

PRESENTATION OF NIS GROUP'S RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2024

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1. Macroeconomic indicators and highlights

Dear colleagues, good afternoon to all!

I will start with the priority topic for this period - the topic of investments. This year, NIS has planned one of the largest investments in its history. In the first ten months, we invested 37.3 billion dinars, which is 70% more than in the same period last year. We are continuing the ambitious investment cycle aimed at modernising NIS in all business segments and creating a solid base for long-term sustainable operations. At the same time, we are focusing on speeding up the energy transition of the NIS Group, mainly through the implementation of the project for the construction of solar photovoltaic plants at the company's facilities.

The second priority for the company was to maintain stability in the domestic market of petroleum products through the turnaround of the Pančevo Oil Refinery. Given the macroeconomic environment, the turnaround could not but affect the operational and financial results, which will be shown below.

Let us start the presentation with a slide on macroeconomic indicators.

The exchange rate of the dollar against the Serbian dinar remained stable.

The price of Brent crude oil in the third quarter declined by 8% year-on-year, which of course affected the quarter's financial results. In general, macroeconomic fluctuations caused by world events continue: the conflict in the Middle East, long-term demand growth in China, production growth in America and other countries.

Exploration and Production Block

The results of the Exploration and Production block are presented below:

In the third quarter of the current year, 13 development and 2 exploration wells were drilled in Serbia and 14 development wells were put into operation.

In terms of modernisation, the second robotic drilling rig, named Pupin, has also started its work. The first one was named Tesla. The total volume of oil and gas production in the third quarter was 281.6 thousand conventional tonnes.

In terms of financial performance, in the third quarter of 2024, EBITDA totalled RSD 9.4 billion and investments totalled around RSD 6.1 billion.

Downstream

Refining Block

Speaking about the key events of the period, I would like to note that the Refining Block maintained stable operation of the Pančevo Refinery and fully covered the market demand for petroleum products.

The total volume of oil and semi-finished products refined in the third quarter amounted to 1136 thousand tonnes.

EBITDA in the third quarter of 2024 was minus RSD 3.4 billion. The decrease is due to the drop in oil and petroleum product prices in the third quarter, which I have already mentioned. Related to this is the decrease in EBITDA in the Refining block. The result was also negatively impacted by the inventory left over from the previous period.

Investments totalled RSD 4.4 billion.

Sales and distribution Block

The next slide concerns the Sales and distribution Block.

The reconstruction of the Prijepolje 2 petrol station was completed in the third quarter. It is important to note that throughout the turnaround of the refinery, the company managed to

ensure import of all necessary types of petroleum products in order to cover its needs tasks and maintain stable supplies on the market.

The total volume of retail sales in the third quarter of the current year amounted to 245 thousand tonnes, and NIS' share in the retail market was 48% in the first nine months of the year.

EBITDA in the third quarter of 2024 totalled RSD 7.0 billion. Speaking about the volume of investments for the third quarter, I would like to mention that RSD 1.1 billion was allocated, primarily for the reconstruction of petrol stations and renovation of the petrol depot in Niš.

On this slide you can see a map of the implementation of the planned projects in the retail network in Serbia. As already mentioned, the reconstruction of the Prijepole 2 petrol station has been completed. In the first 9 months, the Prijepole and Žitište petrol stations have also been renovated, and the reconstruction of the stations Vrbas 1 and Ada is currently underway. By the end of the year we plan to carry out a total of nine reconstruction projects, as well as to purchase or lease another petrol station.

Energy Block

Here are the results of the Energy Block:

- In the third quarter, solar power plants were put into operation on the territory of the oil depot in Novi Sad and on the roof of the Company's corporate office in Novi Sad and are now generating electricity for auxiliary consumption.
- In September, solar power plants on the territory of the Jazak Water Factory were put into permanent operation.

By the end of the year we will complete several more solar plant construction projects:

- ground panels at of the Novi Sad oil depot with a capacity of 6.59 MW,
- roof-mounted panels at the Pančevo Oil Refinery with a capacity of 600 kW.

On the next slide, you can see a map of solar power plants at our petrol stations. As I said last time, these projects cover almost the entire territory of Serbia and all key petrol stations where solar panels can be installed. Since the beginning of the year, 19 solar power plants have been commissioned, and another one will be commissioned in November, so the solar energy development project is continuing.

