NIS FUTURE AT WORK

ANNUAL REPORT 2023

2023

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NIS FUTURE AT WORK

The Annual Report for 2023 gives a factual overview of activities, development and performance of the NIS Group in 2023. The Report covers and presents data for the NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to specific subsidiaries or only NIS j.s.c. Novi Sad, it is duly noted in the Report. The terms: NIS j.s.c. Novi Sad and 'The Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms NIS and NIS Group pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Annual Report provides a concise and an integrated overview of the financial and non-financial performance of the NIS Group in 2023 and shows how the strategic goals, corporate governance, achieved results and realised potentials, in conjunction with the external environment, lead to generating the value in the short, medium and long term.

The Annual Report is compiled in the Serbian, English and Russian language. In case of any discrepancy, the Serbian version shall prevail.

The Annual Report for 2023 is also available online on the corporate website. For any additional information on NIS Group, you may visit the corporate website www.nis.rs.

The Annual Report contains information explained in more detail in other sections of this Report, other reports or on the corporate website pages. In addition, the explanations of the abbreviations and acronyms used are given in the glossary at the end of the Report.

Reference to another part of the Report or to other reports of the NIS Group

Reference to the corporate website www.nis.rs

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NIS GROUP IN 2023[1]

Oil and gas output	Refining volume	Sales volume	Volume of produced electricity
1,158.3 thousand t.o.e.	4,092.3 thousand tonnes	3,999.5 thousand tonnes	129,059 MWh
bln RSD 68.1 EBITDA	bln RSD 44.2 Net profit	bln RSD 39.2 CAPEX	bln RSD 28.0 OCF

ACCELERATION OF THE ENERGY TRANSITION

>800 mln RSD	investments in ecological projects	>270 mln RSD	Professional development of employees
-6%	Direct CO_2 emissions (scope 1)	>4,200	Realized training
-13%	Sulphur Dioxide (SO_2)	0	Tier 1
17 PvPP	Put into operation at PSs	>7 bln RSD	Investments in the community

21.2% DIVIDEND INCOME

23.4 BLN RSD WAS PAID AS DIVIDEND

1 Refining and sales volume does not include HIP-Petrohemija. Volume of produced electricity includes the electricity produced in Power plant Pancevo, small power plants and photovoltaic power plants. The total volume of electricity produced for the 2023 in TE-TO Pančevo is 1.1 million MWh. NIS j.s.c. Novi Sad owns 49% of the shares in TE-TO Pančevo.

AWARDS AND RECOGNITIONS IN 2023

NIS won the special plaque of the daily newspaper “Večernje Novosti” entitled “The Noblest Feat of the Year”, intended for associations and companies that have been continuously helping others and encouraging them to do noble deeds for years

“Diplomacy&Commerce” magazine awarded NIS with the Award for the Best Socially Responsible Campaign “May New Hopes be Born”

The “May New Hopes be Born” campaign won the award of the “Campaigns with Purpose social 2023”, given by the “Yellow Pants” Association

At the International Agricultural Fair in Novi Sad, NIS received the award “Leader of Socially Responsibility among Companies” for 15 years of implementing the “Common Cause Community” programme

On the occasion of 15 years of the “Common Cause Community” programme, NIS won the “Captain Miša Anastasijević” award in the “Leader of Social Responsibility” category

The Drive.Go mobile application was given the special award of the magazine “PC Press” magazine – “Top 50” of the best online content in the “Digital Innovation” category

The NIS Energy programme was the winner of the award “Digital Awards” for the HR Employer branding online campaign, which was given during the conference #Digital2023

The Society of Mathematicians of Serbia has awarded NIS with a charter for a long-term support to young mathematicians and activities of the Society

NIS received the certificate of appreciation from the Serbian Chemical Society for supporting the organization of the Chemistry Olympiads in 2023

The Chess Federation of Serbia gave NIS the award for supporting the Chess Federation, as well as for supporting the organisation of the first FIDE Chess Olympiad for People with Disabilities

The Volleyball Federation of Serbia presented NIS its certificate of appreciation for the successful cooperation and contribution to the development of volleyball in Serbia

Place in the top three most desirable Serbian employers according to the AIESEC poll “Voice of the Serbian Youth”

IMPLEMENTATIONS OF KEY PROJECTS

HIP-PETROHEMIJA INTEGRATION

The strategic partnership with HIP-Petrohemija was established in 2023. In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad, and HIP-Petrohemija, the transaction was closed on 9 June, following which the work on integration of HIP-Petrohemija into the NIS system started. The share capital was increased, new governance bodies were elected, and NIS started fulfilling its obligations, as a strategic partner of HIP-Petrohemija.

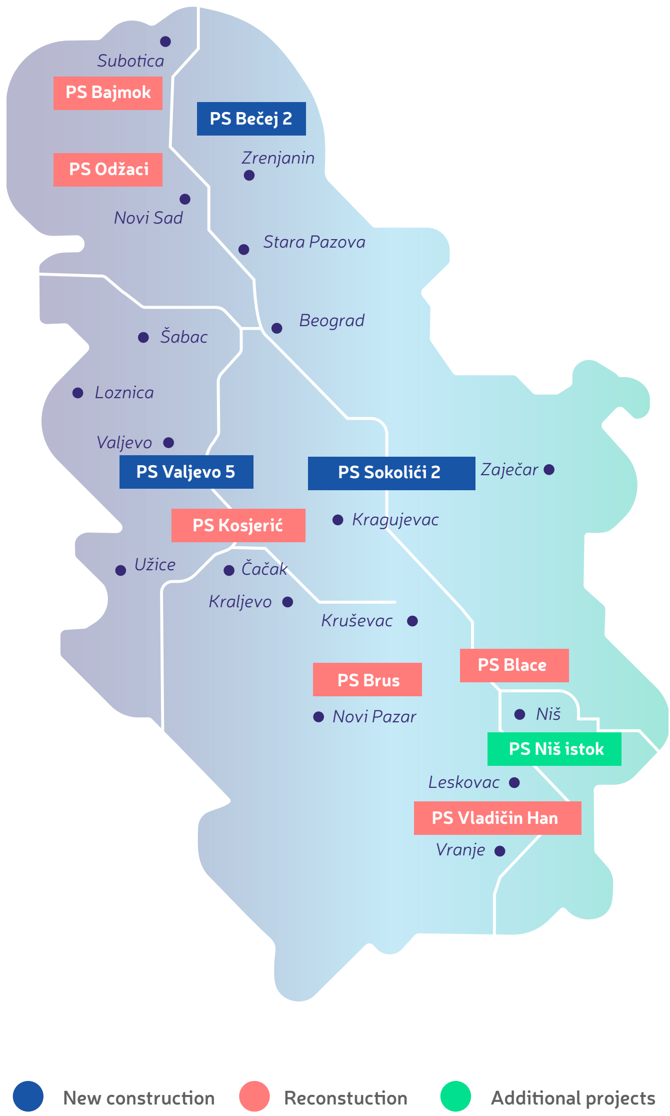
As a result of this strategic cooperation, upon the implementation of an extensive investment program, modernisation and construction of new production capacities, NIS will tackle diversification and expansion of business activity in the petrochemicals production segment. Owning to the synergy effect, the consolidation of capacity will strengthen business stability.

CONSTRUCTION OF A POLYPROPYLENE PRODUCTION PLANT

A plant for the production of polypropylene in HIP-Petrohemija is planned to be built, worth EUR 150 million, with a capacity of at least 140,000 tons per year.

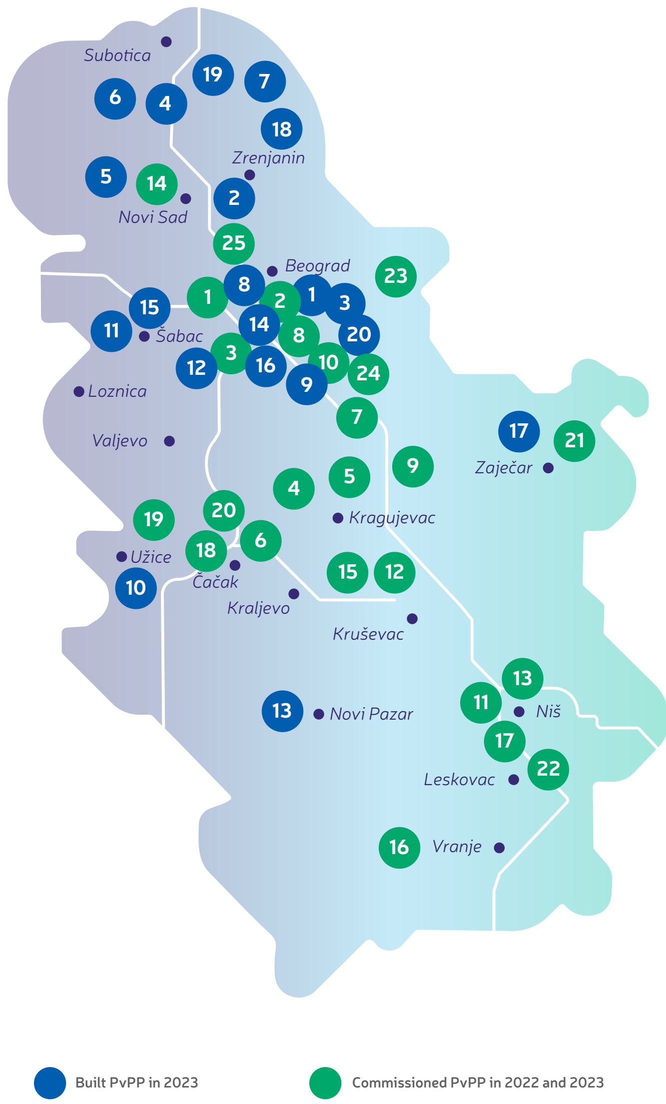
The construction of a new polypropylene factory will enable an increase in the volume of polymer production and better utilization of the products now exported by HIP-Petrohemija.

RETAIL NETWORK DEVELOPMENT PROJECTS



SOLAR PANELS

During 2023, 37 solar photovoltaic power plants (PvPP) were constructed and 17 were put into operation on NIS petrol stations. The construction of these power plants started in 2022, when 8 PvPP were started up. In 2024, PvPP construction will continue on other NIS facilities.



DIGITAL TRANSFORMATION

The process of digital transformation in our company is characterized by continuous improvement of business processes and introduction of highly applicable digital solutions and technologies with the aim of improving business efficiency. A significant part of this strategic direction is aimed at developing the competencies of our employees through intensive educational modules on digital technologies and their application in the business environment. Our team of internal trainers arose as a result of collective commitment and individual professional engagement, and our portfolio includes a wide range of digital projects, whose number now amounts to about 120.

During 2023, the implementation of the programme of digitalization of the HSE Function, aimed at improving the work of employees, as well as easier and safer management of contractors, is under way.

Through cooperation with the Science and Technology Centre, we are actively conducting research with the aim of approbation and evaluation of the potential of applying advanced digital technologies. In the field of data management and analytics, we have implemented a new business process – “Data Management”. Several projects have been implemented, enabling us to reduce significantly the time spent on routine data processing and contributing to faster, better, and easier everyday work of our employees.

We end 2023 with a commitment: our Company is oriented towards digital transformation as an integral part of our corporate strategy for the future and sustainable development. By applying innovation, we solve challenges and turn them into opportunities, distinguishing ourselves in a dynamic and changing business environment.

Digital transformation – Results for 2023:

A portfolio of
~120
digital projects

1. Improvement of the digital transformation management process
2. Quantification of economic effects across all business segments

Exploration and Production Block	Refining Block	Sales and Distribution Block	Energy Block
Increasing the efficiency and transparency of the drilling and overhaul process with the implementation of digital instruments based on Industry 4.0 technologies.	Constant search for solutions that contribute to the high-quality and smooth operation of the plant, as well as the prediction of failures and overhaul activities.	Optimizing the value creation chain from the oil base to the end consumer, in which the key role is played by the development of digital solutions that improve the experience of our users and clients.	Development of digital solutions that contribute to energy and operational efficiency in a broader sense.

LETTER TO SHAREHOLDERS

Dear friends,

I believe that 2023 will go down in the history of NIS as an exceptional period. There are many reasons for this. To begin with, we started a new investment cycle. In 2023, we invested RSD 39.2 billion in capital projects in all areas of business, which is 77 percent more than the previous year. Having in mind that the market is volatile and the energy sector is in a transition, we will continue to invest in the period ahead to lay the foundations for our long-term development and success.

Furthermore, in a challenging year marked by complex macroeconomic and geopolitical developments, we continued to contribute significantly to energy stability in the markets where we operate. Other than that, in 2024, one of our main priorities will be to provide our consumers with the energy needed for further development at competitive prices and to be a guarantor of regular supply of all types of oil products.

In 2023, we further strengthened our partnership with the Republic of Serbia and became the majority shareholder of HIP Petrohemija. We made a big stride in new line of business, following global trends in our industry. The development of Petrohemija will require a lot more expertise and investment from us, but I have no doubt that with joint efforts we will achieve our goal - the modernization of existing and the construction of new plants, which will be an important step towards the establishment of a long-term sustainable operation of HIP Petrohemija.

Just as importantly, over the course of the previous year, NIS pursued its energy transition effort. It is yet another instance of our support to bring about the accomplishment of Serbia's international obligations to reduce carbon dioxide emissions. In 2024, we will continue with the construction of solar panels at our refuelling stations and other facilities, and we have other projects in this area in the pipeline. In addition to that, we made strides in power generation, as more than one million MWh were produced in the facilities of NIS and partners.

The year behind us will also be remembered for the fact that we paid out more than RSD 23 billion to shareholders in dividends, a record amount since NIS started paying dividends in 2013. This is not only an indicator that our company is a safe source of income for shareholders even in challenging times, but also proof that the modernization of NIS, carried out in agreement with the leading shareholders, is yielding excellent results.

We have also strengthened our friendship with the community where we operate. We have invested almost RSD 7.5 billion in socially responsible projects, including support for the projects of the Government of the Republic of Serbia. Thus, we demonstrated that we are not only one of the powerhouses of the domestic economy, but also that we are a potent driving force for further progress of our community.

I would also like to stress that in 2023 we performed quite well, both in financial and operational terms. The figures are lower in comparison with those of 2022, but that is quite understandable, considering that it is, in many respects, a record period. However, when we compare our results with those from the period before the corona virus pandemic, it is clear that we have reason to be satisfied. Not only due to the achieved net profit, which exceeds RSD 44 billion, but also because of the results accomplished in all business segments.

Thus, for example, thanks to the programme applied in exploration and production of oil and gas, we recorded good results and kept production at almost the same level as in 2022. Despite the fact that we are working in mature fields, in the coming period we expect our investments and efforts to yield even better results.

We also continued revamping the Refinery in Pančevo, where significant digitalization projects were also completed, as well as improvements in energy efficiency. Since last year, there are 11 new or reconstructed modern facilities in our retail network, including the strategically important refuelling station "Sokolići 2" on the "Miloš Veliki" highway. Our portfolio of digital retail services has been further strengthened and we can rightly say that we offer consumers a unique experience.

In conclusion, I would like to mention our further plans. Notwithstanding a successful year is behind us, we have a complex period ahead, that will be strongly affected by global events beyond our control. However, our plan is ambitious; in 2024, we have anticipated investments of almost RSD 60 billion. Other than that, a turnaround of the Refinery is coming. It will bring into the loop the newly built facilities, and will be the most demanding in the history of the Refinery in Pančevo. In addition, the tasks we face are not easy at all. We intend to simultaneously achieve good results, make progress in the energy transition and thoroughly modernize all segments of the company. At the same time, we must not forget that NIS should remain a leader in the field of environmental protection, as well as a reliable partner to the community. With a view to achieve all that, we must first ensure that the NIS Group continues to accomplish good results. I am convinced that in the past period we have shown that we have a team ready to solve even the most complex tasks. Therefore, with a lot of optimism and confidence in our business model, we enter the year 2024, confident that it will be yet another successful period in the history of our company.

Kirill Tyurdenev
CEO
NIS j.s.c. Novi Sad

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Opinion

We have audited the financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) which comprise the Balance sheet as at December 31, 2023, and the Income statement, Statement of other comprehensive income, Statement of cash flows and Statement of changes in equity for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with the Law on Audit of the Republic of Serbia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements that are relevant for auditing financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 22 to the financial statements. As described in the notes to the financial statements, the Company recognized provisions in the amount of RSD 11,579,581 thousand.

Provisions for decommissioning and environmental protection require significant management judgment due to numerous assumptions that are influenced by future activities, economic factors, and the legislator environment in which the Company operates. The most significant estimates include the estimate of future costs to settle the present obligation, inflation and discount rates, and exploitation period.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Key Audit Matters (Continued)

Auditing this area of the financial statements is a complex process as it requires us to evaluate assumptions for future cost estimates for which there is limited comparative data as decommission of gas and oil infrastructure is an emerging area. The assessment of the mentioned factors affects the determination of the exact amount of provisions, which represents a materially significant item in the financial statements.

The management performs an annual review of the provisions for the decommission and environmental protection, namely for funds for exploration and evaluation and funds for the production and processing of oil and oil derivatives. The review by the management includes an analysis of changes in legislation in the Republic of Serbia, cost estimates, inflation and discount rates, and maturity of obligations.

Audit approach:

Our audit procedures included an understanding of the legal obligations regarding the decommission and environmental protection, and in accordance with the provisions of the Law on Mining and Geological Research and the Law on Environmental Protection, to which the Company is obliged to, during and after the completion of works on exploitation, recultivation of the land and to prevention of the further spread of pollution caused by the accident, to take remedial measures according to the protection plans at its own expense.

We have also performed the following audit procedures:

- We have performed testing of arithmetic accuracy of the model that the Company have used when calculating provisions;
- We reviewed the status of the wells on a sample basis and compared them with the status within the well fund, which is the foundation for the calculation of provisions;
- We have compared the changes in the status of the wells in the current year to the previous year, since the change in the status of the wells can have a material impact on the calculation of provisions;
- We have tested the completeness of the data, comparing it with other information within the business records and auditing procedures related to real estate, plants and equipment;
- We have assessed the justification of the applied discount rate as one of the assumptions for the calculation of provisions by comparing it with the rate on government bonds of the Republic of Serbia taken over from the National Bank of Serbia;
- We have evaluated and we have gained understanding of the assumptions related to the costs necessary for the liquidation and recultivation of the land;
- We have performed a review of the sensitivity analysis prepared by management for the main assumptions;
- We have gained an understanding of the Company's procedures applied by the management to estimate and record long-term provisions. This included understanding whether there was a legal or contingent obligation to establish a provision.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2023.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In connection with the consolidated Annual business report, we have also carried out procedures in accordance with the Law on Accounting of the Republic of Serbia. These procedures include consideration of whether the consolidated Annual business report contains the disclosures required by the Law on Accounting of Serbia. Based on the procedures performed during the audit, in our opinion:

- ✓ the consolidated Annual business report was prepared in accordance with the requirements of the Law on Accounting of the Republic of Serbia and
- ✓ the information provided in the consolidated Annual business report for the financial year for which financial statements are prepared are consistent with the financial statements.

Additionally, based on the understanding of the Company's operations and its business environment acquired during the audit, we are required to disclose in the report if we conclude that there is a material misstatement in the consolidated Annual business report. In that sense, there is nothing we need to say in the report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law on Accounting of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit of the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Audit of the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

✓ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

✓ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

✓ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

✓ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

✓ Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belgrade, February 29, 2024

FINEXPERTIZA d.o.o. BEOGRAD

Srđan Božović

The engagement partner on audit project

Licensed auditor

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Opinion

We have audited the consolidated financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) and its subsidiaries (together hereinafter: the Group) which comprise the consolidated Balance sheet as at December 31, 2023, and the consolidated Income statement, consolidated Statement of other comprehensive income, consolidated Statement of cash flows and consolidated Statement of changes in equity for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with the Law on Audit of the Republic of Serbia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements that are relevant for auditing consolidated financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 20 to the consolidated financial statements. As described in the notes to the consolidated financial statements, the Group recognized provisions in the amount of RSD 11,841,243 thousand.

Provisions for decommissioning and environmental protection require significant management judgment due to numerous assumptions that are influenced by future activities, economic factors, and the legislator environment in which the Group operates. The most significant estimates include the estimate of future costs to settle the present obligation, inflation and discount rates, and exploitation period.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Key Audit Matters (Continued)

Auditing this area of the consolidated financial statements is a complex process as it requires us to evaluate assumptions for future cost estimates for which there is limited comparative data as decommission of gas and oil infrastructure is an emerging area. The assessment of the mentioned factors affects the determination of the exact amount of provisions, which represents a materially significant item in the consolidated financial statements.

The management performs an annual review of the provisions for the decommission and environmental protection, namely for funds for exploration and evaluation and funds for the production and processing of oil and oil derivatives. The review by the management includes an analysis of changes in legislation in the Republic of Serbia, cost estimates, inflation and discount rates, and maturity of obligations.

Audit approach:

Our audit procedures included an understanding of the legal obligations regarding the decommission and environmental protection, and in accordance with the provisions of the Law on Mining and Geological Research and the Law on Environmental Protection, to which the Group is obliged to, during and after the completion of works on exploitation, recultivation of the land and to prevention of the further spread of pollution caused by the accident, to take remedial measures according to the protection plans at its own expense.

We have also performed the following audit procedures:

- We have performed testing of arithmetic accuracy of the model that the Group have used when calculating provisions;
- We reviewed the status of the wells on a sample basis and compared them with the status within the well fund, which is the foundation for the calculation of provisions;
- We have compared the changes in the status of the wells in the current year to the previous year, since the change in the status of the wells can have a material impact on the calculation of provisions;
- We have tested the completeness of the data, comparing it with other information within the business records and auditing procedures related to real estate, plants and equipment;
- We have assessed the justification of the applied discount rate as one of the assumptions for the calculation of provisions by comparing it with the rate on government bonds of the Republic of Serbia taken over from the National Bank of Serbia;
- We have evaluated and we have gained understanding of the assumptions related to the costs necessary for the liquidation and recultivation of the land;
- We have performed a review of the sensitivity analysis prepared by management for the main assumptions;
- We have gained an understanding of the Group's procedures applied by the management to estimate and record long-term provisions. This included understanding whether there was a legal or contingent obligation to establish a provision.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Acquisition of additional shares in HIP - Petrohemija d.o.o., Pančevo

As disclosed in Note 39 to the consolidated financial statements, in accordance with the Strategic Partnership Agreement signed on December 24, 2021, between the Ministry of Economy of the Republic of Serbia, NIS a.d. Novi Sad, and HIP Petrohemija d.o.o. Pančevo, the Group acquired control and registered the acquisition of additional shares in the capital of HIP Petrohemija d.o.o. from the previous 20.86% to 90% on June 9, 2023, with an obligation for a cash capital injection of RSD 17,591,055 (150 million EUR) and the construction of a polypropylene production facility with a capacity of at least 140,000 tons per year within six years.

The acquisition of additional interests is treated as a business combination in accordance with IFRS 3 Business Combinations, which involves recognizing and measuring acquired identifiable assets, assumed liabilities, each non-controlling interest in the acquired entity, and recognizing and measuring goodwill or gain from a bargain purchase. As disclosed in Note 39 to the consolidated financial statements, the fair value of the acquired net assets is RSD 9,909,172 thousand, the fair value of the non-controlling interest is RSD 990,917 thousand, and the gain from a bargain purchase is RSD 8,918,255 thousand

We have identified this as a key audit matter due to the significance of the business combination and its effects on the audit of the Group's financial statements, the complexity in the accounting treatment of business combinations, and the judgments management applied in identifying and determining the fair values of acquired assets and liabilities.

Auditor approach:

We have reviewed the Strategic Partnership Agreement concluded on December 24, 2021 between the Ministry of Economy of the Republic of Serbia and NIS a.d. Novi Sad and HIP Petrohemija d.o.o., Pančevo, to understand the business combination.

We have performed the following audit procedures as well:

- We have assessed whether the transaction was identified as a business combination and accounted for in accordance with IFRS 3;
- We have evaluated the methodological approach in the identification and recognition of acquired assets and liabilities, as well as the participation without control rights, taken on the date of acquisition;
- We have assessed the integrity, independence, impartiality and the expertise of the external consultant engaged by the Company;
- We have engaged experts to evaluate the changed methodology in assessing the fair value of acquired assets;
- We have performed an accounting check of the recognised and measured profit from a favourable purchase;
- We have evaluated the justification of the discount rate applied to the financial model used for the purposes of calculating the economic write-off;
- We will assess the adequacy of the disclosures in the notes to the Group's financial statements.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2023.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In connection with the consolidated Annual business report, we have also carried out procedures in accordance with the Law on Accounting of the Republic of Serbia. These procedures include consideration of whether the consolidated Annual business report contains the disclosures required by the Law on Accounting of Serbia. Based on the procedures performed during the audit, in our opinion:

- ✓ the consolidated Annual business report was prepared in accordance with the requirements of the Law on Accounting of the Republic of Serbia and
- ✓ the information provided in the consolidated Annual business report for the financial year for which consolidated financial statements are prepared, are consistent with the consolidated financial statements.

Additionally, based on the understanding of the Group's operations and its business environment acquired during the audit, we are required to disclose in the report if we conclude that there is a material misstatement in the consolidated Annual business report. In that sense, there is nothing we need to say in the report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Law on Accounting of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit of the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Audit of the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ✓ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ✓ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ✓ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ✓ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ✓ Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belgrade, February 29, 2024

Srđan Božović

The engagement partner on audit project

Licensed auditor

MANAGEMENT BUSINESS REPORT

NONFINANCIAL REPORTING

HIGHLIGHTS

First quarter

Extension of the PS network with TAG devices

Under the auspices of the "May New Hopes be Born" campaign, NIS Company handed out 225 gift packages for first-born babies in 2023 in 15 selected maternity hospitals in Serbia

With the support of the NIS Company, the first FIDE Chess Olympiad for people with disabilities was held

Signing of the contract on lease of PS Niš Istok

Anton Cherepanov, Deputy CEO of NIS, presented the results of the NIS Group's operations for the year 2022 to the professional and expert public

A new Collective Agreement was signed with the representative trade union, the implementation of which began on March 1, 2023

The sale of jet fuel to a wholesale customer in Bulgaria started

Vadim Smirnov, Deputy CEO of NIS, participated in the panel "Education: Paths to Competencies" at the Kopaonik Business Forum and presented the efforts of NIS to support education in Serbia

Second quarter

The test mode of electronic work permits was completed in the Refining Block

Obtained ISCC certificate[2] that enables the placement of fuel produced in the Refining Block, by blending mineral diesel and biodiesel

The Board of Directors of NIS approved EUR 60 million to support the projects of the Government of the Republic of Serbia in the field of education, social and health care

Photovoltaic power plants were installed at 7 more NIS petrol stations, making this project a total of 15 facilities

The 2022 Sustainable Development Report has been published, which is the 13th consecutive company-verified report

In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP Petrohemija, the transaction was closed on June 9

Expanding petrol station network outfitted with electric chargers for vehicles (Bački Vinogradi petrol station)

The NIS shareholders' assembly held the XV regular session where, among other things, it made a decision on the payment of dividends to shareholders for 2022

NIS announced a competition within the "Common Cause Community" program for 2023, the focus of which is to support the development of science and education in partner cities and municipalities throughout Serbia

Third quarter

Commissioning of Brus, Kosjerić PSs

Completed commissioning of 10 new vacuum tank trucks for the transport of dangerous goods

As a part of digitalisation process, the ECO digital platform was applied to NIS oil wells, which is important for the process of monitoring and control of well development

As a dividend for 2022, NIS paid RSD 23,364,924,716 to its shareholders (the gross amount), which is the largest annual amount paid since the beginning of the dividend payments in 2013

Start of the operation of the new PS Sokolići 2 and its restaurant

Start of the construction of the new PS Bečej 2 and the reconstruction of PS Bajmok

Kirill Tyurdenev, the CEO of NIS, participated in the panel discussion dedicated to the sustainable development "Our Sustainable Community", attended by Dubravka Đedović Handanović, the Minister of Mining and Energy of the Republic of Serbia, and Milun Todorović, the Mayor of Čačak, who also gave their opinions

NIS and the Pension and Disability Insurance Fund of the Republic of Serbia signed the Cooperation Agreement defining the benefits for the users of Pensioner Cards when buying fuel and non-fuel products at all NIS Petrol and Gazprom petrol stations

Fourth quarter

In 2023, 47 development wells and 4 exploration wells were drilled in Serbia, as well as 2 development wells in Romania, while 42 development wells and one exploration well were put into operation in Serbia. In fourth quarter 9 development and 2 exploration wells were drilled in Serbia, as well as one development well in Romania, while 8 development wells were put into operation in Serbia and one development well in Romania

Implementation of 2D projects – together with the Turkish National Company

Final works and preparation of AT documentation according to the project of equipping the surface infrastructure facilities – the construction of a gathering station in the field (Northern Banat), building of which is in progress

The 60th anniversary of the Gas Refinery in Elemir was marked

Activities on the implementation of the project for the installation of an automatic system for marking and additive addition of derivatives at the gathering station of the Pančevo Oil Refinery

Putting PSs back into operation following their reconstruction: Blace, Bajmok, Vladičin han, Odžaci

Putting into operation of the Niš East PS – 3rd party lease hold. Commissioning of new Bečej 2 PS and Valjevo 5 PS

Solar panels installed and put in operation at 10 petrol stations

The start of operation of the "Sokolići 2" petrol station, the second retail facility of the company on the "Miloš Veliki" highway, was officially marked. NIS invested more than EUR 4.5 million in this facility

2 ISCC certificate is an internationally recognized standard for the sustainable control of biomass and biofuels

At the end of December NIS was one of the first energy companies in the region to receive ISO 55001 certificate for its asset management system with scope of application to technological equipment. This system allows for proactive asset lifecycle management

NIS announced the results of the “Common Cause Community” contest, through which it will support 54 projects in the field of education and science, the total value of which amounts to RSD 144.5 million

The NIS delegation visited the Chinese oil company and the focus of the visit was getting to know CO_2 extraction, utilisation and storage technologies

NIS organized the 10th Investor’s day in the Training Center in Elemir

At the petrol station Novi Beograd, NIS and Poštanska Štedionica Bank presented to the public the portfolio of joint digital projects in the field of retail

In mid-December, the 55th anniversary of the beginning of production at the Pancevo Oil Refinery was marked

The Board of Directors of NIS adopted the Business Plan for 2024, which planned capital investments in the amount of RSD 59.7 billion

HIGHLIGHTS AFTER REPORTING DATE

There are no material events after the reporting date.

NIS GROUP

The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe, and its most valuable resource is a team of about 13,500[3] employees. The headquarters of NIS and its main assets are located in the Republic of Serbia, while representative offices and subsidiaries have been opened in several more countries in the world, primarily in neighbouring countries. NIS' core activities include exploration, production and refining of crude oil and natural gas, sale and distribution of a wide range of petroleum and gas products and the implementation of energy and petrochemistry projects.

NIS aims to create new value for its shareholders, employees and the community, despite the challenging macroeconomic environment, as well as to contribute to energy stability in the markets where it operates. The NIS project portfolio considers the energy transition as a priority in Serbia, and the Company implements projects that, *inter alia*, contribute to the achievement of the goals of reducing carbon emissions to the Paris Agreement level.

In addition to its business activities, NIS also runs a number of socially responsible projects aimed at improving the life of the community and the improvement of the quality of life of citizens. NIS' efforts in this area are especially focused on young people, who are the bearers of future development.

The NIS Group is committed to improving environmental protection and allocates significant funds for the implementation of environmental projects and projects that contribute to environmental protection. In terms of occupational safety, the objective of NIS is work processes without injuries and harmful effects on the environment.

Business activities

Business activities of the NIS Group are organized within the parent company NIS j.s.c. Novi Sad, into the Exploration and Production Block[4] and Downstream[5], which are supported by the nine Functions in the parent company:

- Finance, Economics, Planning and Accounting Function;
- Strategy and Investments Function;
- Procurement Function;
- Organizational Affairs Function;
- HSE Function;
- Legal and Corporate Affairs Function;
- Corporate Security Function;
- Government Relations and Corporate Communications Function;
- Internal Audit, Risks and Internal Control Function.

Exploration and production Block

Exploration and production

NIS is the only company in Serbia engaged in oil and gas exploration and production. In this business segment, NIS performs the activities of operational support to production, management of oil and gas reserves, management of oil and gas reservoir engineering, and implementation of large-scale projects in the field of exploration and production.

The majority of oil and gas fields owned by NIS are located in Serbia. The company is also involved in exploration works in Romania and Bosnia and Herzegovina. The oldest concession abroad is in Angola, where NIS has been operating since 1985.

3 Including employees of HIP-Petrohemija LLC Pančevo.
4 Exploration and Production and subsidiaries - NTC NIS – Naftagas LLC Novi Sad, Naftagas–Oil Services LLC Novi Sad, and Naftagas – Transport LLC Novi Sad.
5 Refining Block, Sales and Distribution Block, Energy Block and subsidiaries Naftagas–Technical Services LLC Zrenjanin and HIP-Petrohemija LLC Pančevo.

The plant for the preparation of natural gas, production of LPG and gasoline, and CO_2 stripping, based in Elemir, near Zrenjanin operates as part of the Exploration and Production Block. An amine unit for processing of natural gas using the high pressure acidgas capture technology is also located in Elemir. This method of gas processing completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, creates significant environmental benefits. In 2023, the Gas Refinery in Elemir marked its 60th anniversary.

NIS also has a modern training center in Elemir dedicated to training workers in the oil industry. It is a unique complex equipped with modern equipment in which the training is performed in real conditions, with the possibility of simulating all the tasks that oil workers encounter in the process of production, preparation and shipment of oil and gas.

As for the exploration and production, the scientific and technological support of the NIS Group is provided by the subsidiary Scientific and Technological Center (NTC) NIS - Naftagas LLC Novi Sad.

Services

NIS has its own service capacities, which fully meet the needs of the Group and provide services to third parties through the company Naftagas–Oil Services LLC Novi Sad. The Services provide services in the field of exploration and production of oil and gas through geophysical well testing, construction, completion and workover, as well as through conducting special operations and measurements in wells. As part of their portfolio, the Services also provide maintenance of equipment, construction and maintenance of oil and gas systems and facilities. In this business segment, the goal is to strengthen its presence in the international market. For this reason, the priority is to modernize the equipment, ensure the best possible quality of services provided, increase the technical and technological efficiency, and improve work efficiency in NIS and other companies.

Downstream

The Downstream business consists of the Refining Block, Sales and Distribution Block, Energy Block and the field of petrochemicals.

Refining

In 2023, the 55th anniversary of the beginning of production at the Pančevo Oil Refinery was celebrated. Today, this factory is one of the most modern and environmentally most developed processing plants in the region, with a maximum designed capacity of 4.8 million tonnes per year. Since 2009, more than EUR 800 million have been invested in the modernization of the Refinery, with significant funds allocated for environmental protection projects. The Pančevo Oil Refinery produces: motor fuel in accordance with Euro-5 standard, aviation fuel, liquid petroleum gas, petroleum coke, fuel oil, bitumen, propylene, aromatics, primary pyrolysis gasoline and other petroleum products (sulphur and other hydrocarbons).

In 2020, a Bottom of the barrel unit with delayed coking technology was officially commissioned. The project worth more than EUR 300 million enables NIS to increase the output of the most valuable fuels - diesel, gasoline and liquified petroleum gas and to start the domestic production of petroleum coke. NIS continuously works on the modernization of the Pančevo Oil Refinery. In 2021 began the capital project of the new phase is the reconstruction of the FCC (Fluid Catalytic Cracking) plant and the construction of a new plant for the production of ETBE (high-octane petrol blending component). In addition, activities for finding additional measures for increasing efficiency and reducing costs, as well as digitization projects, are continuously carried out in the Refinery.

In 2023, the priority of the Refining Block was the continuous production of petroleum products in order to contribute to the orderly supply of the market in challenging circumstances.

Sales and distribution

NIS operates a network of more than 400 petrol stations in Serbia and the countries of the region, with more than 80 of them outside of Serbia. NIS operates the largest retail network in the country, while simultaneously developing its operations in the neighbouring countries: Bosnia and Herzegovina, Bulgaria and Romania.

NIS is present in the market under two retail brands: NIS Petrol and GAZPROM, with the latter being a premium brand in this segment. The petrol stations of the NIS Group are synonymous with the quality of fuel and non-fuel portfolio, as well as with modern services that meet the consumers' demands. NIS continually invests in the development of its retail network and in improving the quality of its goods and services. As part of this goal, among other things in 2023, one of the 10 PSs that were reconstructed and built, PS Sokolići 2, the second retail facility of NIS at the Miloš Veliki motorway, began to operate. With it, the company contributes to the development of the road infrastructure in the Republic of Serbia. One of the priorities includes digital projects that provide consumers with services in line with modern trends, such as fuel payments without going to the payment point, digitalization of loyalty programs, etc.

In addition to the retail sale of finished petroleum products, liquefied petroleum gas and a range of related products, the sales structure of NIS also includes the export and domestic wholesale deliveries of gas and petroleum products, while the apply of aviation fuel, fuel for navigable vessels, and sales of bitumen are developed as separate business directions.

All types of fuel undergo strict and regular laboratory control and meet the highest domestic and international standards.

Energy

This business segment includes the production of electricity and thermal energy from conventional and renewable energy sources, centralized management of the natural gas portfolio for the entire NIS (production and sale of compressed natural gas, sale of natural gas), electricity trade, development and introduction of strategically important energy projects, as well as development and implementation of projects to increase energy efficiency.

The main focus of the Energy Block is expanding the scope of work in the field of electricity production and trade, managing the Company's energy resources, including TE-TO Pančevo, as well as improving energy efficiency and reliability within the NIS Group. The task of the Energy Block, among other things, is to accelerate the company's energy transition and the process of decarbonization.

The modern combined gas-steam thermal power plant-heating plant Pančevo (TE-TO Pančevo) on natural gas started operating in 2022. The produced electricity from the combined gas-steam thermal power plant and heating plant in Pančevo (TE-TO Pančevo) powered by natural gas has been delivered to the transmission power system of Serbia, which contributes to the energy stability of the Republic of Serbia. The main advantage of TE-TO Pančevo is that natural gas, as a more environmentally friendly fuel, simultaneously produces thermal energy in the form of process steam for the needs of the Pančevo Refinery and electricity for the Serbian market.

Since 2013, in oil and gas fields at eight locations in Serbia, NIS has put into operation mini power

plants with an installed electrical power of 14 MWe. The environmental advantage of these plants is in the production of electricity and thermal energy from gas that was previously not used due to poor quality, large amounts of carbon dioxide and nitrogen, or could not be delivered to consumers due to the lack of gas infrastructure. The heat and electricity produced are used for the needs of NIS, but the electricity is also sold on the market. Electricity is also produced at the Jimbolia gas field in Romania, where electricity is sold on the local market.

In 2022, the construction of solar photovoltaic power plants (PvPP) at NIS petrol stations began. As of December 2023, the construction of 45 PS was completed, of which 25 were put into operation. In 2024, the construction of solar photovoltaic power plants on other NIS facilities continue.

HIP-Petrohemija

In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP-Petrohemija LLC Pančevo the transaction was closed on June 9, 2023, after which the work on the integration of HIP-Petrohemija into the NIS system began. HIP-Petrohemija is the largest producer of petrochemical products in the Republic of Serbia, and the strategy of further development of HIP-Petrohemija will be based on the modernization of basic production capacities and the construction of new facilities, then on increasing energy efficiency and business efficiency, as well as on the implementation of projects in the field of environmental protection. The key project is the construction of a polypropylene production plant.

The company's headquarter is in the town of Pančevo, and its production facilities are in Pančevo, Elemir near Zrenjanin, and Crepaja near Pančevo. The integrated complex of petrochemical facilities currently has the capacity of over 600 thousand tons of petrochemical products per year.

HISTORY

OVER 70 YEARS OF SUCCESS

Over the seven decades, from 1949 when the first gas fields were dicrovered, NIS has developed into a successful energy company. Apart from its activities in the exploration, production and refining of oil and natural gas and sale of a broad range of petroleum and natural gas products, NIS develops it the petrochemical and energy sectors.

1945-1963

1945 Oil and Petroleum Product Trading Company was founded.

1949 Naftagas Oil Exploration and Production Company was founded. The first natural gas reservoirs were discovered.

1952 The first oil field was discovered in the north of the country, near Jermenovci in Banat.

1953 The active construction of the first petrol stations began in Serbia's largest cities.

1963 The construction of the first trunk gas pipeline was completed, connecting all the oil fields with Pančevo, where the first refinery was to be constructed.

1968-1999

1968 Oil refineries were put into operation in Novi Sad and Pančevo. The Velebit oil field was discovered.

1985 Oil production commenced in Angola, which was the first time NIS entered into a concession agreement outside the borders of Serbia.

1991 Public Enterprise Naftna Industrija Srbije was established.

1999 During the NATO bombing, NIS suffered human casualties and material losses. After the bombing, the active reconstruction of its damaged facilities started.

2005-2012

2005 NIS became a joint stock company.

2008 NISOTEC, the oil and lubricants brand was launched on the Serbian market.

2009 Gazprom Group became the majority shareholder of NIS.

Start of the modernization of the refining complex.

2010 NIS became an open joint stock company listed on the Belgrade Stock Exchange.

2011 NIS began its regional development. The subsidiaries were set up in Bosnia and Herzegovina, Bulgaria and Romania.

2012 The first phase of modernization of Pančevo Oil Refinery was completed, making start of the production of Euro 5 quality standard fuel.

Ceremonial opening of the first GAZPROM premium brand gas station in Belgrade.

2013-2017

2013 The first dividends were paid out to the shareholders from the Company's earnings.

NIS began its transformation into an energy company.

The first cogeneration plant for the production of electricity and heat from gas was commissioned in Sirakovo.

2014 The first amounts of electricity were sold in the market.

NIS started selling its first branded motor fuel, Premium Euro Diesel Ultra D.

2015 The sales of G-Drive 100 petrol started at GAZPROM petrol stations.

Implementation of the Drive Cafe concept has begun.

2016 Start of operation of the amine unit for natural gas processing in Elemir.

GAZPROM petrol stations in Serbia began selling Premium G-Drive Diesel.

Start of the loyalty program "With us on the road".

Product development under its own brand Drive café, G-Drive, Jazak.

2017 In Pančevo Oil Refinery, the start of works on the delayed coking unit were cermonially marked.

The contact on construction of a combined-cycle power plant of Pančevo was signed between TE-TO Pančevo and the Chinese company Shanghai Electric Group.

NIS Development Strategy by 2025 was adopted.

2018-2022

2018 The 10th anniversary of Common Cause Community program for cooperation between NIS and local communities in Serbia was marked.

2019 TE-TO Pančevo construction was initiated.

2020 The delayed coking unit was ceremonially started up int Pančevo Oil Refinery.

The Drive.Go digital application has been launched, enabling consumers, for the first time in Serbia, to pay at the PS, without entering a retail outlet.

2021 The Ministry of Economy, on behalf of the Government of the Republic of Serbia, NIS and HIP-Petrohemija signed a Strategic Partnership Agreement, under which the NIS' stake in HIP-Petrohemija would increase to 90% of the share capital.

2022 The construction of TE-TO Pančevo completed, and commercial production of electricity began.

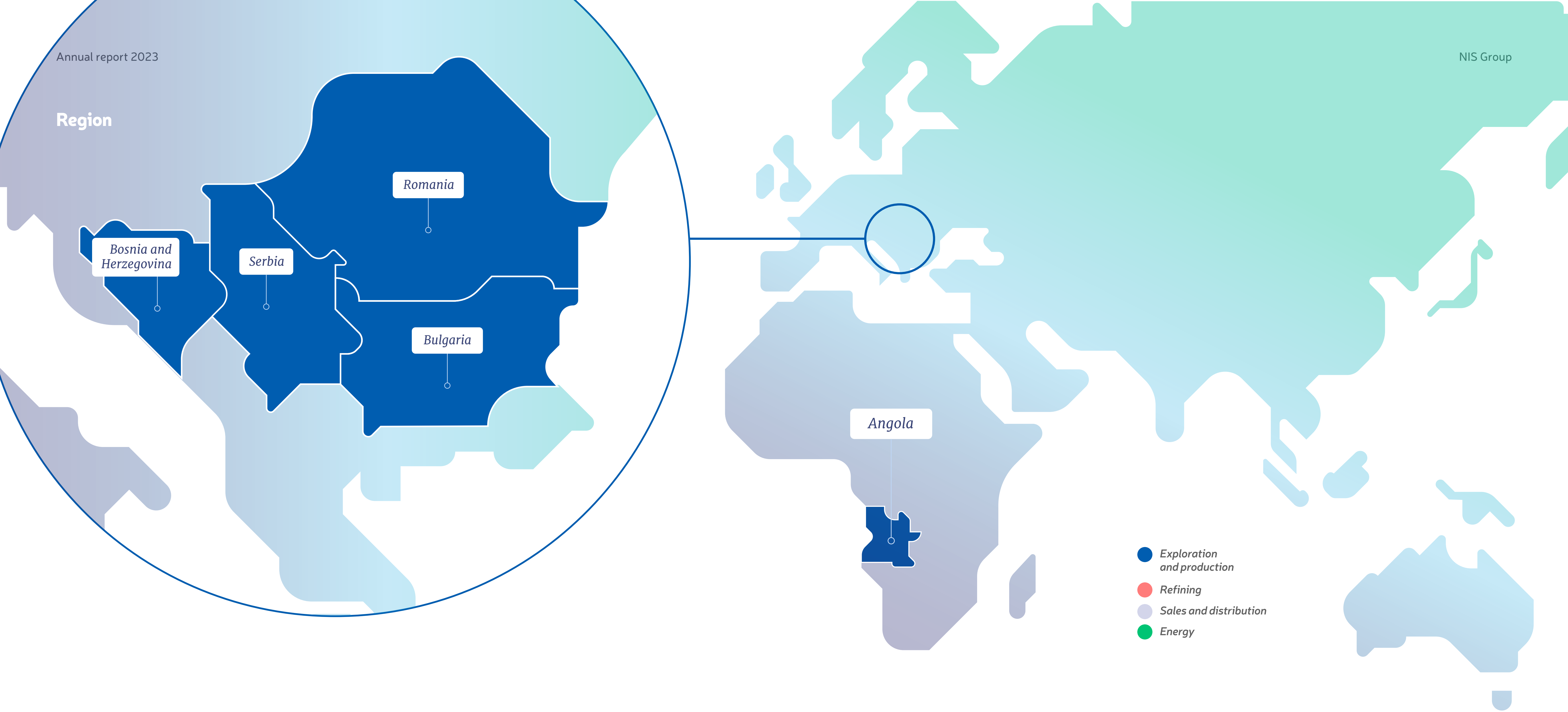
2023 IN HISTORY OF THE COMPANY

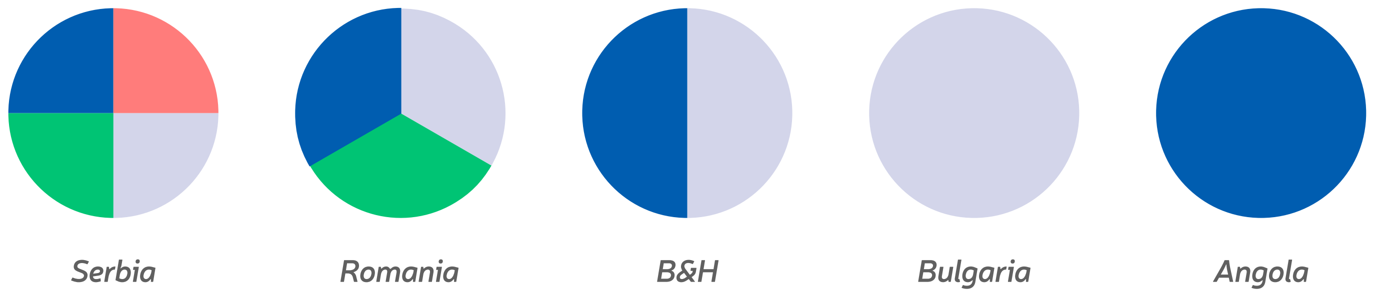
JUNE

In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad, and HIP Petrohemija, the transaction was completed on 9 June 2023, after which the work on the integration of HIPP into the NIS system began

DECEMBER

The 55th anniversary of the beginning of production at the Pančevo Oil Refinery was celebrated





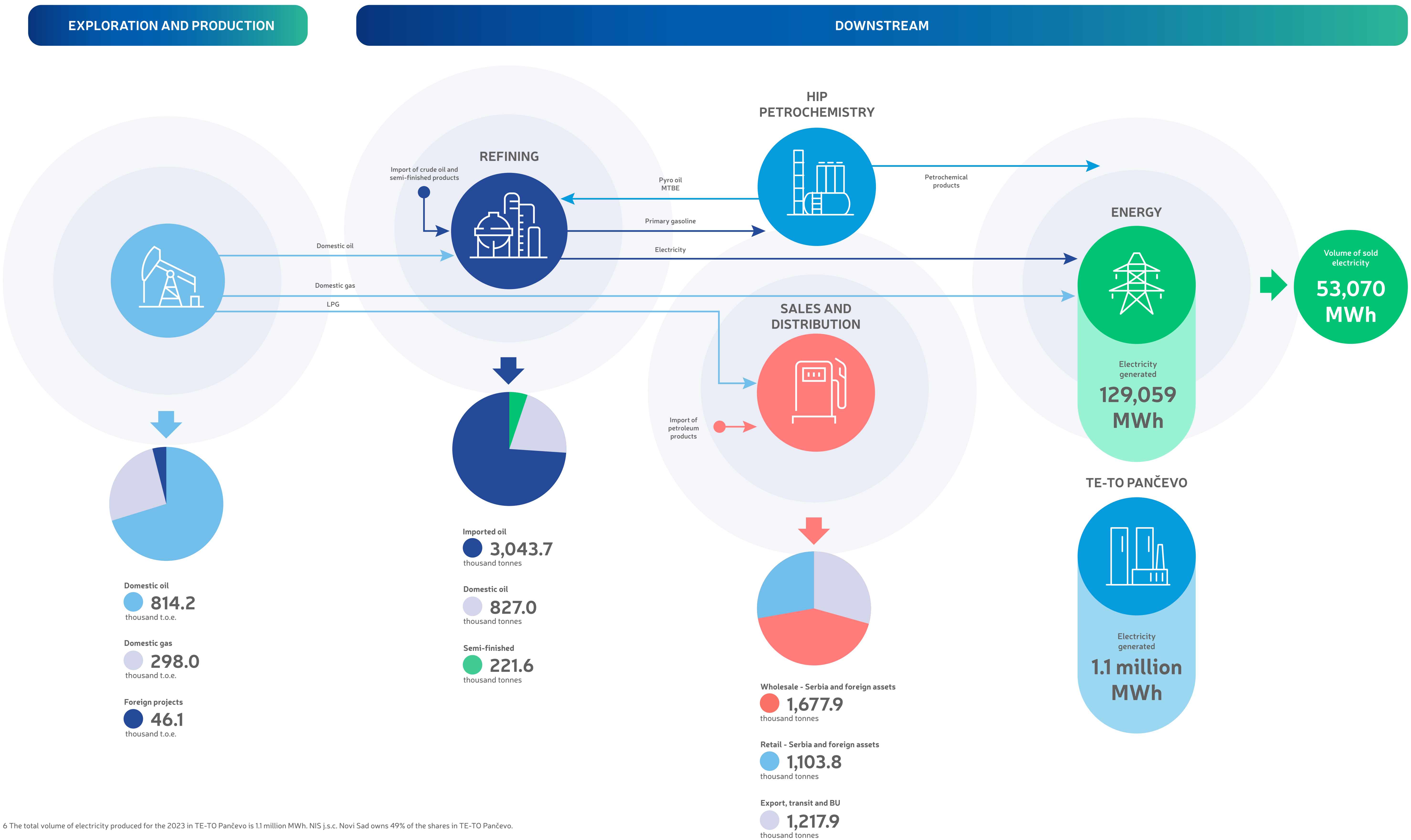
NIS WORLDWIDE

One of the strategic goals of NIS is the development of business and the strengthening of competitiveness in the regional market. Consequently, in addition to Serbia, NIS develops its business in neighboring countries, with its regional expansion taking place in two main directions – in Romania and Bosnia and Herzegovina, in the field of oil and gas exploration and production, and in Bosnia and Herzegovina, Bulgaria, and Romania, where it develops its retail activity.

Moreover, NIS is an active trader on the electricity market and it is also present on regional markets.

NIS Group's organisational structure is shown on page 45

BUSINESS MODEL[6]



6 The total volume of electricity produced for the 2023 in TE-TO Pančevo is 1.1 million MWh. NIS j.s.c. Novi Sad owns 49% of the shares in TE-TO Pančevo.

INTERSEGMENT PRICES

The concept of the intersegment pricing methodology is based on the market principle and the "one product, one transfer price" principle.

The "one product, one transfer price" principle means that the "movement" of a product between different profit centres within NIS is valued at a single price, regardless of between which profit centers the movement involves.

Intersegment prices are used to generate internal revenue between NIS business segments, and are determined to reflect the market position of each business segment.

- The intersegment price for domestic oil is determined using "export parity pricing"
- Intersegment price of natural gas is determined at the level of the purchase price from domestic production towards PE "Srbijagas"
- Intersegment prices of petroleum and natural gas products are defined according to the following principles:
  - » Combined import-export parity is a principle used for transfer pricing of products with free import to the local market and with a significant share in exports;
  - » Import parity is a principle used to calculate intersegment prices of products, with free import and with majority of sales in the domestic market;
  - » Export parity is used for products that are predominantly exported. The transfer price for petroleum products that are predominantly exported, in case the export channel is not available when forming transfer prices of petroleum products, may be formed based on sales netback premiums for alternative sales channels or signed annual contracts;
  - » Other petroleum products, i.e. products which due to their characteristics do not belong to any of the previous three groups (combined export-import parity, import parity, export parity), are typically sold to a small number of known buyers, and their selling prices are defined by annual or long-term contracts. They are an alternative to the production of other products or redundancy in production units.

PRODUCTS AND SERVICES

The NIS Group has a wide range of products and services.

From the products we single out the following:

- Diesel fuel
- Motor gasoline
- Propylene, aromatics, naphtha
- Other petroleum products (sulfur and other hydrocarbons)
- Fuel oils
- Bitumen
- Petroleum coke
- Jet fuel
- Compressed natural gas
- Liquefied petroleum gas
- Lubricants and related products
- Jazak water
- Energy generating products (production and trade of electricity and natural gas)
- Petrochemical products.

NIS provides services in several areas:

- Fuel offer at petrol stations under two retail brands - NIS Petrol and GAZPROM. GAZPROM fuel card is available, which was created with the desire to provide customers with a fast, easy and safe fuel and non-fuel services;
- Quality control services through the entire process of oil production and refining and quality control of finished products;
- Services in the field of oil and gas exploration and production,
- Transport services;
- Warehousing logistics services to third parties, with a 24/7 security and access control;
- Training sessions provided by the Scientific and Technological Centre NIS-Naftagas LLC Novi Sad and designing services;
- Laboratory services for external users;
- Accounting and HR administration services, and
- Other services.

CREATING VALUE FOR SHAREHOLDERS

SHAREHOLDERS AND INVESTORS

CONSUMERS AND CUSTOMERS

EMPLOYEES

SOCIAL RESPONSIBILITY AND LOCAL COMMUNITY

STATE

Shareholders and investors

Values

- The long-term dividend policy envisages the payment of at least 15% of the generated net profit to shareholders in dividends. As of the end of 2023, NIS had paid to its shareholders over RSD 89.17 billion in dividends since 2013. This is more than RSD 546 per share in the gross amount[7]
- Strict compliance with all the shareholders' rights and meeting the high standards in informing and communication with shareholders
- Focus on energy transition and the Green Agenda

2023 results:

- As of 31 December 2023[8], one NIS share cost RSD 812
- In 2023, NIS shares ranked first by the turnover among all shares listed in the Prime Listing, and first by the turnover in the Belgrade Stock Exchange
- Dividends were paid out for the eleventh year in a row to 2.05 million shareholders in the total gross amount RSD 23,364,924,716.00, i.e. RSD 143.29 per share in the gross amount
- In 2023, the construction of photovoltaic power plants at 37 petrol stations was completed, and 17 were put into operation with a power of 584 kW. Direct CO_2 emission was reduced by 6% (scope 1)

Our activities:

- Presentation of the Company's perfomance results on a quarterly basis and direct communication of the shareholders and representatives of the investment public with the Company's senior management
- Transparent disclosure of information and the two-way communication with shareholders and representatives of the investment public (34 reports and the information published at the NIS website, website of the stock exchange and the website of the Securities Commission)
- ESG reports for investors (the first such form of reporting in NIS)
- New system of registration of persons with access to insider information in accordance with new legal requirements that significantly improve and expand the obligations to prevent malpractices at the capital market

7 An appropriate amount of tax is deducted from the specified gross amount of the dividend when the dividend is paid. The tax rate depends on the shareholder legal form, residence status, and on whether it is a non-resident who exercises the right to apply more favourable tax rates from double taxation agreements.
8 The price shown on 31 December 2023 is actually the price of the last trading day on the Belgrade Stock Exchange (28 December 2023).

Consumers and customers

Values

- Meeting the consumers' needs
- Improving fuel and non-fuel sales

2023 results:

- NIS is the guarantor of uninterrupted supply of oil derivatives to the Serbian market even in the conditions of an unstable geopolitical situation, which means the formation of safety stocks in our warehouses and regular shipping (with the simultaneous reconstruction of the Niš warehouse)
- Drive.Go application – image online campaign aimed at gathering new members, increasing the number of downloaded applications. Promotions on social networks and other online channels, through a CRM campaign, PR and in cooperation with long-term partners
- "With us on the road" loyalty programme - with the aim of acquiring new "With us on the road" users (mechanism: all consumers who join the programme through the "On our way" application and make the first transaction of any fuel receive 500 bonus points), as well as the activation of existing participants in the "With us on the road" loyalty programme. In order to optimize, within the Application for the "With us on the road" loyalty programme it is possible to send a fiscal invoice to the consumer's email
- Social networks/partners for the creation of online content/site: readers of our site and followers on social networks can read detailed recommendations about locations in Serbia that they could visit

Our activities:

- Modernization and development of the retail network
- Development of consumer brands
- Development of loyalty programs
- Improvement of fuel and non-fuel sales
- Introduction of new products

Employees

Values

- A socially responsible company with a good reputation and a positive relationship with its employees
- A reliable employer that provides its employees with the opportunities for professional development and appreciates the loyalty and commitment

2023 results:

- Programs for young specialists: NIS Energy, NIS Calling, NIS Calling – Robotization and My First Pay

Our activities:

- Realization of HR strategy
- Investing in leaders who focus on the employees' needs, new environments, and frequent and comprehensive changes
- Investing in young people, their development and in education
- Developing the corporate culture and increasing employee commitment

State

Impact

- NIS is among top Serbian employers, investors and exporters
- Significant contribution NIS makes to the

Serbian GDP
- Considerable share in the total tax revenues of the state budget
- Investments in environmental protection projects

Our liabilities

- The liabilities of NIS and its subsidiaries in Serbia arising from public revenues in 2023 was RSD 230.1 billion. This is 12% compared to the amount of the budget of the Republic of Serbia. This ratio was obtained by taking into account liabilities based on public revenues as well as the dividend paid to the Republic of Serbia
- The total amount of calculated liabilities based on public revenues of the NIS Group in 2023 was RSD 244.38 billion. Liabilities based on public revenues are settled within the statutory maturity dates

Social responsibility and local community

- Continuous implementation of socially responsible projects in order to support the sustainable development of local communities and contribute to the achievement of the United Nations sustainable development Goals.
- Establishing strategic partnerships with the local communities in which the Company operates and supporting values that aim to create a level playing field for the development of each individual and the society as a whole.
- Addressing and understanding the needs of local communities and acting together to address relevant issues for their progress and development
- The results of the Company's research on the topic of corporate image and perception show that the Company is recognized in the local community as professional, efficient, innovative, humane and responsible

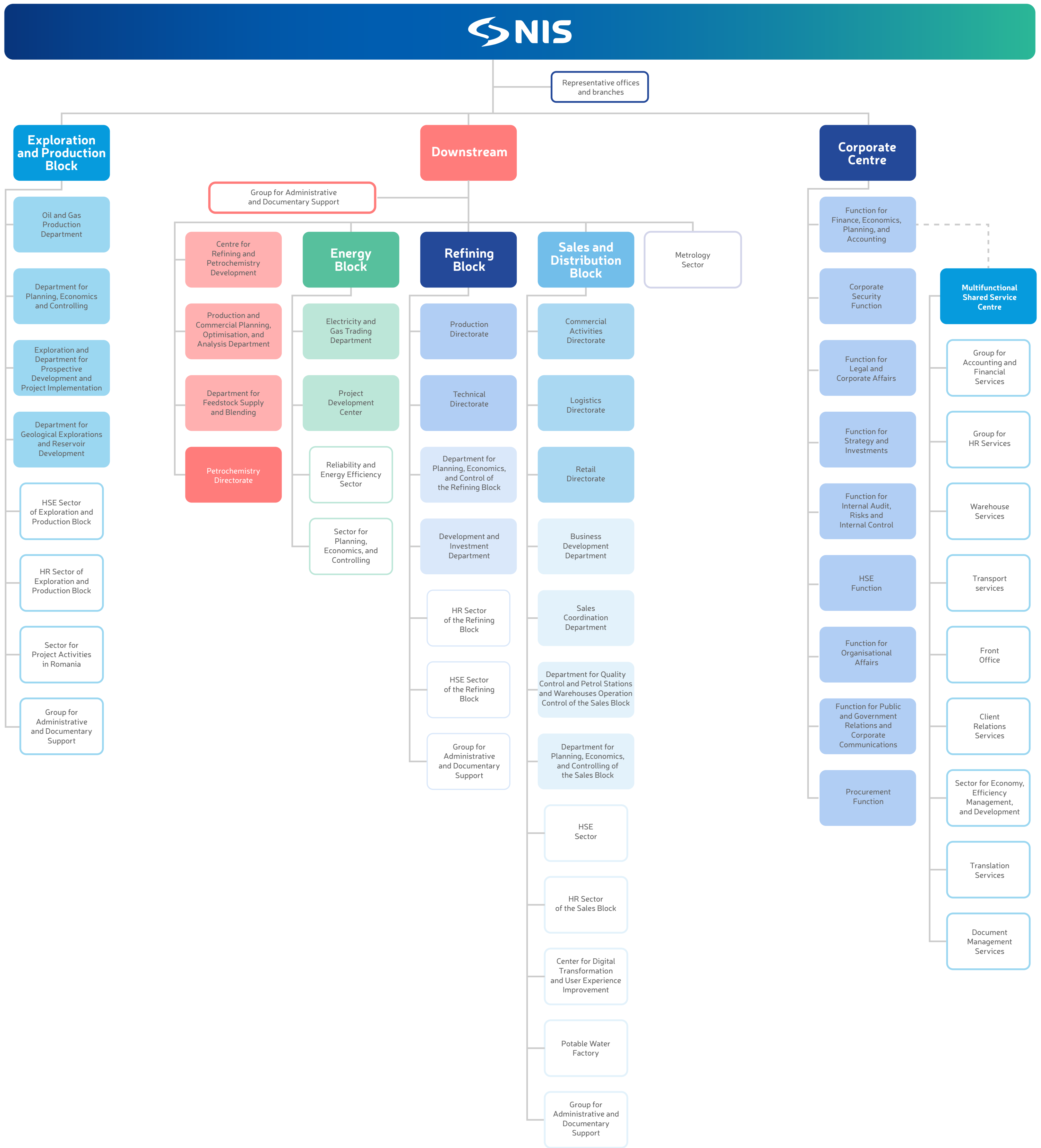
2023 highlights:

- With record annual investments in community development in the amount of as much as RSD 7.5 billion NIS proved that it rightfully held the title of one of the leaders of social responsibility in the domestic market.
- NIS is within the 15th anniversary cycle of the program "Common Cause Community" in partner cities and municipalities supported 54 projects in the field of science and education and invested as much as RSD 144.5 million.
- In 2023, the Volunteer Club of the NIS company also celebrated its first anniversary - the 5th anniversary of its foundation. In 2023 the NIS Volunteer Club held 9 volunteer events attended by 209 people, donating the total of 1,121 volunteer hours.
- In 2023, the Club of Voluntary Blood Donors JSO (unified trade union organisation) of NIS j.s.c. organised 18 voluntary blood donation campaigns in 6 cities, as many as 572 units of blood were collected.
- Within the programme "Energy of Knowledge", in 2023, four new scholarships were awarded for students studying in the Russian Federation, and five more scholarships were awarded through the Fund for Gifted Students of the University of Novi Sad.

What have we been doing?

- Supporting local initiatives by creating opportunities for their implementation
- Investing in the main pillars of social development: health and social care, education, environmental protection, sports and cultural development
- Supporting young, talented individuals to develop their potential, as well as supporting sensitive categories of society
- Employee volunteering within the Volunteer Club as a form of donation of knowledge (or skills) and time
- Many NIS employees are active members of the Trade Union NIS j.s.c. Novi Sad Blood Donor Club

NIS J.S.C. NOVI SAD ORGANISATIONAL STRUCTURE



NIS GROUP BUSINESS STRUCTURE

Subsidiaries[9] and participation percentage

- HIP-Petrohemija LLC Pančevo (90%)
- Naftagas – Oil Services LLC Novi Sad (100%)
- Naftagas – Technical services LLC Zrenjanin (100%)
- Naftagas – Transport LLC Novi Sad (100%)[10]
- STC NIS – Naftagas LLC Novi Sad (100%)
- NIS Petrol a.d. Belgrade (100%)
  - » NIS MET Energowind LLC Belgrade (50%[11])
- NIS Overseas o.o.o. Saint Petersburg (Russian Federation) (100%)
- NIS Petrol e.o.o.d. Sofia (Bulgaria) (100%)
- NIS Petrol s.r.l. Bucharest (Romania) (100%)
- NIS Petrol LLC Banja Luka (Bosnia and Herzegovina) (100%)
  - » G-Petrol LLC Sarajevo (Bosnia and Herzegovina) (100%)
- Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina) (100%)

Representative Offices and Branch Offices

- Branch Offices in Serbia[12]
- Angola Representative Office
- Russian Federation Representative Office
- Turkmenistan Branch Office[13]

9 All the company's subsidiaries are reflected i its consolidated reporting. The decision on the conclusion of the bankruptcy for subsidiary NIS-Svetlost LLC Bujanovac proceedings became final on 29 December 2023. As of 2022, the company Svetlost LLC Bujanovac has been excluded from the circle of consolidation. NIS j.s.c. Novi Sad owns the stake of 51% in this company.
10 On 29 February 2024, the business name and registered office of the Company were changed. The new abbreviated business name is NIS MTO d.o.o. Beograd.
11 Joint venture.
12 Under the Law on Tourism of the Republic of Serbia, if hospitality services are not the core activity of a company, then such company is obliged to establish a branch (premises outside its registered seat) and register it accordingly, or otherwise establish an organisational unit that is registered in the Tourism Registry. To this end, the Company registered all petrol stations where it provides hospitality services as separate branches. The list of petrol stations which are registered as branches is available at http://ir.nis.rs/en/corporate-governance/group-structure/
13 The process of liquidation has been initiated.

