

PRESENTATION OF NIS GROUP BUSINESS RESULTS IN THE FIRST NINE MONTHS OF 2020

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Contents

1. Macroeconomic Indicators and Highlights.....	2
2. The "Bottom of the Barrel" Project, CCPP (TE-TO Pančevo) Project and HSE indicators.....	3
3. Key Indicators and Market Position	4
4. Financial Indicators.....	7
5. Operational Efficiency Improvement Measures.....	8
6. Indebtedness, Comparative Analysis and Conclusion	8

1. Macroeconomic Indicators and Highlights

Good day, everyone. Dear colleagues, unfortunately because of the prescribed measures aimed at preventing the spread of COVID-19, it has been a long time since we last organized the presenting of the Presentation of Achieved Business Results for NIS Group. Unfortunately, there are still restrictions due to the prescribed measures, but we will try to give the presentation in a different format, and we hope that everything will go well.

We are starting with the presentation. As you already know, as of March this year, our Company's business operations have been heavily influenced by the COVID-19 epidemic, so, during the first nine months, our financial results were conditioned by adverse trends due to the decline in oil prices in the world market, as well as a drastic decline in demand for petroleum products.

Macroeconomic indicators

First slide – in this slide you can see the impact of macroeconomic indicators.

During the first quarter, we had the introduction of a state of emergency in the territory of the Republic of Serbia with the aim of suppressing the spread of the virus, which was abolished in early May, but, nonetheless, during the month of June, due to the increased number of infected people, we had enhanced measures for disease prevention again. After the pandemic waves in June, there followed a period of softening of restrictive preventive measures, which resulted in a slight recovery of consumption.

If we look at the USD/RSD exchange rate chart, we can see that we have a stable situation here compared to the first 9 months of last year. We can also say the same about the EUR/RSD exchange rate movement, so that we have a stable exchange rate on the Serbian market.

When it comes to the oil price fluctuations, which is shown in the second graph, we can see that in the first nine months of this year we had a decrease of 37% compared to the same period last year. Low oil prices reached at the end of March persisted in April. And the price of Brent oil in April was on average only \$18.5 a barrel, which is a very low price indeed.

The following slide shows the measures taken at NIS in order to achieve one of the primary goals, which is the preservation of the health of our employees.

In this slide, you can see the measures that were taken during the first 9 months of this year to achieve this goal: informing employees, provision of remote work i.e. working from home, using various measures of protection and communication with all employees with respect to the coronavirus epidemic.

Exploration and Production Block

We proceed with the presentation showing important developments in our business blocks. This slide presents the important developments in the Exploration and Production Block.

In the third quarter:

- 7 development wells were drilled in Serbia
- The realized production of Oil and gas for the third quarter amounts to 317 thousand conditional tonnes

- CAPEX in the third quarter amounts to RSD 3.8 billion, EBITDA is at a positive level and amounts to RSD 4.6 billion

The main objective of the Exploration and Production Block in 2020 was to achieve the planned production of hydrocarbons, implement the geological and exploration projects, and improve the efficiency in geological and technical activities.

Downstream Division

Refinery Block

With regard to the Refinery Block, this slide shows us the important developments concerning the Refinery Block.

First, I would like to point out that the functional testing of the DCU plant was completed and that this plant was commissioned. It is the most important event in the Refinery Block.

In addition to this, in the third quarter, the Refinery Block also recorded a gradual recovery and resumption of operations after the oil prices drop in the world market and the appearance of coronavirus

CAPEX of the Refinery Block for the third quarter of this year amounted to RSD 1.6 billion.

Sales and Distribution Block

The next slide pertains to the Sales and Distribution Block.

The modernisation of the retail network continued during the third quarter of this year.

On the slide, we can see that after total reconstruction, 2 petrol stations in Serbia - PSs Bor 4 and Novi Sad 16, were commissioned. The PS Novi Sad 16 is the most modern and state-of-the-art petrol station in NIS's network, located on the highway between Novi Sad and Belgrade.

