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**QUARTERLY REPORT
FOR FOURTH
QUARTER
OF 2023**

The Quarterly Report for Fourth Quarter of 2023 presents a factual overview of NIS Group's activities, development and performance in fourth quarter and the twelve months of 2023.

The Report covers and presents data for NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to certain individual subsidiaries or only NIS j.s.c. Novi Sad, it is so 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 Quarterly Report for Fourth Quarter of 2023 is compiled in Serbian, English and Russian. In case of any discrepancy, the Serbian version shall be given precedence.

The Quarterly Report for Fourth Quarter of 2023 is also available online on the corporate website. For any additional information on NIS Group, visit the corporate website www.nis.rs.

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Foreword

In 2023, the priority for NIS was the implementation of an extensive investment program. Consequently, in the fourth quarter of last year, RSD 17.3 billion were invested. The total volume of investments of the NIS Group in 2023 amounts to RSD 39.2 billion, which is 77 percent more than the investments made in 2022. Although significant capital investments were made, NIS Group further reduced its indebtedness last year, so on 31 December 2023, it amounted to EUR 564 million.

In accordance with the Strategic Partnership Agreement with the Republic of Serbia, NIS became the majority owner of HIP-Petrohemija last year and commenced preparations for the upgrade of the domestic petrochemical complex. The priorities in this area will be the modernization of existing capacities, the construction of plants for the production of polypropylene and investments in the enhancement of environmental protection. The main goal is to achieve long-term sustainable operation of HIP-Petrohemija despite the current unfavorable circumstances on the petrochemical market.

It is important to point out that in 2023, NIS paid more than RSD 23 billion as dividends to its shareholders, which is a record annual amount of dividends. In addition, NIS provided EUR 60 million intended to support the projects of the Government of the Republic of Serbia in the field of education, social and health care.

The operational and financial indicators of the NIS Group in 2023 are in line with oil price movements on the global market, as well as trends in the markets where NIS Group operates. The average price of Brent oil last year was \$82.6 per barrel, which is 18 percent lower than in 2022. The EBITDA indicator of the NIS Group in 2023 amounts to RSD 68.1 billion, which is 50 percent less when compared to the comparative period. Net profit decreased by 52 percent and amounted to RSD 44.2 billion.

Regarding to operational indicators, NIS achieved a slight increase in oil and gas production in the fourth quarter in comparison with the same period in 2022, which resulted in the total volume of production in 2023 being at almost the same level as in the comparative period – 1.158 million conditional tons of oil and gas. The volume of crude oil and semi-finished products refined at the Pancevo Oil Refinery in 2023 was 4.092 million tons, i.e. 7 percent less than in 2022. The total turnover of petroleum products was 3.999 million tons, which is 8 percent less than in the previous year.

With the results achieved in the year behind us, NIS laid solid foundations for further development in all business areas. In 2024, the priority of the NIS Group will be the continuation of investments, and the Business Plan envisages investments of almost RSD 60 billion.

Management Business report

Highlights

January – March

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, the first FIDE Chess Olympiad for people with disabilities was held

Signing of the contract on lease of PS Niš Istok

The mobile application Drive.Go was awarded with a special – Top 50 prize, granted by the magazine PC Press to the best online contents in the category of Digital Innovation

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

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

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

April – June

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

The NIS company received an award from the magazine “Diplomacy&Commerce” for the best socially responsible campaign in 2022, as well as a special plaque from “Večernje novosti” for many years of humanitarian activities

Obtained ISCC certificate¹ 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 mln 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, the 13th consecutive company-verified report on sustainable development, has been published

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 PS)

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 has 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

July – September

Commissioning of PS Brus, Kosjerić

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

¹ISCC certificate is an internationally recognized standard for the sustainable control of biomass and biofuels

As part of digitalization 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 work of the new PS Sokolići 2 and its restaurant

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

The fourth season of the young people employment programme “NIS Energy” started. This programme is the winner of the “Digital Awards” award for the HR Employer branding online campaign, which was awarded as part of the conference #Digital2023

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

October - December

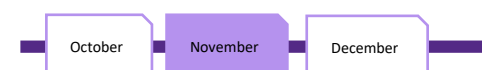


Putting PS Blace back into operation following their reconstruction

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

The results of the “Common Couse Community” contest were announced, through which NIS will support 54 projects in the field of education and science worth a total of RSD 144.5 million

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



Continuation of cooperation with the faculties of the University of Belgrade – the visit of students of the Faculty of Technology and Metallurgy in Belgrade, future technologists, to the Pančevo Oil Refinery

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

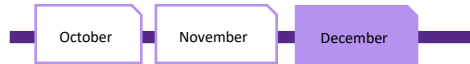
At the session of the NIS Investment Board, the reconstruction of the Laboratory building in the Pančevo Oil Refinery was approved

Putting PS Bajmok back into operation following their reconstruction

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

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

NIS received the award: “Campaigns with Social Purpose 2023” for its socially responsible campaign called “May new hopes be born” (Da se nove nade rode)



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 with the Turkish National Company is in progress

Approved new route for the transport of crude oil on the route Iđoš – Turija

Implementation of additional measures to increase energy efficiency and efficiency of technological processes in Refining Block

Activities within the preparation plan for the capital overhaul of the Pančevo Oil Refinery in 2024

Putting PSs back into operation following their reconstruction: Vladičin Han and Odžaci

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

Completion of activities planned in 2023 to install solar pannels on PS (30 PS)

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 of RSD 59.7 billion

Group NIS

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 employees². 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 and Downstream, 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.

The plant for the preparation of natural gas, production of LPG and gasoline, and CO₂ 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.

² Including employees in HIP-Petrohemija LLC Pančevo

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. 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, and 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), which began in 2021. 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. In addition, as a separate business direction, NIS is developing the application of aviation fuel, fuel for navigable vessels, and sales of bitumen.

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 was built and started operating in 2022. The produced electricity from TE-TO Pančevo 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.

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 14.5 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 valorized 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.

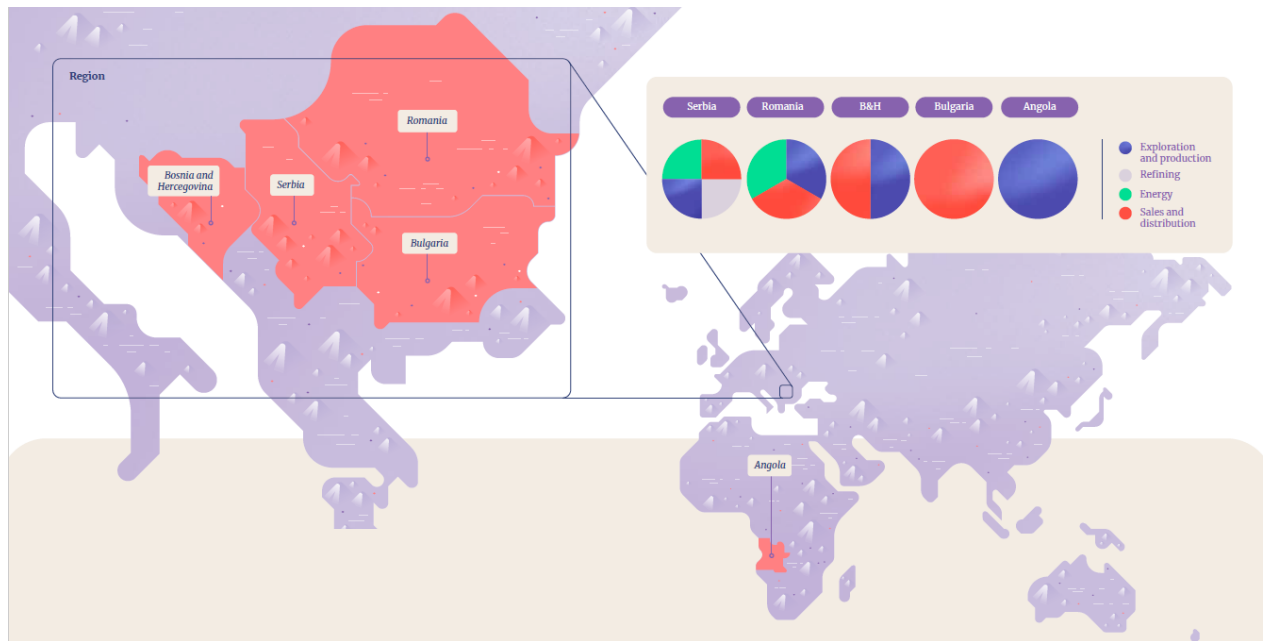
In 2022, the construction of solar photovoltaic power plants at NIS petrol stations began. As of December 2023, the construction of 45 PS was completed, 25 of which were put into operation. In 2024, the construction of solar photovoltaic power plants on other NIS facilities continues.

HIP-Petrohemija

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, 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.

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.



Risk management

Integrated Risk Management System

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. Risk represents a negative impact on the Company's objectives in the case of a risky event occurring. In business, the Company is exposed to certain risks which may affect the fulfilment of set objectives, if realised.

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

In its operations, company is exposed to the following the most important risks:

Nonfinancial risks

<i>RISK DESCRIPTION</i>	<i>RISK MANAGEMENT MEASURES</i>
<i>Operational risks</i>	
<i>HSE risks</i>	
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, 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.
<i>HR risks</i>	
Highly qualified personnel is a key prerequisite of efficient operations of the company.	<p>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.</p> <p>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.</p>

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.

Financial risks

RISK DESCRIPTION	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.	<p>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).</p> <p>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.</p>
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.	<p>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:</p> <ul style="list-style-type: none"> • 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 and 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

World⁴

Turbulent events in 2023 led to a situation where oil producers do not have a clear understanding of the state of supply and demand in the oil and gas market. This 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, 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 and then start reducing. 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 was voluntarily reduced by 1 million barrels per day from 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, which is an decrease from an increase 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 most of the decline coming from Europe. Overall, global demand growth is forecast to slow to around 1.1 million barrels per day 2024, given the lower 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, held in the UAE in mid-December, representatives of nearly 200 countries agreed on the need to reduce global fossil fuel consumption to counter climate change. This decision is considered historic, but its real success depends on its implementation. More than 100 countries participating in the conference 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. Aramco's strategy remains the same and envisages continuous investment in hydrocarbon production. This is intended to ensure short- and medium-term energy security and energy availability, as well as 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.

Goldman Sachs, the world's largest analytical firm, voices a similar opinion, believing that the energy transition should be based on maximising energy levels while minimising emissions and maintaining reliability. The firm believes that this is the correct approach Europe has been lacking over the past few years. This is 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 plans of the EU countries will ensure a cumulative reduction of greenhouse gas emissions by 51% by 2030, falling short of the mandatory target of 55%.

³ 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.

⁴ 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 during 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, similar to the same period in 2022.

