



Presentation for investors and shareholders

for Q2 2016

August, 10 2016

Belgrade
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NIS.EU

NIS in Q2 2016

Exploration and Production

- Testing ended with a positive outcome at two exploratory wells, one is in the testing phase.
- Estimated reserves increment in 2016 – 3.7%.
- Kumane – Investment Project upheld by NIS IB (drilling in August 2016)
- RAG Kiha-004 – drilled, oil recovery during testing
- Blocks Ex-7 and Ex-8 - Phase 3 of seismic operations ended, data processing is in progress
- Testing of Jimbolia-6 well is finished – resulted in gas flow.
- Turija II – 3D seismic data processing completed. The acquisition is in progress on the Južni Banat I polygon
- Drilling Plan for the entire year was fulfilled (19 wells)



NIS in Q2 2016

Refining

- Deconservation and start-up of the «Small» Atmospheric Distillation Unit and the Kerosene Merox Unit for the purpose of increasing the scope of refining and production efficiency.
- The Gasoline In-Line Blending project has been completed.
- The final version has been obtained for the extended Basic Design (FEED) of the Delayed Coking Unit.
- The tender procedure is on-going for the selection of the EPCm contractors, and also the tender activities have started for the selection of the suppliers for long lead items (LLI).
- The Certificate of Conformity of the quality management system to the requirements of ISO 9001:2008 standard has been awarded
- The procedure of legalization of the facilities in the Pančevo Refinery has been successfully completed.



NIS in Q2 2016

Sales and Distribution

- Beginning of sale of branded fuel G-Drive diesel in the Serbian market
- Beginning of sale of branded fuel G-Drive 100 in the Romanian market
- The supply of fuel for intercontinental flights has started
- The beginning of the implementation of the program of PS operational activities optimization
- 2 new tank trucks for transportation of jet fuel



NIS in Q2 2016

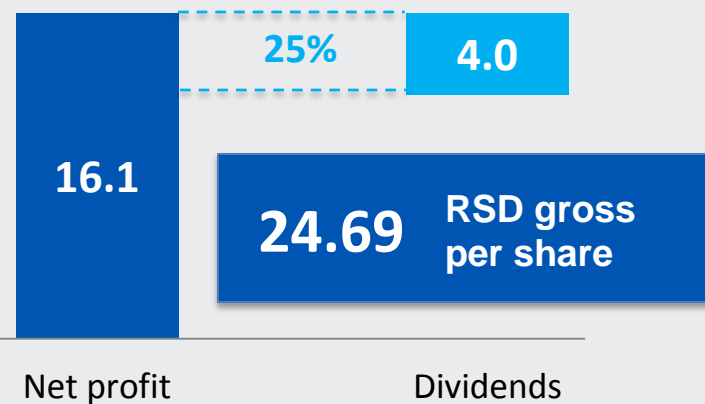
Energy

- Small power plant Majdan (2.4 MW)
 - Works in final stage
- Small power plant Miloševo (9.8 MW)
 - Agreement reached with the Exploration and Production Block that the complete design activities will be carried out by the NTC
- CNG station at PS Čačak 1
 - construction activities finished
 - obtaining the approval for the type of measuring device from the Directorate of Measures and Precious Metals
 - exploitation by the end of July.
- CNG Station “Ostrovo”
 - Gas exploitation approved
 - The main mining project completed
 - Access road from the village of Ostrovo built
 - Ground-leveling works in progress
- CPP Pančevo
 - Tender closed; evaluation of bids underway
- Windpark Plandište
 - obtained PPA (feed in).

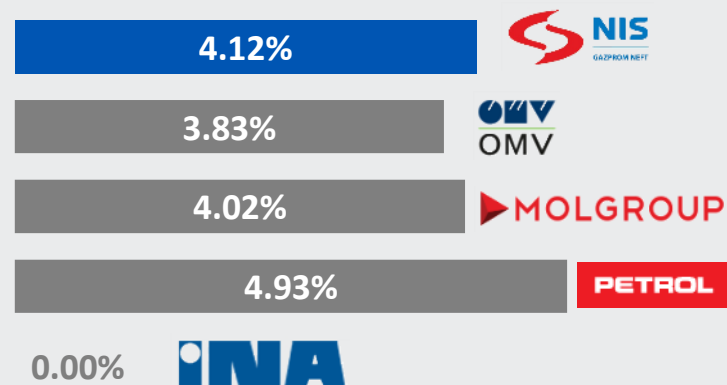


Dividend payment for 2015

Total dividends, bn RSD



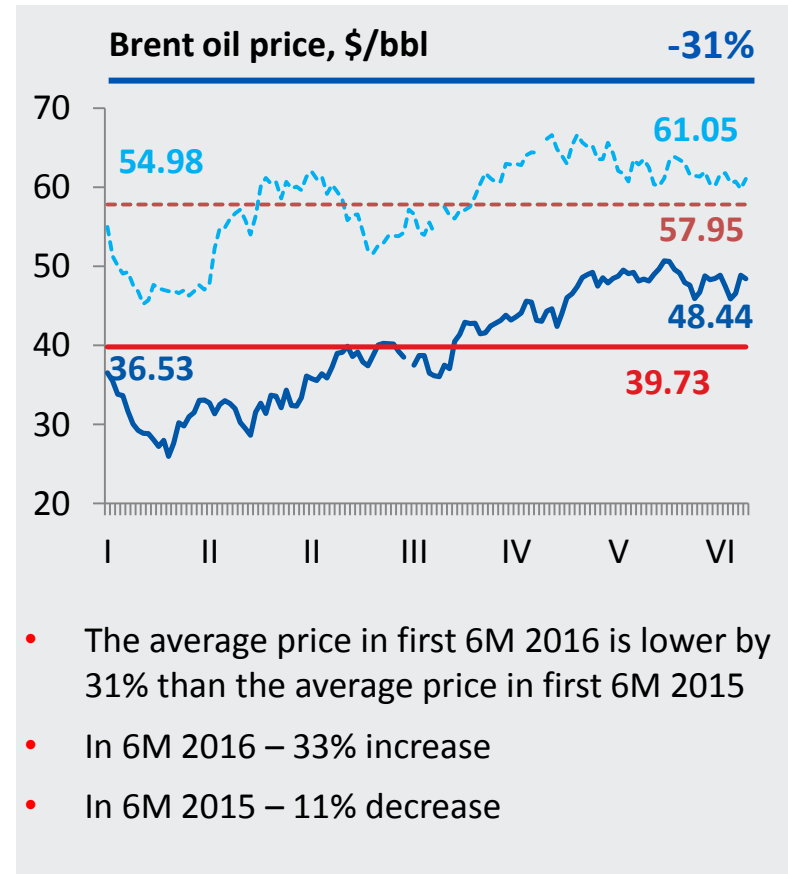
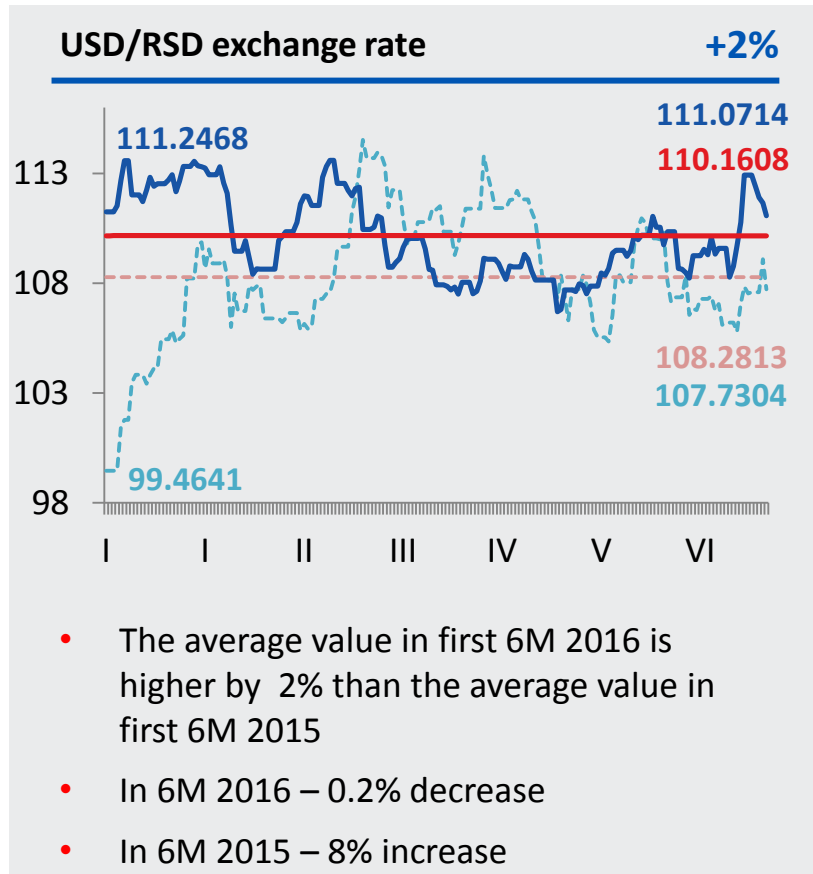
Dividend yield, %*