Also, 5 PSs were leased and commissioned in Bosnia.

A total of about RSD 0.7 billion was invested and the EBITDA of the Sales and Distribution Block for the third quarter of this year amounts to RSD 6.1 billion.

2. The "Bottom of the Barrel" Project, CCPP (TE-TO Pančevo) Project and HSE indicators

The "Bottom-of-the-Barrel" Project

The next slide pertains to the "Bottom-of-the-Barrel" Project. This project will enable us to produce larger quantities of light products – diesel, gasoline and LPG, and also to reduce the production of black products, primarily fuel oil.

Mechanical preparedness and completion of construction were achieved in June of this year, and functional testing of the DCU and all ancillary facilities was completed by the end of the third quarter, so the readiness for commercial operation of the DCU and the entire complex was achieved.

In the following two slides, you can see the images for the "Bottom-of-the-Barrel" Project.

On slide no. 8, on the right is a picture of what the first batch of coke obtained at the commencing of the operation of the DCU looks like.

The following slide shows the products produced by the commissioning of the DCU plant – in the lower left corner there is petroleum coke, and on the right side you can see gasoline and light and heavy gas oil.

The CCPP (TE-TO) “Pančevo” Project

Slide 10 refers to the CCPP “Pančevo” Project.

At the end of the third quarter, the implementation process of this project is as follows:

- Investments amounted to 69% of the total expected amount;
- Works on the commissioning of the plant started
- The overall progress of the project is at the level of 90%.

I would like to point out that the situation caused by COVID-19 has significantly affected and is still affecting the schedule for the realization of this project.

Taking into account that due to the situation with the virus we have been faced with a shortage of manpower on site and we have taken certain measures such as:

- Organized coming of plant commissioning team members and representatives of equipment manufacturers companies
- Hiring local contractors to perform a certain volume of work

The analysis was carried out and it was determined that due to the listed factors, the extension of the deadline for completion of the Project is expected. The commissioning is expected to take place next year.

HSE indicators

With regard to the HSE indicators, we can see that our HSE indicators are improving. LTIF indicator fell by 1% in the first 9 months of this year compared to the same period last year. Other indicators are also at a good level.

3. Key Indicators and Market Share

With regard to the key indicators of the NIS Group, we can see them in slide number 12.

If we look at the table showing financial and operational indicators, in the first 9 months of this year compared to the same period of the previous year, most indicators are in decline. We can notice the volume of refining increased by 14% compared to the same period last year.

But if we look at the third quarter, we can say that the business model that NIS opted for in the circumstances of the pandemic and the oil market crisis yielded good results. Relying on its own resources and improving business efficiency and cost saving measures at all levels, the NIS Group recorded a net profit of RSD 1.9 billion in the period from July to September, despite the unfavourable macroeconomic circumstances. This result is even more impressive bearing in mind the fact that the average price of a barrel of Brent crude oil in this period was \$43, which is by 31 percent less than the price of this type of oil in the third quarter of last year. However, the results achieved in the first half of this year, in the conditions of a sharp drop in oil prices and a significant decrease in consumer demand due to the coronavirus pandemic, caused NIS to record a net loss of RSD 8.3 billion in the first nine months of 2020. In the

aforementioned circumstances, NIS managed to maintain EBITDA at a positive level of RSD 10.4 billion, as well as a positive operating cash flow of RSD 19.6 billion. These results were achieved while maintaining complete stability in the petroleum products market, as well as protecting the health of our employees and our clients and consumers.

Trends in the motor fuel market

The next slide is a slide about motor fuel market trends.

The consumption of motor fuels is still plummeting in comparison to the previous year.

In Serbia, as in the whole region, after the period of growth and a positive trend in the first two months, the pandemic period started, bringing a significant decline in consumption in the period from March to May, followed by a gradual recovery period.

Market share in Serbia and the motor fuel market

In the next slide we can see the motor fuel market.

We can see that in the first nine months of this year the total consumption of motor fuels in Serbia plummeted by 8% compared to the same period last year.