HIP Petrohemija

As for HIP Petrohemija, at the end of the third quarter of the current year, after the slower first half of the year, the enterprise finally achieved stable production. Of course, there is still much to be done to ensure reliable operation. This is not one year's work, but we are on this path and are planning appropriate investment projects.

The status of the polypropylene production project: pre-FEED was completed in September, and material is being prepared for the Board of Directors meeting to decide on further steps.

2. HSE indicators

Let's move to the slide with HSE indicators.

Both LTIF and RAR indicators are lower.

In terms of the number of incidents, we can see that there were 5 major incidents, mainly at the refinery and the petrochemical plant. There were unfortunately two fatalities in Q3: at NFS, where a worker was struck by a pressure relief line while depressurising equipment, and at the

contracting company Severtrans where on 28 September a contractor's vehicle collided with a passenger car, resulting in the death of a passenger in the car.

3. Key indicators and market share

Key Indicators

The following slide summarises key operational and financial indicators:

1. Sales revenue for the first nine months of the year is 304.6 billion RSD - similar to the level of last year.
2. EBITDA is 34.5 billion, and I will talk about this in more detail later.
3. Net profit is RSD 8 billion.
4. Operating cash flow was 40 billion RSD.
5. Investment projects invested 37.3bn, 70% more than last year.

The main reasons for the change in the level of indicators, apart from macroeconomic fluctuations, are the significant effect of the refinery turnaround and the consolidation of the petrochemical plant HIP Petrohemija, which was acquired in June last year, but consolidated with the NIS Group indicators only in the second half of 2023.

HIP Petrohemija: key operating and financial indicators

Petrochemical production in the first 9 months of 2024 reached 208.7 thousand tonnes. Refining of straight-run gasoline - 280.1 thousand tonnes.

The fall in operating performance was partly due to a planned production shutdown and repairs that took place at the same time as the refinery overhaul, as well as poor process reliability in the first half of the year, which has now been offset.

Now to the financial indicators:

EBITDA for the first 9 months of 2024 is negative at -4.9 billion RSD due to the decrease in prices on the petrochemical market. Other petrochemical companies in the region, Europe and the world have also experienced the impact of this factor, so that large plants are forced to shut down production due to the high cost of raw materials and move, e.g. from Germany, to other countries. This could be a chance for NIS to expand its market presence through stable and reliable operation of HIP Petrohemija, however, we hope that this negative trend will stop soon.

Trends in the motor fuels market

In all countries of the region, there is a tendency of increasing consumption of motor fuels. In Serbia, the growth compared to the same period last year was 2.8%, which is good.

Market Share - Serbia

This slide describes the motor fuels market in Serbia.

The consumption of motor fuels increased by 2.8%.

The growth was due to the following factors: infrastructure works, transport build-up and fuel consumption by mining companies. Unfortunately, the unsuccessful agricultural season slightly reduced this indicator, which could have been much higher.

Retail market for motor fuels

This slide is about the retail market for motor fuels.

Consumption has increased by 1.7%, and the share of NIS is 48%.

The government-stipulated subsidized price for agricultural consumers is still in effect, which also affects our market share.

At the end of the third quarter, the number of petrol stations in our network in Serbia totalled 325.

Market share in the region

This slide shows the company's market share in the regional market.

1. We have 42 of our petrol stations operating in Bosnia and Herzegovina at the end of the third quarter. The market share is gradually increasing due to our expansion strategy aimed at returning to the share of the Bosnian market that we had before the ban on the export of petroleum products. We currently control 24% of this market with an upward trend. Our share in the retail market is 11.1%.
2. We currently have 19 petrol stations of our network in Romania. Our total market share is 0.4% and our retail market share is 0.7%.
3. In Bulgaria, the number of petrol stations is 23, as before, and the market share is 2.0%. The retail market share is about 2.2%.

4. Operating indicators

Exploration and Production Block

Let's start with the operating results of the Exploration and Production Block.

The total production volume was 857 thousand notional tonnes, 1% lower year-on-year, but within the plan.

As already mentioned, two new robotic drilling rigs have been commissioned, which will have a positive impact on the results.

Refining Block

In the Refining Block, there was a 16% decline in volumes in the first 9 months of the year as a result of the refinery turnaround in the first half of the year.

The graph on the right shows the dynamics by quarter. In the third quarter, refining was 1,136 thousand tonnes, more than in the same of the period last year. Now that the repairs have been completed, refining is running at full capacity in line with market demand.

Sales and distribution Block

Sales volume for the first 9 months of the year is 2.69 million tonnes, 9% lower than last year.