*Shares' prices on December 31st, 2015

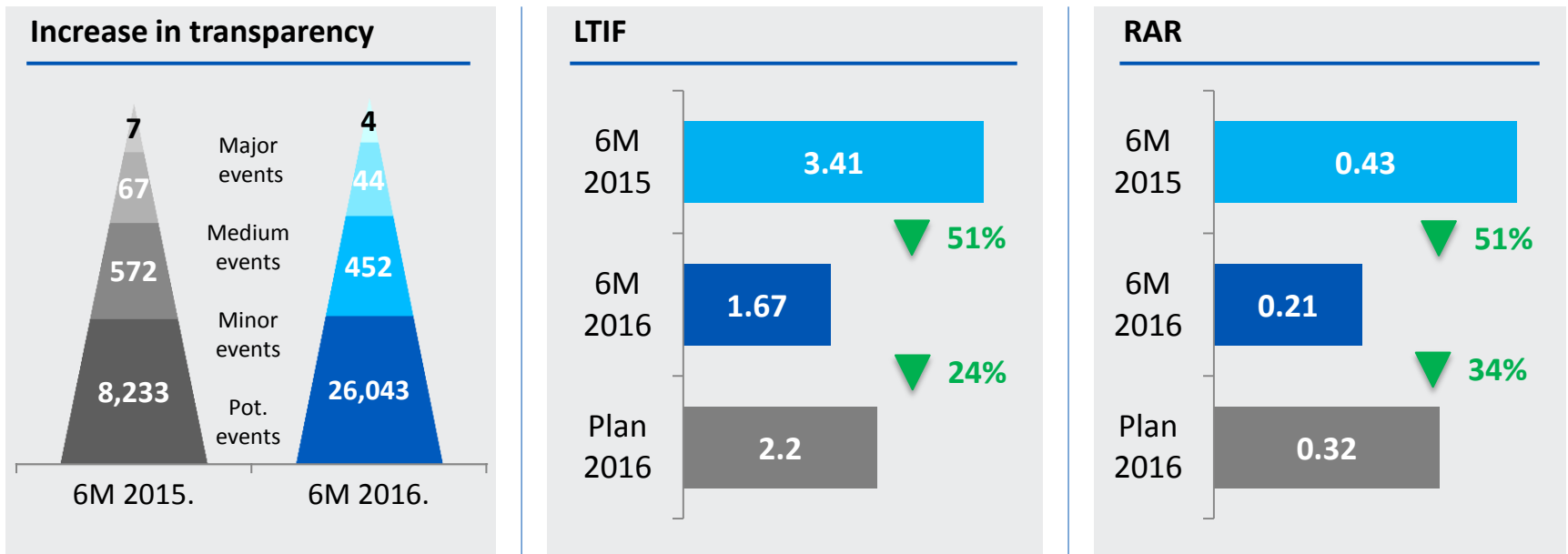
Macroeconomic Indicators

Continuation of unfavourable macroeconomic trends



HSE Indicators

Positive trend



LTIF – Rate of Injuries (fatalities with injuries that caused lost work days , multiplied by 1 million and divided by the number of working hours.
RAR - the number of road accidents per kilometers travelled , multiplied by 1 million

Q2 2016 Key Indicators

NIS Group

Q2 2016.	Q2 2015.	$\Delta \frac{\text{Q2 2016.}}{\text{Q2 2015.}}$ (%)	Key Indicators	Јединица мере	6М 2016.	6М 2015.	$\Delta \frac{\text{6М 2016.}}{\text{6М 2015.}}$ (%)
43.88	61.46	▼ -29%	Urals	\$/bbl	38.1	57.2	▼ -33%
2.9	9.6	▼ -70%	Net income	bn RSD	3.1	5.0	▼ -36%
9.4	13.8	▼ -32%	EBITDA	bn RSD	13.2	21.0	▼ -37%
46.0	57.0	▼ -19%	Sales revenues	bn RSD	81.4	103.4	▼ -21%
5.0	19.9	▼ -75%	OCF	bn RSD	8.6	24.3	▼ -65%
43.5	37.7	▲ +15%	Calculated liabilities from taxes and other public revenues	bn RSD	76.3	67.2	▲ +13%
366.4	398.1	▼ -8%	Crude oil and gas production	thou. t.o.e.	743	795	▼ -7%
243	267	▼ -9%	Domestic crude oil production	thou. tons	493	536	▼ -8%
974	828	▲ +18%	Oil and semi-finished products refining volumes	thou. tons	1,750	1,512	▲ +16%
850	782	▲ +9%	Total sales of petroleum products	thou. tons	1,553	1,463	▲ +6%
67	48	▲ +40%	Sales – foreign assets	thou. tons	123	89	▲ +38%
655	611	▲ +7%	Sales of petroleum products in the domestic market	thou. tons	1,217	1,160	▲ +5%
506	481	▲ +5%	Motor fuels	thou. tons	919	870	▲ +6%
180	172	▲ +5%	Retail	thou. tons	331	313	▲ +6%
4.5	5.5	▼ -18%	CAPEX	bn RSD	9.1	12.5	▼ -27%
680	571	▲ +19%	Total indebtedness to banks	mn USD	680	571	▲ +19%