The pandemic had the same effect on motor fuels market– in the first nine months, the market was also declining, but the downward trend is slightly less sharp now than in the first six months.

Retail Market for Motor Fuels

The next slide refers to the retail motor fuel market.

The retail market for motor fuels in the first 9 months of this year decreased by 9% in the total amount compared to the previous period.

NIS slightly increased its retail market share in the Republic of Serbia, from 43% to 44%, and this was contributed by growth in all three segments – diesel, petrol and LPG.

Market in the Region

Regarding the market share in the region, our market share increased in the total market and retail market in Bosnia and Herzegovina. At the end of the third quarter of this year, we have a total of 42 petrol stations in Bosnia and Herzegovina, which is 5 petrol stations more than at the end of the first semester.

As regards Bulgaria, our share dropped both in the total and retail market to about 5% and 4%, respectively. The number of petrol stations in Bulgaria is 34, minus one PS compared to the previous period.

In Romania, there is a slight increase in the market share, so that the share in the total market is 1.1%, and 1.3% in the retail market. The number of petrol stations is 19 PSs.

The next slide refers to the operational indicators of Exploration and Production.

A total of 952 thousand conditional tonnes of oil and gas were produced in the first 9 months this year, which is by 1% less than the same period of previous year.

The Exploration and Production Block succeeded in achieving the planned volume of hydrocarbon production.

Refinery Block

The next slide refers to the key indicators for the Refinery Block.

In the Pančevo Oil Refinery, a total of 2,637 thousand tonnes of crude oil and semi-finished products were refined in the first 9 months of 2020, which represents an increase of 14% compared to the same period of last financial year.

This growth was also conditioned by a capital workover conducted last year.

If we look at the volume of refining by quarters this year, it is shown on the left side of the slide, we can see that in the third quarter we had an increase in the volume of refining compared to the previous two quarters. This is the result of an improvement in the situation in the market in the second half of the year.

Sales and Distribution Block

The next slide refers to the Sales and Distribution Block.

In the first nine months of this year, sales volume dropped by 3% compared to the same period last year, bringing the total sales to 2.5m tonnes.

- In retail sales in Serbia, the retail sales volume decreased by 6%, as a result of the decline in motor fuel sales.
- Wholesale in Serbia – we had a drop by 6% here.
- With regard to export, we have a 19% growth in export as a result of the growth in export of energy and non-energy fuels.
- Foreign assets – here we can see a 9% drop in sales volume.

Next up is a slide about the Drive.Go application we introduced this year.

Drive.Go mobile application enables users to pay for fuel at petrol stations without going to the cash register. The application was introduced in Serbia for the first time at NIS Petrol and Gazprom petrol stations.

It was released for use in early April, at the time of the state of emergency due to Covid-19 pandemic.

The following slide also pertains to one of the projects implemented in the Sales and Distribution Block - cash withdrawal service.

In 2019, the cash withdrawal service was presented in Serbia for the first time, in cooperation with Mastercard.

In the current year, the cash withdrawal feature was upgraded to allow payment for purchased products or services with Dina Payment Card.

Having in mind that this service is available across the entire network of NIS' stations, it was recognized as very important because of the national importance of Dina Card.

Dina Card users will be able to withdraw cash in the amount of up to RSD 5,000 when paying for fuel or another product purchased.

4. Financial Indicators

Regarding financial indicators, the EBITDA indicator in the first 9 months of this year is by 67% lower than in the same period last year, it is positive and amounts to RSD 10.4 billion.

This decline is due to the drastic drop in oil prices in the world market and the impact of more expensive stocks for refining.

On the graph we can see that the impact of the price and exchange rate amounts to RSD 27.7 billion, compared to the nine month period last year, but this decline is partly compensated by the measures we have taken, which are mainly related to reducing costs and increasing the efficiency of sales.

Net Profit

The next slide shows Net profit.

In the first nine months of this year we had a decrease in net profit of almost 2 times compared to the same period last financial year.