STRATEGY

MISSION, VISION AND VALUES

MISSION

Responsible use of natural resources and the state-of-the-art technology, supply the people of the Balkan region with the energy for making progress.

VISION

NIS j.s.c. Novi Sad will be a recognizable leader of the Balkan region in its field of business activity, owing to the dynamics of sustainable development and efficiency increase, by showing a high level of social and environmental responsibility as well as contemporary standards of providing services to the clients.

VALUES

Responsibility

Our result and safety are my responsibility!
A responsible company and employees who use resources effectively for the common good.

Transparency

Open towards each other!
Only through open and fair communication, we can create a transparent working environment.

Innovativeness

Awaken your curiosity!
We find and support new and consistently better solutions to continually improve ourselves and remain the industry leaders.

Expertise

Knowledge creates our future!
Everything we create is based on our expertise that inspires change throughout the community.

The main strategic goals of NIS j.s.c. Novi Sad

- To preserve production and resource base growth indicators
- To increase the depth and efficiency of refining
- To boost the sales of petroleum products through own sales channels and modernise the retail network
- To diversify the business by building new electricity generation capacities
- To optimise operating performances

STRATEGY

In 2017, the Corporate Development Strategy of NIS j.s.c. was adopted with the aim of ensuring further growth and profitability for shareholders, employees and the wider social community. Considering that as of 2023, HIP-Petrohemija is the part of NIS, the Company's strategy will also include as goal integration and further development of the petrochemical sector.

Exploration and production

In the current Strategy, the largest part of NIS investments is planned for the exploration and production segment. Exploration and geological and technical works in Serbia, investment in the development of the most profitable foreign concessions, as well as a constant increase in business efficiency will mitigate the expected slight decline in production. In the period from 2018 to 2023, the company drilled 296 wells in Serbia, and started oil and gas production in Bosnia and Herzegovina and Romania.

Refining

The development of NIS refining through the modernization of the Pančevo Refinery and the increase of energy and operational efficiency in this segment is one of the main tasks of NIS. The refinery commissioned a deep processing unit with delayed coking technology in the period from 2018 to 2023, which increased the depth of refining and altered the structure of the product in favour of light petroleum products. Also, numerous investment projects have been implemented to increase efficiency and reliability.

Sales and distribution

The strategy in this segment was to modernize the retail network and petroleum product depots, increasing profitability through sales growth and development of non-fuel products, increase the efficiency and volume of wholesale. The focus is also on developing and improving business lines of specialized products (raising the level of specialized logistics, improving the quality of products and ancillary services). In the period from 2018 to 2023, the following was realized: 18 new PSs were put into operation (of which 9 were newly built, 2 PSs were purchased, 7 were leased), 6 more PSs were brought back into the network and 33 were reconstructed. The company installed chargers for electric vehicles at 7 PSs.

Energy

Growth of electricity production and efficiency increase are the main goals of NIS with respect to energy. In addition to further growth in electricity production (start of TE-TO Pančevo, small power plants, solar panels), the key projects include growth in the electricity trade. In 2022: TE-TO Pančevo was commissioned, panels were installed on 8 PSs, while in 2023 NIS put in operation 17 solar plants at its petrol stations with the total capacity of 873.63 kWp, for 20 solar plants on PS construction was completed. The installation of solar panels with the capacity of 620 kWp at the Jazak water plant are finished. Agreements were signed and project implementation started of a ground-mounted solar plant in Novi Sad of 6.59 MWp, and a roof-mounted solar plant of 0.56 MWp at the Novi Sad oil depot.

What has been done so far?

Bottom of the barrel unit was put into operation

We are introducing modern technologies into the oil sector of Serbia.

emission reduction of SO_2 **>90%**

>300 million euros of investments in project Bottom of the barrel

99.2% refining efficiency at the Pančevo Oil Refinery

up to 2,000 tons per day – unit capacity

38.2% increase in diesel output at the Pančevo Oil Refinery

Construction and comissioning in continuous operation of TE-TO Pančevo

1,055 GWh of electricity was placed in the energy system of Serbia in 2023. The production of steam for the Pančevo refinery was successfully tested.

up to 200 Mw

Value project **around 192 million euros**

HIP-Petrohemija integration 2023

"The HIP-Petrohemija development strategy is based on increasing energy efficiency, modernizing basic production capacities and building new plants, which would together strengthen the competitiveness and business sustainability of HIP-Petrohemija."

HIPP

The Strategic Partnership Agreement defines the key obligation of NIS to perform a monetary recapitalization of HIP-Petrohemija in the amount of EUR **150** million in the next **6** years, for the construction of a factory for the production of polypropylene with a capacity of at least **140,000** tons per year.

As in the previous period, operational efficiency programs in all parts of NIS will continue to be a source of raising the level of business success in the coming period and will remain one of the main strategic goals, considering the complexity of the business environment.

2017 The beginning of the construction of the Bottom of the barrel

2019 The beginning of the implementation of the TE-TO Pancevo project

2020 *18 November* **Ceremonial opening of the Bottom of the barrel**

2021 Beginning of the implementation of projects to increase the efficiency and reliability of the refinery

2022 *October 24* **Comissioning of the TE-TO Pančevo project**

2023 *June 9* **HIP-Petrohemija Integration**

Further NIS' development

Exploration and production
Maximize the share of own crude oil it the refining portfolio by maintaining production decline at a stable level through well interventions, geology programs, and the development of concessions.

Refining
Increase efficiency through modernization projects, increasing operational and energy efficiency and integration into the petrochemical sector.

Energy
Building electricity generation facilities, specifically using renewable energy sources.

Sales and Distribution
Maintain the share on the motor fuel market in Serbia in the long term and increase the share on the retail market through modernization of the network and business efficiency improvement.

Petrochemistry
Modernization of existing plants and construction of plants for the production of polypropylene, increase of energy efficiency and implementation of projects in environmental protection.

ESG
Improve the environmental performance of business processes, focusing on reducing carbon intensity, as well as preserving the environment.

Corporate headquarters (HQ)
Increase efficiency in all areas.

RISK MANAGEMENT

Integrated Risk Management System

Risk represents a negative impact on the Company's objectives in the case of a risky event occurring. Risk management is a continuous and systematic business process which serves to support management decision-making and the achievement of a Company's objectives in a risk exposed environment.

In business, the Company is exposed to certain risks which may affect the fulfilment of set objectives, if realised. The Company acknowledges the existence of risks and makes a sustained effort to manage them in a structured manner. An effective and efficient risk management system is central to ensuring the Company's business continuity and a well-established risk management framework outlines the Company's risk management procedures and lays the groundwork for business decision-making.

During 2023, NIS ordered an external evaluation of its risk management system, with the conclusion that the company's risk management system complies with the international corporate governance standards, including the specialized risk management standards.

Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness and efficiency of managerial decisions by identifying, analysing and assessing risks which arising from those decisions, outlining answers and risk management measures and ensuring the maximum effectiveness and efficiency of risk management during the implementation of decisions.

The Company's risk management objectives are achieved through the following tasks:

- Establishing a risk management culture in the Company in order to ensure that both the management and employees have a full understanding of the basic risk management principles and approaches;
- Defining and establishing a systemic approach to identifying and assessing the risks inherent to the Company's operations, both in general and specific business areas;
- Encouraging the exchange of risk information between the corporate organizational units, and the collaboration in the identification that risk management measures and
- Providing structured information on risks to the corporate governance bodies.

The IRMS is a set of phases, methodologies and instruments aimed at ensuring the efficiency and effectiveness of the risk management process in the Company.

IRMS business process flow at NIS

The basic principle underpinning this system is that the responsibility for managing risks is assigned to risk owners; owners of business processes in the Company. Such an approach ensures that the responsibility for risk management and monitoring is identified for all processes of the Company, and that suitable solutions concerning risks and action plans are prepared in order to manage risks at the level of individual business processes and Company as a whole.

The Company has set up its Section for Risk Management System Monitoring which performs continuous monitoring and control of the risk management process and coordinates and improves this business process.

Risks are identified by the analysis of internal and external data sources, the analysis of unlikely scenarios, interviews, risk sessions, etc., and risk exposure assessment is performed by quantitative, qualitative or EMV (expected monetary value) method. Risks are ranked according to levels, according to the risk matrix, the combination of identified impact and risk probability.

The Company has implemented key risk indicators aimed at early identification of changes and their potential causes which could subsequently lead to Company's failure to achieve its targets. They demonstrate the risk exposure of certain key indicators and defined time period of monitoring.

IRMS in business planning process

The key risks associated with the Company's goals are acknowledged by the Board of Directors through the adoption of business plans. Risk assessment is an integral part of the business planning process, while information on key risks – estimated financial effect of the risks on result of Company, answers and measures, financial resources needed to implement the measures – are incorporated into the adopted business plans.

In its operations, the Group is exposed to the following categories.

Non-financial risks:

- Operational risks;
- Project risks;
- Political risks;
- Strategic risk;
- Reputation risks;
- Legal risks;
- Compliance risks.

Financial risks:

- Foreign exchange risk;
- Interest rate risk;
- Liquidity risk;
- Credit risk;
- Concentration risk;
- Commodity and price risks.

Nonfinancial risks

Risk decription	Risk management measures
Operational risks	
HSE risks	
Due to the nature of its activity, the Company is exposed to health, safety and environmental risks.	With a view to protect its members of staff, equipment, facilities and environment, while meeting legal obligations, the Company continuously monitors its operations, workforce, assets, and working and living conditions and promptly amends its normative and methodological documents to reflect the changes in the legislation of the Republic of Serbia and ensures compliance with them. The Company timely implements corrective measures introduced in the wake of HSE investigations of incidents, through a system of observations, corporate monitoring and external inspections. Training courses are being conducted with a view to condition employees in HSE disciplines.
HR risks	
Highly qualified personnel is a key prerequisite of efficient operations of the Company.	The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. Some of the measures to attract qualified personnel are: early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, NIS Energy, Serbia Repatriation. The programs implemented for the retention of employees are: Talent management program, Talent development program, professional training of employees, employee evaluation procedure based on performance and potential - identifying talents and defining the succession plan for key positions in the Company, training for management and introduction of a unique talent management system.

Risk decription	Risk management measures
Operational risks	
IT Risks	
Due to the growing dependence of the Company's business processes on information technology, automation and telecommunications, the Company is exposed to risks of ensuring the expected availability of services and business continuity.	The Company manages these risks through a range of measures, which include IT standards, system monitoring tools, and performs the backup of data and tests the service recovery process. In addition, the Company strives to monitor and implement new technologies and renew equipment in order to increase quality and continuity of service availability.
Information security risks	
The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.	Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks. The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.
Project risks	
A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (Project Management Institute) standards. Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives.	A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a "response strategy", that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register.
Political risks	
The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.	Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations. The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results. The Company has adopted internal procedures to ensure adherence of its business to sanctions. They aim to eliminate the risks and potential adverse effects on the Company's operations, resulting from business transactions contrary to the bans and restrictions imposed by the international sanctions.

Financial risks

Risk decription	Risk management measures
Credit risks	
It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.	Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad). With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.
Liquidity risks	
Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its due liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.	NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the maximum loan debt level is not exceeded (the parent company sets the limit) and that all its obligations under commercial bank arrangements (covenants) are met.
Commodity-price risks	
Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil, petroleum and petrochemical products that affects the value of inventories and margins in oil refining and the production of petrochemical products, which further affects the future cash flows.	These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices. In addition, the following actions are undertaken to reduce a potentially negative effects of this risk on the financial result of the Company: • Annual planning based on multiple scenarios, planned follow-up and timely adjustment of operating plans for crude oil procurement; • Regular sessions of Company's Commission in charge of crude oil purchase/sale to discuss all major topics; • Constant, intensive check of new potential suppliers through their procedural verification and according to inquiries and letters of interest submitted to NIS; • Maximum effort to ensure a continuous supply of crude oil in restrictive conditions, which have been very evident since the end of the first quarter of 2022, both in the required quantities but also by the type of oil that would correspond to refining plans and planned production/basket of derivatives; • Additional optimization of the procurement process based on the Decision of the Government of the Republic of Serbia to exempt crude oil from customs duties from March 2022 until the end of the year (pro tempore), as well as in 2023. • Continuous efforts to optimize processes and strive for the best possible economic effects and indicators; • Monitoring market conditions throughout the calendar year and collecting information from foreign companies that are eminent, reliable traders in the European market and beyond, in order to better understand the potential conditions for the implementation and realization of spot purchases.
Foreign Exchange Risks	
Company operates in an international setting and is thus exposed to the risk of fluctuating foreign exchange rates arising from business transactions being made in different currencies, primarily EUR and USD. The risk involves future trade transactions and recognised assets and liabilities.	The risks relating to fluctuations in the national currency against the US dollar and the impact of this factor on the prices of petroleum products is partly neutralised through the natural hedging of petroleum product selling prices, which are adjusted to these fluctuations. Risk management instruments are also used, such as forward transactions on the foreign exchange market and successive purchases of foreign exchange, which help reduce the impact of foreign currency losses in the event of depreciation of the national currency against the EUR (following the imposition of sanction constraints Company pays the majority of its foreign currency liabilities in this currency). Other measures include the balancing of the foreign exchange equilibrium in terms of adjusting the currencies in which export transactions are denominated to the currencies of foreign exchange liabilities, managing the currency structure of the loan portfolio, etc.
Interest Rate Risks	
The Company is exposed to the risk of interest rate volatility, both in terms of its bank loans and deposits.	The Company takes out loans with commercial banks at either floating or fixed interest rates, depending on the forecasts of base interest rates in the monetary market and the business banks' capability to offer fixed interest rates for loans. Funds in the form of intercompany loans to third parties are taken out at floating or fixed interest rates, whereas funds deposited as term or demand deposits are mostly placed at flat interest rates. Deposits are aligned with the credit limit methodologies of commercial banks (funds are reciprocally placed only with major commercial banks from which Company takes out loans and/or lines of credit/security instruments). In this respect, revenues and cash flows from bank deposits and a section of intercompany loans are predominantly independent of any changes in base interest rates. In this respect, income and cash flows from bank deposits and intercompany loans do not largely depend on changes in base interest rates, while liabilities towards the banks and intercompany liabilities contracted at variable interest rates depend on changes in base interest rates. In order to reduce the uncertainties associated with interest rate risk, when collecting offers from banks for financing, the Company insists on collecting offers with fixed interest rates in order to compare interest rates with variable and fixed interest rates and make a selection in accordance with the current policy on interest rate related expenditure management. In addition, the analysis of interest rate movements in the financial market is continuously being carried out, as well as analysis of restrictions and possibilities of using interest rate hedging instruments (interest rate swaps, options, etc.).

BUSINESS ENVIRONMENT[14]

World[15]

Turbulent events in 2023 led to a situation where oil producers did not have a clear understanding of the state of supply and demand in the oil and gas market. The market entered the new year burdened by major geopolitical crises, inflationary pressures and warnings of recession in some of the most developed economies. In order to avoid supply disruptions and respond quickly to circumstances, the OPEC+ coalition plans to hold extraordinary meetings in addition to the regular ones.

At the end of 2023, the world's largest oil producer at the moment, the USA, reached an all-time high of 13 million barrels per day. Analysts expect this figure to rise to 13.2 million barrels per day in 2024, only to start falling again. The second largest producer in 2023 was Saudi Arabia. In the first half of the year, production was around 10.2 million barrels per day, but in order to stabilize prices, production had been voluntarily reduced by 1 million barrels per day as of July. Canada reached a record production level of 4.86 million barrels per day in 2023, and is forecast to further increase production by another 8% until 2025.

The US Energy Information Administration forecasts global production of liquid hydrocarbons to rise by 0.6 million barrels per day, slowing from growth of 1.7 million barrels per day in 2023.

The International Energy Agency's end-2023 report forecasts global oil demand to reach 101.7 million barrels per day, driven by a macroeconomic slowdown. Global demand growth declined by almost 0.4 million barrels per day in the last quarter of 2023, with more than a half of the decline coming from Europe. Overall, global demand growth is forecast to slow to around 1.1 million barrels per day in 2024, given the lower than expected GDP growth rate in major economies. Demand levels are also influenced by the global trend towards energy efficiency and the increasing number of electric vehicles.

At the 28th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP28), held in the UAE in mid-December 2023, representatives of nearly 200 countries agreed on the need to reduce global fossil fuel consumption to counter climate change. This agreement is considered historic, but its real success depends on its implementation. More than 100 countries were in favour of a concrete plan to phase out oil, gas and coal, which was opposed by a group of OPEC member states led by Saudi Arabia, claiming it is possible to reduce global emissions without giving up certain fuels. Saudi oil company Aramco, pursues a clear strategy on energy security and transition, and that is investment in hydrocarbon production. The company leaders believe that oil and gas are key to ensuring short and medium-term energy security and energy availability, and point out that this energy source will help, at the same time, to accumulate funds for the subsequent energy transition. Aramco plans to double production of blue hydrogen and ammonia through intensive gas production (the company intends to increase production by more than 50% by 2030), as well as invest in carbon dioxide capture and storage technologies, instead of investing in renewable energy sources that would be used for electrolysis to obtain "green" hydrogen.

The lead analyst of the Goldman Sachs Group, voices a similar opinion, believing that the energy transition should be based on maximising energy levels while minimising emissions and maintaining reliability. He believes that this is the correct approach Europe has been lacking over the past few years. This is implicitly confirmed by the latest report of the European Commission, which notes that the EU countries are lagging behind in achieving their climate targets. According to the Commission, the existing national climate plans of the EU countries will ensure a cumulative reduction of greenhouse gas emissions by 51% by 2030, falling short of the mandatory EU target of 55%.

14 Data sources for the world, oil price and macroeconomic trends: reports by Wood Mackenzie, IHS, Bloomberg, Reuters, National Oil Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles.
15 Source: EIA, OPEC, Oil&Gas Journal, IHS, Wood Mackenzie.

Oil

Throughout 2023, the price of Brent oil had less fluctuations than the price in the same period last year. The price ranged from 71.7 to 97.9 $/bbl in 2023 (compared to 76.4 to 137.6 $/bbl recorded in 2022). In the last quarter of 2023, the price ranged from 73.6 to 95.0 $/bbl and had a gradual downward trend throughout the quarter, reminiscent of the same period in 2022.

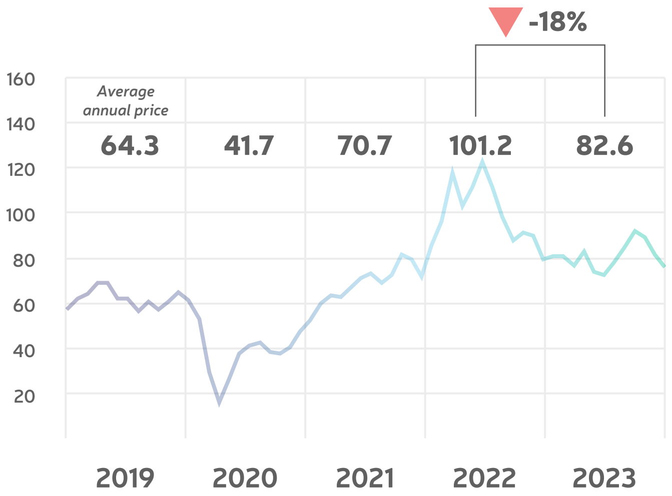
The average price of this type of oil in 2023 of 82.6 $/bbl was year-on-year lower by 18%, while the average price recorded in the last quarter of 84.0 $/bbl did not, on average, deviate much on the year before (88.7 $/bbl) and was 5% lower.

The end of 2023 marked a seven-week-long period of persistent price declines, the longest in five years. The price in 2023 peaked at the end of September and then gradually declined until it reached 77.6$/bbl last day of the year.

The current price volatility will continue in the coming period, so energy companies will be forced to closely monitor daily global events much more than in the period before the start of the war in the Gaza Strip and attacks on tankers in the Red Sea.

On the other hand, OPEC has so far boosted prices by reducing the production of its members because of the fear of insufficient oil supply on the market. However, US crude oil production hit an all-time high of 13.2 million barrels per day in September. One solution already tried is a market glut that is driving down prices and calling into question the profitability of US shale oil production. Therefore, this period can also be seen as a "calm before a possible storm".

Brent Dtd[16] price trends, $/bbl



Macroeconomic trends

In its latest Global Economic Outlook, McKinsey states that the highest percentage of respondents stated that geopolitical instability is the greatest threat to economic growth. The previous optimism about the global economy and the growth of the company's workforce and profits (whose executives were interviewed during this survey) has somewhat "waned".

And the forecast of IMF is that global growth will slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, well below the historical (2000–2019) average of 3.8%. Advanced economies will slow economic growth from 2.6% in 2022 to 1.5% in 2023 and 1.4% in 2024 due to the global political situation. Developing countries will also record a small decline in economic growth from 4.1% in 2022 to 4.0% in 2023 and 2024.

16 Source: Platts.

Global inflation has been steadily declining from 8.7% in 2022 to 6.9% in 2023 and 2024 due to a tighter monetary policy supported by lower international commodity prices. The IMF believes that, base inflation will gradually decline in general.

After the key reference interest rates have soared to the highest level in the last twenty years since July 2022, according to the opinion of international financial institutions, central banks, and experts, their decrease will definitely occur in 2024.

At its last monetary policy meeting in 2023, the European Central Bank decided to keep interest rates at 4.5%. It was pointed out that interest rate increase would probably not be necessary to bring inflation under control. The ECB estimates that inflation will reach around 5.4% in 2023 and around 2.7% in 2024. The German central bank estimates the domestic inflation rate in 2023 at 6.7% with a decrease to 2.7% in 2024. At the same time, it reduced the previous forecasts of economic growth in 2024 to 0.4% and 1.2% in 2025 due to the delay in the expected economic growth. But the good news for Germany is the reduction of the recession in 2023 to 0.2%.

The US Federal Reserve has also decided to keep key interest rates between 5.25% and 5.5%.

Some analysts believe that the optimism and euphoria that immediately dominated the markets that arose as a result of the decisions of the ECB and the FED are premature, as indicated by some indices on the stock exchanges. According to them, even if the inflation decreases, interest rates are likely to remain higher in the next decade than was the case in the decade after the 2008 financial crisis. This reflects a number of factors, including rising debt levels, deglobalization, increased defence spending, the green transition, populist income redistribution demands, and constant inflation. Even demographic changes, often cited as the reason for persistently low interest rates, can affect developed countries differently as they increase spending to support a rapidly aging population. Although the world can certainly adapt to higher interest rates, the transition is still underway. The change could be particularly challenging for European economies, and it is unclear whether the EU can survive future crises if real interest rates remain high.

So far, Japan, the United States and other major emerging economies have managed to cope with high interest rates, but they are also facing enormous fiscal pressures, and therefore economists are mostly restrained in their forecasts.

Serbia[17]

It is to a considerable extent that Serbia shares Europe's fate with respect to the economic situation. However, the forecast for Serbia is more optimistic than for the European Union. The National Bank of Serbia forecast a growth of real GDP of 3.5% in 2024, while the EU and the IMF foresee slightly lower growth rates (3,1% and 3% respectively). Nevertheless, challenges remain given that this kind of growth requires a strong growth in domestic consumption and the beginning of a new investment cycle, with no growth in public debt. The Serbian economy still depends on external factors and circumstances which are often a determining factor for the arrival of investments required, in addition to other investments, for the development of infrastructure, one of the economic growth factors.

In 2023, the NBS raised the interest rate benchmark six times by 0.25%, from 5.00% in January to 6.50% in July. This interest rate benchmark was maintained at the beginning of 2024. The NBS decision from September 2023 to limit interest led to the housing loan instalments being "dormant" since October, as commercial banks cannot increase interest all the way to the end of 2024, keeping it at a constant level of 4.08%.

Many economists feel that 2024 will be yet another year of challenge and uncertainty. The IMF expects a gradual reduction in interest rates, with Europe expected to face the first reduction in interest rates of approximately 0.2% as of second quarter of 2024. The benefit of a global interest rate reduction will certainly be felt in Serbia, too. However, local economists expect a slight decrease in nominal interest rates in the second half of 2024 while a more considerable "relief" with respect to interest rates can only be expected as of 2025.

The level of interest rate is also directly dependent on the level of inflation. The higher the inflation, the more the central bank has to raise interest and the longer to keep it that high.

In 2023, Serbia had the highest year-on-year inflation in March (16.2%) and it has been decreasing since April. In October, it went back to a single-digit level (8.5%), decreasing to 7.6% in December. The average inflation in 2023 was at 12.1%.

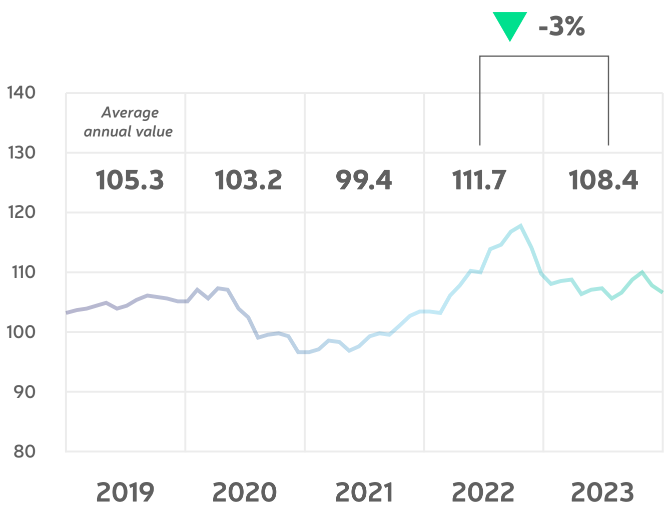
In the fourth quarter of 2023, the real year-on-year GDP growth was 3.8%. According to the preliminary estimate of the Statistical Office of the Republic of Serbia, the real GDP growth in 2023 was 2.5%, while the estimate by the IMF was slightly lower (2%).

In December 2023, the year-on-year growth rate of industrial production was 1.7%, while the cumulative year-on-year growth rate in the period January-December was 2.5%. The growth was promoted by the sectors of processing Industry (2.6%) and electricity, gas, steam and air-conditioning supply (6.9%), while the year-on-year production in the mining sector was slightly lower (15.0%). On the other hand, when sector-specific production dynamics is determined by the current trend, it can be said that sectors are in or close to stagnation.

The employment rate went up 0.5% (to 50.7%) in the third quarter of 2023 compared to the same period last year, while the unemployment rate remained unchanged (9.0%). In the period January-November 2023, year-on-year formal employment was higher by 2.3%, owing to the private sector growth of 3.0% (IT, specialist and scientific activity, and processing industry).

The average (gross) salary calculated in November 2023 was RSD 123,971, while the average salary exclusive of taxes and contributions (net) was RSD 89,956. The median net salary in November 2023 was RSD 69,088. The average (gross) salary calculated in the period January-November 2023 was RSD 117,518, while the average salary exclusive of taxes and contributions (net) was RSD 85,175. The year-on-year growth of gross and net salaries in the period January-November 2023 was 15.0% and 2.0% respectively, compared to the same period last year.

Exchange rate trend, USD/RSD[18]



- The average USD/RSD exchange rate in 2023 was lower by RSD 3.3, i.e. 3% compared to the average exchange rate in the same period of 2022.
- In 2023, USD/RSD exchange rate decreased by RSD 4.3 or 4%.

17 Source: National Bank of Serbia, Statistical Office of the Republic of Serbia, Serbian Chamber of Commerce, newspaper articles.

18 Source: National Bank of Serbia.

LEGISLATIVE CHANGES

In 2023, the legislative activity of the state authorities centered around additional regulation of the issues of facility construction, registration in the cadastre of immovable property and infrastructure, employment of foreigners, and digitization in the healthcare sector. The National Assembly adopted the following laws that have an impact on our company's operations: Law on Amendments to the Law on Planning and Construction, Law on Amendments to the Law on Fees for the Use of Public Goods, Law on Amendments to the Law on Foreigners, Law on Amendments to the Law on Employment of Foreigners, Law on Amendments to the Law on State Survey and Cadastre, Law on Amendments to the Law on the Procedure for Registration in the Cadastre of Real Estate and Utilities, Law on Amendments to the Law on Health Insurance, Law on Health Documentation and Healthcare Records, Law on Amendments to the Law on Electronic Invoicing, etc. In 2023, the adoption of by-laws of the Law on Planning and Construction accompanying the adopted amendments to the Law and by-laws further regulating the field of renewable energy sources is worth noting. Also, in 2023, the limitation on the price of petroleum products continued through the adoption of the Regulation. In addition to the adopted regulations, several draft laws and by-laws were also prepared and considered in 2023, such as the Draft Regulation on Determining the Integrated National Energy and Climate Plan of the Republic of Serbia until 2030 with projections until 2050, Draft Law on Amendments to the Law on Trade, Draft Law on Information Security, Draft Law on Work Practice, Draft Strategy for Occupational Safety and Health in the RS 2023-2027, including the Action Plan for its enforcement, Draft Programme for Adaptation to Changed Climate Conditions, including the Action Plan, etc.

In the first quarter of 2024, the legislative activity is expected to decline as a result of the parliamentary elections scheduled for December 2023 and the procedure for the constitution of the National Assembly and the appointment of the new Government.

The regulations that were discussed publicly or submitted to the company for review and suggestions were analysed by NIS in detail, and the relevant comments and suggestions for the improvement thereof were given.

NIS shall further continue its efforts to give its utmost contribution to improving the business environment in Serbia.

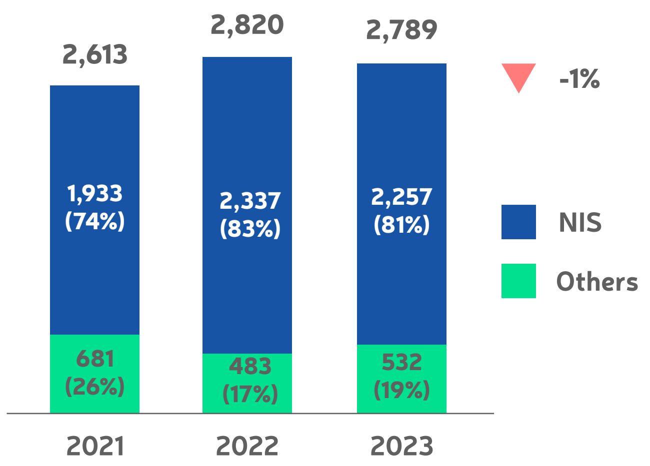
PERFORMANCE ANALYSIS

Market share[19]

Almost all countries of the region recorded a growth in consumption. As a result of a good tourist season, the consumption in Croatia soared, while the consumption in Hungary was lower due to a particularly long period of fixed prices at an extremely low level in the previous year.

Market share in the Serbian market

Volume of the RS motor fuels market[20], in thousand tonnes

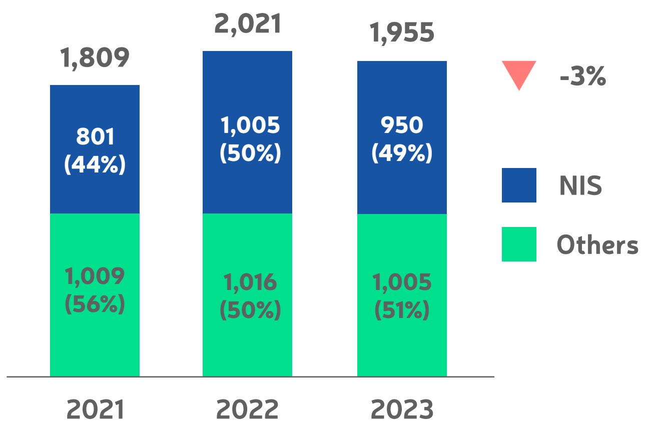


In 2023, the consumption of petroleum products in Serbia recorded a year-on-year drop of 3.9%. The consumption of motor fuels in Serbia is lower by 1.1%. The high base period in the first half of 2022, due to the stocks by end users in fear of a possible shortage, brought about the reduction of the difference in interannual consumption.

The increase of NIS share in the motor fuel market in 2022 was linked to the Regulation on Limitation of Petroleum Products Prices, which was continuously in force in 2023, and also to the regulated fixed subsidised price for farmers. Although, during the second quarter of 2023, the price of diesel for farmers lost some of its attractiveness as a result of the decline in quotations on the global market, thus enabling other market participants to compete in this segment, this changed again in September when prices significantly increased, returning agrodiesel deliveries almost completely to NIS petrol stations.

Volume of the RS motor fuels retail market[21], in thousand tonnes

[22]



Retail: In 2023, the consumption decreased by 3.3% compared to 2022 as a result of the absence of the cross-border purchases during the period of extremely low prices in Republic of Serbia, while NIS share was year-on-year lower by 1.1%, which was connected to the parts of the year in which the price of diesel was close to the one prescribed for farmers.

19 Data sources for the projections: for Serbia – Sales and Distribution Block's internal analyzes and estimates; for consumption estimates for Bulgaria and Romania– Stratas Advisors; for Bosnia-Herzegovina – Stratas Advisors and internal estimates. Any deviations in percentages and aggregate values result from rounding.
20 Data for 12 months of 2023 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.
21 The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 12 months of 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.
22 The retail of other participants in the market is supplied by the wholesale of NIS and other participants in the wholesale market of Serbia.

Also in 2023, NIS ensured the secure supply of petroleum products to the Serbian market in all sales channels. The impact of higher prices and another growth of agrodiesel sales had a positive impact on NIS' retail market share.

Market share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

In 2023, Bosnia and Herzegovina recorded a recovery in the consumption of motor fuel, as well as in the retail, compared to the previous year. Throughout the year, the Regulation on limiting the wholesale and retail margin on petroleum products was in force.

The competitiveness of the market is increasing. "Bingo Petro" has opened the fourth in line petrol station in Kalesija, after opening the petrol stations in Tuzla, Gračanica and Hadžići.

On 31 August 2023, Nestro Petrol opened the first CNG station in the Republic of Srpska in Banja Luka, and the strategic plan is to open eight more gas stations in Bosnia and Herzegovina. In addition to the petrol station Nestro Budžak/Lazarevo, CNG can also be purchased at the fuel dispenser within the area of Brod Oil Refinery.

"HIFA-OIL" will supply the airlines operating at Mostar Airport. "HIFA-OIL" has the largest kerosene terminal in Bosnia and Herzegovina, with a total capacity of four million liters. Two years after investment and development, "HIFA-OIL" has become the leading supplier of kerosene to the airports in Sarajevo, Tuzla and Mostar. A new contract was signed with Ryanair airline for 2024, binding "HIFA-OIL" to supply jet fuel and provide full service for this airline at Sarajevo Airport.

During the first quarter of 2023, the Regulation imposing a ban on diesel export from Serbia was in force, which significantly restricted NIS in supplying its retail network and prevented it from supplying wholesale clients. In March, the quantity quota for export to Bosnia and Herzegovina was approved, whereupon the supplies from Pančevo Refinery were resumed. The Regulation was formally abolished at the end of March and during the second quarter, the supply was normalized.

NIS has 41 petrol stations in Bosnia and Herzegovina (including 1 petrol station based on DODO model).

In 2023, NIS' market share in the total market of motor fuels was 22.3%, while its share in retail market was 10.6%.

Bulgaria

In June 2023, Bulgaria received a derogation from the ban on importing Russian oil across the EU. The exemption allows it to continue to import crude oil and petroleum products from Russia by sea by the end of 2024.

Lukoil has announced its readiness to sell its Burgas Refinery, the largest in the Southeast Europe, referring to bad treatment by the Sofia authorities. The conversion of Burgas Refinery (with the capacity of 7-8 million tonnes annually) for refining of non-Russian crude oil would cost USD 500 million, as estimated by Lukoil. So, whoever buys the Refinery will have to invest a lot, which meand that the refinery would operate at a reduced capacity over a certain period or even downtime. There is a lot of speculation about the potential buyer of the Lukoil Neftohim Burgas Refinery, and the Azerbaijani state-owned oil company "SOCAR" allegedly is showing interest.

The Bulgarian Antimonopoly Commission fined Lukoil oil company for abusing its dominant position in that country. The Bulgarian state regulator explained its decision, stating that "Lukoil Bulgaria" abused its dominant position by exerting pressure on wholesale fuel prices, thus hindering competition and harming consumer interests.

The Bulgarian interim government has approved the signing of a Memorandum of Understanding with Greece that will encourage cooperation in the area of secure import of crude oil through pipelines. Bulgaria and Greece will study the possibilities for restarting the project of the construction of an oil pipeline from the Aegean port of Alexandroupolis to Burgas on the Black Sea. The country must provide enough oil of different origin in order for the Black Sea Refinery to process 196,000 barrels per day, when the exemption for Russian oil expires in 2024. The Refinery provides over 75 percents of fuel for the local market. The Bulgarian authorities have stated that an agreement has been reached with the President and the Greek Prime Minister to speed up the Burgas-Alexandroupolis project.

The Bulgarian Ministry of Transport has announced that it has started the transition of the Rosenec petroleum terminal into the state ownership, after the termination of the lease contract with Lukoil.

In 2023, Bulgaria recorded a year-on-year recovery in the sales of motor fuel, as well as in retail.

In Bulgaria, at the beginning of the year, NIS operated a network of 34 petrol stations in and a petroleum products terminal in Kostinbrod. At the end of March, the number of petrol stations was reduced by 4 and during April by 7, due to the expiration of the lease contract, so that the total number of petrol stations at the end of the year was 23.

NIS market share in the total market of motor fuels in 2023 was 2.8%, while its share in retail market was 2.6%.

Romania

At the end of 2022, the Government of Romania adopted the European regulation for the introduction of a solidarity tax on the oil and gas industry of 60% (the minimum European level was 33%). The tax is applied to the difference between the profit from 2022 and the amount that exceeds the average of 2017-2021 by 20%. This will also be the case in 2024, against the profit from 2023.

By the Decision of the Customs Administration of Romania of 15 November, the certificate of sales of wholesale energy products of Litasco Geneva, Ploiesti Branch was annulled. In other words, the company can no longer trade oil and petroleum products in Romania. Litasco, the trading department of Russian Lukoil Group, is no longer entitled to the wholesale of its products in the country, after the authorities annulled the certificate of sales of wholesale energy products. It is unclear what the consequences will be, since Litasco also controls Petrotel Lukoil in Ploiesti, the third largest Romanian Refinery. The plant in Ploiesti has a processing capacity of almost 2.5 million tonnes of crude oil.

The planned value of investments by KazMunayGas International (KMGI) in Rompetrol Rafinery for 2023 is over USD 46 million, of which about USD 40 million is directed to Petromidia, the largest Romanian Refinery, which can provide about 40% of the national refining capacity. KMGI plans a general overhaul of Petromidia and Vega Refineries next year, which is why about USD 30 million has been allocated for the capital maintenance out of the total investments planned for this year, while most of the projects implemented in 2023 are in the preparation stage for the general overhaul in 2024.

OMV Petrom has successfully completed the replacement of four coking chambers at the Petrobrazi Refinery. The new chambers have been designed to operate at full capacity for at least two decades. Project investments amounted to about EUR 70 million.

EVconnect, one of the largest networks of electric vehicles charging stations in Romania and a partner of EVBox, installed another 20 fast charging stations at petrol stations in western Romania. The EVconnect network comprised 500 stations by the end of 2023, and aims to include at least 3,000 stations by 2025. The EU

Council has adopted a law stipulating, as of 2025, the installation of fast charging with a power of more than 150 kW, on every 60 km along the main routes in the EU. The programme should be completed by 2030.

In 2023, Romania recorded a slight recovery in the market of motor fuels, as well as in retail sales, compared to the previous year.

NIS operates 19 petrol stations in Romania. NIS' market share in the total market of motor fuels is 0.5%, while its share in retail market is 0.7%.

Key performance indicators

Q4 2023	Q4 2022	Δ[23]	Indicator	Unit of measurement	2023	2022	Δ[24]
84.0	88.7	-5%	**Brent Dtd**	*$/bbl*	**82.6**	101.2	-18%
108.1	132.9	-19%	**Sales revenue**	RSD billion	**412.1**	513.7	-20%
12.4	22.9	-46%	**Net profit (loss)**	RSD billion	**44.2**	92.4	-52%
11.5	31.4	-63%	**EBITDA[25]**	RSD billion	**68.1**	136.2	-50%
6.4	41.5	-85%	**OCF**	RSD billion	**28.0**	114.1	-75%
17.3	10.0	+74%	**CAPEX[26]**	RSD billion	**39.2**	22.1	+77%
62.7	66.7	-6%	**Accrued liabilities for taxes and other public revenues[27]**	RSD billion	**244.4**	251.2	-3%
564.0	565.8	-0.3%	**Total bank indebtedness[28]**	EUR million	**564.0**	565.8	-0.3%
1.9	1.2	+64%	**LTIF[29]**	number	**1.9**	1.2	+64%

23 Any deviations in percentages and aggregate values result from rounding.
24 Any deviations in percentages and aggregate values result from rounding.
25 EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – Operating Expenses (OPEX) – other costs that may be controlled by the management.
26 CAPEX amounts are exclusive of VAT.
27 Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.
28 Total bank indebtedness = Total debt to banks + Letters of Credit. As at 31 December 2023, this was EUR 564 million of total debt to banks, while there was no debt based on Letters of Credit.
29 Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31, 2023.

OPERATIONAL INDICATORS

Exploration and Production

Key business indicators

Q4 2023	Q4 2022	Δ[30]	Indicator	Unit of measure	2023	2022	Δ[31]
290.2	289.5	+0.2%	**Oil and gas output[32]**	thousand t.o.e.	**1,158.3**	1,168.7	-0.9%
208.3	202.5	+2.9%	**Domestic oil output [33]**	thousand tonnes	**814.2**	806.7	+0.9%
0.5	0.9	-49%	**LTIF[34]**	number	**0.5**	0.9	-49%
9.4	10.0	-6%	**EBITDA**	RSD billion	**34.2**	44.8	-24%
7.3	5.8	+26%	**CAPEX[35]**	RSD billion	**23.4**	14.9	+57%

The main goal of 2023 in Exploration and Production Block was to fulfil the hydrocarbon production plan and increase the efficiency of geological and technological activities.

In 2023, a total production volume of oil and gas 1,112.2 t.o.e. was achieved at reservoirs in Serbia, i.e., including concessions - 1,158.3 t.o.e.

In the field of geology and deposit development, the emphasis is on maintaining the high quality of the performed geological and technological activities aimed at increasing oil and gas production.

Geological exploration and field engineering in Serbia

In the field of development drilling, additional research and determining of oil saturation limits in active reservoirs and condensation of well network were actively conducted.

In 2023, 43 new oil wells were successfully drilled and put into operation (exploratory and development wells), whereby an average increase of 7.4 t/day per well was achieved. Since the beginning of 2023, a total of 55.9 thousand tonnes of oil have been obtained from the development drilling.

Also, in 2023, geological and technical activities were carried out successfully in 205 wells with the satisfactory average increase.

In 2023, after the application of the RIW technology, 69 wells were commissioned and the average increase of 1.3 t/day was achieved, and most of the operations were performed on the Velebit exploitation field.

In 2023, 49 wells were put into operation after the transition to the new production layer with a mean increase of 4.9 t/day, and a total of 59 intensifications were made, with an increase of 2.5 t/day. Moreover, a total of 18 wells were enabled for operation from the idle well stock, with an increase of 1.7 t/day.

30 Any deviations in percentages and aggregate values result from rounding.
31 Any deviations in percentages and aggregate values result from rounding.
32 Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.
33 With natural gasoline.
34 Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers for the Exploration and production Block. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31, 2023.
35 Financing, exclusive of VAT.

Exploratory drilling and well testing

In 2023, four exploration wells were drilled, of which three gave positive results. In one gas well the presence of hydrocarbons was not confirmed, so it was abandoned after drilling. The other oil well was put into operation in September. Thanks to this well, a new reservoir was found within the exploration area of North Banat, as part of the implementation of geological and exploration works in “Exploration and Production” Block in Serbia. By drilling two exploration wells in new fields in North Banat, commercial quantities of gas were confirmed.

2D/3D seismics

A complex seismic and geological interpretation of data recorded in the exploration areas of the Middle Banat, in order to enhance the portfolio with new candidates for exploratory drilling.

License obligations

After the completion of geological research in the period 2020-2022 in the exploration area in Serbia, the final report on the results of geological research was submitted to the Ministry of Mining and Energy.

In 2023, the final reports were prepared on the results of geological research of oil and gas in the exploration area in Vojvodina, and southern of the Sava and the Danube projects of geological exploration were carried out, and requests were submitted for the issuance of approval for the continuation of geological exploration in the period 2024-2026 in those exploration areas.

To the end of continuing the exploitation of oil and gas in the exploitation fields of NIS j.s.c. Novi Sad, approvals were obtained in the beginning of June 2023, for the expansion of the approved exploitation field.

During December 2023, the Provincial Secretariat for Energy, Construction and Transport received requests for the issuance of approval for the execution of mining works in the field of Bačka and Banat.

In order to continue the exploitation of oil and gas in the exploitation fields of NIS j.s.c. Novi Sad approvals for the expansion of the approved exploitation field in North Banat were obtained in June and July 2023.

Projects abroad

Key events in Romania during 2023:

- Teremia North Project:
  - » During 2023, the adaptation of the detailed infrastructure project was completed, a construction permit was obtained, as well as the permits of the Environmental Protection Agency. The process of supplier selection for the oil infrastructure is underway;
  - » As for gas infrastructure: the certificates of urbanism for the construction of the system for the preparation and compression of gas and the construction of the pipeline were obtained. The further activities related to designing and issuance of permits and land plot access approvals are underway;
  - » After the session of the NIS Board of Directors, the decision was made to drill 2 development wells, tenders were conducted, the location was prepared. Two wells were drilled.

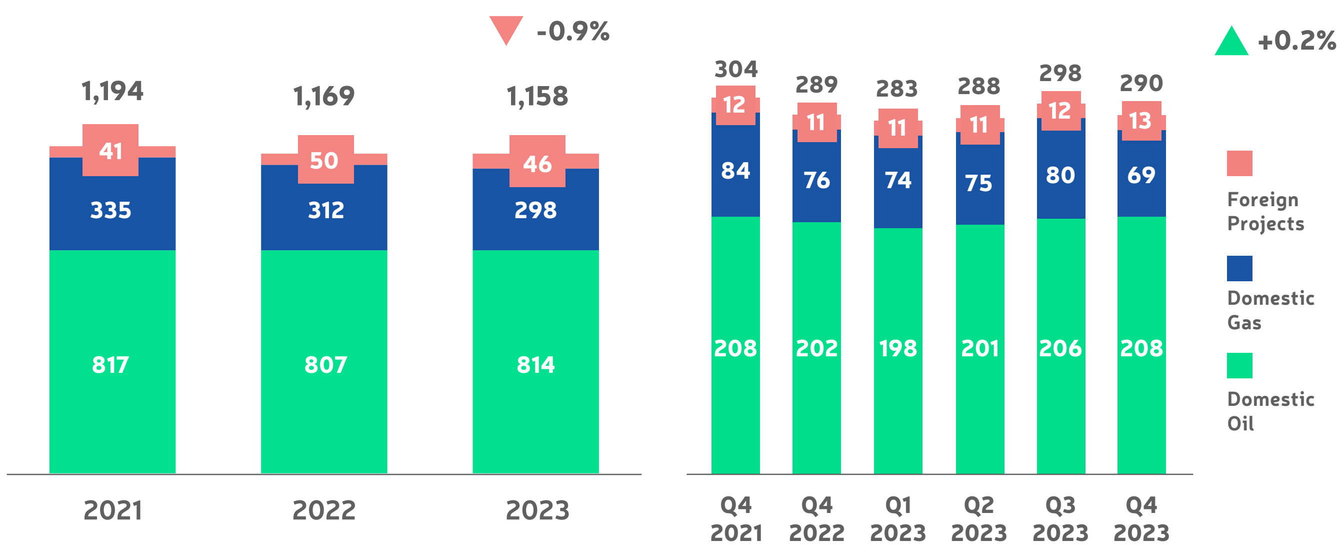
Key events in Bosnia and Herzegovina during 2023:

- At the end of August, the audit of the Study was carried out by a commission. The audit clause and the minutes were signed, and the Study was submitted to the Ministry of Energy. The solution was obtained in September 2023;
- The decision for the exploitation field was approved in November 2023;
- The request for the annexation of the concession contract was submitted in November 2023. The General Mining Project with supporting documentation was submitted to the Ministry of Energy of the Republic of Srpska at the end of December 2023;
- The wells are in the planned hydrodynamic measurement mode (pressure return measurement).

Operating indicators

In 2023, the total of 1,158 thousand t.o.e. of oil and gas was produced, which is 0.9% lower year-on-year.

Oil and gas output[36], thousand t.o.e.



36 Any deviations in percentages and aggregate values result from rounding.

Downstream

Key indicators

Q4 2023	Q4 2022	Δ[37]	Key indicators	Unit of measure	2023	2022	Δ[38]
1,038.7	1,156.4	-10%	**Volume of refining of crude oil and semi-finished products**	thous. tonnes	**4,092.3**	4,421.5	-7%
1,004.5	1,140.7	-12%	**Total sales volume of petroleum products**	thous. tonnes	**3,999.5**	4,363.0	-8%
258.1	268.8	-4%	*Retail Serbia*	thous. tonnes	**942.8**	998.2	-6%
381.1	482.3	-21%	*Wholesale Serbia[39]*	thous. tonnes	**1,490.7**	1,612.2	-8%
41.5	42.4	-2%	*Retail Foreign Assets*	thous. tonnes	**161.0**	186.3	-14%
28.7	44.5	-35%	*Wholesale Foreign Assets*	thous. tonnes	**187.2**	242.7	-23%
295.1	302.6	-3%	*Transit, export and BU[40]*	thous. tonnes	**1,217.9**	1,323.5	-8%
719.6	769.4	-6%	**Motor fuels sales volumes[r]**	thous. tonnes	**2,864.8**	3,003.4	-5%
31,933.1	34.459,5	-7%	**Electricity output[42]**	MWh	**129,059.5**	130.350,7	-1%
6.1	22.9	-73%	**EBITDA DWS[43]**	bln RSD	**49.4**	99.2	-50%
1.5	18.9	-92%	*EBITDA Refining[44]*	bln RSD	**28.9**	91.6	-68%
4.4	3.2	+39%	*EBITDA Sales & Distribution[45]*	bln RSD	**22.2**	10.8	+105%
9.5	3.9	+143%	**CAPEX DWS[46]**	bln RSD	**14.9**	6.7	+122%
4.9	1.4	+3.5x	*CAPEX Refining*	bln RSD	**6.4**	2.3	+176%
2.9	2.4	+24%	*CAPEX Sales and distribution*	bln RSD	**6.2**	4.0	+56%
2.1	1.3	+64%	**LTIF DWS[47]**	number	**2.1**	1.3	+64%
1.7	1.4	+20%	*LTIF Refining*	number	**1.7**	1.4	+20%
2.5	1.0	+149%	*LTIF Sales and distribution*	number	**2.5**	1.0	+149%

Refining

The focus of the Refining Block during 2023 was the continuous production and provision of necessary stocks to supply properly the market with all types of petroleum products in accordance with the plans and the demand, taking into account the current situation on the oil market.

Due to the challenging market circumstances, in 2023 Refining Block refined almost 4.1 milion tons of crude oil and achieved a financial result of EBITDA of RSD 28.9 billion.

Refining activities and volume

Refining Block continued with ambitious plans in 2023, although operations during 2023, as in previous periods, took place in conditions of limited supplies of natural gas, as well as price fluctuations on the market of oil and petroleum products.

During 2023, Refining Block adapted its operations to market conditions with the aim of continuously supplying the market with petroleum products,

37 Any deviations in percentages and aggregate values result from rounding.
38 Any deviations in percentages and aggregate values result from rounding.
39 Includes the sale of CNG of Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.
40 Business unit includes the sale of bitumen, bunkering and aviation fuel channels.
41 Total motor fuels sales volumes in Serbia and in foreign assets.
42 The volume of electricity produced includes the electricity produced by Power plant Pančevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for 2023 is 490.6 MWh, while for Q4 2023 it is 68.8 MWh.
43 EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution and the rest of Downstream.
44 EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.
45 EBITDA of the Sales and Distribution Block.
46 Financing, excluding VAT. The shown CAPEX of Downstream includes CAPEX of Refining Block, Sales and distribution Block, Block Energy and the rest of Downstream.
47 Lost Time Injury Frequency – the ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31, 2023.

providing fuel for the agricultural season, as well as accumulating stocks of petroleum products before the forthcoming capital overhaul in 2024.

Refining Block continuously implements activities to find new and maximize existing measures to increase efficiency and reduce costs. In 2023, the effect of measures for the increase of efficiency was achieved in the amount of RSD 0.6 billion. A set of additional Quick Wins measures was developed, focusing on the implementation of organizational and technical measures, which do not require significant investments, with immediately visible results, aimed primarily at savings in energy consumption.

Some of the more significant measures that gave the positive results were:

- Optimization of the process on the Sulfolane Unit, where the implementation of two measures resulted in savings in the consumption of medium pressure steam in the amount of 3–5t/h
- Optimization of processes on the FCC Unit: the implementation of that measure led to savings in fuel consumption of about 180 tons of natural gas on a monthly basis.

In March, on the occasion of marking the day of the Faculty of Occupational Safety in Niš, NIS experts, together with the participation of colleagues from Refining Block, held lectures for final-year students of the Occupational Safety major. The aim of the visit was to acquaint the students with the practical part of the safety culture, which is achieved by legal regulations and HSE activities, and represents the basis of corporate responsibility in the Company.

In June 2023, the first Scientific and Technical Conference (STS) was completed in Refining Block, which aimed at recognizing the potentials of the employees of Refining Block and developing their competencies, while encouraging the dialogue between colleagues and initiating new ideas. The finalists presented their projects, and the committee voted for the best ones, which were also awarded. The improvement of the process in Refining Block was the main guideline for 16 registered participants who presented 10 works.

The test mode of electronic work permits was completed in the Refining Block. Using electronic work permits, a number of advantages are expected, including increased safety and more efficient performance of work.

In May 2023, the HSE drill was successfully conducted at the Pančevo Oil Refinery, and it demonstrated the readiness of the fire brigade and colleagues to respond to a potential accident in the most efficient manner. During the drill, the reactions to two scenarios were shown: fire on one of the largest tanks in the Refinery, as well as the rescue of an injured worker from the height, i.e. from a platform.

During May 2023, the ISCC certificate was obtained which enables the placement of fuel produced in Refining Block, by blending mineral diesel and biodiesel. This certificate will also provide a guarantee on the credibility of the data in the regular annual report on the fulfillment of sustainability criteria for biofuels.

During June, fire brigade managers successfully completed several days of theoretical and practical training in the field of responding to emergency events and situations.

At the final event of the Young Energy Europe 2.0 Project, the project of reducing the CO_2 footprint and increasing the energy efficiency of the Vacuum Distillation was successfully presented.

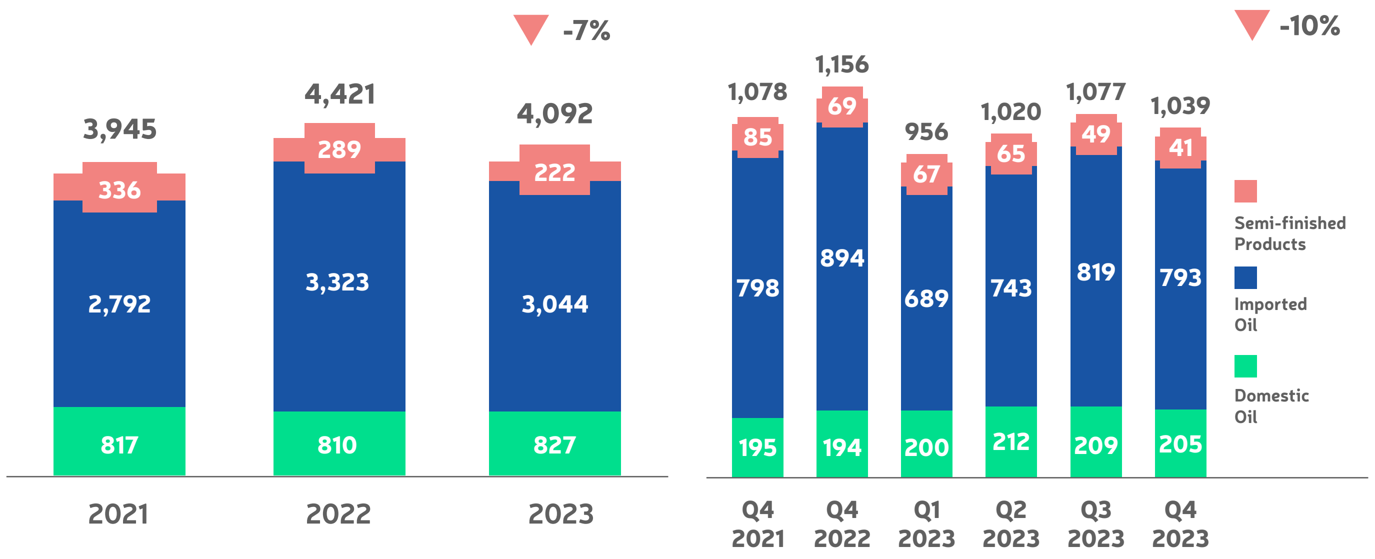
In August 2023, the second season of internship for operational positions in Refinery Block started. Through this internship program high school students are participating as part of a strategic cooperation within the “Energy of Knowledge” project.

During November 2023, future technologists, students of the Faculty of Technology and Metallurgy in Belgrade, visited Pančevo Oil Refinery, where they got acquainted with the basic characteristics of the refinery. After the lecture, the students visited the FCC, MHC and OTS control rooms, after which they toured the entire refinery.

There are ongoing works on the implementation of the project for the installation of an automatic system for marking and additive addition of derivatives at the gathering station of the Pančevo Oil Refinery. Marking is the process of adding a certain amount of markers to oil derivatives in order to regulate and control the market flows of petroleum products. The marking process is currently done manually at Pančevo Oil Refinery, after filling the tank car at the loading terminal. Additizing is the process of adding special additives to petroleum products in order to further improve their specific characteristics, such as increasing engine performance, reducing corrosion, reducing consumption, and more reliable operation. This refinery project will be multi-faceted. First of all, the legal obligation of marking will be performed automatically, which will shorten the time that tank trucks stay in the area of the Pančevo Oil Refinery, and greater reliability in the precise marking of tank trucks will be ensured as well.

At the session of the NIS Investment Board, the reconstruction of the Laboratory building in Pančevo Oil Refinery was approved. The implementation of this project started at the end of July of 2023. A project team of our experts and external consultants was engaged in the field of designing and building the laboratory facility, which, due to its purpose, has many specificities. The greatest contribution to the development and coordination of the project was made by the experts of Refining Block, as well as the engineers of Downstream Laboratory Department, who have formed the basis for the preparation and development of the project. Taking into account that the existing facility of the laboratory is in use, and that it is primary to ensure the continuity of the work of the Laboratory during the reconstruction, the implementation of the project is planned through 4 phases.

Refining volume[48], thousand tonnes



48 The presented refining volume does not include the refining volume of HIP-Petrohemija. The total volume of virgin naphtha refined by HIP-Petrohemija for the period July-December is 155.1 thousand tonnes (October-December: 65.8 thousand tonnes). Any deviations in percentages and aggregate values result from rounding. Any deviations in percentages and aggregate values result from rounding.

Projects

The implementation of projects aimed at increasing the efficiency and reliability of the Pancevo oil refinery is underway.

- Reconstruction of the FCC Unit, construction of the ETBE Unit - a positive report was received from the Audit Commission of the NS Provincial Secretariat (PS), The “Study on Environmental Impact Assessment” was completed and a request for approval was submitted at the beginning of November.
- Project for the Replacement of Steam Turbines (GB-2301/2501/2601 compressor drive) – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed.
- Project for the Reconstruction of the Industrial Track in Pančevo Oil Refinery (RNP) - the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed.
- Project for the Installation of the System for Automatic Dosing and Adding of Markers and Additives to Motor Fuels at the RNP Truck Loading Facility - the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed.
- Project for the Reconstruction of the Fire System in RNP - the project was approved in its entirety, the Contract on the Delivery of Equipment and Services for the Replacement of the Hydrant Network was signed.

Sales and Distribution

Points of Sale[49] and Logistics

NIS Group owns 418 active retail sites. Most of them, i.e. 334 retail sites are located in the Republic of Serbia (with 28 of them under GAZPROM brand). As for the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina (32 under GAZPROM brand), 23 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

In Serbia 6 petrol stations (NIS brand) were reconstructed and 3 petrol stations were built (one in GAZPROM brand and 2 in NIS brand), while one PS was taken in long-term lease and put into operation after rebranding. Also, one PS (GAZPROM brand) in Bosnia and Herzegovina was put into operation after the construction.

Implementation of the project of reconstruction and modernization of the Niš Warehouse of PP continued. In addition, 3 new tanks will be built at the Niš PP Warehouse - 2 for diesel, 1 for gasoline.

Tanks G11 and G12 of the Novi Sad tank farm are reconstructed for the needs of the aviation fuel sales channel.

The Sales and Distribution Block manages the following logistics facilities: 5 storage facilities for light derivatives, 5 LPG filling stations, 4 LPG bottle filling stations and 7 transport bases in Serbia, one storage in Bulgaria, one storage and one terminal in Bosnia and Herzegovina. The organization for secondary transport operates 114 own tank trucks, primary logistics has 452 tank cars. The acquisition of new tractor units and semi-trailers for white oils is scheduled for 2024.

During 2022, contracts for the strategic project – Niš Petroleum Terminal Reconstruction were signed, and, in 2023, the activities under the project Construction of Three 5,000m^3 Tanks on Niš Petroleum Terminal was contracted. The works that did not required petroleum terminal downtime started in May 2023. In February 2024, Niš Petroleum Terminal will be shut down to enable the execution of the above mentioned projects.

Loyalty program and marketing activities

During 2023, more than 280 marketing activities were implemented in Serbia in order to develop consumer brands, loyalty programmes, improve the sales of fuel and non-fuel products, as well as to introduce the new products.

We would like to highlight the following most important marketing activities, which marked 2023 in Serbia:

- Drive.Go application – image online campaign in order to gather new members and to increase the number of downloaded applications. The promotion was implemented on social networks and other online channels, through the CRM campaign, PR and in cooperation with long-term partners. Visual identity and user experience in the application were improved. The fast lane on Avalski Put PS has been opened, which is intended exclusively for the users of the Drive.Go application in the period from 10 p.m. to 6 a.m. The new customer service “My Car” was added. With this service, the users of the application have the possibility of recording information – the validity period of the vehicle registration certificate and driving license, as well as the insurance policy and a reminder of the validity of the entered documents. As at 31 December of 2023, the total number of active users increased by 10,738, in the total number of 48,179, with the total sales through the application of about 12.2 million liters of fuel.

49 As at 31 December 2023.

- “On the Road with Us” loyalty programme – campaign in September with the aim of acquiring the new users of the “On the Road with Us” card, as well as the activation campaign for the existing members of “On the Road with Us” programme. This campaign brought: 63,815 downloaded applications, 61,976 new virtual members, 54,526 first transactions for 500 bonus points. For the purpose of optimization, within the “On the Road with Us” application, it is possible to send a fiscal invoice to the consumer’s e-mail. The total number of active users “On the Road with Us” application as at 31 December of 2023 is 906,319, and the number of the new virtual members is 156,256.
- On social networks during 2023 we had over 900 feeds and over 1,150 stories posted.
- Drive Cafe – image campaign – all three phases of the campaign were implemented – promotion of products from the gastronomic offer. Compared to the previous year, sales for the entire gastro segment increased, as well as the videos from the first two phases on television channels (4.6 million viewers), which achieved the goals of the campaign.

Other activities

- Facilities were opened after internal reconstruction (PS Fontana and KPC Belgrade);
- Numerous sports events were held with the participation of the NIS employees in the following events: the Sports Days of the employees in NIS Functions, DWS and Sales and Distribution Block, the NIS Chess Day in Novi Sad, the NIS Bowling Cup in Belgrade, the Autumn Belgrade Half-Marathon, the Master Grand Prix Swimming Tournament in Zrenjanin, the two Memorial Football Tournaments in Pančevo with the support of the organization of the HSE Days in Sarajevo.

Operating indicators

In 2023, the sales reduction by 8% was noted, when compared to the same period in 2022, bringing the total sales[50] to 3,999.5 thousand tonnes.

Retail in Serbia and foreign assets – decline by 7%:

- Primarily in foreign countries, due to the geopolitical situation in the EU countries (especially in Romania, and in Bulgaria);
- As the consequence of the specific factors relating to the last year:
  - » The restriction of retail prices by the Republic of Serbia Government at a low level, which in some periods during 2022 were even lower than the prices of countries in the region;
  - » The low price for agro buyers only at NIS PSs and the NIS prices lower than the defined maximum in 2022 compared to the 2023;
  - » The growth of petrol tourism and international transport, which led to a significant increase in the consumption, sales and market share of NIS in 2022.

Wholesale in Serbia and foreign assets[51]– decline by 10% primarily because of the:

- Decrease in sales of petroleum products in foreign countries Bosnia and Herzegovina and Romania because of the ban on exports from Serbia;
- Increased wholesale diesel sales in 2022 as a result of government regulation of prices at a low level, influenced the high demand last year compared to this year, as well as due to the sales of heavy fuel oil which aimed at maintaining the country’s energy balance in 2022.

