

# NIS GROUP'S PERFORMANCE PRESENTATION FOR SECOND QUARTER AND FIRST 6 MONTHS OF 2024

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*Presentation by Anton Cherepanov, Deputy CEO and Director of Function for Finance, Economics, Planning and Accounting at NIS j.s.c. Novi Sad*

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## 1. Macroeconomic Indicators and Highlights

Fellow-Colleagues, Good Afternoon. May we begin with NIS' Performance in Q2 and first half of 2024.

Further development and modernization of our company took place during the second quarter, i.e. in the first half of this year were one of the priorities of NIS Group. Thus, 24.4 billion dinars were invested in the investments, which is twice as much as compared to the investments realized in the first six months of last year.

Also, the priority was on the orderly supply of all types of oil derivatives to the market during the turnaround of the Oil Refinery in Pančevo, which lasted from March to April and was the most complex in the history of this plant.

Taking into account the turnaround, macroeconomic indicators and other factors, our financial results are at a lower level compared to the first six months of last year, but if we look at the wider period, we have good results.

Macroeconomic indicators are shown in this slide

The USD/RSD exchange rate was weak compared to last year, the difference is -0.2%.

As for the price of Brent oil, it was enough for significant movements, which in this half-year is on average 5% more compared to the same period last year.

### *Exploration and Production Block*

As for the basic results by blocks, in the Upstream block the main goal during the second quarter of 2024 was to fulfil the planned hydrocarbon production, i.e. a total of 14 development wells were drilled in Serbia, 12 development wells were put into operation in Serbia and 1 exploratory well in Serbia.

Furthermore, I have to bring to your attention the fact that the procurement of two robotic drilling rigs, which we named "Tesla" and "Pupin", was completed.

Already in the first half of the year, the Tesla plant was put into operation. I visited this plant before it was put into operation and I can say that it was the first time I saw a plant like this in a computerized form and the possibilities it brings. First of all, it has environmental benefits, reduces human risks, makes less noise, less dust comes out, and also increases efficiency, that is, it aims to speed up drilling, that is, two plants replace three. Regarding operational efficiency, on the other hand, additional possibilities are given for drilling complex wells, i.e. horizontal wells and those of greater depth.

As for the financial indicators for the Upstream block, in the second quarter of this year CAPEX is 5.4 billion dinars, EBITDA is 10.5 billion dinars.

### *Downstream*

#### *Refining Block*

As for the Refining, the most important event from the second quarter, which started at the end of the first quarter, from March to April, is the turnaround that was successfully completed, and we will see the basic indicators on the next slide.

The total volume of oil processing and semi-products in the second quarter is 762 thousand tons, the refinery started working from the end of April after the completion of the turnaround.

As for financial indicators, in the second quarter of 2024, CAPEX was 6.5 billion dinars, and EBITDA was around 0.6 billion dinars.

The following is a slide with key indicators of the turnaround.

More than 9 billion dinars have been set aside for the turnaround. In terms of HSE indicators, it was quite safe and efficient: we had 3 injuries of medium severity among contractors, and

there were no cases of injury to workers, nor fires, nor environmental incidents.

Regarding the scope of the turnaround:

- 23 plants were repaired
- More than 1,900 executors/day were engaged
- 400,000 man/hours were realized
- 12 investment projects and 33 investment maintenance projects were implemented, and almost 6 billion dinars were allocated to these projects.

### *Sales and Distribution Block*

In the second quarter, the reconstruction of the Prijepolje 2 refuelling station was completed. However, the most important focus of the Traffic block in the second quarter, as well as in the first quarter, was ensuring the import of all types of oil derivatives in the volume that corresponds to Downstream's tasks, ensuring the supply of the market of the Republic of Serbia, which was achieved, there were no major crowds at gas stations, that is, and at the wholesale, sales of the volume that our customers needed were ensured.

Regarding the volume of retail sales in the second quarter of this year, it is 279 thousand tons, while the share of NIS in the retail market in the first six months was 59%.

As for financial indicators, in the second quarter of 2024, CAPEX was 1.2 billion dinars, and EBITDA was around 4.8 billion dinars.

On slide number 8, there is a map of the implementation of planned retail projects in Serbia until the end of 2024, i.e., the map shows locations for purchase, lease, rebranding and reconstruction, and the renovation of existing stations is also planned, that is, improving efficiency, sales, non-fuel goods and services range, that is, user satisfaction.

### *Energy Block*

As for the Energy block, 9 more photovoltaic power plants were put into operation in the second quarter, the construction of which was completed in 2023, and the photovoltaic power plants in the "Jazak" drinking water factory complex were put into operation. Since June, we have had completely our own "green" water, the production of which is ensured from a source of renewable energy, i.e. from the energy of the sun.

Furthermore, work continued on projects for the construction of photovoltaic power plants at the petroleum derivatives warehouse in Novi Sad, on the ground with a capacity of 6.6 MWp, and we plan to finish it by the end of the year, and also in the petroleum derivatives warehouse in Novi Sad, on the roofs with a capacity of 585 kWp, and also two more projects: on the roof of an office building in Novi Sad, and the other is a rooftop solar photovoltaic power plant in RNP with a capacity of 600 kWp.