The main reason for the decline in net profit is the decrease in EBITDA indicator, as well as higher depreciation costs, due to investments made.

But, if we look at the third quarter of this year compared to the previous two quarters, we can see that after the actual net loss in the second quarter in the amount of RSD 9.2 billion, we achieved a net profit in the amount of RSD 1.9 billion in the third quarter.

OCF

With regard to the operating cash flow, it amounted to RSD 19.6 billion in the first nine months of this year and decreased compared to the same period last year.

The main reasons include the following:

- Minor inflows and
- Higher payments in respect of liabilities to the state.

We added another slide for Cash Flow in the first nine months of this year.

In the first 9 months of this year, we achieved a positive OCF, so that after investments Free Cash Flow would be at the level of -1.5 billion dinars. If we look at the net Cash Flow for the first nine months, it is close to zero, and it amounts to RSD 0.5 billion.

CAPEX

CAPEX is the next topic.

In nine months of this year, RSD 20.7 billion was allocated to finance investments, which is by 28% less than the amount allocated in the same period last year.

The implementation of the "Bottom of the Barrel" Project, a key project of the second phase of the modernization of the Pančevo Oil Refinery, was completed.

In addition to the modernization of the Refinery, the bulk of NIS investments in the period of nine months in 2020 were made into oil and gas exploration and production projects, as well as into the modernization and development of the retail network in Serbia and in the region.

Also, we can highlight that the works on the next phase of the refinery modernization commenced - the works on the FCC modernization project.

5. Operational Efficiency Improvement Measures

The next slide shows operational efficiency improvement measures.

The total effect of measures to increase operational efficiency on the EBITDA indicator amounts to RSD 1.0 billion in 9 months of this year.

The said effect does not include effects based on "one-off measures", which is a total of more than \$70m from the planned amount.

6. Indebtedness, Benchmarking and Conclusion

Indebtedness

Total bank indebtedness is as follows.

At the end of the third quarter of 2020, debt to banks increased compared to the level of debt at the end of the second quarter and it amounts to EUR 636 million. The level of debt also increased compared to last year, by about EUR 46 million.

Debt to banks increased due to the withdrawal of favourable EUR loans from the tender for the restructuring of the loan portfolio from which it is planned to repay unfavourable loans during the fourth quarter of this year.

Comparative Analysis

This slide shows a comparative analysis.

When it comes to the EBITDA margin indicator, NIS is in the fourth place.

The EBITDA/FTE indicator - here NIS is also ranked fourth.

In terms of daily sales, as far as the NIS brand is concerned, we are in the fifth place. However, the Gazprom brand is in the third place.

When light product share is concerned, NIS is in the 3rd place.

It is expected that the share of production of light products will be higher due to the "Bottom of the Barrel" project.

Finally, with regard to the OPEX indicator, NIS was ranked 3rd in the first nine months this year.

Contribution of the company and its employees in the fight against the spread of Covid 19

We added another slide showing the Contribution of the company and its employees in the fight against the spread of Covid 19.

Here are presented the donations we have given this year to help prevent the spread of the virus and the measure we have taken. These donations are in products and services. We also have employee volunteering activities.

Measures and expectations by the end of 2020

In this slide we can see measures and expectations by the end of this year.

As in the previous period and the second quarter, the goals remain the same during this quarter. And these are the following:

- Provision of positive cash flow
- Ensuring market stability
- Maintaining social stability of employees
- Preservation of employees' health

Conclusion

Finally, we can take a look at both positive and negative results achieved in the first nine months of 2020.

The negative results include:

- The decline in the price of oil and petroleum products compared to the same 9 month period in 2019
- World pandemic of Covid-19
- Declining demand for petroleum products

The positive results include:

- Growth in refining volume in the first 9 months of 2020, compared to the same 9 months in 2019
- Growth in refining volume and volume of sales and distribution in the third quarter compared to the previous quarter
- Positive net result in the third quarter of this year
- Reduction of costs in new circumstances and under new conditions and maintenance of social stability of employees