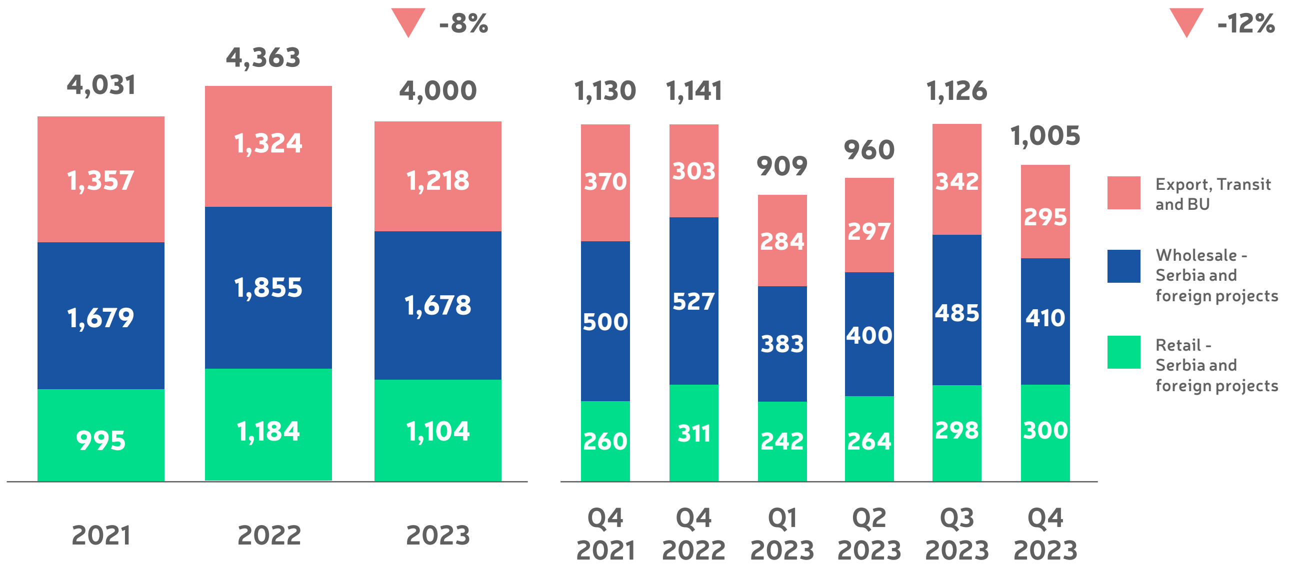
50 The presented volume does not include the volume of petrochemical products of HIP-Petrohemija. The total volume of HIP-Petrohemija petrochemical products for the period July-December is 149.02 (October-December is 63.1 thousand tonnes). Any deviations in percentages and aggregate values result from rounding.
51 It includes the sale of CNG of Energy Block and the sale of oils, lubricants and technical fluids of the Downstream Lubricants Production Plant.

Export, transit and BU[52]:

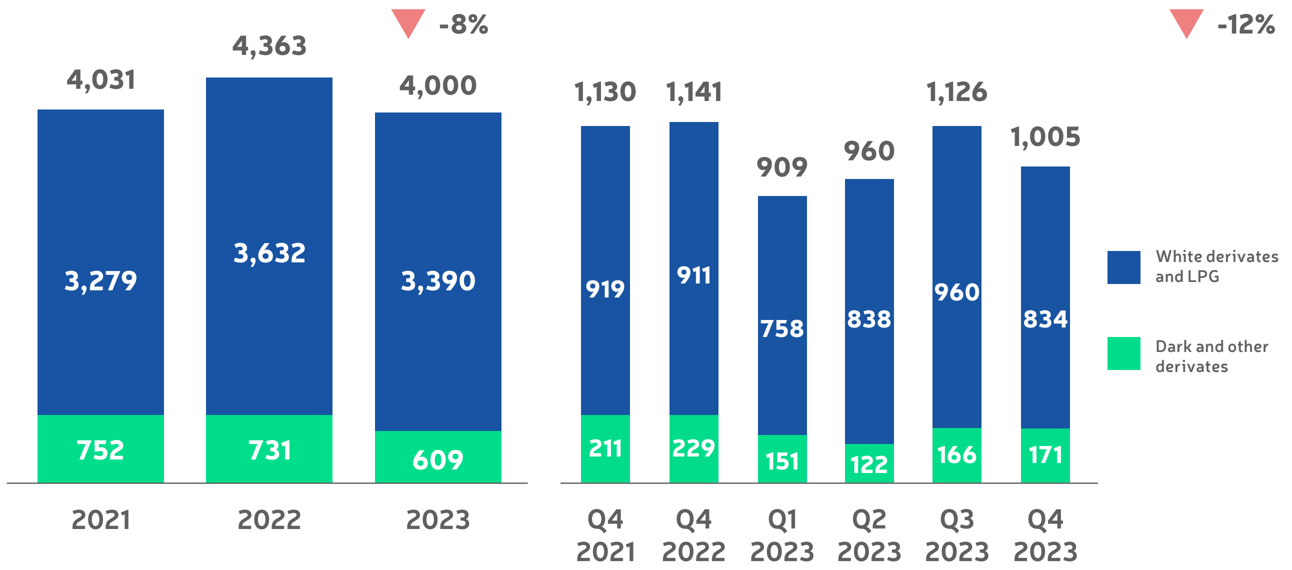
- Decrease in the sales of fuel oil, bitumen and naphta on the domestic market;
- Decrease in consumption;
- Decrease of technological export as a consequence of production optimization and exports due to changes in the structure of the petroleum basket;

Decrease in sales is partially compensated for by increase in sales of jet fuel by 27% compared to 2022 because of the expansion of the line of international air flights of Air Serbia and foreign airlines, as well as the increase in the exported quantities of jet fuel compared to the same period last year.

Volume of sales[53], thousand tonnes



Structure of sales[54], thousand tonnes



52 Business unit includes the sale in petroleum products of bitumen, bunker and jet fuels.
53 The presented volume does not include the volume of petrochemical products of HIP-Petrohemija. The total volume of HIP-Petrohemija petrochemical products for the period July-December is 149.02 (October- December is 63.1 thousand tonnes). Any deviations in percentages and aggregate values result from rounding.
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Energy

In the field of construction of power plants based on variable RES (sun, wind), constant challenges are related to securing the connection of power plants to the transmission or distribution electricity network, and ensuring the planning basis for the construction of power plants.

Natural gas

For the purposes of organizing and balancing the natural gas portfolio for NIS j.s.c. Novi Sad, the Contract on Natural Gas Transport for the 2023/2024 gas year was concluded with the natural gas transport system operator. In the fourth quarter of 2023, the Natural Gas Distribution Agreement for 2024 was agreed upon and sent for signing.

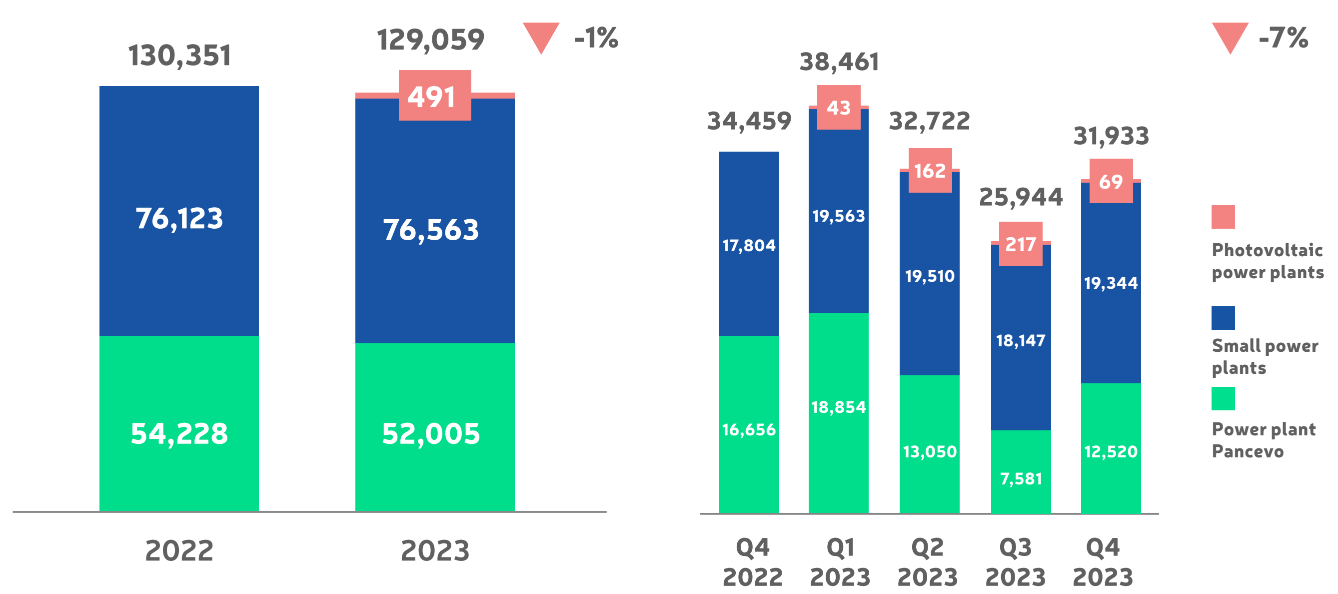
Natural gas prices until the end of 2023 are regulated by the Regulation of the Government of the Republic of Serbia on the temporary measure of limiting the price of gas and compensate for differences in the price of natural gas procured from imports and produced in the Republic of Serbia in the event of market disruptions.

The shipment of KPG from Gas field Ostrovo took place smoothly, with short delays. Negotiations are ongoing on the annual Agreement on the complete supply of energy from natural gas, as well as on the sale of CNG from the GF Ostrovo in the calendar year 2024.

Production of electricity

In 2023 an decrease of 1% was recorded in the volume of the produced electricity compared to the 2022, so that the total volume was 129,059 MWh.

Volume of produced electricity[55], MWh



55 The presented volume of produced electricity also includes the electricity produced in Power plant Pancevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for 2023 is 490.6 MWh, while for Q4 2023 it is 68.8 MWh. The total volume of electricity produced for the 2023 in TE-TO Pančevo is 1.1 million MWh. NIS j.s.c. Novi Sad owns 49% of the shares in TE-TO Pančevo.

Electricity trading

NIS currently holds electricity trading licenses in Serbia, Montenegro, Romania, Bosnia and Hercegovina, Slovenia, Hungary and Bulgaria. NIS j.s.c. Novi Sad trades in the electricity exchange in Serbia and in Romania.

Implementation of the Program of Energy Efficiency Measures in NIS j.s.c.

In 2023, the programme of measures to reduce electricity consumption and increase energy efficiency achieved energy savings of 7,936 t.o.e. The financial value of the savings amounts to RSD 734.8 million.

An internal energy supervision team was established and a regulatory and methodological framework was prepared. Adaptation and re-engineering of barriers to electrical safety in Blocks and subsidiaries was carried out.

Measures to improve energy efficiency have been developed and a pool of energy efficiency "quick wins" projects has been set up in 2024.

Renewable energy sources

Activities implemented in 2023 are shown below:

- After the successfully completed pilot project for the construction of solar photovoltaic power plants on 8 petrol stations in 2022 and an additional 7 petrol stations (second quarter of 2023), the expansion of the PVPs network on petrol stations was started.
- The passport of the project for the construction of PVPs on an additional 30 petrol stations was adopted, the contractor was selected and the implementation activities started in early June. Until the end of November 2023, the construction of all 30 solar power plants with a total power of 1 MWp was completed with an expected savings in electricity procurement of 1,123 MWh at an annual level (about 18% of the total annual consumption of all 30 petrol stations). Power plants at 10 petrol stations were put into operation in November 2023.
- PVP construction project - Jazak drinking water factory compound with the total panel power of 620 kWp (370 kWp on the roof and 250 kWp on the ground). The project was re-approved in July 2023, the contractor was selected, the construction was contracted and the implementation of the project started in August 2023. The construction of the roof power plant and the power plant on the ground was completed in December 2023.
- The construction project of PVP in the storage of petroleum products in Novi Sad: for the construction of a 6.5 MW photovoltaic power plant on land was published during July 2023. Commercial negotiations were conducted in October 2023, and the contractor was selected in early November 2023. The procurement of the service of pyrotechnic inspection of the terrain with preparatory earthwork and the foundation of the supporting structure was carried out, and the contractor has been selected.
- Roof photovoltaic power plant with a power of 585 KWp in the warehouse of petroleum products in Novi Sad – In July 2023, project passport was adopted. In the period September-October, the procurement of construction services was carried out according to the "turnkey" principle, and in November the contractor was selected, and the implementation has started. At the request of Electric Power Industry of Serbia (Elektrodistribucija Srbije), the request to change the conditions for designing and connection was submitted in November.
- Solar PVP on the roof of an office building NIS – the passport project was adopted in July, the procurement of "turnkey" construction services for the construction of a 99.9 kWp photovoltaic power plant was carried out and the contractor was selected. The contract was signed in October and the implementation started. At the request of Electric Power

Industry of Serbia (Elektrodistribucija Srbije), the request for connection was submitted in November 2023.

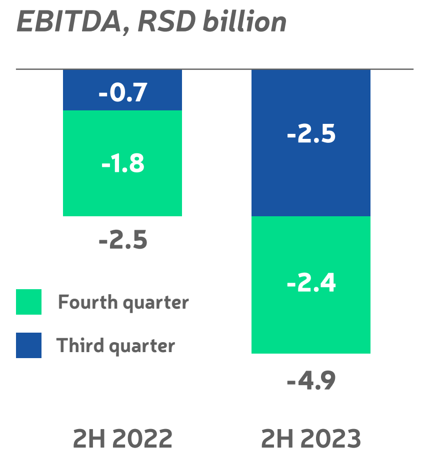
- Rooftop photovoltaic power plant in Pančevo Oil Refinery with a capacity of 600 kWp - In the third quarter of 2023, optimization was carried out in order to reduce construction costs. The procurement is expected to be completed, the selection of the contractor is expected in the following period.
- Development projects for the construction of photovoltaic power plants – For the selected facilities and locations in the third quarter of 2023, a tender was conducted and a contractor was selected for the preparation of techno-economic studies. The documents were submitted for review in the first half of November. The technical feasibility of building solar power plants at 6 locations with a total panel power of 15 MWp has been determined.

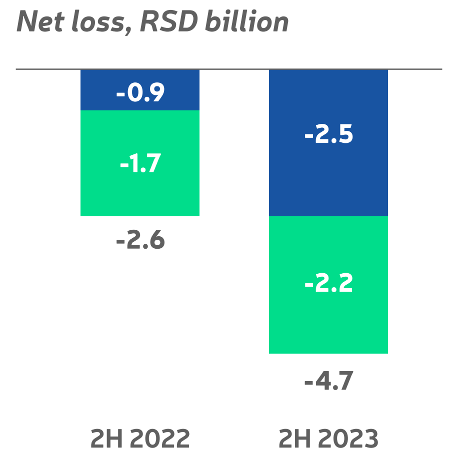
HIP-Petrohemija[56]

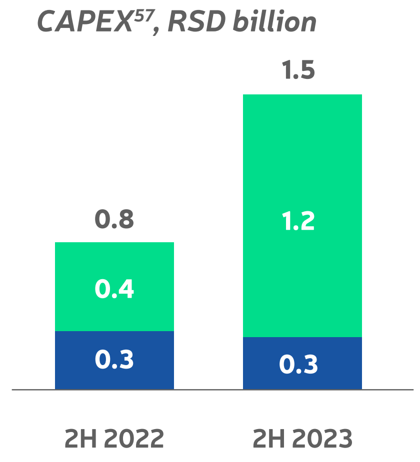
In the fourth quarter of 2023, the EBITDA indicator was negative and amounted to RSD -2.4 billion, and also recorded a decline compared to the same period of the previous year. In the second half of 2023, EBITDA amounted to RSD -4.9 billion.

The net result for the fourth quarter of 2023 was RSD -2.2 billion, which represents a decrease compared to the same comparative period of the previous year, while in the second half of 2023 this indicator amounted to RSD -4.7 billion.

As regards investments, RSD 1.2 billion was allocated in the fourth quarter of 2023, which is 187% more than in the same period last year. In the second half of the year, RSD 1.5 billion was allocated.







Regarding to operational indicators, in the fourth quarter of 2023, the production volume of petrochemical products amounted to 75.6 thousand tons, which represents a decrease of 48% compared to Q4 of 2022. In the second half of 2023, a decrease was also recorded, amounting to 28%.

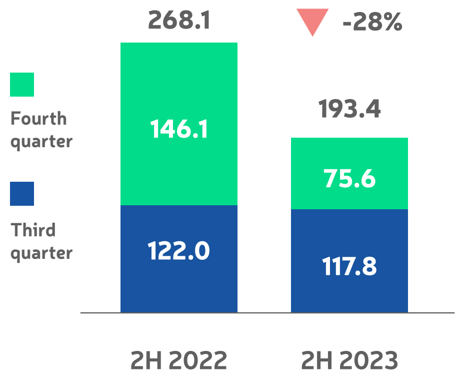
The processing of virgin naphtha in the fourth quarter amounted to 65.8 thousand tons, which is the decrease of 46% compared to the same period of the previous year. In the second half of 2023, a decrease was also recorded, and the volume of virgin naphtha refining amounted to 155.1 thousand tons.

The turnover of petrochemical products in the fourth quarter of 2023 recorded the decrease of 31% when compared to the same comparative period last year. The turnover volume of petrochemical products in the fourth quarter of 2023 was 63.1 thousand tons. In the second half of 2023, a decline in the turnover of petrochemical products was recorded, and the total volume amounted to 149.01 thousand tons.

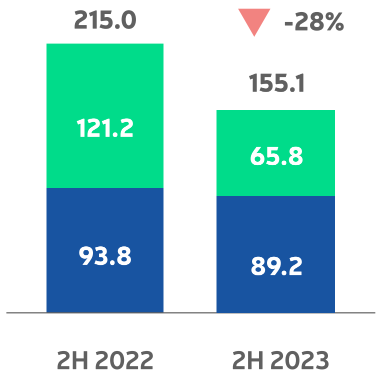
The decline in operational indicators is largely due to the implementation of the capital overhaul within HIP-Petrohemija and due to the impact of the macroeconomic environment.

56 The indicators for 2H (second half of the year) cover the period from July 1, when the process of consolidation of HIP-Petrohemija into NIS Group began, until 31 December 2023.
57 Financing, excluding VAT.

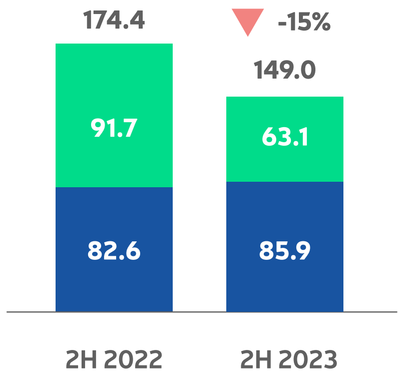
Production of petrochemical products, thousand tons



Refining of primary gasoline, thousand tons



Petrochemical product sales, thousand tons

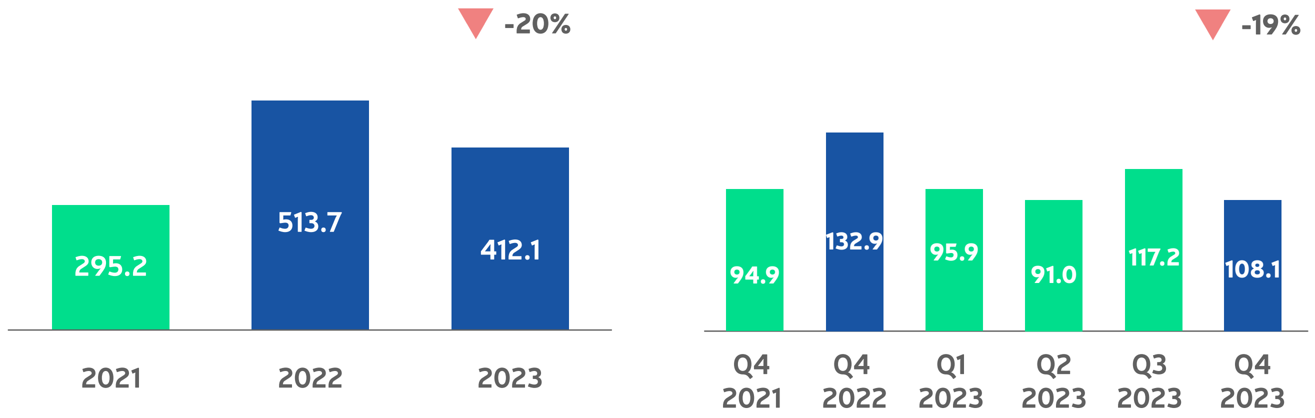


FINANCIAL INDICATORS

Sales revenues

In 2023, NIS sales revenues are 20% lower compared to the previous year, and the total amount of sales revenues is RSD 412.1 billion.

Sales revenue[58], RSD billion

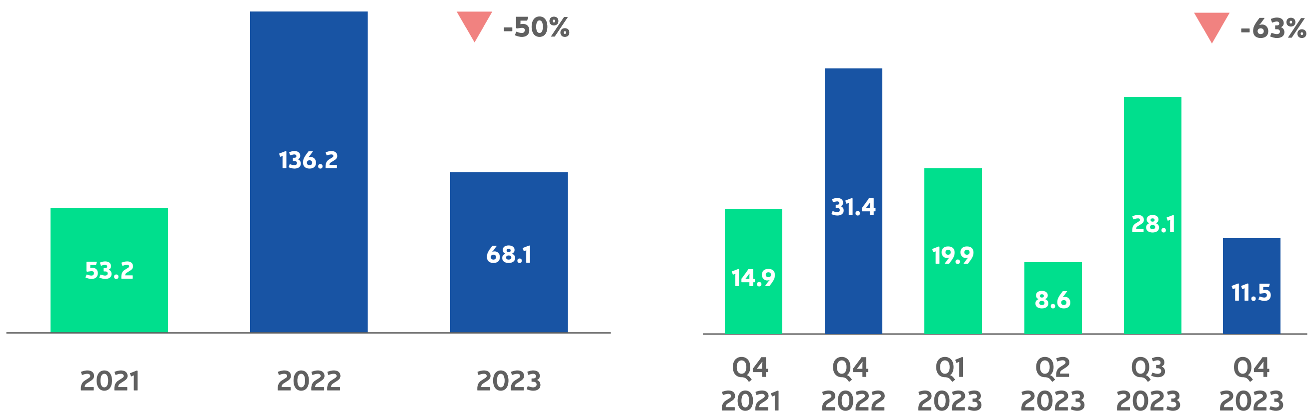


58 Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

EBITDA

The EBITDA indicator in 2023 is 50% lower than last year and amounted to RSD 68.1 billion.

EBITDA[59], RSD billion



Decrease in EBITDA indicator was influenced by the following factors:

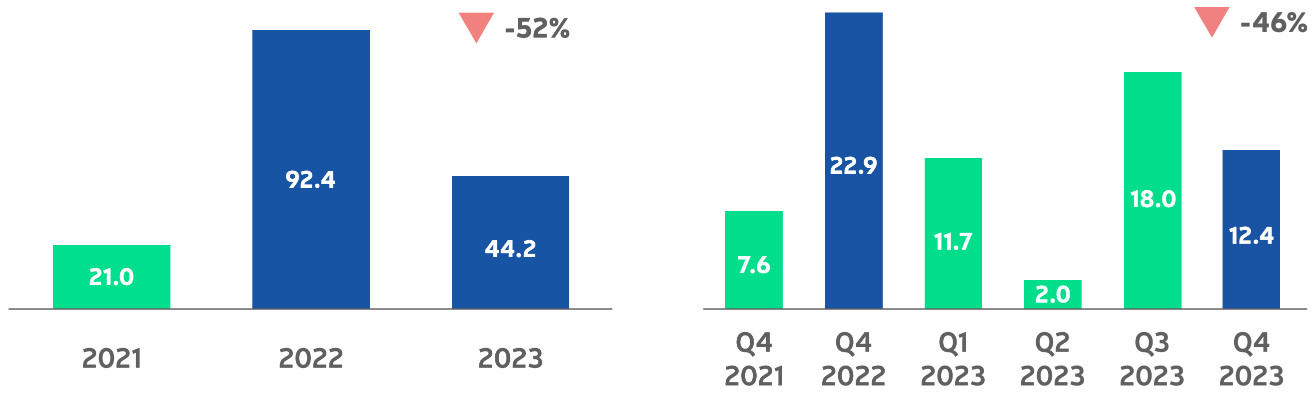
- Impact of decrease in oil and petroleum product prices in the world market;
- Deterioration of the scope of the refining of oil and petroleum products, which was partially compensated by the increase in the margin of petroleum products;
- Payment of a donation to the Government of the Republic of Serbia;
- Increase in costs compared to the comparative period due to inflation and growth of prices;
- Negative result of HIP-Petrohemija in 2023.

59 Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Net profit

The net profit in 2023 amounts to RSD 44.2 billion, which is lower 52% compared to the same period last year.

Net profit[60], RSD billion



The change in net profit in 2023 was influenced by:

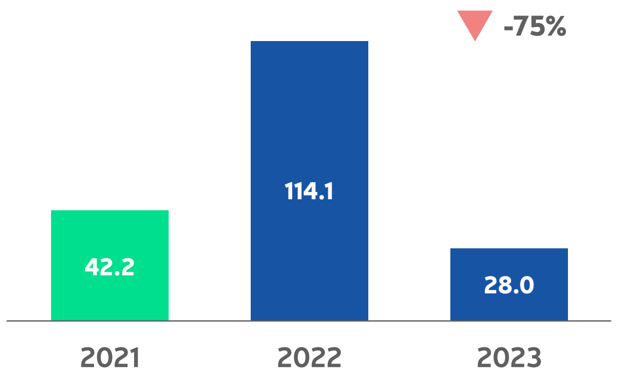
- decrease in EBITDA and revenues from the part of shares in the net profit of subsidiary companies (mainly TE-TO);
- consolidated correction based on goodwill during the purchase of HIP-Petrohemija;
- lower costs based on exchange rate differences, higher financial revenues in relation to the financial expenses, as well as decrease in costs related to income tax as a result of lower profit before taxation.

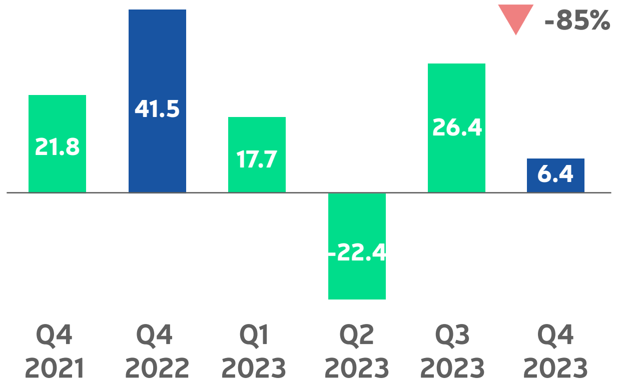
60 Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

OCF

In 2023, the operating cash flow amounts to RSD 28.0 billion, and it is lower compared to the same period last year.

OCF[61], RSD billion





Decrease of the OCF indicator was influenced by:

- Lower inflows;
- Payment of the donation to the Government of the Republic of Serbia;
- Higher taxes based on the profit tax from 2022.

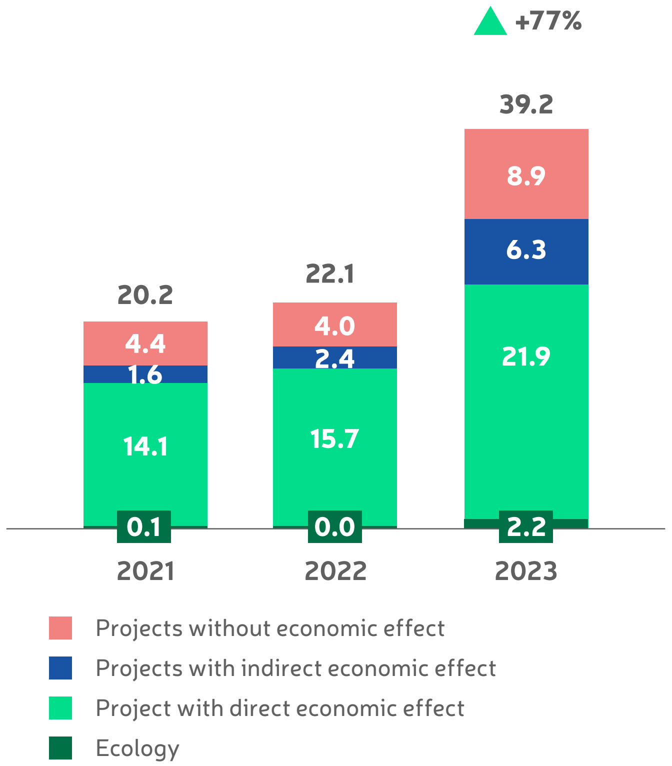
61 Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

CAPEX

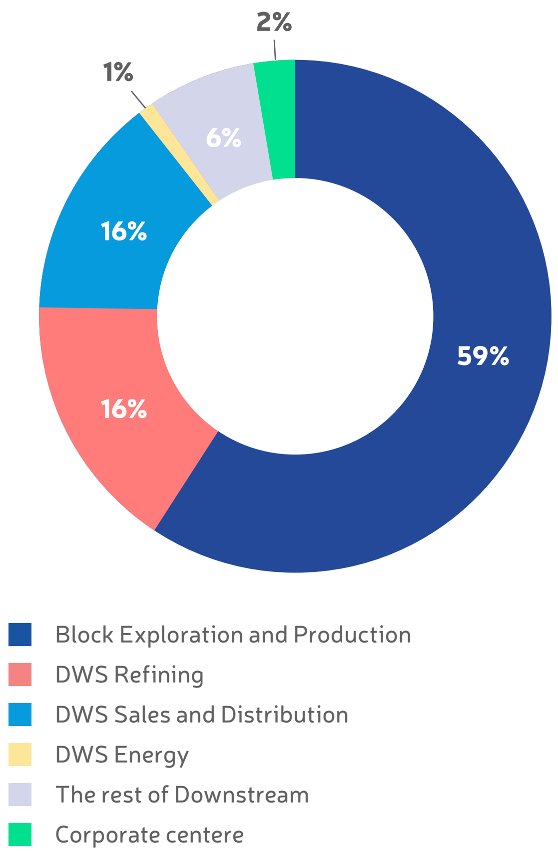
In 2023, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling, followed by oil refining projects, as well as reconstruction, construction and rebranding projects of petrol stations. In addition, NIS invested in projects in the field of energy and services, as well as in a certain number of projects in the corporate center.

In 2023, RSD 39.2 billion was allocated for investment, which is 77% more compared to the same period last year.

CAPEX by type of project[62], RSD billion



Investments by segments



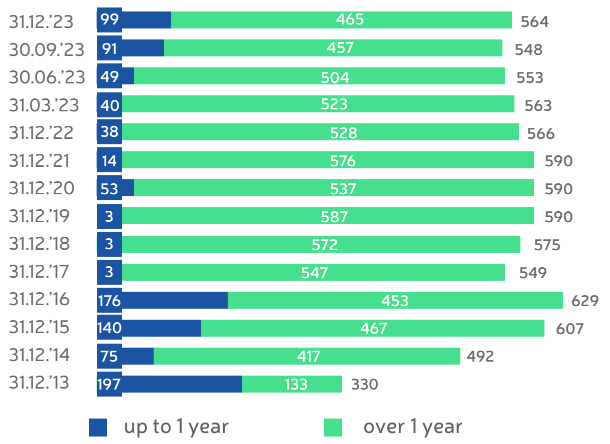
62 All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Organisation unit	Major projects
Exploration and production	• drilling of development wells • investing in geological and technical activities • infrastructure projects
Services	• drilling rigs • procurement of vacuum car tanks
Refining	• projects aimed at ensuring compliance with legal norms and regulations • investment maintenance projects • environmental projects • reconstruction of the FCC unit and construction of new ETBE unit
Sales and distribution	• retail network development in Serbia (petrol station construction and reconstruction) • other retail projects in Serbia and the region
Rest of Downstream projects (Energy and Technical services)	• energy efficiency and solar projects • technical services projects
Corporate centre	• projects related to the maintenance of software solutions • projects related to the modernization of the business centers of Novi Sad and Belgrade • improvement of safety protection systems

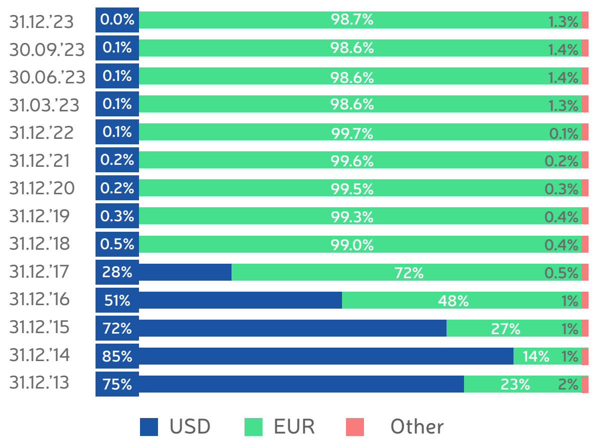
Indebtdness

At the end of fourth quarter of 2023, the debt to banks amounts to EUR 564 million and compared to the end of 2022 it was kept at approximately the same level (EUR 565.8 million). During 2023, loans in the amount of EUR 35.8 million were withdrawn, and a total of EUR 37.6 million was regulary repaid.

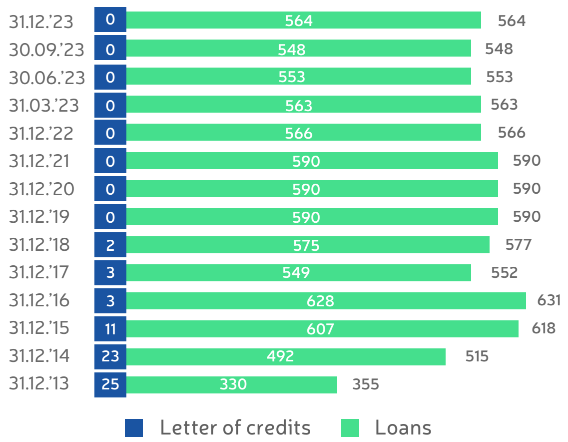
Total bank debt trends with maturity structure[63], EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness[64], EUR million



63 Any deviations in percentages and aggregate values result from rounding.
64 In addition to the bank debt and Letters of Credit as at 31 December 2023, NIS j.s.c. Novi Sad holds issued bank guarantees in the amount of EUR 30.1 million, corporate guarantees in the amount of EUR 432.1 million and financial leasing in the amount of EUR 33.6 million. Any deviations in aggregate values result from rounding.

Taxes and Other Public Revenue[65]

NIS j.s.c. Novi Sad	2023	2022	%[66]
Social insurance contributions paid by employer	2.34	2.12	+10%
Energy efficiency fee[67]	0.45	0.48	-6%
Corporate tax	8.39	17.54	-52%
Value-added tax	37.79	42.15	-10%
Excise duties	164.71	153.43	+7%
Commodity reserves fee	7.71	8.29	-7%
Customs duties	0.21	0.36	-42%
Royalty	1.78	1.75	+1%
Other taxes	1.52	1.44	+6%
Total	**224.90**	**227.57**	**-1%**
NIS subsidiaries in Serbia[68]			
Social insurance contributions paid by employer	1.95	1.53	+28%
Corporate tax	0.13	0.15	-10%
Value-added tax	2.93	2.30	+28%
Excise duties	0.00	0.00	n/a
Customs duties	0.05	0.04	+30%
Royalty	0.00	0.00	n/a
Other taxes	0.15	0.11	+34%
Total	**5.21**	**4.12**	**+26%**
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	**230.10**	**231.69**	**-1%**
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.02	0.03	-18%
Energy efficiency fee	0.02	0.08	-78%
Corporate tax	0.02	0.20	-89%
Value-added tax	0.60	0.86	-30%
Excise duties	8.09	11.85	-32%
Customs duties	6.00	6.68	-10%
Royalty	0.05	0.20	-72%
Other taxes	0.10	0.10	+3%
Total	**14.91**	**19.98**	**-25%**
Deferred taxes (total for Group)	-0.63	-0.42	49%
Total NIS Group[69]	**244.38**	**251.25**	**-3%**

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries deriving from its organisational structure in Serbia amounts RSD 230.1 billion in 2023.

The amount of accrued liabilities for public revenues for NIS Group in 2023 totalled RSD 244.38 billion, which is an decrease of 3% on the same period in 2022.

65 In RSD billion.
66 Any deviations in percentages and aggregate values result from rounding.
67 Calculated from 1 July 2019.
68 Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad, NTC NIS –Naftagas LLC Novi Sad, NIS Petrol a.d. Belgrade and HIP-Petrohemija LLC Pančevo.
69 Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

Ratio indicators[70]

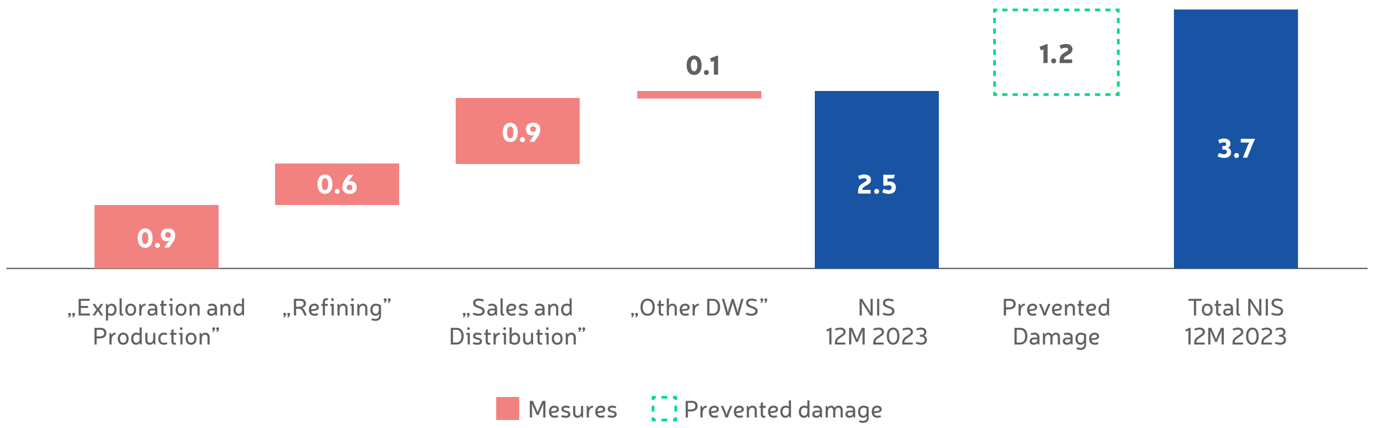
	2023	2022
Profitability ratios		
Gross profit margin (EBITDA margin)[71]	+16%	+25%
Net profit margin[72]	+10%	+17%
Return on assets (ROA)[73]	+9%	+20%
Return on equity (ROE)[74]	+12%	+30%
Liquidity ratios		
Current ratio[75]	+275%	+235%
Quick ratio[76]	+166%	+166%
Net working capital ratio[77]	+22%	+22%
Leverage ratios		
Leverage coefficient[78]	+24%	+29%
Net Debt/EBITDA[79]	0.73	-0.11

70 Ratio indicators are calculated using data from Consolidated Financial Statements prepared in the form prescribed by Ministry of Finance of Republic of Serbia which does not comply with IAS 1 – 'Presentation of Financial Statements'.
71 EBITDA/Operating Revenues.
72 Net profit/Operating Revenues.
73 Net profit/Average Total Assets.
74 Net profit/Average Equity.
75 Current Assets/Short-term Liabilities.
76 (Current Assets – Inventories)/ Short-term Liabilities.
77 (Current Assets – Short-term Liabilities)/Total Assets.
78 (Long-term Liabilities + Short-term Liabilities)/ Total Assets.
79 (Long-term Liabilities + Short-term Financial Liabilities – Cash and Cash Equivalents)/EBITDA.

Operational efficiency improvement

The total effect of reaching the target level of potential in 2023 on EBITDA equals RSD 2.5 billion.

Effect of operational efficiency improvement measures on EBITDA, in RSD billion



"I have an Idea" program

The motivation program "I have an Idea" allows each employee to suggest ideas that can improve business and thus directly affect efficiency. In the past year, a new system of material and non-material motivation "Success at work" was implemented.

In November 2023, an improved application for the "I have an Idea" program was launched.

In 2023, 219 ideas were initiated, 76 were approved, and 35 were implemented.

The total effect of realized ideas in 2023 is over RSD 125 million.

	2021	2022	2023
Initiated	127 ideas	168 ideas	219 ideas
Effect	73 RSD mln	210 RSD mln	125 RSD mln

OMS Etalon

In 2023, NIS continued developing the OMS program, which it was launched in 2017 to ensure maximum operational efficiency through increased reliability and security of business processes, and the engagement of all employees in the process of continuous improvement.

Key activities in 2023:

- The creation of etalon facilities through the integration of all OMS tools and establishment of an optimal business and cultural model in the production plant;
- Development of the "Technology Equipment Reliability Management System by developing and implementing best global tools and practices";
- The definition of key directions of development and beginning the implementation of the OMS tool in HIPP
- The implementation of internal consulting projects and business assistance;
- During 2023, 8 new Upstream and Downstream facilities were raised to the "etalon" level by applying the OMS complex approach and continuous improvement. In addition, for the first time, this approach was applied to the key facility in HIP Petrohemija - the Ethylene Plant;
- The development of the equipment reliability and integrity system was focused on the improvement of the equipment's ongoing maintenance process in the Pančevo Oil Refinery, the elaboration and adoption of a methodology calculating the potential and effects of applying the Asset Management tools, initial use of basic Asset Management tools in HIP Petrohemija, as well as further testing and implementation of spare parts management methodology. All these activities were rounded off and confirmed in the positive report on the external audit of NIS system compliance with"ISO 5500, Asset Management" international standard, based on which the Company was certified.

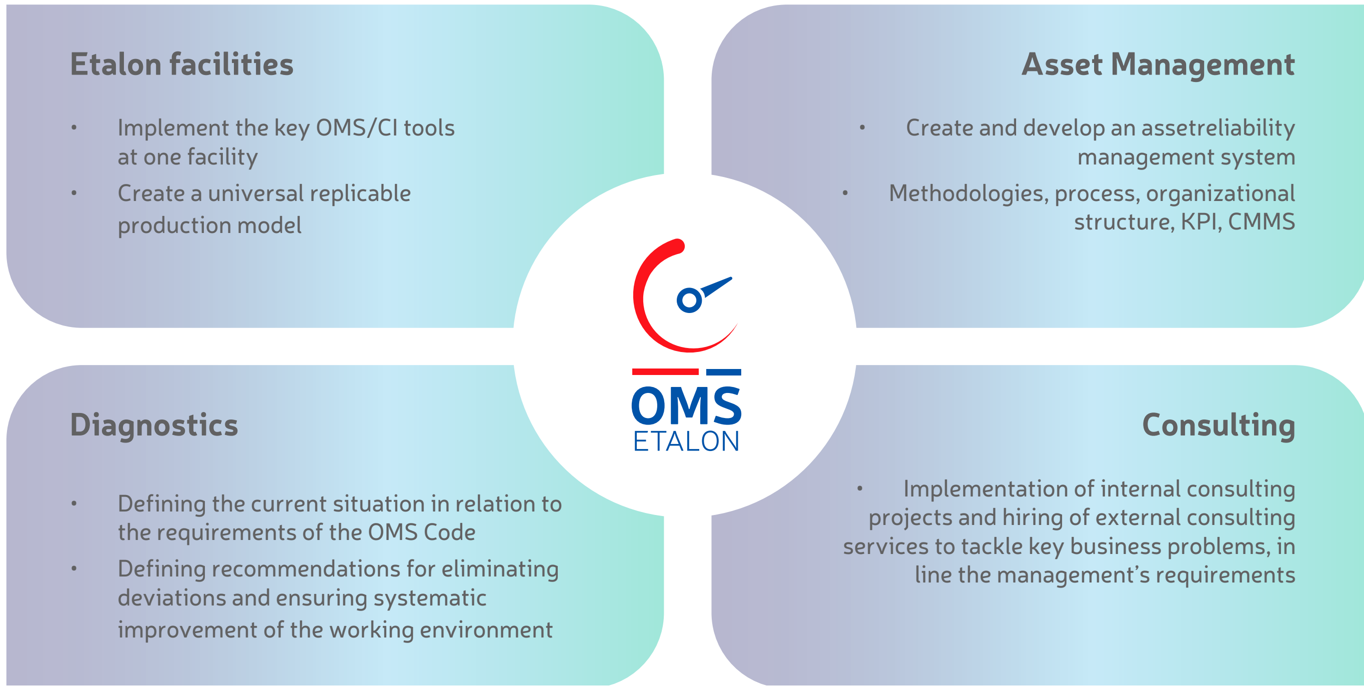
In 2023, we successfully:

- Obtained an international Certificate of Compliance pursuant to "ISO 5500, Asset Management", being the first oil and gas company in this part of Europe to be granted this certificate;
- Implemented the planned part of the "Equipment Maintenance Management Project" at Pančevo Oil Refinery and started the full application of this process, in cooperation with DWS, Refining Block and Naftagas–Technical Services LLC Zrenjanin;
- Improved the trends of basic reliability KPIs (operational availability of Pančevo Oil Refinery);
- Harmonised the methodology for calculating the potential of applying the Asset Management tools in the Exploration and Production Block and Refining Block. The methodology includes direct effects (lower maintenance costs) and indirect effects (higher operational availability, i.e. lower production losses);
- Calculated the effects of applying the Asset Management tool;
- Began applying the tools in HIP Petrohemija and made the initial proposals of changes to the maintenance strategies;
- Implemented a risk session to define project risks involved in the Capital Overhaul at HIP-Petrohemija, and proposed a set of measures to define the key risks barriers.

The key internal consulting projects:

- Mapping of digital competencies ithe Upstream Drilling and Wellwork Department, which defined the specific digital competencies, required levels and identified gaps and a set of training necessary to eliminate these gaps;

- A major cross-functional project “Business Continuity Management (BCM)” was launched, with an objective to identify and improve the Company’s response system to natural disasters, incidents and emergencies;
- A Knowledge Base was developed, which will, inter alia, cover all the best practices.



Exploration and Production

In 2023, the Exploration and Production Block implemented a complex approach for the application of OMS tools and practices at two production facilities.

The effect of operational efficiency and potential increase measures in 2023 significantly exceeded the plan, owing to the implementation of additional operational efficiency measures and the increased oil and gas output.

The Exploration and Production Block carries out risk assessment for four of its production facilities created and implemented risk mitigation and potential utilization plans.

Refining

As a part of the OMS programme, the implementation of best practices and the establishment of etalon facilities were initiated in the oldest part of the refiner – in the Block 5 facilities, MHC complex and Power Plant units. A contract for the special arrangement and providing the plant with adequate 5S equipment was completed, and new signs were provided for visual marking of the equipment and plant in accordance with the plan. Within the continuous improvement process, 33 new projects and initiatives for increasing energy efficiency with Lean 6 Sigma tools were processed.

Sales and distribution

During 2023, a series of OMS initiatives were implemented within the Sales and Distribution Block in several directions:

- Etalonreference facilities: Smederevo Petroleum Products Warehouse and Novi Sad LPG Warehouse. At these facilities, a complex and comprehensive approach to improving the operational business, safety and organizational culture and the employee workspace was implemented through the application of various OMS tools in the field of managing equipment, risks, and continuous improvement. The implemented measures and results were also presented to the top management of the Company at the OMS Committee session, held at the Smederevo Warehouse in September 2023.
- The program of implementation of the most important tools of the equipment management system in the Sales and Distribution Block continued, including the conduct of the planned RCM analysis and defining the equipment maintenance strategy at the Novi Sad LPG Warehouse, in accordance with the specific approach targeting at the most critical equipment at the location. In addition, the first KPI monitoring for the equipment management process was completed, aiming at tracking the progress of the equipment management system in the Sales and Distibution Block.
- The equipment criticality classification plan was executed in the Retail Department, in accordance with the previously adopted programme.

SECURITIES

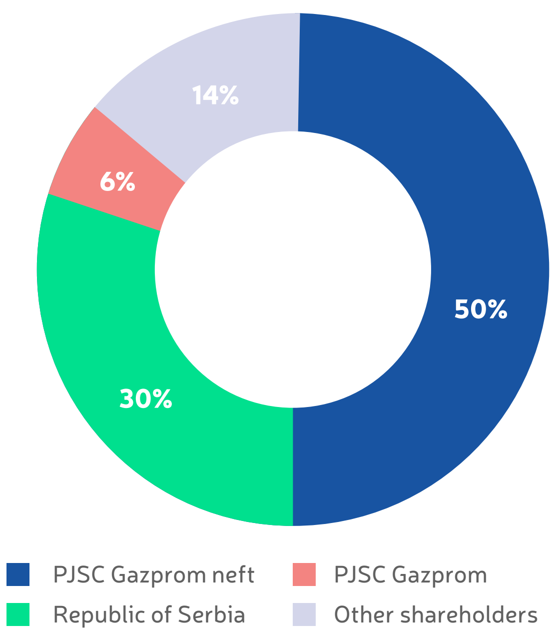
Share Capital Structure

NIS j.s.c. Novi Sad share capital is RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of RSD 500. All issued shares are ordinary shares, vesting their holders with the following rights:

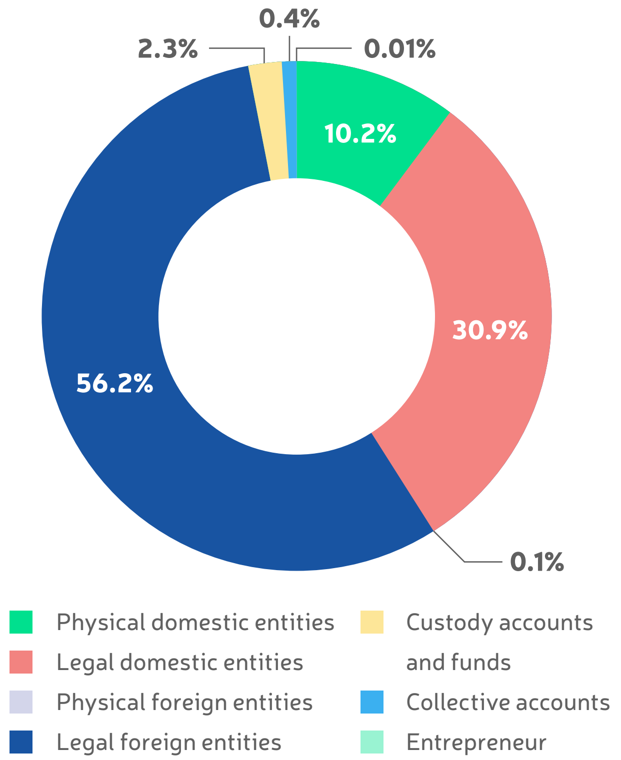
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance with the bankruptcy law;
- preemptive right to buy ordinary shares of a new issue and other financial instruments tradable for ordinary shares, of a new issue and
- other rights in accordance with the Company Law and corporate documents.

All securities issued by the Company are included in trading on the regulated market.

Share capital structure based on % in share capital



Share capital structure based on entity type



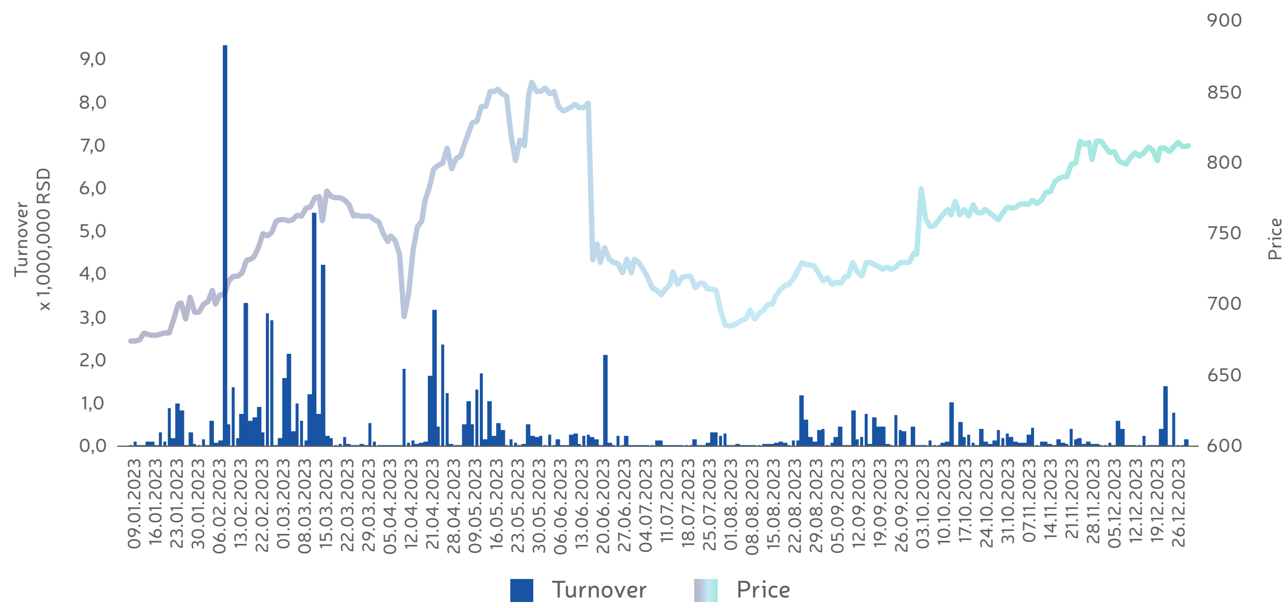
The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

Shareholder	Number of shares	% in share capital
PJSC Gazprom neft	81,530,200	50.00%
Republic of Serbia	48,712,587	29.87%
PJSC Gazprom	10,035,687	6.15%
OTP banka Srbija a.d. – custody account – fund	2,603,334	1.60%
„UniCredit" banka Srbija – custody account – fund	805,000	0.49%
Dunav osiguranje a.d.o.	394,229	0.24%
Convest a.d. Novi Sad – collective account	220,031	0.13%
BDD M&V Investments a.d. Belgrade	165,985	0.10%
Keramika Jovanović LLC	160,226	0.10%
DDOR Novi Sad a.d.o.	152,075	0.09%
Other shareholders	18,281,046	11.21%
Total number of shareholders as at 31 December 2023:		**2,047,047**

Share trading and indicators per share

NIS j.s.c. Novi Sad shares are listed in the Prime Listing of the Belgrade Stock Exchange.

Price and turnover trends in 2023



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in 2023	
Last price (31 December 2023)	812 RSD
High (29 May 2023)	870 RSD
Low (9 January 2023)	671 RSD
Total turnover, RSD	978,481,274 RSD
Total turnover, number of shares	1,296,122
Total number of transactions, number of transactions	5,935
Market capitalization as at 31 December 2023, in RSD	132,405,044,800
EPS	273.93
Consolidated EPS	257.05
P/E ratio	2.96
Consolidated P/E ratio	3.16
Book value as at 31 December 2023	2,320
Consolidated book value as at 31 December 2023	2,276
P/BV ratio	0.35
Consolidated P/BV ratio	0.36

In 2023 the Company did not acquire any treasury shares.

Dividends

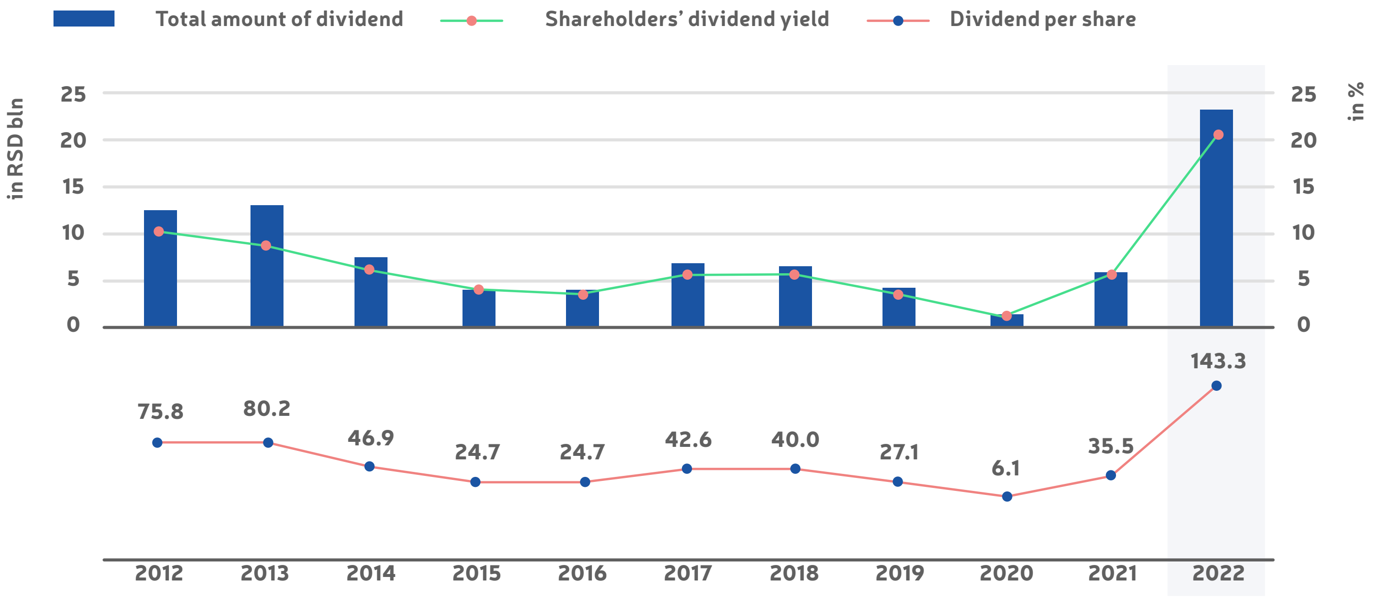
NIS j.s.c. Novi Sad dividend policy is based on a balanced approach, which takes into account the necessity to retain earnings for the purposes of future investment, the rate of return on invested capital and the amount for dividend payment. The long-term dividend policy stipulates a minimum of 15% of net profit is to be paid to shareholders in dividends.

When deciding on profit distribution and dividend payment, the corporate management takes into consideration a number of factors, including the financial standing, investment plans, loan repayment obligations, the macroeconomic environment and legislation. Each of these factors, either individually or combined, if significant, may affect the proposed dividend payment.

On 29 June 2023, the Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit for 2022, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. This decision determines that the dividends will be paid to the shareholders in cash, in the gross amount of RSD 23,364,924,716, or RSD 143.29 per share. The shareholders registered in the Central Securities Depository and Clearing House as legal owners of NIS j.s.c. Novi Sad shares on the Record date (Dividend Day) i.e. on 19 June 2023 are entitled to dividend payment. Dividends for 2022 was paid to shareholders on 24 August 2023.

	Net profit (loss), RSD bn[80]	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in %[81]
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5[82]	0.0	-	101.1	0	475	-
2011	40.6[83]	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7
2022	93.5	23.4	25%	573.14	143.29	675	21.2

80 Net profit of NIS j.s.c. Novi Sad.
81 Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.
82 Net profit used for coverage of accumulated losses.
83 Net profit used for coverage of accumulated losses.



Investor relations

In its relations with its investors, NIS j.s.c. Novi Sad strives to establish and develop a long-term relationship built on trust through transparent information disclosure and a two-way communication. The Company takes a number of steps to keep this cooperation at a high level.

Regularly, at the end of each quarter, NIS j.s.c. Novi Sad organizes presentations of its performance results, where the top management representatives analyze perfomance and the achieved results in detail, in direct communication with representatives of investors. In 2023, presentations of NIS Group's performance results were held for the first, second and third quarter, in particular:

- in person, in the Company's premises,
- via video conference call, and
- combined (in the Company's premises and via video conference call).

The Company keeps its door open for those who want to get further information at one-on-one meetings.

Every year NIS hosts an Investor's Day in the Company's premises to present its largest and more important projects. This year, the event took place in Elemir on 30 October. NIS presented its performance result for the nine months of 2023, as well as the key performance indicators and the key areas for further ESG development, long-term development of the Upstream Block, and its strategic projects. There was also a presentation of the newly opened Training Center in Elemir that including exercises on the production well simulator, and a tour of the amine unit and the gas treatment plant in Elemir.

The special section of the corporate website dedicated to investors and shareholders is also an invaluable source of information for all stakeholders. This section of the corporate website is regularly updated with the latest presentations on performance results, financial statements, audit reports, financial calendar, and other various presentations and material.

Overview of financial instruments used by the Group

Due to its exposure to the foreign exchange risk, the NIS Group practises forward transactions and successive purchases in the foreign exchange market as an instrument for managing this type of risk.

Rating

Rating assigned by	Member of Group	Previous rating		Rating score	
		Rating	Date	Rating	Date
Business Registers Agency – Republic of Serbia	-	BB - Very good	25 July 2022	BB - Very good	21 June 2023
Dun&Breadstreet	*Dun&Breadstreet*	O-	10 October 2022	5A1	25 May 2023

CORPORATE GOVERNANCE

Statement on Application of Corporate Governance Code

Corporate Governance Report

In accordance with Article 368 of the Company Law (hereinafter "The Law") and Article 35 of the Law on Accounting, NIS j.s.c. Novi Sad hereby states that it applies the Code of Corporate Governance of NIS j.s.c. Novi Sad (hereinafter "The Code") which is available on the Company website (https://ir.nis.rs/en/corporate-governance/code-of-corporate-governance/). This Statement contains a detailed and comprehensive outline, as well as all relevant information of corporate governance practices implemented by the Company.

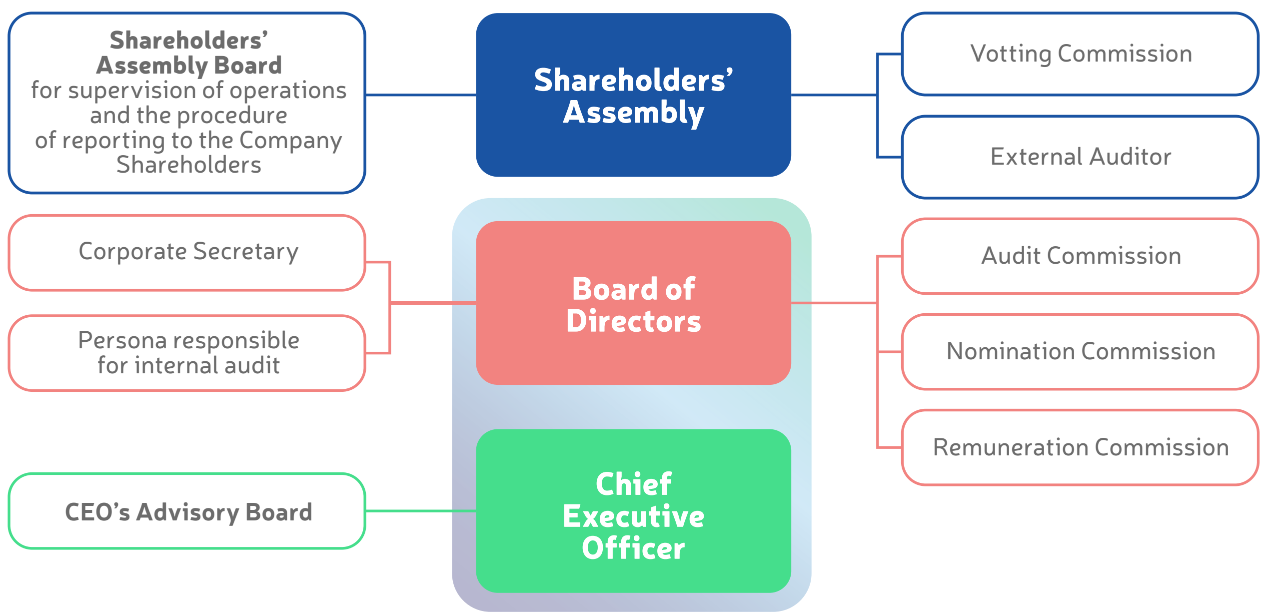
The Code supplements the rules contemplated by the Law and Articles of Association of NIS j.s.c. Novi Sad (hereinafter "the Articles"), which are to be complied with by the persons responsible for the corporate governance of the Company. The corporate Board of Directors ensures the application of the principles established under the Code, monitors their implementation and the compliance of the Company's organisation and operations with the Code and the Law.

Corporate Governance System

The Company has established a one-tier governance system, where the Board of Directors has the central role in the corporate governance. The Board of Directors is responsible for the implementation of the objectives and the achievement of results, while the shareholders exercise their rights and control primarily through the Shareholders' Assembly.

The provisions of the Articles of Association fully and clearly differentiate between the scope of work of the Board of Directors and the scope of work of the Shareholders' Assembly, the CEO of the Company and the bodies set up by the corporate governance bodies.

Corporate Bodies of NIS j.s.c. Novi Sad



Shareholders' Assembley and Shareholders' Rights

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders. All NIS j.s.c. Novi Sad shares are ordinary shares that give their owners the same rights, where one share carries one vote. The corporate documents do not impose restrictions regarding the number of shares or votes that a person may have at a Shareholders' Assembly meeting.

The Shareholders' Assembly meetings may be ordinary or extraordinary. Ordinary meetings are convened by the Board of Directors no later than six months after the end of a business year. The Board of Directors convenes extraordinary meetings at its discretion or at the request of shareholders holding at least 5% of the Company shares.

The rules regarding the method of convening meetings, operation and decision-making process of the Shareholders' Assembly, and particularly the issues relating to how shareholders exercise their rights in connection with the Shareholders' Assembly, are laid down in advance and incorporated into the Rules of Procedure of the Shareholders' Assembly, which are made public and available to all shareholders.

Notice about the Board of Directors' decision to call a meeting of the Shareholders' Assembly, with the proposed agenda is published on the first business day following the adoption of the decision; on the Company's website and on the regulated market's website (www.belex.rs). The invitation to a meeting of the Shareholders' Assembly is sent by publication on on the Company's website (www.nis.rs), and it is also published on the website on the company register's website (www.apr.gov.rs), the website of the Central Securities Depository and Clearing House (www.crhov.rs) or on the regulated market's website (www.belex.rs). The invitation is sent no later than 30 days prior to the day of an ordinary meeting, or 21 days prior to an extraordinary session. Simultaneously with the announcement of the invitation to the Shareholders Assembly meeting, the Company's website also publishes the materials for a meeting of the Shareholders' Assembly, which are also available for inspection at the Company's headquarters, to each shareholder who so requests, or to their proxy until the day of the meeting.

