PRESENTATION OF NIS GROUP'S PERFORMANCE IN SECOND QUARTER AND FIRST SIX MONTHS OF 2025 2024

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Table of Contents

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1. Macroeconomic Indicators and Highlights

Dear Colleagues, good afternoon.

Today we will present the business results for the second quarter and the first six months of this year. Last week, we published our financial reports, as well as the quarterly report, and we have already seen a lot of comments, so we are here today to try to answer the questions. After the end of the first quarter, we presented the results and pointed out the new circumstances that lead to the extremely complex conditions in which our company operates.

It has been almost three months since that presentation, and I can say that the results are lower compared to the same period last year. We still operate in extremely complex conditions. Above all, the macroeconomic situation is adverse, and the USA sanctions have certain consequences for the operation of NIS.

Despite the extremely complex conditions in which we operate, during this period we managed to achieve our three key goals, which are:

- orderly supply of the market with all types of fuel, there were no interruptions at any time,
- preservation of stability of the company's operations – we still operate stably, regardless of the current situation,
- employees' social security. We will now present our results.

This is a slide we also presented last time. Here we can see when OFAC introduced sanctions towards NIS, how many requests were submitted, and how many special licences were issued. Six licences have been issued so far, and the latest special licence for postponing full implementation of sanctions until August 27 was issued on July 28.

We stay dedicated to the stable operations of the company and will continue our efforts to delist the company. Our stakeholders, with the assistance of our management, are working to fulfil the conditions for the delisting.

Regarding macroeconomic indicators, we will now look at more expanded data.

We can see the average price of Brent oil for the first six months of this year: it is 15% lower compared to the same period of last year, and the fluctuations have been quite large. The prices were lower in April and May, which, naturally, affected our results. We also see that the recovery has started, and that the prices returned to 70 dollars per barrel in June, July and now in August. There is still volatility, but it is slightly lower than it was in the second quarter.

Regarding spreads, the slides demonstrate diesel and petrol spreads, and we see that they were quite high in 2022 and 2023, while in 2024 there was a decline, which continues in 2025. We have now reached average values for the last 10 years. This also affects our results.

On the right side, we can also see the inflation rate: it is not high, but it, of course, affects the costs. On the other hand, we also have wage growth, as a result of adapting to the European market, in accordance with the goal of maintaining the growth of both the minimum wage and the average gross wage. The Company fulfils those legal obligations: we are adapting to the increase of wages, which, of course, affects the Company's costs. This is one of the major factors that influence the cost increase.

Exploration and Production Block

And as for the results by blocks, here is the slide dedicated to the Exploration and Production Block.

We continue with drilling and the related activities. During the second quarter, NIS drilled 15 development and 1 exploration well.

If we look at the financial indicators, CAPEX in the second quarter amounts to 4.2 billion dinars, and the EBITDA indicator was 6.3 billion dinars. Oil production was at the level of 278 thousand conditional tons.

Downstream

Refining Block

As for the Refining Block, as I said in the beginning, the Pančevo Refinery is operating continuously to satisfy the needs of the market and to fulfil all customer requests.

The total volume of refining in the second quarter was 824 thousand tons.

When it comes to financial indicators, the investments were at the level of 0.9 billion dinars, whereas EBITDA was negative in the second quarter of this year and amounted to -2.8 billion dinars. That is mostly the consequence of the oil price decrease, and it affects EBITDA due to the use of supplies obtained at higher prices in the first quarter.

Sales and Distribution Block

As for the Sales and Distribution Block, we continue to renovate our petrol stations. The renovation activities have started at the Čukarica petrol station. I would also like to mention that the Majdanpek petrol station that we have bought is now undergoing rebranding, and will soon be commissioned.

Also, an important event in the second quarter was the official start of the trial operation of the Niš Petroleum Product Depot after reconstruction. If there is an opportunity in the upcoming period or next year, we could visit the renovated Niš Petroleum Product Depot together. There were many renovation activities at the depot, such as expansion, addition of new reservoirs etc. That was one of the most modern projects that is in compliance with all the new laws: the facility it is fire-proof, environmentally friendly, and meets all the requirements. This is one of our key strategic projects completed.