Motor Fuel Market Trends

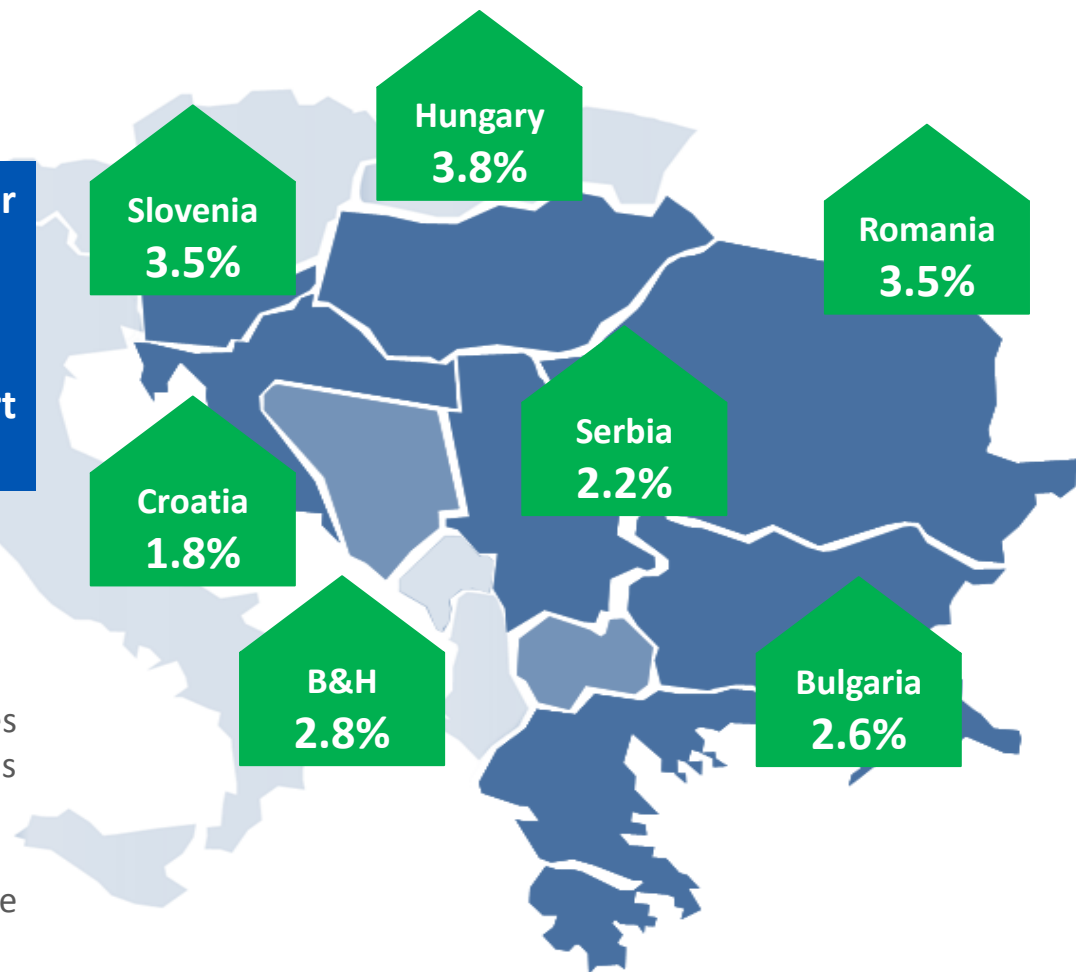
6M 2016/6M 2015

Key factors boosting the region's motor fuel consumption:

- Low fuel prices
- Positive macroeconomic parameters
- Increase of fuel demand in transport segment

Serbia

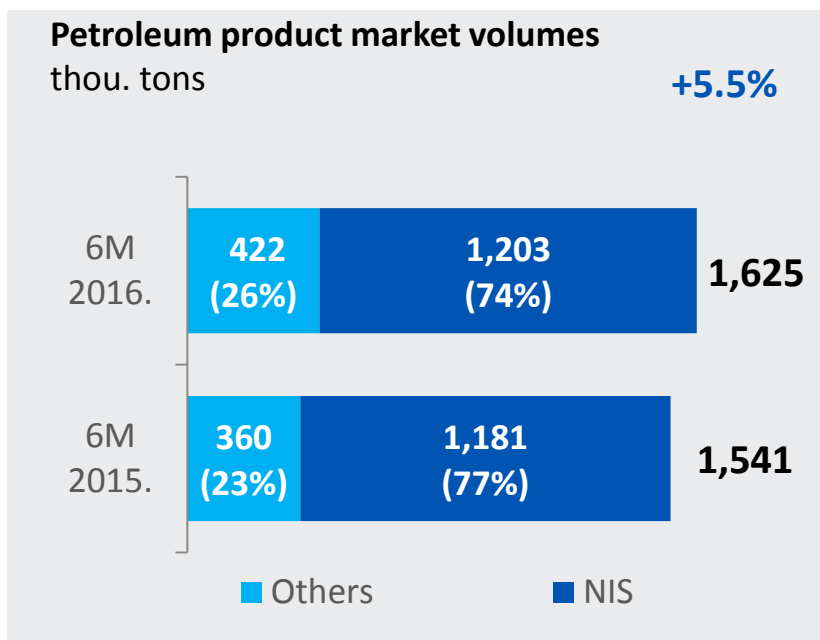
- Motor fuels consumption growth:
 - Gasoline
 - Diesel – lower price and bigger activities for road building companies, as well as growth in transportation
- Part of diesel consumption moved into the “grey” zone



Market Share - Serbia

Petroleum Products Market 6M 2016

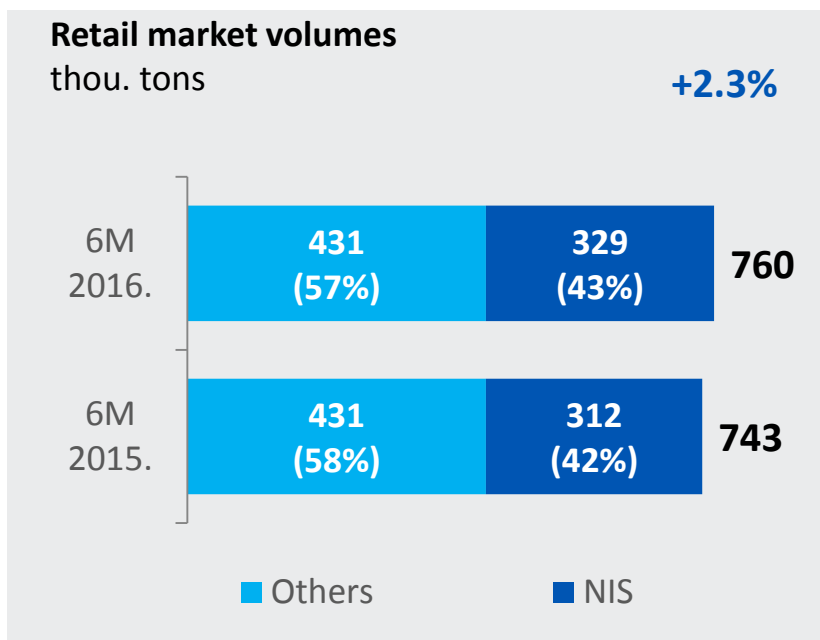
The reason for the slightly lower market share of NIS is increasing amounts of derivatives in the so-called “grey” zone which is a segment unavailable for legitimate market participants.



- Total consumption of petroleum products is growing
- Increased consumption of:
 - naphtha and gasoline,
 - diesel,
 - fuel oil, and
 - bitumendue to lower prices and major infrastructure works.
- Decreased consumption of >
 - LPG,
 - heating oil, and
 - aviation fuel

