

PRESENTATION OF NIS GROUP BUSINESS RESULTS IN THE FIRST QUARTER OF 2024

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1. Macroeconomic indicators and key events

Dear colleagues, good afternoon to all of you.

In 2024, we prioritized the continuation and increase in the volume of the investment cycle started the year before. Thus, in the first quarter, we invested more in development projects than in the same period last year.

In addition, our priority was the planned turnaround of the Pančevo Oil Refinery and the provision of sufficient fuel supplies, in order to ensure an orderly supply of our market. This project is worth more than EUR 80 million, and in addition to NIS employees, a large number of external contractors are engaged in it.

Taking into account the turnaround, macroeconomic indicators, and other factors, our financial results are at a lower level compared to the first quarter of last year, but they are higher than in 2021.

Macroeconomic indicators

We start the presentation with a slide on macroeconomic indicators.

As for the USD/RSD exchange rate trend, there are no large fluctuations. It decreased by 1% in the first quarter of 2024 compared to the same period last year.

Regarding the price of Brent oil, we can see that there was an increase of 2% compared to the same period last year, but I would also like to highlight that regarding the price of petroleum products in this quarter, they were significantly lower than last year, i.e. diesel spreads were lower by 15%, while petrol spreads were lower by 10% this quarter compared to the same quarter last year.

Exploration and Production Block

As for the Exploration and Production Block, the main objective in the first quarter of 2024 was to achieve the planned production of hydrocarbons, implement the geological and exploration projects, and improve the efficiency in geological and technical activities.

In the first quarter of 2024, a total of 9 development and 2 exploratory wells were drilled in Serbia.

The total production volume of domestic oil and gas in the first quarter of 2024 amounts to about 290 thousand t.o.e.

As for the financial indicators of the Exploration and Production Block, in the first quarter of 2024, the EBITDA indicator amounted to RSD 9.9 billion, and when it comes to investments in the first quarter of this year, about RSD 5 billion were allocated.

Downstream

Refining Block

When it comes to the most important events in the Refining Block, it is the turnaround, about which there will be more detailed information later.

In the first quarter of 2024, the focus of the Refining Block was on forming the necessary stocks of petroleum products, i.e. we worked with the full capacity of the refinery until the start of the turnaround, in order to properly supply the markets during the turnaround.

The total volume of oil and semi-finished products refining in the first quarter of 2024 amounts to about 641 thousand tonnes.

As for financial indicators, in the first quarter of 2024, the EBITDA indicator amounted to RSD 2.3 billion, and RSD 3.9 billion were allocated for investments in the first quarter.

As for the turnaround in Pančevo Oil Refinery, as we have already mentioned, this turnaround is so far the largest one in the history of the Refinery in terms of volume and complexity, and

it is carried out in order to bring the equipment and the complete plant into a safe and reliable operational condition, as well as to ensure the continuous operation of the plant until the next planned turnaround.

This project is worth more than EUR 80 million and does not include other investment projects that we implement during the refinery shutdown. About 2,000 employees of external contractors have also been engaged.

Due to the turnaround, the downtime in the work of the refining complex began at the end of February, lasted all of March, and is still ongoing, but NIS provided an orderly supply of the market with all types of fuel during this period.

Sales and Distribution Block

The next slide is the slide for the Sales and Distribution Block. First, we will mention development projects.

During the first quarter, the reconstruction of PS Prijepolje began, and a pilot project for payment at the self-service cash register was also implemented.

The total volume of retail sales in the first quarter of this year amounted to 255 thousand tonnes, and the share in the retail market amounted to about 50%.

If we look at the financial indicators, in the first quarter of 2024, the EBITDA indicator amounted to RSD 3.5 billion, while CAPEX was about RSD 400 million.

This slide contains a map of the implementation of the planned projects in Serbia by the end of 2024. Reconstruction of 9 existing PSs and 3 projects of new construction and long-term lease is planned for 2024 in Serbia. The table on the right contains more detailed information on the deadlines for the implementation of development projects.

Energy Block

As for the Energy Block, by the end of March, 10 PVPPs were put into operation, the construction of which had been completed in 2023.

The construction of PVPP in the "Jazak" Drinking Water Factory Complex has been completed and activities on the construction of the connection to the distribution network are underway.

Several more PVPP construction projects have also been initiated and the started activities have been continued.

The total volume of electricity produced in the first quarter of 2024 is 28 GWh, excluding our joint venture.

The implementation of the PVPP projects in Serbia:

This is the information on the implementation of photovoltaic power plant projects in Serbia. On the right we can see the power and names of the facilities, and on the left, there is a map where we can see that we cover almost the entire Serbia.