As for NIS share in the retail market, we remained almost at the same level of 48%, while the total retail sale volume in Serbia in the second quarter was 239 thousand tons.

One billion dinars was allocated as investments; the amount is close to what we invested in the Niš Petroleum Product Depot project. EBITDA is positive and amounts to 1.2 billion dinars.

Energy Block

We will now show the slide with the most important events in the Energy Block:

We continue to construct solar photovoltaic power plants.

The construction of solar photovoltaic power plants at the Novi Sad Petroleum Product Depot was completed. We are now finishing the obtaining of connection documents, and everything is ready for commissioning. We are waiting for the last permits to be issued.

Also, the works on the solar power plants at the Pančevo Oil Refinery are in progress, and we plan to finish in the near future.

For the solar power plant in Smederevo we have completed the tender, and selected a contractor. That solar power plant will be the first one with the battery energy storage system. According to our calculations, this power plant will be cost-effective even with battery storage, so after the works are completed we will see the results and will decide whether we can move forward with building solar power plants with battery storage balancing.

Regarding financial performance indicators, CAPEX was 0.16 billion dinars, while EBITDA was around zero.

The project of photovoltaic power plant construction at petrol stations

We also continue building solar power plants at our petrol stations. I would like to point out that we commissioned 45 solar power plants by the end of last year, and that we plan to commission 33 more this year. Next year we plan to equip most of our petrol stations with solar power plants and use them as the primary energy source for the stations.

HIP Petrohemija

As for HIP Petrohemija, we successfully completed the refurbishment activities planned for the first quarter, but a lot more remains to be done to put Petrohemija into stable operation. We cannot do all at once, but have completed many things, like replacing boiler pipes and refurbishing pumps. HIP units have been working regularly and stably since April. Performance shows that after all these interventions there are much fewer failures at Petrohemija.

Regarding the polypropylene project, we are focusing on project activities that do not depend on the FEED study development, so our work on the project continues.

As for the financial performance indicators, 0.4 billion dinars has been allocated as investments, mostly for the turnaround and repairs. EBITDA is -2.3 billion in the second quarter, mostly due to the adverse macroeconomic situation at the entire petrochemical market.

2. HSE Indicators

As for major accidents, we have one less than last year.

Our LTIF indicator has slightly worsened. As for RAR, we see an increase caused by some traffic accidents with our contractors at Oilfield Services.

3. Key Indicators and Market position

Key Indicators

The next slide shows the table of key indicators for the second quarter and the first six months of 2025.

We have already discussed the oil price.

When it comes to revenues, we have a 27% decline in the first six months.

EBITDA indicator is positive and amounts to 10.2 billion dinars.

Operating cash flow in the first six months was positive and amounted to 1.7 billion dinars.

Oil and gas production volume was 556 thousand conditional tons and recorded a 3% decline.

As regards refinery, 1.7 million tons of refining throughput was released, representing a 20% increase compared to the same period of last year.

As for sales, 1.5 million tons was sold, indicating a 8% decrease compared to the same period last year.

12.4 billion dinars was allocated for the investments.

The total bank indebtedness is 516 million euros.

HIP Petrohemija: key operational and financial indicators

We analyse HIP Petrohemija indicators separately.

Regarding operational indicators, the production of petrochemical products is 14% higher than in the same period of last year, as well as straight-run gasoline processing and petrochemical product turnover.

As for financial indicators: EBITDA and net result are lower than last year, and that is, as I already mentioned, due to poor macroeconomic conditions in the global petrochemical market.

Motor Fuel Market Trends

Next is the slide on motor fuel market trends.

All countries in the region are recording a slight growth, while Serbia is facing a decline compared to last year.