Market Share - Serbia

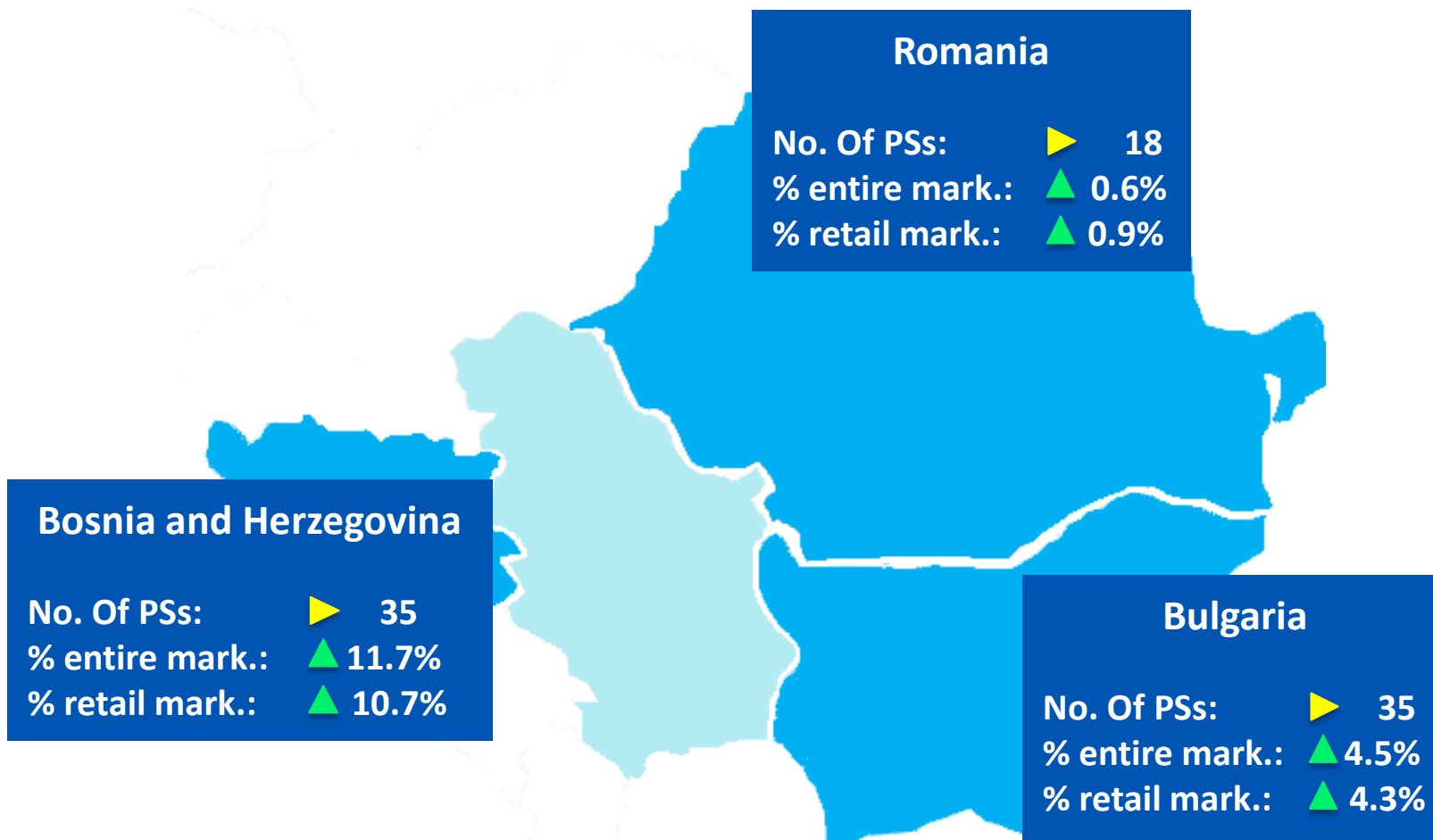
Retail Market 6M 2016



- Increase of retail market volume by 2.3%
- Increased demand due to:
 - Lower prices,
 - Mild winter
 - Growth in transport
 - Early start of agriculture works
- NIS increased its market share by 1%
- For NIS increase in sales of:
 - gasoline
 - diesel
 - auto gas

Market Share - Region

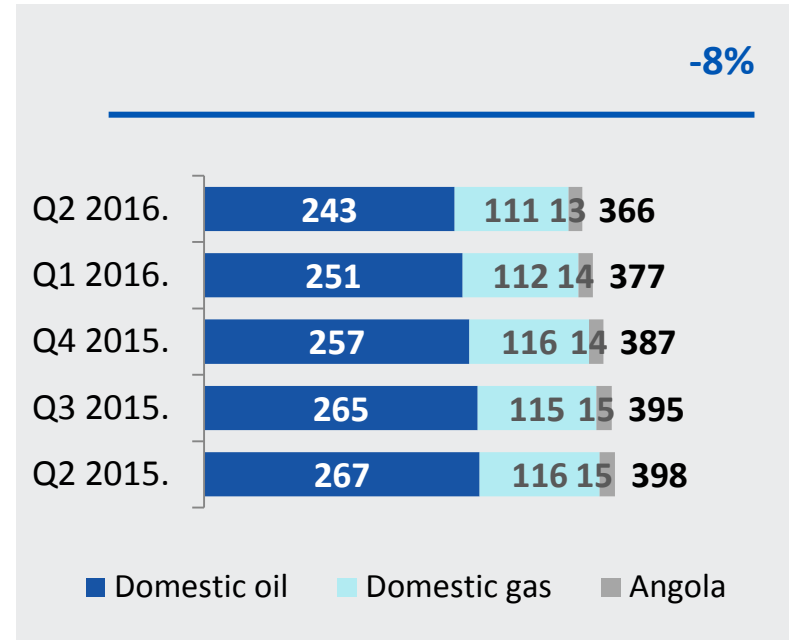
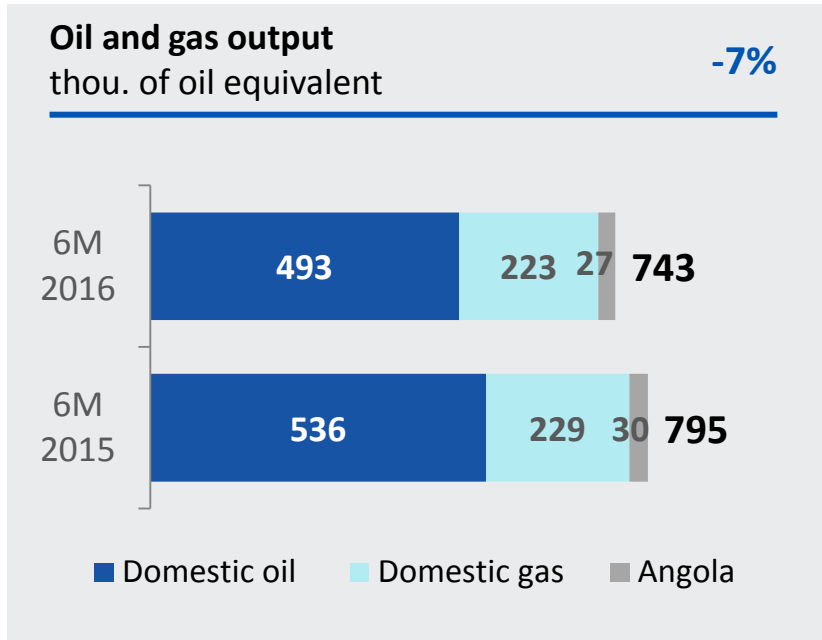
6M 2016*