HIP Petrohemija

This slide is dedicated to HIP Petrohemija. When it comes to the important events, I would like to highlight the following:

On 11 March 2024, the planned shutdown of the factory in Pančevo began and the implementation of the activities initiated in 2023 continued, with the aim of increasing the energy efficiency and reliability of the equipment.

The most significant activities during the turnaround were focused on the Ethylene Factory, the most significant of which was the overhaul of one boiler.

All activities related to the project "Construction of a Polypropylene Production Plant" are going according to plan.

2. HSE Indicators

We will now see the slide showing HSE indicators.

In the case of LTIF indicators, there is a slight increase, and these are mostly minor injuries.

As for the RAR indicators, there is an increase, i.e., we had three RAR events, compared to 1 RAR event in the last year, and they were all caused to third parties.

3. Key indicators and market position

Key indicators

The next slide is the slide with the table of key indicators in the first quarter of 2024.

Regarding the price of Brent oil, I have already talked about this.

When it comes to sales revenues, they amount to RSD 86.4 billion this quarter and are declining by 10% compared to the same period last year.

The EBITDA indicator amounts to RSD 10 billion. The net profit is at a positive level and amounts to RSD 1.8 billion. Operating cash flow in the first quarter amounts to RSD 2.7 billion.

As for the investments, RSD 10.5 billion were allocated, which is by 62% more than in the first quarter of the previous year.

I would like to go back a little here. I would like to note that as of this quarter, the volume of refining and sales includes the volume of HIP. I would also like to highlight that the beginning of the turnaround has had a lot of impact on the results shown here.

HIP Petrohemija: key operational and financial indicators

This slide shows the operational and financial indicators of HIP Petrohemija.

The production of petrochemical products amounts to 80 thousand tonnes, while the refining of straight-run petrol is about 100 thousand tonnes in the first quarter.

When it comes to financial indicators, the EBITDA indicator in the first quarter is negative and amounts to RSD -0.8 billion, and the net loss is RSD -0.9 billion. This is caused, as you know, by the entire market of petrochemical products and we have much better results than our expectations. So, we have a small recovery of petrochemical products in the first quarter, i.e. in the first two months. In March, unfortunately, the prices of petrochemical products dropped

due to the overall world environment, i.e. competition such as China, Qatar, and other countries.

Motor fuel market trends

The following slide is presenting the motor fuel market trends.

We see mainly the growth of consumption in the countries of the region. We have a decrease in the market in Hungary, a rather large decrease of 6%, which is mainly due to regulated prices in 2022. Due to these prices, people from other countries came to refuel in Hungary, both trucks and ordinary consumers.

When it comes to the trends of market motor fuels, the growth of consumption has been recorded in almost all countries of the region, except for Slovenia.

Market share – Serbia

In Serbia, there was an increase of almost 5% compared to the same period last year, and there was also a recovery in consumption in Hungary, after the last year's decline.

Motor fuel retail market

As for the motor fuel market in Serbia, the consumption of motor fuels in Serbia is increased by 5% compared to the same period last year.

This growth was largely influenced by factors such as the continuation of infrastructure works, meteorological conditions, and the early season for farmers.

Regarding the retail market, in the first quarter of 2024, consumption was increased by 5% compared to the same period last year.

The participation of NIS is significant and amounts to about 50%. We can see that the percentage is at the same level as last year, while, if we look at the absolute values, we can see that the volume of sales was higher this quarter.

As I've already mentioned, in the first quarter we started the turnaround in the Pančevo refinery. We had done a good preparation for the turnaround process, in order for NIS to ensure the secure supply of petroleum products to the Serbian market in all sales channels, so that there were no shortages at petrol stations and there will be no shortages.

Market share in the region

This slide shows the market share in the region.

As for Bosnia and Herzegovina, the number of petrol stations is 42. The market share in the total market in this quarter is 22.5% and it is increased compared to the first quarter of 2023 when it was 16%. In addition, the share in the retail market has increased and it is now 11.2% compared to the first quarter of 2023 when it was 8.9%.

As for Romania, the number of petrol stations is unchanged – 19. The market share in the total market is at the same level.

As for Bulgaria, the number of petrol stations is 23, which is fewer than in the first quarter of 2023, but at the same level as at the end of last year. The market share in the total market is at the level of 2.4%, and the share in the retail market is 2.7%.

4. Operational Indicators

Exploration and Production Block

As for the operational indicators, in the Exploration and Production Block, as I have already said, a total of 289 thousand tonnes of oil equivalent were produced in the first quarter of 2024, which is by 2% more than in the first quarter of 2023, and that is in accordance with our expectations to stabilize the decline.

