational efficiency improvement measures in 6M 2020 on EBITDA is RSD 0.7 billion.



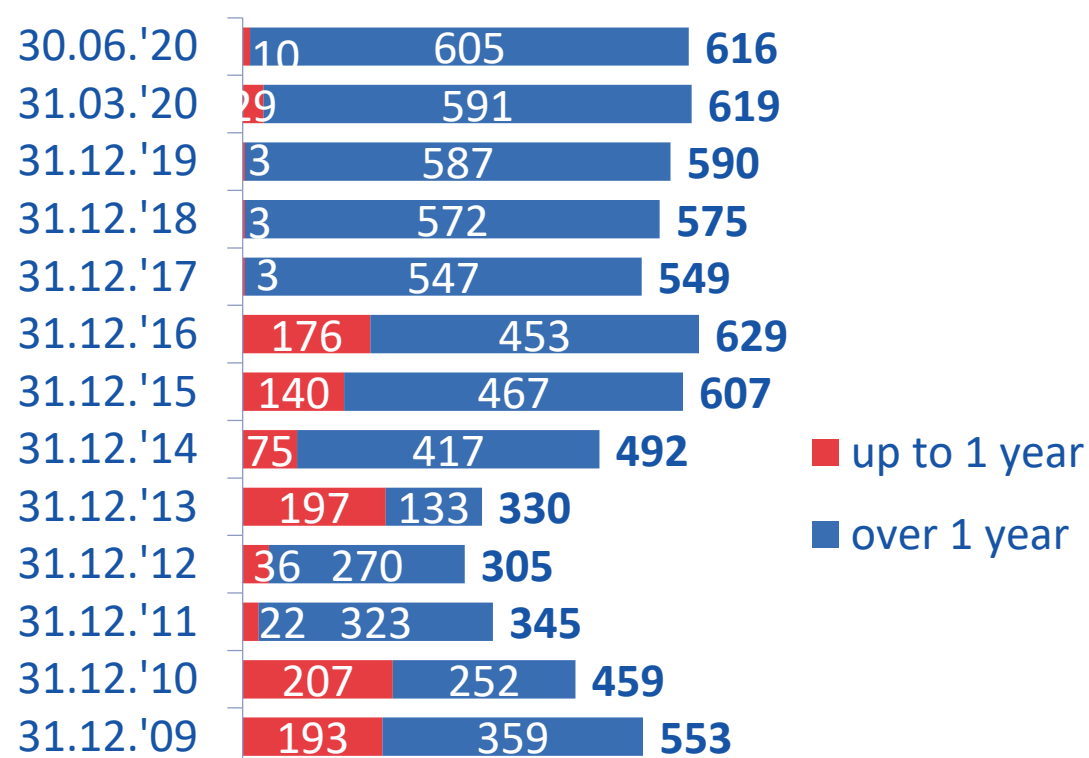
Debt to Banks

Maturity and Currency Structure of Credit Portfolio

Bank indebtedness, mn EUR



Debt to banks, mn EUR

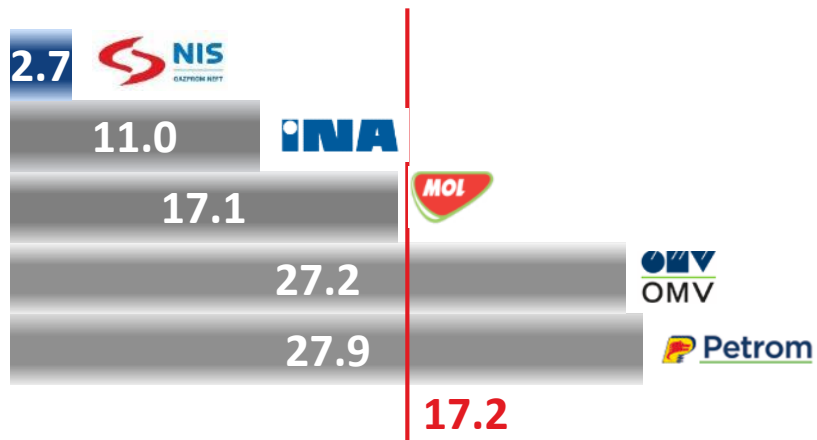


Debt structure:

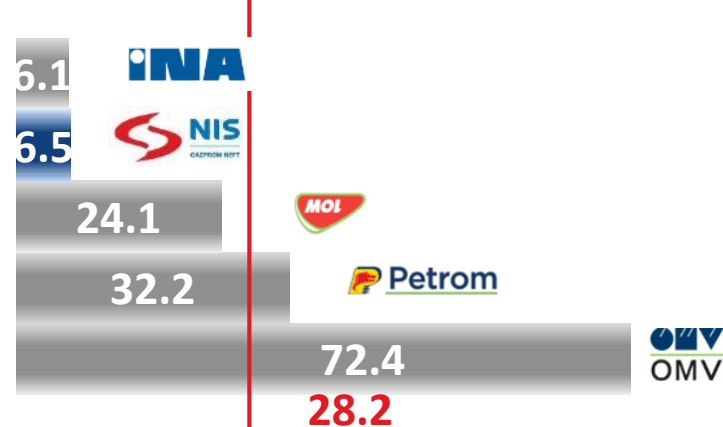
USD 0.3% → EUR 98.4% → Other 1.4% ↶

Benchmarking

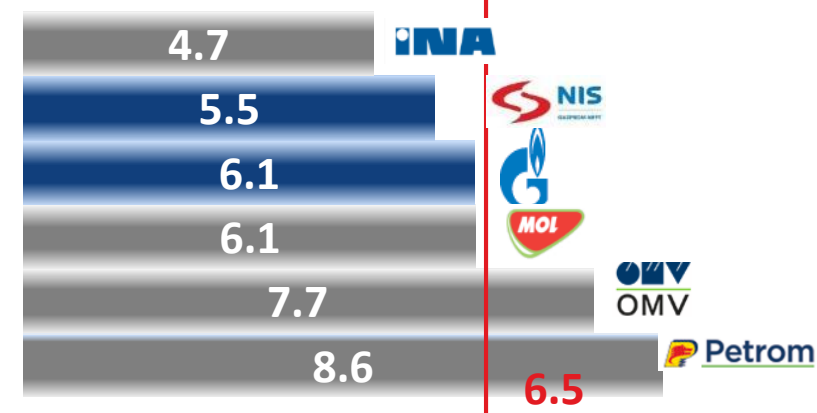
EBITDA margin (%)