In addition to information about the meeting time, venue and agenda, the call for a meeting of the Shareholders' Assembly also includes information on how the shareholders may access the materials for the meeting, explanations on the shareholders' rights, manner and deadlines for the exercise of those rights, as well as information on the Shareholders' Day. Furthermore, proxy forms and absentee ballots (also available from the company headquarters) and electronic ballots are also published along with the call.

All decisions adopted by the Shareholders' Assembly are published on the corporate website together with the Voting Commission's report on the voting results, minutes of the Shareholders' Assembly meeting, the list of the attendees and invitees, and the list of the attending and represented shareholders of the Company.

Calls and materials for Shareholders' Assembly meetings, decisions adopted and other documents published following a Shareholders' Assembly meeting are available in Serbian, Russian and English.

Special Shareholders' Rights

The Agreement for the Sale and Purchase of Shares of NIS j.s.c. Novi Sad, entered into on December 24, 2008 between PJSC Gazprom Neft and the Republic of Serbia, stipulates that, as long as the contracting parties are shareholders of NIS j.s.c. Novi Sad, neither party shall sell, transfer or otherwise dispose of ownership of the share package, in part or in its entirety, for the benefit of any third party, unless it previously offers to the other party the option of purchasing the share package under the same terms as offered by the third party.

Pursuant to Articles 4.4.1 and 4.4.2 of the same Agreement, as long as the Republic of Serbia is a shareholder of the Company with at least 10% share in the share capital, it will be entitled to the number of members of the Board of Directors, which shall be proportional to its share in the base equity. The chairperson and one Board member of the Shareholders Assembly are appointed upon the proposal of the Republic of Serbia, while the remaining member of the Board of the Shareholders Assembly is appointed on the proposal of PJSC Gazprom Neft.

Decisions made by the Shareholders Assembly on the basis of the Agreement in question and the Articles of Association, with the obligatory positive vote of the Republic of Serbia are listed in the section Majority for decision-making and amendments to the Articles of Association.

Right to participate in the operation of the Shareholder Asembley

The right to participate in and vote at the Shareholders' Assembly meeting is held by all shareholders who own NIS j.s.c. Novi Sad shares on the Shareholders' Day (the tenth day prior to a Shareholders' Assembly meeting), according to the central registry of shareholders maintained by the Central Securities Depository and Clearing House.

The right to participate in the operation of the Shareholders' Assembly includes the rights of shareholders to vote and participate in the discussion about the items on the agenda of the Shareholders' Assembly meeting, including the right to put forward motions, ask agenda-related questions and receive answers in accordance with the Law, Articles of Association and Rules of Procedure of the Shareholders' Assembly, which specifically establish the procedures for exercising such rights.

In accordance with the Articles of Association, the right to personally participate in the Shareholders' Assembly meeting is granted to a company shareholder with at least 0.1% shares of the total number of company shares, or to a proxy representing at least 0.1% of the total number of Company shares. Company shareholders who individually hold less than 0.1% of the total number of company shares may participate in the Shareholders' Assembly meeting through a joint proxy, vote in absentia or vote electronically, regardless of the number of shares held, whereby all of the above voting methods have the same effect. The stipulation of a threshold for personal participation is due to the fact that the Company has a very large number of shareholders (about 2.05 million) and a threshold in these circumstances is necessary in order not to compromise the efficiency and rationality in terms of planning and holding Shareholders' Assembly meetings.

The Company makes it possible for all shareholders to grant an online proxy and vote online prior to the meeting, wherein the proxy, i.e. the ballot must be signed by a qualified electronic signature in accordance with the law governing electronic signatures.

A shareholder of the Company who has the right to participate in the work of the session of the General Meeting shall have the right to vote on any matter voted on at the session of the General Meeting by filling in and sending the voting form through direct submission, courier service, by registered mail or electronically, which form must be received by NIS j.s.c. Novi Sad no later than 3 (three) working days before the date of the General Meeting.

Proposing Amendments to the Agenda

Pursuant to the Law, one or more shareholders of the Company, who own at least 5% of shares with voting rights, may send a proposal to the Board of Directors containing additional items for the agenda of the meeting of the Shareholders'

Assembly which they propose to discuss or which are proposed to be discussed by the Shareholders' Assembly make decisions, as well as proposals for different decisions according to the existing items of the agenda, on the condition that they justify their proposal and submit the text of the proposed decisions (if it is proposed to adopt a decision of the Assembly of Shareholders).

Right to raise Questions, receive answers and put forward motions

A company shareholder who has the right to participate in the work of the Shareholders' Assembly may ask questions relating to items on the agenda of the Shareholders Assembly meeting, as well as other issues related to the Company, to the extent that the answers to these questions are necessary for the adequate assessment of the issue regarding the items on the agenda of a Shareholders' Assembly meeting. Members of the Board of Directors provide the answers to the questions.

Voting majority and amendment to the articles of association

Decisions of the Shareholders' Assembly are adopted, as a rule, by a simple majority of the votes of the present company shareholders who have the right to vote on the subject matter, unless the Law, the Articles of Association or other regulations for certain issues have not determined a higher number of votes.

Notwithstanding the above, as long as the Republic of Serbia has at least a 10% share in the Company's share capital, it is necessary that the Republic of Serbia confirms the decisions of the Shareholders' Assembly on the following issues: adoption of financial statements and auditor's reports, changes to the Articles of Association, increases and decreases in share capital, status changes, acquiring and disposing of company assets of significant value, changes of the Company's core business activity and registered office, as well as termination of the Company.

The Decision on Amendments to the Articles of Association shall be adopted at the Shareholders' Assembly by a simple majority vote of all voting shareholders, where the affirmative vote of the Republic of Serbia is required. In accordance with the Law, the Memorandum of Association of the Company shall not be amended.

Activities of the Shareholders' Assembly in 2023

In 2023, XV Annual General Meeting of the Shareholders' Assembly (29 June 2023) was held in Belgrade, at the NIS Corporate Centre, at Milentija Popovica 1, while there were no extraordinary meetings.

At the XV ordinary meeting, the Shareholders' Assembly adopted the Company's financial and consolidated financial statements for 2022 with the auditor's opinion and elected auditor FinExpertiza d.o.o. Beograd to conduct the audit for the next three-year period (2023–2025). The Annual Report of the Company for 2022, including the independent auditor's report on the Annual Report, the Report on the Analysis of the Work of the Board of Directors and the Board of Directors Committees, the Annual Report of the Board of Directors on Accounting Practices, Financial Reporting Practices, and Compliance of Operations with the Law and Other Regulations, as well as the Report of the Activity of Shareholders' Assembly were also adopted. In addition, the Shareholders' Assembly adopted the Remuneration Policy for the members of the NIS j.s.c. Novi Sad Board of Directors and the Board of Directors committees of, Report on Remuneration for the members of the Board of Directors for 2022, including the independent auditor's report, as well as the Report on Adequacy of the Composition of the Board of Directors and the Number of Members of the Board of Directors to the needs of the Company.

In addition to the above, the Shareholders' Assembly also adopted the Decision on the Distribution of Profits for 2022, Payment of Dividends, and Determination of the Total Retained Earnings of the Company, according to which 25% of the profit generated in 2022 is allocated for dividend payment, i.e. it was decided that a total of RSD 23.36 billion would be paid to the Company's shareholders.

The Shareholders' Assembly also appointed members of the Board of Directors as well as the Chairman and members of the Shareholders' Assembly Board for supervision of Shareholders' Operations and Reporting Procedure for the current term of office.

Shareholder relations and information provision

In addition to the reports that NIS, as a public joint-stock company, publishes in accordance with legal regulations and which are publicly available to all interested parties, including reports on business results that are presented to shareholders at the meeting of the Shareholders' Assembly, the Company also has a developed two-way communication with shareholders and investors, which have the additional opportunity to receive all the necessary information about the Company's operations and their rights during the year through the Offices for Minority Shareholders Affairs in Novi Sad and Belgrade, a special call center, and an email service (servis.akcionara@nis.rs) through which every shareholder may ask questions and receive answers electronically, as well as through Investor Relations Services.

Also, the Company takes part in meetings with representatives of the investment community. Representatives of the Company's top management regularly attend quarterly presentations of business results, and these presentations include both the results from the past period, as well as the Company's future plans and strategies.

NIS j.s.c. Novi Sad applies the highest standards in the area of information sharing, and ensures equal treatment of all information users. The Company ensures that published information is available to all interested parties in an equal and easily accessible way as soon as possible, and mostly uses its website for this purpose. A special segment of the website intended for shareholders and investors contains the most important news, decisions of the authorities, answers to the most common questions of shareholders in the previous period, as well as all necessary information on shares, shareholder rights and dividends. All information and documents on the website are available in Serbian, Russian and English. In September 2023, a redesigned version of the website intended for investors and shareholders was launched, at it warranted the improvement of the Company's visual identity and additionally facilitated access to all the information of importance for shareholders and investors. The new redesigned version of the website reflects the Company's commitment to the constant improvement of relations with investors and shareholders. The statutory reporting procedure is defined by special company documents governing the method and process of publishing information and submitting information to the relevant authorities.

More information on Investor Relations on page 101

The Company has an established mechanism for preventing and resolving potential conflicts between minority shareholders. There is a three-member commission tasked with resolving complaints of minority shareholders. The commission's responsibilities, manner in which it can be contacted and the way of its operation are regulated by a special internal document of the Company.

Information for minority shareholders regarding the proceedings before this Commission is available on the Company's website.

Board of directors

The Board of Directors has a central role in corporate governance. It is collectively responsible for the long-term success of the Company, setting the main business objectives, identifying the Company's directions of future development, as well as for establishing and monitoring the effectiveness of the corporate business strategy.

The most important issues within the competence of the Board of Directors include: determining the business strategy and business objectives of the Company, managing the Company's affairs and determining the internal organisation of the Company, performing internal supervision of the Company's operations, establishing the Company's accounting and risk management policies, determining periodic financial statements and reports on the Company's operations (quarterly and semi-annually), determining the business plan of the Company and its amendments, executing decisions made at the Shareholders' Assembly, appointing and dismissing the Chief Executive Officer and Chairperson of the Board of Directors, and making decisions on the establishment or liquidation of Company where the Company has a share in capital (decisions regarding the increase of capital, purchase and sale of shares or stakes in these Companies).

Board of Directors shall also issue the price of convertible bonds and warrants, if the Shareholders' Assembly has, with the power granted it by the Board of Directors, determined the range of the issue price within that range and the market value of those shares in accordance with the Law. The Board of Directors may also make a decision on the share buyback if this is necessary to prevent major and immediate damage to the Company, in which case it is obliged to inform the shareholders at the first next session of the Shareholders' Assembly about the reasons and manner of acquiring its own shares, their number and total nominal value of shares, their share in the share capital of the Company, as well as the total amount paid by the Company for them.

Appointment and members of the Board of directors

The members of the Board of Directors shall be appointed and dismissed at a Shareholder Assembly by a simple majority vote of the present voting shareholders. At the XV General Annual Shareholder Assembly held on June 29, 2023, 11 members of the Board of Directors of NIS were appointed. The members elect the Chairperson of the Board of Directors, while the responsibilities of the Board of Directors' Chairperson and the CEO are clearly divided. The members of the Board of Directors have the right combination of the required knowledge, skills and experience relevant for the type and scope of activities performed by NIS j.s.c. Novi Sad.

Candidates for members of the Board of Directors could be proposed by the Nomination Commission or company shareholders that individually or jointly possess at least 5% of the Company's shares.

The Board of Directors consists of executive and non-executive directors. The Board of Directors consists of one executive member, while all the other members are non-executive. Two of these non-executive members are also independent members of the Board of Directors who meet special criteria prescribed by the Law.

The Board of Directors has a significant number of foreign members who bring international experience and who have an understanding of challenges faced by the Company. Seven out of eleven members of the Board of Directors are Russian citizens, while four members of the Board of Directors are citizens of the Republic of Serbia.

The members of the Board of Directors must fulfil the criteria prescribed by the Law, as well as special conditions prescribed by the Articles of Association, about which they are required to give a statement at the beginning of their term of office. They are also obliged to inform the Company about all changes regarding their status, especially if these changes affect their ability to meet the requirements for membership of the Board of Directors, create a conflict of interest or breach the non-compete clause.

The term of office of the members of the Board of Directors is terminated at the first subsequent General Annual Shareholder Assembly, except in the case of co-optation, when the term of office of co-opted members of the Board of Directors lasts until the next meeting of the Shareholders' Assembly. Upon the expiration of their term of office, each member of the Board of Directors may be reappointed an unlimited number of times. The Shareholders' Assembly may dismiss a member of the Board of Directors even before the expiry of the term of office for which they are appointed, and a member of the Board of Directors may also resign at any time in writing.

Report of the Appointments Committee – In accordance with the Law, and taking into account the principles set out in Article 5, item 5.1 of the Code, the Appointments Committee shall, at least once a year, prepare a report for the Shareholders' Meeting of the Company on the adequacy of the composition of the Board of Directors and make recommendations regarding this issue. Thus, in 2023, at the XV regular session, the Appointments Committee submitted to the Shareholders' Assembly the Report on the Suitability of the Composition of the Board of Directors and the Number of Members of the Board of Directors of NIS j.s.c. Novi Sad to the Needs of NIS j.s.c. Novi Sad. Based on the performed analysis, it was determined that the size of the composition of the Board of Directors of the Company corresponds to the practice of large companies in the oil and gas sector of Europe and that the existing composition of the Board of Directors of the Company is knowledgeable in the field of auditing, finance, strategic management, tax system, marketing, trade in oil and petroleum products, as well as sales and distribution, and the composition of the Board of Directors includes both men and women. It has been established that the members of the Board of Directors have international certificates ACCA and MBA and CMA qualifications. The report concludes that the composition of the Board of Directors corresponds to the needs of the Company's corporate governance and the principles set out in Article 5, item 5.1 of the Code. The report in question is publicly available on the Company's website.

More information on the application of the Diversity Policy applied in relation to the governing authorities is available in the section of this report on page 114.

Changes in the composition of the Board of Directors in 2023

At the XV regular session of the NIS Shareholders' Assembly, held on 29 June, 2023, the following persons were appointed as members of the Board of Directors: Vadim Yakovlev, Kirill Turdenev, Danica Drašković, Alexey Yankevich, Pavel Oderov, Vsevolod Vorobev, Dejan Radenković, Dragutin Matanović, Goran Knežević, Anatoly Cherner and Olga Vysotskaya, while the membership of the Alexander Chepurin in the Board of Directors of NIS j.s.c. Novi Sad ended as of the date of the aforementioned session of the NIS Shareholders' Assembly.

Board of directors' members as of 31 December 2023

Vadim Yakovlev
Chairman of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

Kirill Tyurdenev
Member of NIS j.s.c. Novi Sad Board of Directors
Executive director
Member of Nomination Commission

Danica Drašković
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

Alexey Yankevich
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director
Chairman of the Remuneration Commission

Pavel Oderov
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

Vsevolod Vorobev
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

Dragutin Matanović
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director
Chairman of Nomination Commission

Dejan Radenković
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director
Member of the Audit Commission

Goran Knežević
Independent Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director
Member of Nomination Commission

Anatoly Cherner
Member of NIS j.s.c. Novi Sad Board of Directors
Non-excecutive director

Olga Vysotskaia
Independent Member of NIS j.s.c.Novi Sad Board of Directors
Non-executive director
Chairman of the Audit Commission
Member of the Remuneration Commission

Board of Directors' Activities in 2023

The Board of Directors held 4 sessions in presentia and 18 sessions in absentia. All meetings of the Board of Directors, recorded practically maximum attendance.

In addition to regular activities of consideration of the annual report of NIS j.s.c. Novi Sad, the following items were also on the agenda of the Board of Directors: financial statements and consolidated financial statements of the Company for the year 2022, the adoption of periodic (quarterly) reports of the Company in 2023, convening of a regular session of the Shareholders' Assembly, the adoption of the Company's business plan, scheduling the date, procedure and method of paying dividends to the Company's shareholders. Decisions were also made to approve the termination of the interest of NIS j.s.c. Novi Sad in the company NICCO AGRAR LLC BANATSKI BRESTOVAC, through the sale of its shares, then on the formation and termination of the Company's branches and the approval of the conclusion of the Annex to the Agreement on an intercompany loan between NIS j.s.c. Novi Sad and NAFTAGAS - Oilfield Services LLC. Novi Sad, i.e., between NIS j.s.c. Novi Sad and Scientific Technical Centre (NTC) NIS - Naftagas LLC, Novi Sad. The Board of Directors also approved proposals for the approval of candidacies for the positions of Supervisory Board members, and the position of the director of HIP-Petrohemija LLC, Pančevo, and appointed the members of the Committee of the Company's Board of Directors for auditing, compensation and appointments for the current period of their office. For the purposes of achieving the Company's planned goals, reviewing the Company's performance and the quality of corporate management, the Board of Directors, through quarterly reports, discussed the business analysis in the reporting period, with the assessments of the business activity of NIS j.s.c. Novi Sad until the end of 2023. The Board of Directors also analysed its own work and submitted the appropriate Report at the XV regular session of the Shareholders' Assembly. Besides, the Board discussed the results of the fulfilment of key business indicators for 2022, as well as the evaluation system for key business indicators for 2023. In addition, Board of Directors also adopted the Decision on the approval of the donation of NIS j.s.c. Novi Sad for supporting the projects of the Government of the Republic of Serbia in the field of education, social and health care, and adopted the Accounting Policies of the Company, version 3.0.

In 2023, the Board of Directors adopted 73 decisions, and the enforcement of these decisions is monitored through periodic reports on the enforcement of Board of Directors decisions and orders.

Board of Directors' Rules of Procedure and Meetings

The Rules of Procedure of NIS' Board of Directors and Commissions of the Board of Directors (hereinafter "BoD Rules of Procedure") govern the operation and decision-making process of NIS' Board of Directors and Commissions of the Board of Directors, including the procedure for convening and holding meetings.

For each business year, the Board of Directors adopts a work plan which includes all issues to be considered in accordance with the applicable laws and Company business needs, and establishes the deadlines for these issues to be considered in the meetings of the Board of Directors. In addition to planned issues, the Board of Directors also deals with other issues within its scope of work, as required.

In order to ensure that the members of the Board of Directors are adequately informed before making decisions, and to keep them up to date with the activities of the Company, the CEO and the management ensure that the members of the Board of Directors receive accurate, timely and complete information on all issues reviewed at meetings and all other important issues concerning the Company. Meetings of the Board of Directors are prepared with the assistance of the Corporate Secretary and under the supervision of the Chair of the Board of Directors, so that each member may adequately contribute to the work of the Board of Directors.

The Board of Directors adopts decisions by a simple majority of votes of all members of the Board of Directors, except for the decision to co-opt, which is made by a simple majority of votes of attending members, and decisions requiring a different majority under the Law and/or the Articles of Association. Each member of the Board of Directors has one vote.

Board of Directors and Commission Members' Remunerations

Remuneration Policy – In 2023, the Shareholders' Assembly adopted the current Remuneration Policy for the Members of the Board of Directors and of the Board of Directors' Committees.

The objective of the Remuneration Policy is to ensure the transparency of the remuneration system and to keep the shareholders and potential investors informed, as well as to connect the interests of the members of the Board of Directors and Board of Directors' committees with the long-term interests of the Company and shareholders, and the successful implementation of business plans and strategies, which contributes to the long-term sustainability of the Company.

To this end, when defining remunerations, the Company assumes that fees and remunerations should be the compensation for engagement, but also a motivating factor, so that the Company is able to attract and retain as members of the Board of Directors and Board of Directors committees persons who possess professional and other competencies necessary for the Company, at the same time without significantly deviating from the fees paid to members of the Board of Directors and Board of Directors' committees in other companies of the same or similar size and business scope, engaging in the same or similar activity, i.e., peer companies.

When determining the type and amount of remuneration, the Company takes into account the following criteria:

- tasks, i.e., obligations and responsibilities of a member of the Board of Directors and committees;
- the financial standing of the Company;
- the economic environment in which the Company is located;
- the assessment of the previous work of the Board of Directors in general;
- the link between the results achieved by members of the Board of Directors and the committees, and their remuneration;
- the principles of best practices of corporate governance and
- the level of fees and remuneration in peer companies.

Remunerations for executive members of the Board of Directors – In line with the remuneration policy, the remuneration for executive directors is specified under employment contracts or fixed-term contracts for each executive director of the Company. In this case, they do not receive any remuneration for their membership in the Board of Directors and its Commissions, except for the compensation of costs and professional liability insurance in relation to the membership and work as part of the Board of Directors and its Commissions.

Remuneration Structure – The remuneration policy stipulates that the remuneration for executive members of the Board of Directors consists of:

- Fixed portion,
- Variable part (which includes short-term and long-term motivation),
- Other benefits.

Remuneration for non-executive members of the Board of Directors and members of committees of the Board of Directors - The total remuneration paid to non-executive members of the Board of Directors and members of committees of the Board of Directors consists of:

- Fixed (permanent) part,
- Variable part (bonus),
- Other benefits.

Fixed (permanent) portion of the remuneration to the members consists of a fixed portion of the annual remuneration for the membership in the Board of Directors and the fixed annual remuneration for participation in the Commissions of the Board of Directors. The annual fixed part of the remuneration for membership in the Board of Directors is the remuneration for the time and effort of a member of the Board of Directors and is related to the preparation and active participation in sessions and meetings of the Board of Directors, which requires the members to study the documents in advance and participate in the meeting of the Board of Directors.

The annual fixed part of the remuneration for participation in the work of the Board of Directors committees is the remuneration paid to members for participation in the work of one or more committees of the Board of Directors, with the exception of executive directors and also members of the committees of the Board of Directors employed by the Company. This type of remuneration represents the compensation for the time and effort of members of the Board of Directors' committees for their participation in the work of the Board of Directors' committees, including the preparation of materials and proposals by the Board of Directors committee. The annual fixed part of the remuneration for participation in the work of the Board of Directors committees will be paid only for participation and active work at the sessions relevant of the Board of Directors committee.

The entitlement to the variable part of the remuneration is acquired for participation in the three-year program cycle defined by the Rulebook on the Programme of Long-Term Stimulation of Non-Executive Directors and Members of the Governing Bodies of NIS j.s.c. Novi Sad, adopted by the Shareholders' Assembly.

The long-term incentive program for non-executive directors and members of the governing body is regulated in more detail by a special Rulebook adopted by the Shareholders' Assembly, which regulates the basic principles and parameters of the program.

This program is one of the key elements of motivation for non-executive directors and members of the company's governance bodies towards the implementation of the company's long-term strategic goals.

The long-term stimulation program is aimed at connecting the interests of its participants with the long-term interest of the company and its shareholders to facilitate long-term sustainable development and achievement of the company's strategic goals. The motivation is adequately measured to the company's resources and needs and pertains to a specific time period sufficient to establish that there was value created for the company's shareholders.

The long-term stimulation program is comprised of successive cycles. The parameters and participants of the program are determined in corresponding regulations.

The shareholders' assembly adopted a list of key indicators that significantly contribute to the strategic development of the Company for the cycle of the Long-term Stimulation Program for non-executive directors and members of the governing bodies of NIS for the period from 2021 to 2023.

Reimbursement of expenses – Members of the Board of Directors and its Commissions are entitled to reimbursement for all expenses incurred in connection with their membership on the Board of Directors or its Commissions, in line with internal corporate documents.

Liability insurance – Members of the Board of Directors are entitled to liability insurance (Directors & Officers Liability Insurance).

Amendment to the Remuneration Policy – In order to maintain the remuneration at an appropriate level, the remuneration policy is subject to periodic reviews and analyses, and should reflect the needs, abilities and interests of the Company and other changes in relevant criteria.

Remuneration Commission Report – The Remuneration Commission prepares a report on the assessment of the amount and structure of remunerations for the Shareholders' Assembly at least once a year, as well as a clear, comprehensive and comprehensible report on all remuneration paid by the Company or an affiliated company, operating within the same group of companies, paid or allocated to be paid to each individual current and former member of the Board of Directors, in the last business year preceding the year in which the report is drawn up. Thus, for the calendar year 2022, the Remuneration Commission submitted a Report on remuneration for the members of the Board of Directors of NIS j.s.c. Novi Sad for 2022, which contained both of the aforementioned reports, and was adopted at the XV regular session of the Shareholders' Assembly, held on 29 June 2023. As part of the scope of the Report in question, the Remuneration Commission acted in accordance with its competences, assessed the adequacy of the amount and structure of the remuneration for the members of the Board of Directors against the principles, frameworks and criteria defined by the applicable Remuneration Policy, and concluded that in 2022, the Company was in the compliance with the said Remuneration Policy. One of the principles for determining the amount of remuneration for members of the Board of Directors and the Board of Directors committees is the comparability of the remuneration with the level of remuneration paid by NIS j.s.c. Novi Sad peer companies in terms of type and scope of activity. And in order to ensure a relevant sample of companies participating in the comparison, the impact on the economy and energy security of the state was used as the criterion. The conclusion is that the structure and amount of remuneration for non-executive, independent and executive members of the Company's Board of Directors is in accordance with current market practice, and that it includes the main elements of compensation and helps attract, retain and motivate qualified members of the Board of Directors. The aforementioned Report on the remuneration of the members of the Board of Directors of NIS j.s.c. Novi Sad for the year 2022 was audited by the independent auditor FinExpertiza d.o.o. Belgrade, and the relevant Auditor's Report was also adopted at the XV regular session of the Shareholders' Assembly.

Total amount paid to Board of Directors members in 2023, net RSD	
BoD Members	252,803,547 RSD

Number and percentage of shares of NIS j.s.c. Novi Sad owned by BoD members

Name and surname	Number of shares	% in total of shares
-	-	-

Description of the diversity policy applied in relation to the governing authorities

Documents Equality Policy, Corporate Governance Code of NIS j.s.c. Novi Sad and the Report on adequacy of the composition of the Board of Directors and the number of members of the Board of Directors of NIS j.s.c. Novi Sad to the needs of NIS j.s.c Novi Sad adopted by the Shareholders' Assembly of NIS j.s.c. Novi Sad (hereinafter referred to as the Documents) define company's commitment to observation of various aspects of diversity in terms of representation in the Board of Directors.

Usage of gender-specific expressions in the following text shall be understood as neutral, applicable both to female and male gender.

One of the objectives of the abovementioned Documents is to ensure complementarity and diversity within the Board of Directors, taking into account the presence of all aspects of diversity: gender, age, level of education and skills, and other differences among the Management Bodies that can help improve the Company's managerial decisions.

We believe that cherishing diversity improves our Company's operations on multiple levels – it strengthens them by including diverse experiences, enriches them with different cultures, providing a diversity of ideas and viewpoints, whilst ensuring competitiveness in the marketplace. With these Documents, we aim to provide a framework for better implementation of the strategies, as well as opportunities for maximum effectiveness of our performances and sustainable business operations, as we provide equal opportunities for employment and decision-making for all – regardless of their gender, age, level of education or skills, and all other differences. The purpose of the Documents' segments that are tackling diversity is to promote diversity among the members of the Board of Directors. This approach ensures team diversity and ensures the presence and exchange of different experiences, as well as the application of more or less specific skills, but also competencies and personality traits that will inspire learning and mutual development. This aspect reflects a key difference in the operation of every company, as a basis for further growth.

Defined conditions for the selection of suitable candidates for membership in the Board of Directors represent the basis for composition of the Board thus making sure that this corporate body as a whole acts in compliance with defined rules, possesses an appropriate set of competencies and skills, qualifications and experience required for the long-term and sustainable business of the company.

Diversity aspects are numerous, the key ones are defined in relation to numerous factors – economic environment, strategic direction of the company, talent development strategy, new trends in the industry and many others. However, we would like to single out several aspects that are essential for our business and are deeply woven into our corporate culture – gender and age diversity, professional diversity, diversity of competencies.

Gender diversity

Under-representation of women in management positions is still a norm in the global energy sector. Gender balance in management and supervisory bodies is an important aspect of a company's diversity.

Our Company seeks to ensure both genders are equally represented.

In the current composition of the Board of Directors of NIS j.s.c. Novi Sad, 18% of members are women (2 out of 11).

Age diversity

Aware of the importance of age diversity among the members of the Company's management bodies, NIS j.s.c. Novi Sad expresses a particular readiness and commitment to diversification by bringing together different generations, whereas each generation is leaving their particular mark and contributing with their specific strengths. This combination of experience and knowledge, ideas and initiatives, traditional and modern approaches aims to achieve a synergistic effect that will vouch for best results in the Company's operations.

Professional diversity

Special attention is given to the professional qualifications of the members of the Company's management bodies. The Board of Directors comprises of professionals in their respective fields, whose individual experiences, competencies, motivations, ambitions, visions and personal contribution ensures that the Company, with its numerous employees, keeps the same common goal towards which it is striving for many years now.

Diversity of competencies

Considering the importance of diversity of competencies, special attention is given to the competencies of the members of the Board of Directors such as: having appropriate business and life experiences relevant for the management of the Company; possess knowledge, capabilities and experience for successful performance of tasks within the scope of the Company; knowledge of the Company's operational environment, technology, market and industry in which it operates; financial competencies; competencies in the field of the oil industry or some other specific competencies, all in order to achieve an appropriate balance of diversity in skills, experience and expertise of the Board of Directors.

The official Diversity Code was adopted on January 28, 2022. This document establishes rules regarding the representation within the Board of Directors (gender diversity; age diversity; professional diversity; diversity of competences), aiming to establish and promote a balanced representation of all aspects of diversity in the Management Bodies, thus helping us improve the Company's overall managerial decisions.

Induction and Training of the Board of Directors' Members

Upon appointment, members of the Board of Directors are introduced to the Company's operations, and provided with greater insight into the Company' operating procedures, strategies and plans, and the key risks it faces, and their expedited active involvement in the activities of the Board of Directors. This includes, among other things, introducing them to internal company documents, and providing basic information about the Company, corporate governance, persons appointed to managerial positions, information on the corporate performance, business strategy, business plan, objectives and other information they need to able to perform their roles.

The Company also organises special programs for additional training and development and allocates funds for these purposes in cases where members of the Board of Directors express the need for this.

Analysis of the Board of Directors' Activities

The Board of Directors analyzes its performance and the performance of its Commissions annually, in order to identify potential problems and propose measures to improve its performance.

Its performance is analyzed through a survey completed by the members of the Board of Directors which contains two sets of key questions for evaluation of the Board of Directors' performance. The first group comprises criteria for evaluating the work of the Board of Directors with respect to its objectives, duties and responsibilities, while the second group comprises criteria for evaluating the procedures applied in the work of the Board of Directors.

The results of the valuation, which are derived from the responses of members of the Board of Directors provided in the survey, are presented to the Shareholders' Assembly in a special report.

At the XV regular session held on 29 June 2023, the Shareholders' Assembly adopted the Report on the Analysis of the Work of the Board of Directors and Committees of the Board of Directors of NIS j.s.c. Novi Sad for the period April 16, 2022 - April 15, 2023. The subject report is publicly available on the Company's website.

Strategic meetings

Members of the Board of Directors consider strategic goals during development of the Company's business plan for the next years, and periodically also take part at the strategic meetings which provide a better insight into the Company's business and thereby enabling them to review and reconsider priority development directions and KPI forecasts and assumptions for Company's development on a long-term basis.

Board of Directors' Commissions

With a view to ensuring efficiency, the Board of Directors established three standing Commissions as its advisory and expert bodies which provide assistance to its activities, particularly with regard to: issues in its domain, preparation and supervision of the implementation of decisions and documents it adopts, and performance of certain specialised tasks required by the Board of Directors.

The Board of Directors established the following Commissions:

- Audit Commission,
- Remuneration Commission and
- Nomination Commission.

As appropriate, the Board of Directors may establish other standing or ad hoc Commissions to deal with issues relevant for its activities.

Each of the three Commissions consists of 3 members which are appointed and dismissed by the Board of Directors. The Board also appoints one of its members as the Chairperson, who manages the work of the Commission and prepares, convenes and presides over its sessions and performs other tasks necessary for carrying out activities from its domain.

The majority of members in each Commission are non-executive directors, and at least one member must be an independent director of the Company. The Board of Directors can choose members of its Commissions among persons who are not the Company's directors but have the adequate knowledge and work experience relevant to the Commissions.

The role, competencies and responsibilities of the Commissions are defined by law, and by the Rules of Procedure of the Board of Directors and its Commissions which also regulate the composition, conditions for selection and number of members, term of office, dismissal, manner of operation, as well as other relevant issues related to the work of the Board of Directors' Commissions.

At least once a year, these Commissions draft and submit to the Board of Directors reports on issues within their scope of work, but the BoD may request reports on all or some of the issues within their scope at shorter intervals as well.

The Board and its Commissions may seek professional advice from independent experts when necessary for the successful performance of duties.

Audit Commission

In addition to the general conditions for the composition of the Board of Directors' Commissions, the Chairperson of the Audit Commission must be an independent director of the Company, while at least one member must be a certified auditor or who has the adequate knowledge and work experience in the field of finance and accounting, and who is independent from the Company.

Members of the Audit Commission are:

- Olga Vysotskaia, Chairperson of the Audit Commission,
- Dejan Radenković, Member of the Audit Commission and
- Alexey Urusov, Member of the Audit Commission.

The Chairperson and members of the Audit Commission were appointed by a decision of the Board of Directors dated 21 July 2023, and all three members performed the above functions in the Audit Committee in the previous term of office as well.

During 2023, the Audit Commission held three sessions in the presence of members and nine written sessions. The Commission considered, inter alia, the contents of the Quarterly Report, the Financial Report and the Consolidated Financial Report for Q1, Q2 and Q3 of 2023 and made appropriate recommendations to the Board of Directors. The Audit Commission also considered the Annual Report for 2022 with the report of the independent auditor FinExpertiza LLC Belgrade. The Committee deliberated on the proposal for the selection of the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for the 3 - year period (2023-2025) and the performance of other audit services for the period of 3 years (2023-2025), gave an opinion on the qualification and independence of the auditor FinExpertiza d.o.o. Belgrade in relation to the Company, as well as consent to the contract with the auditor for 2023. In the same way, the Audit Committee accepted the Plan for the implementation of the audit procedure and for determining key issues that should be the subject of audit, and defined the Annual Plan for the performance of the internal audit at NIS j.s.c. Novi Sad for 2023. It also considered the audit findings and significant audit issues for 2022, and monitored the implementation status of the auditor's recommendations given in the Management Letter Points of NIS j.s.c. Novi Sad for 2022 and with the balance as of 31 August 2023. The Audit Committee analysed the report on results of internal monitoring of the operations of NIS j.s.c. Novi Sad for the year 2022 and for six and nine months of 2022, as well as for 3 months of 2023, and the Report on the management of key risks of NIS j.s.c. Novi Sad for 9 months of 2022 (with a forecast until the end of 2022), then for 3 and 6 months of 2023 (with a forecast until the end of 2023), as well as the Report on the realisation of key risks of NIS j.s.c. Novi Sad for 2022. The Committee determined the proposal of Accounting Policies of NIS j.s.c. Novi Sad, version 3.0, approved the Charter of Internal Audit of NIS j.s.c. Novi Sad, version 6.0 and the Development Strategy of the Internal Audit, Risk and Internal Control Functions 2023-2025 - Implementation status as of 30 June 2023.

Remuneration Commission

Members of the Remuneration Committee are:

- Alexey Yankevich (Chairperson of the Remuneration Committee),
- Olga Vysotskaia (Member of the Remuneration Committee) and
- Zoran Grujičić (Member of the Remuneration Committee).

The Chairperson and members of the Remuneration Committee were pursuant to the decision of the Board of Directors dated 21 July 2023, and all the three members performed the above functions in the Remuneration Committee in the previous term of office as well.

During 2023, the Remuneration Committee held two sessions in presentia and two sessions in absentia. The Committee deliberated the results of the fulfilment of key performance indicators for the year 2022, as well as the system of evaluation and indicators for the purposes of remuneration for the year 2023 and, in addition, defined the proposal for the amount of remuneration for the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for the 3-year period (2023–2025) and performance of other audit services for a period of 3 years (2023–2025). Also, the Committee put forward the draft Compensation Policy for the Members of the Board of Directors and of the Board of Directors Committees of NIS j.s.c. Novi Sad. The Remuneration Committee also prepared the Report on Remuneration to the Members of the Board of Directors of NIS j.s.c. Novi Sad for the year 2022, which contains the Report on the assessment of the amount and structure of remuneration for each member of the Board of Directors and the Report on the remuneration of the members of the Board of Directors for the year 2022, which was submitted for deliberation to the Shareholders' Assembly at the session held on 29 June 2023.

Nomination Commission

Members of the Nomination Commission are:

- Dragutin Matanović (Chairperson of the Nomination Commission),
- Goran Knežević (Member of the Nomination Commission) and
- Kirill Tyurdenev (Member of the Nomination Commission).

The Chairperson and members of the Nomination Commission were appointed by a decision of the Board of Directors dated 21 July 2023, while the function of a member of the Remuneration Committee was performed by Aleksandar Chepurin in the previous term of office (until 29 June 2023).

In 2023, the Nomination Commission held two session in the presence of members and one written session. The Committee considered the candidacy proposal for the position of director of HIP Petrohemija LLC, Pančevo and the Commission also prepared a Report on the Suitability of the Composition of the Board of Directors and the Number of Members of the Board of Directors of NIS j.s.c. Novi Sad to the Needs of NIS j.s.c. Novi Sad, which was submitted for consideration to the Shareholders' Assembly at the session held on 29 June 2023.

Shareholders' Assembly Board

The Shareholders' Assembly Board for the Supervision of Operations and Reporting to the Company's Shareholders (hereinafter: "the Shareholders' Assembly Board") is a body of advisors and experts providing assistance to the Shareholder's Assembly with respect to its activities and of issues within its domain. Members of the Shareholders' Assembly Board report to the Shareholders' Assembly, which appoints them and relieves them of duty.

Pursuant to the powers granted to it by the Articles of Association, the Shareholders' Assembly Board also presents its assessments of: reporting to the Shareholders' Assembly on the implementation of accounting practices; financial reporting practices of the Company and its subsidiaries; reporting of the Shareholders' Assembly concerning the credibility and completeness of reports to the Company's shareholders on relevant issues; proposed methods for the distribution of profit and other payments to the Company's shareholders; procedures for the independent audit of the Company's financial statements; internal control activities in the Company and evaluation of their effectiveness; proposals for the incorporation or liquidation of companies in which the Company holds a share, or of the Company's subsidiaries; proposals for the acquisition and sale of shares, stakes and/or other interests that the Company holds in other companies; and of the evaluation of the manner in which the Company handles complaints filed by its shareholders.

Members of the Shareholders' Assembly Board as at 31 December 2023

The Board of the Shareholders' Assembly has 3 (three) members, one of whom is the Chairperson of the Board of the Shareholders' Assembly. The Shareholders' Assembly appoints simultaneously both the Chairperson and the members of the Board of the Shareholders Assembly by a special decision. The mandate of the Chairperson and members of the Board of Shareholders Assembly ends at the next regular session of the Shareholders' Assembly, except in the case of co-optation, when the term of the co-opted member of the Board of Shareholders' Assembly lasts until the first next session of the Shareholders' Assembly. The Chairman and each member of the Board of Shareholders' Assembly may be reappointed an unlimited number of times. The Shareholders' Assembly may dismiss and appoint a new Chairperson and/or member of the Board of the Shareholders' Assembly at any time.

At the XV General Annual Shareholders' Assembly held on 29 June 2023, all members of the Board of the Shareholders' Assembly Board whose term of office ended were re-elected, so that in 2023 there was no change in the composition of the Board of the Shareholders' Assembly, and the composition is as follows:

- Zoran Grujičić (Chairperson)
- Dragan Bračika (Member) and
- Alexey Urusov (Member).

Zoran Grujičić
Chairman of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad
Member of the Remuneration Commission

Dragan Bračika
Member of the Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

Alexey Urusov
Member of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad
Member of the Audit Comission

Activities of the Shareholders' Assembly Board in 2023

In 2023, the Board of the Shareholders' Assembly held eight sessions in absentia. The Board of the Shareholders' Assembly deliberated on the Company's annual financial and consolidated financial statements for 2022, as well as interim (quarterly) financial and consolidated financial statements for Q1, Q2 and Q3 of 2023. Apart from that, the Board of the Shareholders' Assembly considered the reports of the independent auditor on the audit of the Company's financial statements, the proposal on the appointment and remuneration of the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for a period of 3 years (2023–2025) and the appointment of auditors for the performance of other audit services for a period of 3 years (2023–2025), as well as the method of profit distribution for the year 2022, payment of dividends and determining the total amount of retained earnings, and submitted a Report on its work to the Company's Shareholders' Assembly. Apart from the above-said, the Board of the Shareholders' Assembly deliberated also on proposals for forming and closing the Company branches, on the termination of NIS j.s.c. stake in NICCO AGRAR DOO BANATSKI BRESTOVAC, through the sale of its share, and approved the conclusion of an Annex to the Intercompany Loan Agreement between NIS j.s.c. Novi Sad and NAFTAGAS – Oilfield Services LLC Novi Sad, and also NIS Novi Sad and NTC NIS Naftagas LLC Novi Sad. In 2023, the Board of the Shareholders' Assembly adopted 33 conclusions.

Chief excecutive officer

The Board of Directors appoints one of its executive members to act as the Chief Executive Officer. The CEO coordinates the activities of the executive members of the Board of Directors and organizes the Company's activities. In addition to this, the CEO performs daily management activities and is authorized to decide on matters which do not fall under the competence of the Shareholders' Assembly and the Board of Directors. The Chief Executive Officer is a legal representative of NIS j.s.c. Novi Sad.

Advisory Board of the CEO

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities. The members of the Advisory Board were determined by the Decision of CEO, and they include First Deputy CEO - Director of the Exploration and Production Block, First Deputy CEO - Director of the Downstream, Directors of the Refining and the Energy Blocks, Directors of Functions, Consultant for petrochemical affairs and Director of Naftagas-Oilfield Services LLC Novi Sad. In addition to the competencies related to the management of the Company's operations, the Advisory Board deals with the issues of strategy and development policy, the basis of which is set by the Shareholders' Assembly and the Board of Directors of the Company.

Members of the Advisory Board of the CEO

On 31 December 2023, members of Advisory Board of the CEO were:

Andrei Shoshin
Deputy CEO for Exploration and Production

Andrey Tuchnin
First Deputy CEO – Head of Downstream

Vladimir Gagić
Head of Refining Block

Viacheslav Zavgorodnii
Deputy CEO,
Head of Strategy and Investment Function

Igor Chernov
Deputy CEO,
Director of Corporate Security Function

Anton Cherepanov
Deputy CEO,
Director of Finance, Economics, Planning and Accounting

Sergey Fominykh
Director of Energy Block

Natalia Bylenok
Deputy CEO,
Head of Function for Organizational Affairs

Vadim Smirnov
Deputy CEO,
Director of the Function for Government Relations and Corporate Communications

Miloš Grbić
Deputy CEO, Director of Procurement Function

Jelena Popara
Director of the Internal Audit and Risk Management Function

Ivan Dmitriev
HSE Director

Nikola Radmilović
Director of Naftagas – Oil Services LLC Novi Sad

Oksana Kovaleva
Deputy CEO,
Director of Legal and Corporate Affairs Function

Goran Stojilković
Consultant for petrochemical affairs
Director of HIP-Petrohemija LLC Pančevo

Activities of the Advisory Board in 2023

During 2023, there were 14 Advisory Board sessions, chaired by the CEO, where the members discussed the following matters on a monthly basis:

- reports on HSE incidents and initiatives from the preceding period;
- reports on implementation of the decisions and tasks delegated at the sessions;
- reports regarding operational and financial indicators for the Exploration and Production Block;
- reports regarding operational and financial indicators for the Downstream;
- reports presenting monthly financial results of operations;
- reports on the key issues related to the functions and Naftagas – Oilfield Services Ltd;
- report on the statuses of the most important open issues related to HIP Petrohemija.

In addition, the reports showing Company's quarterly results of operations, and an important issue concerning the update of the corporate strategy for Company's development were all presented to the members of the CEO Advisory Board. The Internal Audit Function presented the reports on implementation of the recommendations made based on audits and reports on the conducted activities regarding key risk management.

Company Management Succession Plan

In order to minimise the potential risks for the Company and increase operational efficiency, there are special systems and processes aimed at filling possible vacancies when it comes to the top operational management of the Company. They include the implementation of specialized training programs, so that continuous investment in the development of knowledge, and skills the Company ensures long-term reduction of potential risks in relation to its key management positions.

Moreover, the Company assesses potential successors in the highest management positions and compiles special lists of successors that include their names, current positions and plans for their professional development.

Insider information and acquisition and disposal of the Company's shares by managers and related parties

Trading shares using insider information is strictly prohibited to all persons under threat of penalties provided for by the Capital Market Law. The Company requires all persons, who permanently or occasionally have access to this information, to fully comply with the provisions of laws, by-laws, as well as the Company's documents relating to insider information and confidential data.

The criteria on the basis of which certain persons have the status of persons with access to insider information, their rights and obligations, the obligations of the Company in order to ensure the confidentiality of insider information, the procedure for publishing insider information, as well as the rules related to preparing, keeping, and updating the list of persons with access to insider information and the list of persons performing the duties of the manager and related persons are specifically regulated by the Company's internal acts.

Pursuant to the Capital Market Law and internal documents of the Company, all persons employed as managers in the Company are prohibited from performing transactions for their own account or for the account of a third party in relation to equity or debt securities of the Company or other related financial instruments during the period of 30 days prior to the publication of the annual, semi-annual or quarterly financial statements. The Company may grant a special written consent for trading during the period of prohibition, if there are conditions prescribed by law and the documents of the Securities Commission.

In addition, all persons performing the duties of managers in the Company, as well as persons related to them (defined by the aforementioned law), are obliged to report to the Securities Commission and the Company, within three business days, each subsequent transaction for their own account with the subject of the Company's shares (or possibly debt instruments or other related financial instruments), after the sum of the values of transactions in one calendar year exceeds the value of EUR 5,000.

In 2023, the Company did not receive any information of any acquisitions or sales of the Company's shares by any members of the Company's bodies or related parties.

Internal Audit Activities

The regulatory framework of internal supervision, i.e. internal auditing in NIS j.s.c. Novi Sad was established by the Law on Companies, the Internal Audit Charter, the Internal Audit Standard and other relevant legal and internal regulations.

The Internal audit provides independent, objective assurance services, as well as consultancy aimed at adding value and improving the Company's operations. Internal Audit helps the Company achieve its objectives by introducing a systematic, disciplined approach to assessing and improving the effectiveness of risk management, controls and corporate governance.

The Company's Internal Audit operates in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Global Institute of Internal Auditors, which is confirmed by an obtained conformity assessment from an independent external assessor.

Internal Audit activities in particular include:

- examination and assessment of the adequacy and effectiveness of corporate governance, risk management and internal controls
- control of compliance of Company's business activities with the law, other regulations and acts of the Company
- supervision of the implementation of accounting policies and financial reporting
- checking implementation of the risk management policy
- monitoring the compliance of the organization and activities of the Company with the corporate governance code
- evaluation of policies and processes in the Company, and proposals for their improvement.

Internal auditing is performed within the Internal Audit, Risk Management and Internal Controls Function (hereinafter: IARMICF). Organisational and functional independence of the Internal Audit is secured by the Internal Audit Charter. The IARMICF, through the person responsible for internal control of business, appointed by the Board of Directors, is functionally subordinated to the Audit Commission, and linearly to the CEO of the Company. As a rule, the person responsible for internal control of business performs the role of the Director of the IARM. The Internal Audit Charter defines protection measures in order to ensure the independence and objectivity of the internal audit in the Company's risk management process. The IARMICF reports four times a year to the Audit Commission on the results of its work.

The Audit Committee of the Board of Directors is, inter alia, authorized to:

- approve the Internal Audit Charter;
- approve the Annual Plan on Internal Auditing;
- the adoption of the development strategy of the Internal Audit and Risk Management Function;
- receives reports on the performance of the internal audit in relation to the plan and other important issues, in accordance with the reporting dynamics;
- approves changes in the organizational structure and changes in the number of job positions in IARM;
- suggest the appointment and discharge of the person responsible for internal control of Company's business, in accordance with the Company Law, while the Board of Directors of the Company makes the Decision on appointment and discharge of the aforementioned person,
- check whether there is a possible restriction on access to data (restriction of coverage) or resource limitations to performing the internal audit;
- monitor existing risks and measures taken to manage those risks.

System of internal controls and risk mitigation in connection with financial reporting procedure

The internal control system includes five key components:

- Control environment,
- Risk assessment,
- Control measures,
- Information and communications,
- Monitoring.

There are the following internal regulations concerning internal control at the Company:

- PO-06.04.26 Corporate Policy of NIS j.s.c. Novi Sad - internal control and finance
- UP-06.04.00-011 Development of Internal Controls in Finance and Accounting
- UP-06.04.00-013 Recording Financial Incidents at SUFI Portal.

1. Control environment

Management creates an atmosphere characterised by understanding the importance of control procedures by employees, and also informs employees of expectations and precise procedures. Managers and employees comply with internal control requirements and demonstrate their positive consistent attitude to these requirements in their work.

Additionally, a controlled environment comprises honesty and respect for ethical values, provision of competent and highly qualified personnel, a defined organisational structure and clear split of authorities and responsibilities.

2. Risk assessment

Based on the approved business goals, significant risks associated with achievement of these goals are identified and analyzed. Organisational Units identify the risks in processes and activities carried out by such units which may lead to errors in financial reports.

3. Control measures

Control measures comprise procedures and activities used to manage the defined risks in processes through their reduction or elimination. They include a variety of measures, such as compliance with relevant standards and procedures, adequate split of responsibilities among process participants, precise definition of tasks, check of availability of required approvals and completeness of documentation, control of data bases, various types of reconciliation and verification of balance sheet items and preservation of assets.

4. Information and communication

In order to assure effective exchange of information and effective communication, a system of information distribution is in place through an internal portal accessible to all employees where all important information and adopted internal acts are published. Additionally, information systems have been implemented to assure exchange of information, documentation and various types of reports that allow for the generation of timely information.

5. Monitoring

Internal controls efficiency and compliance with requirements prescribed by internal acts are continuously monitored, and if needed improvement measures or measures aimed at eliminating identified violations to prevent their recurrence are developed. Possibilities of process improvement and their efficiency are considered through the process analysis, areas for improvement, new possible solutions or technologies for process implementation are considered.

External auditor

Audit of Financial Statements

In accordance with the Law and Articles of Association, the Auditor of the Company is appointed by the Shareholders' Assembly at the proposal of the Board of Directors. The Company's auditor is elected at every ordinary meeting of the Shareholders' Assembly, and according to the Capital Market Law. Since NIS j.s.c. Novi Sad is a public joint-stock company, the legal entity that performs the audit, can perform up to five consecutive audits of its annual financial statements.

The reports of the Audit Company on the audit of the financial statements and consolidated financial statements of the Company for 2022 were adopted on 29 June 2023 at the XV regular session of the Shareholders Assembly, which was attended by the auditor of the company FinExpertiza LLC Belgrade, which in accordance with the Law is obligatorily invited to the regular session of the Assembly. At the same meeting, the Board of Directors nominated the audit firm FinExpertiza d.o.o. Belgrade as the auditor of financial statements and consolidated financial statements of the company in the period from 2023 to 2025.

As required by the law, the Audit Committee received the auditor's statement confirming impartiality of the firm and its licensed auditors towards the company. The aforementioned statement was part of the material for the XV regular session of the Shareholders' Assembly.

Integrated management system

The company applies all the requirements of SRPS ISO 9001: 2015 Quality management, SRPS ISO 14001: 2015 Environmental management, SRPS ISO 45001: 2018 Management of health and safety at work and SRPS EN ISO 50001: 2018 Energy management, as well as SRPS ISO 39001 Management road safety, SRPS EN ISO 22000: 2018 Food safety management or CAC / RCP 1 where applicable. The applied management systems are incorporated into an integrated management system (IMS), which is based on a process approach. The established IMS is continuously developed in accordance with the Certification Strategy, the implementation of which is supervised by the IMS Board.

The elements of individual business processes (BP) and the order of activities within them are determined in the BP modeling procedure. All identified BP of the Company are classified and presented in the the Company's Process Model together with the organizational structure integrated into the business architecture of the Company. KPIs (key performance indicators) are also determined for business processes defined in this way.

The manner of the implementation of activities from the business process is described by appropriate normative-methodological documents in accordance with the Standardisation Plan.

The verification of compliance with the applied national and international standards is carried out by accredited certification bodies, which issue appropriate certificates on the basis of the performed verification.

In addition to external audits, the Company conducts internal audits of business processes and established management systems, in accordance with the annual program of internal audits. The results of these checks are formalised through reports, on the basis of which the owners of business processes in the Company define corrective and improvement measures in order to eliminate and prevent recurrence of identified non-compliances and prevent the actualization of potential ones.

Transactions involving personal interest and non-compete clauses

Transactions involving personal interest – A person who, in accordance with the Law, has special duties towards the Company, is obliged to promptly inform the Board of Directors about the existence of a personal interest (or interest related to him/her) in a legal contract concluded by the Company, or in a legal action undertaken by the Company.

The Company identifies legal affairs and actions with related parties, in order to ensure that they are concluded only if they are not harmful to the Company's operations. Legal affairs and actions with related parties are approved by the Board of Directors in accordance with the Law.

Information concerning the approval of the conclusion of affairs in which there is a personal interest is submitted to the Shareholders' Assembly at its first subsequent meeting by the Board of Directors.

In accordance with the Law, the Company is obliged to publish on its website the intention to conclude a legal transaction, ie to undertake a legal action that requires approval with important information on activities and activities in which there is personal interest, in accordance with the criteria prescribed by Law. Immediately after the decision on approval is made, and no later than on the day of concluding that legal transaction, ie undertaking that legal action. Data on approved legal transactions and legal actions taken are also published in the annual financial statements.

Non-Compete Clause – In order to monitor compliance with non-compete agreements, the Company carries out quarterly surveys of members of the Board of Directors about the current engagement, as well as about membership in boards of directors and supervisory boards of other companies. Data on memberships in the management bodies of other companies are published on the Company's website.

By concluding the Agreement Mutual Rights and Obligations with the Company, the members of the Board of Directors are additionally acquainted with their obligation to notify the Company in the event of the conclusion of a legal transaction with the Company, as well as with their obligation of non-competition to the Company and other special duties of the members of the Board of Directors.

Information on Acquisition Bids

In 2023, neither NIS j.s.c. Novi Sad nor its subsidiaries made any bids for acquisition of another company, in accordance with the regulations providing for acquisition of companies, or any bid was made under such regulations for acquisition of shares of NIS j.s.c. Novi Sad or any of its subsidiaries.

Related-Party Transactions

In 2023, NIS Group entered into business partnerships with its affiliates. The most important related-party transactions involved the supply/delivery of crude oil, petroleum products and electricity. An outline of related-party transactions is part of the Notes to the Financial Statements.[84]

Code of Business Ethics

As employees, we reflect our Company - we individually represent our Company and by our actions affect its business atmosphere, results and reputation. We are not all the same, but we are all equal. If each of us would try to act in accordance with the defined Company values and follow ethical codes and rules of conduct, we would jointly transform our vision into reality.

The rules and codes of conduct provided herein are based on our corporate values and should be used by all of us, employees, third parties and managing bodies, as a general guideline when making decisions in our day-to-day activities. This enables us to jointly create and maintain a healthy business climate, efficiently achieve results and improve business.

Significant contracts of the Company where the change of control by a bid for takeover affects their execution, change or termination, as well as the consequences of such contracts

The Company's contracts where the change of control by a bid for takeover affects their execution, change or termination, contain standard clauses.

Contracts between the Company and its management or employees, which provide compensation in the event of dismissal or discharge without just cause or the termination of the employment contract due to a takeover bid

The Company does not have this type of contract with the management, nor with the employees.

84 More information on related party transactions can be found on page 290.

HUMAN RESOURCES

As one of the best employers in Serbia, we strive to constantly adapt to the labour market, employees' expectations and the needs of the business. The greatest effort was invested in the stability of the company as an employer, programs focused on the recruitment and development of the young, new models of motivation, learning, development and promotion of respectful corporate culture.

Our long-term goal is to strengthen employee engagement and improve HR practices to offer the best possible employee experience. For this reason, we have continued to invest in employee engagement in 2023 and have initiated the implementation of various activities based on the results of the latest employee engagement survey and our company's strategic plans. We continued with the implementation of and upgraded the Engagement Academy Program, which aims to develop highly dedicated and motivated teams through the active role of senior and middle management in our Company and from this year also lower management. We have restarted the "First-Time Managers" Programme, within which, through several education modules, we help colleagues who have just taken on managerial functions to be as better managers and leaders as possible. In May, the new academic year of the Drive Leadership Programme began, and the new generation of NIS "academics" includes 22 colleagues from almost all organizational units of the Company. The programme is implemented in cooperation with the "Cotrugli" Business School, and the lecturers are experienced European and global experts in various areas of leadership skills development. The Easter workshops that we organized for the children of our employees in the business premises of NIS in Belgrade, Pančevo, Novi Sad and Zrenjanin also contributed to the better atmosphere in our working environment. In addition, we have made a new decision regarding the entry of children of our employees into the business premises of NIS in Belgrade and Novi Sad, which gives parents more flexibility to bring their children to the workplace.

Our HR strategy, new company values, and employer value proposition (diversity and inclusion initiative, employer brand strategy and learning and development strategy) have produced a large number of HR projects and initiatives. They will improve the experience of both candidates and employees of NIS, starting from recruitment to rewarding, remuneration and benefits, development and promotion.

Professional development of employees

In the face of new challenges on a global scale, we have managed, by practising the responsible treatment of its employees, to maintain stability in ensuring full support to employee development and learning. We continued to dedicate ourselves to the development and implementation of the Engagement Academy, leadership programs, and digital competencies development programs, including unavoidable academies, programs and training courses for the professional and technical development of our employees.

During 2023 we continued to provide support Company's digital transformation through several segments. This year, the largest project in this area was the implementation of the SAP Success Factors system: the installation and integration of the programme and user training took place at the beginning of the year.

As part of the Digital Academy strategic programme, the NIS Training and Development Sector, in cooperation with digitalisation specialists and external experts, organised all planned trainings on topics related to digital transformation for different groups of employees, with the fact that in 2023, in addition to acquiring knowledge in the field of digital transformations, digital technologies and project and product management, special emphasis was on data management.

During 2023, the focus was on the further development of models of professional and technical competencies, for the purpose of targeted development of employees in their current positions and preparation for future positions.

In 2023, 4,289 training courses were organised in cooperation with external providers, attended by 12,936 participants, i.e. 4,031 employees. The total number of hours of training was 104,038, amounting to a total cost of RSD 273.2 million. In cooperation with internal trainers, 2,449 internal training courses were implemented, attended by 9,435 or 4,182 employees. The total number of hours of internal training was 49,039.

Professional knowledge was imparted to our employees by leading global companies, but also by the best domestic companies and educational institutions.

The foreign language programme also continued: this year, 350 employees attended courses in Russian, English and Serbian.

Corporate and development programmes

During 2023, within the framework of corporate and development programs, we worked on the improvement of the existing strategic and development programs, high-quality implementation and additional adaptation of training to the specific needs of different organizational units, and we prepared new employee development programs for specific groups of employees. The focus of corporate and development programs in 2023 was also on the promotion and further development of the culture of learning with the aim of flexibly responding to the needs of business while following current global digital trends.

One important initiative in this context is the Engagement Academy, created with the aim of increasing employee engagement. In 2023, as part of this initiative we held 43 workshops with 592 senior, middle and lower-level managers participating.

The Drive leadership programme, designed for middle managers - a key link in the operational management of the company - also continues. This year, 22 employees from various organisational units of the company participated in the programme. The interactive development programme enabled participants to strengthen their leadership and management skills.

According to the needs of the business, more than 60 training courses that develop soft skills were implemented in cooperation with long-term partners - the leading providers in the market in the country and the region. Nearly 2,000 employees participated.

In order to promote the culture of learning, NIS continued implementing its Learning Driver programme. The programme serves as an additional material and non-material motivation for all employees who are involved in mentoring, organising training courses for colleagues or other similar activities that promote knowledge sharing.

The Job Shadowing Program, developed for the needs of improving intersectoral cooperation, also continued. During 2023, 131 employees participated in this program. In workplace activities, over the course of 232 days, they achieved 947 working hours.

The First-Time Manager Program has restarted. Colleagues who found themselves in a managerial position for the first time, 66 of them, used the opportunity to improve their leadership skills through 8 workshops. The Program goal is the development of new managerial skills, the mastery of key HR processes important for managing employees, as well as connecting with colleagues from other organizational units.

Together with colleagues from other HR departments, the implementation of the development program for the participants of the

NIS Energy and NIS Calling programs, which were rated as high quality and useful for the development of young people who are gaining their first work experience within our company, has continued.

Professional development of employees in business blocks

In the Refining Block, the competition “The Best in the Profession in 2023” was held, in which 127 employees competed. The colleagues who won travelled to the big competition in Omsk.

For the first time this year, a Scientific and Technological Conference was held in the Refining Block. The winners of this competition participated in the competition that was held in St. Petersburg.

For the first time, a Case Study was held in which 20 students from the Faculty of Technology and Metallurgy in Belgrade participated.

NAFTAGAS – Oil Services LLC Novi Sad organized the competition “The Best in the Profession” for 17 participants, in which two colleagues won.

A new training program was implemented for workers at automated drilling facilities, lasting 3 months, which included theoretical training of instructors and internal experts, field work and specialized training.

In the Exploration and Production Block, the implementation of the Rotation and Internship Program has continued, according to which colleagues are sent for professional training in order to increase competencies, exchange knowledge and practices. 16 internships were implemented.

In 2023, the VI Scientific and Technical Conference of Young Scientists and Specialists UPSTREAM was held. Participants-exhibitors were young specialists and young scientists not older than 35. The conference took place live, with more than 120 participants.

Fifteen of our employees from the Exploration and Production Block and STC NIS-Naftagas presented a total of 11 projects at the final XIII Conference of the Exploration and Production NTK Block.

At the Mokrin Oil and Gas Field, the competitions “The Best Technologist 2023” and “The Best in the Profession 2023” were held. The competition was attended by 44 engineers and operators, divided into 7 categories, who showed their competencies through the practical and theoretical segments. The winners participated in the central competition, at which one of the colleagues was presented with a plaque for “The best conducted theoretical segment” in the category “Operator in oil and gas production”.

As part of the 2023 cycle, young specialists of the Exploration and production Block (230), in addition to attending regular training courses, participated in 4 joint workshops on the topics of career path, career development and personality development.

Sales and distribution Block organized the most massive company competition “The best in the profession” where over 1,000 employees from Serbia, Bosnia and Herzegovina and Bulgaria participated in nine categories.

Talent development

Inspired by the idea that each of our employees is a unique talent, we implemented several key processes in 2023 by working with our talents to allocate development areas and create development plans. These processes ensure continuity in the operations of our Company, but also allow us to identify successors who will take over the jobs that are important for the business.

One of such processes is the process of evaluating employees based on performance and potential. During 2023, the employee evaluation procedure (talent process) was changed, in order to expand the middle management population: the process additionally included 111 colleagues. After these changes, 427 colleagues from the middle management were included in the process, which increased the percentage of the evaluated population by 35%. This process made it possible to identify talents and successors for taking over key positions in a more objective, transparent and efficient manner, as well as to take an individual approach to the development of each employee by outlining individual development plans.

The use of a new tool – SAP Success Factors – also contributed to the transparency and efficiency of the process itself, making the centralized data, optimized processes, and information related to development even more accessible to employees.

The said procedure was used to assess the potential and performance of the process participants through organized talent sessions as one of the key steps in the process to achieve the objectivity of the assessment. We wanted to provide additional support to the participants in the process of creating an individual development plan – a personal development tool that will enable an employee to systematically improve his/her professional knowledge and achieve career goals. Employees will have partners in career building and those partners are their line managers and HR support.

In order to evaluate employees and define areas for development and strengths, the process of annual assessment by competencies is also organized.

Care for employees' social welfare

The NIS Collective Agreement and internal policies provide a high-level social protection for employees, in excess to the mandatory social requirements prescribed by law.

The benefits stipulated in the Collective Agreement and internal policies are:

- Special protection for persons with disabilities and in the event of occupational diseases;
- Preventive recovery of employees who perform high-risk jobs or are entitled to reduced service years, as well as preventive recovery of other employees, in order to prevent occupational illnesses and disabilities;
- Employment and support allowance, payment of medical treatment costs and refunding of funeral expenses for an employee and/or his/her immediate family members;
- One-time allowance for the birth of each child after March 1 2023, from the date of entry into force of the new Collective Agreement;
- One-time assistance to the family of a deceased employee;
- Compensation for damages suffered by employees in the event of the destruction of or damage to their residential buildings caused by natural disasters or other emergencies;
- Scholarships during full-time education of children of killed and deceased workers;
- Collective health insurance for all employees covering severe illnesses and surgeries, as well as in case of accidents;
- Collective insurance of all employees covering death as a result of an accident or a disease;
- Helping employees resolve their housing needs by granting subsidies for housing loans;
- Voluntary pension insurance;
- Vouchers for New Year's gifts for children up to 10 years old;
- Jubilee employee awards for 10, 20, 30 and 40 years of uninterrupted employment in NIS.

Material and non-material motivation

Employee motivation is crucial for achieving high business standards, inspiring creativity, creation and innovation, and for employee professional development and retention. As one of the most desirable employers in the region, NIS employees are offered conditions for more efficient work and a good working atmosphere through several programs of financial and non-financial incentives.

Regular financial incentives are divided into three categories by types of employee positions: bonuses in the production and technical organizational units, bonuses in sales OUs and annual bonuses for administration workers. Bonuses depend on whether the collective or individual goals have been met or not and make it possible for the employees to connect their personal work with the Company's goals.

NIS implemented a system of additional motivation that combines the capacities of managers and NIS to recognize and reward employees for major work-related achievements and compliance with the Company's values. The system operates through employee motivation programs, as well as opportunities for employees to be involved in the implementation of activities in the Success At Work program.