The average price of this type of oil in 2023 of 82.6 \$/bbl was lower than last year by 18%, while the average price recorded in the last quarter of 84.0 \$/bbl did not deviate much from the average for the same period in 2022 (88.7 \$/bbl) and was 5% lower.

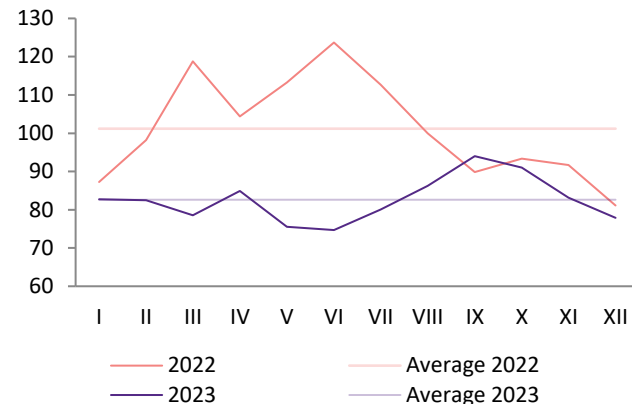
The end of 2023 marked a seven-week-long period of persistent price declines, the longest in five years. The price in 2023 peaked at the end of September and then gradually declined until it reached 77.6\$/bbl last day of the year.

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 supply of oil 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 Dtd⁵ price trends, \$/bbl

↓ -18%



Macroeconomic trends

In its latest Global Survey on Economic Conditions, McKinsey states that the highest percentage of respondents throughout the year stated that geopolitical instability is the greatest threat to economic growth. The previously present 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 have a small decline in economic growth from 4.1% in 2022 to 4.0% in 2023 and 2024.

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

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

At its last monetary policy meeting in 2023, the European Central Bank decided to keep interest rates at 4.5%. It was also pointed out that an increase in interest rates 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%.

⁵ Source: Platts.

And the US Federal Reserve has 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 arose as a result of the decisions of the ECB and the FED are premature, and some indices on the stock exchanges show this. According to them, and in the event that inflation decreases, interest rates are likely to remain higher in the next decade than they were 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.

Serbia⁶

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, and 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 and 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 third quarter of 2023, the real year-on-year GDP growth was 3.6%, with the fourth quarter of 2023 growth estimated at approximately 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 November 2023, the year-on-year growth rate of industrial production was 3.6%, while the cumulative year-on-year growth rate in the period January-November was 2.6%. The growth was promoted by the sectors of Processing Industry (2.5%) and Electricity, Gas, Steam and Air-conditioning Supply (10.3%), while the year-on-year production in the Mining Sector was slightly lower (0.02%). 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 Mining Sector has had a similar level of production with minor fluctuations since the first quarter of 2022, which is why the sector's growth was the slowest in 2023.

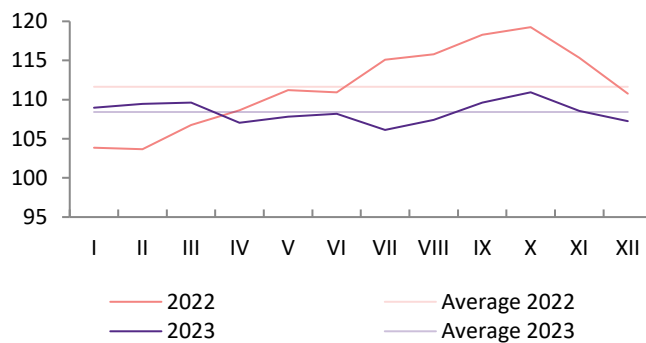
⁶ Source: National Bank of Serbia, Republican Bureau of Statistics, Chamber of Commerce Serbia, newspaper articles.

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

The average (gross) salary calculated in October 2023 was RSD 119,791, while the average salary without taxes and contributions (net) was RSD 86,738. The median net salary in October 2023 was RSD 67,124. The average (gross) salary calculated in the period January-October 2023 was RSD 116,868, while the average salary without taxes and contributions (net) was RSD 84,694. The nominal and real growth of gross and net salaries in the period January-October 2023 was 15.0% and 1.4% respectively, compared to the same period last year.

Exchange rate trend, USD/RSD⁷

↓ -3%



- Average USD/RSD in 2023 was lower by RSD 3.3, i.e. 3% lower compared to the average exchange rate in the same period of 2022.
- During the 2023 USD/RSD exchange rate decreased by RSD 4.3 or 4%.
- During the 2022 USD/RSD exchange rate increased by RSD 6.2 or 6%.

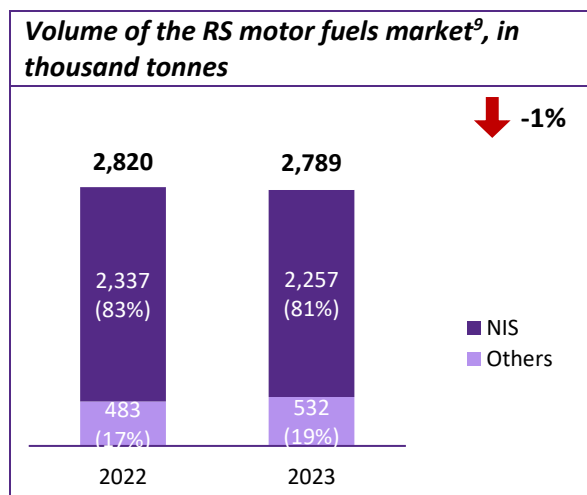
⁷Source: NBS.

Performance analyses

Market share⁸

The growth of consumption has been recorded in almost all countries of the region. A good tourist season has led to a significant growth of consumption in Croatia, while the consumption in Hungary is lower due to an extremely long period of fixed prices at an extremely low level in the previous year.

Market share in the Serbian market



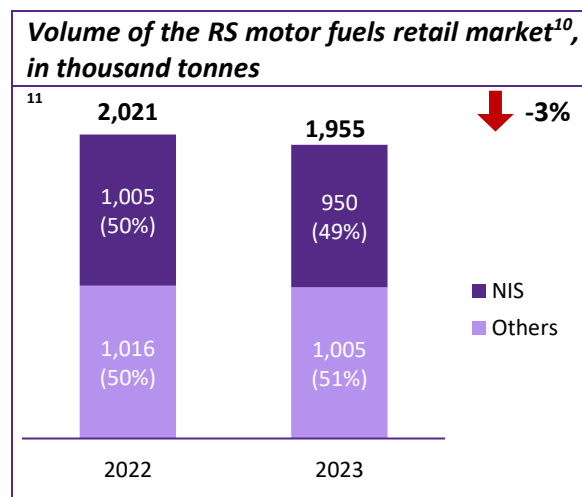
In 2023, the consumption of petroleum products in Serbia decreased by 3.9% compared to the previous year. The consumption of motor fuels in Serbia is decreasing by 1.1%. The high base period in the first half of 2022 due to the increase in the supplies of the end users because of their fear of a possible shortage influenced the reduction of the difference in interannual consumption.

The growth of NIS share in the motor fuel market in 2022 was related to the Regulation controlled by the price of petroleum products, which was continuously in force in 2023, too, as well as to the prescribed fixed preferential price for supplying farmers. Although during the second quarter of 2023, the attractiveness of the price of diesel for farmers was reduced as a result of the decline in quotations

on the global market, which restored the ability of other market participants to compete in this segment, that was again changed in September by a significant increase in prices, which returned agrodiesel almost completely to deliveries from NIS petrol stations.

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 RS, while NIS share was lower than its share in the same period last year by 1.1%, which was related to the part of the year in which the price of diesel was close to the price prescribed for farmers.

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 the participation in the market for NIS.



⁸Sources of information on the basis of which the projections were created: for Serbia - internal analyzes and assessments of Sales and Distribution Block; for consumption estimation in Bulgaria and Romania - PFC and Eurostat and for Bosnia and Herzegovina - PFC and internal estimates.

⁹Data for 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

¹⁰The 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 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

¹¹Other retail of other market participants is supplied from the wholesale of NIS and other participants of the Serbian wholesale market.

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. The company “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 signed with Ryanair airline was signed for 2024, binding the company “HIFA-OIL” to supply jet fuel and provide full service for this airline at Sarajevo Airport.

During the first quarter of 2023, the Regulation prohibiting the export of diesel from Serbia was in force, which significantly restrained the supply by NIS retail network and prevented the supply to wholesale clients. In March, the quantity quota for export to Bosnia and Herzegovina was approved, which renewed the supply from Pančevo Refinery, and the Regulation was formally abolished at the end of March, so that during the second quarter the supply was normalized.

NIS has 41 petrol stations in Bosnia and Herzegovina (and 1 petrol station in the DODO regime).

NIS market share in the total market of motor fuels in 2023 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 one in the Southeast Europe, talking about the bad treatment by the Sofia authorities. The conversion of Burgas Refinery (with the capacity of 7-8 million tonnes annually) for the refining of non-Russian crude oil would amount to USD 500 million, as estimated by Lukoil. So, whoever buys the Refinery will have to invest a lot, which would keep the refinery in the reduced capacity during the conversion (or maybe even shut it down) for a while. There is a lot of speculation about the potential buyer of the Lukoil Neftohim Burgas Refinery, and the Azerbaijani state-owned oil company “SOCAR” is mentioned as a stakeholder.

The Bulgarian Antimonopoly Commission fined the oil company “Lukoil” for abusing its dominant position in that country. The Bulgarian state regulator explained its decision, stating that “Lukoil Bulgaria” used 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 other 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 continue the Burgas-Alexandroupolis project in the fastest possible way.

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 recovery in the sales of motor fuel, as well as in retail, compared to the previous year.

In Bulgaria, at the beginning of the year, NIS operated a network of 34 petrol stations in and a petroleum products warehouse 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 European regulation on 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 by 20% the average of 2017-2021. This will also be the case in 2024, for 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 the company 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 the company KazMunayGas International (KMGI) in Rompetrol Refinery 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 regular 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. Investments in the project 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 stations for fast charging at petrol stations in western Romania. The EVconnect network managed to have 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 that will enable the installation of fast stations with a power of more than 150 kW for every 60 km along the main routes in the EU from 2025. The programme should be completed by 2030.

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

NIS has 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^{12}	Indicator	Unit of measurement	2023	2022	Δ^{13}
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 ¹⁴	RSD billion	68.1	136.2	-50%
6.4	41.5	-85%	OCF	RSD billion	28.0	114.1	-75%
17.3	10.0	+73%	CAPEX ¹⁵	RSD billion	39.2	22.1	+77%
62.7	66.7	-6%	Accrued liabilities for taxes and other public revenues ¹⁶	RSD billion	244.4	251.2	-3%
564.0	565.8	-0.3%	Total bank indebtedness ¹⁷	EUR million	564.0	565.8	-0.3%
1.9	1.2	+64%	LTIF ¹⁸	number	1.9	1.2	+64%

¹² 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.

¹³ 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.

¹⁴ 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.