*Compared with market share for 6M 2015

Operating Indicators

Exploration and Production

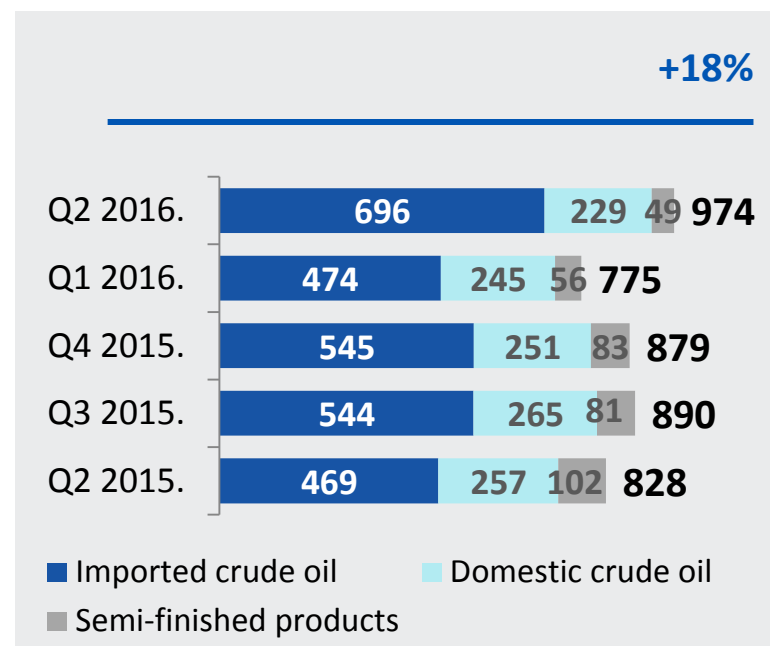
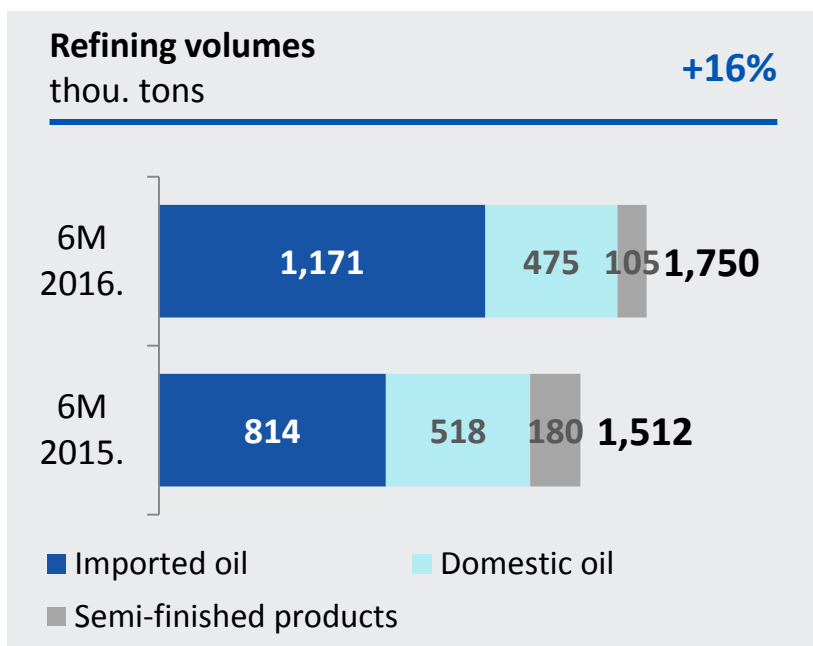


- Above the plan:
 - Production of domestic oil - + 7.8 thousand tons
 - Production of domestic gas - +2%
 - Implementation of GTA
 - Production resulting from new drilling activities

Estimated increase of hydrocarbon reserves for 2016 is 3.7%

Operating Indicators

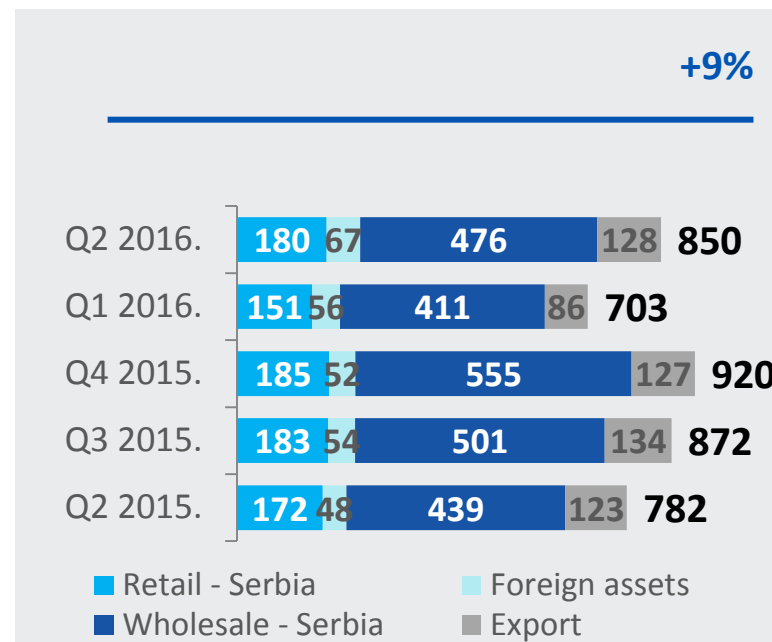
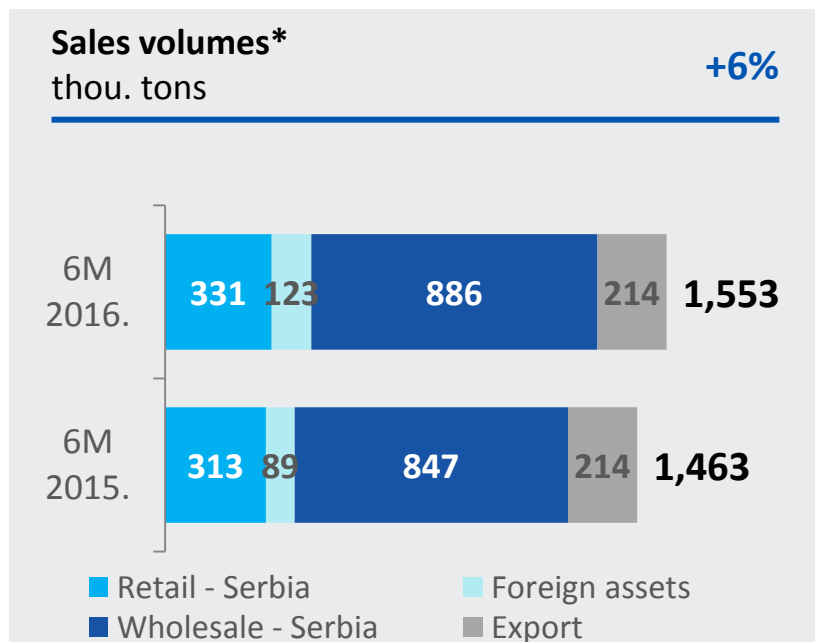
Refining



- Volume of refining in accordance with:
 - The needs of the market
 - Optimization of refining of types of oil and other raw materials