The Success At Work program, an umbrella additional motivation program, includes the rewarding of employees for all activities that have value and importance for the Company's improvement and which are divided into four special programs:

- Leader in Safety,
- Learning Driver,
- Innovator at Work and
- Together at Projects.

The managers of organisational units play a key role in the development of non-financial incentives with the help of non-financial incentives program and the program for rewarding the best employees: "Bravo Reward", "Best Employee", "Best Manager" and special bonuses.

Non-financial incentives programs offer the employees the opportunity to take an active part in the vital segments of the Company's business, to develop their creativity and initiative and to win awards and thus promote best work practices and create new value for the Company.

Corporate culture

The stability of NIS as an employer was one of the main focuses on the basis of which the Company sought to increase the commitment of employees and improve the working environment. Within the internal Dedicated Leader Academy, in which several hundred company executives participated, NIS sought to create an inspiring environment among NIS leaders and direct them on how to manage teams, relying on the Company's values and corporate culture. Corporate values are integrated into the Company key processes, on the basis of which the productivity and potentials of each individual are assessed, from the employees in operational positions - to the Company top management. Great attention was paid to familiarizing employees with the corporate values.

Employer brand and candidate recruitment and selection

In 2023, NIS has continued to implement the program for the most talented students, graduates and high school graduates. This year, we realized the seventh season of the NIS Calling Program for 36 interns, and the second season of practice was launched for young operators – 22 graduates, who joined us at the Pančevo Refinery. The third season of the NIS Energy Graduates Program for 27 participants is also ongoing, and a recruitment campaign and selection process for the fourth season of this program were implemented. 22 participants were selected, and they are starting to work in the Company in January 2024. We have created and implemented a special program for young software developers "NIS Calling - Robotization". Out of 250 candidates, 6 participants were selected, who independently created and launched 7 robots during this program.

In the survey of young people's opinions on the labor market in Serbia – "Voice of Young People of Serbia", conducted by the student organization AIESEC, NIS was rated as one of the top 3 most desirable employers for young people. More than 6,000 respondents from all over Serbia participated in the survey.

In order to bring NIS as an employer closer to the candidates on the labor market, we have become involved in the preparation of content for social networks, i.e. NIS's corporate profiles on the networks Instagram, LinkedIn, Facebook, as well as on Tick-Tock, where the Governmental Relations and Corporate Communications Function recently launched NIS's profile.

We have also achieved successful projects with the community, over 50 projects such as the "Hackathon" and the conference – DigiHack; the Career Booster Mentoring Project; the Mentoring Program with the organization Digital Serbia – Career 4.0; participation in the FON Boarding Project, Brand New Engineers, the Mining & Geology Networking Project, Build Yourself, JobFair, workshops with SOS Children's Villages, HR Week 2023 - in which over 10,000 experts from the country and the world participated.

Through setting ambitious goals, positioning the employer on the labor market and constantly improving the experience of candidates who go through the recruitment and selection process, as well as the Company's employees, we achieve results that position us among the best, and our good practices become a role model for other companies.

Employee Number and Structure

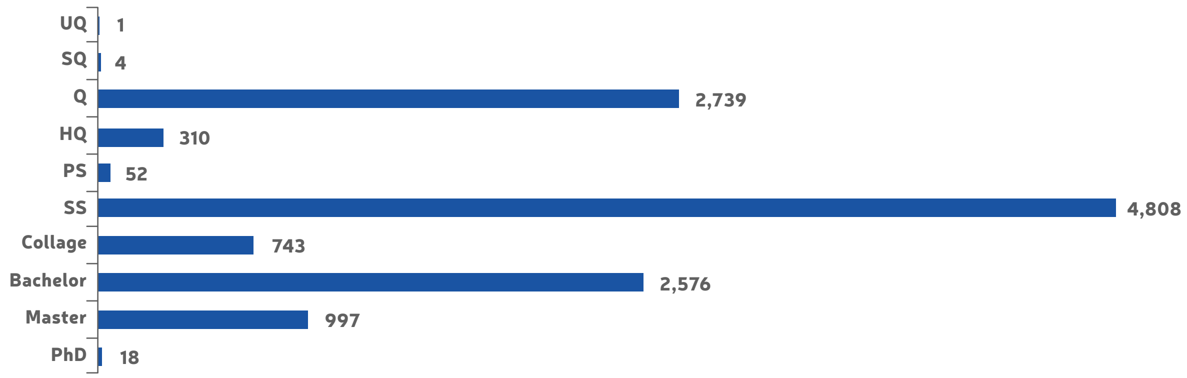
Организациони део	Total number of employees as at 12/31/2023	12/31/2022
NIS j.s.c. Novi Sad[85]	**5,317**	**5,193**
Exploration and Production Block	1,079	1,085
Downstream	2,592	2,527
Refining Block	997	972
Sales and Distribution Block	1,384	1,365
Energy Block	46	41
The rest of Downstream[86]	165	149
Corporate Centre	1,642	1,577
Representative and Branch Offices[87]	4	4
Local subsidaries	**6,307**	**6,117**
Subsidaries abroad	**136**	**137**
Other subsidiaries included in consolidation	**488**	**488**
TOTAL[88]:	**12,248**	**11,935**

Headcount trend[89]

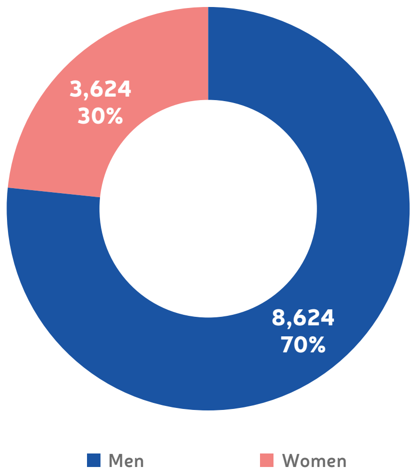
85 The number of employees does not include employees hired through the Contract of Services. On December 31, 2023 within the NIS a. d. In Novi Sad, we have 106 employees hired through the Contract of Services.
86 The rest of the Downstream includes: Office of Downstream Director, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.
87 The headcount indicated for the Representative Offices and branches refers to the employees in the Representative Office in Russian Federation. In addition to the Representative Office in Russian Federation, the Representative Office in Angola and the Balakanabat Branch in Turkmenistan are also active.
88 Employees with shared working hours are shown as whole units in the associated Company. The total number of NIS Group employees shown does not include employees of HIP-Petrohemija LLC Pančevo. The number of employees in the company HIP-Petrohemija d.o.o. on December 31, 2023 is 1,268 including agency employees. The number of employees does not include employees hired through the Contract of Services. On December 31, 2023 within the HIP-Petrohemija LLC Pančevo, we have 3 employees hired through the Contract of Service.
89 The average number of employees does not include employees who are on maternity leave, employees who have been on sick leave for more than 30 days, and employees who have inactive status of employment, but it includes employees who left the company in the observed period and new employees proportionately to the number of days spent at the position. The average number of employees does not include employees of HIP-Petrohemija.

Employee qualifications, gender and age structure[90]

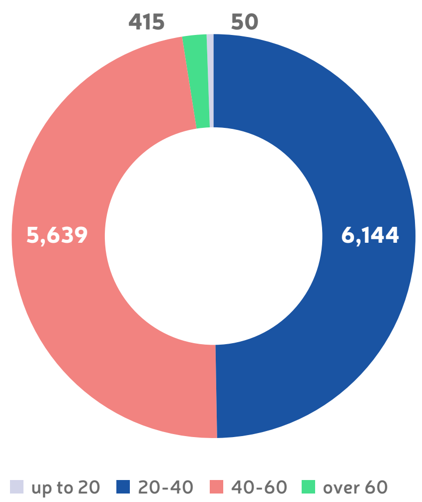
Employee qualification structure



Employee gender structure



Employee age structure



90 Includes employees of NIS j.s.c. Novi Sad with representative offices and branches, subsidiaries in the country and abroad and subsidiary companies that enter into consolidation on December 31, 2023. The number of employees in HIP-Petrohemija is not included.

Employment terminations

In 2023, a total of 1,149 employees[91] left NIS j.s.c.[92] 143 employees retired, 60 employees left NIS after termination of employment by mutual consent, while the employment of 946 people was terminated on other grounds (cancellation of employment contract, employment termination by the employee, redundancy, etc.).

Basis of employment termination	NIS j.s.c Novi Sad[93]	Subsidiaries[94]
Retirement	77	66
Termination by mutual consent	9	51
Other	161	785
Total	**247**	**902**

91 Data does not include employment terminations for HIP-Petrohemija. The total number of employees with employment termination at HIP-Petrohemija is 144 (115 employees retired, 19 left HIP-Petrohemija by mutual consent, while for 10 employees the reason for termination of employment was of a other nature).
92 NIS j.s.c. Novi Sad with the subsidiaries Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS – Naftagas LLC Novi Sad, and NIS Petrol j.s.c. Belgrade
93 Including representative offices and branches. Of the total number of terminations, there is no terminations account for the representative offices and branches.
94 Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad, NTC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

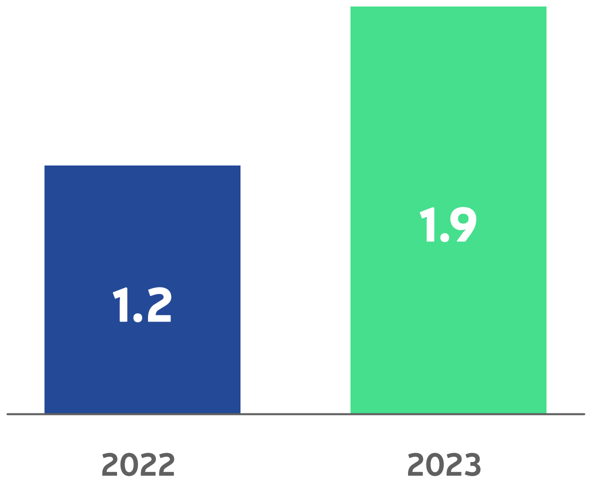
OCCUPATIONAL SAFETY AND HEALTH, INDUSTRIAL SAFETY AND EMERGENCY RESPONSE AND ENVIRONMENTAL PROTECTION

During 2023, a new HSE Policy, Standard General Provisions, and the Management Structure of HSE were adopted. Two internal inspections were conducted within the "Karkas- Security Shield" program by Sector for HSE Supervision and Control. Additionally, a budget for this program was prepared and approved for the period 2024-2026. In addition, significant investments were made in 2023, in equipping firefighting units, as well as improving the response systems for emergencies and crisis situations.

During 2023, activities within the HSE digititalisation program continued. Project teams were approved based on specific areas, a tender for selecting a provider was conducted, and a contract was signed with the chosen provider for the development of an application for personal protective equipment, medical examinations, and HSE training.

Occupational safety and health

LTIF indicator



In 2023, the LTIF indicator marked a 64% increase if compared with the year before. In 12 months of 2023, 50 LTIs were recorded, as opposed to 12 months of 2022 when 27 LTIs were recorded in the Company.

Although there was an increase in the number of injuries, as well as the LTIF indicator, of the total number of injuries in 2023, 84% were minor injuries (74% in 2022), while the number of serious injuries decreased compared to 2022.

Occupational safety risk management

2023 saw partial amendments to the Workplace and Work Environment Risk Assessment Act in NIS j.s.c. and subsidiaries, in compliance with the requirements of the Serbian legislation governing occupational safety and health.

The HSE Digitalisation Programme also covered provision of personal protective equipment for employees.

During 2023, the focus of managing the risks involved with high-risk work activities was placed on bringing the requirements of the NIS j.s.c. Novi Sad management system and unified minimum safety criteria under the Karkas Safety Shield Program. In addition, further improvement of the existing risk assessment tools continued, as well as the implementation of new ones and optimisation of the permit-to-work system, with a view to facilitating efficient management of risks during performance of high-risk work activities.

HSE event management

The HSE event management process refers to transparent informing and reporting of HSE events, investigation of causes of HSE events, monitoring the financial impacts, and interchange of lessons learnt from HSE events.

HSE events mean the events that affect people (such as workplace injuries, poor health or diseases), fires, traffic accidents, and equipment failures that may affect human safety and/or have a negative impact on the environmentas well as natural disasters. Accordingly, the HSE event management has the following objectives:

- Timely response and mitigation of consequences of HSE events;
- Acting preventively, that is, taking measures to prevent the recurrence of similar HSE events;
- Improvement of the HSE management system by enhancing control risks and reducing financial losses;
- Learning and sharing lessons from incidents with our employees and contractors.

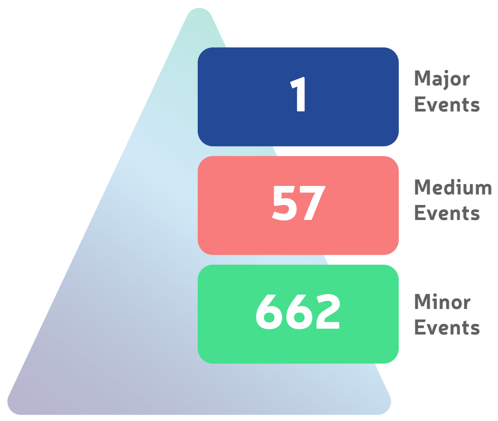
According to the HSE Event Classifier, every HSE event is classified into major, medium, minor, potential (Near miss), and high-potential events (HiPo) – the events that have the potential, under different circumstances, to result in one or more fatalities or become a high-risk HSE event according to the NIS RAM Matrix.

During investigations into the causes of HSE incidents, corrective measures are defined with the aim of eliminating these causes and preventing the recurrence of similar events. The measures should aim to address the systemic causes of HSE incidents, in order to prevent the recurrence of the same or similar events. All measures identified during the investigation of incidents are entered into the company's software, and their implementation is being monitored.

The Company is committed to the investigation of all major, medium and HiPo events, with an objective to identify the barriers that failed or were not in place and to define systemic corrective actions.

The figure below illustrates the transparency pyramid showing the number of HSE events in the Company in 2023:

Transparency pyramide



Contractor management

The Company's focus is on improving collaboration with contractors, enhancing contractor performance, raising awareness of HSE culture, and ensuring the safe execution of work. This has been achieved through continuous efforts to improve the Contractor Safety Management (CSM) processes, encompassing occupational safety and health, environmental protection, and fire protection.

The fourteenth "HSE Contractor Forum" was held, which was attended by over 220 contractors from more than 55 companies.

The year was marked by the communication with contractors, whereat they were informed of the new HSE requirements originating from the changes in legal regulations involve the adoption of a new Law on Occupational Health and Safety, with the primary goal of enhancing occupational safety and health in the Republic of Serbia. Significant contributions to the "HSE Contractor Forum" were made by colleagues from the subsidiaries, Naftagas – Oilfield Services Ltd Novi Sad and Naftagas – Technical Services Ltd Zrenjanin. They presented effective ways of collaboration with the company.

Employee health care

The care for the physical and mental health of employees, the promotion of healthy lifestyle, and the prevention and early detection of diseases are among the strategic goals of the Company and an important aspect of the activities of the HSE Function. The primary focus of our employees' health care is on preventive activities.

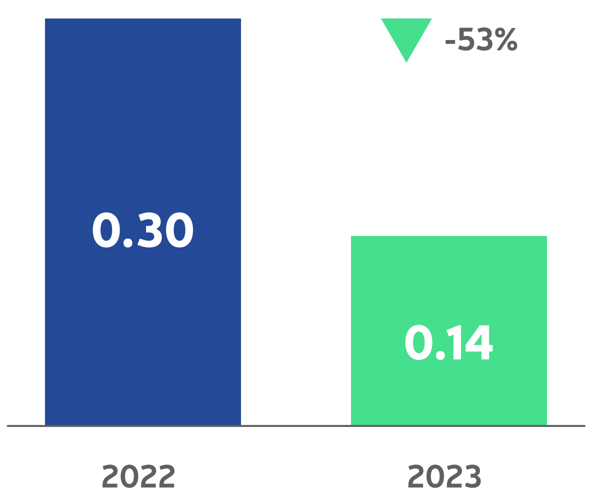
Preventive health care of employees in the Company is the system of health and wellbeing management, and it is carried out in accordance with the legal regulations, normative-methodological documents and requirements of the Company, the valid Risk Assessment Act for each individual workplace and the by the application of good practice in the Industry.

The key activities of the preventive health care process for employees during the year 2023 were the following:

- Revision of normative documents of Standard for Preventive Health Protection and Instructions for the Prevention and Control of Alcoholism and Drug Addiction in the workplace;
- Centralisation of the budget for testing biological material against the content of alcohol and narcotics, as well as other intoxicating substances;
- Supervisory visits to all business units were conducted with the aim of controlling the process of preventive healthcare of the employees and assessing the compliance of the entire process with legal regulations and the requirements of the Company's NMDs;
- Activities related to the digitalisation of the organization's medical examination processes have continued, especially for positions with increased risk, aiming to enhance the adherence to deadlines for conducting medical examinations;
- A series of lectures, webinars and workshops were organized on the topic of mental health, stress and prevention of today's most common diseases, occupational diseases;
- Through the corporate application: "Ask the doctor", employees could communicate remotely with doctors of various specialties and get an opinion, i.e. check medical findings.

Traffic Safety

RAR indicator[95]



NIS employees travel 40 million kilometres per year on average and consequently are exposed to many traffic risks. With a view to minimising these risks, the Company invests considerable efforts in road traffic safety of its employees through practical and theoretical training, continuous monitoring of vehicles and driving style using IVMS (In-Vehicle Monitoring System), organising work of dangerous goods safety advisers, rewarding the best drivers, organising campaigns and informing employees about risks and dangers, and providing road safety advice, as well as by informing the management, developing normative documents, etc.

95 The ratio of the number of traffic accidents to the mileage travelled, multiplied by one million.

In line with the mentioned activities, in 2023, the process was initiated to implement a program for improving the safety system of traffic and transportation of hazardous goods from the HSE perspective. Within the program, key issues have been identified, steps defined, and future challenges recognised with the aim of establishing a unified process for the safety of traffic and transportation of hazardous goods from the HSE perspective. The goal is to enhance the overall level of traffic safety, performance, and behaviour of drivers and users of company vehicles.

The mentioned program has defined key traffic safety indicators, which represent one of the most commonly used elements for depicting the state of traffic safety, planning measures, and activities. The Road Accident Rate (RAR) coefficient, as one of the crucial key indicators of traffic safety, was 53% lower in 2023 compared to 2022, specifically decreasing from 0.30 to 0.14.

In addition to everything mentioned, our company continued to enhance the competencies of drivers and users of official vehicles in 2023 through "Eco and Defensive Driving" training. In the previous year, training was conducted for 733 employees at the National Driver's Academy – NAVAK.

Industrial safety and emergencies

Fire protection

During 2023, capital projects were implemented for repurposing and reconstructing fire stations in Novi Sad and Niš. The aim was to provide better working conditions for employees and improve the operational functionality of the firefighting units. This included the procurement of furniture for equipping premises in all 11 firefighting units, as well as the acquisition of 2 new ambulance vehicles and 3 light-duty vehicles with firefighting upgrades, significantly enhancing operational work and response during emergency events. During 2023, the regular procurement of the required equipment and resources for the needs of fire units (fire-fighting and protective equipment, rescue equipment, self-contained breathing apparatuses, etc) continued.

New normative documents were adopted, with which the company harmonized its norms with the provisions of the legal regulations, business requirements, but also operationally and organizationally additionally regulated the work of firefighting units.

Service specifications were reviewed together with organisational units, resulting in the optimisation of resources, but also raising the level of services provided by the fire-fighting units towards organizational units.

In respect to training, this was a highly successful year, as reflected by the following indicators:

- 172 HSE trainings were conducted, in which the Company fire units, on their own and in cooperation with fire units of the Emergency Management Sector and neighbouring enterprises, practised strategic responding to different emergencies, such as: fire extinguishing, technical rescue from heights and depths, administering first aid, responding to chemical accidents, etc.
- New knowledge was gained and experiences were exchanged through internal firefighting competitions, where all 11 firefighting units participated for the first time. Additionally, external firefighting competitions achieved notable results;
- The cooperation with the Serbian and Russian Humanitarian Centre in Niš was renewed and expanded;
- In cooperation with the National Emergency Training Centre of the Serbian Ministry of Interior, the training for III-class operational managers of emergency response actions within the Company was implemented.

All the interventions of our firefighting units were successfully carried out in 2023 both at our locations, but also at the locations of other economic entities and the local community. Our firefighters provided assistance to representatives of the fire-rescue units of the Ministry of Internal Affairs of the RS at the facilities of other economic entities and the local community.

Process Safety

The Company continues to improve the area of process safety with a focus on various elements within it. Namely, an essential element of process safety is the identification of hazards and risk analysis. In 2023, a significant activity was implemented – the development and adoption of the PHSER (Project of HSE Review) methodology for risk analysis. In line with that, moderators have been appointed, and training sessions have been conducted in various organisational units. The new methodology for the implementation of HSE risk analysis on upcoming projects has been prepared in accordance with the latest global industry practices.

To assess the overall state of process safety in various organizational units, supervisory visits have been implemented in accordance with the agreed program and plan. All findings from supervisory visits have been thoroughly analysed, and based on them, recommendations have been defined for further improving the state of process safety. Your sentence is accurate and well-structured. It effectively conveys that managers and process safety experts were actively involved in overseeing the capital repair works at HIP-Petrohemija, offering essential support to colleagues and contractors to ensure the safe and high-quality execution of the project. Additionally, throughout 2023, colleagues from Department of Industrial Safety and Emergency Situations actively participated in adapting normative and methodological documents related to process safety. This was aimed at gaining experience and operational practices from NIS j.s.c. Novi Sad, which were then transferred and applied in HIP-Petrohemija.

In 2023, there was an increase in transparency regarding small/potential incidents related to process safety without consequences for the company. This was done for timely response, i.e., identification, definition, and application of adequate technical/organisational measures to prevent unwanted incidents with consequences for the Company.

Emergencies

All activities regarding preparedness for emergency response and civil defence in the Company are focused on ensuring the Company's capability to successfully respond to emergencies and disasters - crises. The norms in place are defined by the provisions of the Law on Disaster Risk Reduction and Emergency Situation Management, other laws and bylaws, as well as good industrial practices and the Company's technical standards. By fulfilling our obligations arising from the Decision of the Government of the Republic of Serbia on designating the entities of special importance for protection and rescue, we reinforce Company's resilience to emergencies and crises and improve safety of employees, environment and assets, both across the Company and in local communities where we carry out our business operations.

During 2023, we continued improving the business process regulating preparedness for emergency response and civil defence in the Company. A command-simulation exercise was conducted under the guidance of the consulting firm "Mettle Crisis Leaders" from Australia. The Disaster Management Team was exposed to the challenge of responding to a technical-technological accident through demanding scenarios. The worst-case scenario involved a BLEVE (Boiling Liquid Expanding Vapour Explosion) effect at the SEVESO complex in Elemir. In the report received from the consulting firm, the company's readiness level for responding to crises was assessed as high, with certain changes that need to be made in 2024 within the planning documents related to emergencies and crisis situations.

In accordance with 2023 HSE Drill Plan, the total of 281 HSE drills were planned and successfully completed.

During 2023, in cooperation with the National Emergency Training Centre of the Serbian Ministry of Interior Affairs, 211 employees – members of the Company's protection and rescue forces were trained. The employee training was provided in the form of training courses for civil defence commissioners and deputy commissioners, managers of emergency response operations, and through joint command and simulation drills, implemented in compliance with the adopted programmes of the Serbian Ministry of Interior Affairs.

Environmental protection

NIS reflects its environmental commitment in the company's mission and vision, its adopted values and the HSE policy, which means that efforts and investments in this area are both a strategic focus of the Company at all levels and a daily practice in its business processes.

In 2023, NIS continued to contribute to the improvement of environmental protection. In 2022, it invested RSD 801.8 million in environmental protection projects. One should bear in mind that the amount is significantly higher if it includes investments in technology the implementation of which contributes to the reduction of harmful environmental effects.

By the implementation of environmental projects and projects with environmental impact, the level of compliance with the requirements of the legal regulations of the Republic of Serbia has been raised and the environmental management system at NIS improved.

This resulted in 2023, in an upward trend of environmental protection indicators (reduction of emission to air and water, without major and medium accidents).

Reduction of pollutant emissions

ACHIEVEMENTS IN 2023

Reduction **-6%** Direct CO_2 emissions

Reduction **-7%** carbon intensity in Exploration and production Block for scope 1

Reduction **-1%** in NOx emissions

Reduction **-13%** Sulphur Dioxide SO_2

Reduction **-6%** in particulate matter emission

Green Agenda: Overview of the most significant projects by Blocks

Exploration and Production Block

The injection of CO_2 from the amine plant into the Rusanda reservoir continued, and the analysis of existing wells for additional injection / utilization of CO_2 from industrial facilities in Serbia was conducted

Sales and Distribution Block

NIS is developing the retail of compressed natural gas at petrol stations.

Installation of electric vehicle chargers at retail facilities

Refining Block

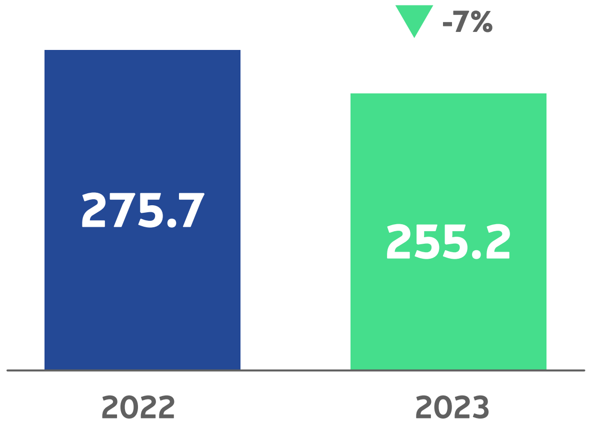
In active collaboration with the competent state authorities, the process of obtaining a new IPPC permit for the Oil Refinery in Pančevo has been concluded

Energy Block

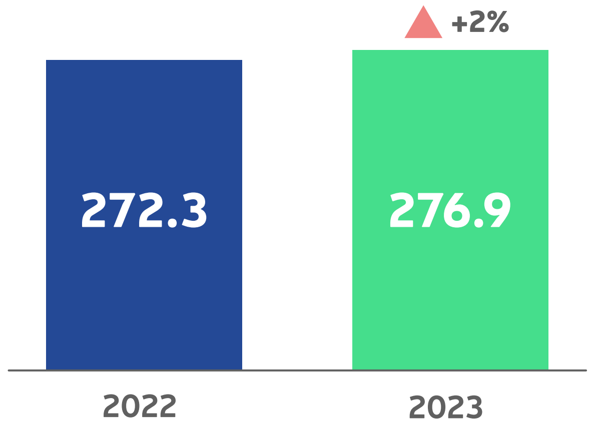
Construction of photovoltaic power plants on the Company's facilities has been completed at 15 petrol stations, and the implementation is underway at additional 30 locations.

The construction of solar power plants is planned at the warehouse of petroleum products at the Novi Sad facility in the "Jazak" factory

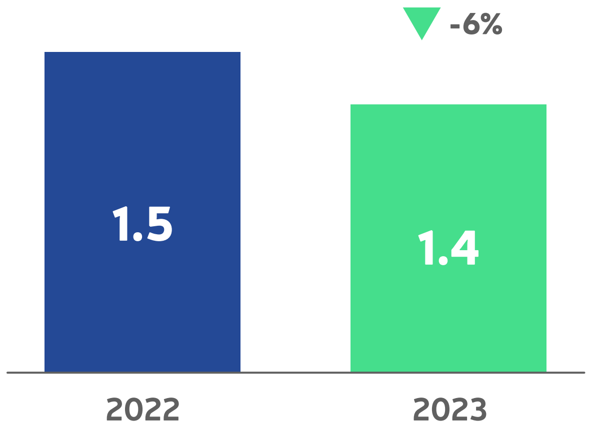
Carbon intensity in Exploration and production Block for scope 1, in kg CO_2E /t of oil production[96]



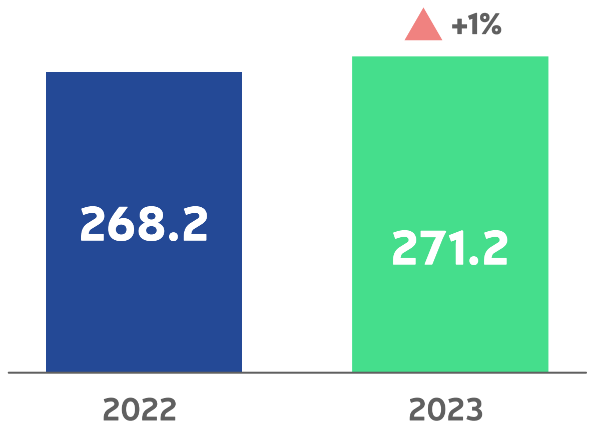
Carbon intensity in the Refining Block for scope 1, in kg CO_2E/t of oil production[96]



Direct CO_2 emission (scope 1), mln tonnes[96]



Indirect CO_2 emissions (scope 2), thousand tonnes[96]



In accordance with the legal regulatory requirements for the prevention and control of environmental pollution, the necessary documentation was prepared in 2023. With active collaboration with the competent state authorities, the process of obtaining a new IPPC permit for the Oil Refinery in Pančevo has been concluded.

The implementation of numerous initiatives contributing to the fight against climate change, which the Company is dedicated to, has been continued. This includes the production of electric power from renewable sources. Furthermore, the implementation of projects aimed at reducing the consumption and losses of energy resources (steam, gas, electricity) has continued. The injection of CO_2 from the amine plant into the Rusanda reservoir is ongoing, and an analysis of existing wells for additional injection/utilization of CO_2 from industrial facilities in Serbia has been conducted.

The enactment of bylaws derived from the Climate Change Law is expected, which will bring new obligations for Company in the field of greenhouse gas emissions. In preparation for

96 The data presented for the year 2022 have been corrected due to a change in the calculation methodology.

upcoming obligations and the establishment of a greenhouse gas emissions management process, as well as the implementation of a monitoring and reporting system for GHG emissions, Company has developed and adopted the Greenhouse Gas Emissions Monitoring Instruction in 2023.

Furthermore, the reporting scope has been expanded. In the previous year, in addition to calculating emissions for Scope 1 and 2, calculations were also carried out for Scope 3 emissions, i.e., other indirect emissions from purchased products, acquired assets sold as products (petroleum derivatives), investments, etc.

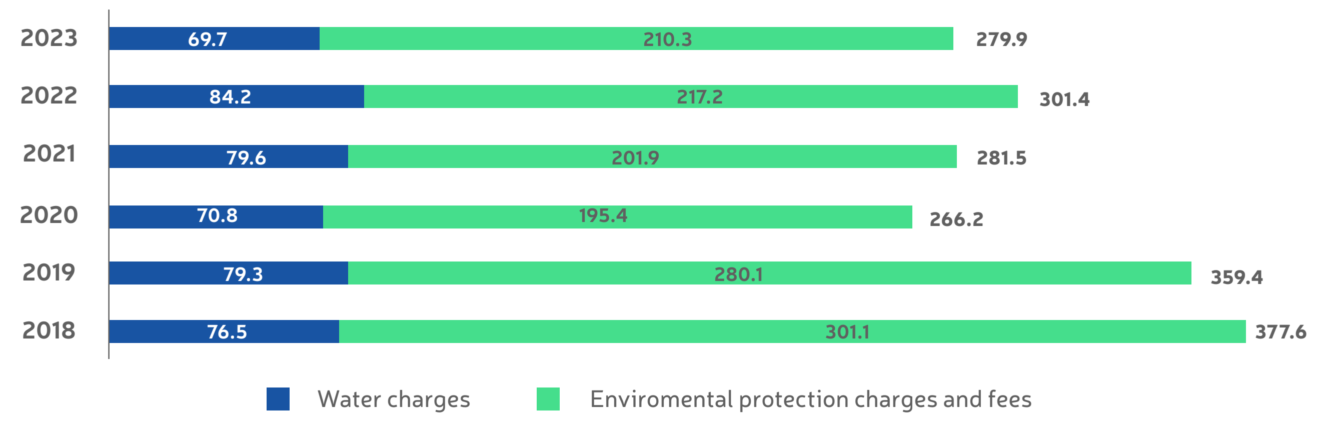
In the waste management sector, audits of engaged waste management operators have been implemented. Framework agreements have been concluded with authorised waste management operators for the next three-year period 2024-2026. Contracts have been concluded with 6 operators, covering services for the collection, transport, and treatment of waste generated within Company.

The Company regularly tracks and settles all its legal obligations related to environmental protection fees. In 2023, RSD 279.9 million was allocated for taxes and fees.

NIS employees actively volunteer in environmental campaigns. In 2023, on the occasion of World Environment Day, Company volunteers participated in a cleaning action in Fruška Gora, named "Working Day for Nature". The action was organised in collaboration with the Provincial Institute for Nature Protection, the Provincial Secretariat for Urbanism and Environmental Protection, and the host of the action, the National Park "Fruška Gora". Additionally, our colleagues participated in tree planting in Limanski Park, contributing to the recovery from the consequences of storms that affected the territory of the city of Novi Sad.

Overview of charges and fees in 2023	Water charges (RSD million)	Environmental protection charges and fees (RSD million)	Total (RSD million)
NIS j.s.c. Novi Sad	68.9	205.9	274.8
Subsidiaries[97]	0.8	4.4	5.1
Total	**69.7**	**210.3**	**279.9**

Environmental protection charges and fees (2018-2023)



97 Including Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

Karkas Safety Shield project

This project was created in order to eliminate injuries, accidents, incidents and negative environmental impacts, as well as promote HSE culture, prevent fatal and other injuries to employees and contractors, and to reduce financial losses resulting from incidents and accidents.

During 2023, the implementation and application of the Karkas Safety Shield 1, 2, 3, 4 Program continued, diagnostics for Karkas 5 was conducted, and the preliminary budget for the implementation of the program was defined. In addition, two inspections were carried out, whereby functionality of barriers in the Company was highly assessed.

The implementation of the program of barrier functionality measures continues, with an aim of reducing the risk of injuries to employees and contractors, accidents and incidents at the level of NIS and subsidiaries.

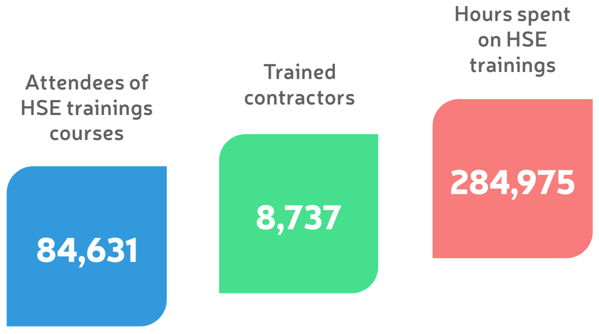
HSE culture improvement

To strengthen the impact on employees and help them understand the importance of HSE aspects in all business segments, two HSE weeks were organised at five locations within the Company. Additionally, the first HSE Day was implemented in NIS's subsidiary - G-Petrol d.o.o. Sarajevo. Additionally, HSE Days were implemented externally in collaboration with interested universities in the Republic of Serbia. NIS experts delivered lectures to students on various HSE topics, aligning with the programs of the respective faculties.

In order to develop an HSE culture, promote the role of managers in its creation, and direct their attention to HSE, the first phase of the HSE Academy concept was initiated in 2023. An HSE module was included in the leadership development program "Drive". The module achieved its goal and received a high rating from the program participants.

Also, during 2023, intensive efforts were made to raise awareness among employees about their responsibility and potential contribution to safer work, health, and environmental protection by communicating HSE topics through internal campaigns.

HSE training, development of HSE competencies and raising awareness of the employees



Guided by the idea that the safety of all depends on our collective commitment and readiness to apply good HSE practices at all times and in all areas, we trained 84,631 employees in various HSE fields through 284,975 hours of training. During the HSE training in 2023, our focus was on the acquisition of HSE competencies of new employees in charge of HSE, as well as on the improvement of HSE competencies of appointed HSE trainers and employees of our subsidiaries abroad.

One way to influence employee motivation is through internal communication campaigns that promote projects, values, desired culture, company goals, education, and raise awareness among employees, contractors, and other individuals in the HSE field. During 2023, communication campaigns were implemented on the topics of occupational safety and health, focusing on high-risk work activities and the permit-to-work system, safe work at heights, safe movement, transparency in informing about HSE events, traffic safety – adherence to rules, transport of hazardous goods, etc. Additionally, there were topics related to environmental protection, environmental protection strategy, measures to reduce GHG emissions, the importance of firefighters in the Company, and the role of civil protection commissioners in the emergency response system. Health campaigns were implemented on various topics in the field of preventive measures.

Collaboration with partner faculties within the "Knowledge Energy" program, initiated in 2022, has continued in 2023. NIS organized an HSE Day at the Faculty of Technical Sciences, where lectures on managing the HSE system in our company, as well as individual elements of the system, were held for 3rd and 4th-year students and master's students in the following fields: Occupational Health and Safety, environmental protection, emergencies, industrial safety, and firefighting units were the topics covered during a series of guest lectures by our HSE experts at the Technical Faculty in Zrenjanin and the Faculty of Occupational Safety in Niš.

HSE motivation

In 2023, the additional motivation system for employees was revised, specifically the HSE motivation, by adopting the new Instructions for HSE Motivation through the Safety Leader Program and the relevant application was adjusted in line with the new concept. HSE Motivation throught the Safety Leader Program rewards responsible behaviour of employees towards their own safety, as well as the safety of colleagues and the environment. By adopting new criteria, a larger number of participants or employees have been involved, which was the goal.

HSE inspections

The systematic monitoring of inspections by the competent authorities in all HSE areas showed that, during 2023, the number of inspections at our locations was slightly lower year on year and was below a multi-year average. This decrease entailed a lower number of ordered measures. The number of imposed measures was almost evenly distributed between the areas of Occupational Health and Safety (OHS) and Fire Protection (FP), while there were one-third fewer measures in the area of Environmental Protection. The drop in the number of measures ordered by the inspection bodies is the result of the commitment and work in general through the HSE system of NIS. In 2023, a new instruction on "Cooperation with Competent State Authorities in the Field of HSE" was adopted.

HSE indicators	2022	2023	% changes
Injuries[98]	84	**112**	+33%
Lost-time injuries[98]	27	**50**	+85%
Traffic accidents[98]	15	**7**	-53%
Inspection visits coefficient	0.19	**0.17**	-11%
Visits by inspection bodies	647	**540**	-17%

98 The data includes events for NIS j.s.c. Novi Sad, subsidiaries in the Republic of Serbia and abroad, as well as all contractors.

ANTI-CORRUPTION AND ANTI-FRAUD POLICY

The Company has adopted the Anti-Corruption and Anti-Fraud Policy with a view to preventing corruption and enforcing the ban on participation in any form of corrupt behaviour or fraudulent activities.

The Policy provides conditions for timely detection, prevention and mitigation of the risk of illegal, unethical and corrupt behaviour and is underpinned by a unique standard of conduct, values, principles of lawful business and basic rules of combating corruption and fraud.

According to the provisions of the Policy, every person who has reasonable doubts related to performance of or preparation for corrupt or fraudulent actions, or in case of detection of such actions, is obliged to submit the relevant information using the predefined and secure communication channels, whereat the confidentiality is guaranteed. Moreover, the policy defines the measures assuring protection of persons submitting the information and the method of their application. These measures ensure that the person uncovering corrupt or fraudulent actions will face no retaliation.

Additionally, continuous analysis is run across all organizational units of the Company to identify inherent corruption-related risks. The corruption indicators are continuously monitored, predominantly in the area of procurement of goods and services, in cooperation with buyers, and also in the process of verification of candidates for employment, appointment to management and other top positions at the Company, in the process of verification of business entities prior to entering into contracts, and in the process of approving the contractual and normative-methodological documents.

With a view to preventing any possible occurrence of corrupt behavior, the Company organized the education of employees of Corporate Security Function on how to identify the signs of corrupt activities in a timely manner. The members of the Company's governance bodies and the bodies established by them are familiar with anti-corruption rules and procedures in compliance with the Decision of the CEO, pursuant to which a standard template of the Anti-Corruption Agreement was adopted. Besides, members of Company's governance bodies and the bodies established by them are also familiar with the Anti-Corruption and Anti-Fraud Policy of the Company, in particular, with the clause of mandatory compliance with anti-corruption and anti-fraud legislation and the applicable rules and procedures related to anti-corruption activities.

Educating and training the employees from the organisational unit of the Company that is in charge of detection of corrupt and other unlawful behavior assume crucial importance. In 2023, the employees of this organisational unit received, among other, the following training courses including, but not limited to:

- Certified Cloud Security Professional;
- ISO/IEC 27001:2022 – Information Security Management System;
- Specialist training for corporate security managers of SAMKB and SKS Business Academy.

In addition, employees are provided with anti-corruption training in the process of internal audits of business compliance with Company's normative documents.

During 2023, 1,889 potential employment candidates were verified at NIS j.s.c. Novi Sad and subsidiaries in Serbia. All new hires at NIS j.s.c. received an induction training that includes the introduction to anti-corruption rules and practices.

The Company's business procedures require that all business partners with whom NIS has entered into a contractual relationship sign the Anti-Corruption Agreement, in order to preserve and ensure a favorable business environment through preventive and individual action combating corrupt and/or unlawful actions and behavior. The Decision of the CEO stipulates the procedure to be applied in situations when a business partner refuses to sign the above-mentioned Agreement, which includes taking measures and actions by the Company's competent sections to establish genuine reasons for the refusal to sign the Agreement, following which the decision on further actions is to be made and approved.

In 2023, against 80 employees, whose actions or failure to act caused harmful consequences for the Company, proposals were submitted to the relevant managers for the initiation of disciplinary or misdemeanor proceedings, which ended with one of the disciplinary measures. Out of that number the measure of termination of the employment contract with the employee was pronounced in 8 cases. None of the mentioned cases involved corruption motives as the basis for initiating the relevant proceedings.

During 2023, there were 7 cases with business partners, where the contract was not concluded or the already existing contract on business cooperation was not renewed. The reasons for this are an unprofessional attitude towards contractual obligations, non-fulfillment or poor-quality fulfillment of contractual obligations, non-fulfillment of financial obligations/currency debt (jeopardized claims) towards the Company or subsidiaries, etc.

The implementation of planned anti-corruption measures to protect business with continuous education and exchange of experiences and good practices with the management and employees of NIS, especially with organisational parts whose scope includes the implementation of procurement activities and the sale of goods and services - is a permanent and binding task for all employees.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility and community development

NIS proved to be a reliable partner and support not only for the economy in our country, but also for the community during 2023, in which it continued to support areas essential for community development, taking into account the needs of all its members, especially young people and children, who are the carriers of future development. With record annual investments in community development in the amount of as much as RSD 7.47 billion[99] NIS proved that it rightfully held the title of one of the leaders of social responsibility in the domestic market.

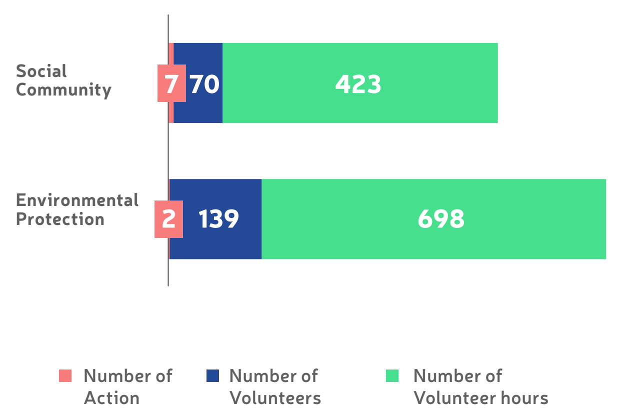
The previous year was marked by a significant jubilee – 15 years of the "Together for the Community" programme, which NIS implements by nurturing a close partnership with the local communities in which it operates, with continuous investment in the development of public health and social protection, science and education, environmental protection, culture and sports.

The jubilee year of the programme brought partner cities and municipalities a record annual amount to support 54 projects in the field of science and education, in the implementation of which NIS invested as much as RSD 144.5 million, in order to contribute to the improvement of the conditions for education and increasing the capacity for the work of scientific institutions. NIS implements the jubilee programme cycle in cooperation with the Ministry of Education and the Ministry of Science, Technological Development and Innovations of the Republic of Serbia, and the implementation of supported projects further encourages the creation of an environment in which male and female scientists can achieve their full potential, and young people have the opportunity to be educated in accordance with modern learning models.

In order to present to the public the results of the projects implemented within "Together for the Community 2022" programme cycle, dedicated to improving reproductive health and supporting the birth rate increase, which was implemented under the slogan "May New Hopes be Born", there was an organized tour of health institutions that received modern medical equipment. During the tour, representatives of the company and local self-governments had the opportunity to get acquainted with improvements in the segment of timely and accurate diagnostics and quality of health services provided by donated equipment.

Nurturing and encouraging social and environmental responsibility, NIS Volunteer Club continued with the implementation of numerous campaigns, which in the previous year also marked its first jubilee - the fifth anniversary of its founding. During 2023 alone, the members of NIS Volunteer Club dedicated more than 1,000 volunteer hours to the community, which is almost 42 days.

Volunteer actions by areas of support



99 This amount also includes a donation of RSD 7 billion for projects of the Government of the Republic of Serbia in the field of education, social and health care.

In addition to environmental protection, the implemented volunteer campaigns were also aimed at empowering and supporting children and young people from vulnerable categories of society, as well as at improving the conditions for their stay within various institutions and associations.

With a donation of RSD 5 million, NIS supported the implementation of the project of the City of Novi Sad "Let's Plant Now for the Future of Novi Sad", within which the revitalization and rehabilitation of Limanski Park would be carried out by planting 145 seedlings after the storms that hit the area of Novi Sad last year. And this campaign was realized in the synergy of the company and its employees, since the members of NIS Volunteer Club took an active part in greening the Limanski Park, in cooperation with the competent services and other socially responsible companies.

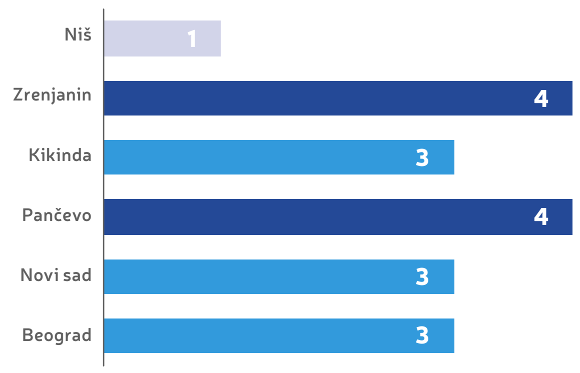
Also, the company's hard-working volunteers responded to the invitation to participate in the traditional campaign for the development of the National Park "Fruška Gora", which was held on the occasion of the 5th June, the World Environment Day, under the name "A Work Day for Nature", with the participation of almost 200 volunteers.

On the occasion of the beginning of the new school year, the campaign "Let's Work and Learn Together" was implemented, within which the classroom of the Shelter for Children and Young People of Novi Sad was arranged, while on the occasion of the beginning of the academic year, NIS volunteers painted more than 200 benches of the open stage of the Students' City Cultural Centre.

During the volunteer campaign called "Let's Play", NIS volunteers, with the company's support, fulfilled the wishes of the children from Children's Village "Dr Milorad Pavlović" in Sremska Kamenica, by providing them with bicycles and toys.

By appreciating the contribution and initiative of its employees, for the third time in a row, an internal volunteer competition, which last year was aimed at supporting children and was implemented under a symbolic slogan which was called "Small Steps for Big Smiles", within which three projects were supported, with the implementation of which the hard-working volunteers brightened the everyday life of the little ones from Bački Petrovac, Valjevo and Kuršumlija.

Number of voluntary blood donation campaigns by city



In addition to the activities within the Volunteer Club, NIS employees demonstrate their altruism and solidarity by regularly participating in the campaigns of the Voluntary Blood Donor Club of NIS j.s.c. which during 2023 organized as many as 18 voluntary blood donation campaigns in six cities, during which more than 570 units of this valuable liquid were collected.

During 2023, more than 50 sponsorship projects were implemented. Many years of cooperation with Partizan Basketball Club, Belgrade Dance Festival and the Science Festival continued, which with its continuity came to grow into a strategic partnership. Also, other projects that the company supported stood out, such as the Youth Sports Games and "OCR North Spirit", as well as the support to the Red Star Hockey Club, while the company's priority was to invest in young people, in accordance with the current corporate strategy and the slogan "Future at Work".

For more than a decade, the company informs all the stakeholders in a comprehensive and transparent way in the Sustainable Development Report about all the activities with which NIS contributes to the achievement of the Sustainable Development Goals. Last year, NIS published its 13th consecutive, verified Sustainable Development Report under the symbolic slogan "Our Sustainable Community".

Constant activities of the "Energy of Knowledge" programme were also continued. In 2023, four new scholarships were awarded for students studying in the Russian Federation, and five more scholarships were awarded through the Fund for Gifted Students of the University of Novi Sad.

A working meeting of the Minister of Education of the Republic of Serbia and the former scholarship holders of the "Energy of Knowledge" programme was held at the Palace of Serbia, with the participation of the CEO of NIS.

Two new Memoranda of Cooperation were signed with higher education institutions.

Donor support was implemented for the renovation and adaptation of the Russian language classroom in three schools in Serbia - Philological High School, Primary School "Triva Vitasović Lebarnik" in Laćarak and "Branko Radičević" in Maradik, as well as the physics classroom at the Electrical Engineering High School "Nikola Tesla" in Belgrade. Two renovated Russian language classrooms were officially opened at Karlovci High School.

More than 25 lectures of NIS visiting expert lecturers were held for students of partner faculties in Serbia and Banja Luka, and Service Contracts were signed for the implementation of practical lectures between three NIS engineers and the Technical Faculty "Mihajlo Pupin" in Zrenjanin.

Donor support was also given in order to raise the quality of teaching at the Department of "Industrial Engineering in the Exploitation of Oil and Gas" at the Technical Faculty Mihajlo Pupin in Zrenjanin.

Summer student internships were organized for programme scholarship holders, as well as visits to the company by pupils, students and lecturers from partner faculties and high schools.

For the first time, the "May Month of Mathematics" event was supported through the activities of the Society of Mathematicians of Serbia, intended for children of primary and high school age.

The Slavic Society of Serbia has published a collection of papers titled "The Russian Language in Serbia and the Republic of Srpska Today", with the support of NIS.

Support continued for domestic and international Olympiads of Knowledge in Mathematics, Physics and Chemistry, NIS Olympiad in the Russian Language, bilingual classes in three schools in Serbia, as well as the implementation of the Serbian language classes at the Russian School at the Embassy of the Russian Federation in Belgrade.

COMMUNICATION

Public Relations

The priority of the NIS Press Service is the media and digital promotion of all business directions, socially responsible activities of the company, efforts to contribute to environmental protection, and the best corporate practices and the practices in the field of human resources. To this end, new digital communication channels on social networks Tik-Tok and Threads were launched in 2023, in order to make information on NIS's activities available to the widest audience.

In addition, the trend of increasing the quantity of video content placed on NIS accounts on social networks in accordance with current trends has continued. Regarding to the corporate website (www.nis.rs), additional improvements have been made so that the public can be transparently and comprehensively informed about the most important activities of NIS through this channel. The content on the corporate website includes electronic versions of annual reports and reports on sustainable development, as well as the "Magazine" platform, where readers can get to know NIS from a different angle and have access to texts in the fields of education, environmental protection, sustainable development, and human resources.

Regarding to working with traditional media, the NIS Press Service continued to change the style of external communication, adapting the corporate style to media communication. In addition, a large number of media inquiries were answered in 2023, which gave the public an even clearer insight into the business and socially responsible activities of the NIS Group. What is more, for interested journalists, the Press Service organized tours to NIS business locations in order to further acquaint the media with the basic business of Company. This work of the NIS Press Service is especially important in the challenging circumstances faced by the energy sector in recent years, bearing in mind that NIS is one of the pillars of energy security of the Republic of Serbia.

More information on Investor Relations on page 101

Informing employees

Informing employee is one of the key factors for achieving the Company's business goals. Accordingly, an important task of the internal communications of NIS is to timely and accurately inform employees about all current topics in the Company. In the previous year, the emphasis was on digital, fast communication channels, primarily on the mPortal application. This application is intended for our colleagues in the field, who do not have access to online communication channels, in order to be informed and interconnected at all times. During 2023, thanks to field promotions, the number of users of this application increased 2.8 times. The Portal was redesigned in June last year, which facilitated access to the most used business applications. The redesign was preceded by analyses of the use of the Portal, in order to respond to the needs of colleagues, additional options were introduced, such as "Thank you page", which allows interaction and giving positive feedback.

GOVERNMENTAL RELATIONS

Cooperation with business associations

In 2023, NIS representatives actively cooperated with the following business and professional associations:

- National Petroleum Committee of Serbia of the World Petroleum Council (NPCS-WPC)
- Foreign Investors Council (FIC)
- American Chamber of Commerce in Serbia (AMCHAM)
- Serbian Chamber of Commerce (SCC)
- National Alliance for Local Economic Development (NALED).

As part of the cooperation with the NPCS-WPC, we would like to highlight the following significant activities that were carried out during 2023:

- Participation of the NPCS-WPC delegation at the 24th World Petroleum Congress in Calgary, Canada
- Election of the President of the NPCS as a member of the Programme Committee of the World Petroleum Council (CPC WPC) in order to prepare for the 25th Congress in Riyadh, Saudi Arabia in 2026
- Organization and participation in the educational workshop "Fuel Prices – Factors and Structure. Guide to Alternative Fuels" for domestic media representatives
- Visit of the NPCS delegation to the state data centre in Kragujevac
- Participation of the President of the NPCS in the Kopaonik Business Forum Panel "Energy Security in the Conditions of the Global Economic Crisis – Challenges and Obstacles for the Future".

NIS had an active contribution in the preparation of the annual publication "White Paper 2023" of the Foreign Investors Council (FIC), which included recommendations for the Oil and Gas Sector as well as recommendations for the successful continuation of the fight against illegal trade in the Republic of Serbia as part of measures to improve business conditions.

As part of the cooperation with NALED, we would like to highlight the activities of the association in the field of converting the right of use into the property right over the real estate acquired in privatization, as well as the creation of a legal framework for continuing the digitization in the health system through the implementation of the "e-Sick leave" project.

Curbing the grey market

NIS supports the activities of state authorities in the fight against illegal trade and the grey market. We would like to emphasize that the adoption of the new National Programme for Suppressing the Grey Economy is of great importance, as well as the accompanying action plan for its implementation in 2023, in order to maintain the continuity of the systemic approach of the state authorities to reducing the volume of the grey market in the country.

RESEARCH AND DEVELOPMENT

In all segments of its business, NIS is dedicated to continuous technological development and introduction of innovations into business.

STC NIS Naftagas LLC Novi Sad, as a subsidiary in which NIS j.s.c. has a 100% share, provides scientific-technical and innovation support to the parent company in the field of oil and gas exploration and production. The research and development activity within STC has a dual role: coordinating and performing scientific and research works.

Implementation and development of new technologies, scientific and research activities and increasing the efficiency of exploration, production and refining of oil and gas, remain in the focus of attention for the STC management and employees.

In the field of geological and research works, geology, reservoir engineering and production, the following activities were carried out in 2023:

- The work on the "Srednji Banat" project has continued. Currently, the interpretation of the S3 complex has been completed, where the exploration sites were separated and divided into two zones - North and South;
- Work has started on providing operational support for geological research;
- Work continued on the projects of geological analysis and development of deposits for fields;
- Three exploration wells were drilled, excellent results obtained open up the possibility of additional development in the exploration area of the northern Banat;
- Work continued on the projects of geological analysis and development of deposits for fields;
- In order to determine the optimal development drilling and geological-technical activities, geological and hydrodynamic models were developed on oil and gas fields;
- Activities were carried out to create new reports and update the annex to the report on reserves for oil and gas fields
- In the field of integrated modelling on the project in the northern Banat, the modelling of the well operation was completed and the formation of the infrastructure model.

The STC completed the first phase of work on the analysis of the dynamic potential of the geothermal energy. The focus of the work was on assessing the potential of production wells and selecting the most perspective areas.

In the field of technological management systems, extensive work was carried out on searching for perspective technologies for facing the technological challenges of Upstream. More than 1,200 technologies were analyzed, more than 20 perspective technologies were selected for which an economic assessment of the feasibility of implementation would be carried out.

Several digital projects were implemented in the Downstream. Positive feedback from users was received.

In the Engineering Department, the preparation of 112 detailed designs for the needs of the Exploration and Production Block was completed, while for the needs of DWS, in addition to the technical inspection of the project of preparatory works and the project for obtaining the construction permit for the reconstruction of the FCC and the construction of the new ETBE plant, 31 requests for changes on the plant were completed, in order to increase the reliability of the operation of the plant itself.

The preparation of the complete design and technical documentation for the connection of new wells included in the programme for 2023 was completed, as well as 58% of the technical documentation for the purpose of connecting the wells included in the programme for 2024.

The optimization of the sites for the existing drilling rigs was done and the solution for the design of the sites of the new drilling rig was approved.

The passports of the projects for the laboratory equipment renovation were created for the next three years, for the Downstream laboratories in Niš and at the "Nikola Tesla" Airport. With the implementation of these projects, 10 units of the most modern laboratory test equipment will be provided, which will ensure a high level of quality control of finished petroleum products, intended for placement on the market.

During the last quarter of 2023, the activities of arranging the construction site and conducting the preparatory works on the upgrade of the new laboratory facility in Pančevo Refinery began. Defining the layout of the equipment and the necessary installations at the workplaces in the future laboratory facility are ongoing, as well as the basis for the creation of the implementation project. By the implementation of this project, a modernly equipped and functional facility for the performance of the laboratory testing of oil and petroleum products will be provided in Pančevo Refinery, in accordance with the HSE requirements and in terms of interior it will be in accordance with the global trends in the field of the laboratory arrangement.

The Downstream Laboratory conducted over 226,000 tests of the quality of petroleum products in 2023.

FURTHER DEVELOPMENT

Exploration and production Block

Exploration and production

- Implementation of the exploration and development drilling program;
- Maintaining high intensity of GTA in Serbia to maintain the level in base production;
- Commissioning of 2 small power plants, with the aim of monetization of acid gas reserves;
- Development of the new HMUN Velebit project;
- Development of oil and gas infrastructure – construction of a collection and dispatch station;
- Development of the Teremia North field in Romania;
- Improvement of drilling technology and commissioning of two new automated drilling rigs;
- Development and implementation of projects in the field of geothermal energy, technology for CO_2 collection and storage, and development of projects for the use of hydrogen;
- Entering new markets for the provision of STC services.

Downstream

Refining Block

During 2024, within the production activity of Refining Block, the focus will be on the following activities:

- Implementation of the capital overhaul of the refinery in 2024;
- Implementation of projects and measures with the aim of operational efficiency increase at the Pančevo Oil Refinery;
- Search for alternative sources and ways of procuring spare parts, materials and equipment for the functioning and maintenance of the production process;
- Diagnostics for the Safety Shield Program KARKAS 6.

Within the investment projects, during 2024, the focus will be on:

- The project of "Reconstruction of the FCC plant and the construction of a new ETBE plant";
- Reconstruction of the industrial track in Pančevo Oil Refinery;
- Replacement of GB-2301/2501 compressor drive;
- Reconstruction of the firefighting system in Pančevo Oil Refinery;
- Replacement of the cyclone in the regenerator DC-2302 on the FCC;
- Reconstruction of the Laboratory building in Pančevo Oil Refinery;
- Installation of a system for automatic dosing and adding markers and additives to motor fuels at the Pančevo Oil Refinery gathering station;
- Implementation of digital transformation and OMS projects:
  - » Implementation of predictive maintenance tools (Predictive Maintenance with Machine learning);
  - » Further development of the applied practice of OMS Etalon plants to the entire Refining Block;
  - » The implementation of WEM system (Work Execution Management);
  - » Digital 3D model creation.

Sales and distribution Block

Goals:

- Maintaining the share of retail sales and the motor fuel market in Serbia through proactive action in wholesale and retail channels;
- Ensuring energy stability in the context of refinery overhaul and disrupted traditional supply chains;
- Ensuring the import of oil derivatives in the period of preparation for overhaul and overhaul of refineries;
- Completing the strategic project of reconstruction and modernization of oil derivatives warehouse.

Investments:

- Construction of 3 venues (1 out of them is purchase) in Serbia, 2 venues in NIS Petrol brand, 1 venue in GAZPROM brand;
- Putting 9 petrol stations in NIS Petrol brand back into operation, following an overhaul;
- Reconstruction of Crude Oil Storage facilities in the towns of Novi Sad and Niš;
- Commencement of key logistics development project – own transportation, purchase of 22 tank trucks, for ensuring retail and wholesale development in Serbia;
- Replacement of 8 LPG tank trucks, replacement of 3 tow-cars and overhaul of LPG semi-trailers, replacement of 8 tow-cars and overhaul of semi-trailers for light derivatives.

Digital transformation projects:

- DRIVE.GO mobile app – developing new functions;
- Development of a web portal for Regional Wholesale Department (Web Portal);
- System for centralised logistics control (LOGIS);
- G – Manager;
- Aero Service business automation;
- Upgrade and development of new functions in the mobile application for corporate clients - paying for fuel at petrol stations;
- Upgrade and development of new functions and screen redesign in the "On the road with us" mobile application;
- Improving the creation of personalized offers and promotions in the HOS, PULP system;
- Express cash registers for self-service payment at petrol stations.

Energy Block

In 2024, it is planned to complete the construction and put into operation the contracted solar power plants in the period April - September 2024, as well as further development and preparation of projects for which techno-economic studies have been made and the economic justification has been assessed and the technical feasibility of the total power has been determined – 21.5 MWp.

In the area of electricity trade, the goal is for NIS j.s.c. be present on 7 stock exchanges (Romania, Slovenia, Serbia, Hungary, Bulgaria, Austria and Germany).