Market Share – Serbia

Regarding market share in Serbia, the volume of the whole market records a 1% decline (or 0.9%) compared to the same period last year. Our market share has declined due to partial cancellation by our wholesale clients, and that is why our market share is 66% at the moment.

Motor Fuel Retail Market

The next slide shows the retail market.

The retail market has remained at almost the same level – 48%, and the overall retail market is nearly at the same level as last year. We are not seeing the growth we all expected due to various macroeconomic events, and the impact of the agricultural season.

Market Share in the Region

This slide shows market share in the region.

If we take a look at Bosnia and Herzegovina, we continue operating 42 petrol stations. Our market share in Bosnia and Herzegovina is growing, not significantly, but it continues to grow. The retail market is roughly at the same level as last year.

As for Romania, we are still operating our 19 petrol stations.

There are still 22 petrol stations operating in Bulgaria. Due to a slight increase in wholesales, we have growth in the overall market.

4. Operational Indicators

Exploration and Production Block

As for oil and gas production, there is a slight 3% decline with compensation after drilling and geological and engineering operations.

All our planned goals have been met.

Refining Block

The Refining Block shows a 20% growth. The total refining throughput is 1,677 thousand tons. I would like to note that we had a turnaround last year, so it was expected that we would see an increase in the total refining throughput compared to the previous year.

This year, we had no disruptions at any point in oil refining, so we are proceeding with continuous refining.

Sales and Distribution Block

Next is the slide on Sales and Distribution Block.

There was an 8% drop in sales volume, with the total sales volume reaching 1.5 million tons.

As for retail, as already mentioned, we are recording a slight decline, nearly at the same level.

The largest decline is recorded in wholesale by 20%, mainly due to cancellations by some clients.

As for other types of sales: export and transit – we continue to see growth. There is also growth in aviation fuel sales, technological exports, and bitumen.

5. Financial Performance

Next up are the slides with financial indicators.

EBITDA is at the level of 10.2 billion dinars.

The drop in EBITDA is due to the impact of the falling of oil and petroleum product prices – this accounts for nearly 5 billion dinars of the total effect. Another major factor, nearly equal in impact of falling oil and petroleum product prices, is the impact of "expensive" reserves. In other words, due to current circumstances we are facing, in the first half of the year, we have maintained reserves at a fairly high level, on average, nearly twice as high as standard normative reserve levels. And, unfortunately, due to volatility, we have an overall impact on our indicators, which consists of the impact of oil price movements, namely the sharp decline of oil prices in the second quarter, mainly in April and May. The petroleum products price affect our results.

These two major indicators affected EBITDA by nearly 11 billion just from these two factors. All other negative factors were largely offset by positive effects from increased refining, on the one hand, and cost growth mitigation measures, excluding employee costs, which were maintained to ensure the stability of employees' earnings. Other costs were significantly reduced with the planned level exceeding 3 billion. In just six months, operating and administrative costs, excluding employee salary costs, have been reduced.

Net Profit

As for net profit, it mainly resulted from the decrease in EBITDA, as previously mentioned.

Another factor, with significantly lower effect, is depreciation cost, and we have higher revenues from our share in Pančevo combined-cycle thermal power plant. Other costs and revenues had a considerably smaller effect on the net result. Ultimately, over six months, the net loss amounted to -3.6 billion. It is important to note that this result includes the HIP Petrohemija's loss of -4.7 billion. Therefore, the net result of NIS Group without HIPP's results is +1.1 billion dinars.

Operating Cash Flow

Operating cash flow remains positive, amounting to 1.7 billion dinars for the first six months. Although considerably lower than the previous year, this is primarily due to increased payments for higher volumes of crude oil purchases, aimed at maintaining fairly high levels of reserves essential for the company's operational stability, and the energy security of the Republic of Serbia. The reserves were almost two times higher than the prescribed reserves of crude oil in NIS. In general, this increase is the main reason for the difference we see in the operating cash flow. Working capital for crude oil, i.e. The increase in reserves on our balance sheet is plus 13 billion compared to last year.

Cash Flow

Regarding cash flow, it reflects all the factors I mentioned before.