¹⁵ CAPEX amounts are exclusive of VAT.

¹⁶ 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.

¹⁷ 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.

¹⁸ 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

Q4 2023	Q4 2022	Δ^{19}	Indicator	Unit of measurement	2023	2022	Δ^{20}
290.2	289.5	+0.2%	Oil and gas output²¹	thousand t.o.e.	1,158.3	1,168.7	-0.9%
208.3	202.5	+2.9%	Domestic oil output²²	thousand tonnes	814.2	806.7	+0.9%
0.5	0.9	-49%	LTIF²³	number	0.5	0.9	-49%
9.4	10.0	-6%	EBITDA	RSD billion	34.2	44.8	-24%
7.3	5.8	+26%	CAPEX²⁴	RSD billion	23.4	14.9	+57%

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

In the fourth quarter of 2023, a total production volume of oil and gas 277.3 t.o.e. was achieved at reservoirs in Serbia, i.e., including concessions – 290.2 t.o.e. 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 the field of development drilling, additional research and determination of oil saturation limits in active reservoirs and condensation of well network were actively conducted.

In the fourth quarter of 2023, 8 new oil wells were successfully drilled and commissioned, whereby the average increase of 10.9 t/day per well was achieved, i.e. an additional 4.4 thousand tons of oil.

Also, in the fourth quarter of 2023, geological and technical activities were successfully carried out in 53 wells with the satisfactory average increase.

In 2023, the application of the repair and insulation works (RIW) technology continued. In the fourth quarter, after the application of the RIW technology, 15 wells were commissioned and the average increase of 1.7 t/day was achieved.

Additionally, in the fourth quarter, 10 wells were commissioned after the transition to the new production layer with the mean realized increase of 5.2 t/day, totally 17 intensifications were made, with the increase of 1.3 t/day, while totally 3 wells from the idle well stock were enabled for operation, with the increase of 3.1 t/day.

When all geological and technological activities were taken into account, the additional oil production of 6.6 thousands tonnes was achieved in the fourth quarter of 2023.

Exploratory drilling and well testing

In the fourth quarter, two exploration wells were drilled.

2D/3D seismics

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

¹⁹Any deviations in percentages and aggregate values result from rounding.

²⁰Any deviations in percentages and aggregate values result from rounding.

²¹Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

²²With natural gasoline.

²³Lost 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.

²⁴Financing, exclusive of VAT.

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 November 2023, final reports were prepared on the results of geological research works on oil and gas in the exploration areas of specific areas of Banat and Bačka and the Designs of Geological Research works were prepared and applications were submitted for approval for the continuation of geological research works in the period 2024-2026 in those exploration areas within the legally prescribed deadline.

In order to continue the exploitation of oil and gas in the exploitation fields of NIS j.s.c. Novi Sad, in the beginning of June, approvals were obtained 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.

Projects abroad

Key events in Romania in the fourth quarter of 2023:

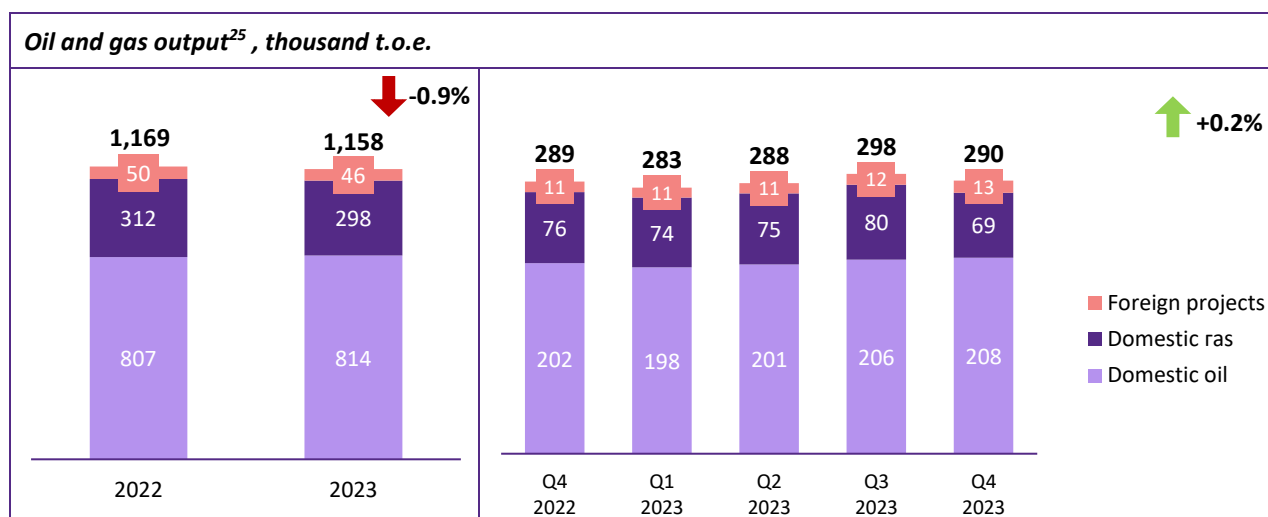
- Teremia North Project:
 - In part of oil infrastructure: a permit of the Environmental Protection Agency was obtained. The process of supplier selection for the oil infrastructure is underway
 - In part of gas infrastructure: certificates of urbanism for the construction of the system for the preparation 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;
 - In part of drilling: 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 in the fourth quarter of 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 (GRP) 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.

Operating indicators

In the 2023, the total of 1,158 thousand t.o.e. of oil and gas was produced, which is 0,9% lower than the same period last year.



²⁵Any deviations in percentages and aggregate values result from rounding.

Downstream

Key indicators

Q4 2023	Q4 2022	Δ ²⁶	Key indicators	Unit of measure	2023	2022	Δ ²⁷
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%	<i>Retail Serbia</i>	thous. tonnes	942.8	998.2	-6%
381.1	482.3	-21%	<i>Wholesale Serbia²⁸</i>	thous. tonnes	1,490.7	1,612.2	-8%
41.5	42.4	-2%	<i>Retail Foreign Assets</i>	thous. tonnes	161.0	186.3	-14%
28.7	44.5	-35%	<i>Wholesale Foreign Assets</i>	thous. tonnes	187.2	242.7	-23%
295.1	302.6	-3%	<i>Transit, export and BU²⁹</i>	thous. tonnes	1,217.9	1,323.5	-8%
719.6	769.4	-6%	Motor fuels sales volumes³⁰	thous. tonnes	2,864.9	3,003.4	-5%
31,933.1	34,459.5	-7%	Electricity output³¹	MWh	129,059.5	130,351.7	-1%
6.1	22.9	-73%	EBITDA DWS³²	bln RSD	49.4	99.2	-50%
1.5	18.9	-92%	<i>EBITDA Refining³³</i>	bln RSD	28.9	91.6	-68%
4.4	3.2	+39%	<i>EBITDA Sales and Distribution³⁴</i>	bln RSD	22.2	10.8	+105%
9.5	3.9	+143%	CAPEX DWS³⁵	bln RSD	14.9	6.7	+122%
4.9	1.4	+3.5x	<i>CAPEX Refining</i>	bln RSD	6.4	2.3	+175%
2.9	2.4	+24%	<i>CAPEX Sales and distribution</i>	bln RSD	6.2	4.0	+56%
2.1	1.3	+64%	LTIF DWS³⁶	number	2.1	1.3	+64%
1.7	1.4	+20%	<i>LTIF Refining</i>	number	1.7	1.4	+20%
2.5	1.0	+149%	<i>LTIF Sales and distribution</i>	number	2.5	1.0	+149%

²⁶Any deviations in percentages and aggregate values result from rounding.

²⁷Any deviations in percentages and aggregate values result from rounding.

²⁸Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.

²⁹Business unit includes the sale of bitumen, bunkering and aviation fuel channels.

³⁰Total motor fuels sales volumes in Serbia and in foreign assets.

³¹The 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 the 2023 is 490.6 MWh, while for Q4 2023 it is 68.8 MWh.

³²EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution, Block Energy and the rest of Downstream.

³³EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.

³⁴EBITDA of the Sales and Distribution Block.

³⁵Financing, excluding VAT. The shown CAPEX Of Downstream includes CAPEX of Refining Block, Sales and distribution Block, Block Energy and the rest of Downstream.

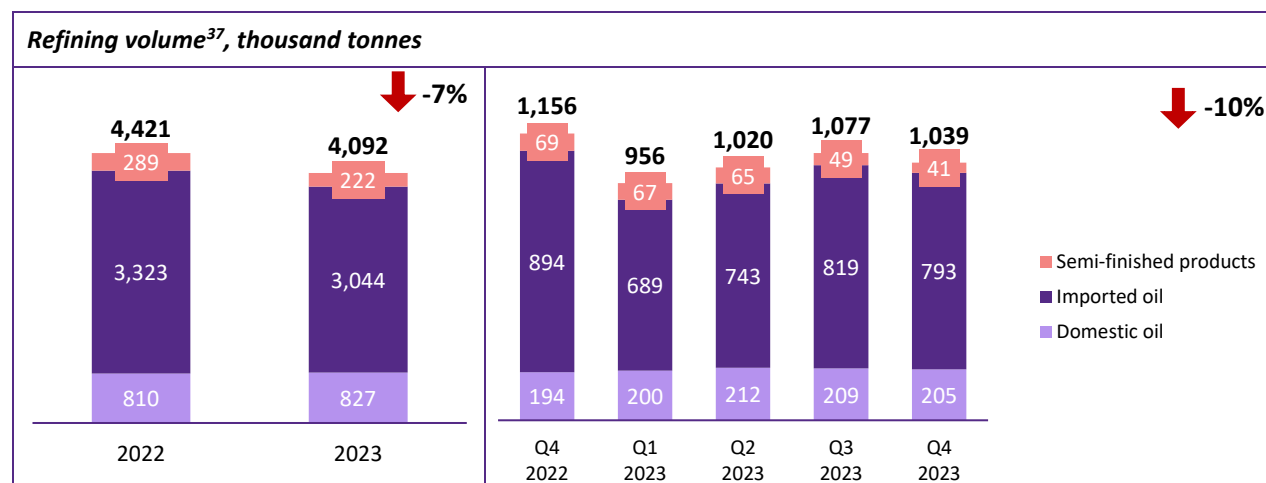
³⁶Lost Time Injury Frequency – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31, 2023.

Refining

The focus of the Refining Block during 2023 was continuous production and provision of necessary stocks to properly supply 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 the 2023 Refining Block refined almost 4.1 million 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.

Refining Block adapted its operations to market conditions in order to continuously supply the market with petroleum products and provide 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 fourth quarter of 2023, the effect of measures for the increase of efficiency was realized in the amount of RSD 0.17 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 and
- 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.