FINANCIAL STATEMENTS

STAND-ALONE FINANCIAL STATEMENTS

BALANCE SHEET

	AOP	Note	31 December 2023	31 December 2022
A. SUBSCRIBED CAPITAL UNPAID	**0001**		**-**	**-**
B. NON-CURRENT ASSETS (0003+0009+0017+0018+0028)	**0002**		**329,587,024**	**321,293,674**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008)	**0003**	**7**	**15,216,763**	**15,715,351**
1. Development investments	0004		10,006,187	10,830,934
2. Concessions, licenses, software and other rights	0005		3,231,197	3,474,961
3. Goodwill	0006		-	-
4. Intangible assets in lease and under development	0007		1,979,379	1,409,456
5. Advances for intangible assets	0008		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)	**0009**		**272,188,658**	**260,732,530**
1. Land and buildings	0010	8a	168,250,886	164,408,322
2. Machinery and equipment	0011	8a	73,685,863	78,317,642
3. Investment property	0012	8c	1,514,651	1,605,254
4. Property, plant and equipment in lease and construction in progress	0013	8a,8b	24,365,059	15,138,208
5. Other property, plant and equipment and investments in leased PP&E	0014	8a	209,276	221,174
6. Advances for PP&E - domestic	0015	8a	3,621,003	987,949
7. Advances for PP&E - foreign	0016	8a	541,920	53,981
III. BIOLOGICAL ASSETS	**0017**		**-**	**-**
IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RE-CEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)	**0018**		**42,181,603**	**44,845,793**
1. Investments in legal entities (except those evaluated using the equity method)	0019	9	31,108,323	13,517,853
2. Investments in legal entities evaluated by equity method	0020	10	1,038,800	1,038,800
3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021	11	1,889,147	1,868,080
4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties- foreign	0022	11	6,659,484	26,772,569
5. Long-term investments - domestic	0023		8,565	9,367
6. Long-term investments - foreign	0024		-	-
7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
8. Purchased own shares	0026		-	-
9. Other long-term financial investments and long-term receivables	0027	12	1,477,284	1,639,124
V. LONG - TERM ACCRUED AND DEFERRED INCOME	**0028**		**-**	**-**
C. DEFFERED TAX ASSETS	**0029**	**13**	**3,527,437**	**2,971,445**
G. CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	**0030**		**186,779,123**	**198,703,857**
I. INVENTORY (0032+0033+0034+0035+0036)	**0031**	**14**	**60,067,483**	**54,744,384**
1. Materials, spare parts and tools	0032		28,747,942	26,598,827
2. Work in progress and finished goods	0033		27,636,379	25,900,463
3. Merchandise	0034		2,943,979	1,664,301
4. Advances for inventory and services - domestic	0035		463,859	363,593
5. Advances for inventory and services - foreign	0036		275,324	217,200
II. FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	**0037**		**60,090**	**27,318**

in 000 RSD

	AOP	Note	31 December 2023	31 December 2022
III. TRADE RECEIVABLES (0039+0040+0041+0042+0043)	**0038**	**15**	**44,461,405**	**42,732,319**
1. Trade receivables - domestic	0039		29,353,436	31,630,516
2. Trade receivables - foreign	0040		1,332,734	1,042,078
3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		5,574,445	2,122,276
4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		8,200,790	7,937,449
5. Other trade receivables	0043		-	-
IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	**0044**	**16**	**10,895,067**	**2,590,493**
1. Other receivables	0045		3,385,888	2,472,177
2. Receivables for overpaid income tax	0046		7,380,049	-
3. Receivables from overpaid other taxes and contributions	0047		129,130	118,316
V. SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	**0048**	**17**	**47,122,344**	**6,473,739**
1. Short-term loans and investments - parent and subsidiaries	0049		1,034,375	201,993
2. Short-term loans and investments – other related parties	0050		-	-
3. Short-term loans and investments - domestic	0051		63,862	75,226
4. Short-term loans and investments - foreign	0052		19,733,211	192,821
5. Securities evaluted at amortized cost	0053		-	-
6. Financial assets evaluated through profit or loss	0054		-	-
7. Purchased own shares	0055		-	-
8. Other short-term financial investments	0056		26,290,896	6,003,699
VI. CASH AND CASH EQUIVALENTS	**0057**	**18**	**16,270,493**	**83,083,255**
VII. PREPAYMENTS AND ACCRUED INCOME	**0058**	**19**	**7,902,241**	**9,052,349**
D. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	**0059**		**519,893,584**	**522,968,976**
E. OFF-BALANCE SHEET ASSETS	**0060**	**20**	**178,808,690**	**127,991,900**
A. EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	**0401**	**21**	**378,320,864**	**359,816,117**
I. EQUITY	**0402**		**81,530,200**	**81,530,200**
II. SUBSCRIBED CAPITAL UNPAID	**0403**		**-**	**-**
III. SHARE PREMIUM	**0404**		**-**	**-**
IV. RESERVES	**0405**		**-**	**-**
V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0406**		**52,362**	**154,012**
VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0407**		**73,330**	**62,225**
VII. RETAINED EARNINGS (0409+0410)	**0408**		**296,811,632**	**278,194,130**
1. Retained earnings from previous years	0409		254,897,004	184,737,199
2. Retained earnings from current year	0410		41,914,628	93,456,931
VIII. NON-CONTROLLING INTEREST	**0411**		**-**	**-**
IX. LOSS (0413+0414)	**0412**		**-**	**-**
1. Loss from previous years	0413		-	-
2. Loss from current year	0414		-	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	**0415**		**79,702,902**	**75,724,966**
I. LONG-TERM PROVISIONS (0417+0418+0419)	**0416**	**22**	**11,585,650**	**11,150,060**
1. Provisions for employee benefits	0417		737,192	694,752
2. Provisions for warranty claims	0418		-	-
3. Other long term provisions	0419		10,848,458	10,455,308
II. LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	**0420**	**23**	**68,117,252**	**64,574,906**
1. Liabilities convertible to equity	0421		-	-
2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422		-	-
3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423		-	-
4. Long-term loans and finance lease liabilities - domestic	0424		40,276,230	47,311,599
5. Long-term loans and finance lease liabilities - foreign	0425		15,795,870	16,412,357
6. Liabilities for issued securities	0426		-	-
7. Other long-term liabilities	0427		12,045,152	850,950
III. LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	**0428**		**-**	**-**
C. DEFFERED TAX LIABILITIES	**0429**	**13**	**-**	**-**
D. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	**0430**		**-**	**-**

in 000 RSD

	AOP	Note	31 December 2023	31 December 2022
E. SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	**0431**		**61,869,818**	**87,427,893**
I. SHORT-TERM PROVISIONS	**0432**	**22**	**2,624,738**	**1,899,914**
II. SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	**0433**	**24**	**14,889,366**	**11,654,705**
1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		2,786,281	4,036,953
2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		-	2,728,428
3. Short-term loans and borowings from other parties	0436		522,002	498,203
4. Short-term loans from domestic banks	0437		10,519,898	3,582,756
5. Short-term loans, borowings and liabilities - foreign	0438		1,061,185	808,365
6. Liabilities on short-term securities	0439		-	-
7. Liabilities based on financial derivatives	0440		-	-
III. ADVANCES RECEIVED	**0441**		**4,817,430**	**11,298,696**
IV. TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	**0442**	**25**	**18,658,813**	**25,456,060**
1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		7,741,512	7,796,328
2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		50,989	67,847
3. Trade payables - domestic	0445		8,104,925	6,266,698
4. Trade payables - foreign	0446		2,748,942	11,309,738
5. Liabilities on promissory notes	0447		-	-
6. Other operating liabilities	0448		12,445	15,449
V. OTHER SHORT-TERM LIABILITIES (450+451+452)	**0449**	**26**	**17,155,121**	**33,575,224**
1. Other short-term liabitilies	0450		6,342,389	6,061,073
2. Liabilities for VAT and other taxes	0451		10,812,732	13,521,458
3. Profit tax liabilities	0452		-	13,992,693
VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS	**0453**		**-**	**-**
VII. SHORT-TERM ACCRUED EXPENSES	**0454**	**27**	**3,724,350**	**3,543,294**
F. LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0	**0455**		**-**	**-**
G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)	**0456**		**519,893,584**	**522,968,976**
H. OFF-BALANCE SHEET LIABILITIES	**0457**	**20**	**178,808,690**	**127,991,900**

in 000 RSD

INCOME STATEMENT

	AOP	Note	Year ended 2023	31 December 2022
A. OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	**1001**		**394,916,730**	**499,132,440**
I. INCOME FROM THE SALE OF GOODS (1003+1004)	**1002**	**6**	**32,482,249**	**38,615,427**
1. Income from sale of goods on domestic market	1003		31,901,438	37,488,527
2. Income from sale of goods on foreign market	1004		580,811	1,126,900
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	**1005**	**6**	**358,295,284**	**447,922,186**
1. Income from sales of products and services on domestic market	1006		312,728,598	379,672,743
2. Income from sales of products and services on foreign market	1007		45,566,686	68,249,443
III. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	**1008**		**1,912,698**	**1,793,652**
IV. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1009**		**1,735,916**	**10,203,697**
V. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1010**		**-**	**-**
VI. OTHER OPERATING INCOME	**1011**	**6**	**436,837**	**407,556**
VII. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1012**	**28**	**53,746**	**189,922**
B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	**1013**		**339,798,347**	**387,362,877**
I. COST OF GOODS SOLD	**1014**		**29,541,577**	**35,828,930**
II. COST OF MATERIAL, FUEL AND ENERGY	**1015**	**29**	**233,247,909**	**279,608,303**
III. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EX-PENSES	**1016**	**30**	**21,123,506**	**18,902,369**
1. Cost of salaries and fringe benefits	1017		17,693,178	15,831,403
2. Cost of tax and contributions on wages and salaries	1018		2,331,792	2,121,658
3. Other personal expenses	1019		1,098,536	949,308
IV. DEPRECIATION, DEPLETION AND AMORTIZATION	**1020**	**7,8**	**22,593,795**	**23,122,898**
V. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1021**	**31**	**139,927**	**207,208**
VI. COST OF PRODUCTION SERVICES	**1022**	**32**	**18,030,811**	**17,070,182**
VII. COST OF PROVISION	**1023**		**923,808**	**597,595**
VIII. NON-PRODUCTION COSTS	**1024**	**33**	**14,197,014**	**12,025,392**
C. OPERATING GAIN (1001-1013)>=0	**1025**		**55,118,383**	**111,769,563**
D. OPERATING LOSS (1013-1001)>=0	**1026**		**-**	**-**
E. FINANCE INCOME (1028+1029+1030+1031)	**1027**	**34**	**6,948,780**	**5,432,711**
I. FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1028**		**2,241,852**	**2,806,138**
II. INTEREST INCOME	**1029**		**4,309,314**	**2,055,522**
III. FOREIGN EXCHANGE GAIN	**1030**		**350,420**	**531,965**
IV. OTHER FINANCIAL INCOME	**1031**		**47,194**	**39,086**
G. FINANCE EXPENSES (1033+1034+1035+1036)	**1032**	**35**	**4,676,470**	**6,797,866**
I. FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1033**		**1,154,108**	**3,661,266**
II. INTEREST EXPENSE	**1034**		**3,087,786**	**1,665,039**
III. FOREIGN EXCHANGE LOSS	**1035**		**424,612**	**1,404,121**
IV. OTHER FINANCIAL EXPENSE	**1036**		**9,964**	**67,440**
I. PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	**1037**		**2,272,310**	**-**
J. LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	**1038**		**-**	**1,365,155**

in 000 RSD

	AOP	Note	Year ended 31 December 2023	2022
K. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1039**	**36**	**101,080**	**697,015**
L. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1040**	**37**	**82,794**	**465,281**
M. OTHER INCOME	**1041**	**38**	**786,254**	**1,243,447**
N. OTHER EXPENSE	**1042**	**39**	**8,435,642**	**1,132,715**
O. TOTAL INCOME (1001+1027+1039+1041)	**1043**		**402,752,844**	**506,505,613**
P. TOTAL EXPENSE (1013+1032+1040+1042)	**1044**		**352,993,253**	**395,758,739**
Q. OPERATING PROFIT BEFORE TAX (1043-1044)>=0	**1045**		**49,759,591**	**110,746,874**
R. OPERATING LOSS BEFORE TAX (1044-1043)>=0	**1046**		**-**	**-**
S. POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ER RORS FROM PREVIOUS PERIODS	**1047**		**-**	**-**
T. NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMI-NATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ER RORS FROM PREVIOUS PERIODS	**1048**		**-**	**-**
U. PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	**1049**		**49,759,591**	**110,746,874**
V. LOSS BEFORE TAX (1046-1045+1048-1047)>=0	**1050**		**-**	**-**
W. INCOME TAX				
I. CURRENT INCOME TAX	1051	40	8,391,534	17,696,181
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	40	-	221,765
III. DEFERRED TAX INCOME FOR THE PERIOD	1053	40	546,571	628,003
X. PERSONAL INCOME PAID TO EMPLOYER	**1054**		**-**	**-**
Y. NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	**1055**		**41,914,628**	**93,456,931**
Z. NET LOSS (1050-1049+1051-1052-1053+1054)>=0	**1056**		**-**	**-**
I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	**1057**		**-**	**-**
II. NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	**1058**		**-**	**-**
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	**1059**		**-**	**-**
IV. NET LOSS ATTRIBUTABLE TO PARENT COMPANY	**1060**		**-**	**-**
V. EARNINGS PER SHARE			**-**	**-**
1. Basic earnings per share	1061		-	-
2. Diluted earnings per share	1062	-	-	-

in 000 RSD

STATEMENT OF OTHER COMPREHENSIVE INCOME

	AOP	Note	Year ended 31 December 2023	2022
A. NET PROFIT/LOSS				
I. NET PROFIT (AOP 1055)	**2001**		**41,914,628**	**93,456,931**
II. NET LOSS (AOP 1056)	**2002**		**-**	**-**
B. OTHER COMPREHENSIVE PROFIT/LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase of revaluation reserves	2003		-	-
b) decrease of revaluation reserves	2004		-	-
2. Actuarial gains (losses) of post employmet benefit obligations				
a) gains	2005		-	-
b) losses	2006		53,255	106,836
3. Gains or losses arising from a share in the associate's other compre-hensive profit or loss				
a) gains	2007		-	-
b) losses	2008		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains and losses arising from equity investments				
a) gains	2009		-	-
b) losses	2010		-	-
2. Gains (losses) from currency translation differences				
a) gains	2011		-	-
b) losses	2012		-	-
3. Gains (losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
4. Gains (losses) on hedging in a cash flow hedge				
a) gains	2015		-	-
b) losses	2016		-	-
5. Gains (losses) from change in value of available-for-sale financial assets				
a) gains	2017		8,299	-
b) losses	2018		-	-
I. OTHER COMPREHENSIVE GAIN BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010 +2012+2014+2016+2018)>=0	**2019**		**-**	**-**
II. OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)- (2003+2005+2007+2009+2011+2013+2015+2017)>=0	**2020**		**44,956**	**106,836**
III. DEFERRED TAX EXPENSE ONR OTHER COMPREHENSIVE PROFIT (LOSS)	**2021**		**-**	**-**
IV. DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT (LOSS)	**2022**		**-**	**-**
V. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0	**2023**		**-**	**-**
VI. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0	**2024**		**44,956**	**106,836**
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0	2025		41,869,672	93,350,095
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	2026		-	-
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2028+2029)=AOP 2025>=0 or AOP 2026>0	**2027**		**-**	**-**
1. Attributable to shareholders	2028		-	-
2. Attributable to non-controling interest	2029		-	-

in 000 RSD

STATEMENT OF CASH FLOWS

	AOP	Note	Year ended 31 December 2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	**3001**		**663,228,848**	**763,679,874**
1. Sales and advances received - domestic	3002		631,066,472	724,322,139
2. Sales and advances received - foreign	3003		28,302,511	35,277,407
3. Interest from operating activities	3004		3,423,030	1,590,841
4. Other inflow from operating activities	3005		436,835	2,489,487
II. Cash outflow from operating activities (1 to 8)	**3006**		**640,503,796**	**657,822,045**
1. Payments and prepayments to suppliers - domestic	3007		105,747,347	89,620,209
2. Payments and prepayments to suppliers - foreign	3008		223,291,963	281,917,634
3. Salaries, benefits and other personal expenses	3009		19,842,032	17,661,415
4. Interest paid - domestic	3010		2,278,867	1,029,995
5. Interest paid - foreign	3011		571,343	483,418
6. Income tax paid	3012		29,759,942	7,858,372
7. Payments for other public revenues	3013		259,012,302	259,251,002
8. Other payments from operating activities	3014		-	-
III. Net cash inflow from operating activities (I - II)	**3015**		**22,725,052**	**105,857,829**
IV. Net cash outflow from operating activities (II - I)	**3016**		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3017**		**17,692,662**	**4,984,810**
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		151,307	388,704
3. Other financial investments	3020		17,496,983	4,596,106
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		44,372	-
II. Cash outflow from investing activities (1 to 3)	**3023**		**78,828,210**	**34,464,322**
1. Acquisition of subsidiaries or other business	3024		5,863,685	-
2. Purchase of intangible assets, property, plant and equipment	3025		35,905,900	23,644,635
3. Other financial investments	3026		37,058,625	10,819,687
III. Net cash inflow from investing activities (I - II)	**3027**		**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3028**		**61,135,548**	**29,479,512**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	**3029**		**14,368,904**	**21,933,670**
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	23	2,911,766	3,905,907
3. Proceeds from long-term borrowings - foreign	3032	23	468,635	593,845
4. Proceeds from short-term borrowings - domestic	3033	23	10,988,503	16,946,590
5. Proceeds from short-term borrowings - foreign	3034		-	487,328
6. Other long-term liabilities	3035		-	-
7. Other short-term liabilities	3036		-	-
II. Cash outflow from financing activities (1 to 8)	**3037**		**42,547,189**	**34,526,466**
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	23	2,768,255	2,957,319
3. Repayment of long-term borrowings - foreign	3040	23	3,057,206	11,105,986
4. Repayment of short-term borrowings - domestic	3041	23	12,240,277	14,273,781
5. Repayment of short-term borrowings - foreign	3042		486,580	-
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	23	629,946	407,258
8. Dividend distribution	3045	21	23,364,925	5,782,122
III. Net cash inflow from financing activities (I - II)	**3046**		**-**	**-**
IV. Net cash outflow from financing activities (II - I)	**3047**		**28,178,285**	**12,592,796**
D. TOTAL CASH INFLOW (3001+3017+3029)	**3048**		**695,290,414**	**790,598,354**
E. TOTAL CASH OUTFLOW (3006+3023+3037)	**3049**		**761,879,195**	**726,812,833**
F. NET CASH INFLOW (3048-3049)>=0	**3050**		**-**	**63,785,521**

in 000 RSD

	AOP	Note	Year ended 31 December 2023	2022
G. NET CASH OUTFLOW (3049-3048)>=0	**3051**		**66,588,781**	**-**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3052**		**83,083,255**	**20,336,901**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3053**		**17,461**	**50,761**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3054**		**241,442**	**1,089,928**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	**3055**	**18**	**16,270,493**	**83,083,255**

in 000 RSD

STATEMENT OF CHANGES IN EQUITY

				Equity components						
	AOP	Share capital	AOP	Rev. reserves and unr. gains and losses	AOP	Retained earnings	AOP	Loss	AOP	Total (equals AOP 0401)
1. Balance as at 01 January 2022	**4001**	**81,530,200**	**4037**	**198,353**	**4046**	**190,519,321**	**4055**	**-**	**4073**	**272,247,874**
2.Adjustments of material errors and changes in ac counting policies	4002		4038	-	4047	-	4056	-	4074	-
3. Restated opening balance as at 1 January 2022	**4003**	**81,530,200**	**4039**	**198,353**	**4048**	**190,519,321**	**4057**	**-**	**4075**	**272,247,874**
4. Net changes in 2022	4004	-	4040	(106,566)	4049	87,674,809	4058	-	4076	87,568,243
5. Balance as at 31 December 2022	**4001**	**81,530,200**	**4041**	**91,787**	**4050**	**278,194,130**	**4059**	**-**	**4077**	**359,816,117**
6. Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4078	-
7. Restated opening balance as at 01 January 2023	**4007**	**81,530,200**	**4043**	**91,787**	**4052**	**278,194,130**	**4061**	**-**	**4079**	**359,816,117**
8. Net changes in 2023	4008	-	4044	(112,755)	4053	18,617,502	4062	-	4080	18,504,747
9. Balance as at 31 December 2023	**4009**	**81,530,200**	**4045**	**(20,968)**	**4054**	**296,811,632**	**4063**	**-**	**4081**	**378,320,864**

in 000 RSD

NOTES TO THE STANDALONE FINANCIAL STATEMENTS[100]

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije, Novi Sad (the “Company”) is a vertically integrated oil company operating predominantly in Serbia. The Company’s principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading and
- Electric generation and trading.

Other activities primarily include sales of other goods, works and services.

The Company is an open joint stock company listed on the Belgrade Stock Exchange.

These financial statements are separate financial statements of the Company. The Company also prepares consolidated financial statements.

These Financial Statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Shareholders’ Assembly for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements for the year ended 31 December 2023 were prepared in accordance with the applicable Law on Accounting of the Republic of Serbia, which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,
- “Off-balance sheet assets and liabilities” are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

As a result, the accompanying financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

100 All amounts are in RSD 000, unless otherwise stated.

The Financial Statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Company will be able to continue to operate as a going concern in the foreseeable future, this principle should be applied in the preparation of these Financial Statements.

At the date of signing Financial Statements, crude oil price increased since 31 December 2023 from 77.585 $/barrel to 84.140 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. Basis of measurement

These Financial Statements are prepared on the historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.4. Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Serbian dinars ("RSD"), which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other monetary assets and liabilities are presented in the income statement within 'finance income or cost'.

2.5. Intangible assets

a) Licenses and rights (concessions)

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives (average useful life is 5 years).

Licenses and rights include Oil and Gas Upstream Exploration Rights, which are amortised in accordance with the terms and conditions of the rights.

b) Software

These include primarily the costs of implementation the (SAP) computer software program. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not to exceed 8 years).

2.6. Oil and Gas properties

a) Exploration and evaluation expenditure

The Company follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

b) Development costs of fixed and intangible assets

Development costs are incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

c) Oil and gas production assets

Oil and gas production assets comprise exploration and evaluation assets as well as development costs associated with the production of proved reserves.

d) Depreciation/amortization

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

e) Impairment – exploration and evaluation assets

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

f) Impairment – proved oil and gas properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.7. Property, plant and equipment

As of the date of establishment, the Company's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Buildings	10-50
Machinery and Equipment:	
- Production equipment	2 – 35
- Furniture	3 – 10
- Vehicles	5 – 25
- Computers	3 – 10
Other PP&E	3 – 20

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/(expenses)" in the income statement (notes 38 and 39).

2.8. Leases

The Company leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	25
Buildings	2 - 22
Machinery	3 - 15
Motor vehicles	2 - 10

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.9. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises of petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value. Changes in fair values are recorded in the income statement as part of income/expenses from valuation of assets (except financial) (note 28 and 31).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.11. Financial instruments

a) Key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Amortized cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*.

b) Classification and measurement

The Company classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI or through profit or loss), and
– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

At initial recognition, the Company measures a financial asset as its fair value plus, in case of a financial assets not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit and loss. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Factors considered by the Company in determining the business model include the purpose and composition of portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest ("SPPI"), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

c) Write-off

Financial assets are written-off, in whole or in part, when the Company has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

e) Modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

f) Financial assets impairment

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and recognises Net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

– General model of impairment of financial assets – three stage model

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

When defining default for the purposes of determining the risk of a default occurring, Company applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately.

Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

– Simplified approach for impairment of receivables and lease receivables

Company applies simplified approach for trade receivables and lease receivables and measure the loss allowance at an amount equal to lifetime expected credit losses ("Lifetime ECL").

Company uses a provision matrix in the calculation of the expected credit losses on trade receivables.

Company use historical credit loss experience (adjusted as appropriate on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling, general and administrative expenses.

Impairment losses are reversed through profit or loss if the amount of the impairment loss decreases and the decrease can be attributed to an event occurring after the impairment was recognized.

2.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as Other expense (note 39).

2.13. Off-balance sheet assets and liabilities

Off-balance sheet assets/liabilities include: material received from third parties for further processing and other assets not owned by the Company, as well as receivables/payables relating to collaterals received/given such as guarantees and other warrants.

2.14. Share capital

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.15. Earnings per share

The Company calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

2.16. Provisions

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as cost of provision and charged to income statement.

2.17. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.18. Employee benefits

a) Pension obligations

The Company operates a defined contribution pension plan. The Company pays contributions to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Employee benefits provided by the Collective Agreement

The Company provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

c) Bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

In 2020, the Company has made decision to introduce new three-year (2021-2023) program for Company's managers which will be based on the Key Performance Indicators ("KPI") reached during the program (note 22).

2.19. Revenue recognition from contracts with customers

The Company recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is shown net of returns, rebates and discounts.

Sales taxes

Revenue does not amount collected on behalf of tax authorities – value added taxes (VAT), excise duties and other sales taxes (fee for improvement of energy efficiency).

The accounting for excise duties is based on the Company's assessment whether it is primarily obligated for payment of excise duties or whether it collects the amount from the customer on behalf of the tax authorities.

Excise duties imposed during the inventory procurement process are included in the transaction price, revenue is determined on a gross basis and paid excise duties are also included in the cost of goods sold.

Excise duties incurred in production and sale of products are assessed as part of amounts collected on behalf of tax authorities and are accounted on a net basis.

a) Sales - wholesale

The Company manufactures and sells oil, petrochemical products, liquefied natural gas and energy in the wholesale market. Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts entitled to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of less than one year and is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

b) Sales - Retail

The Company operates a chain of Petrol Stations. Sales of goods are recognised when the Company sells a product to the customer. Retail sales are usually in cash or by credit card. Company offers customer incentives mostly in the form of loyalty programs described under section d).

c) Sales of electricity

The Company sells electricity on a short and long term basis with a contract terms generally accepted in the energy industry (via bilateral forward standardized general EFET agreements). Majority of sales are made on a wholesale market without structured trades.

In accordance with contract terms if Company expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis in financial statements. In general, delivery of electricity represent transfer of a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer over time. Accordingly, delivery of electricity is treated as a single performance obligation to which transaction price is allocated. Revenue is recognized by applying a single measure of progress to the identified single performance obligation.

d) Customer loyalty program

The Company operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 27.

e) Interest income

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Company relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.20. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

2.21. Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparing financial statements required Management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other facts that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimates is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Company's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Information on the effect of macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Financial Statements is provided below.

3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Company estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Company estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the law of the Republic of Serbia are classified as a state secret.

3.2. Useful Lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2023 would be to increase/decrease it by 2,040,256 RSD (2022: 2,090,570 RSD).

3.3. Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Company takes into consideration the interest rates of Serbian Treasury bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 8.78% (rather than 7.78% per year, the past service liability (DBO) for the Company would decrease by about 9.33% for retirement indemnity and 5.05% for jubilee benefit). If pay increased by 1% higher than assumed on an annual basic, than the past service liability (DBO) for the Company would increase by amount 6.80% for the retirement indemnity.

3.4. Decommissioning and environmental protection provision

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Company's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 7.68% (rather than 6.68%) per year, the present liability would have decreased by approx. 835,469 RSD (31 December 2022: 7.80% (rather than 6.80%) per year the present liability would have decreased by approx. 1,163,584 RSD).

3.5. Contingencies

Certain conditions may exist as of the date of these financial statements are issued that may result in a loss to the Company, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Company or unasserted claims that may result in such proceedings, the Company, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 41).

3.6. Recoverability of carrying amount of Property, Plant and Equipment

In the line with changes in the crude oil price on the world market, management of the Company performed stress sensitivity analysis of its impact on recoverability of the Company PPE and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Company's PPE exceed its carrying value.

The Company assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Company's PPE by 92.2 bln RSD (31 December 2022: 58.5 bln RSD).

Oil prices are based on the available forecasts from globally recognized research.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact if the negative trends on the market continue.

4. APPLICATION OF AMENDMENTS TO THE EXISTING STANDARDS

The new IFRS Insurance Contracts and the amendments to the existing standards which became effective on 1 January 2023 did not have any material impact on the Financial Statements.

The Company intends to implement the amendments to the existing standards and the new standards issued but not yet effective as of the date these Financial Statements were authorised for issue, and the Company does not expect them to have any material impact on the Financial Statements when adopted.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Finance, Economics, Planning and Accounting (further "FEPA") which under the policies approved by the Company identifies and evaluates financial risks in close co-operation with the Company's operating units.

In the normal course of its operations the Company has exposure to the following financial risks:

a) market risk (including currency risk, interest rate risk and commodity price risk);

b) credit risk and

c) liquidity risk.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates (c) commodity price, all of which are exposed to general and specific market movements. Management analyse and monitoring risk that may be accepted, however, the use of this approach does not prevent losses in the event of more significant market movements.

Currency risk

The Company operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to USD and EUR. Currency risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to manage its currency risk against its functional currency. In order to manage its currency risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Currency risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company functional currency.

The Company has borrowings denominated in foreign currency mainly in EUR which predominantly expose Company to the currency translation risk. Currency exposure arising from the borrowings is managed through the participation of the borrowing denominated in functional currency of the Company in the total credit portfolio.

The carrying values (net of allowance) of the Company's financial instruments by currencies they are denominated are as follows:

As of 31 December 2023	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,641	-	-	-	91,641
Long-term investments in subsidiaries foreign	-	6,659,484	-	-	6,659,484
Long term loans provided - domestic	-	1,889,147	-	-	1,889,147
LT loans issued	8,565	-	-	-	8,565
Other long-term investments	299,282	1,173,038	4,964	-	1,477,284
Current					
Trade receivables	34,099,023	10,362,382	-	-	44,461,405
Other receivables	127,878	3,089,151	168,013	846	3,385,888
Short term financial investments	27,336,070	19,786,274	-	-	47,122,344
Cash and cash equivalents	14,000,844	2,252,574	323	16,752	16,270,493
Financial liabilities					
Non-current					
Long-term liabilities	(3,369)	(68,103,171)	-	(10,712)	(68,117,252)
Current					
Short-term financial liabilities	(3,620,364)	(11,200,371)	(30,298)	(38,333)	(14,889,366)
Trade payables	(16,442,577)	(1,375,404)	(800,999)	(39,833)	(18,658,813)
Other short-term liabilities	(5,929,791)	(243,066)	(169,426)	(106)	(6,342,389)
Net exposure	**49,967,202**	**(35,709,962)**	**(827,423)**	**(71,386)**	**13,358,431**

As of 31 December 2022	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	92,226	-	-	-	92,226
Long-term investments in subsidiaries foreign	-	26,772,569	-	-	26,772,569
Long term loans provided - domestic	-	1,868,080	-	-	1,868,080
LT loans issued	9,367	-	-	-	9,367
Other long-term investments	289,397	1,343,118	6,609	-	1,639,124
Current					
Trade receivables	31,881,669	10,850,610	-	40	42,732,319
Other receivables	169,147	2,128,601	173,912	517	2,472,177
Short term financial investments	6,217,169	256,570	-	-	6,473,739
Cash and cash equivalents	72,784,633	10,279,219	272	19,131	83,083,255
Financial liabilities					
Non-current					
Long-term liabilities	(15,887)	(64,487,868)	(31,524)	(39,627)	(64,574,906)
Current					
Short-term financial liabilities	(3,895,740)	(7,633,832)	(56,991)	(68,142)	(11,654,705)
Trade payables	(14,133,228)	(10,815,551)	(478,454)	(28,827)	(25,456,060)
Other short-term liabilities	(5,747,106)	(140,831)	(172,959)	(177)	(6,061,073)
Net exposure	**87,651,647**	**(29,579,315)**	**(559,135)**	**(117,085)**	**57,396,112**

The following exchange rates applied during the period:

Reporting date spot rate

	31 December 2023	31 December 2022
EUR	117.1737	117.3224
USD	105.8671	110.1515

Sensitivity analysis

The Company has chosen to provide information about market and potential exposure to hypothetical gain/(loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis below reflects the hypothetical effect on the Company's financial instruments and the resulting hypothetical gains/losses that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

As at 31 December 2023, if the currency had strengthened/weaken by 1% against the EUR with all other variables held constant, pre-tax profit for the year and equity would have been 357,100 RSD (2022: 295,793 RSD) higher/lower, mainly as a result of foreign exchange gains/(losses) on translation of EUR – denominated borrowings.

As at 31 December 2023, if the currency had strengthened/weaken by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 16,548 RSD (2022:11,183 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Commodity price risk

The Company's financial performance relates directly to prices for crude oil and petroleum products. The Company is unable to fully control the prices of its products, which depend on the balance of supply and demand on global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

The Company's planning system calculates different scenarious for key performance facors depending on global oil prices. This approach enables Management to adjust cost by reducing or rescheduling investment programs and other mechanisms. Such activities help to decrease risk to an acceptable level.

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Company to cash flow interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR) has a proportionate impact on the Company's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2023 would have been 343,848 RSD (2022: 420,664 RSD) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position is as follows:

	2023	31 December 2022
Financial instrument at FVTOCI	91,641	92,226
Long-term investments in subsidiaries domestic (note 11)	1,889,147	1,868,080
Long-term investments in subsidiaries foreign (note 11)	6,659,484	26,772,569
Long term loans provided - domestic	8,565	9,367
Other long-term investments (note 12)	1,477,284	1,639,124
Trade receivables (note 15)	44,461,405	42,732,319
Other receivables (note 16)	10,895,067	2,590,493
Short term financial investments (note 17)	47,122,344	6,473,739
Cash and cash equivalents (note 18)	16,270,493	83,083,255
Total maximum exposure to credit risk	**128,875,430**	**165,261,172**

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- scoring Serbian Business Register Agency, NIS and/or D&B reports;
- amount of registered pledges;
- data on customer's account blockade;
- history of relationships with the Company;
- planned sales volume;
- duration of relationship with the Company, including ageing profile, maturity and existence of any financial difficulties.

Trade and Other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The credit loss allowance for trade, specific and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2023 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, and other receivables
Trade and other receivables				
– current	0.02%	40,486,860	(7,328)	40,479,532
– less than 30 days overdue	0.06%	6,617,171	(3,810)	6,613,361
– 31 to 90 days overdue	0.64%	1,738,360	(11,125)	1,727,235
– 91 to 270 days overdue	2.43%	2,050,090	(49,905)	2,000,185
– over 270 days overdue	76.82%	19,569,173	(15,033,014)	4,536,159
Total trade and other receivables		**70,461,654**	**(15,105,182)**	**55,356,472**

At 31 December 2022 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, and other receivables
Trade and other receivables				
– current	0.01%	36,280,416	(4,861)	36,275,556
– less than 30 days overdue	0.03%	2,907,463	(946)	2,906,517
– 31 to 90 days overdue	0.54%	691,364	(3,733)	687,631
– 91 to 270 days overdue	2.46%	4,141,170	(101,856)	4,039,314
– over 270 days overdue	91.41%	16,464,269	(15,050,474)	1,413,794
Total trade and other receivables		**60,484,682**	**(15,161,870)**	**45,322,812**

As a rule, an excess of receivables over approved credit limit is secured by either bank guarantee, advance payment or other security.

The Management of the Company regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Company.

Management believes that not impaired trade and other receivables are fully recoverable.

Movements on the Company's provision for impairment of trade receivables and lease receivables are as follows:

	Trade receivables	Lease receivables	Total
As at 1 January 2022	**4,806,835**	**41,135**	**4,847,970**
Provision for receivables impairment (note 37)	100,918	1,534	102,452
Unused amounts reversed (note 36)	(35,840)	(4,539)	(40,379)
Receivables written off during the year as uncollectible	(291,991)	(3,704)	(295,695)
Other	11,999	-	11,999
As at 31 December 2022	**4,591,921**	**34,426**	**4,626,347**
As at 1 January 2023	**4,591,921**	**34,426**	**4,626,347**
Provision for receivables impairment (note 37)	71,950	123	72,073
Unused amounts reversed (note 36)	(32,751)	(3,528)	(36,279)
Receivables written off during the year as uncollectible	(65,646)	(474)	(66,120)
Other	5,432	-	5,432
As at 31 December 2023	**4,570,906**	**30,547**	**4,601,453**

Expenses that have been provided for or written off are included in fair value measurement loss within the income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The other classes within trade and other receivables do not contain impaired assets.

Movements on the provision for other receivables:

	Receivables from specific operations	Interest receivables	Other recevables	Total
As at 1 January 2022	**1,555,715**	**2,296,956**	**7,334,708**	**11,187,379**
Provision for other receivables impairment (note 37)	264	5,827	3,909	10,000
Unused amounts reversed (note 36)	(601,580)	(4,211)	(436)	(606,227)
Receivables written off during the year as uncollectible and other	(1,718)	(37,438)	(1)	(39,157)
Other	-	(16,472)	-	(16,472)
As at 31 December 2022	**952,681**	**2,244,662**	**7,338,180**	**10,535,523**
As at 1 January 2023	**952,681**	**2,244,662**	**7,338,180**	**10,535,523**
Provision for other receivables impairment (note 37)	80	9,662	549	10,291
Unused amounts reversed (note 36)	(382)	(5,171)	(1,659)	(7,212)
Receivables written off during the year as uncollectible and other	1	(33,343)	(22)	(33,364)
Other	-	(1,509)	-	(1,509)
As at 31 December 2023	**952,380**	**2,214,301**	**7,337,048**	**10,503,729**

Other financial assets at amortised cost

Movements on the provision for long-term placements to subsidiaries:

	Total
As at 1 January 2022	**8,094,302**
Remeasurement of expected credit losses	15,694
Reclassification from non-current to current part	-
Exchange differences	(17,913)
As at 31 December 2022	**8,092,083**
As at 1 January 2023	**8,092,083**
Remeasurement of expected credit losses	-
Reclassification from non-current to current part	(7,946,133)
Exchange differences	17,070
As at 31 December 2023	**163,020**

Movements on the provision for short-term placements:

	Short-term financial loans - Domestic	Current portion of long-term placements	Total
As at 1 January 2022	**2,019**	**1,630,601**	**1,632,620**
Remeasurement of expected credit losses	-	-	-
Unused amounts reversed	-	-	-
Reclassification from non-current to current part	-	-	-
Exchange differences	-	(3,601)	(3,601)
As at 31 December 2022	**2,019**	**1,627,000**	**1,629,019**
Remeasurement of expected credit losses	-	-	-
Unused amounts reversed	-	-	-
Reclassification from non-current to current part	-	7,946,133	7,946,133
Exchange differences	-	(29,389)	(29,389)
As at 31 December 2023	**2,019**	**9,543,744**	**9,545,763**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	BBB and higher	Less than BBB	Without rating	Total
As at December 2023				
Cash and cash equivalents (note 18)	4,441,215	4,124,171	7,705,107	**16,270,493**
Deposits with original maturity more than 3 months less than 1 year (note 17)	3,128,640	5,243,556	17,918,700	**26,290,896**
As at December 2022				
Cash and cash equivalents (note 18)	51,811,804	8,532,397	22,739,054	83,083,255
Deposits with original maturity more than 3 months less than 1 year (note 17)	-	6,003,699	-	**6,003,699**

The Company uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2023 and 2022 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Company's level. The Company's finance function monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Company over and above the balance required for working capital management is invested as surplus cash in time deposits.

The table below analyses the Company's financial liabilities into relevant maturity groupings at the balance sheet.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
As at 31 December 2023					
Financial liabilities	83,006,618	91,820,250	17,558,974	72,476,964	1,784,312
Trade payables and dividends payable	22,442,408	22,442,408	22,442,408	-	-
	105,449,026	**114,262,658**	**40,001,382**	**72,476,964**	**1,784,312**
As at 31 December 2022					
Financial liabilities	76,229,611	83,218,732	13,825,536	63,659,921	5,733,275
Trade payables and dividends payable	29,239,878	29,239,879	29,239,879	-	-
	105,469,489	112,458,611	43,065,415	63,659,921	5,733,275
	105,469,489	**112,458,611**	**43,065,415**	**63,659,921**	**5,733,275**

5.2. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On the Company level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Company's net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2023	31 December 2022
Total borrowings (note 23 and 24)	83,006,618	76,229,611
Less: cash and cash equivalents (note 18)	(16,270,493)	(83,083,255)
Net debt	**66,736,125**	**(6,853,644)**
Adjusted EBITDA	70,507,388	135,177,263
Net debt to adjusted EBITDA ratio at the end of the year	**0.95**	**(0.05)**

The Company has committed to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 4.0 during the terms of long-term borrowings agreements with certain commercial banks. Company is constantly monitoring the established commitments to maintain the height of debt cover ration and there has been no breach of these obligation.

There were no changes in the Company's approach to capital management during the year.

5.3. Fair value estimation

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

The carrying amount of trade, specific and other receivables and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current financial assets and non-current financial liabilities the fair values are also not significantly different to their carrying amounts.

6. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the years ended 31 December 2023 and 2022. Operating segments are components are engaged in business activities which may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Company manages its operations in two operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Company operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre and Energy business activities expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Company's EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Company's on-going operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the year ended 31 December 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	48,442,396	393,667,719	(50,895,745)	391,214,370
Intersegment	48,388,424	2,507,321	(50,895,745)	-
External	53,972	391,160,398	-	391,214,370
Adjused EBITDA (Segment results)	**32,337,898**	**38,169,490**	**-**	**70,507,388**
Depreciation, depletion and amortization	(12,450,152)	(10,143,643)	-	(22,593,795)
Impairment losses/ Revaluation surpluses (note 28 and 31)	(68,461)	(17,720)	-	(86,181)
Finance expenses, net	(195,839)	2,468,149	-	2,272,310
Income tax	-	(7,844,963)	-	(7,844,963)
Segment profit	**19,713,344**	**22,201,284**	**-**	**41,914,628**

	Upstream	Downstream	Eliminations	Total
Segment revenue	60,886,851	485,483,224	(59,424,906)	486,945,169
Intersegment	58,790,033	634,873	(59,424,906)	-
External	2,096,818	484,848,351	-	486,945,169
Adjused EBITDA (Segment results)	**45,019,579**	**90,157,684**	**-**	**135,177,263**
Depreciation, depletion and amortization	(12,252,881)	(10,870,017)	-	(23,122,898)
Impairment losses/ Revaluation surpluses (note 28 and 31)	(89,355)	72,069	-	(17,286)
Finance expenses, net	(69,178)	(1,295,977)	-	(1,365,155)
Income tax	(155,950)	(17,133,993)	-	(17,289,943)
Segment profit	**32,672,133**	**60,784,798**	**-**	**93,456,931**

Reportable segment results for the year ended 31 December 2022 are shown in the table below: Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 15,604,457 RSD for the year ended 31 December 2022 (31 December 2022: negative EBITDA in the amount of 7,207,900 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	2023	Year ended 31 December 2022
Adjusted EBITDA after allocation of Corporate centre	38,169,490	90,157,684
Corporate centre EBITDA	(15,604,457)	(7,207,900)
Adjusted EBITDA prior allocation of Corporate centre	**53,773,947**	**97,365,584**

	Year ended 31 December 2023	2022
Profit for the year	41,914,628	93,456,931
Income tax expenses	7,844,963	17,289,943
Other expenses	8,435,642	1,132,715
Other income	(786,254)	(1,243,447)
Loss from valuation of assets at fair value through profit and loss	82,794	465,281
Income from valuation of assets at fair value through profit and loss	(101,080)	(697,015)
Finance expense	4,676,470	6,797,866
Finance income	(6,948,780)	(5,432,711)
Depreciation, depletion and amortization	22,593,795	23,122,898
Other non operating expenses / (income), net*	(7,204,790)	284,802
EBITDA	**70,507,388**	**135,177,263**

Adjusted EBITDA for the year ended 31 December 2023 and 2022 is reconciled below:

*Other non-operating expense / (income), net mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and other (note 39).

	Domestic Market	Export and international sales	Year ended 31 December 2023 Total
Sale of crude oil	-	-	-
Sale of gas	190,850	-	190,850
Through a retail network	-	-	-
Wholesale activities	190,850	-	190,850
Sale of petroleum products	313,480,564	45,740,878	359,221,442
Through a retail network	110,382,013	-	110,382,013
Wholesale activities	203,098,551	45,740,878	248,839,429
Lease revenue	360,760	8,857	369,617
Sales of electricity	15,406,532	-	15,406,532
Other sales and other operating income	15,618,037	407,892	16,025,929
Total sales and other income	**345,056,743**	**46,157,627**	**391,214,370**

	Domestic Market	Export and international sales	Year ended 31 December 2022 Total
Sale of crude oil	2,560,156	2,042,795	4,602,951
Sale of gas	150,365	-	150,365
Through a retail network	-	-	-
Wholesale activities	150,365	-	150,365
Sale of petroleum products	392,167,667	66,364,504	458,532,171
Through a retail network	131,285,607	-	131,285,607
Wholesale activities	260,882,060	66,364,504	327,246,564
Lease revenue	350,568	5,482	356,050
Sales of electricity	9,462,697	472,030	9,934,727
Other sales and other operating income	12,877,373	491,532	13,368,905
Total sales and other income	**417,568,826**	**69,376,343**	**486,945,169**

Oil, gas and petroleum products sales comprise the following (based on the country of customer incorporation):

Revenue from one customer amounted to 25,983,119 RSD (2022: 39,105,621 RSD), arise from sale of petroleum products attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations for 11,031,630 RSD (2022: 9,656,529 RSD).

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation

	Year ended 31 December 2023	2022
Sale of crude oil	-	2,042,795
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	20,919,814	28,948,258
Bulgaria	5,028,468	5,228,462
Romania	506,590	6,842,138
All other markets	19,286,007	25,345,646
	45,740,879	66,364,504
Lease revenue	8,856	5,482
Sales of electricity	-	472,030
Other sales and other operating income	407,892	491,532
	46,157,627	**69,376,343**

The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

Revenues from the individual countries included in all other markets are not material.

Presentation of excise duties

	Year ended 31 December 2023	2022
Sales revenue and other income	564,184,939	646,700,451
Excise duties	(172,970,569)	(159,755,282)
Net sales revenue and other income	**391,214,370**	**486,945,169**

The following table presents sales revenue earned and related calculated excise duties for 2023 and 2022:

In the Republic of Serbia excise duties become payable when products subject of excise duties exit from excise warehouse. This incurs when the goods are loaded for transport either for direct sales to customers (wholesale) or for transport to own retail network. Calculated excise duties are payable in 15 days. The Company assessed that for excise duties levied in wholesale it bears no inventory risk nor significant credit risk. In retail sales, the Company estimates that average turnover of inventories approximates payment period for excise duties, and that there are no significant inventory or credit risk. Accordingly, since the Company bears no significant risks in both cases, excise duties are collected on behalf of tax authority and consequently deducted from revenue.

7. INTANGIBLE ASSETS

	Development Investments	Concessions, patents, licenses, software and other rights	Other intangibles	Intangible assets under development	Total
At 1 January 2022					
Cost	17,533,410	10,135,597	1,285,355	1,412,966	30,367,328
Accumulated amortisation and impairment	(5,700,627)	(8,146,803)	(180,252)	(83,288)	(14,110,970)
Net book amount	**11,832,783**	**1,988,794**	**1,105,103**	**1,329,678**	**16,256,358**
Year ended 31 December 2022					
Additions	253,847	948,558	21,952	81,230	1,305,587
Amortization	(1,255,696)	(565,783)	(21,119)	-	(1,842,598)
Impairment (note 31)	-	-	-	(4,724)	(4,724)
Transfer to PP&E (note 8)	-	-	-	(22,346)	(22,346)
Disposals and write-off	-	(2,544)	-	-	(2,544)
Other transfer	-	21,554	(21,554)	25,618	25,618
Closing net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**
As at 31 December 2022					
Cost	17,787,257	11,032,863	1,284,857	1,473,121	31,578,098
Accumulated amortization and impairment	(6,956,323)	(8,642,284)	(200,475)	(63,665)	(15,862,747)
Net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**
At 1 January 2023					
Cost	17,787,257	11,032,863	1,284,857	1,473,121	31,578,098
Accumulated amortization and impairment	(6,956,323)	(8,642,284)	(200,475)	(63,665)	(15,862,747)
Net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**
Year ended 31 December 2023					
Additions	427,548	256,889	19,106	569,922	1,273,465
Amortization	(1,252,295)	(498,014)	(20,968)	-	(1,771,277)
Disposals and write-off	-	(995)	-	-	(995)
Other transfer	**-**	**1,646**	**(1,428)**	**1**	**219**
Closing net book amount	**10,006,187**	**2,150,105**	**1,081,092**	**1,979,379**	**15,216,763**
As at 31 December 2023					
Cost	18,209,844	11,276,330	1,302,523	1,979,379	32,768,076
Accumulated amortization and impairment	(8,203,657)	(9,126,225)	(221,431)	-	(17,551,313)
Net book amount	**10,006,187**	**2,150,105**	**1,081,092**	**1,979,379**	**15,216,763**

Intangible assets under development as at 31 December 2023 amounting to 1,979,379 RSD (31 December 2022: 1,409,456 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 1, 196,344 RSD (31 December 2022: 992,539 RSD).

8. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment carried at cost

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
At 1 January 2022								
Cost	**10,303,574**	**246,328,252**	**164,185,695**	**15,727,270**	**82,688**	**512,940**	**294,923**	**437,435,342**
Accumulated depreciation and impairment	(294,176)	(93,748,646)	(80,662,778)	(2,977,951)	(1,114)	(390,317)	(21,363)	(178,096,345)
Net book amount	**10,009,398**	**152,579,606**	**83,522,917**	**12,749,319**	**81,574**	**122,623**	**273,560**	**259,338,997**
Year ended 31 December 2022								
Additions	62,850	13,879,211	4,325,856	(268,030)	-	30,594	997	18,031,478
Changes in decommissioning obligations (note 22)	-	(745,466)	-	-	-	-	-	(745,466)
Impairment charge (note 31)	-	-	-	(120,481)	-	-	(32)	(120,513)
Depreciation	-	(11,511,632)	(9,380,478)	-	-	(13,589)	-	(20,905,699)
Transfer from intangible assets (note 7)	-	-	-	22,346	-	-	-	22,346
Transfer to assets held for sale	(37,898)	(2,315)	-	-	-	-	-	(40,213)
Transfer from investment property	100,936	152,826	-	-	-	-	-	253,762
Disposals and write-off	(4,046)	(75,888)	(174,930)	(5,156)	(27)	-	-	(260,047)
Other transfers	(1)	741	24,277	(66,316)	(1)	-	767,405	726,105
Closing net book amount	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**
At 31 December 2022								
Cost	10,423,471	259,174,345	167,389,337	15,405,954	82,660	543,535	1,063,325	454,082,627
Accumulated depreciation and impairment	(292,232)	(104,897,262)	(89,071,695)	(3,094,272)	(1,114)	(403,907)	(21,395)	(197,781,877)
Net book amount	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**
At 1 January 2023								
Cost	10,423,471	259,174,345	167,389,337	15,405,954	82,660	543,535	1,063,325	454,082,627
Accumulated depreciation and impairment	(292,232)	(104,897,262)	(89,071,695)	(3,094,272)	(1,114)	(403,907)	(21,395)	(197,781,877)
Net book amount	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**
Year ended 31 December 2023								
Additions	18,302	14,858,660	4,537,099	9,536,661	-	2,811	6,686,875	35,640,408
Changes in decommissioning obligations (note 22)	-	290,351	-	-	-	-	-	290,351
Impairment charge (note 28 and 31)	-	-	-	(133,295)	-	-	32	(133,263)
Depreciation	-	(11,476,825)	(8,911,029)	-	-	(14,709)	-	(20,402,563)
Transfer to assets held for sale	(31,539)	-	-	-	-	-	-	(31,539)
Transfer from investment property	(9,338)	15,140	-	-	-	-	-	5,802
Disposals and write-off	(865)	(36,924)	(42,496)	(163,235)	-	-	(3,565,914)	(3,809,434)
Other transfers	-	215,602	(215,353)	5,173	1	(1)	-	5,422
Closing net book amount	**10,107,799**	**158,143,087**	**73,685,863**	**21,556,986**	**81,547**	**127,729**	**4,162,923**	**267,865,934**
At 31 December 2023								
Cost	10,400,031	273,843,067	169,629,727	23,363,366	82,660	542,554	4,184,286	482,045,691
Accumulated depreciation and impairment	(292,232)	(115,699,980)	(95,943,864)	(1,806,380)	(1,113)	(414,825)	(21,363)	(214,179,757)
Total	**10,107,799**	**158,143,087**	**73,685,863**	**21,556,986**	**81,547**	**127,729**	**4,162,923**	**267,865,934**

In 2023, the Company capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to 61,023 RSD (2022: 20,974 RSD).

Of the total amount of activations in 2023 in the amount of 28,953,533 RSD, the most significant part refers to activation on oil&gas properties in the amount of 16,196,962 RSD. In 2022 the amount of 18,298,511 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 12,464,745 RSD.

As at 31 December 2023, the Company assessed impairment indicators of cash generating units ("CGU") – refer to note 3.7 for details. In addition, Company has assessed and recognized impairment losses in amount 133,263 RSD (2022: 120,513 RSD) for the asset which has disposed due to obsolete, physically damage or for assets under constructions for which exist indication that expected recoverable amounts would not recover carrying value of the assets.

The management of the Company assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

b) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2022	**2,503**	**771,742**	**220,156**	**543,355**	**-**	**1,537,756**
Additions	-	156,256	94,141	1,445,262	-	1,695,659
Depreciation	(2,503)	(85,230)	(85,846)	(201,022)	-	(374,601)
Disposal	-	-	(3,408)	(28,513)	-	(31,921)
Effect of contract modifications and changes in estimates	-	(47)	(320)	-	-	(367)
As at 31 December 2022	**-**	**842,721**	**224,723**	**1,759,082**	**-**	**2,826,526**
As at 1 January 2023	**-**	**842,721**	**224,723**	**1,759,082**	**-**	**2,826,526**
Additions	2,542	110,783	135,670	325,279	-	574,274
Depreciation	(1,116)	(97,860)	(81,654)	(239,325)	-	(419,955)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposal	-	(55,247)	(110,112)	(5,419)	-	(170,778)
Impairement (note 28 and 31)	-	-	-	-	(1,994)	(1,994)
As at 31 December 2023	**1,426**	**800,397**	**173,627**	**1,832,623**	**-**	**2,808,073**

c) Investment property – carried at fair value

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

	2023	2022
As at 1 January	**1,605,254**	**1,778,608**
Fair value gain/(loss) (note 28 and 31)	(160)	85,766
Transfers to PPE	(5,802)	(253,762)
Other transfer	(18,579)	856
Disposals	(66,062)	(6,214)
As at 31 December	**1,514,651**	**1,605,254**

As at 31 December 2023, investment properties amounting to 1,514,651 RSD (31 December 2022: 1,605,254 RSD) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Company's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2023 and 2022. The revaluation gain was credited to income from assets valuation.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements at 31 December 2023 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	920,884	-
– Gas stations	-	-	593,769
Total	**-**	**920,884**	**593,769**

Fair value measurements at 31 December 2022 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	1,020,117	-
– Gas stations	-	-	585,138
Total	**-**	**1,020,117**	**585,138**

Valuation techniques used to derive level 2 fair values

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Fair value measurements using significant unobservable inputs (Level 3)

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Company based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

	2023	2022
Long term growth rate	0%	0%
Discount rate	10.65%	10.98%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2023	2022
Assets as at 1 January	**585,138**	**809,665**
Transfer from/to PPE	8,631	(248,162)
Changes in fair value measurement:		
Fair value income	-	29,370
Other	-	(5,735)
Total increase in fair value measurement, assets	-	23,635
Assets as at 31 December	**593,769**	**585,138**

d) Oil and gas production assets

Oil and gas production assets comprise of aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves (note 2.6).

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expediture)	Production assets	Other business and corporate assets	Total
As at 1 January 2022						
Cost	8,226,318	329,090	8,555,408	204,856,328	25,403	213,437,139
Depreciation and impairment	-	-	-	(74,822,128)	(20,349)	(74,842,477)
Net book amount	**8,226,318**	**329,090**	**8,555,408**	**130,034,200**	**5,054**	**138,594,662**
Year ended 31 December 2022						
Additions	(129,496)	1,267,614	1,138,118	12,464,745	-	13,602,863
Changes in decomisioning obligations	-	-	-	(745,466)	-	(745,466)
Impairment	(77,594)	(34,738)	(112,332)	-	-	(112,332)
Depreciation and depletion	-	-	-	(12,143,810)	-	(12,143,810)
Transfer to intangible assets	13,015	(13,150)	(135)	-	-	(135)
Other transfer	(4,584,569)	3,765,248	(819,321)	8,463	528	(810,330)
Disposals and write-off	-	640	640	(128,299)	(1)	(127,660)
	3,447,674	**5,314,704**	**8,762,378**	**129,489,833**	**5,581**	**138,257,792**
As at 31 December 2022						
Cost	3,525,268	5,349,443	8,874,711	215,586,310	25,934	224,486,955
Depreciation and impairment	(77,594)	(34,739)	(112,333)	(86,096,477)	(20,353)	(86,229,163)
Net book amount	**3,447,674**	**5,314,704**	**8,762,378**	**129,489,833**	**5,581**	**138,257,792**
Year ended 31 December 2023						
Additions	1,231,782	1,441,698	2,673,480	16,196,962	-	18,870,442
Changes in decomisioning obligations	-	-	-	290,237	-	290,237
Impairment	(74,169)	(47,986)	(122,155)	-	-	(122,155)
Depreciation and depletion	-	-	-	(12,310,595)	-	(12,310,595)
Transfer from investment property	-	-	-	136	-	136
Other transfer	(2,916)	34,839	31,923	(71)	(45)	31,807
Disposals and write-off	-	(163,308)	(163,308)	(36,059)	-	(199,367)
	4,602,371	**6,579,947**	**11,182,318**	**133,630,443**	**5,536**	**144,818,297**
As at 31 December 2023						
Cost	4,754,134	6,613,024	11,367,158	231,482,615	25,889	242,875,662
Depreciation and impairment	(151,763)	(33,077)	(184,840)	(97,852,172)	(20,353)	(98,057,365)
Net book amount	**4,602,371**	**6,579,947**	**11,182,318**	**133,630,443**	**5,536**	**144,818,297**

9. INVESTMENTS IN SUBSIDIARY

	31 December 2023	31 December 2022
Investments in subsidiaries:		
– In shares	3,457,576	3,457,576
– In stakes	40,303,566	11,140,314
	43,761,142	14,597,890
Less: Provision	(12,744,460)	(1,172,263)
	31,016,682	**13,425,627**
Other financial assets available for sales	91,641	92,226
	31,108,323	**13,517,853**

Movements on the account were as follows:

	2023
As at 1 January	**13,425,627**
Additional contribution (capital increase in HIP Petrohemija)	17,591,055
Transfer from investment in JV and associates – HIP Petrohemija (note 10)	11,572,197
Less: transfer of provision (note 10)	(11,572,197)
As at 31 December	**31,016,682**

Acquisition of HIP Petrohemija doo Pančevo

At the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija d.o.o. Pančevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds directly 20.86% of the voting power of the HIP Petrohemija and has representatives on the BoD and Supervisory boards. On 9 September 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model. The Company participated in the tender and was chosen as a strategic partner.

In accordance with the Agreement on Strategic Partnership signed on 24 December 2021 between Government of Republic of Serbia, NIS a.d. Novi Sad and HIP Petrohemija doo Pančevo, on 9 June 2023, Company acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous 20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result Company expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacity. The Company made the first payment of 5,863,685 RSD (50 million EUR) by the date of acquisition whereby the rest of the obligation of 11,727,370 RSD (note 23) will be paid in accordance with the Agreement. 30 June, 2023 is considered as the acquisition date.

The net assets that company acquired at the acquisition date in accordance with the independent valuation amounted 9,909,172 RSD.

Company has no obligation to make other payments based on this transaction except for the fulfilment of the obligation under the strategic partnership agreement.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying value of the investments in associates and joint ventures as of 31 December 2023 and 2022 is presented below:

		Ownership percentage	31 December 2022	31 December 2022
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	1,038,800	1,038,800
HIP Petrohemija doo Pančevo			-	11,572,197
Less: Provision			-	(11,572,197)
			1,038,800	**1,038,800**

The principal place of business of joint venture disclosed above is Republic of Serbia.

There are no contingent liabilities relating to the Company's interest in the joint venture, and no contingent liabilities of the venture itself.

Gazprom Energoholding Serbia d.o.o. Belgrade

In 2015 holding company has been established to operate Thermal and Heating Power Plant "TE-TO" Pančevo with a projected capacity of 208 MW. In October 2017 the contract for development was signed on a "turnkey" basis. At this moment provides thermal energy – technological steam to the Oil Refinery in Pančevo, while electricity is sold to Elektroprivreda Srbije JSC Belgrade and transferred into electricity transmission system of Serbia.

The summarised financial information for the joint ventures as of 31 December 2023 (unaudited) and 2022 and for the years ended 31 December 2023 (unaudited) and 2022 is presented in the table below:

	Gazprom Energoholding Serbia	HIP Petrohemija doo Pančevo
31 December 2023		
Current assets	2,612,304	-
Non-current assets	22,614,890	-
Current liabilities	5,047,973	-
Non-current liabilities	16,220,251	-
Revenue	14,604,254	-
(Loss) for the year	(179,466)	-
31 December 2022		
Current assets	2,846,397	19,448,667
Non-current assets	22,570,357	11,696,836
Current liabilities	2,947,801	3,483,177
Non-current liabilities	18,327,837	1,700,400
Revenue	8,488,261	57,493,404
Profit for the year	2,704,593	397,040

11. LONG-TERM INVESTMENTS IN PARENT AND SUBSIDIARIES

	31 December 2023	31 December 2022
LT loans - Subsidiaries - Domestic	1,889,147	1,868,080
LT loans - Subsidiaries - Foreign	6,822,504	34,864,652
	8,711,651	36,732,732
Less: Impairment	(163,020)	(8,092,083)
	8,548,631	**28,640,649**

Long-term loans to subsidiaries denominated in RSD relate to:

	Currency	31 December 2023	31 December 2022
Domestic			
NIS Petrol a.d. Belgrade, Serbia	EUR	1,889,147	1,868,080
		1,889,147	1,868,080
Foreign			
NIS Petrol e.o.o.d. Sofija, Bulgaria	EUR	-	10,586,973
NIS Petrol SRL, Bucharest, Romania	EUR	6,270,070	19,031,924
NIS Petrol d.o.o. Banja Luka, BiH	EUR	-	4,761,488
Jadran - Naftagas d.o.o. Banja Luka, BiH	EUR	552,434	484,267
		6,822,504	34,864,652
		8,711,651	**36,732,732**

12. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31 December 2023	31 December 2022
Other LT investments	260,159	263,231
LT loans given to employees	662,316	877,470
Other LT investments at FV	838,937	840,001
Less: Impairment	(284,128)	(341,578)
	1,477,284	**1,639,124**

Loans to employees as at 31 December 2023 amounting to 662,316 RSD (31 December 2022: 877,470 RSD) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of 284,128 RSD.

Other long-term investments at fair value in the amount of 838,937 RSD (31 December 2022: 840,001 RSD) are recognised in accordance with agreement for O&G exploration project. (note 23).

13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31 2023			
Provisions	834,108	-	834,108
Property, plant and equipment	2,628,687	-	2,628,687
Impairment losses	72,236	-	72,236
Fair value gains	4,004	-	4,004
Revaluation reserve	-	(11,598)	(11,598)
	3,539,035	**(11,598)**	**3,527,437**
As at December 31 2022			
Provisions	704,723	-	704,723
Property, plant and equipment	1,916,114	-	1,916,114
Impairment losses	367,129	-	367,129
Fair value gains	10,327	-	10,327
Revaluation reserve	-	(26,848)	(26,848)
	2,998,293	**(26,848)**	**2,971,445**

Movements in temporary differences during the period:

	As at December 31 2022	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31 2023
Provisions	704,723	119,989	9,398	(2)	834,108
Property, plant and equipment	1,916,114	712,570	-	3	2,628,687
Impairment losses	367,129	(294,893)	-	-	72,236
Fair value gains	10,327	(6,346)	23	-	4,004
Revaluation reserve	(26,848)	15,251	-	(1)	(11,598)
Total	**2,971,445**	**546,571**	**9,421**	**-**	**3,527,437**

	As at December 31 2021	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31 2022
Provisions	664,770	39,576	374	3	704,723
Property, plant and equipment	1,221,934	694,183	-	(3)	1,916,114
Impairment losses	694,650	(327,521)	-	-	367,129
Fair value gains	10,311	-	16	-	10,327
Revaluation reserve	(26,848)	-	-	-	(26,848)
Total	**2,564,817**	**406,238**	**390**	**-**	**2,971,445**

The recognition of deferred tax assets was based on a five-year business plan of the Group and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

14. INVENTORY

	31 December 2023	31 December 2022
Materials, spare parts and tools	33,137,985	31,026,782
Work in progress	6,910,854	6,600,656
Finished goods	20,725,525	19,299,807
Goods for sale	2,950,462	1,692,376
Advances	887,650	729,280
Less: impairment of inventory	(4,396,526)	(4,456,030)
Less: impairment of advances	(148,467)	(148,487)
	60,067,483	**54,744,384**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2022	**4,535,780**	**147,551**	**4,683,331**
Provision for inventories and advances (note 31)	29,072	1,219	30,291
Unused amounts reversed (note 28)	(78,108)	(282)	(78,390)
Write-off and other	(30,714)	(1)	(30,715)
Balance as of 31 December 2022	**4,456,030**	**148,487**	**4,604,517**
Provision for inventories and advances (note 31)	-	-	-
Unused amounts reversed (note 28)	(53,694)	(20)	(53,714)
Write-off and other	(5,810)	-	(5,810)
Balance as of 31 December 2023	**4,396,526**	**148,467**	**4,544,993**

15. TRADE RECEIVABLES

	31 December 2023	31 December 2022
Parents and subsidiaries - domestic	5,464,592	489,044
Parents and subsidiaries - foreign	8,200,790	7,937,449
Other related parties - domestic	144,184	1,667,563
Trade receivables domestic – third parties	33,838,606	36,161,871
Trade receivables foreign – third parties	1,414,686	1,102,739
	49,062,858	**47,358,666**
Less: Impairment	(4,601,453)	(4,626,347)
	44,461,405	**42,732,319**

16. OTHER RECEIVABLES

	31 December 2023	31 December 2022
Receivables from specific operations	1,201,401	1,232,745
Interest receivables	5,194,740	4,324,600
Receivables from employees	22,309	54,006
Other receivables	7,470,526	7,395,709
Income tax prepayment	7,380,049	-
Prepaid taxes and contributions	129,771	118,956
Less: Impairment	(10,503,729)	(10,535,523)
	10,895,067	**2,590,493**

17. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2023	31 December 2022
ST loans and placements - Parent and subsidiaries	1,034,375	201,993
ST loans and placements - Domestic	2,019	2,019
Current portion of LT placements - Parent and subsidiaries	29,276,955	1,819,821
Other ST financial placements	63,862	75,226
Deposits with original maturity more than 3 months less than 1 year	26,290,896	6,003,699
Less: Impairment	(9,545,763)	(1,629,019)
	47,122,344	**6,473,739**

18. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in bank and in hand	8,091,792	16,821,378
Deposits with original maturity of less than three months	8,173,457	66,259,919
Cash with restriction	-	-
Cash equivalents	5,244	1,958
	16,270,493	**83,083,255**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits with original maturity of less than three months are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates their carrying value.

19. PREPAYMENTS AND ACCRUED INCOME

	31 December 2023	31 December 2022
Deferred input VAT	3,017,260	4,198,144
Prepaid expenses	261,241	197,969
Accrued revenue	45,913	53,189
Prepaid excise duty	4,210,375	4,147,831
Housing loans and other prepayments	367,452	455,216
	7,902,241	**9,052,349**

Deferred input VAT as at 31 December 2023 amounting to 3,017,260 RSD (31 December 2022: 4,198,144 RSD) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2023 amounting to 4,210,375 RSD (31 December 2022: 4,147,831 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

20. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
Issued warranties and bills of exchange	122,894,818	73,561,849
Received warranties and bills of exchange	22,567,551	22,534,767
Properties in ex-Republics of Yugoslavia	5,358,178	5,358,820
Receivables from companies from ex-Yugoslavia	6,500,094	6,763,139
Third party merchandise in NIS warehouses	15,774,911	14,895,635
Assets for oil fields liquidation	1,361,966	1,361,966
Mortgages and pladges recived	3,672,927	3,097,224
Other off-balance sheet assets and liabilities	678,245	418,500
	178,808,690	**127,991,900**

21. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is RSD 500.

Share capital as of 31 December 2023 and 31 December 2022 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2022, amounted to 23,364,925 RSD or 143.29 RSD per share (31 December 2021: 5,782,122 RSD or 35.46 RSD per share) were approved on the General Assembly Meeting held on 29 June 2023 and paid on 24 August 2023.

Calculation of basic earnings per share is disclosed in the following table:

	Year ended 31 December 2023	2022
Profit attributable to the ordinary equity holder	41,914,628	93,456,931
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	**257**	**573**

The Company does not have any convertible instruments, options or warrants accordingly, diluted earnings per share is equal to the basic earnings per share as stated in the table above.

22. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommissioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
As at 1 January 2022	**11,739,184**	**376,734**	**700,824**	**411,075**	**377,318**	**13,605,135**
Charged to the income statement	186,270	145,407	32,436	233,086	37,372	634,571
New obligation incurred and change in estimates (note 8)	(745.466)	-	-	-	-	(745.466)
Release of provision (note 38)	(368,474)	-	-	-	-	(368,474)
Actuarial loss charged to other comprehensive income	-	-	106,853	-	-	106,853
Settlement and other	(24,473)	(34,081)	(69,224)	(3)	(54,864)	(182,645)
As at 31 December 2022	**10,787,041**	**488,060**	**770,889**	**644,158**	**359,826**	**13,049,974**
As at 1 January 2023	**10,787,041**	**488,060**	**770,889**	**644,158**	**359,826**	**13,049,974**
Charged to the income statement	165,801	-	21,808	852,375	34,599	1,074,583
New obligation incurred and change in estimates (note 8)	290,351	-	-	-	-	290,351
Release of provision (note 38)	(62,404)	(331)	-	-	-	(62,735)
Actuarial loss charged to other comprehensive income	-	-	62,655	-	-	62,655
Settlement and other	(52,495)	(36,442)	(53,753)	-	(61,750)	(204,440)
As at 31 December 2023	**11,128,294**	**451,287**	**801,599**	**1,496,533**	**332,675**	**14,210,388**

Analysis of total provisions:

	31 December 2023	31 December 2022
Non-current	11,585,650	11,150,060
Current	2,624,738	1,899,914
	14,210,388	**13,049,974**

a) Decommissioning

The Company's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

b) Environmental protection

The Company has to comply with environmental protection regulations. At the reporting date Company recorded provision for environmental protection of 451,287 RSD (31 December 2022: 488,060 RSD) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

c) Long-term incentive program

In 2011, the Company started setting-up a long-term incentive program for Company managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2023 the management made an assessment of present value of liabilities related to new three-year employee incentives (2021-2023) in the total amount of RSD 1,496,533 thousand (2022: 644,158 RSD).

e) Provision for employee benefits

Employee benefits:

	31 December 2023	31 December 2022
Retirement allowances	550,343	521,896
Jubilee awards	251,256	248,993
	801,599	**770,889**

d) Legal claims provisions

As at 31 December 2023, the Company assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Company charged provision for litigation amounting to 34,599 RSD (charged to provision in 2022: 37,372 RSD) for proceedings which were assessed to have negative outcome. The Company estimated that the outcome of all legal proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2023.