The following factors are worth highlighting:

- 2% growth in the retail segment,
- A slight decrease in fuel oil consumption due to a relatively warm winter, while wholesale sales of diesel fuel increased.
- Export, transit and business units also recorded a decrease.

The decrease is primarily due to methodological changes in the reporting of NIS straight-run gasoline sales to HIP-Petrohemija: in the first half of 2023, the transit of this product to HIP-Petrohemija was reported as sales to third parties, whereas now that this business unit is integrated in the NIS Group, this volume (140 thousand tonnes) is no included in this item. The sales of HIP-Petrochemia to third parties are accounted for separately and amounted to 77 thousand tonnes in the first half of 2024.

The decrease in sales is also due to the refinery downtime during the turnaround, when we did not produce any dark petroleum products like bitumen and coke. As a result we see lower sales of these products in the first half of the year. For the third quarter, sales are at a good level with no negative fluctuations, with a slight difference due to weather conditions, as a result of which agricultural consumers buy less fuel.

5. Financial indicators

Now to the financial indicators.

EBITDA for the first 9 months of 2024 is RSD 34.5 billion, 39% lower year-on-year.

This is due to the following main factors:

- A year-on-year decline in crude oil and petroleum product prices, as I noted earlier. The most significant drop was recorded in the third quarter and was caused by macroeconomic circumstances in general and saturation of petroleum product stocks in Europe. Hopefully, further price fluctuations will be positive.
- Influence of oil stocks purchased earlier at high price.
- Negative impact of the overhaul.
- Negative impact of HIP-Petrohemija in 2024.

The impact of prices and exchange rates totals -17.3bn RSD, and all other factors -4.7bn.

Net profit

Net profit is directly related to EBITDA, the only difference is that here the deviation in percentage terms is even higher at 75%. At the same time, if we compare it with the year of the last refinery turnaround, 2019, we see that then this indicator was 10.7bn RSD, so almost at the same level. Naturally, in the years of major repairs, the financial results decrease. At the same time, this year's repairs were carried out after a five-year break and were more complex and challenging, both from the investment and technological point of view. If we look at 2021, then the figure was 13.3 billion dinars, which is not much different from the current level of 8 billion, so despite the year-on-year dip, compared to other years we are at a good level. This is not low, considering that the net profit also takes into account the depreciation for the 9 months amounting to over 20 billion.

Operating cash flow

The operating cash flow for the first 9 months of the year is positive and amounts to 40 billion RSD - more than last year. This indicates financial stability and the ability to continue the development of the company.

Cash flow realization

Operating cash flow is positive and amounts to RSD 40 billion, which allows us to ensure sufficiently high investments. Free cash flow is RSD 28.5bn, and net cash flow less net debt and dividends is RSD 19.7bn.

CAPEX

RSD 37.3 billion has been allocated. A significant part of the investment is allocated the turnaround as well as investment projects realised during refinery downtime. The total investment in overhaul and investment projects for this short period amounts to RSD 13 billion.

Another area of investment activity is oil and gas production projects, drilling, other projects in refining, petrol station construction projects, energy projects and many others.

6. Achievable potential level on EBITDA

The total impact of realizing the achievable level of potential for the first ninth months of 2024 on EBITDA amounted to RSD 3.4 billion.

7. Debt, benchmarking and conclusions

Debt

Bank debt remains at the same level as before and amounts to 585 million euros at the end of the third quarter.

Comparative analysis

This slide shows data only for 6 months of 2024, since they come from the reports of other companies. In terms of the share of light oil products, NIS is in first place at the end of the first half of the year. The margin / EBITDA indicator at NIS is 11.5, higher than that of INA. Daily sales are at an average level of 7.4 tons per day. In terms of lifting cost, UPS / OPEX, NIS's result is almost \$ 12 per barrel, which is quite profitable at a price of \$ 80 per barrel.

Conclusions

In summary, negative factors include macroeconomic conditions, world events and fluctuations in the price of oil and oil products, caused by the dynamics of supply and demand in countries such as China, the USA, Latin American countries, Norway and others. In Europe, there is also a slowdown in growth and a decline in consumption, for example in Germany, also under the influence of prices and global events, for example in the Middle East. All these factors can affect the indicators both positively and negatively.

On the positive side, it is important to note that NIS continues to maintain stability in the Serbian market and achieves good financial results, and has successfully completed a major turnaround of the oil refinery.