Within the OMS programme, the planned activities for the implementation of best practices and the formation of Benchmarking Plants in the oldest part of the refinery, the plants of Block 5, were fully realized, as well as on the MHC Complex and the plants of the Power Plant. The implementation of the contract for the special arrangement and equipping of the plants with the defined 5S equipment is carried out, as well as the provision of new marks for the visual marking of equipment and plants in accordance with the plan. Within the process of continuous

³⁷The 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.

improvement, 33 new projects (of which 7 are in the fourth quarter) and initiatives for increasing energy efficiency were processed with Lean 6 Sigma tools.

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.

During 2023, 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 were carried out. 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 2023, while commissioning is expected at the beginning of August 2028. 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.

Projects

In the part of the key project “The Reconstruction of the FCC Plant and the Construction of the new ETBE Plant”, the most important activities are:

- In November 2023, a positive report regarding the Conceptual Project was received from the Revision Committee of PS NS;
- The Study on the Environmental Impact Assessment was completed and the request was submitted in December 2023;
- Technical assignment and the contract for the EPsCm service were approved in the end of 2023;
- Marking and development of the project of the as-built design of the DCS ESD system in Pančevo Oil Refinery are in progress.

In the part of efficiency investment projects, we specify the following:

- “Project for the Replacement of Steam turbines” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing
- “Project for the Reconstruction of the Industrial Track in Pančevo Oil Refinery” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing
- “Project for the Installation of the System for Automatic Dosing and Adding of Markers and Additives to Motor Fuels at the Pančevo Oil Refinery Truck Loading Facility” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing
- “Project for the Reconstruction of the Fire System in Pančevo Oil Refinery” – 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 Sale³⁸ and Logistics

NIS Group owns over 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 fourth quarter of 2023, 3 petrol stations in Serbia (NIS brand) were reconstructed and 2 petrol stations were built, one in Serbia (GAZPROM brand) and one in Bosnia and Herzegovina (GAZPROM brand). During 2023, 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 1 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 PP Niš Warehouse 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.

Loyalty program and marketing activities

In the last quarter of 2023, almost 100 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 period October-December of 2023 in Serbia:

- Drive.Go application – Implemented image campaign in order to promote the Drive.Go application through PR texts and online posts on social networks. As at December 31, 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.
- “On the Road with Us” loyalty programme – A campaign was implemented in order to reward the new virtual users from September, October and November (CRM campaign). As part of the campaign to collect coupons and win gift vouchers, the collaboration with Coca Cola HBC began.
- On social networks – In the fourth quarter we had 230 feeds and over 410 stories posted. We organized the first digital Jazak book fair on the Jazak voda Instagram page. In the fourth quarter, ads on the Google platform were shown 23,000,000 times. Since the beginning of the year, 15 episodes were created within the content “On the Road with Us through Serbia”, whereby the readers of our website and our followers on social networks could read detailed recommendations on the locations in Serbia that they could visit.
- Drive Cafe – image campaign – a large national campaign was completed in 2023. Tasting of the Drive Cafe products at 32 petrol stations was carried out in order to promote the gastro offer (pastries, hot dogs and desserts). Tasting was promoted both in internal company media and on online channels – on social networks. Compared to the previous year, sales for the entire gastro segment increased by 22%, while all three TV videos were seen at least once by 4.6 million people.
- In the stated period, the reconstructed and the new petrol stations were opened: Niš Istok, Bajmok, Valjevo 5, Sokolići 2, Bečej 2, Odžaci, Blace, Vladičin Han.

Other activities

- Numerous sports events were held with the participation of the NIS employees in the following events: the Sports Days of the employees in the Functions, the DWS and the 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.

³⁸As at 31 December 2023.

Operating indicators

In 2023, the sales reduced by 8% compared to the same period in 2022, bringing the total sales³⁹ to 3,999.5 thousand tonnes. In the last quarter of 2023, the sales decreased by 12% compared to the same period of 2022, so the total sales was 1,004.5 thousand tonnes.

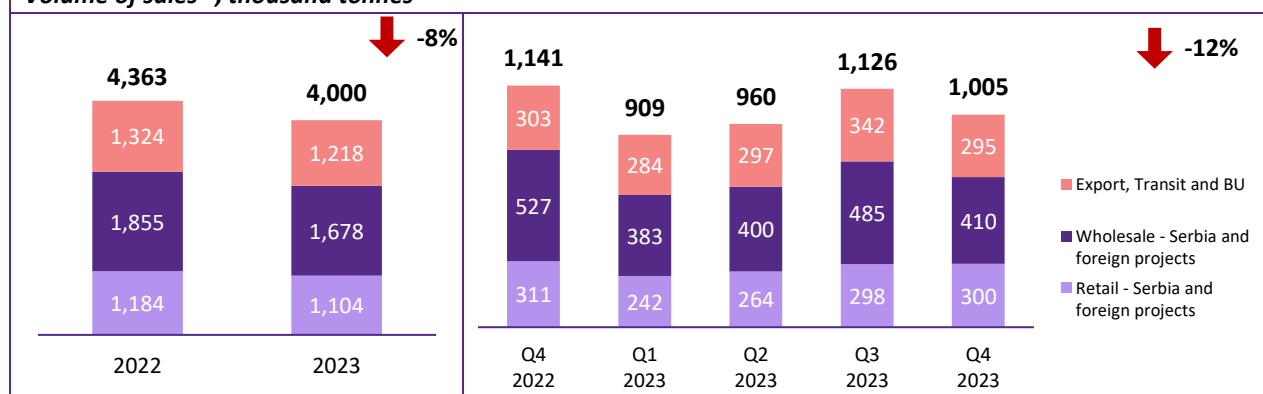
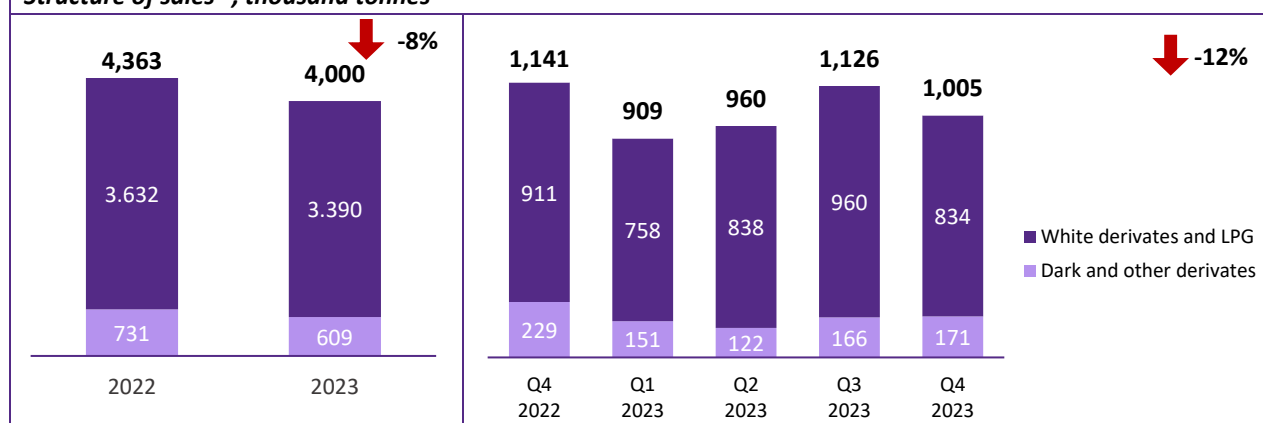
In the fourth quarter of 2023, we record the following volume in Sales and distribution:

- Retail in Serbia and foreign assets – a decline by 4%, primarily in foreign countries, due to:
 - the geopolitical situation in the EU countries (especially in Romania, and in Bulgaria, as a result of the lease cancellation since April 2023);
 - 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 assets⁴⁰ – a decline by 22% primarily because of the:
 - decrease in sales of petroleum products in foreign countries Bosnia and Herzegovina and Bulgaria because of the preparatory activities related to capital overhaul,
 - Also, 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,
 - decrease in the sales of heavy fuel oil as a result of bigger sales last year which aimed at maintaining the country's energy balance
- Export, transit and BU⁴¹:
 - decrease in the sales of fuel oil, bitumen and primary gasoline on the domestic market due to a decrease in consumption;
 - increase in aviation fuel sales by 23% compared to the last quarter of 2023 due to the expansion of the international flight line of airlines.

³⁹The 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.

⁴⁰It includes the sale of CNG of the Energy Block and the sale of oils, lubricants and technical fluids of the Downstream Lubricants Production Plant.

⁴¹Business unit includes the sale in petroleum products of bitumen, bunker and jet fuels.

Volume of sales⁴², thousand tonnes**Structure of sales⁴³, thousand tonnes**

⁴²The 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.

⁴³The 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.

Energy

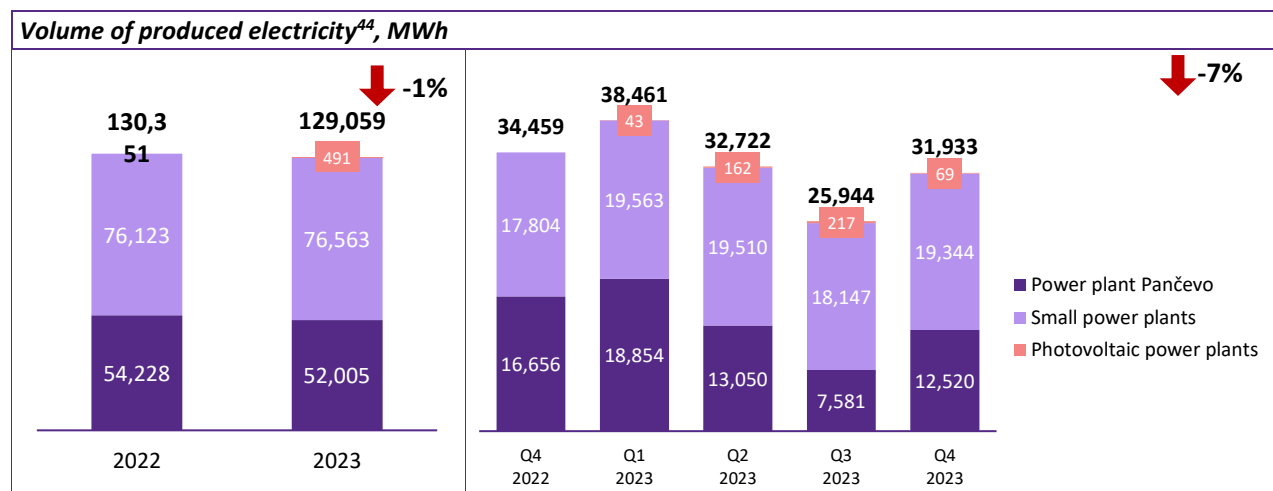
Natural gas

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 2023. In the fourth quarter of 2023, the Agreement on the distribution of natural gas for 2024 was approved 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.