The principal actuarial assumptions used were as follows:

	31 December 2023	31 December 2022
Discount rate	7.78%	6.8%
Future salary increases	6.46%	4.72%
Future average years of service	18.42	18.44

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2022	**392,619**	**308,205**	**700,824**
Benefits paid directly	(36,930)	(32,294)	(69,224)
Actuarial losses charged to other comprehensive income	106,853	-	106,853
Debited to the income statement	59,354	(26,918)	32,436
Balances as at 31 December 2022	**521,896**	**248,993**	**770,889**
Benefits paid directly	(33,536)	(20,217)	(53,753)
Actuarial losses charged to other comprehensive income	62,655	-	62,655
Debited to the income statement	(672)	22,480	21,808
Balances as at 31 December 2023	**550,343**	**251,256**	**801,599**

The amounts recognized in the Income Statement are as follows:

	Year ended 31 December 2023	2022
Current service cost	44,134	58,300
Past service cost	45,895	2,467
Interest cost	8,551	23,617
Curtailment loss	(20,097)	16,264
Actuarial (gain)/loss (jubilee awards)	(56,675)	(68,212)
	21,808	**32,436**

23. LONG-TERM LIABILITIES

	31 December 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	65,223,168	65,009,756
Lease liabilities	2,132,016	2,295,379
Other non-current financial liabilities (note 9)	12,038,912	847,172
Other long-term borowings	6,241	3,778
	79,400,337	**70,884,513**
Less Current portion (note 24)	(11,283,085)	(6,309,607)
	68,117,252	**64,574,906**

Movements on the Company's liabilities from finance activities are as follows:

	Long-term loans	Short-term loans (note 24)	Lease	Total
As at 1 January 2022	**77,480,027**	**2,188,400**	**1,338,381**	**81,006,808**
Proceeds	4,499,752	17,433,918	-	21,933,670
Repayment	(14,063,305)	(14,273,781)	(407,258)	(28,744,344)
Non-cash transactions	(12,959)	-	1,364,704	1,351,745
Foreign exchange difference	(165,331)	(3,439)	(448)	(169,218)
As at 31 December 2022	**67,738,184**	**5,345,098**	**2,295,379**	**75,378,661**
As at 1 January 2023	**67,738,184**	**5,345,098**	**2,295,379**	**75,378,661**
Proceeds	3,380,401	10,988,503	-	14,368,904
Repayment	(5,825,461)	(12,726,857)	(629,946)	(19,182,264)
Non-cash transactions	20,343	-	470,686	491,029
Foreign exchange difference	(90,299)	(463)	(4,103)	(94,865)
As at 31 December 2023	**65,223,168**	**3,606,281**	**2,132,016**	**70,961,465**

a) Bank loans

	31 December 2023	31 December 2022
Domestic	48,366,113	48,275,922
Foreign	16,857,055	16,733,834
	65,223,168	65,009,756
Current portion of long-term loans	(10,761,083)	(3,082,976)
	54,462,085	**61,926,780**

The maturity of non-current loans was as follows:

	31 December 2023	31 December 2022
Between 1 and 2 years	7,632,523	9,707,939
Between 2 and 5 years	45,494,976	47,889,786
Over 5 years	1,334,586	4,329,055
	54,462,085	**61,926,780**

The carrying amounts of the Company's bank loans are denominated in the following currencies:

	31 December 2023	31 December 2022
USD	30,298	88,819
EUR	65,163,377	64,824,628
RSD	-	4,268
JPY	29,493	92,041
	65,223,168	**65,009,756**

The Company repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Company has floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Company will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Company's ratio of indebtedness to EBITDA (note 5). The Company is in compliance with these covenants as of 31 December 2023 and 31 December 2022 respectively.

b) Lease liabilities

	31 December 2023	31 December 2022
Current portion of lease liabilities	522,002	498,203
Non-current finance lease liabilities	1,610,014	1,797,176
	2,132,016	**2,295,379**

Amounts recognized in profit and loss:

	2023	2022
Interest expense (included in finance cost)	92,725	40,099
Expense relating to short-term leases (note 32)	4,313	64,148
Expense relating to leases of low value assets that are not shown above as short-term leases (note 32)	10,226	19,703
Expense relating to variable lease payments not included in lease liabilities (note 32)	1,197,918	1,118,267

c) Other non-current financial liabilities

Other non-current financial liabilities in the amount of 12,038,912 RSD (2022: 840,001 RSD) represents deferred consideration in the amount of 838,937 RSD for O&G exploration project and additional capital contribution liabilities in the amount of 11,727,370 RSD (amount before reduction for the effect of revaluation of 517,395 RSD – note 34, and foreign exchange gain of 10,000 RSD). In accordance with the Agreement on Strategic Partnership Company has obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) associated with the new plant construction program. The Company made a first payment of 5,863,685 RSD (50 million EUR) by the date of acquisition whereby the rest of the obligation of 11,727,370 RSD will be paid in accordance with the Agreement.

24. SHORT-TERM FINANCE LIABILITIES

	31 December 2023	31 December 2022
ST loans - Parent and subsidiaries	2,786,281	4,036,953
ST loans – Domestic	820,000	821,257
ST loans – Foreign	-	486,888
Current portion of long-term liablities (note 23)	10,761,083	5,811,404
Current portion of long-term financial lease (note 23)	522,002	498,203
	14,889,366	**11,654,705**

25. TRADE PAYABLES

	31 December 2023	31 December 2022
Trade payables – parents and subsidiaries	7,017,865	4,189,599
Trade payables – other related parties	774,636	3,674,576
Trade payables - domestic	8,104,925	6,266,698
Trade payables - foreign	2,748,942	11,309,738
Trade payables - other	12,445	15,449
	18,658,813	**25,456,060**

26. OTHER SHORT-TERM LIABILITIES

	31 December 2023	31 December 2022
Specific liabilities	235,319	235,657
Liabilities for unpaid wages and salaries, gross	1,292,623	1,133,530
Interest liabilities	260,381	155,501
Dividends payable	3,783,595	3,783,818
Other payables to employees	685,669	645,843
VAT	984,454	3,897,528
Excise tax	7,923,810	7,814,476
Contribution for buffer stocks	617,524	885,898
Energy efficiency fee	72,511	92,527
Income tax	-	13,992,693
Other taxes payables	1,214,433	831,029
Other current liabilities	84,802	106,724
	17,155,121	**33,575,224**

27. ACCRUED EXPENSES

Accrued expenses as at 31 December 2023 amounting to 3,724,350 RSD (31 December 2022: 3,543,294 RSD) mainly relate to accrued employee bonuses of 2,111,085 RSD (31 December 2022: 2,087,194 RSD), and contract liabilities arising from contracts with customers related to customer loyalty programme in amount 843,176 RSD (31 December 2022: 686,933 RSD).

Revenue in the amount of 7,874,028 RSD (31 December 2022: 3,269,023 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2023, of which 7,407,671 RSD (31 December 2022: 2,699,433 RSD) related to advances and 466,357 RSD (31 December 2022: 569,590 RSD) to customer loyalty programme.

28. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2023	2022
Release of impairment:		
– PPE (note 8)	32	-
– Investment property	-	111,686
– Inventory	53,694	78,108
– Other property	20	128
	53,746	**189,922**

29. COST OF MATERIAL FUEL AND ENERGY

	Year ended 31 December	
	2023	2022
Costs of raw materials	222,182,720	270,662,355
Overheads and other costs	285,023	207,146
Fuel and energy cost	10,206,906	8,299,522
Other	573,260	439,280
	233,247,909	**279,608,303**

30. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	Year ended 31 December	
	2023	2022
Wages and salaries (gross)	17,693,178	15,831,403
Taxes and contributions on wages and salaries paid by employer	2,331,792	2,121,658
Cost of service agreement	132,172	100,123
Cost of other personal wages	23,288	18,755
Fees paid to board of directors and general assembly board	159,567	131,997
Termination costs	3,105	27,494
Cost of service organizations	3,741	4,195
Other personal expenses	776,663	666,744
	21,123,506	**18,902,369**

31. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2023	2022
Impairment:		
– IA	-	4,724
– PPE (note 8)	135,289	146,367
– Investment property	160	25,920
– Inventory	-	29,072
– Other property	4,478	1,125
	139,927	**207,208**

32. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2023	2022
Cost of production services	3,055,105	3,028,069
Transportation services	3,767,547	3,915,818
Maintenance	6,897,981	6,340,226
Rental costs (note 23)	1,212,457	1,202,118
Fairs	8,786	7,701
Advertising costs	928,919	786,280
Exploration expenses	266,078	36,704
Cost of other services	1,893,938	1,753,266
	18,030,811	**17,070,182**

33. NON-PRODUCTION COSTS

	Year ended 31 December	
	2023	2022
Costs of non-production services	3,644,747	2,798,604
Representation costs	120,107	81,533
Insurance premium	568,459	426,251
Bank charges	589,310	582,145
Cost of taxes	1,245,452	1,153,120
Mineral extraction tax	1,778,247	1,753,558
Franchisor commission	5,502,997	4,491,902
Other non-production expenses	747,695	738,279
	14,197,014	**12,025,392**

Cost of non-production services for the year ended 31 December 2023 amounting to 3,644,747 RSD (2022: 2,798,604 RSD), mostly relate to project management costs of 1,545,271 RSD (2022: 1,229,892 RSD), security costs of 767,395 RSD (2022: 569,820 RSD) and consulting service costs of 203,878 RSD (2022: 164,447 RSD).

34. FINANCE INCOME

	Year ended 31 December	
	2023	2022
Finance income - related parties		
– foreign exchange differences	917,461	2,089,842
– modification gain	46,217	23,158
– revaluation of equity investment at fair value	517,395	-
– other finance income	760,780	693,138
Interest income	4,309,314	2,055,391
Income from discounting of receivables	-	131
Foreign exchange gains	350,420	531,965
Other finance income	47,193	39,086
	6,948,780	**5,432,711**

35. FINANCE EXPENSE

	Year ended 31 December	
	2023	2022
Finance expenses – related parties		
– foreign exchange differences	963,264	3,456,222
– other finance expense	190,844	205,043
Interest expenses	2,914,129	1,513,230
Amortization of long-term liabilities	150,775	36,976
Amortisation expense – discount of receivables	2,445	90,101
Modification Loss (third parties)	20,437	24,732
Foreign exchange losses	424,612	1,404,122
Other finance expense	9,964	67,440
	4,676,470	**6,797,866**

36. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December	
	2023	2022
Reversal of impairment of LT financial investments	57,589	50,409
Income from valuation:		
– trade receivables (note 5)	36,279	40,379
– specific receivables (note 5)	382	601,580
– other receivables (note 5)	6,830	4,647
	101,080	**697,015**

37. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December	
	2023	2022
Impairment of LT financial investments and other AFS securities	430	-
Loss from financial instruments at fair value through Profit and loss	-	352,829
Loss from valuation:		
– trade receivables (note 5)	72,073	102,452
– specific receivables (note 5)	80	264
– other receivables (note 5)	10,211	9,736
	82,794	**465,281**

38. OTHER INCOME

	Year ended 31 December	
	2023	2022
Gains on disposal – PPE	42,321	201,156
Gains on disposal – materials	20,007	41,053
Surpluses from stock count	467,380	523,574
Payables written off	56,381	13,354
Release of long-term provisions (note 22)	62,735	368,474
Penalty interest	68,709	72,616
Other income	68,721	23,220
	786,254	**1,243,447**

39. OTHER EXPENSES

	Year ended 31 December	
	2023	2022
Loss on disposal – PPE	49,093	149,018
Loss on disposal – materials	64,092	79,420
Shortages from stock count	610,287	584,631
Write-off receivables	6,302	1,644
Write-off inventories	137,352	91,242
Charity and social payments	7,247,557	161,087
Other expenses	320,959	65,673
	8,435,642	**1,132,715**

Charity and social payments amounting to 7,247,557 RSD mainly relate to donations for support projects in the field of education, social and health care.

40. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2023	2022
Income tax for the year	8,391,534	17,696,181
Deferred income tax for the period		
Origination and reversal of temporary differences (note 13)	(546,571)	(406,238)
	7,844,963	**17,289,943**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Company's profits as follows:

	Year ended 31 December	
	2023	2022
Profit (loss) before tax	**49,759,591**	**110,746,874**
Tax calculated at domestic tax rates – 15%	7,463,939	16,612,031
Tax effect on:		
Revenues exempt from taxation	(47,609)	(66,249)
Expenses not deductible for tax purposes		
- Tax paid in abroad	-	155,950
- Other expenses not deductable	447,095	(469,078)
Other tax effects for reconciliation between accounting profit and tax expense	(18,462)	1,057,289
	7,844,963	**17,289,943**
The weighted average effective income tax rate	15.77%	15.61%

41. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices during 2023 was US $ 82.62 per barrel which is less than 18% from the same period in 2022 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Company operations.

Currently the Company is continuing the assessment of the new sanctions' impact on the Company's operations.

The management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company 's management recognised an environmental provision in the amount of 451,287 RSD (31 December 2022: 488,060 RSD).

The Company's Management believes that cash outflows related to provision will not be significantly higher than the ones already provided for. However, it is possible that these costs will increase significantly in the future, should the legislation become more restrictive.

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 December 2023.

Capital commitments

As of 31 December 2023 the Company has entered into contracts to purchase property, plant and equipment for 2,861,058 RSD (31 December 2022: 311,970 RSD).

There were no other material commitments and contingent liabilities of the Company.

42. RELATED PARTIES TRANSACTIONS

For the purpose of these Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the year ended 31 December 2023 and in the same period in 2022, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As of 31 December 2023 and 31 December 2022 the outstanding balances with related parties were as follows:

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2023			
Right of use assets	75,408	-	-
Investments in subsidiaries, associates and joint ventures	31,016,682	-	1,038,800
Long-term loans	8,548,631	-	-
Other long-term investments	838,937	-	-
Advances for inventory and services	713	-	16,553
Trade receivables	13,661,872	-	113,363
Other receivables	3,035,561	-	25
Short-term investments	20,767,586	-	-
Long-term liabilities	(11,272,870)	-	-
Short-term financial liabilities	(2,792,310)	-	-
Advances received	(98,543)	-	(442)
Trade payables	(7,017,865)	-	(774,636)
Other short-term liabilities	(12,872)	-	(1)
	56,750,930	**-**	**393,662**

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2022			
Right of use assets	41,030	-	-
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term loans	28,640,649	-	-
Other long-term investments	840,001	-	-
Advances for inventory and services	220	-	22,259
Trade receivables	8,422,984	-	1,636,741
Other receivables	2,123,237	-	265
Short-term investments	394,814	-	-
Long-term liabilities	(41,884)	-	(50)
Short-term financial liabilities	(4,039,193)	-	(2,728,552)
Advances received	(67,543)	-	(3,121)
Trade payables	(4,187,837)	(1,762)	(3,674,576)
Other short-term liabilities	(10,624)	-	(25)
	45,541,481	**(1,762)**	**(3,708,259)**

For the year ended 31 December 2023 and 2022 the following transaction occurred with related parties:

	Subsidiary	Parent	Entities under common control and
Year ended 31 December 2023			
Revenues from sales of products and services	35,605,124	-	16,076,612
Expenses based on procurement of products and services	(16,883,568)	(5,218)	(15,998,947)
Other expenses	1,216,686	-	(40,779)
	19,938,242	**(5,218)**	**36,886**
Year ended 31 December 2022			
Revenues from sales of products and services	36,438,469	-	40,931,151
Expenses based on procurement of products and services	(12,375,169)	(7,292)	(125,392,130)
Other expenses	683,311	-	(151,160)
	24,746,611	**(7,292)**	**(84,612,139)**

Main balances and transactions with state and mayor state owned companies:

	Entities under common control and associates	Other
As at 31 December 2023		
Trade and other receivables (gross)	-	967,842
Advances paid	-	445
Trade and other payables	-	(517,071)
Other current liabilities	-	24
	-	**451,240**
As at 31 December 2022		
Trade and other receivables (gross)	1,433,784	787,379
Advances paid	-	445
Trade and other payables	(1,259,596)	(725,804)
Other current liabilities	(2,506)	(24)
	171,682	**61,996**

	Entities under common control and associates	Other
As at 31 December 2023		
Operating income	15,329,411	11,388,815
Operating expenses	(172,776)	(256,434)
	15,156,635	**11,132,381**
As at 31 December 2022		
Operating income	39,107,255	9,812,283
Operating expenses	(279,921)	(340,454)
	38,827,334	**9,471,829**

Transactions with state controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties. For the period of first six months transaction with HIP Petrohemija are included in Associates and joint venture in related party transactions.

Transactions with Key Management Personnel

In the year ended 31 December 2023 and 2022 the Company recognized 1,063,808 RSD and 1,024,263 RSD respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

43. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with the Accounting Law, the Company reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. The total amount of unreconciled account receivables amounts to 104,424 RSD (8 customers) which is 0.23% of the total amount of trade receivables. The total amount of unreconciled account payables amounts to 166,966 RSD (76 suppliers) which is 0.89% of the total amount of trade payables.

44. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2023 were evaluated through 29 February 2024, the date these Financial Statements were authorised for issue.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	AOP	Note	31 December 2023	31 December 2022
A. SUBSCRIBED CAPITAL UNPAID	**0001**		**-**	**-**
B. NON-CURRENT ASSETS (0003+0009+0017+0018+0028)	**0002**		**329,424,052**	**311,411,100**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008)	**0003**	**7**	**21,873,058**	**22,449,242**
1. Development investments	0004		11,707,933	12,792,453
2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		3,578,867	3,630,160
3. Goodwill	0006		1,260,808	1,263,760
4. Intangible assets in lease and under development	0007		5,325,450	4,762,869
5. Advances for intangible assets	0008		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)	**0009**		**303,225,222**	**284,978,914**
1. Land and buildings	0010	8a	180,697,284	175,876,807
2. Machinery and equipment	0011	8a	81,846,555	85,412,127
3. Investment property	0012	8b	1,514,920	1,531,705
4. Property, plant and equipment in lease and construction in progress	0013	8a, 8d	32,666,938	20,713,910
5. Other property, plant and equipment and investments in leased PP&E	0014	8a	268.147	262.778
6. Advances for PP&E - domestic	0015	8a	3,368,255	1,118,198
7. Advances for PP&E - foreign	**0016**	8a	2,863,123	63,389
III. BIOLOGICAL ASSETS	**0017**		**-**	**-**
IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)	**0018**		**4,325,772**	**3,982,944**
1. Investments in legal entities (except those evaluated using the equity method)	0019		91,765	92,230
2. Investments in legal entities evaluated by equity method	0020	9	2,729,005	2,866,724
3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021		669,617	-
4. Long-term investments and long-term receivables in parent, sub sidiaries and other related parties - foreign	0022		-	-
5. Long-term investments - domestic	0023		8,565	9,367
6. Long-term investments - foreign	0024		-	-
7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
8. Purchased own shares	0026		-	-
9. Other long-term financial investments and long-term receivables	0027	10	826,820	1,014,623
V. LONG - TERM ACCRUED AND DEFERRED INCOME	**0028**		**-**	**-**
C. DEFFERED TAX ASSETS	**0029**	**11**	**3,245,067**	**2,766,666**
G. CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	**0030**		**174,041,470**	**200,638,341**
I. INVENTORY (0032+0033+0034+0035+0036)	**0031**	**12**	**69,307,394**	**59,145,435**
1. Materials, spare parts and tools	0032		32,499,892	28,327,503
2. Work in progress and finished goods	0033		30,789,008	26,770,096
3. Merchandise	0034		4,392,043	3,137,015
4. Advances for inventory and services - domestic	0035		1,134,412	493,164
5. Advances for inventory and services - foreign	0036		492,039	417,657
II. FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	**0037**		**56,605**	**23,833**

in 000 RSD

	AOP	Note	31 December 2023	31 December 2022
III TRADE RECEIVABLES (0039+0040+0041+0042+0043)	**0038**	**13**	**33,207,906**	**35,693,648**
1. Trade receivables - domestic	0039		30,997,145	32,588,975
2. Trade receivables - foreign	0040		1,907,675	1,289,982
3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		111,515	1,642,732
4. Trade receivables - parent, subsidiaries and other related parties foreign	0042		191,571	171,959
5. Other trade receivables	0043		-	-
IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	**0044**	**14**	**8,847,384**	**2,047,402**
1. Other receivables	0045		1,242,522	1,924,028
2. Receivables for overpaid income tax	0046		7,470,959	-
3. Receivables from overpaid other taxes and contributions	0047		133,903	123,374
V. SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	**0048**	**15**	**32,697,380**	**6,174,911**
1. Short-term loans and investments - parent and subsidiaries	0049		-	-
2. Short-term loans and investments - other related parties	0050		25,835	36,214
3. Short-term loans and investments - domestic	0051		63,862	75,066
4. Short-term loans and investments - foreign	0052		-	-
5. Securities evaluted at amortized cost	0053		-	-
6. Financial assets evaluated through profit or loss	0054		-	-
7. Purchased own shares	0055		-	-
8. Other short-term financial investments	0056		32,607,683	6,063,631
VI. CASH AND CASH EQUIVALENTS	**0057**	**16**	**21,484,271**	**88,131,045**
VII. PREPAYMENTS AND ACCRUED INCOME	**0058**	**17**	**8,440,530**	**9,422,067**
D. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	**0059**		**506,710,589**	**514,816,107**
E. OFF-BALANCE SHEET ASSETS	**0060**	**18**	**184,617,946**	**130,773,699**
A. EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	**0401**	**19**	**371,087,653**	**349,227,637**
I. EQUITY	**0402**	**19.1**	**81,530,200**	**81,530,200**
II. SUBSCRIBED CAPITAL UNPAID	**0403**		**-**	**-**
III. SHARE PREMIUM	**0404**		**-**	**-**
IV. RESERVES	**0405**		**-**	**-**
V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0406**		**753,946**	**675,575**
VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0407**		**177,975**	**171,150**
VII. RETAINED EARNINGS (0409+0410)	**0408**		**288,463,874**	**267,193,012**
1. Retained earnings from previous years	0409		244,271,358	174,818,359
2. Retained earnings from current year	0410		44,192,516	92,374,653
VIII. NON-CONTROLLING INTEREST	**0411**		**517,608**	**-**
IX. LOSS (0413+0414)	**0412**		**-**	**-**
1. Loss from previous years	0413		-	-
2. Loss from current year	0414		-	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	**0415**		**72,402,230**	**80,129,074**
I. LONG-TERM PROVISIONS (0417+0418+0419)	**0416**	**20**	**13,937,343**	**14,814,651**
1. Provisions for employee benefits	0417		1,266,146	979,395
2. Provisions for warranty claims	0418		-	-
3. Other long term provisions	0419		12,671,197	13,835,256

in 000 RSD

	AOP	Note	31 December 2023	31 December 2022
II. LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	**0420**	**21**	**58,464,887**	**65,314,423**
1. Liabilities convertible to equity	0421		-	-
2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422		-	-
3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423		-	-
4. Long-term loans and finance lease liabilities - domestic	0424		41,677,200	47,928,094
5. Long-term loans and finance lease liabilities - foreign	0425		15,795,870	16,412,357
6. Liabilities for issued securities	0426		-	-
7. Other long-term liabilities	0427		991,817	973,972
III. LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	**0428**		**-**	**-**
C. DEFFERED TAX LIABILITIES	**0429**	**11**	**-**	**-**
D. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	**0430**		**-**	**-**
E. SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	**0431**		**63,220,706**	**85,459,396**
I. SHORT-TERM PROVISIONS	**0432**	**20**	**2,712,762**	**2,013,474**
II. SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	**0433**	**22**	**12,505,285**	**7,855,467**
1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		-	-
2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		-	2,728,428
3. Short-term loans and borowings from other parties	0436		924,202	735,918
4. Short-term loans from domestic banks	0437		10,519,898	3,582,756
5. Short-term loans, borowings and liabilities - foreign	0438		1,061,185	808,365
6. Liabilities on short-term securities	0439		-	-
7. Liabilities based on financial derivatives	0440		-	-
III. ADVANCES RECEIVED	**0441**		**5,206,173**	**11,399,343**
IV. TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	**0442**	**23**	**16,389,168**	**24,024,598**
1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		728,736	3,620,071
2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		110,863	77,576
3. Trade payables - domestic	0445		12,228,611	8,278,322
4. Trade payables - foreign	0446		3,289,717	12,016,177
5. Liabilities on promissory notes	0447		-	-
6. Other operating liabilities	0448		31,241	32,452
V. OTHER SHORT-TERM LIABILITIES	**0449**	**24**	**21,526,533**	**35,453,016**
1. Other short-term liabilities	0450		9,814,397	7,193,194
2. Liabilities for VAT and other taxes	0451		11,712,136	14,246,373
3. Profit tax liabilities	0452		-	14,013,449
VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS	**0453**		**-**	**-**
VII. SHORT-TERM ACCRUED EXPENSES	**0454**	**25**	**4,880,785**	**4,713,498**
F. LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0	**0455**		**-**	**-**
G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)	**0456**		**506,710,589**	**514,816,107**
H. OFF-BALANCE SHEET LIABILITIES	**0457**	**18**	**184,617,946**	**130,773,699**

in 000 RSD

CONSOLIDATED INCOME STATEMENT

	AOP	Note	Year ended 31 December 2023	2022
A. OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	**1001**		**433,722,189**	**536,302,367**
I. INCOME FROM THE SALE OF GOODS (1003+1004-1010+1011+1012)	**1002**	**6**	**70,403,187**	**91,430,596**
1. Income from sale of goods on domestic market	1003		31,884,664	37,389,802
2. Income from sale of goods on foreign market	1004		38,518,523	54,040,794
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	**1005**	**6**	**341,238,036**	**421,840,081**
1. Income from sales of products and services on domestic market	1006		304,534,507	378,416,227
2. Income from sales of products and services on foreign market	1007		36,703,529	43,423,854
III. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	**1008**		**14,307,357**	**11,953,116**
IV. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1009**		**-**	**10,171,384**
V. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1010**		**2,011,908**	**-**
VI. OTHER OPERATING INCOME	**1011**	**6**	**394,457**	**732,845**
VII. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1012**	**26**	**9,391,060**	**174,345**
B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	**1013**		**375,290,577**	**425,960,931**
I. COST OF GOODS SOLD	**1014**		**43,485,683**	**52,757,124**
II. COST OF MATERIAL, FUEL AND ENERGY	**1015**	**27**	**239,879,654**	**287,255,980**
III. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	**1016**	**28**	**38,486,743**	**32,190,314**
1. Cost of salaries and fringe benefits	1017		32,111,745	26,853,527
2. Cost of tax and contributions on wages and salaries	1018		4,385,978	3,731,825
3. Other personal expenses	1019		1,989,020	1,604,962
IV. DEPRECIATION, DEPLETION AND AMORTIZATION	**1020**		**24,960,531**	**25,479,192**
V. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1021**	**29**	**809,170**	**236,008**
VI. COST OF PRODUCTION SERVICES	**1022**	**30**	**16,294,412**	**15,448,344**
VII. COST OF PROVISION	**1023**		**1,319,055**	**3,461,613**
VIII. NON-PRODUCTION COSTS	**1024**	**31**	**10,055,329**	**9,132,356**
C. OPERATING GAIN (1001-1013)>=0	**1025**		**58,431,612**	**110,341,436**
D. OPERATING LOSS (1013-1001)>=0	**1026**		**-**	**-**
E. FINANCE INCOME (1028+1029+1030+1031)	**1027**	**32**	**6,290,653**	**6,403,142**
I. FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1028**		**950,947**	**2,142,450**
II. INTEREST INCOME	**1029**		**4,698,292**	**2,138,970**
III. FOREIGN EXCHANGE GAIN	**1030**		**594,210**	**757,386**
IV. OTHER FINANCIAL INCOME	**1031**		**47,204**	**1,364,336**
F. FINANCE EXPENSES (1033+1034+1035+1036)	**1032**	**33**	**5,298,169**	**7,128,152**
I. FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1033**		**1,259,768**	**3,659,804**
II. INTEREST EXPENSE	**1034**		**3,243,087**	**1,799,768**
III. FOREIGN EXCHANGE LOSS	**1035**		**647,631**	**1,559,618**
IV. OTHER FINANCIAL EXPENSE	**1036**		**147,683**	**108,962**
I. PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	**1037**		**992,484**	**-**
J. LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	**1038**		**-**	**725,010**

in 000 RSD

	AOP	Note	Year ended 31 December 2023	2022
K. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	34	161,390	699,716
L. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	35	156,316	477,301
M. OTHER INCOME	1041	36	1,392,778	1,419,176
N. OTHER EXPENSE	1042	37	8,661,232	1,420,052
O. TOTAL INCOME (1001+1027+1039+1041)	1043		441,567,010	544,824,401
P. TOTAL EXPENSE (1013+1032+1040+1042)	1044		389,406,294	434,986,436
Q. OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		52,160,716	109,837,965
R. OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		-	-
S. POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1047		-	-
T. NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1048		-	-
U. PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	1049		52,160,716	109,837,965
V. LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		-	-
W. INCOME TAX			-	
I. CURRENT INCOME TAX	1051	38	8,532,713	17,886,433
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	38	284	230,702
III. DEFERRED TAX INCOME FOR THE PERIOD	1053	38	564,797	653,823
X. PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y. NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		44,192,516	92,374,653
Z. NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	-
I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	1057		-	-
II. NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		44,667,130	92,374,653
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	1059		474,614	-
IV. NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		-	-
V. EARNINGS PER SHARE				
1. Basic earnings per share	1061		0.27	0.57
2. Diluted earnings per share	1062		-	-

In 000 RSD

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	AOP	Note	Year ended 31 December 2023	2022
A. NET PROFIT				
I. PROFIT, NET (AOP 1064)	2001		44,192,516	92,374,653
II. LOSS, NET (AOP 1065)	2002		-	-
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase in revaluation reserves	2003		-	-
b) decrease in revaluation reserves	2004		-	-
2. Actuarial gains/(losses) of post employment benefit obligations				
a) gains	2005		-	-
b) losses	2006		49,477	181,751
3. Gains/(losses) arising from a share in the associate's other comprehensive profit or loss				
a) gains	2007		-	-
b) losses	2008		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains/(losses) arising from equity investments				
a) gains	2009		-	-
b) losses	2010		-	-
2. Gains/(losses) from currency translation differences				
a) gains	2011		80,237	65,497
b) losses	2012		-	-
3. Gains/(losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
4. Gains/(losses) on cash flow hedges				
a) gains	2015		-	-
b) losses	2016		-	-
5. Gains/(losses) from change in value of available-for-sale financial assets				
a) gains	2017		8,299	-
b) losses	2018		-	104
I OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019		39,059	-
II OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0	2020		-	116,358
III DEFERRED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT/ (LOSS)	2021		-	-
IV DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT/ (LOSS)	2022		-	-
V. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0	2023		39,059	-
VI. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0	2024		-	116,358
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0	2025		44,231,575	92,258,295
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	2026		-	-
D. TOTAL NET COMPREHENSIVE PROFIT (2028+2029)=AOP 2025>=0 or AOP 2026>0	2027		44,231,575	92,258,295
1. Attributable to shareholders	2028		44,231,575	92,258,295
2. Attributable to non-controling interest	2029			-

In 000 RSD

CONSOLIDATED STATEMENT OF CASH FLOWS

	AOP	Note	Year ended 31 December 2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	**3001**		**708,894,927**	**825,174,454**
1. Sales and advances received - domestic	3002		600,703,088	689,656,564
2. Sales and advances received - foreign	3003		104,418,905	131,095,432
3. Interest from operating activities	3004		3,378,477	1,515,009
4. Other inflow from operating activities	3005		394,457	2,907,449
II. Cash outflow from operating activities (1 to 8)	**3006**		**680,911,308**	**711,111,204**
1. Payments and prepayments to suppliers - domestic	3007		84,440,360	67,864,843
2. Payments and prepayments to suppliers - foreign	3008		248,643,442	315,935,844
3. Salaries, benefits and other personal expenses	3009		36,290,997	29,973,944
4. Interest paid - domestic	3010		2,137,901	987,741
5. Interest paid - foreign	3011		571,343	483,418
6. Income tax paid	3012		29,870,557	8,084,345
7. Payments for other public revenues	3013		278,956,708	287,781,069
8. Other payments from operating activities	3014		-	-
III. Net cash inflow from operating activities (I - II)	**3015**		**27,983,619**	**114,063,250**
IV. Net cash outflow from operating activities (II - I)	**3016**		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3017**		**7,426,296**	**421,432**
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		104,698	393,157
3. Other financial investments	3020		7,277,226	28,275
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		44,372	-
II. Cash outflow from investing activities (1 to 3)	**3023**		**74,438,261**	**31,728,112**
1. Acquisition of subsidiaries or other business	3024		-	-
2. Purchase of intangible assets, property, plant and equipment	3025		43,363,331	25,437,566
3. Other financial investments	3026		31,074,930	6,290,546
III. Net cash inflow from investing activities (I - II)	**3027**		**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3028**		**67,011,965**	**31,306,680**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	**3029**		**4,200,401**	**5,811,336**
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	21	3,380,401	3,905,907
3. Proceeds from long-term borrowings - foreign	3032	21	-	593,845
4. Proceeds from short-term borrowings - domestic	3033	21	820,000	824,256
5. Proceeds from short-term borrowings - foreign	3034	21	-	487,328
6. Other long-term liabilities	3035		-	-
7. Other short-term liabilities	3036		-	-
II. Cash outflow from financing activities (1 to 8)	**3037**		**31,524,024**	**20,660,303**
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	21	2,767,509	2,957,319
3. Repayment of long-term borrowings - foreign	3040	21	3,057,206	11,105,986
4. Repayment of short-term borrowings - domestic	3041	21	821,099	-
5. Repayment of short-term borrowings - foreign	3042	21	487,328	-
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	21	1,025,957	814,876
8. Dividend distribution	3045	19.1	23,364,925	5,782,122
III. Net cash inflow from financing activities (I - II)	**3046**		**-**	**-**
IV Net cash outflow from financing activities (II - I)	**3047**		**27,323,623**	**14,848,967**
D. TOTAL CASH INFLOW (3001+3017+3029)	**3048**		**720,521,624**	**831,407,222**
E. TOTAL CASH OUTFLOW (3006+3023+3037)	**3049**		**786,873,593**	**763,499,619**

in 000 RSD

	AOP	Note	Year ended 31 December 2023	2022
F. NET CASH INFLOW (3048-3049)>=0	**3050**		**-**	**67,907,603**
G. NET CASH OUTFLOW (3049-3048)>=0	**3051**		**66,351,969**	**-**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3052**		**88,131,045**	**21,283,274**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIV ALENTS	**3053**		**30,798**	**126,877**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3054**		**325,603**	**1,186,709**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	**3055**	**16**	**21,484,271**	**88,131,045**

In 000 RSD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		AOP	Share capital	AOP	Rev. reserves and unr. gains and losses	AOP	Retained earnings	AOP	Loss	AOP	Non-controling interest	AOP	Total
1.	**Balance as at 1 January 2022**	**4001**	**81,530,200**	**4037**	**600,647**	**4046**	**180,705,364**	**4055**	**-**	**4064**	**-**	**4073**	**262,836,211**
2.	Adjustments of material errors and changes in accounting policies	4002	-	4038	-	4047	-	4056	-	4065	-	4074	-
3.	**Restated opening balance as at 1 January 2022**	**4003**	**81,530,200**	**4039**	**600,647**	**4048**	**180,705,364**	**4057**	**-**	**4066**	**-**	**4075**	**262,836,211**
4.	Net changes in 2022	4004	-	4040	(96,222)	4049	86,487,648	4058	-	4067	-	4076	86,391,426
5.	**Balance as at 31 December 2022**	**4005**	**81,530,200**	**4041**	**504,425**	**4050**	**267,193,012**	**4059**	**-**	**4068**	**-**	**4077**	**349,227,637**
6.	Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4069	-	4078	-
7.	**Restated opening balance as at 1 January 2023**	**4007**	**81,530,200**	**4043**	**504,425**	**4052**	**267,193,012**	**4061**	**-**	**4070**	**-**	**4079**	**349,227,637**
8.	Net changes in 2023	4008	-	4044	71,546	4053	21,270,862	4062	-	4071	517,608	4080	21,860,016
9.	**Balance as at 31 December 2023**	**4009**	**81,530,200**	**4045**	**575,971**	**4054**	**288,463,874**	**4063**	**-**	**4072**	**517,608**	**4081**	**371,087,653**

in 000 RSD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS[101]

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the "Company") and its subsidiaries (together refer to as the "Group") is a vertically integrated oil company operating predominantly in Serbia. The Group's principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading,
- Electricity generation and trading and
- Production and trading of petrochemical products.

Other activities primarily include sales of other goods, works and services.

The Company is a public joint stock company listed on the Belgrade Stock Exchange.

Information on the Group's structure is provided in Note 41. Information on other related party relationships of the Group is provided in Note 42.

These consolidated financial statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Shareholders' Assembly for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements for the year ended 31 December 2023 were prepared in accordance with the Law on Accounting of the Republic of Serbia which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition, the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,
- "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

As a result, the accompanying consolidated financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the

101 All amounts are in RSD 000, unless otherwise stated

consolidated financial statements are disclosed in note 3.

The Consolidated Financial Statements have been prepared based on the going concern principle, which assumes that the Group will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Group will be able to continue to operate as a going concern in the foreseeable future, this principle should be applied in the preparation of these Consolidated Financial Statements.

At the date of signing Consolidated Financial Statements, crude oil price increased since 31 December 2023 from 77.585 $/barrel to 84.140 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. Basis of measurement

These consolidated financial statements are prepared on the historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.4. Foreign currency translationa

a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Serbian dinars ("RSD"), which is the functional currency of the Company and presentation currency of the Group.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other monetary assets and liabilities are presented in the consolidated income statement within 'Finance income or expense'.

c) Group's Companies

The result and financial position of all Group companies whose functional currency is different from the Group's presentation currency are calculated as follows:

I. assets and liabilities are translated into the RSD using the exchange rate as at reporting date;

II. income and expenses are translated at average exchange rates and all resulting foreign exchange differences are recognized in reserves as separate items in equity.

2.5. Principles of consolidation

The consolidated financial statements include the accounts of subsidiaries in which the Group has control. Control implies rights or exposure to variable returns from the involvement with the investee and the ability to affect those returns through the power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. An investor is exposed, or has the right to variable returns from its involvement with investee when the investor's return from its involvement has the potential to vary as a result of the investee's performance. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control commences until the date when control ceases.

In accessing control, Group takes into consideration potential voting rights that are substantive. Investments in entities that the Group does not control, but where it has the ability to exercise significant influence over operating and financial policies, are accounted for under equity method except for investments that meet criteria of joint operations, which are accounted for on the basis of the Group's interest in the assets, liabilities, expenses and revenue of the joint operation. All other investments are classified either as held-to-maturity or as available for sale.

a) Joint Operations and Joint Ventures

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation:

– Its assets, including its share of any assets held jointly;
– Its liabilities, including its share of any liabilities incurred jointly;
– Its revenue from the sale of its share of the output arising from the joint operation;
– Its share of the revenue from the sale of the output by the joint operation; and
– Its expenses, including its share of any expenses incurred jointly.

With regards to joint arrangements, where the Group acts as a joint venturer, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

b) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

c) Non-controlling interests

In the consolidated financial statements, non-controlling interests in subsidiaries are presented separately from the Group equity as non-controlling interests. Non-controlling interest is measured at fair value or at its proportionate share in the acquiree's net identifiable assets. For each business combination a separate measurement principle is determined.

d) Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associate are accounted for using equity method and are recognised initially at cost. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

2.6. Business combinations

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and recognised goodwill or a gain from a bargain purchase. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

2.7. Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated profit or loss. Transaction costs, that the Group incurs in connection with a business combination are expensed as incurred.

2.8. Intangible assets

a) Goodwill

Goodwill that arises from business combination is included in intangible assets. Subsequently goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (note 7).

b) Licenses and rights

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. (average useful life is 5 years).

Licenses and rights include Oil and Gas Upstream Exploration Rights, which are amortised in accordance with the terms and conditions of the rights.

c) Software

These include primarily the costs of implementation the (SAP) computer software program. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not to exceed 8 years).

2.9. Oil and Gas properties

a) Exploration and evaluation expenditure

The Group follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment. Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

b) Development costs of fixed and intangible assets

Development costs are incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

c) Oil and gas production assets

Oil and gas production assets comprise exploration and evaluation assets as well as development costs associated with the production of proved reserves.

d) Depreciation/amortization

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

e) Impairment – exploration and evaluation assets

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

f) Impairment – proved oil and gas properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.10. Property, plant and equipment

As of the date of establishment, the Group's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Buildings	10-50
Machinery and Equipment:	
- Production equipment	2-35
- Furniture	3-10
- Vehicles	5-25
- Computers	3-10
Other PP&E	3-20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/expenses" in the consolidated income statement (notes 36 and 37).

2.11. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises of petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value. Changes in fair values are recorded in the consolidated income statement as part of "Income/Expense from valuation od assets (except financial)"(note 26 and 29).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.13. Financial instrumentsu

a) Key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Amortized cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("*ECL*").

b) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI or through profit or loss), and
– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

At initial recognition, the Group measures a financial asset as its fair value plus, in case of a financial assets not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit and loss.

After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Factors considered by the Group in determining the business model include the purpose and composition of portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest ("SPPI"), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

c) Write-off

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

e) Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

f) Financial assets impairment

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and recognises Net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated balance sheet net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in consolidated statement of OCI as gains less losses on debt instruments at FVOCI.

– General model of impairment of financial assets – three stage model

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

When defining default for the purposes of determining the risk of a default occurring, the Group applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately.

Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

– Simplified approach for impairment of receivables and lease receivables

Group applies simplified approach for trade receivables, contract assets and lease receivables and measure the loss allowance at an amount equal to lifetime expected credit losses ("Lifetime ECL").

Group uses a provision matrix in the calculation of the expected credit losses on trade receivables. Group use historical credit loss experience (adjusted as appropriate on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement.

Impairment losses are reversed through profit or loss if the amount of the impairment loss decreases and the decrease can be attributed to an event occurring after the impairment was recognized.

2.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as “Other expenses” (note 37).

2.15. Off-balance sheet assets and liabilities

Off-balance sheet assets/liabilities include: material received from third parties for further processing and other assets not owned by the Group, as well as receivables/payables related to collaterals such as guarantees and other warrants.

2.16. Share capital

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.17. Earnings per share

The Group calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

2.18. Provisions

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as cost of provision and charged to consolidated income statement.

2.19. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Group operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.20. Employee benefits

a) Pension obligations

The Group operates a defined contribution pension plan. The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Employee benefits provided by the Collective Agreement

The Group provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in consolidated statement of other comprehensive income in the period in which they arise. These obligations are valued annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

c) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

At the end of 2020 the Group has made decision to introduce new three-year (2021-2023) program for Group’s managers which will be based on the Key Performance Indicators (“KPI”) reached during the program (note 20).

2.21. Revenue recognition from contracts with customers

The Group recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is shown net of returns, rebates and discounts after eliminating sales within the Group. Sales taxes

Revenue does not amounts collected on behalf of tax authorities – value added taxes (VAT), excise duties and other sales taxes (fee for improvement of energy efficiency).

The accounting for excise duties is based on the Group's assessment whether it is primarily obligated for payment of excise duties or whether it collects the amount from the customer on behalf of the tax authorities. This determination is made based on the analysis of the local regulatory requirements for each country in which the Group operates. Due to complexity and variety in tax legislations, significant judgmenent is applied in the assessment whether excise duties would be accounted on gross or net basis.

Excise duties imposed during the inventory procurement process are included in the transaction price, revenue is determined on a gross basis and paid excise duties are also included in the cost of goods sold.

Excise duties incurred in production and sale of products are assessed as part of amounts collected on behalf of tax authorites and are accounted on a net basis.

a) Sales - wholesale

The Group manufactures and sells oil, petrochemical products, liquefied natural gas and energy in the wholesale market. Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts entitled to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of less than one year and is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

b) Sales – retail

The Group operates a chain of Petrol Stations. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. Group offers customer incentives mostly in the form of loyalty programs described under section d).

c) Sales of electricity

The Group sells electricity on a short and long term basis with a contract terms generally accepted in the energy industry (via bilateral forward standardized general EFET agreements). Majority of sales are made on a wholesale market without structured trades.

In accordance with contract terms if Group expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis in consolidated financial statements. In general, delivery of electricity represent transfer of a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer over time. Accordingly, delivery of electricity is treated as a single performance obligation to which transaction price is allocated. Revenue is recognized by applying a single measure of progress to the identified single performance obligation.

d) Customer loyalty program

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 25.

e) Interest income

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.22. Leases

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	25
Buildings	2-22
Machinery	3-15
Motor vehicles	2-10

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.23. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the Group's shareholders.

2.24. Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparing consolidated financial statements required Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other facts that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimates are revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Group's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Information on the effect of macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Consolidated Financial Statements is provided below.

3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Group estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Group estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the law of the Republic of Serbia are classified as a state secret.

3.2. Useful Lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2023 would be to increase/decrease it by 2,210,441 RSD (2022: 2,256,247 RSD).

3.3. Impairment of goodwill

Goodwill is tested for impairment annually.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. The estimated future cash flows include estimation of future costs to produce reserves, future commodity prices, foreign exchange rate, discount rate etc. (note 7).

3.4. Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Group takes into consideration the interest rates of Serbian Treasury bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 8.78% (rather than 7.78%) per year, the past service liability (DBO) for the whole NIS Group would decreased by about 9.57% for retirement indemnity and 4.20% for jubilee benefit. If pay increased by 1.0% higher than assumed on an annual basic, than the past service liability (DBO) for the whole NIS Group would increase by amount 7.01% for the retirement indemnity. If employee fluctuation rate increase by 1.0% higher than assumed on an annual basis, then the past service liability (DBO) would decrease by about 9.14% for the retirement indemnity and 4.28% for the jubilee benefit.

3.5. Decommissioning and environmental protection provision

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision (note 20) is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 7.68% (rather than 6.68%) per year, the present liability would have decreased by approx. 835,469 RSD (31 December 2022: 7.80% (rather than 6.80%) per year the present liability would have decreased by approx. 1,163,584 RSD).

3.6. Contingencies

Certain conditions may exist as of the date of these consolidated financial statements are issued that may result in a loss to the Group, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 40).

3.7. Recoverability of carrying amount of Property, Plant and Equipment

In the line with changes in the crude oil price on the world market, management of the Group performed stress sensitivity analysis of its impact on recoverability of the Group PPE and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Group's PPE exceed its carrying value.

The Group assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Group's PPE by 92.2 bln RSD (31 December 2022: 58.5 bln RSD).

Oil prices are based on the available forecasts from globally recognized research institutions.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact.

4. APPLICATION OF AMENDMENTS TO THE EXISTING STANDARDS

The new IFRS Insurance Contracts and the amendments to the existing standards which became effective on 1 January 2023 did not have any material impact on the Consolidated Financial Statements.

The Group intends to implement the amendments to the existing standards and the new standards issued but not yet effective as of the date these Consolidated Financial Statements were authorised for issue, and the Group does not expect them to have any material impact on the Consolidated Financial Statements when adopted.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Economics, Finance, Planning and Accounting (further "FEPA") which under the policies approved by the Group identifies and evaluates financial risks in close co-operation with the Group's operating units.

In the normal course of its operations the Group has exposure to the following financial risks:

a) market risk (including currency risk, interest rate risk and commodity price risk);

b) credit risk and

c) liquidity risk.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates (c) commodity price, all of which are exposed to general and specific market movements. Management analyse and monitoring risk that may be accepted, however, the use of this approach does not prevent losses in the event of more significant market movements.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to manage its foreign exchange risk against its functional currency. In order to manage its foreign exchange risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Foreign exchange risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group functional currency.

The Group has borrowings denominated in foreign currency mainly in EUR which predominantly expose Group to the foreign currency translation risk.

The carrying values (net of allowance) of the Group's financial instruments by currencies they are denominated are as follows:

As of 31 December 2023	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,765	-	-	-	91,765
Long term receivables	-	669,617	-	-	669,617
LT loans issued	8,565	-	-	-	8,565
Other long-term financial investments and receivables	332,436	489,420	4,964	-	826,820
Current assets					
Trade receivables	29,028,568	2,576,956	184,873	1,417,509	33,207,906
Other receivables	562,513	109,129	165,649	405,231	1,242,522
Short term financial investments	32,515,563	96,072	-	85,745	32,697,380
Cash and cash equivalents	14,107,046	4,707,499	11,743	2,657,983	21,484,271
Financial liabilities					
Non-current					
Long-term liabilities	(3,370)	(57,983,936)	-	(477,581)	(58,464,887)
Current liabilies					
Short-term financial liabilities	(838,339)	(11,404,482)	(30,298)	(232,166)	(12,505,285)
Trade payables	(12,426,696)	(1,869,835)	(834,576)	(1,258,061)	(16,389,168)
Other short-term liabilities	(7,420,785)	(243,117)	(1,964,383)	(186,112)	(9,814,397)
Net exposure	**55,957,266**	**(62,852,677)**	**(2,462,028)**	**2,412,548**	**(6,944,891)**

As of 31 December 2022	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	92,230	-	-	-	92,230
LT loans issued	2,367	7,000	-	-	9,367
Other long-term financial investments	303,389	644,639	6,609	59,986	1,014,623
Current assets					
Trade receivables	31,410,126	2,256,717	235,051	1,791,754	35,693,648
Other receivables	286,029	740,518	173,942	723,539	1,924,028
Short term financial investments	6,014,961	63,750	-	96,200	6,174,911
Cash and cash equivalents	72,865,399	11,306,856	27,996	3,930,794	88,131,045
Financial liabilities					
Non-current					
Long-term liabilities	(4,268)	(63,907,797)	(31,524)	(1,370,834)	(65,314,423)
Current liabilies					
Short-term financial liabilities	-	(7,481,212)	(56,991)	(317,264)	(7,855,467)
Trade payables	(6,469,323)	(11,291,024)	(3,638,179)	(2,626,072)	(24,024,598)
Other short-term liabilities	(6,724,741)	(145,577)	(173,420)	(149,456)	(7,193,194)
Net exposure	**97,776,169**	**(67,806,130)**	**(3,456,516)**	**2,138,647**	**28,652,170**

The following exchange rates applied during the period:

Reporting date spot rate

	31 December 2023	31 December 2022
EUR	117.1737	117.3224
USD	105.8671	110.1515

Sensitivity analysis

The Group has chosen to provide information about market and potential exposure to hypothetical gain / (loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis below reflects the hypothetical effect on the Group's consolidated financial statements and the resulting hypothetical gains/losses that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

As at 31 December 2023, if the currency had strengthened/weaken by 1% against the EUR with all other variables held constant, pre-tax profit and equity for the year would have been 628,527 RSD (2022: 678,061 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings and account payables.

As at 31 December 2023, if the currency had strengthened/weaken by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 49,241 RSD (2022: 69,130 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Group to cash flow interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (Euribor or Libor) has a proportionate impact on the Group's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2023 would have been 343,848 RSD (2022: 420,664 RSD) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Commodity price risk

The Group's financial performance relates directly to prices for crude oil and petroleum products. The Group is unable to fully control the prices of its products, which depend on the balance of supply and demand on global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

The Group's planning system calculates different scenarious for key performance facors depending on global oil prices. This approach enables Management to adjust cost by reducing or rescheduling investment programs and other mechanisms. Such activities help to decrease risk to an acceptable level.

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated balance sheet is as follows:

	2023	Year end 31 December 2022
Financial instrument at FVTOCI	91,765	92,230
Long-term receivables	669,617	-
Other long-term investments (note 10)	826,820	1,014,623
Long term loans issued	8,565	9,367
Trade receivables (note 13)	33,207,906	35,693,648
Other receivables (note 14)	8,847,384	2,047,402
Short term financial investments (note 15)	32,697,380	6,174,911
Cash and cash equivalents (note 16)	21,484,271	88,131,045
Total maximum exposure to credit risk	**97,833,708**	**133,163,226**

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

– financial statements of the counterparty;
– scoring Serbian Business Register Agency, NIS and/or D&B reports;
– amount of registered pledges;
– data on customer's account blockade;
– history of relationships with the Group;
– planned sales volume;
– duration of relationship with the Group, including ageing profile, maturity and existence of any financial difficulties.

Trade and Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2023 and 60 months before 1 January 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The credit loss allowance for trade, specific and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2023 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade and other receivables
Trade and other receivables				
– current	0.02%	38,601,582	(6,987)	38,594,595
– less than 30 days overdue	0.06%	1,850,830	(1,066)	1,849,764
– 31 to 90 days overdue	0.64%	846,998	(5,420)	841,578
– 91 to 270 days overdue	2.43%	292,544	(7,121)	285,423
– over 271 days overdue	96.89%	15,579,275	(15,095,345)	483,930
Total trade and other receivables		**57,171,229**	**(15,115,939)**	**42,055,290**

At 31 December 2022 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade and other receivables
Trade and other receivables				
– current	0.01%	35,061,260	(3,506)	35,057,754
– less than 30 days overdue	0.03%	1,709,797	(513)	1,709,284
– 31 to 90 days overdue	0.54%	276,451	(1,493)	274,958
– 91 to 270 days overdue	2.46%	226,595	(5,574)	221,021
– over 271 days overdue	95.56%	15,230,980	(14,752,947)	478,033
Total trade and other receivables		**52,505,083**	**(14,764,033)**	**37,741,050**

As a rule, an excess of receivables over approved credit limit is secured by either bank guarantee, advance payment or other security.

The Management of the Group regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Group.

Management believes that not impaired trade and other receivables and other current assets are fully recoverable.

Movements on the Group's provision for impairment of trade and lease receivables are as follows:

	Trade receivables	Lease receivables	Total
As at 1 January 2022	**4,917,018**	**41,135**	**4,958,153**
Provision for receivables impairment (note 35)	112,226	1,534	113,760
Unused amounts reversed (note 34)	(38,535)	(4,539)	(43,074)
Receivables written off during the year as uncollectible	(297,251)	(3,704)	(300,955)
Other	42,545	-	42,545
As at 31 December 2022	**4,736,003**	**34,426**	**4,770,429**
As at 1 January 2023			
Provision for receivables impairment (note 35)	140,628	123	140,751
Unused amounts reversed (note 34)	(93,052)	(3,528)	(96,580)
Receivables written off during the year as uncollectible	(65,646)	(474)	(66,120)
Other	255,706	-	255,706
As at 31 December 2023	**4,973,639**	**30,547**	**5,004,186**

Expenses that have been provided for or written off are included in fair value measurement loss within the consolidated income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned. The other classes within trade and other receivables do not contain impaired assets.

Movements on the provision for other receivables:

	Receivables from specific operations	Interest receivables	Other receivables	Total
As at 1 January 2022	**1,351,152**	**1,928,429**	**7,352,429**	**10,632,010**
Provision for other receivables impairment (note 35)	360	5,860	4,492	10,712
Unused amounts reversed (note 34)	(601,580)	(4,215)	(438)	(606,233)
Receivables written off during the year as uncollectible	(1,718)	(37,193)	(3,933)	(42,844)
Other	(12)	-	(29)	(41)
As at 31 December 2022	**748,202**	**1,892,881**	**7,352,521**	**9,993,604**
As at 1 January 2023				
Provision for other receivables impairment (note 35)	1,986	9,762	3,388	15,136
Unused amounts reversed (note 34)	(382)	(5,180)	(1,659)	(7,221)
Receivables written off during the year as uncollectible	-	(33,361)	(278)	(33,639)
Other	1,058	142,406	409	143,873
As at 31 December 2023	**750,864**	**2,006,508**	**7,354,381**	**10,111,753**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	BBB and higher	Less than BBB	Without rating	Total
As at December 2023				
Cash and cash equivalents (note 16)	8,674,679	4,188,851	8,620,741	**21,484,271**
Deposits with original maturity more than 3 months less than 1 year (note 15)	9,385,677	5,243,556	17,978,611	**32,607,844**
Deposits with original maturity more than 1 year (note 10)	-	-	155,319	**155,319**
As at December 2022				
Cash and cash equivalents (note 16)	55,910,405	8,696,595	23,524,045	**88,131,045**
Deposits with original maturity more than 3 months less than 1 year (note 15)	-	6,003,699	59,984	**6,063,683**
Deposits with original maturity more than 1 year (note 10)	-	155,516	59,984	**215,500**

The Group uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2023 and 2022 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Group's level. The Company's finance function monitors rolling forecasts of the Group's liquidity requirements to ensure It has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Group over and above balance required for working capital management are invested as surplus cash in time deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
As at 31 December 2023					
Financial liabilities	70,970,172	79,381,283	15,089,355	61,555,296	2,736,632
Trade payables and dividends	20,172,763	20,172,763	20,172,763	-	-
	91,142,935	**99,554,046**	**35,262,118**	**61,555,296**	**2,736,632**
As at 31 December 2022					
Financial liabilities	73,169,890	80,914,679	10,086,420	64,539,892	6,288,367
Trade payables and dividends	27,808,416	27,808,416	27,808,416	-	-
	100,978,306	**108,723,095**	**37,894,836**	**64,539,892**	**6,288,367**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Group's net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2023	31 December 2022
Total borrowings (notes 21 and 22)	70,970,172	73,169,890
Less: cash and cash equivalents (note 16)	(21,484,271)	(88,131,045)
Net debt	**49,485,901**	**(14,961,155)**
Adjusted EBITDA	68,051,492	136,192,257
Net debt to adjusted EBITDA ratio at the end of the year	**0.73**	**(0.11)**

The Group has committed to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 4.0 during the terms of long-term borrowings agreements with certain commercial banks. Group constantly monitoring the established commitments to maintain the height of debt cover ration and there has been no breach of these obligation.

There were no changes in the Group's approach to capital management during the year.

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying amount of trade and other receivables, other current assets and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current receivables and non-current payables the fair values are also not significantly different to their carrying amounts.

6. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the years ended 31 December 2023 and 2022. Operating segments are components that engaged in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre and Energy business activities expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Group's EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the

Group's on-going operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the year ended 31 December 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	51,106,744	414,088,704	(53,159,768)	412,035,680
Intersegment	50,179,631	2,980,137	(53,159,768)	-
External	927,113	411,108,567	-	412,035,680
Adjusted EBITDA (Segment results)	**34,150,299**	**33,901,193**	**-**	**68,051,492**
Depreciation, depletion and amortization	(14,345,495)	(10,615,036)	-	(24,960,531)
Gain from bargain purchase (note 26)	-	8,918,255	-	8,918,255
Share of profit of associates and joint ventures	-	(137,719)	-	(137,719)
Finance (expenses) income, net	(405,616)	1,535,819	-	1,130,203
Income tax	(13,304)	(7,954,896)	-	(7,968,200)
Segment profit	18,946,894	25,245,622	-	44,192,516

Reportable segment results for the year ended 31 December 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	63,484,308	511,768,618	(61,249,404)	514,003,522
Intersegment	60,524,458	724,946	(61,249,404)	-
External	2,959,850	511,043,672	-	514,003,522
Adjusted EBITDA (Segment results)	**44,787,199**	**91,405,058**	**-**	**136,192,257**
Depreciation, depletion and amortization	(14,174,382)	(11,304,810)	-	(25,479,192)
Impairment losses/Revaluation surpluses (note 26 and 29)	(23.193)	(92.005)	-	(115.198)
Share of loss of associates and joint ventures	-	1,283,825	-	1,283,825
Finance expenses, net	(209,360)	(1,799,475)	-	(2,008,835)
Income tax	(270,711)	(17,192,601)	-	(17,463,312)
Segment profit	30,138,877	62,235,776	-	92,374,653

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 15,604,457 RSD for the year ended 31 December 2023 (31 December 2022: negative EBITDA in the amount of 7,207,900 RSD).

Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December	
	2023	2022
Adjusted EBITDA for the Downstream segment after allocation of Corporate centre	33,901,193	91,405,058
Corporate centre EBITDA	(15,604,457)	(7,207,900)
Adjusted EBITDA prior allocation of Corporate centre	**49,505,650**	**98,612,958**

Adjusted EBITDA for the year ended 31 December 2023 and 2022 is reconciled below:

	Year ended 31 December	
	2023	2022
Profit for the year	44,192,516	92,374,653
Income tax	7,968,200	17,463,312
Other expenses	8,661,232	1,420,052
Other income	(1,392,778)	(1,419,176)
Losses from valuation of assets at fair value through profit and loss	156,316	477,301
Income from valuation of assets at fair value through profit and loss	(161,390)	(699,716)
Finance expense	5,298,169	7,128,152
Finance income	(6,290,653)	(6,403,142)
Depreciation, depletion and amortization	24,960,531	25,479,192
Other non-operating (income)/expenses, net*	(15,340,651)	371,629
EBITDA	**68,051,492**	**136,192,257**

*Other non-operating (income)/expenses, net in 2023 mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and gain from bargain purchase (note 37 and 39).

Oil, gas and petroleum products sales, sales of electricity, lease revenue and other sales comprise the following (based on the country of customer incorporation):

	Year ended 31 December 2023		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	-	-
Sale of gas	159,320	12,560	171,880
Wholesale activities	159,320	12,560	171,880
Sale of petroleum products	302,150,163	62,156,561	364,306,724
Through a retail network	110,382,013	18,089,678	128,471,691
Wholesale activities	191,768,150	44,066,883	235,835,033
Sales of petrochemical products	3,605,123	8,329,402	11,934,525
Sales of electricity	15,406,533	122,485	15,529,018
Lease revenue	310,654	57,841	368,495
Other sales and other operating income	15,096,829	4,628,209	19,725,038
Total sales and other income	**336,728,622**	**75,307,058**	**412,035,680**

	Year ended 31 December 2023		
	Domestic market	Export and international sales	Total
Sale of crude oil	2,560,156	2,042,795	4,602,951
Sale of gas	147,142	-	147,142
Wholesale activities	147,142	-	147,142
Sale of petroleum products	391,164,016	90,169,211	481,333,227
Through a retail network	131,285,607	24,913,098	156,198,705
Wholesale activities	259,878,409	65,256,113	325,134,522
Sales of electricity	9,462,697	836,187	10,298,884
Lease revenue	318,619	34,193	352,812
Other sales and other operating income	12,542,286	4,726,220	17,268,506
Total sales and other income	**416,194,916**	**97,808,606**	**514,003,522**

Revenue from one customer amounted to 25,983,119 RSD (2022: 39,105,621 RSD), arise from sale of petroleum products attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 14,077,617 RSD (2022: 12,510,750 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 336,728,622 RSD (2022: 416,194,916 RSD), and the total of revenue from external customer from other countries is 75,307,058 RSD (2022: 97,808,606 RSD).

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Year ended 31 December	
	2023	2022
Sale of crude oil	-	2,042,795
Sale of gas	12,560	-
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	28,939,958	35,957,855
Bulgaria	8,552,855	13,428,226
Romania	5,377,527	15,437,292
All other markets	19,286,221	25,345,838
	62,156,561	**90,169,211**
Sales of petrochemical products	8,329,402	-
Sales of electricity	122,485	836,187
Lease revenue	57,841	34,193
Other sales and other operating income	4,628,209	4,726,220
	75,307,058	**97,808,606**

Revenues from the individual countries included in all other markets are not material.

Presentation of excise duties

The following table presents sales revenue earned and related calculated excise duties for 2023 and 2022:

	2023	2022
Sales revenue and other income	587,297,104	677,203,206
Excise duties	(175,261,424)	(163,199,684)
Net sales revenue and other income	**412,035,680**	**514,003,522**

In the Republic of Serbia excise duties become payable when products subject of excise duties exit from excise warehouse. This incurs when the goods are loaded for transport either for direct sales to customers (wholesale) or for transport to own retail network. Calculated excise duties are payable in 15 days. The Group assessed that for excise duties levied in wholesale it bears no inventory risk nor significant credit risk. In retail sales, the Group estimates that average turnover of inventories approximates payment period for excise duties, and that there are no significant inventory or credit risk. Accordingly, since the Group bears no significant risks in both cases, excise duties are collected on behalf of tax authority and consequently deducted from revenue.