Operating Indicators

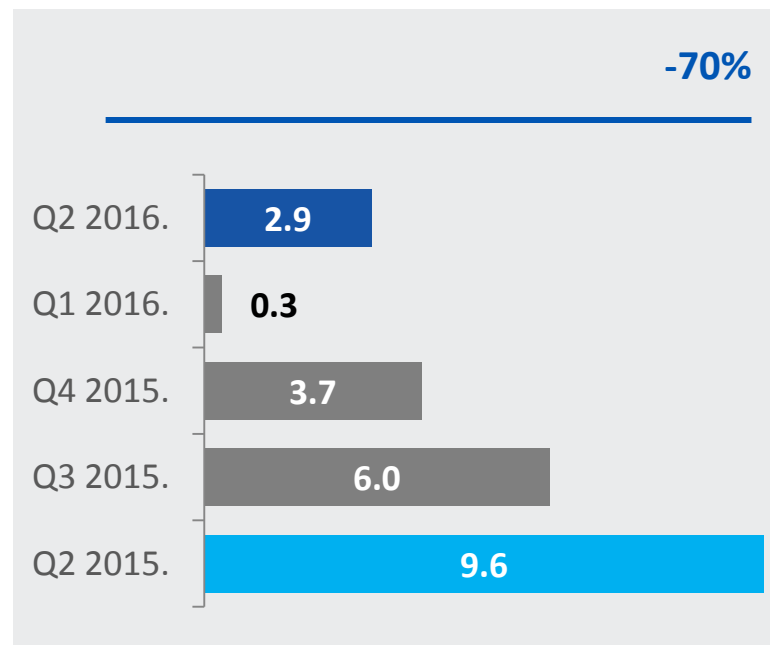
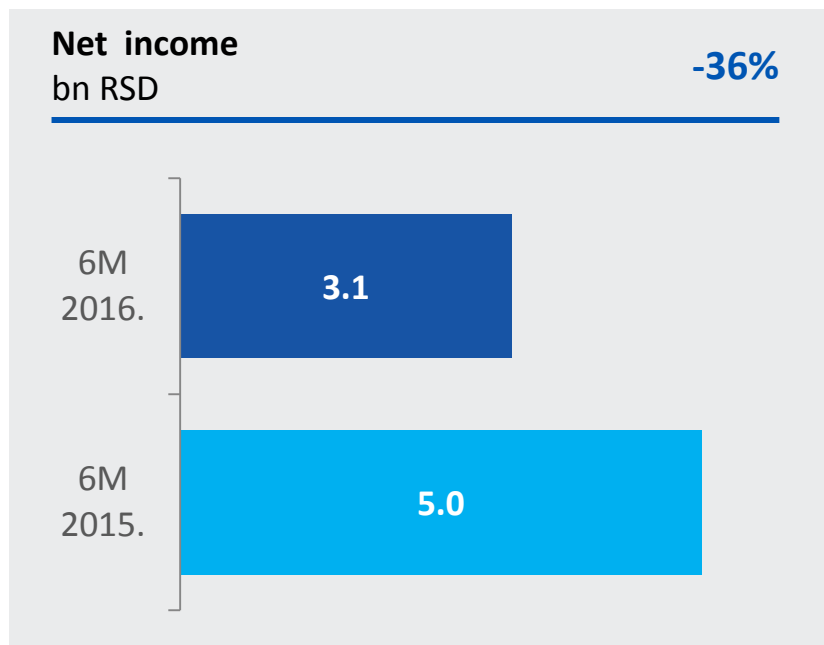
Sales and Distribution



- Retail - Serbia - volume growth by 6%
- Wholesale - Serbia - volume growth by 5%
- Export - at the same level
- Foreign assets - volume growth by 38%

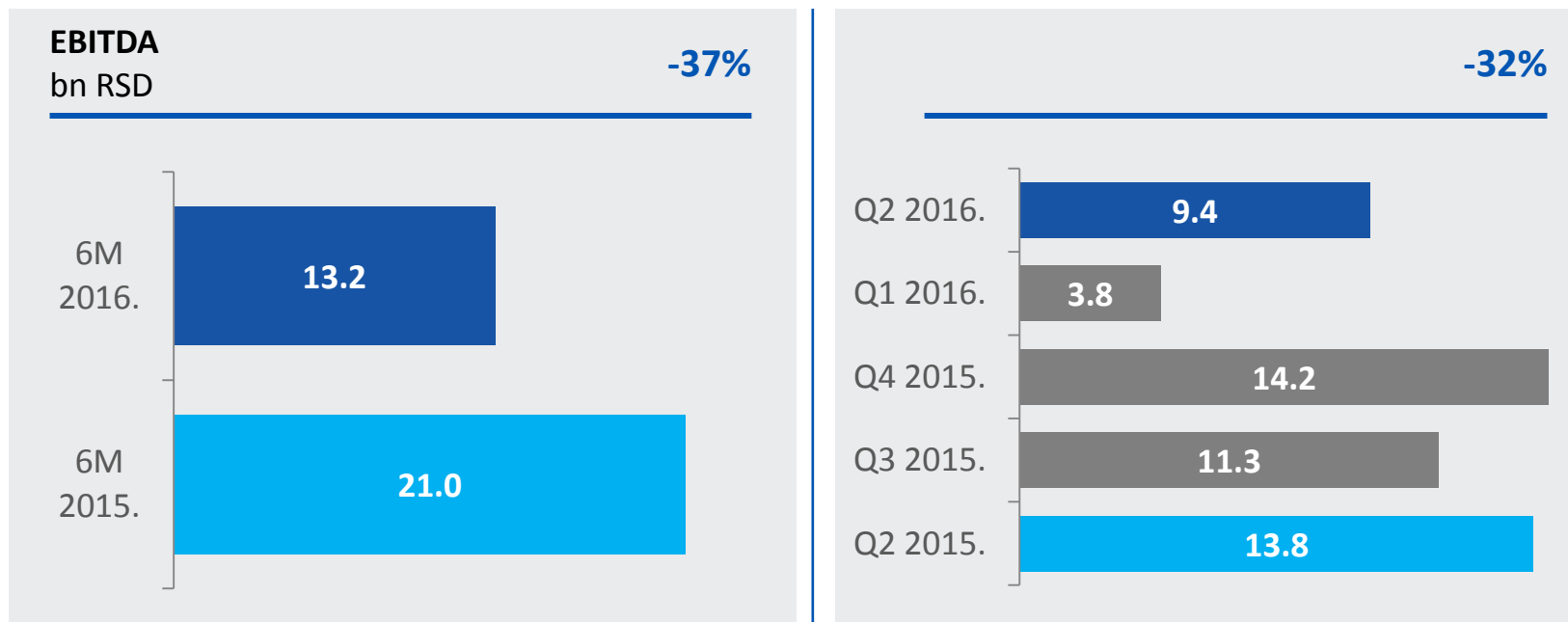
*internal sale included (6M 2016: app. 6 thousand tons; 6M 2015: app. 7 thousand tons)

Financial Indicators



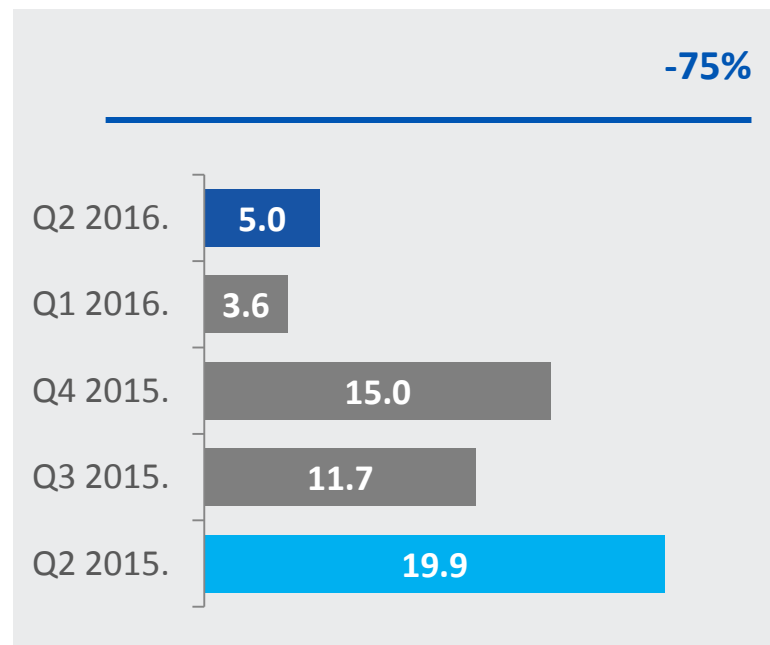
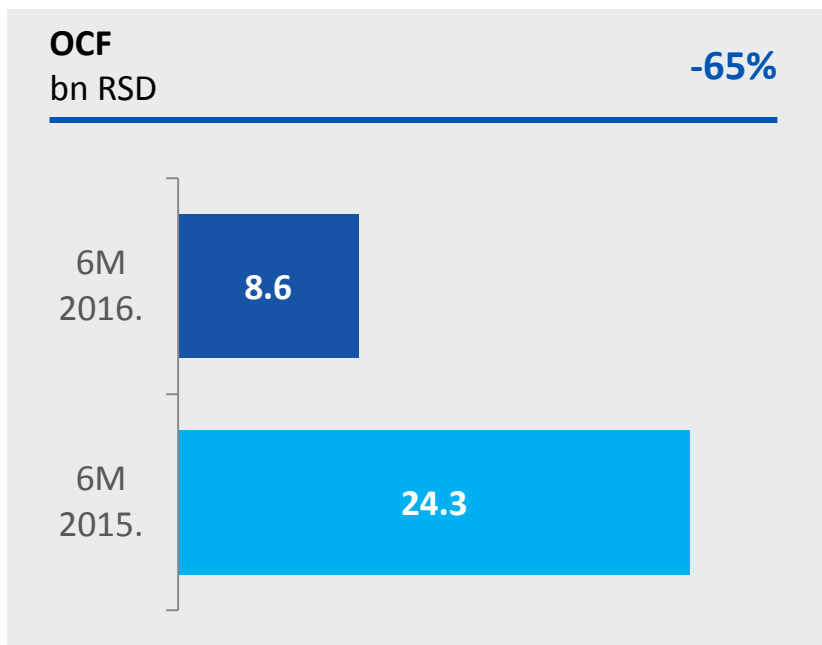
- Prices of oil and oil products