Production of electricity

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



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 the fourth quarter of 2023, the programme of measures to reduce electricity consumption and increase energy efficiency achieved energy savings of 1,940 t.o.e. The financial value of the savings in the fourth quarter amounts to RSD 195 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 efficienty “quick wins” projects has been set up in 2024, and the implementation of measures to improve energy efficiency has commenced.

⁴⁴The 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 the 2023 is 490.6 MWh, while for Q4 2023 it is 68.8 MWh.

Renewable energy sources

In the fourth quarter of this year, the following was realized:

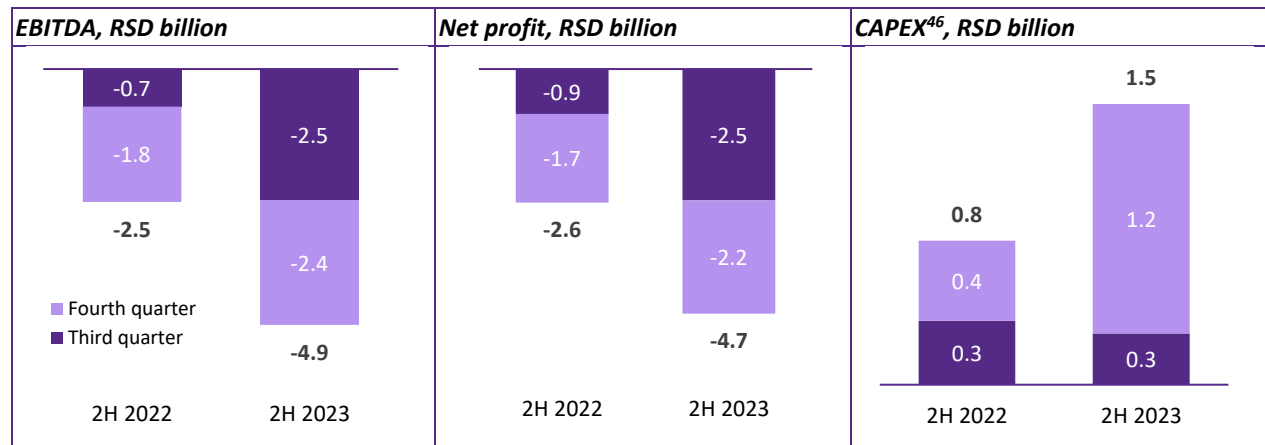
- After the successfully completed pilot project for the construction of solar photovoltaic power plants on 8 PSs in 2022 and an additional 7 PSs (second quarter in 2023), the expansion of the PVPs network on petrol stations was started. The passport of the project for the construction of PVPs on an additional 30 PSs 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 PSs). Power plants at 10 PSs were put into operation in November 2023.
- PVP construction project – Jazak drinking water factory compound. After the procurement carried out in order to confirm the amount of investment for the construction of a photovoltaic power plant in 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 – The tender for the procurement of services without an approved budget on a “turnkey” basis 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 (Elektro distribucija Srbije), the request to change the conditions for designing and connection was submitted in November;
- Solar PVP on the roof of an office building – 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 (Elektro distribucija 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-Petrohemija⁴⁵

In the fourth quarter of 2023, the EBITDA indicator was negative and amounted to -2.4 billion RSD, 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 profit 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.

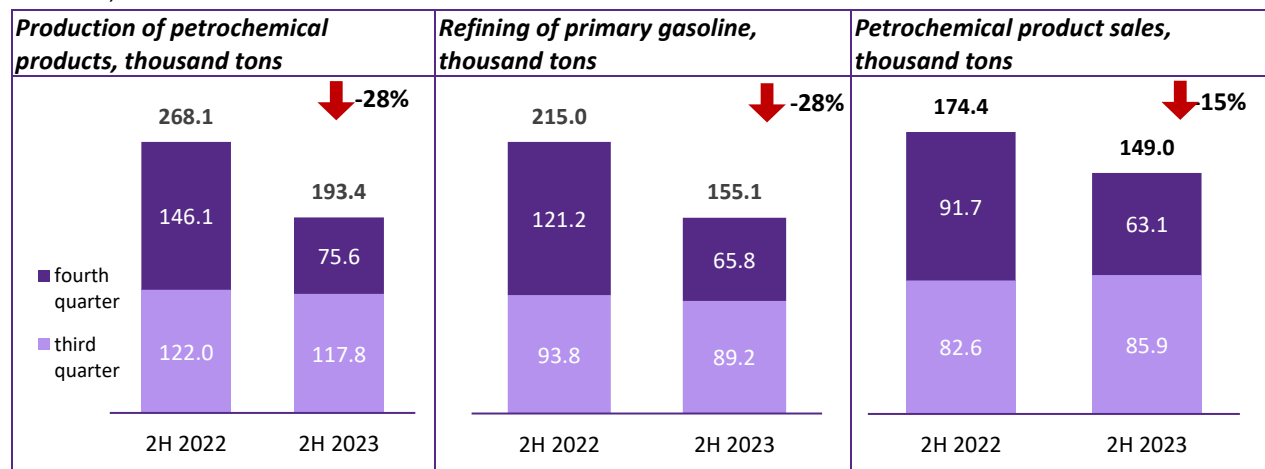
As regards investments, RSD 1.2 billion was allocated in the fourth quarter of 2023, which is 187% more than in the same period last year. In the second half of the year, RSD 1.5 billion was allocated.



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.



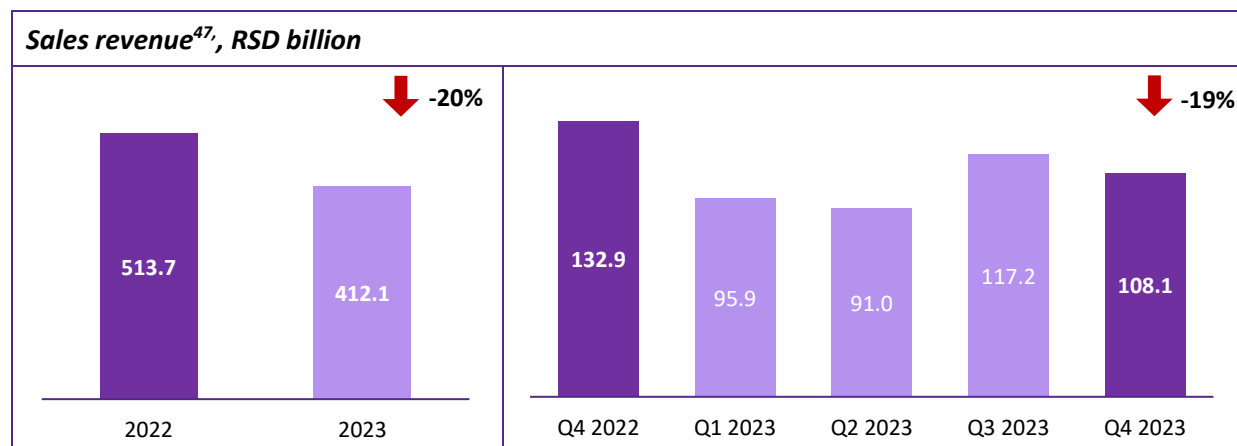
⁴⁵The indicators for 2H (second half of the year) cover the period from July 1, when the process of consolidation of HIP-Petrohemija into NIS Group began, until 31 December 2023.

⁴⁶ Financing, excluding VAT.

Financial indicators

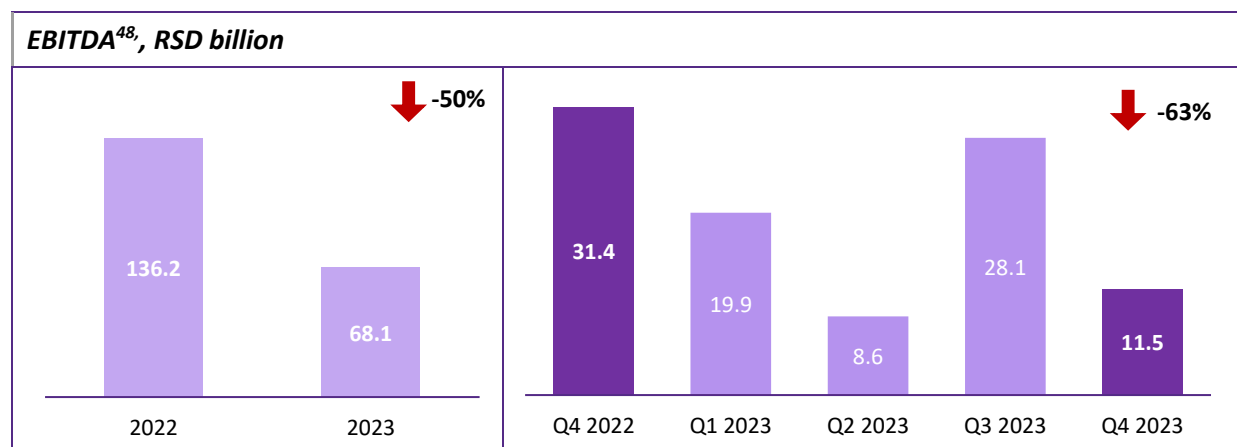
Sales revenues

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



EBITDA

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



Decrease in EBITDA indicator in 2023 is the consequence of:

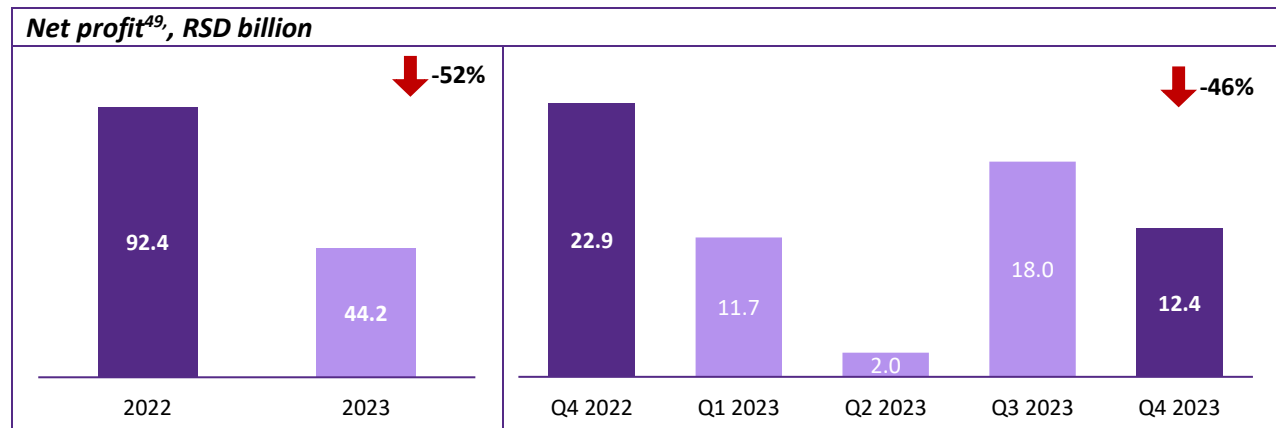
- Impact of decrease in oil and petroleum product prices in the world market;
- Deterioration of the scope of the refining of oil and petroleum products, which was partially compensated by the increase in the margin of petroleum products;
- Payment of a donation to the Government of the Republic of Serbia;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

⁴⁷Any 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.