Non-current assets, other than financial instruments, deferred income tax assets, investments in joint venture and other non-current assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	31 December 2023	31 December 2022
Serbia	292,669,732	279,704,928
Romania	13,049,599	12,365,241
Bosnia and Herzegovina	7,455,480	8,374,408
Bulgaria	5,692,212	5,801,293
Other	16	704
	318,867,039	**306,246,574**

7. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Goodwill	Other intangibles	Intangible assets under development	Total
At 1 January 2022						
Cost	18,948,626	11,098,845	2,209,413	1,576,120	5,889,747	39,722,751
Accumulated amortization and impairment	(5,873,092)	(9,036,010)	(916,281)	(416,945)	(123,430)	(16,365,758)
Net book amount	**13,075,534**	**2,062,835**	**1,293,132**	**1,159,175**	**5,766,317**	**23,356,993**
Year ended 31 December 2022						
Additions	1,196,617	973,789	-	29,119	(1,194,797)	1,004,728
Amortization	(1,496,271)	(611,212)	-	(47,869)	-	(2,155,352)
Impairment (note 29)	-	-	(26,537)	-	(4,724)	(31,261)
Transfer to PP&E (note 8)	-	-	-	-	(22,346)	(22,346)
Disposals and write-off	-	(2,544)	-	(293)	-	(2,837)
Other transfers	-	21,553	-	(21,554)	25,620	25,619
Translation differences	16,573	72,631	(2,835)	(5,470)	192,799	273,698
Closing net book amount	**12,792,453**	**2,517,052**	**1,263,760**	**1,113,108**	**4,762,869**	**22,449,242**
As at 31 December 2022						
Cost	20,160,174	12,133,953	1,263,760	1,574,316	4,826,534	39,958,737
Accumulated amortization and impairment	(7,367,721)	(9,616,901)	-	(461,208)	(63,665)	(17,509,495)
Net book amount	**12,792,453**	**2,517,052**	**1,263,760**	**1,113,108**	**4,762,869**	**22,449,242**
At 1 January 2023						
Cost	20,160,174	12,133,953	1,263,760	1,574,316	4,826,534	39,958,737
Accumulated amortization and impairment	(7,367,721)	(9,616,901)	-	(461,208)	(63,665)	(17,509,495)
Net book amount	**12,792,453**	**2,517,052**	**1,263,760**	**1,113,108**	**4,762,869**	**22,449,242**
Year ended 31 December 2023						
Additions	430,703	497,704	-	41,713	577,001	1,547,121
Amortization	(1,502,427)	(546,125)	-	(43,617)	-	(2,092,169)
Transfer to PP&E (note 8)	-	-	-	-	(765)	(765)
Disposals and write-off	-	(995)	-	-	-	(995)
Other transfers	(1)	1,645	-	(1,429)	(1)	214
Translation differences	(12,795)	(184)	(2,952)	(5)	(13,654)	(29,590)
Closing net book amount	**11,707,933**	**2,469,097**	**1,260,808**	**1,109,770**	**5,325,450**	**21,873,058**
As at 31 December 2023						
Cost	20,569,506	12,620,296	1,260,808	1,614,257	5,325,450	41,390,317
Accumulated amortization and impairment	(8,861,573)	(10,151,199)	-	(504,487)	-	(19,517,259)
Net book amount	**11,707,933**	**2,469,097**	**1,260,808**	**1,109,770**	**5,325,450**	**21,873,058**

Intangible assets under development as at 31 December 2023 amounting to 5,325,450 RSD (31 December 2022: 4,762,869 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 4,374,285 RSD (31 December 2022: 4,026,196 RSD).

Impairment test for goodwill

Goodwill is monitored by the management on an individual CGU basis and geographic location. The recoverable amount of each CGUs has been determined based on higher of value-in-use and fair value less cost to disposed calculations. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The average key assumptions used in value-in use calculations:

	2023	2022
Average gross margin	15.6%	16.0%
Growth rate	1%	1%
Price/sales ratio	0.77	0.77
Discount rate		
- Romania market	9.70%	10.52%
- Bulgaria market	8.90%	9.80%
- Bosnia and Herzegovina market	13.60%	11.15%

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relation to the relevant CGU. The following is a summary of goodwill allocation:

	Opening balance	Addition	Impairment	Translation differences	Closing balance
2023					
Bosnia and Herzegovina	481,266	-	-	(597)	480,669
Romania	268,484	-	-	(1,715)	266,769
Bulgaria	514,010	-	-	(640)	513,370
	1,263,760	**-**	**-**	**(2,952)**	**1,260,808**
2022					
Bosnia and Herzegovina	482,344	-	-	(1,078)	481,266
Romania	269,030	-	-	(546)	268,484
Bulgaria	541,758	-	(26,537)	(1,211)	514,010
	1,293,132	**-**	**(26,537)**	**(2,835)**	**1,263,760**

Impairment test in Bosnia, Romania and Bulgaria shows that the recoverable amount calculated based on higher of value-in-use and fair value less cost to disposed exceeds carrying value.

The value-in-use impairment test using the method based on after-tax cash flow projections showed that all countries with the current level of the discount rate are sensitive to asset impairment, which is why the determination of fair value less cost to disposed was used to determine the recoverable amount.

For calculation of fair value less cost to disposed, a P/S ratio of 0.77 was used based on publicly available data and the internal database of renowned external consultants. The impairment test for the market of Bosnia and Herzegovina is the least sensitive to the change of the P/S indicator, where the value in use is below the current value of the corresponding asset when this indicator is lower than 0.45, for the market of Romania below 0.77 and for the market of Bulgaria below 0.54.

The management considers the average fuel gross margin as a part of the overall average gross margin to be the key assumption which affects the sensitivity of value in use calculation. The following table shows sensitivity of this calculation against the change in this assumption by showing how much the average fuel gross margin should decrease in order for value in use to be equal to the carrying amount of tested assets:

	2023		2022	
	Used assumption on average gross fuel margin	Change in pp	Used assumption on average gross fuel margin	Change in pp
Romania market	15.5%	-1.1pp	16.5%	-7pp
Bulgaria market	16.2%	-0.4pp	16.5%	-5.4pp
Bosnia and Herzegovina market	15.2%	+0.1pp	15.1%	-4.8pp

8. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment carried at cost

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
At 1 January 2022								
Cost	16,923,564	254,303,454	183,873,058	20,340,817	95,196	577,452	342,907	476,456,448
Accumulated depreciation and impairment	(342,385)	(97,326,045)	(92,507,018)	(2,981,486)	(1,114)	(420,118)	(26,741)	(193,604,907)
Net book amount	**16,581,179**	**156,977,409**	**91,366,040**	**17,359,331**	**94,082**	**157,334**	**316,166**	**282,851,541**
Year ended 31 December 2022								
Additions	98,841	14,728,314	4,945,830	158,184	-	30,594	848	19,962,611
Changes in decommissioning obligations	-	(675,619)	-	-	-	-	-	(675,619)
Impairment charge (note 29)	-	-	-	(120,481)	-	-	(32)	(120,513)
Depreciation	-	(11,807,532)	(10,735,791)	-	-	(19,146)	-	(22,562,469)
Transfer from intangible assets (note 7)	-	-	-	22,346	-	-	-	22,346
Transfer from investment property (note 8b)	100,936	152,826	-	-	-	-	-	253,762
Transfer to non-current assets held for sale	(37,898)	(2,315)	-	-	-	-	-	(40,213)
Disposals and write-off	(13,144)	(92,839)	(178,052)	(45,575)	(36)	-	-	(329,646)
Other transfers	15	(105,443)	15,590	(345,868)	(74)	72	864,613	428,905
Translation differences	(14,051)	(13,872)	(1,490)	(9,853)	-	(48)	(8)	(39,322)
Closing net book amount	**16,715,878**	**159,160,929**	**85,412,127**	**17,018,084**	**93,972**	**168,806**	**1,181,587**	**279,751,383**
At 31 December 2022								
Cost	17,056,211	269,382,451	187,471,805	20,115,586	95,086	604,777	1,208,348	495,934,264
Accumulated depreciation and impairment	(340,333)	(110,221,522)	(102,059,678)	(3,097,502)	(1,114)	(435,971)	(26,761)	(216,182,881)
Net book amount	**16,715,878**	**159,160,929**	**85,412,127**	**17,018,084**	**93,972**	**168,806**	**1,181,587**	**279,751,383**
At 1 January 2023								
Cost	17,056,211	269,382,451	187,471,805	20,115,586	95,086	604,777	1,208,348	495,934,264
Accumulated depreciation and impairment	(340,333)	(110,221,522)	(102,059,678)	(3,097,502)	(1,114)	(435,971)	(26,761)	(216,182,881)
Net book amount	**16,715,878**	**159,160,929**	**85,412,127**	**17,018,084**	**93,972**	**168,806**	**1,181,587**	**279,751,383**
Year ended 31 December 2023								
Additions	139,087	14,792,291	6,350,587	12,642,354	-	26,775	8,862,911	42,814,005
Acquisitions through business combinations	507,101	695,129	658,691	37,591	-	-	-	1,898,512
Changes in decommissioning obligations	-	290,351	-	-	-	-	-	290,351
Impairment charge (note 26 and 29)	-	-	-	(133,295)	-	-	32	(133,263)
Depreciation	-	(11,784,965)	(10,298,110)	-	-	(21,331)	-	(22,104,406)
Transfer from intangible assets (note 7)	-	-	-	765	-	-	-	765
Transfer (to)/from investment property (note 8b)	(9,338)	15,139	-	-	-	-	-	5,801
Transfer to non-current assets held for sale	(31,539)	-	(6,497)	-	-	-	-	(38,036)
Disposals and write-off	(14,375)	(44,599)	(49,131)	(188,776)	(48)	-	-	(296,929)
Other transfers	-	302,583	(218,416)	(412,794)	1	(2)	(3,813,083)	(4,141,711)
Translation differences	(13,101)	(23,287)	(2,696)	(25,741)	-	(26)	(69)	(64,920)
Closing net book amount	**17,293,713**	**163,403,571**	**81,846,555**	**28,938,188**	**93,925**	**174,222**	**6,231,378**	**297,981,552**
At 31 December 2023								
Cost	17,633,974	287,304,340	197,904,758	32,183,168	95,038	627,681	6,749,276	542,498,235
Accumulated depreciation and impairment	(340,261)	(123,900,769)	(116,058,203)	(3,244,980)	(1,113)	(453,459)	(517,898)	(244,516,683)
Net book amount	**17,293,713**	**163,403,571**	**81,846,555**	**28,938,188**	**93,925**	**174,222**	**6,231,378**	**297,981,552**

In 2023, The Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost amounting to 66,158 RSD (2022: 20,974 RSD).

Of the total amount of activations in 2023 in the amount of 21,308,740 RSD, the most significant part refers to activation on oil&gas properties in the amount of 17,216,199 RSD. In 2022 the amount of 19,804,427 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 14,811,779 RSD.

The management of the Group assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

As at 31 December 2023, the Group assessed impairment indicators of cash generating units ("CGU") – refer to note 3.7 for details. In addition, Group has assessed and recognized impairment losses in amount 133,295 RSD (2022: 120,513 RSD) for the asset which has disposed due to obsolete, physically damage or for assets under constructions for which exist indication that expected recoverable amounts would not recover carrying value of the assets.

b) Investment property – carried at fair value

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

	2023	2022
As at 1 January	**1,531,705**	**1,728,395**
Fair value income (note 26 and 29)	-	62,430
Transfer to PP&E carried at cost (note 8a)	(5,801)	(253,762)
Other transfer	(10,984)	856
Disposals	-	(6,214)
As at 31 December	**1,514,920**	**1,531,705**

As at 31 December 2023, investment properties amounting to 1,514,920 RSD (31 December 2022: 1,531,705 RSD) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Group's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2023 and 2023. The revaluation gain was credited to income from assets valuation (note 26).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3),

Fair value measurements at 31 December 2023 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	921,151	-
– Gas stations	-	-	593,769
Total	**-**	**921,151**	**593,769**

Fair value measurements at 31 December 2022 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	946,567	-
– Gas stations	-	-	585,138
Total	**-**	**946,567**	**585,138**

Valuation techniques used to derive level 2 fair values

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Fair value measurements using significant unobservable inputs (Level 3)

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Group based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

	2023	2022
Long term growth rate	0%	0%
Discount rate	10.65%	10.98%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2023	2022
Assets as at 1 January	**585,138**	**809,664**
Transfer from/to PPE	8,631	(248,162)
Changes in fair value measurement:		
Gains recognised in profit or loss, fair value measurement	-	29,370
Other	-	(5,734)
Total increase in fair value measurement, assets	-	23,636
Assets as at 31 December	**593,769**	**585,138**

c) Oil and gas production assets

Oil and gas production assets comprise of aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves (note 2.9).

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total asset under construction	Production assets	Other business and corporate assets	Total
As at 1 January 2022						
Cost	16,957,599	547,513	17,505,112	220,374,273	56,567	237,935,952
Depreciation and impairment	(45,208)	(36)	(45,244)	(83,107,234)	(26,455)	(83,178,933)
Net book amount	**16,912,391**	**547,477**	**17,459,868**	**137,267,039**	**30,112**	**154,757,019**
Year ended 31 December 2022						
Additions	(1,137,456)	1,425,443	287,987	14,811,779	-	15,099,766
Changes in decommissioning obligations	-	-	-	(675,629)	-	(675,629)
Impairment (note 29)	(77,594)	(34,738)	(112,332)	-	-	(112,332)
Depreciation and depletion	-	-	-	(13,459,311)	(5,861)	(13,465,172)
Transfer to intangible assets	13,015	(13,150)	(135)	-	-	(135)
Disposals and write-off	-	(39,781)	(39,781)	(143,375)	(1)	(183,157)
Other transfers	(5,090,156)	4,248,946	(841,210)	373,129	4,250	(463,831)
Translation differences	(15,993)	(1,073)	(17,066)	(7,605)	-	(24,671)
	10,604,207	**6,133,124**	**16,737,331**	**138,166,027**	**28,500**	**154,931,858**
As at 31 December 2022						
Cost	10,724,715	6,167,892	16,892,607	235,638,513	57,889	252,589,009
Depreciation and impairment	(120,508)	(34,768)	(155,276)	(97,472,486)	(29,389)	(97,657,151)
Net book amount	**10,604,207**	**6,133,124**	**16,737,331**	**138,166,027**	**28,500**	**154,931,858**
At 1 January 2023						
Cost	10,724,715	6,167,892	16,892,607	235,638,513	57,889	252,589,009
Depreciation and impairment	(120,508)	(34,768)	(155,276)	(97,472,486)	(29,389)	(97,657,151)
Net book amount	**10,604,207**	**6,133,124**	**16,737,331**	**138,166,027**	**28,500**	**154,931,858**
Year ended 31 December 2023						
Additions	2,525,111	1,511,664	4,036,775	17,216,199	5,463	21,258,437
Changes in decommissioning obligations	-	-	-	290,237	-	290,237
Impairment (note 29)	(74,169)	(47,986)	(122,155)	-	-	(122,155)
Depreciation and depletion	-	-	-	(13,616,185)	(3,826)	(13,620,011)
Transfer from investment property	-	-	-	136	-	136
Transfer to non-current assets held for sale	-	-	-	(6,497)	-	(6,497)
Disposals and write-off	-	(163,308)	(163,308)	(37,696)	(48)	(201,052)
Other transfers	(9,103)	48,472	39,369	72,553	(46)	111,876
Translation differences	(36,893)	(2,216)	(39,109)	(26,352)	-	(65,461)
	13,009,153	**7,479,750**	**20,488,903**	**142,058,422**	**30,043**	**162,577,368**
As at 31 December 2023						
Cost	13,205,102	7,512,827	20,717,929	252,630,090	63,258	273,411,277
Depreciation and impairment	(195,949)	(33,077)	(229,026)	(110,571,668)	(33,215)	(110,833,909)
Net book amount	**13,009,153**	**7,479,750**	**20,488,903**	**142,058,422**	**30,043**	**162,577,368**

Exploration investment in amount of 1,797,039 RSD is currently in the phase of Evaluation of research results and confirmation of these results by the National Agency for Mineral Resources was not received until the end of 2023, but was transferred to 2024. When assessing the status of this investment as at 31 December 2023 impairment indicators were analysed by observing this whole exploration area allowed in accordance with IFRS 6. Based on the analysis performed as at 31 December 2023 the Group assessed that there were no indicators of impairment and is continuing to assess the possibility of commercial production on the field. Once National Agency for Mineral Resources confirms results impairment indicators will be reassessed.

d) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2022	**124,884**	**1,556,283**	**269,503**	**633,294**	**-**	**2,583,964**
Additions	-	231,352	194,247	1,487,124	-	1,912,723
Depreciation	(9,581)	(326,576)	(166,452)	(258,762)	-	(761,371)
Disposals	-	(152)	(20,141)	(16,811)	-	(37,104)
Effect of contract modifications and changes in estimates	-	(28)	(656)	-	-	(684)
Translation differences	(210)	(1,508)	143	(127)	-	(1,702)
As at 31 December 2022	**115,093**	**1,459,371**	**276,644**	**1,844,718**	**-**	**3,695,826**
As at 1 January 2023	**115,093**	**1,459,371**	**276,644**	**1,844,718**	**-**	**3,695,826**
Additions	2,542	154,343	213,308	549,768	-	919,961
Depreciation	(8,577)	(268,002)	(155,144)	(332,233)	-	(763,956)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	3	(110,235)	(9,153)	-	(119,385)
Impairment (note 29)	-	-	-	-	(1,994)	(1,994)
Translation differences	(278)	(1,069)	(285)	(70)	-	(1,702)
As at 31 December 2023	**108,780**	**1,344,646**	**229,288**	**2,046,036**	**-**	**3,728,750**

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of the investments in associates and joint ventures as of 31 December, 2023 and 2022 are summarised below:

		Ownership percentage	31 December 2023	31 December 2022
NIS MET Energowind d.o.o. Belgrade	Joint venture	50%	797,238	847,018
Gazprom Energoholding Serbia d.o.o. Belgrade	Joint venture	49%	1,931,767	2,019,706
HIP Petrohemija d.o.o. Pančevo			-	11,572,197
Less Impairment provision			-	(11,572,197)
Total investments			**2,729,005**	**2,866,724**

The principal place of business of joint ventures disclosed above is the Republic of Serbia.

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

NIS MET Energowind d.o.o. Belgrade

In 2013 the Group acquired 50% of interest in a joint venture Energowind d.o.o. which was intended to be used as a vehicle for operation of future wind farm "Plandište" with total capacity of 102 MW. During March 2019 project has been renamed to NIS MET Energowind d.o.o. Beograd. Request for the extension of the preliminary privileged power producer (4P) status for additional 3 years has been submitted to the relevant authority in 2021. On the date of the issuance of these Consolidated Financial Statements the project is in the development and project optimization phase. NIS MET Energowind d.o.o. is a private company and there is no available quoted market price.

Gazprom Energoholding Serbia d.o.o. Belgrade

In 2015 holding company has been established to operate Thermal and Heating Power Plant "TE-TO" Pančevo with a projected capacity of 208 MW. In October 2017 the contract for development was signed on a "turnkey" basis. At this moment provides thermal energy – technological steam to the Oil Refinery in Pančevo, while electricity is sold to Elektroprivreda Srbije JSC Belgrade and transferred into electricity transmission system of Serbia.

HIP Petrohemija d.o.o. Pancevo

On 9 June 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija from the previous 20.86% to 90% (note 39).

The summarised financial information for the joint ventures and associate is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia	HIP Petrohemija a.d. Pančevo
31 December 2023			
Current assets	120,106	2,612,304	-
Non-current assets	3,725,436	22,614,890	-
Current liabilities	1,845,831	5,047,973	-
Non-current liabilities	-	16,220,251	-
Revenue	9,623	14,604,254	-
Loss for the year	(99,561)	(179,466)	-
31 December 2022			
Current assets	212,773	2,846,397	19,448,667
Non-current assets	3,353,426	22,570,357	11,696,836
Current liabilities	1,466,962	2,947,801	3,483,177
Non-current liabilities	-	18,327,837	1,700,400
Revenue	13,475	8,488,261	57,493,404
Profit (Loss) for the year	(82,852)	2,704,593	397,040

10. OTHER LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES

	31 December 2023	31 December 2022
Deposits with original maturity more than 1 year	155,319	215,500
Other long-term financial investments	260,165	263,231
LT loans given to employees	698,946	877,470
LT receivables	-	7,000
Less provision	(287,610)	(348,578)
	826,820	**1,014,623**

Loans to employees as at 31 December 2023 amounting to 698,946 RSD (31 December 2022: 877,470 RSD) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of 287,610 RSD.

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Consolidated Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31, 2023			
Provisions	834,113	-	834,113
Property, plant and equipment	2,628,687	(282,373)	2,346,314
Impairment losses	72,236	-	72,236
Fair value gains	4,005	-	4,005
Revaluation reserve	-	(11,601)	(11,601)
	3,539,041	**(293,974)**	**3,245,067**
As at December 31, 2022			
Provisions	704,723	-	704,723
Property, plant and equipment	1,916,117	(217,555)	1,698,562
Impairment losses	367,129	-	367,129
Fair value gains	10,327	-	10,327
Revaluation reserve	-	(14,075)	(14,075)
	2,998,296	**(231,630)**	**2,766,666**

Movements in temporary differences during the period:

	As at December 31, 2022	Recognised in profit or loss	Recognised in other compre-hensive income	Effects of subsidiary acquisition	Other	As at December 31, 2023
Provisions	704,723	119,989	9,398	-	3	834,113
Property, plant and equipment	1,698,562	743,295	-	(95,548)	5	2,346,314
Impairment losses	367,129	(294,893)	-	-	-	72,236
Fair value gains	10,327	(6,353)	31	-	-	4,005
Revaluation reserve	(14,075)	2,475	-	-	(1)	(11,601)
Total	**2,766,666**	**564,513**	**9,429**	**(95,548)**	**7**	**3,245,067**

	As at December 31, 2022	Recognised in profit or loss	Recognised in other compre-hensive income	Effects of subsidiary acquisition	Other	As at December 31, 2022
Provisions	664,773	39,576	374	-	-	704,723
Property, plant and equipment	987,560	711,066	-	-	(64)	1,698,562
Impairment losses	694,650	(327,521)	-	-	-	367,129
Fair value gains	10,311	-	16	-	-	10,327
Revaluation reserve	(14,075)	-	-	-	-	(14,075)
Total	**2,343,219**	**423,121**	**390**	**-**	**(64)**	**2,766,666**

The recognition of deferred tax assets was based on a five-year business plan of the Group and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

Deferred tax liabilities increased for 95,548 RSD due to the acquisition of HIP Petrohemija d.o.o. Pančevo (note 39).

12. INVENTORY

	31 December 2023	31 December 2022
Materials, spare parts and tools	38,246,639	32,813,090
Work in progress	7,638,856	6,600,656
Finished goods	23,150,152	20,169,440
Goods for sale	4,398,526	3,165,090
Advances	1,801,550	1,059,350
Less: impairment of inventory	(5,753,230)	(4,513,662)
Less: impairment of advances	(175,099)	(148,529)
	69,307,394	**59,145,435**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2022	**4,619,268**	**147,570**	**4,766,838**
Provision for inventories and advances (note 29)	31,295	1,264	32,559
Unused amounts reversed (note 26)	(85,867)	(304)	(86,171)
Writte off during the year	(51,033)	-	(51,033)
Other	(1)	(1)	(2)
Balance as of 31 December 2022	**4,513,662**	**148,529**	**4,662,191**
Company incoming to consolidation	1,080,053	26,989	1,107,042
Provision for inventories and advances (note 29)	646,688	13,766	660,454
Unused amounts reversed (note 26)	(472,753)	(14,185)	(486,938)
Other	(14,421)	-	(14,421)
Balance as of 31 December 2023	**5,753,229**	**175,099**	**5,928,328**

13. TRADE RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables - other related parties - domestic	142,336	1,673,553
Trade receivables - other related parties - foreign	191,571	171,959
Trade receivables domestic – third parties	35,859,921	37,267,410
Trade receivables foreign – third parties	2,018,264	1,351,155
	38,212,092	40,464,077
Less: Impairment	(5,004,186)	(4,770,429)
	33,207,906	**35,693,648**

14. OTHER SHORT-TERM RECEIVABLES

	31 December 2023	31 December 2022
Receivables from specific operations	950,186	996,950
Interest receivables	2,035,894	1,922,507
Receivables from employees	70,394	65,876
Other receivables	667,468	8,327,459
Income tax prepayment	7,626,816	-
Prepaid taxes and contributions	7,470,959	126,895
Receivables for VAT	137,420	601,319
Less: Impairment	(10,111,753)	(9,993,604)
	8,847,384	**2,047,402**

15. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2023	31 December 2022
Deposits with original maturity more than 3 months less than 1 year	32,607,844	6,063,683
Other short-term financial assets	89,536	111,228
	32,697,380	**6,174,911**

Deposits with original maturity more than 3 months less than 1 year earn interest at the respective short-term deposit rates. The fair value of short-term financial assets approximates their carrying value.

16. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in bank and in hand	11,739,845	18,906,061
Deposits with original maturity of less than three months	9,734,451	69,222,772
Cash with restriction	4,729	254
Cash equivalents	5,246	1,958
	21,484,271	**88,131,045**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits with original maturity of less than three months are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.The fair value of cash and cash equivalents approximates their carrying value.

17. PREPAYMENTS AND ACCRUED INCOME

	31 December 2023	31 December 2022
Deferred input VAT	3,450,138	4,405,141
Prepaid expenses	288,116	273,018
Prepaid excise duty	4,247,860	4,197,429
Housing loans and other prepayments	454,416	546,479
	8,440,530	**9,422,067**

Deferred input VAT as at 31 December 2023 amounting to 3,450,138 RSD (31 December 2022: 4,405,141 RSD) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2023 amounting to 4,247,860 RSD (31 December 2022: 4,197,429 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

18. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
Issued warranties and bills of exchange	124,606,180	74,436,005
Received warranties and bills of exchange	26,498,912	24,449,180
Properties in ex-Republics of Yugoslavia	5,358,178	5,358,820
Receivables from companies from ex-Yugoslavia	6,500,094	6,763,139
Third party merchandise in NIS warehouses	15,936,565	15,056,497
Assets for oil fields liquidation	1,361,966	1,361,966
Mortgages and pledges received	3,672,927	3,097,224
Other off-balance sheet assets and liabilities	683,124	250,868
	184,617,946	**130,773,699**

19. EQUITY

	Note	Share capital	Rev. reserves and unr. gains and losses	Retained earnings (losses)	Total	Non-controlling interest	Total equity
		Equity attributable to the Company's owners					
Balance as at 1 January 2022		**81,530,200**	**600,647**	**180,705,364**	**262,836,211**	**-**	**262,836,211**
Profit for the period		-	-	92,374,653	92,374,653	-	92,374,653
Other comprehensive income/(loss)							
Remeasurements of post-employment benefit obligations	20	-	(181,751)	-	(181,751)	-	(181,751)
Gain from investments in equity instruments		-	(104)	-	(104)	-	(104)
Currency translation differences		-	59,715	5,782	65,497	-	65,497
Total comprehensive income/(loss) for the year		**-**	**(122,140)**	**92,380,435**	**92,258,295**	**-**	**92,258,295**
Dividend distribution	19.1	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other		-	25,918	(110,665)	(84,747)	-	(84,747)
Balance as at 31 December 2022		**81,530,200**	**504,425**	**267,193,012**	**349,227,637**	**-**	**349,227,637**

	Note	Share capital	Rev. reserves and unr. gains and losses	Retained earnings (losses)	Total	Non-controlling interest	Total equity
		Equity attributable to the Company's owners					
Balance as at 1 January 2023		**81,530,200**	**504,425**	**267,193,012**	**349,227,637**	**-**	**349,227,637**
Profit for the period		-	-	44,667,130	44,667,130	(474,614)	44,192,516
Other comprehensive income/(loss)							
Remeasurements of post-employment benefit obligations	20	-	(50,782)	-	(50,782)	1,305	(49,477)
Loss from investments in equity instruments		-	8,299	-	8,299	-	8,299
Currency translation differences		-	80,237	-	80,237	-	80,237
Total comprehensive income/(loss) for the year		**-**	**37,754**	**44,667,130**	**44,704,884**	**(473,309)**	**44,231,575**
Acquisition of subsidiary	39	-	-	-	-	990,917	990,917
Dividend distribution	19.1	-	-	(23,364,925)	(23,364,925)	-	(23,364,925)
Disposal of investments in equity instruments		-	33,846	(33,846)	-	-	-
Other		-	(54)	2,503	2,449	-	2,449
Balance as at 31 December 2023		**81,530,200**	**575,971**	**288,463,874**	**370,570,045**	**517,608**	**371,087,653**

19.1. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is 500 RSD. Share capital as of 31 December 2023 and 31 December 2022 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2022, amounted to 23,364,925 RSD or 143.29 RSD per share (31 December 2021: 5,782,122 RSD or 35.46 RSD per share) were approved on the General Assembly Meeting held on 29 June 2023 and paid on 24 August 2023.

Calculation of basic earnings per share is disclosed in the following table:

	Year ended 31 December	
	2023	**2022**
Profit attributable to the ordinary equity holder of the parent entity	44,667,130	92,374,653
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	**274**	**567**

The Group does not have any convertible instruments, options or warrants accordingly, diluted earnings per share is equal to the basic earnings per share as stated in the table above.

20. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decom missioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims and other provisions	Total
As at 1 January 2022	**11,914,111**	**397,764**	**933,282**	**427,124**	**405,205**	**14,077,486**
Charged to the income statement	189,128	145,407	67,396	247,701		3,501,447
New obligation incurred and change in estimates	(675,618)	-	-	-	-	(675,618)
Release of provision (note 36)	(368,473)	-	-	(652)	(205)	(369,330)
Actuarial loss charged to other comprehensive income	-	-	181,767	-	-	181,767
Settlement	(26,936)	(34,839)	(97,646)	-	(56,188)	(215,609)
Other	(539)	-	(212)	-	328,733	327,982
As at 31 December 2022	**11,031,673**	**508,332**	**1,084,587**	**674,173**	**3,529,360**	**16,828,125**
As at 1 January 2023	**11,031,673**	**508,332**	**1,084,587**	**674,173**	**3,529,360**	**16,828,125**
Company incoming to consolidation	-	-	715,833	-	111,937	827,770
Charged to the income statement	169,154	7,268	61,381	852,375	383,005	1,473,183
New obligation incurred and	(62,404)	(12,603)	(379,749)	(30,015)	(95,101)	(579,872)
change in estimates	290,351	-	-	-	-	290,351
Release of provision (note 36)	(62,404)	(12,603)	(379,749)	(30,015)	(95,101)	(579,872)
Actuarial loss charged to other comprehensive income	-	-	56,338	-	-	56,338
Settlement	(52,503)	(36,441)	(171,840)	-	(134,289)	(395,073)
Other	(1,583)	(1)	(10)	-	(1,849,123)	(1,850,717)
As at 31 December 2023	**11,374,688**	**466,555**	**1,366,540**	**1,496,533**	**1,945,789**	**16,650,105**

Analysis of total provisions:

	31 December 2023	31 December 2022
Non-current	13,937,343	14,814,651
Current	2,712,762	2,013,474
	16,650,105	**16,828,125**

a) Decommissioning

The Group's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

b) Environmental protection

The Group has to comply with environmental protection regulations. At the reporting date Group recorded provision for environmental protection of 466,555 RSD (31 December 2022: 508,332 RSD) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

c) Long-term incentive program

In 2011, the Group started setting-up a long-term incentive program for Group managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2023 the management made an assessment of present value of liabilities related to new three-year employee incentives (2021-2023) in amount of 1,496,533 RSD (2022: 674,173 RSD).

d) Legal claims and other provisions

As at 31 December 2023, the Group assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Group charged provision for litigation amounting to 383,005 RSD (2022: 2,851,815 RSD) for proceedings which were assessed to have negative outcome. The most significant amount of increase of provision relates to the reservation based on the potential compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects. The Group estimated that the outcome of all legal and other proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2023.

e) Provision for employee benefits

Employee benefits:

	31 December 2023	31 December 2022
Retirement allowances	938,794	768,865
Jubilee awards	427,746	315,722
	1,366,540	**1,084,587**

The principal actuarial assumptions used were as follows:

	31 December 2023	31 December 2022
Discount rate	7.78%	6.8%
Future salary increases	6.46%	4.72%
Future average years of service	18.42	18.44

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2022	**557,326**	**375,956**	**933,282**
Benefits paid directly	(57,649)	(39,997)	(97,646)
Actuarial loss charged to other comprehensive income	181,767	-	181,767
Debited to profit or loss	87,530	(20,134)	67,396
Translation reserves	(109)	(103)	(212)
Balances as at 31 December 2022	**768,865**	**315,722**	**1,084,587**
Benefits paid directly	(124,376)	(47,464)	(171,840)
Company incoming to consolidation	260,361	455,472	715,833
Actuarial loss charged to other comprehensive income	56,338	-	56,338
Debited to profit or loss	(22,384)	(295,984)	(318,368)
Translation reserves	(10)	-	(10)
Balances as at 31 December 2023	**938,794**	**427,746**	**1,366,540**

The amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December	
	2023	2022
Current service cost	46,379	76,807
Interest cost	85,156	30,825
Curtailment loss	85,333	22,951
Actuarial loss (jubilee awards)	(104,856)	(70,914)
Amortisation of past service cost	(430,380)	7,727
	(318,368)	**67,396**

21. LONG-TERM LIABILITIES

	31 December 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	65,223,169	65,009,756
Lease liabilities	3,935,015	3,149,589
Other non-current financial liabilities	838,937	847,172
Other long-term borrowings	152,880	126,800
	70,150,001	**71,861,745**
Less Current portion (note 22)	(11,685,114)	(6,547,322)
	58,464,887	**65,314,423**

Movements on the Group's liabilities from finance activities are as follows:

	Long-term loans	Short-term loans	Finance lease	Total
As at 1 January 2022	**77,480,042**	**-**	**2,335,974**	**79,816,016**
Proceeds	4,499,752	1,311,584	-	5,811,336
Repayment	(14,063,305)	-	(814,876)	(14,878,181)
Non-cash transactions	(12,974)	-	1,630,618	1,617,644
Foreign exchange difference	(165,331)	(3,439)	(2,127)	(170,897)
As at 31 December 2022	**67,738,184**	**1,308,145**	**3,149,589**	**72,195,918**
As at 1 January 2023	**67,738,184**	**1,308,145**	**3,149,589**	**72,195,918**
Proceeds	3,380,401	820,000	-	4,200,401
Repayment	(5,824,715)	(1,308,427)	(1,025,957)	(8,159,099)
Company incoming to consolidation	-	-	883,328	883,328
Non-cash transactions	20,345	-	938,612	958,957
Foreign exchange difference	(91,046)	282	(10,557)	(101,321)
As at 31 December 2023	**65,223,169**	**820,000**	**3,935,015**	**69,978,184**

a) Bank loans

	31 December 2023	31 December 2022
Domestic	48,366,114	48,275,922
Foreign	16,857,055	16,733,834
	65,223,169	**65,009,756**
Current portion of long-term loans	(10,761,083)	(3,082,976)
	54,462,086	**61,926,780**

The maturity of non-current loans was as follows:

	31 December 2023	31 December 2022
Between 1 and 2 years	7,632,523	9,707,939
Between 2 and 5 years	45,494,976	47,889,786
Over 5 years	1,334,587	4,329,055
	54,462,086	**61,926,780**

The carrying amounts of the Group's bank and other long-term loans are denominated in the following currencies:

	31 December 2023	31 December 2022
USD	30,298	88,819
EUR	65,163,377	64,824,628
RSD	-	4,268
JPY	29,494	92,041
	65,223,169	**65,009,756**

The Group repays loans in accordance with agreed dynamics, i,e, determined annuity plans. The Group has floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Group will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Group's ratio of consolidated indebtedness to consolidated EBITDA (note 5). The Group is in compliance with these covenants as of 31 December 2023 and 31 December 2022 respectively.

b) Lease liabilities

	31 December 2023	31 December 2022
Non-current portion of lease liabilities	3,010,984	735,918
Current portion of lease liabilities	924,031	2,413,671
	3,935,015	**3,149,589**

Amounts recognized in profit and loss:

	31 December 2023	31 December 2022
Interest expense (included in finance cost) (note 33)	160,516	98,355
Expense relating to short-term leases (note 30)	103,413	401,482
Expense relating to leases of low value assets that are not shown above as short-term leases (note 30)	51,477	118,858
Expense relating to variable lease payments not included in lease liabilities (note 30)	2,304,661	1,940,663

c) Other non-current financial liabilities

As at 31 December 2023 other non-current financial liabilities in the amount of 838,937 RSD (2022: 840,001 RSD) represents deferred consideration for O&G exploration.

22. SHORT-TERM FINANCE LIABILITIES

	31 December 2023	31 December 2022
Short-term loans - domestic	820,000	821,257
Short-term loans - foreign	-	486,888
Current portion of long-term loans (note 21)	10,761,083	5,811,404
Current portion of lease liabilities (note 21)	924,031	735,918
Other short-term financial liabilities	171	-
	12,505,285	**7,855,467**

23. TRADE PAYABLES

	31 December 2023	31 December 2022
Trade payables – parents and subsidiaries	-	1,762
Trade payables – other related parties	839,599	3,695,885
Trade payables - domestic	12,228,611	8,278,322
Trade payables - foreign	3,289,717	12,016,177
Trade payables - other	31,241	32,452
	16,389,168	**24,024,598**

24. OTHER SHORT-TERM LIABILITIES

	31 December 2023	31 December 2022
Specific liabilities	331,038	299,927
Liabilities for unpaid wages and salaries, gross	2,256,409	1,744,239
Interest liabilities	247,688	144,947
Dividends payable	3,783,595	3,783,818
Other payables to employees	1,272,621	1,078,452
VAT	1,530,268	4,209,049
Excise tax	8,059,685	7,994,286
Contribution for buffer stocks	617,524	885,898
Energy efficiency fee	73,508	122,399
Income tax	-	14,013,449
Other taxes payables	1,430,698	1,033,672
Other current liabilities	1,923,499	142,880
	21,526,533	**35,453,016**

25. ACCRUED EXPENSES

Accrued expenses as at 31 December 2023 amounting to 4,833,588 RSD (31 December 2022: 4,713,428 RSD) mainly relate to accrued employee bonuses of 2,844,890 RSD (31 December 2022: 2,876,426 RSD) and contract liabilities arising from contracts with customers related to customer loyalty 926,279 RSD (31 December 2022: 774,596 RSD).

Revenue in the amount of 8,004,503 RSD was recognized in the current reporting period (31 December 2022: 3,444,759 RSD) related to the contract liabilities as at 1 January 2023, of which 7,473,198 RSD (31 December 2022: 2,817,697 RSD) related to advances and 531,305 RSD (31 December 2022: 630,062 RSD) to customer loyalty programme.

26. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2023	2022
Gain on bargain purchase (note 39)	8,918,255	-
Release of impairment:		
Relase of impairment – PPE (note 8)	32	-
Relase of impairment – Investment property (note 8b)	-	88,350
Relase of impairment – Inventory (note 12)	472,753	85,867
Relase of impairment – Other	20	128
	9,391,060	**174,345**

27. COST OF MATERIAL

	Year ended 31 December	
	2023	2022
Costs of raw materials	222,719,629	275,871,856
Overheads and other costs	362,483	278,016
Fuel and energy cost	15,159,281	10,030,611
Other	1,638,261	1,075,497
	239,879,654	**287,255,980**

28. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	Year ended 31 December	
	2023	2022
Wages and salaries (gross)	32,111,745	26,853,527
Taxes and contributions on wages and salaries paid by employer	4,385,978	3,731,825
Cost of service agreement	152,673	111,986
Cost of other personal wages	40,300	23,982
Fees paid to board of directors and general assembly board	162,567	131,997
Termination costs	14,682	31,081
Cost of service organization	158,288	6,403
Other personal expenses	1,460,510	1,299,513
	38,486,743	**32,190,314**

29. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2023	2022
Impairment – Intangible assets (note 7)	-	31,261
Impairment – PPE (note 8)	135,289	146,367
Impairment – investment property (note 8b)	-	25,920
Impairment – inventory (note 12)	646,688	31,295
Impairment – other	27,193	1,165
	809,170	**236,008**

30. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2023	2022
Cost of production services	2,699,228	2,511,116
Transportation services	3,141,497	3,430,557
Maintenance	5,155,930	4,479,679
Rental costs (note 21)	2,459,551	2,461,003
Fairs	9,134	7,701
Advertising costs	998,752	858,008
Exploration expenses	267,288	31,672
Cost of other services	1,563,032	1,668,608
	16,294,412	**15,448,344**

31. NON-PRODUCTION COSTS

	Year ended 31 December	
	2023	2022
Costs of non-production services	3,442,145	2,683,719
Representation costs	134,834	90,505
Insurance premium	689,725	503,644
Bank charges	717,055	717,500
Cost of taxes	1,559,694	1,437,767
Mineral extraction tax	1,833,103	1,950,839
Other non-production expenses	1,678,773	1,748,382
	10,055,329	**9,132,356**

Costs of non-production services for the year ended 31 December 2023 amounting to 3,442,145 RSD (2022: 2,683,719 RSD) mainly relate to security cost of 920,982 RSD (2022: 689,189 RSD); project management costs of 573,102 RSD (2022: 465,187 RSD) and consulting service costs of 219,575 RSD (2022: 192,480 RSD).

32. FINANCE INCOME

	Year ended 31 December	
	2023	2022
Finance income - related parties		
– foreign exchange differences	950,947	2,142,450
Interest income	4,698,292	2,138,838
Income from net profit share of equity accounted investments	-	1,325,251
Amortisation income – discount of receivables	-	131
Foreign exchange gains	594,210	757,386
Other finance income	47,204	39,086
	6,290,653	**6,403,142**

33. FINANCE EXPENSE

	Year ended 31 December	
	2023	2022
Finance expenses – related parties		
– foreign exchange differences	1,152,020	3,508,316
– other finance expense	107,748	151,488
Interest expenses	3,066,076	1,645,100
Amortisation expense – discount of receivables	2,445	90,101
Decommissioning provision: unwinding of the present value discount	154,128	39,835
Loss on restructuring of borrowings	20,438	24,732
Foreign exchange losses	647,631	1,559,619
Other finance expenses	147,683	108,961
	5,298,169	**7,128,152**

34. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December	
	2023	2022
Reversal of impairment of LT financial investments	57,589	50,409
Income from valuation:		
– trade receivables (note 5)	96,580	43,074
– receivables from specific operations (note 5)	382	601,580
– other receivables (note 5)	6,839	4,653
	161,390	**699,716**

35. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December	
	2023	2022
Impairment of impairment of LT financial investments	429	-
Allowance provision expense:		
– trade receivables (note 5)	140,751	113,760
– receivables from specific operations (note 5)	1,986	360
– other receivables (note 5)	2,935	2,681
– other (note 5)	10,215	7,671
Impairment financial instruments through FV	-	352,829
	156,316	**477,301**

36. OTHER INCOME

	Year ended 31 December	
	2023	2022
Gains on disposal - PPE	42,871	214,331
Gains on disposal - materials	20,928	58,574
Surpluses from stock count	517,018	592,552
Payables written off	62,678	41,715
Release of long-term provisions (note 20)	579,872	369,331
Penalty interest	88,096	87,942
Other income	81,315	54,731
	1,392,778	**1,419,176**

37. OTHER EXPENSES

	Year ended 31 December 2023	2022
Loss on disposal - PPE	70,216	158,117
Loss on disposal - material	135,536	183,230
Shortages from stock count	684,272	706,099
Write-off receivables	22,460	2,966
Write-off inventories	171,504	117,799
Charity and social payments	7,248,576	162,031
Other expenses	328,668	89,810
	8,661,232	**1,420,052**

Charity and social payments amounting to 7,248,576 RSD mainly relate to donations for support projects in the field of education, social and health care.

38. INCOME TAXES

Components of income tax expense:

	Year ended 31 December 2023	2022
Income tax for the year	8,532,713	17,886,433
Deferred income tax for the period (note 11)		
Origination and reversal of temporary differences	(564,513)	(423,121)
	7,968,200	**17,463,312**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group's profits as follows:

	Year ended 31 December 2023	2022
Profit before income tax	**52,160,716**	**109,837,965**
Tax expense at applicable domestic tax rate (15%)	7,824,107	16,475,695
Effect of unrecognized tax losses and tax rates in foreign jurisdictions	322,860	78,602
Tax effects of:		
– Revenues exempt from taxation	(1,398,172)	(66,887)
– Tax paid abroad	-	155,950
– Other expenses not deductible	558,610	(44,257)
– Tax losses for which no deferred income tax asset was	(235.484)	
– recognised (utilized recognised tax credit), net	679,338	(235,484)
– Other tax effects for reconciliation between accounting profit and tax expense	**(18,543)**	**1,099,693**
	7,968,200	**17,463,312**
The weighted average effective tax rate	15.28%	15.9%

39. BUSINESS COMBINATIONS

Acquisition of HIP Petrohemija d.o.o. Pančevo

In accordance with the Agreement on Strategic Partnership signed on 24 December 2021 between Goverment of Republic of Serbia, NIS a.d. Novi Sad and HIP Petrohemija doo Pančevo (HIPP), on 9 June 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous 20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result, the Group expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacitet. For the purposes of consolidating the Group's financial statements, 30 June 2023 is considered the acquisition date.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The Group engaged independent appraiser to determine the fair value of the acquired assets and liabilities at the date of acquisition. In December 2023, the valuation was completed.

The fair values of the identifiable assets and liabilities of HIPP as at the date of acquisition were:

		Fair value recognised on acquisition
Assets		
	Cash and cash equivalents	568,307
	Trade and other receivables	2,707,063
	Inventories	7,580,758
	Short-term financial assets	588,292
	Other current assets	1,257,277
	Property, plant and equipment (note 8)	1,898,512
	Other non-current assets	34,314
	Total assets acquired	**14,634,523**
Liabilities		
	Current provisions for liabilities and charges (note 20)	(7,312)
	Other current liabilities	(2,914,880)
	Lease liabilities	(883,328)
	Non-current provisions for liabilities and charges (note 20)	(820,458)
	Deferred tax liabilities (note 11)	(95,548)
	Other non-current liabilities	(3,825)
	Total liabilities assumed	**(4,725,351)**
	Total identifiable net assets at fair value	**9,909,172**
	Purchase consideration transferred	-
	Non-controlling interest based on proportional interest in the recognized amounts of the net assets of HIPP (10%)	990,917
	Fair value of pre-existing interest of HIPP	-
	Bargain purchase arising on acquisition (note 26)	**8,918,255**
		Cash flow on acquisition
	Cash consideration	-
	Less: Balances acquired	568,307
	Cash and cash equivalents	-
	Net cash inflow – investing activities	**568,307**

The Group has no obligation to make other payments based on this transaction except for the fulfillment of the obligation under the strategic partnership agreement.

Bargain purchase has been recognize in profit and loss as Gain from bargain purchase within Other income/(expense), net line. The gain from the bargain purchase arose as the result of privatization of the Company based on a public bidding for a strategic partner taking into account unfavourable conditions in the industry in which the acquired entity operates at the time of acquisition, the state of equipment and facilities and the necessity of significant investment in the development of production capacities primarily polypropylene facilities, as well as the necessity of significant investment in ongoing maintenance of existing capacities, environmental protection and ensuring the long-term sustainability of the operations.

The acquisition date fair value of the trade receivables amounts to 2,707,063 RSD. The gross contractual amount of trade receivables is 3,084,488 RSD with a loss allowance of 377,425 RSD recognised on acquisition.

For the purposes of fair value estimation, HIP Petrohemija is viewed as a single cash-generating unit (CGU), which includes facilities for cracker ethylene, HDPE, LDPE and synthetic rubber.

Fair value of property, plant and equipment is determine comparing the value of operating assets estimated using the cost and market approach normalized for the net working capital (NWC) with the value of CGU estimated applaying discounted cash flow projections method.

Key assumptions used are :

a) a discount rate 10.9 per cent
b) terminal growth rate 0 per cent
c) a f/x RSD/EUR 117.30

From the date of acquisition, HIP Petrohemija contributed 9,707,659 RSD of revenue and 4,746,143 RSD to loss before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the year Consolidated Statement of Profit and Loss and Other Comprehensive Income of the Group would have included additional revenue of 19,203,848 RSD and loss before tax of 13,562,647 RSD from continuing operation of HIP Petrohemija.

There were no acquisitions in the year ending 31 December 2022.

40. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices during 2023 was US $ 82.62 per barrel which is 18% less from the same period in 2022 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations.

The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount o f 466,555 RSD (31 December 2022: 508,332 RSD) (note 20).

The Group's Management believes that cash outflows related to provision will not be significantly higher than the ones already provided for. However, it is possible that these costs will increase significantly in the future, should the legislation become more restrictive.

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 December 2023.

Capital commitments

As of 31 December 2023 the Group has entered into contracts to purchase property, plant and equipment for 2,861,058 RSD (31 December 2022: 311,970 RSD) and drilling and exploration works estimated to 89.78 USD million (31 December 2022: 96.93 USD million).

There were no other material commitments and contingent liabilities of the Group.

41. GROUP ENTITIES

The consolidated financial statements of below listed subsidiaries are consolidated as at 31 December 2023 and 31 December 2022:

Subsidiary	Country of incorporation	Nature of business	Share % 31 December 2023	Share % 31 December 2022
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	Trade	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	Trade	100	100
NIS Petrol SRL, Bucharest	Romania	Trade	100	100
NIS Oversiz, St Petersburg	Russia	Other	100	100
Naftagas-Naftni servisi d.o.o., Novi Sad	Serbia	O&G activity	100	100
NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	O&G activity	100	100
Naftagas-Tehnicki servisi d.o.o., Zrenjanin	Serbia	O&G activity	100	100
Naftagas-Transport d.o.o., Novi Sad	Serbia	Transport	100	100
NIS Petrol a.d., Belgrade	Serbia	Other	100	100
G Petrol d.o.o., Sarajevo	Bosnia and Herzegovina	Trade	100	100
Jadran - Naftagas d.o.o., Banja Luka	Bosnia and Herzegovina	O&G activity	100	100
HIP Petrohemija d.o.o., Pančevo	Serbia	Petrochemical	90	20.86

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The immediate and ultimate holding company of the Group is PJSC Gazprom. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company.

42. RELATED PARTIES TRANSACTIONS

For the purpose of these Consolidated Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the year ended 31 December 2023 and in the same period in 2022, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As of 31 December 2023 and 31 December 2022 the outstanding balances with related parties other than state and state own companies were as follows:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
As at 31 December 2023			
Advances for PP&E	-	72,113	-
Investments in associates and joint ventures	-	-	2,729,005
Long term reseivables	-	-	669,617
Advances for inventory and services	-	16,552	-
Trade receivables	-	218,543	84,543
Other receivables	-	19,799	25
Short-term investments	-	25,835	-
Advances received	-	(127)	(433)
Trade payables	-	(172,010)	(667,589)
	-	**180,705**	**2,815,168**
As at 31 December 2022			
Right of use assets	-	197	-
Investments in associates and joint ventures	-	-	2,866,724
Advances for inventory and services	-	22,259	-
Trade receivables	-	367,944	1,446,747
Other receivables	-	5,741	709,408
Short-term investments	-	36,214	-
Long-term liabilities	-	(49)	-
Short-term financial liabilities	-	(2,728,428)	-
Advances received	-	(312)	(3,101)
Trade payables	(1,762)	(642,009)	(3,053,876)
Other short-term liabilities	**-**	**(37)**	**(1)**
	(1,762)	**(2,938,480)**	**1,965,901**

For the year ended 31 December 2023 and 2022 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
Year ended 31 December 2023			
Revenues from sales of products and services	-	753,874	15,627,031
Expenses based on procurement of products and services	(5,218)	(1,493,155)	(14,611,811)
Other expenses	-	(43,650)	(61,936)
	(5,218)	**(782,931)**	**953,284**
Year ended 31 December 2022			
Revenues from sales of products and services	-	1,964,551	39,357,392
Expenses based on procurement of products and services	(7,292)	(116,893,430)	(8,696,807)
Other (expenses)/income	-	(147,867)	663
	(7,292)	**(115,076,746)**	**30,661,248**

Main balances and transactions with state and state owned companies are shown below:

	Entities under common control and associates	Other
As at 31 December 2023		
Trade and other receivables (gross)	-	967,842
Advances paid	-	445
Trade and other payables	-	(517,071)
Other current liabilities	-	24
	-	**451,240**
As at 31 December 2022		
Trade and other receivables (gross)	1,433,784	787,379
Advances paid	-	445
Trade and other payables	(1,259,596)	(725,804)
Other current liabilities	(2,506)	(24)
	171,682	**61,996**

	Entities under common control and associates	Other
Year ended 31 December 2023		
Operating income	15,329,411	11,388,815
Operating expenses	(172,776)	(256,434)
	15,156,635	**11,132,381**
Year ended 31 December 2022		
Operating income	39,107,255	9,812,283
Operating expenses	(279,921)	(340,454)
	38,827,334	**9,471,829**

Transactions with state and state owned companies controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties. For the period of first six months transaction with HIP Petrohemija are included in Associates and joint venture in related party transactions.

Transactions with Key Management Personnel

In the year ended 31 December 2023 and 2022 the Group recognized 1,063,808 RSD and 1,024,263 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

43. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with The Accounting Law, the Group reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. There are no material unconfirmed receivables or payables in the Group.

44. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2023 were evaluated through 29 February 2024, the date these Consolidated Financial Statements were authorised for issue.

REPORT ON PAYMENTS TO GOVERNMENTAL AUTHORITIES

for the year ending on December 31, 2023

Articles 39 and 40 of the Law on Accounting ("Official Gazette", No. 73/2019 and 44/2021 – other Laws) require the companies of public interest operating in the extractive or primary forest felling industries to compile and publish a report or consolidated report on payments to governmentar authorities on an annual basis.

Article 76 of the Law on the Capital Market stipulates that an issuer engaged in mining, which includes the activities of exploration, discovery and extraction of minerals, oil, natural gas and other raw materials, or primary forestry, such as the cultivation, felling and restoration of forests and forest areas, has the obligation to compile and publish, once a year, and not later than 6 months after the end of the business year, the summary report on all payments to the state, autonomous provinces, cities, municipalities and organisations that have public powers.

Information about the preparation (preparation rules) of the report on payments to governmental authorities:

Legal entities subject to reporting

Pursuant to the Law on Accounting, NIS j.s.c. Novi Sad as a legal entity operating in the extractive industry is required to prepare a consolidated Report on Payments to Governmental Authorities for every completed business year, both for NIS and all of its subsidiaries (engaged in the extractive industry) subject to consolidation within the Consolidated Financial Statements of NIS Group.

Payments included in the report on payments to governmental authorities

All payments of NIS Group made the governmental authorities during the indicated business year for activities including exploration, prospecting, discovery, development and extraction of coal, crude oil and natural gas, metal ores, non-ferrous, other mining and quarrying of stone, sand, clay, gravel, etc. are presented in this Report.

Within the meaning of the law, payment represents an amount paid in money, goods, services or rights for activities of legal entities operating in the extractive industry or engaged in felling of primary forests.

Types of payments subject to this Report are as follows:

Right to production – The right to production includes the share of production that belongs to the state during the reporting period. As a rule, this payment is made in kind. These payments were not identified within NIS Group.

Income, production or profit tax of legal entities excluding consumption taxes such as value added tax, personal income tax or excise duties – The Report on Payments to Governmental Authorities includes all payments related to income tax and production tax. VAT, excise duties and property tax are not shown in this Report. Payments based on environmental protection fees and not included.

Benefits – Include royalty-related payments.

Dividends – All dividends paid out to the Republic of Serbia except for dividends paid out on the basis of ownership rights from ordinary shares.

These payments were not identified within NIS Group in 2023. RSD 6,980,025,874.78 was paid to the Republic of Serbia in the name of dividends based on ownership rights from ordinary shares in 2023.

Signing, discovery and production bonuses – It includes bonuses paid out after signing of an agreement or a contract, or when a commercial discovery is announced, or when production started, or when production reached a milestone. In 2023, there were no payments of this type.

License fees, lease fees, entry fees and other licenses and/or concessions - It includes fees and other amounts paid as fees to obtain access to a certain area where extractive activities are carried out. Administrative fees that are not specifically related to the extractive sector or access to the extractive resources are excluded. Payments in exchange of services provided by the Government are also excluded. Payments of this type were not identified within NIS Group in 2023.

Infrastructure improvement payments – Include payments for development and improvement of the local infrastructure (roads, bridges or railway), except when infrastructure is used exclusively for operational purposes. Socially significant payments (construction of schools and hospitals) are not included. In 2023, there were no payments of this type within the NIS Group.

The Report on Payments to Governmental Authorities includes payments in excess of EUR 100,000 in dinar equivalent.

Governmental authorities

In terms of this law, Governmental authorities are any national, regional or local authorities of the Republic of Serbia, a member state or a third country. This includes a department, agency or company that controls such authorities as per provisions of Articles 39 and 40 of the Law on Accounting.

Project

A Project represents operational activities regulated by a single contract, license, lease, concession or similar agreement and forms the basis for payment of obligations to authorities. If several such contracts are considerably interconnected, they are considered a single project.

Reporting currnecy

All amounts presented in this Report are expressed in dinars (RSD).

Total amount by payment type

Payments, by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees	Infrastructure improvement payments
Republic of Serbia	0	29,759,941	1,700,189	0	0	0	0
Angola	0	0	0	0	0	0	0
Bosnia and Herzegovina	0	0	0	0	0	0	0
Romania	0	0	90,045	0	0	0	0
Total	**0**	**29,759,941**	**1,790,234**	**0**	**0**	**0**	**0**

in 000 RSD

Payments, to governmental authorities

Serbia

Payments, by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees	Infrastructure improvement payments
Ministry of Finance Treasure Department	0	0	1,700,189	0	0	0	0
Ministry of Finance, Tax administration, Center for Large Taxpayers	0	29,759,941	0	0	0	0	0
Total	**0**	**29,759,941**	**1,700,189**	**0**	**0**	**0**	**0**

in 000 RSD

Angola

Payments, by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees	Infrastructure improvement payments
NAMR National Agency for Mineral Resources	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

in 000 RSD

Romania

Payments, by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees	Infrastructure improvement payments
NAMR National Agency for Mineral Resources	0	0	90,045	0	0	0	0
Total	**0**	**0**	**90,045**	**0**	**0**	**0**	**0**

in 000 RSD

102 License fees, lease fees, entry fees and other licenses and/or concessions.
103 License fees, lease fees, entry fees and other licenses and/or concessions.
104 License fees, lease fees, entry fees and other licenses and/or concessions
105 License fees, lease fees, entry fees and other licenses and/or concessions

Payments, by projects

Angola

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees	Infrastructure improvement payments
Angola Block 3	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

in 000 RSD

106 License fees, lease fees, entry fees and other licenses and/or concessions

ESG INDICATORS

	Unit of measure	2022	2023	Δ
Climate change & environment				
Direct CO_2 emissions (scope 1),	mn tonnes CO_2	1.478	**1.397**	-6%
Carbon intensity in Exploration and production Block for scope 1	in kg CO_2E /t of oil production	275.7	**255.2**	-7%
Carbon intensity in the Refining Block for scope 1	in kg CO_2E /t of oil production	272.3	**276.9**	+2%
Indirect CO_2 emissions (scope 2)	in thousands t CO_2	268.2	**271.2**	+1%
Other indirect greenhouse gas emissions (scope 3)[107]	in thousands t CO_2	9,589	**11,172**	+17%
Sulphur Dioxide (SO_2)	tons	179	**156**	-13%
Nitrogen Oxides (NOx)	tons	994	**985**	-1%
Emission of particulate matter	tons	32	**30**	-6%
Energy consumption within the company, total	toe	533,838	**506,872**	-5%
Total number of spills[108]	number	8	**20**	+150%
Number of spills (>1 bbl)	number	6	**5**	-17%
Volume of spilled material[109]	m^3	1.7	**10.2**	growth
Captured water per ton of refined oil	mn m^3/mn t	0.95	**1.44**	+51%
Waste water discharged per ton of refined oil	mn m^3/mn t	0.44	**0.70**	+58%
Total Waste Generated	tons	12,235	**10,717**	-12%
Dangerous	tons	7,114	**7,621**	+7%
Non-dangerous	tons	5,121	**3,096**	-40%
Total Waste Discharged	tons	12,436	**10,960**	-12%
Dangerous	tons	7,320	**7,860**	+7%
Non-dangerous	tons	5,116	**3,100**	-39%

107 Other indirect emissions of gases with the greenhouse effect, which are mostly the consequence of the use of the company's products - emissions for category 1 - purchased goods and services, category 2 - means of production (steel, cement) and category 11 - use of the company's sold products)
108 Spillage of oil and derivatives on land, waste water, chemicals, gas emissions and other
109 The data shown refer to the spillage of oil and derivatives on land

	Unit of measure	2022	2023	Δ
People & communities				
Number of Employees [110]	number	11,935	**12,248**	+3%
Number of Employees with part-time [111]	number	28	**30**	+7%
Employee turnover rate	%	13	**11**	-15%
o/w Voluntary Turnover Rate	%	9	**8**	-11%
o/w Non-Voluntary Turnover Rate	%	4	**3**	-25%
Proportion of women in total workforce	%	29	**30**	+3%
Proportion of women in management	%	30	**30**	0%
Average hours of training per employee	hours	8,71	**12,50**	+44%
Average training cost per employee	RSD thousand	19,631.7	**22,306.7**	+14%
Employees covered by collective agreement	%	97	**97**	0%
Investments in community [112]	RSD million	360	**7,471**	growth
Volunteer hours	number	679	**1,121**	+65%
Voluntary blood donation (collected blood units)	number	298	**572**	+92%
Health & safety				
Fatalities – own staff	number	0	**0**	n/a
Fatalities – contractors (on- and off- site)	number	0	**0**	n/a
Fatalities – third parties (work related)	number	1	**1**	0%
LTIF[113]	per 1 mn worked hours	1.17	**1.92**	+64%
Tier 1 (Process safety events[114])	number	0	**0**	n/a
Tier 2 (Process safety events)	number	2	**2**	0%
Tier 3 (Process safety events)	number	305	**334**	4%
Members of Board of directors				
Number of board members	number	11	**11**	-
Number of executive members	number	1	**1**	-
Number of non-executive members	number	10	**10**	-
o/w number of independent board members	number	2	**2**	-
Numbers of Board of directors Meetings	number	23	**22**	-
Numbers of Board of directors Committees	number	3	**3**	-

110 The number of employees does not include employees hired through the Contract of Services.
111 Employees hired through the Contract of Services. On December 31, 2023 within the NIS a. d. In Novi Sad, we have 106 employees hired through the Contract of Services.
112 Regarding data for 2023, RSD 471.7 million is the company's investment in all areas of support, and the amount of RSD 7 billion represents the company's donation to support the projects of the Government of the Republic of Serbia in the field of education, social and health care, all that after the excellent business results of the company during 2022.
113 LTIF (Lost Time Injury Frequency) – ratio of employee injuries with sick leaves.
114 PSE Tier (Process safety event Tier-1, Tier-2, technological events of the first and second level) – unplanned and uncontrolled leakage from vessels / pipelines during the technological process, which, according to the interna244tional classification (API 754, IOGP 456) leads to the occurrence of: fire, explosion, employee injury or other major negative impacts

STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THE PREPARATION OF REPORT

We hereby declare that, to the best of our knowledge, the annual report has been prepared in accordance with applicable accounting standards and that it provides a true and objective overview of the assets, liabilities, financial position, profits and losses, revenues and expenditures of the Company, including all companies included in the group with which the Company forms an economic entity, and that the management report on the operations of the Company provides a fair insight into the development and course of its operations, as well as its position and the position of its companies in the group with which it forms an economic entity, together with a description of the main risks and uncertainties to which they are exposed.

Kirill Tyurdenev
CEO
NIS j.s.c. Novi Sad

APPENDICES

General Information about NIS j.s.c. Novi Sad

Business name:	**NIS j.s.c. Novi Sad**
Company Registration No:	**20084693**
Address:	**12 Narodnog fronta Street, Novi Sad**
TIN:	**104052135**
Website:	**www.nis.rs**
Email:	**office@nis.rs**
Core activity:	**0610 - Extraction of crude petroleum**
Date of Establishment:	**1 October 2005**
Audit Company which audited the last financial report (as at 31 December 2023):	**FinExpertiza LLC Belgrade 90a Kneza Miloša Street 11000 Belgrade**
Organized market where shares of the Issuer are traded in:	**Belgrade Stock Exchange a.d. 1 Omladinskih brigada Street 11070 Novi Beograd**

GLOSSARY

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensioal
a.d.o.	Insurance joint stock company
AMCHAM	American Chamber of Commerce
B&H	Bosnia and Herzegovina
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CMMS	Computerized maintenance management system
CNG	Compressed Natural Gas
CO_2	Carbon Dioxide
CSM	Contractor Safety Management
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
EIA	Energy Information Administration
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
ETBE	Ethyl tert-butyl ether
EU	European Union
EUR	Euro
FCC	Fluid Catalytic Cracker
FIC	Foreign Investors Council
FU	Firefighting Unit
GDP	Gross Domestic Product
GPN	PJSC Gazprom Neft
GTA	Geological-technical activities
GWh	Gigawatt hours
HAZID	Hazard Identification Study
HAZOP	Hazard Operational Analysis
HiPACT	High Pressure Acid Gas Capture Technology
HQ	Highly-qualified worker
HR	Human Resources
HSE	Health, Safety and the Environment
IC	Investment Commission
IMF	International Monetary Fund
IMS	Integrated Management System
IPPC	Integrated Pollution Prevention and Control
IRMS	Integrated Risk Management System
ISO	International Standardisation Organisation
IT	Information Technology
IVMS	In-Vehicle Monitoring System
j.s.c. or JSC	Joint Stock Company
km	kilometre
KM	Bosnia-Herzegovina Convertible Mark
KPI	Key Performance Indicator
kW	Kilowatt, unit for measuring electrical energy
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTD	Limited
LTI	Lost Time Injury
LTIF	Lost Time Injury Frequency
m^2	Square meter

Abbreviation	Meaning
m^3	Cubic meter
MBA	Master of Business Administration
mn	million
MW	Megawatt, SI unit of electricity
MWe	Megawatt electrical – a unit of electrical generating capacity
MWh	Megawatt hour, unit of electricity
N_2	Nitrogen
NAMR	National Agency of Mineral Resources
NATO	North Atlantic Treaty Organisation/North Atlantic Alliance
NBS	National Bank of Serbia
NMD	Regulatory methodology document
NOX	Nitrogen Oxides
OCF	Operating Cash Flow
OF	Oil field
OMS	Operating Management System
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
P/BV	Price/Book Value
P/E	Price/EPS
PE	Public Enterprise
PhD	Doctor of Philosophy
PS	Petrol Station
Q	Qualified worker
RAR	Road Accident Rate
RIW	Repair and insulation works

FINANCIAL CALENDAR

Reporting period	Proposed date of publication of results in 2024
FY 2023 **Q4 2023**	**January 30, 2024**
Q1 2024	**April 26, 2024**
Q2 2024	**July 29, 2024**
Q3 2024	**October 28, 2024** **on the day of the Investor's Day**

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NIS FUTURE AT WORK