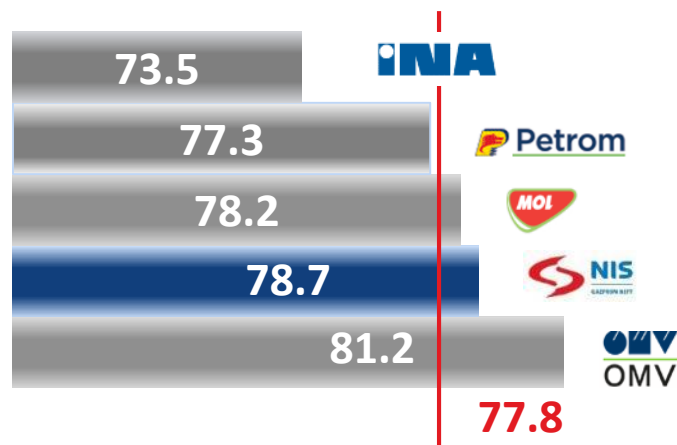
EBITDA/FTE (thou. USD)*



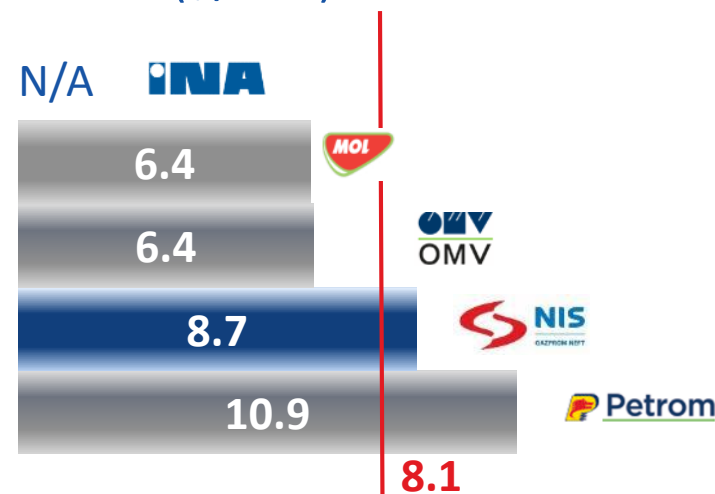
Daily volume (t/day)



Share of light products (%)



UPS OPEX (\$/boe)



12th Ordinary Meeting of the Shareholders' Assembly Held

On 30 June 2020, the 12th Ordinary Meeting of the Shareholders' Assembly was held.

- ❖ The Decision on Dividend Payment was adopted:
 - The total amount of dividends to be paid out:
RSD 4,425,459,256 or **RSD 27.14** per share (gross amount)
 - Dividend day: **20 June, 2020**
 - **The eighth consecutive year** in which NIS will pay out dividends amounting to **25%** of the Company's profit from the previous year
- ❖ 11 members were appointed to the NIS Board of Directors, having the same composition as at the end of Q1 2020
- ❖ KPMG d.o.o. Beograd was appointed the auditor of the Company's financial statements and consolidated financial statements for 2020

Contribution of the Company and Its Employees Combating the Spread of Covid-19



Donation of goods

- **270 tons of aviation fuel** - NIS provided national airways company Air Serbia with fuel for delivery of medical equipment and transport of Serbian citizens from abroad
- Our parent company Gazprom Neft donated, through NIS, fuel for public services during the epidemic (vehicles of the Ministry of Defense, police and medical services, firefighters)
- **Giving away a passenger car** to *Vojvodina* Clinical Center Novi Sad



Donation of services



Members of **NIS Firefighting Brigade** from Kikinda joint the campaign for disinfection of public space in this city



Volunteer activities



- **52 NIS volunteers** had over 500 hours of volunteering in the following activities:
- **support to the most affected categories of citizens and medical stuff** (making face shields, face masks, help with shopping and delivery of basic foodstuffs and medications to people over 65)
- **preseving employees' mutual support and solidarity** (exchange of knowledge, skills, recommendations and counselling, online acting school for employees' children, online conversation with employees, counselling and exchange of experience with an aim of improving business skills and psychological growth in crisis situations, counselling, etc.)



Plans and expectations for the rest of the year

Impact of the COVID-19 pandemics

- Oil and fuel price drop
- State of emergency in Serbia
- Reduced demand for petroleum products
- Reduced sales (both retail and wholesale)

Preparation of crisis scenarios, long-term and short-term plans

- Agility
- Flexible response to the changing environment

Steps taken

- Liquidity increase
 - CAPEX reduction of at least 30%
 - OPEX reduction of at least 10%

Main goal by the end of the year:

1. Ensuring positive cash flow



2. Ensure stability on the market

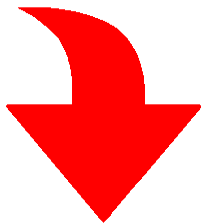


3. Maintaining social stability of employees

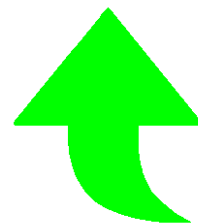


4. Preserving the health of employees

Conclusion



- ↓ Decrease in oil price and petroleum products compared to 6M 2019
- ↓ Global Covid-19 pandemics
- ↓ Decrease in demand for petroleum products



- ↑ Increase in refining volume
- ↑ Increase in sales volume
- ↑ Reducing costs in new circumstances and maintaining social stability of employees

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