As for financial indicators, CAPEX in the second quarter for the Energy block is 307.6 million dinars, and EBITDA is 10.8 million dinars, but without CCPP Pančevo.

On slide number ten, there is information on the implementation of photovoltaic power plant projects at gas stations in Serbia. We can give credit to our company, the Energy Block, to be precise, and everyone who participated in projects that covered the entire territory of Serbia, that is, our refuelling stations. At the end of 2024, we plan to complete 44 photo voltaic power stations, and of course, we plan to continue with them in the future.

## *HIP Petrohemija.*

As for HIP-Petrohemija, the planned shutdown of the factory, which was implemented in order to increase the energy efficiency and reliability of the equipment, has been completed. The level of reliability we have at the Refinery in Pančevo still leaves a lot to be desired, but that is certainly our goal, but, step by step, we are moving towards the reliability of equipment and the efficiency of HIP-Petrohemija's operation.

Other than that, we continued with the work of the first phase of the polypropylene factory project, that is, in the first half of the year we completed the basic project and signed a contract for the preliminary project of pre-execution engineering in order to come out with investment decisions for the next phase by the end of this year and continue to the feed phase and then to implementation.

As for financial results, CAPEX in the second quarter of HIPP was 0.1 billion dinars, and the EBITDA indicator was -2.4 billion dinars, and in six months, -3.2 billion dinars. Unfortunately, the results are not good, but they are better than they were in the second half of last year when we took over HIPP, and this is a consequence of the overall market of petrochemical products in Europe and other parts of the world. We hope that the prices of petrochemical products will return to a good level.

## **2. HSE Indicators**

Regarding HSE indicators, we had 3 major events in the first half of the year, and two events in the second quarter: one event was in the refinery after the completion of the overhaul and one event in HIPP that happened at the end of May. The consequences of that event were repaired.

Regarding the LTIF indicator and also the RAR indicator, we have positive results, i.e. reductions compared to last year.

## **3. Key indicators and Market position**

### *Key indicators*

Macroeconomic indicators are shown in this slide

I had already elaborated on the crude oil prices.

When it comes to sales revenues in the first half of the year, they amount to 198.4 billion dinars, EBITDA is 22.8 billion dinars, and net profit is 5.3 billion dinars.

Operating cash flow in the first six months is positive and amounts to 9.8 billion dinars.

As for the physical indicators, we see a decline in the first half of the year, and also in the second quarter, but this is mainly due to the capital overhaul, which will be more detailed later.

24.4 billion dinars were allocated for investments in the first six months of 2024, in the first half of the year, which is 111% more than in the same period last year.

### *HIP Petrohemija. Principal operational and financial indicators*

This slide displays principal operational and financial indicators of HIP Petrohemija.

Here we have shown the data for the second quarter and the first six months of 2024, because we took over HIP in June last year, that is, the consolidation started with the second half of the

year, so we do not have comparable data to show it, but we will have it already in the next period.

As for the production of petrochemicals, it amounts to 111.5 thousand tons in the first half of the year.

As for the financial results, the net loss amounts to -3.2 billion dinars. EBITDA is at the same level. As for CAPEX, 0.6 billion dinars were set aside for the first half of the year, for increasing the reliability of equipment and certain projects to increase efficiency.

#### *Motor Fuel Market Trends*

As for the motor fuel market, we see a plus and the market is growing, i.e. the market growth in Serbia is 4.5%, and in other regions, we have growth, but to a lesser extent.

#### *Market Share - Serbia*

As for the market share in Serbia, we have maintained the level of the motor fuel market at 79%, regardless of the capital overhaul and the partial absence of derivatives from our refinery due to the turnaround, due to imports we managed to keep the same market share and not lose our clients.

#### *Motor Fuel Retail Market*

In terms of the retail market, we have a 4% increase in the overall market. Our share increased from 48% to 49%.

The total number of gas stations is 330 at the end of the first half of the year.

#### *Market share in the region*

As for the region, the number of gas stations in Romania remained the same - 19. The share in the retail market is 0.5%, and as for Bulgaria, the number of gas stations is also at the same level - 23. We have an insignificant decrease in market share of around 2%. In Bosnia and Herzegovina, the number of refuelling stations is 42, i.e. one more compared to the comparative period last year. And as for the share in the total market, it amounts to 22.5%. We are slowly starting to increase our market share, i.e. returning to the normal level before all the restrictions that were in place in Serbia in 2023.

## 4. Operating Indicators

### *Exploration and Production Block*

As for operational indicators, in the Exploration and Production Block we have a growth of 1% more compared to the same period last year. The current difference is 4,000 tons compared to the comparative period, but the realistic goal is to maintain that level of oil and gas production, that is, to make the drop as small as possible.

Currently, growth is only 1%, but I expect that growth to be at the level of last year by the end of the year.

### *Refining Block*

This slide displays operational indicators of the Refining Block.