⁴⁸Any 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 (loss)

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

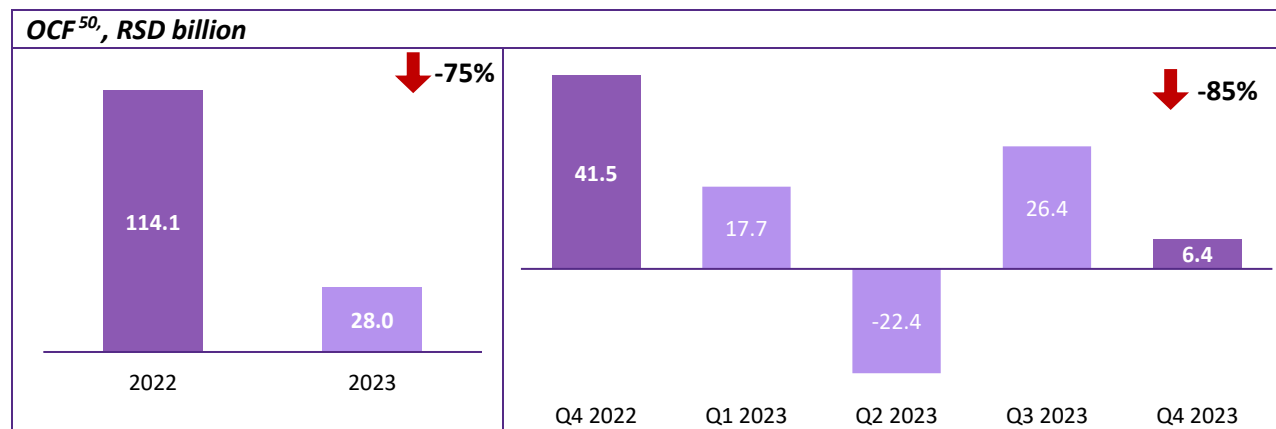


The decline in net profit in the 2023 was influenced by:

- decrease in EBITDA and revenues from the part of shares in the net profit of subsidiary companies (mainly TETO),
- 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.

OCF

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



The decline of the OCF indicator in the 2023 was influenced by:

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

⁴⁹Any 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.

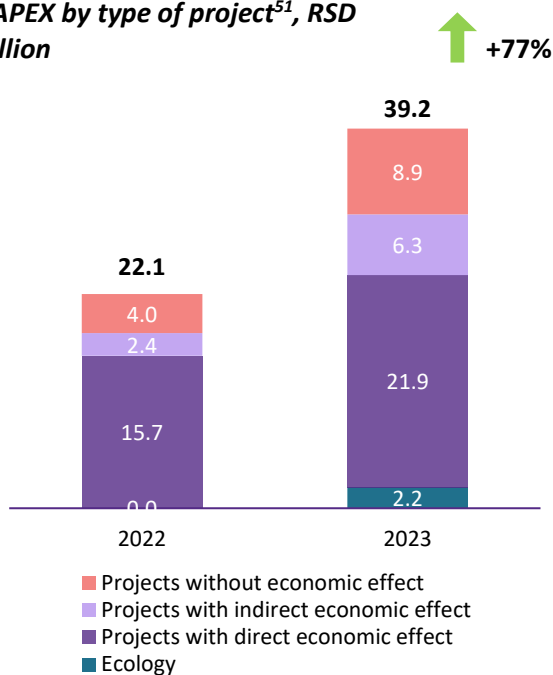
⁵⁰Any deviations aggregate values result from rounding.

CAPEX

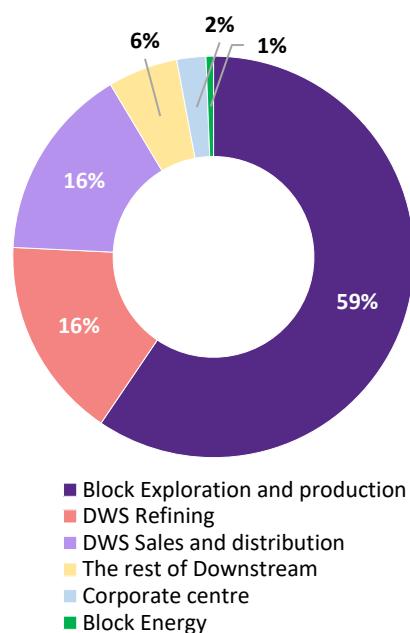
In the 2023, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling, followed by oil refining projects, as well as reconstruction, construction and rebranding projects of petrol stations. In addition, NIS invested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

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

CAPEX by type of project⁵¹, RSD billion



Investments by segments



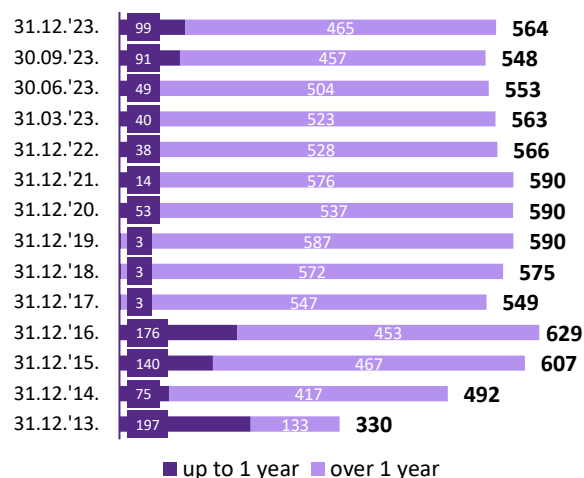
⁵¹All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Organisation unit	Major projects in the fourth quarter
Exploration and production	<ul style="list-style-type: none"> • drilling of development wells • investing in geological and technical activities • infrastructure projects
Services	<ul style="list-style-type: none"> • procurement of car lifting mobile cranes • reconstruction of wash station for workover rigs and well services equipment
Refining	<ul style="list-style-type: none"> • projects aimed at ensuring compliance with legal norms and regulations; preparation for a major overahaul to be implemented in 2024 • investment maintenance projects • environmental projects – reconstruction of the fire protection system • reconstruction of industrial track in RNP • replacement of the cyclone on FCC
Sales and distribution	<ul style="list-style-type: none"> • retail network development in Serbia (petrol station construction and reconstruction) • logistics – reconstruction of the storage of petroleum products in Niš; construction of tanks at the storage of petroleum products in Niš
Rest of Downstream projects (Energy and Technical services)	<ul style="list-style-type: none"> • wind park Plandiste • technical services projects – adaptation and reconstruction of workshops
Corporate centre	<ul style="list-style-type: none"> • 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

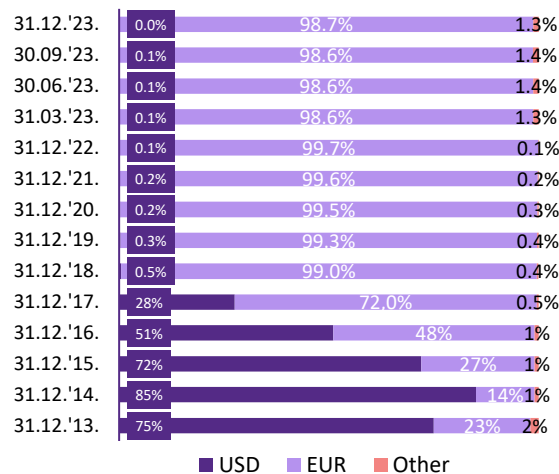
Indebtedness

At the end of fourth quarter of 2023, the debt to banks amounts to EUR 564.0 million and compared to the end of 2022 it was kept at approximately the same level (565.8 million euros). During 2023, loans in the amount of EUR 35.8 million were withdrawn, and a total of EUR 37.6 million was regularly repaid.

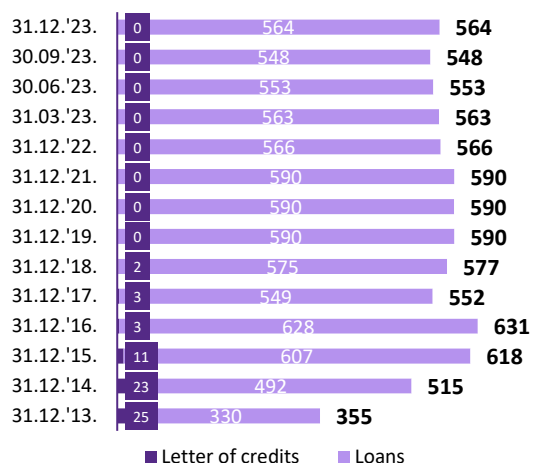
Total bank debt trends with maturity structure⁵², EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness⁵³, EUR million



⁵² Any deviations in aggregate values result from rounding.

⁵³ 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 Revenue⁵⁴

Q4 2023	Q4 2022	% ⁵⁵	NIS j.s.c. Novi Sad	2023	2022	% ⁵⁶
0.66	0.61	+8%	Social insurance contributions paid by employer	2.34	2.12	+10%
0.12	0.13	-14%	Energy efficiency fee ⁵⁷	0.45	0.48	-6%
1.62	4.02	-60%	Corporate tax	8.39	17.54	-52%
7.15	12.81	-44%	Value-added tax	37.79	42.15	-10%
45.23	41.43	+9%	Excise duties	164.71	153.43	+7%
1.96	2.33	-16%	Commodity reserves fee	7.71	8.29	-7%
0.15	0.02	growth	Customs duties	0.21	0.36	-42%
0.48	0.39	+21%	Royalty	1.78	1.75	+1%
0.37	0.38	-2%	Other taxes	1.52	1.44	+6%
57.7	62.1	-7%	Total	224.9	227.6	-1%
NIS subsidiaries in Serbia						
0.62	0.47	+32%	Social insurance contributions paid by employer	1.95	1.53	+28%
0.02	0.00	growth	Corporate tax	0.13	0.15	-10%
1.07	0.57	+87%	Value-added tax	2.93	2.30	+28%
0.00	0.00	n/a	Excise duties	0.00	0.00	n/a
0.01	0.03	-64%	Customs duties	0.05	0.039	+30%
0.00	0.00	n/a	Royalty	0.00	0.00	n/a
0.04	0.03	+48%	Other taxes	0.15	0.11	+34%
1.77	1.11	+59	Total	5.21	4.12	+26%
59.5	63.2	-6%	Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	230.1	231.7	-1%
NIS regional subsidiaries and Angola						
0.01	0.01	-6%	Social insurance contributions paid by employer	0.02	0.03	-17%
0.00	0.05	-93%	Energy efficiency fee	0.02	0.08	-78%
0.01	0.01	-6%	Corporate tax	0.02	0.20	-89%
0.06	0.18	-65%	Value-added tax	0.60	0.86	-30%
1.84	1.96	-6%	Excise duties	8.09	11.85	-32%
1.27	1.31	-3%	Customs duties	6.00	6.68	-10%
0.01	0.05	-72%	Royalty	0.05	0.20	-72%
0.02	0.01	+23%	Other taxes	0.10	0.10	+3%
3.2	3.6	-10%	Total	14.91	19.98	-25%
-0.03	-0.14	-79%	Deferred taxes (total for Group)	-0.63	-0.42	+49%
62.7	66.7	-6%	Total NIS Group⁵⁸	244.4	251.2	-3%

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries deriving from its organisational structure in Serbia in the the fourth quarter of 2023 amounts RSD 59.5 billion, i.e. RSD 230.1 billion for 12 months of 2023.