Refining Block

As for the indicators of the Refining Block, refining oil and semi-finished products in the first quarter of 2024 this time includes the volume of refining of HIP-Petrohemija and amounts to 641 thousand tonnes of oil and semi-finished products, which represents a decrease of 33% compared to the same period last year. The decline was caused by the implementation of the turnaround in RNP, which started at the end of February.

Sales and Distribution Block

With regard to the Sales and Distribution Block, the volume of sales amounted to 749 thousand tonnes, which is a decrease of 18%. If we look by channels: in retail in Serbia and foreign assets, we recorded an increase of 5%, in wholesale we recorded a decrease of 14%, primarily because of the volume of wholesale in the first quarter of 2023, when there was an increase in supply due to risks, decrease in imports. Also, it was influenced by the decrease in sales of petroleum products due to the decrease in fuel oil consumption caused by weather conditions, because in the first quarter of this year it was much warmer than in the first quarter of the previous year, and therefore the consumption of fuel oil decreased.

As for exports, the difference is mainly due to consolidation, i.e. in the first quarter of 2024, we show the volume without the sale of straight-run petrol.

I would also like to note that we have an increase in sales of aviation fuel by 10% in the first quarter of 2024, which was caused by the expansion of the scope of international flights, as well as an increase in the exported quantities of aviation fuel compared to the same period last year.

5. Financial indicators

Regarding the financial indicators, this slide shows the EBITDA indicator, which amounts to RSD 10 billion, which is 50% less compared to the same period last year. In addition, this indicator is higher than in the same comparative period in 2021, not to mention 2022, which was exceptional.

The decline in the EBITDA indicator is a consequence of:

- A decrease in prices of petroleum products in the world market
- A reduction of the volume of oil refining, as well as the margin of petroleum products
- The increase in costs caused by the overall inflation and
- The negative result of HIP in 2024, which is RSD -0.8 billion.

Net profit

As for the net profit, this indicator for the first quarter of 2024 amounts to RSD 1.8 billion

The lower net profit in the first quarter of 2024 compared to the same period last year is the consequence of the lower EBITDA indicator, which we can see by the number, and the difference is around RSD 10 billion, but it is also the consequence of lower financial revenues. These results are better than in the first quarter of 2021, but lower than in 2023 and 2022.

Operating cash flow (OCF)

With regard to the operating cash flow, it amounts to RSD 2.7 billion for the first quarter of 2024.

The decline in this indicator in the first quarter of 2024 was largely due to lower inflows because of prices, but of course also due to higher operating costs related to the procurement of petroleum products because the turnaround.

Realization of CF

This slide shows the realization of CF in the first quarter of 2024. We achieved a positive OCF. As for the investment cash flows, they consist of two parts: investments and inflows based on the end of a long-term time deposit, which amounts to RSD 31 billion, while on the other hand, we placed RSD 11.9 billion in investments. After that, Free Cash Flow amounted to RSD 21.8 billion, and the net CF amounted to RSD 20.4 billion.

CAPEX

In the first quarter of 2024, RSD 10.5 billion were allocated for financing investments, which represents an increase of 62% compared to the same period last year.

The main investment directions were aimed at oil and gas production, implementation of GTA activities and infrastructure projects in *Upstream*. The second major part of investments in the first quarter were oil refining projects when the turnaround began, which also enters CAPEX, i.e. investments during the turnaround, and we also have investments in projects for the reconstruction of petrol stations, energy projects, services, and other projects.

6. Achievable potential level on the EBITDA indicator

In terms of operational efficiency, we have the result of realization of the achievable level of potential in the first quarter on the EBITDA indicator, which amounts to RSD 1 billion.

7. Indebtedness, benchmarking, and conclusion

Indebtedness

At the end of the first quarter of 2024, debt to banks was lower compared to the end of 2023 and it now amounts to EUR 555 million.

Benchmarking

With regard to the comparative analysis, this slide shows the data for the fourth quarter of 2023, since the mentioned companies have not yet published their results for the first quarter of 2024.

If we look at EBITDA margin, it is 16.5% for NIS and we are in the third place.

When it comes to the share of light products, NIS is stable in the first place with 81.9%.

Conclusion

We singled out complex macroeconomic conditions as negative factors, and, as positive factors, we singled out the preservation of stability in the domestic market of petroleum products and the achievement of a positive net profit and a good EBITDA indicator. Cash flows were at a satisfactory level, so we have business stability, i.e. we do not have any major risks, so the most important goal is to start production after the turnaround, because our results in the second quarter will depend on it.