In the first half of the year, the total volume of processing amounted to 1.4 million tons of oil and semi-products, i.e. a decrease of 29% compared to the comparable period last year, but this is the result of the implementation of a capital overhaul that lasted for two months.

### *Sales and Distribution Block*

As for Sales and Distribution Block, we see that it did not follow Refining due to the fact that we filled our stocks to the maximum and we had sales from our stocks, but we also had sales from imports. Here, the reduction mainly refers to dark products that were not efficient to import, namely fuel oil, bitumen, coke, that is, dark products that do not affect the motor fuel market.

As for the other channels, we have already talked about that. We have an increase in retail sales. In the case of wholesale, the reduction refers mainly to fuel oil, and in the case of exports, we also have a methodological difference, that is, during the first six months of last year, the sale of primary gasoline to HIP-Petrohemija was included, and this year, due to consolidation, these figures are not available. The methodological difference here is 140 thousand tons. We also have an increase in the sale of aviation fuel, that is, an increase in flights and an increase in the traffic of Air Serbia, as well as foreign airlines.

## 5. Financial Indicators

As for financial indicators, EBITDA at the end of the first half of the year amounted to 22.8 billion dinars, which is 20% less compared to the same period last year.

The lower EBITDA indicator compared to last year's comparative period is a consequence of the impact of the drop in the price of oil and oil derivatives on the world market.

On the other hand, we have the negative impact of the turnaround, then the effect of rising costs due to inflation and the negative result of HIP-Petrohemija in 2024, that is, as I already said, in the first six months of 2023, the results of petrochemicals were not included. That is -3.2 billion dinars, which are included in the consolidated EBITDA indicator for the first half of this year.

### *Net Profit*

As for the net profit, the result is 5.3 billion dinars. The reason for that difference of 61% compared to last year is basically the same as what I already talked about for EBITDA. Here we have the additional effect of higher depreciation, which is a consequence of our investment program, as well as lower financial income from interest on financial placements due to high cash endings last year.

### *Operational Cash Flow*

As for operating cash flow, for the first half of the year it amounts to almost 10 billion dinars and is a consequence of larger inflows and smaller outflows from operating business.

### *CF Realisation*

As for total cash flows, they are shown on the next, 25th slide.

Operating cash flow for the first half of this year is positive and amounts to almost 10 billion dinars. Investment cash flows include investments of 27.8 billion dinars together with VAT. And we also have the cancellation of long-term deposits that were in the last year, and that is a positive effect of 31.1 billion dinars. The total free cash flow is 13.1 billion dinars, and the net cash flow is 14 billion dinars in the first half of the year.

### *CAPEX*

As for CAPEX, it amounts to 24.4 billion dinars, 111% more than in the first 6M of 2023.

As for investment directions, I have already talked about that.

One of the directions was the capital overhaul and implementation of investment projects in the Pančevo Oil Refinery, the other was the drilling of wells in order to maintain the level of oil and gas production, as well as transport projects, such as the reconstruction and construction of new gas stations, and the project to reconstruct the warehouse in Niš. In terms of Energy, these are projects to extend the construction of photo voltaic power stations, and at HIP, they are projects to increase energy efficiency reliability.

## **6. Achievable potential level on EBITDA**

As for our efforts to boost efficiency, the achievable level of potential in the first six months of 2024 for the EBITDA indicator is 2.2 billion dinars. It is a direct contribution of the management's work in the company's indicators.

## **7. Debt to banks, benchmarking and conclusion**

### *Debt to banks*

As for indebtedness, at the end of the first half of the year, the debt to banks amounts to 580 million euros, which is slightly more than the previous quarter.

### *Comparative Analysis*

As for the comparative analysis, this slide shows data for the first quarter of 2024. We cannot say that it is comparable because of the capital overhaul that had a lot of impact on the results.

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

When it comes to the EBITDA/FTE indicator, NIS is in second place.

When it comes to daily traffic, NIS took 5<sup>th</sup> place, while the Gazprom brand is in 3<sup>rd</sup> place.

When it comes to the share of bright products, NIS is the leader and is in first place, and regardless of the capital overhaul, we kept the first place with quite large differences compared to other companies in the region.



### *The 16<sup>th</sup> regular session of the Shareholders' Assembly*

Another important thing is the regular session of the Shareholders' Assembly that was held in late June. It adopted a Decision on dividend payment.

The total amount that will be paid out as dividends is around RSD 10.5 billion, or RSD 64.26 per share.

The dividend date was June 17, 2024. Dividend payment is planned by end of August.

### *Conclusion*

As a conclusion, we can state that we are still working in complex macroeconomic conditions, that is, there is quite a large movement in the price of oil and oil derivatives along with events on the world market, which has a significant impact on supply chains. On the other hand, we are ready, as can be seen from the good results, i.e., we have preserved stability on the domestic market of oil derivatives and we have successfully completed the capital overhaul of the Pančevo Oil Refinery, and we are continuing with the stable operation of our company, and I hope that the next period will be better if there are no significant changes in the world market.