The amount of accrued liabilities for public revenues for NIS Group in the fourth quarter of 2023 totalled RSD 62.7 billion, which is an decrease of 6% on the same period in 2022, while for the period of 12 months of 2023, that amount is RSD 244.4 billion, which is an decrease of 3% on the same period in 2022.

⁵⁴In RSD billion.

⁵⁵Any deviations in percentages and aggregate values result from rounding.

⁵⁶Any deviations in percentages and aggregate values result from rounding.

⁵⁷Calculated from 1 July 2019.

⁵⁸Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

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:

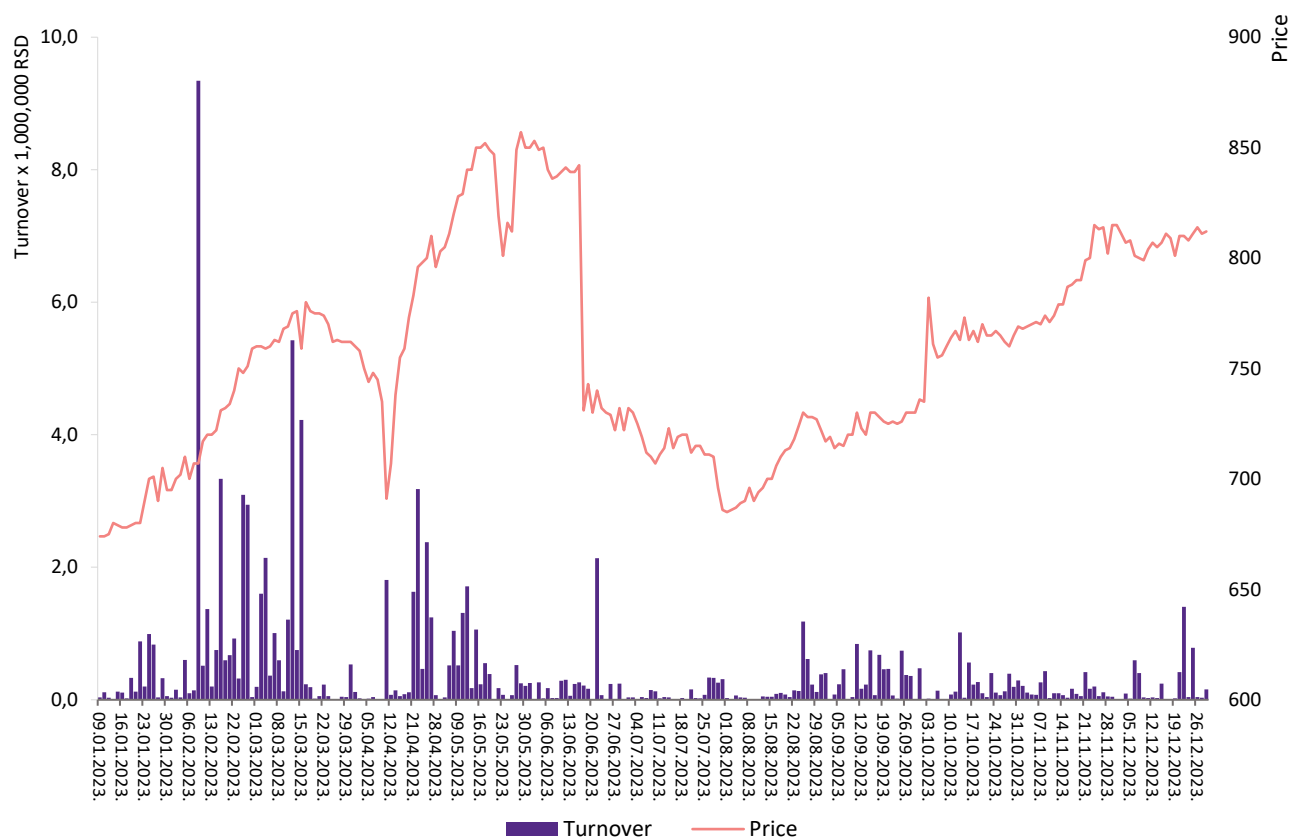
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance 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 a regulated market.

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 (December 31, 2023)	812 RSD
High (May 29, 2023)	870 RSD
Low (January 9, 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 December 31, 2023, in RSD	132,405,044,800
<i>EPS</i>	273.93
Consolidated <i>EPS</i>	257.05
<i>P/E</i> ratio	2.96
Consolidated <i>P/E</i> ratio	3.16
Book value as at December 31, 2023	2,320
Consolidated book value as at December 31, 2023	2,276
<i>P/BV</i> ratio	0.35
Consolidated <i>P/BV</i> ratio	0.36

During the 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 entitle to dividend payment. The dividend for 2022 was paid to shareholders on August 24, 2023.

	<i>Net profit (loss), RSD bn⁵⁹</i>	<i>Total amount of dividend, RSD bn</i>	<i>Payment ratio</i>	<i>Earnings per share, RSD</i>	<i>Dividend per share, gross, RSD</i>	<i>Share price as at 31 December, RSD</i>	<i>Shareholders' dividend yield, in %⁶⁰</i>
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5 ⁶¹	0.0	-	101.1	0	475	-
2011	40.6 ⁶²	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

⁵⁹ Net profit of NIS j.s.c. Novi Sad.

⁶⁰ Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.

⁶¹ Net profit used for coverage of accumulated losses.

⁶² Net profit used for coverage of accumulated losses.

Corporate Governance

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.

Shareholders' Assembly 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, wherein one share carries one vote.

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, for setting main business objectives and identifying the company's further courses of development, as well as for identifying and controlling the effectiveness of the corporate business strategy.

Total amount of fees paid to BoD members in the 2023, net in RSD	
Members od BoD	252,803,547 RSD

Board of Directors' Committees

In order to complete its obligations more efficiently, the Board of Directors founded 3 permanent committees as advisory and professional bodies, which support its work, especially in terms of consideration of the questions under its jurisdiction, preparation and supervision of implementation of the decisions and acts adopted by BoD, as well as conduction of certain expert activities necessary for the Board of Directors. The Board of Directors has formed the following Committees:

- Audit Committee,
- Remuneration Committee,
- Nomination Committee.

The Board of Directors will appoint new members of its Committees and, is necessary, establish new regular or ad hoc committees to support the activities of the Board.

Shareholders' Assembly Board

The Shareholders' Assembly Board for the Supervision of Operations and the Procedure for Reporting to Company 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 consideration of issues within its scope of competence. Members of the Shareholders' Assembly Board report to the Shareholders' Assembly, which appoints them and relieves them of duty.

Chief executive 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, 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.

Related-Party Transactions

In the 2023 the Group entered into business transactions with its related parties. An outline of related-party transactions is part of the Notes to the Financial Statements⁶³.

⁶³ Information on related party transactions can be found on page 88 under note number 27 to the Consolidated Financial Statements.

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 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.

We also strive to digitize our HR processes and thus provide faster and more efficient support to our employees. In this regard, we have implemented the digital platform and thus connected key HR processes. We also introduced a digital assistant, a chatbot, which provides employees with answers to the basic HR questions.

In 2023 as well, NIS has continued the tradition of implementing the programmes for the most talented students, graduate students and graduate pupils. In the fourth quarter, we realized the seventh season of the "NIS Calling" programme for 36 interns, and the second season of the Practice for Young Operators was launched – 22 graduates who joined us at the Pančevo Refinery. The third season of the "NIS Energy" Graduates Programme for 27 young graduates is also ongoing, and during the fourth quarter we implemented the campaign for the fourth season of this programme and the 22 most successful ones became part of our team in January. Also, the participants of the "NIS Calling – Robotization" Programme in the second quarter independently created and launched 7 robots.

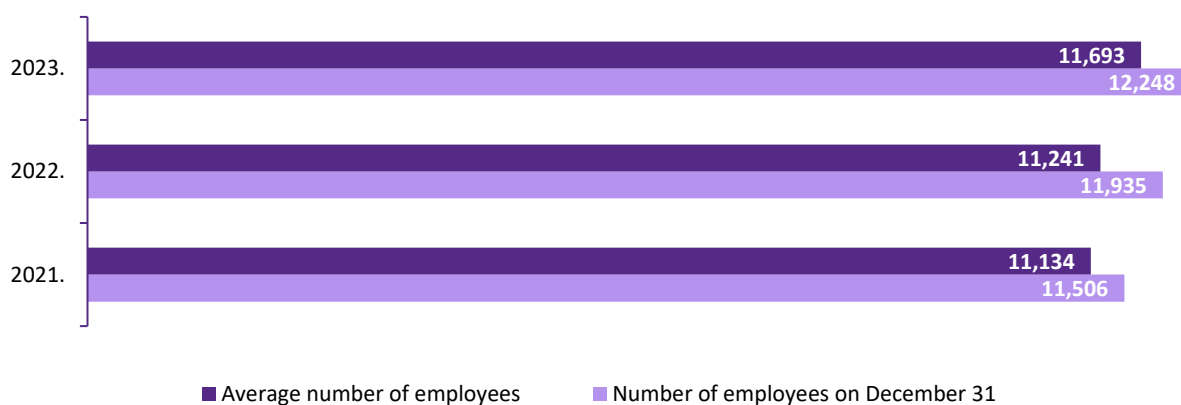
In order to bring NIS as an employer closer to the candidates and labour market, we also initiated the realization of the strategy for social networks, i.e. the corporate profiles of NIS on Instagram, as well as on Tik-Tok, on which the NIS profile was recently launched by the Center for Public Relations of Government Relations and Corporate Communications Function.

We also have successful projects with the community behind us – such as Hackathon and conference – „Brand New Engineers“; project „Mining & Geology Networking“, „Build Yourself“ „JobFair“, workshops with SOS children's villages, „HR Week 2023“. Participation in the events made it possible to present NIS as a potential employer to an audience of over 10,000 participants.