Financial Indicators



- Negative impact of oil prices
(Urals - decrease by 33% in comparison with 6M 2015)

Financial Indicators

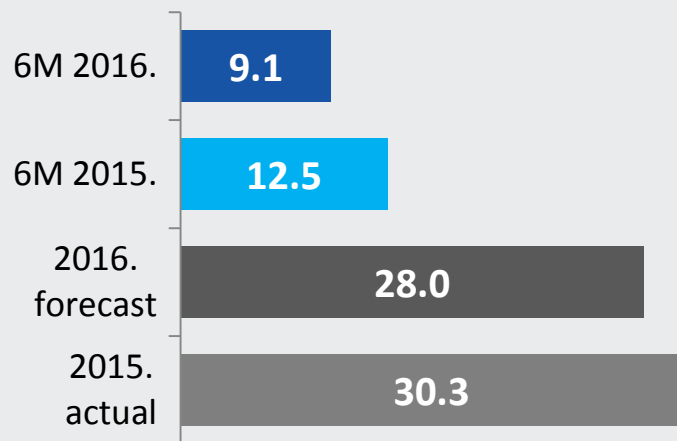


- Inflow lower by RSD 14.4 billion
 - Low prices of oil products
- Outflow higher by RSD 1.4 billion
 - Higher commitments to the state and higher commitments to suppliers

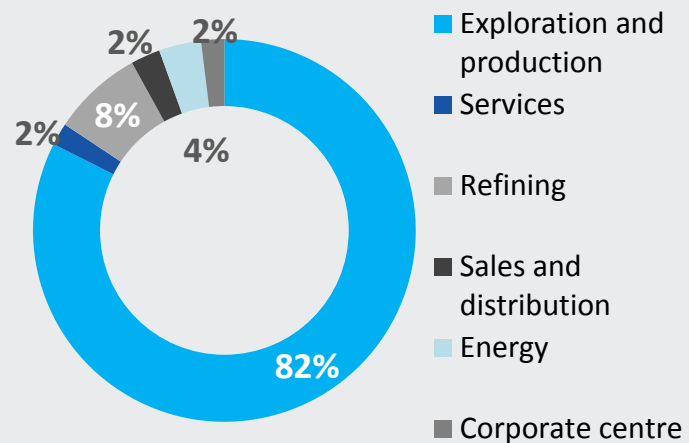
Financial Indicators

CAPEX bn RSD

-27%



Investments by segments bn RSD

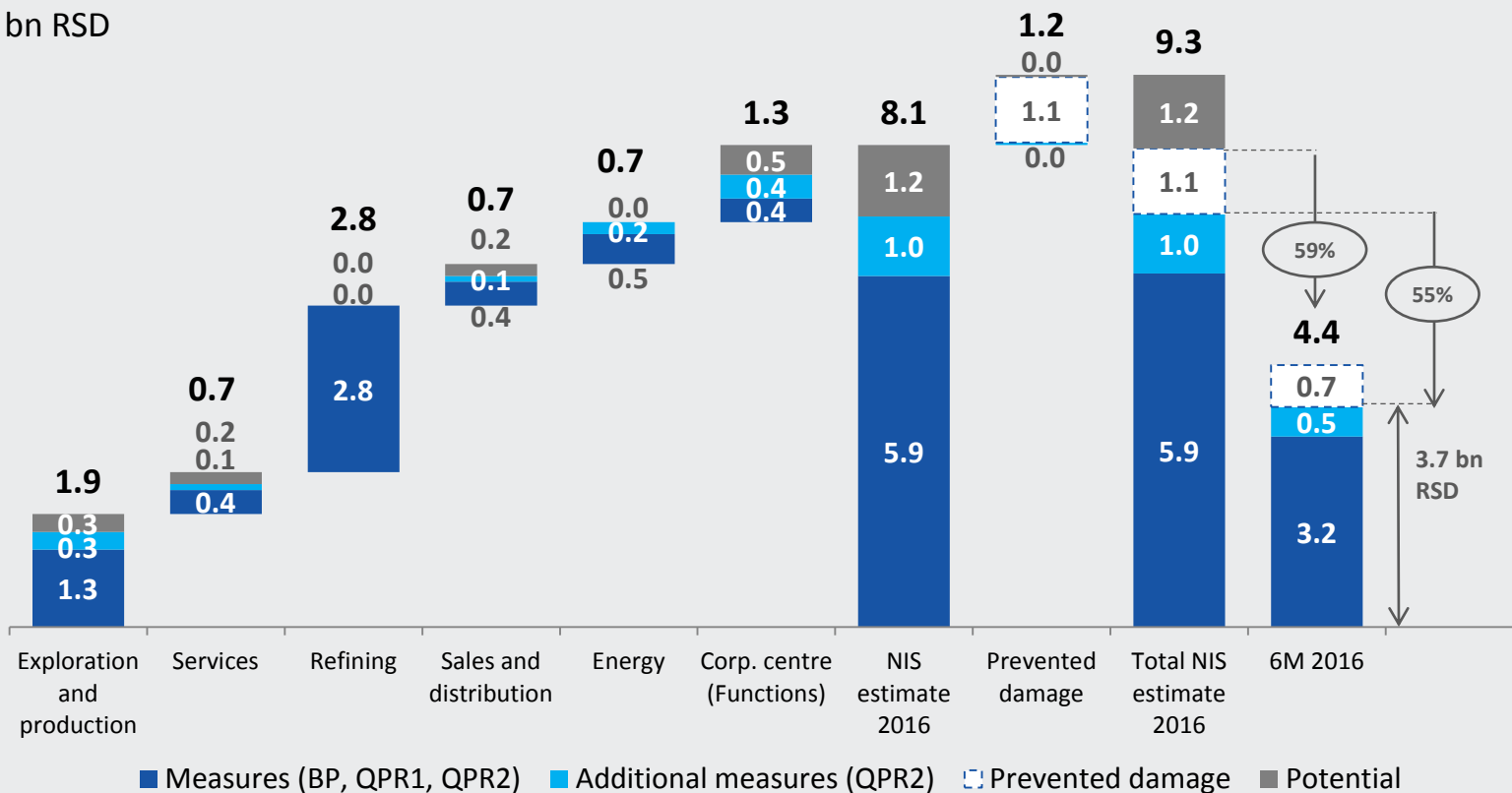


- The biggest investments in the Exploration and Production
- Prioritization of investment portfolio