Operating cash flow stands at 1.7 billion dinars, while investments total 13.4. Outflows and inflows based on long-term deposits are also shown here. *Free Cash Flow* after that amounts to -12.5 billion dinars. Due to regular loan repayments, we have reached a net CF of -17.9 billion dinars, but since we had a substantial ending cash balance at the beginning of the year, this does not represent a drastic decline. We still have ending cash balance of over 22 billion dinars at the end of the second quarter, so it still does not interfere with operation of NIS.

CAPEX

As for financial indicators of investments, 12.4 billion dinars was allocated in the first six months. Last year we experienced significant outflows for investments mostly because of the turnaround, and together with other projects, this totalled over 13 billion dinars.

This year we continue with key projects, as previously mentioned.

Among the projects are geology and engineering activities (GTA): Banatsko Novo Miloševo and Srpska Crnja projects and continuation of Velebit Chemical EOR project aimed at developing the oil production potential.

In the refining sector we are completing railroad construction works, a major project to upgrade the hydrant network, ensuring compliance with all laws and all new regulations.

Sales and Distribution Projects – the Niš Petroleum Product Depot has been commissioned, and we are still planning and continuing the implementation of reconstruction project of Novi Sad Petroleum Product Depot, and the development of our network through the reconstruction of petrol stations and the development of new ones.

As for HIPP, one of the two main focuses is the polypropylene factory construction project. We are still carrying out the activities that can be executed under these circumstances. These have not been halted. On the other hand, we are also continuing with projects aimed at increasing reliability of HIPP. Much remains to be done, for example, overhaul activities, as already mentioned. Furthermore, we are currently implementing many activities during the operation of Petrohemija, and on the other hand, we are planning numerous activities for the next overhaul to enhance reliability, and on the other hand, to increase efficiency and production activity in HIP Petrohemija.

6. Achievable potential level on EBITDA

As for the achievable level of potential, or increasing regular efficiency, when we take these efficiency-increasing measures, we have a total effect of one billion dinars, and in addition, cost reductions and optimization of operational and administrative costs contributed to over 2 billion, totalling more than 3 billion in cost savings over six months to offset the negative effects faced by the company.

7. Indebtedness, Benhmarking and Conclusion

Indebtedness

The total bank indebtedness amounted to 516 million euros at the end of the first half of the year.

Benchamrking

Here we presented the comparative analysis based on the data for the first quarter, as we do not yet have second-quarter data from other companies.

The EBITDA indicator/margin is at around 12%.

When we talk about the market share of light petroleum products, NIS is still first in the region with nearly 84% share in light petroleum products.

As for our OPEX in Upstream, we are positioned in the middle, at around12 $/boe; representing operating expenses for our production.

The XVII regular session of the Shareholders' Assembly was held

Briefly, here are the key points from the regular session of the Shareholders' Assembly:

- A Decision on dividends payment was adopted;
- The total amount to be paid out in dividends is around 4.6 billion dinars, or 28.18 dinars per share;
- The dividend date was 10 June 2025.

Furthermore, new members of the Board of Directors were appointed at the session: from the Serbian side Irena Vujović and Milan Đurić were appointed as new members of the Board of Directors replacing Danica Drašković and Goran Knežević.

In early July, a meeting of the Board of Directors was held, during which two new members from GPN were appointed to the vacant positions of Vadim Yakovlev and Aleksei Yankevich – Aleksei Urusov, as the President of the Board of Directors, and Viktoria Nenadyshina, as the Board member.

Additionally, Dragutin Matanović was appointed as the new Deputi Chairman of the Board of Directors.

Conclusion

In summary: we continue to operate under quite complex macroeconomic conditions, and in the context of announced sanctions. However, we are putting effort into removing the company from the SDN List, actually, our stakeholders are working on that issue with our support.

On the other hand, our task as a company is to preserve stability in the domestic petroleum products market and maintain the stability of the company's operations. Also, our priority is social security of our employees.