Improvement of Operational Efficiency

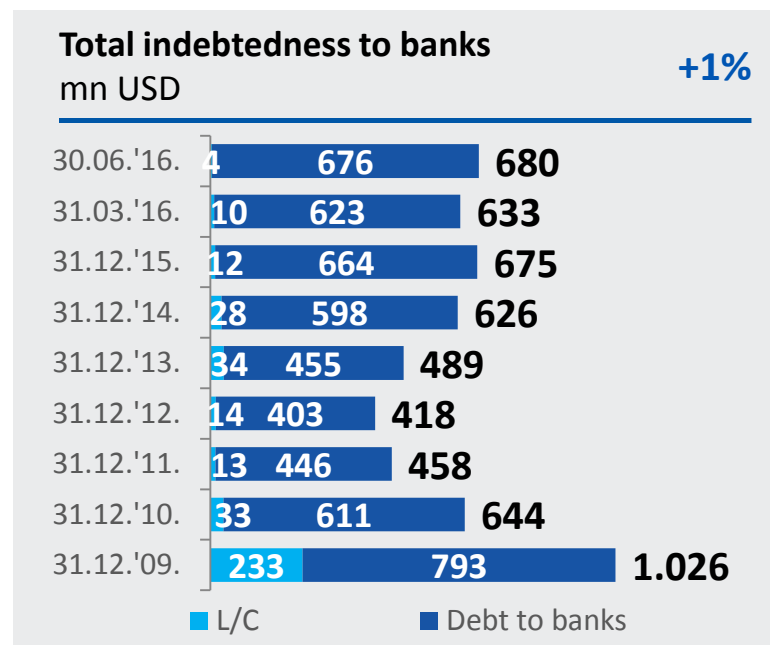
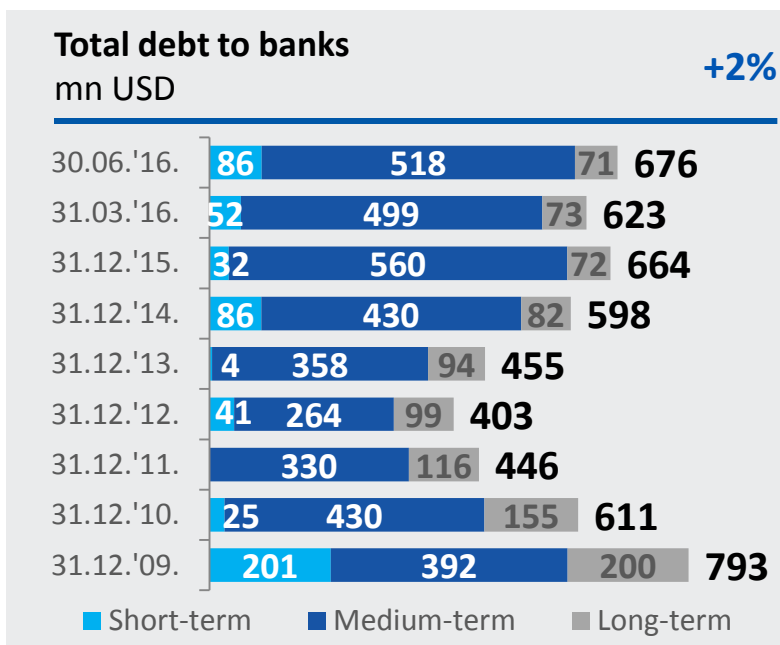
Effect of operational efficiency improvement measures on EBITDA indicator

bn RSD



Indebtedness to Banks

The withdrawal of favorable loans based on import from EU

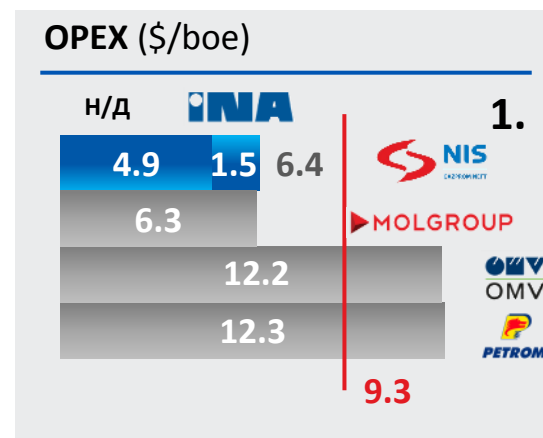
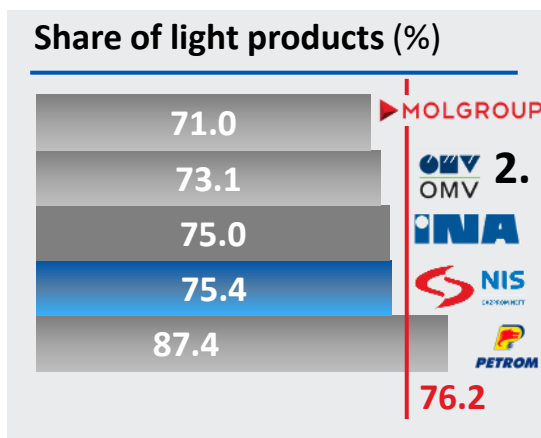
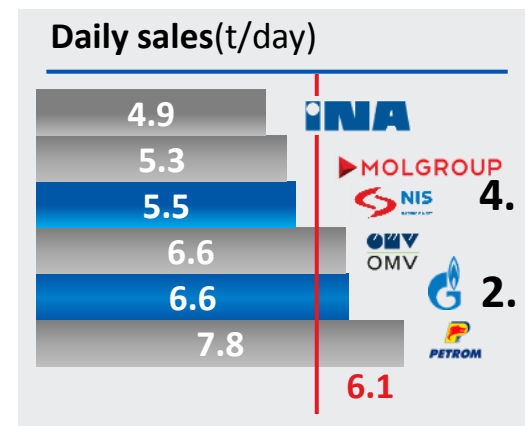
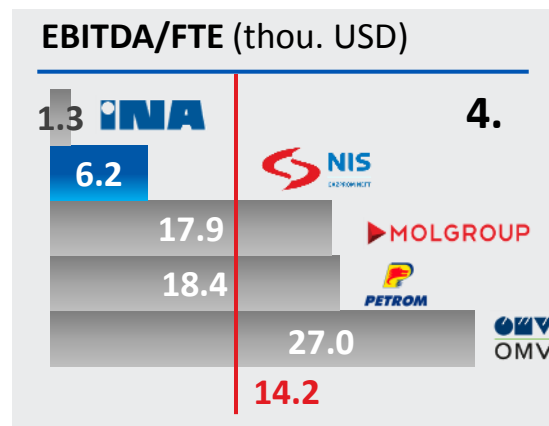
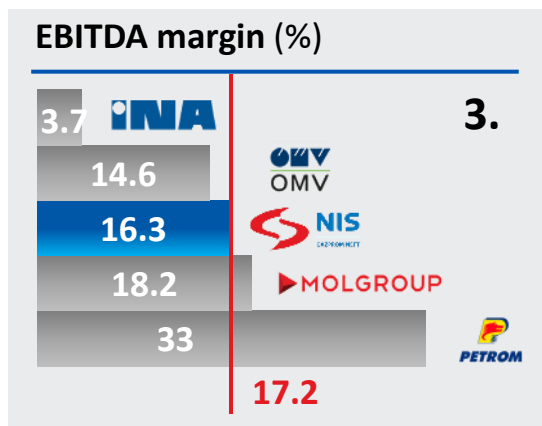


Debt structure :

USD	61%	▼
EUR	38%	▲
Other	1%	▶

GPN loan as of 30.06.2016. – 326 mn EUR (-7%)

Comparative Analysis





- △ The average price of Urals oil is lower than the macro assumptions in the Business plan
- △ Limited opportunities for long term loans



- △ Positive net result
- △ Oil and gas production is above the plan even with the lower volume of investments
- △ Growth of sales
- △ Progress of Energy projects

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