Employee Number⁶⁴ and Structure

Organisational unit	Number of employees on:	
	12/31/2023	12/31/2022
NIS j.s.c. Novi Sad	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 ⁶⁵	165	149
Corporate Centre	1,642	1,577
Representative and Branch Offices	4	4
Local subsidiaries	6,307	6,117
Subsidiaries abroad	136	137
Other subsidiaries included in consolidation	488	488
TOTAL⁶⁶:	12,248	11,935

Headcount trend⁶⁷



⁶⁴The 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.

⁶⁵The 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.

⁶⁶Employees 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 Services.

⁶⁷The 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.

Employment terminations

In 2023, a total of 1,149 employees⁶⁸ left NIS j.s.c: 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 and redundancy).

Basis of employment termination in 2023	NIS j.s.c Novi Sad ⁶⁹	Subsidiaries
Retirement	77	66
Termination by mutual consent	9	51
Other	161	785
Total	247	902

⁶⁸The data does not include employment terminations for HIP-Petrohemija. The total number of employees with employment termination at HIP-Petrohemija is 144 (110 employees retired, 19 left HIP-Petrohemija by mutual consent, while for 15 employees the reason for termination of employment was of a other nature).

⁶⁹Including representative offices and branches. Of the total number of terminations, there is no terminations account for the representative offices and branches.

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.

During the fourth quarter 2023 in the field of geological and research works, geology, reservoir engineering and production we continued work on started projects, two exploration wells were drilled with excellent results that open up the possibility of additional development, the process of developing geological and hydrodynamic models on specified fields, where the model was developed on one oil and gas field. Also, we completed the modelling of the well operation and the formation of the infrastructure model on one of the fields.

The following activities were carried out within the business segment for new technologies and expertise during the fourth quarter within technological management:

Extensive work was carried out on searching for perspective technologies for facing technological Upstream challenges and increasing the value of the rotating poles. 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.

Within digital projects several digital projects were implemented for the Downstream Block with positive feedback from users.

In the Engineering Department, during the fourth quarter of 2023, the preparation of 27 post-detailed designs for the needs of the UPS Block was completed, while for the needs of the Downstream, in addition to the technical inspection of the project of preparatory works and the project for the construction permit for the FCC reconstruction project and the new ETBE plant construction and 13 MOCs (MOC - management of change) were completed - projects of change on the plant to increase the reliability of the operation of the plant itself for the needs of the Major Overhaul of Pančevo Oil Refinery (RNP) in 2024.

The preparation of the complete PTD for the purpose of connecting the new wells included in the programme 2023 was completed.

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.

In accordance with the investment plan, the passports of the projects for the renovation of the laboratory equipment for the next three years were created, at the sites of the Downstream Laboratory in Niš and "Nikola Tesla" Airport. The implementation of these projects will result in providing a total of 10 units of the state-of-the-art laboratory testing equipment that will provide a high level of the quality control of the finished petroleum products intended for placing on the market.

During the last quarter of 2023, the activities of arranging the construction site and realizing the preparatory works on the upgrade of the new laboratory facility in Pančevo Refinery began. Defining of the layout of the equipment and the necessary installations at the workplaces in the future laboratory facility are ongoing, as a basis for the development of the detailed design. By the implementation of this project, a modern 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.

Financial Statements⁷⁰

Standalone financial statements (unaudited)

Interim Condensed Statement of Financial Position

Assets	Note	31 December 2023	31 December 2022
Current assets		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash and cash equivalents	4	16,270,493	83,083,255
Short-term financial assets	5	50,017,699	8,453,591
Trade and other receivables	6	44,731,654	43,037,247
Inventories	7	59,328,301	54,163,591
Current income tax prepayments		7,380,049	-
Other current assets	8	8,886,275	9,796,354
Assets classified as held for sale		60,091	27,318
Total current assets		186,674,562	198,561,356
Non-current assets			
Property, plant and equipment	9	275,083,369	267,112,796
Right-of-use assets	10	2,808,073	2,826,525
Investment property		1,514,651	1,605,254
Intangible assets		3,836,403	3,861,377
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries	11	31,016,682	13,425,627
Trade and other non-current receivables		-	2,816
Long-term financial assets	12	9,494,126	29,588,852
Deferred tax assets		3,527,437	2,971,445
Other non-current assets	13	4,899,484	1,974,131
Total non-current assets		333,219,025	324,407,623
Total assets		519,893,587	522,968,979
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	14,623,831	11,308,085
Current lease liabilities	19	522,002	498,203
Trade and other payables	15	22,867,531	29,783,850
Other current liabilities	16	9,652,270	15,818,895
Current income tax payable		-	13,992,693
Other taxes payable	17	11,579,451	14,126,253
Provisions for liabilities and charges		2,624,738	1,899,914
Total current liabilities		61,869,823	87,427,893
Non-current liabilities			
Long-term debt	18	54,465,457	61,930,558
Non-current lease liabilities	19	1,610,014	1,797,176
Other non-current financial liabilities	20	12,038,912	840,001
Long-term trade and other payables		2,868	7,171
Provisions for liabilities and charges		11,585,649	11,150,061
Total non-current liabilities		79,702,900	75,724,967
Equity			
Share capital		81,530,200	81,530,200
Reserves		34,408	93,904
Retained earnings		296,756,256	278,192,015
Total equity		378,320,864	359,816,119
Total liabilities and shareholder's equity		519,893,587	522,968,979

in 000 RSD

⁷⁰ The financial statements, standalone and consolidated, have not been audited.

Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 December		Year ended 31 December	
		2023	2022	2023	2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		93,390,200	116,664,595	359,452,777	463,285,487
Other revenues		8,776,487	9,512,341	31,801,480	23,647,443
Total revenue from sales	3	102,166,687	126,176,936	391,254,257	486,932,930
Purchases of oil, gas and petroleum products		(62,333,102)	(71,428,497)	(226,815,749)	(278,732,157)
Production, manufacturing and cost of other sales	21	(13,930,235)	(15,025,392)	(49,115,648)	(41,232,472)
Selling, general and administrative expenses	22	(9,431,004)	(7,389,292)	(30,420,488)	(24,966,444)
Transportation expenses		(446,635)	(510,329)	(1,594,396)	(1,747,984)
Depreciation, depletion and amortization		(5,674,018)	(5,696,653)	(22,593,795)	(23,122,898)
Taxes other than income tax		(1,527,884)	(1,364,478)	(5,621,493)	(5,238,666)
Exploration expenses		(162,986)	-	(163,308)	(173)
Total operating expenses		(93,505,864)	(101,414,641)	(336,324,877)	(375,040,794)
Other income (expenses), net	23	(182,632)	75,740	(7,342,979)	377,355
Operating profit		8,478,191	24,838,035	47,586,401	112,269,491
Net foreign exchange (loss)	24	(15,517)	(213,947)	(119,995)	(2,238,537)
Finance income	25	977,321	1,259,552	5,554,263	2,585,399
Finance expenses	26	(809,402)	(613,391)	(3,261,078)	(1,869,479)
Total other (expense) / income		152,402	432,214	2,173,190	(1,522,617)
Profit before income tax		8,630,593	25,270,249	49,759,591	110,746,874
Current income tax		(1,623,697)	(4,021,331)	(8,391,534)	(17,696,181)
Deferred tax income		5,621	130,418	546,571	406,238
Total income tax		(1,618,076)	(3,890,913)	(7,844,963)	(17,289,943)
Profit for the period		7,012,517	21,379,336	41,914,628	93,456,931
Other comprehensive income / (loss):					
Items that will not be reclassified to profit / (loss)					
Losses on remeasurements of defined benefit plans		(53,257)	(73,324)	(53,257)	(106,852)
Gain / (loss) from investments in equity instruments	23	17	8,299	(87)	
Other comprehensive loss for the period		(53,234)	(73,307)	(44,958)	(106,939)
Total comprehensive income for the period		6,959,283	21,306,029	41,869,670	93,349,992
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		43.01	131.11	257.05	573.14
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

Interim Condensed Statement of Changes in Shareholders' Equity

Year ended 31 December 2023 and 2022

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2022	81,530,200	93,991	190,623,686	272,247,877
Profit for the period	-	-	93,456,931	93,456,931
Other comprehensive loss				
Loss from investments in equity instruments	-	(87)	-	(87)
Losses on remeasurements of defined benefit plans	-	-	(106,852)	(106,852)
Total comprehensive income / (loss) for the period	-	(87)	93,350,079	93,349,992
Dividend distribution	-	-	(5,782,122)	(5,782,122)
Other	-	-	372	372
Balance as at 31 December 2022	81,530,200	93,904	278,192,015	359,816,119

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2023	81,530,200	93,904	278,192,015	359,816,119
Profit for the period	-	-	41,914,628	41,914,628
Other comprehensive gain / (loss)				
Gain from investments in equity instruments	-	8,299	-	8,299
Losses on remeasurements of defined benefit plans	-	-	(53,257)	(53,257)
Total comprehensive income for the period	-	8,299	41,861,371	41,869,670
Dividend distribution	-	-	(23,364,925)	(23,364,925)
Disposal of investment in equity instrument	-	33,877	(33,877)	-
Internal transfer	-	(101,672)	101,672	-
Balance as at 31 December 2023	81,530,200	34,408	296,756,256	378,320,864

in 000 RSD

Interim Condensed Statement of Cash Flows⁷¹

	Note	Year ended 31 December 2023	2022
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		49,759,591	110,746,874
Adjustments for:			
Finance expenses	26	3,261,078	1,869,479
Finance income	25	(5,554,263)	(2,585,399)
Unrealised foreign exchange losses, net		152,734	2,165,058
Depreciation, depletion and amortization		22,593,795	23,122,898
Other non-cash items		1,243,488	(239,884)
Operating cash flow before changes in working capital		71,456,423	135,079,026
Changes in working capital:			
Trade and other receivables		(1,818,387)	(11,243,811)
Inventories		(5,248,368)	(21,042,954)
Other current assets		674,173	(3,575,609)
Trade payables and other current liabilities		(10,604,867)	10,428,651
Other taxes payable		(2,546,802)	3,993,476
Total effect on working capital changes		(19,544,251)	(21,440,247)
Income taxes paid		(29,759,941)	(7,858,373)
Interest paid		(2,850,211)	(1,513,408)
Interest received		3,423,032	1,590,841
Net cash generated by operating activities		22,725,052	105,857,839
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries	11,20	(5,863,685)	-
Loans issued		(12,067,065)	(4,819,671)
Loan proceeds received		11,494,171	4,596,113
Capital expenditures ⁷²		(35,905,901)	(23,644,494)
Proceeds from sale of property, plant and equipment		151,307	388,538
Bank deposits repayment, net		(18,997,188)	(6,000,000)
Dividends received		44,372	-
Other inflows		8,441	-
Net cash used in investing activities		(61,135,548)	(29,479,514)
Cash flows from financing activities			
Proceeds from borrowings	14,18	14,368,904	21,933,670
Repayment of borrowings	14,18	(18,552,316)	(28,337,086)
Repayment of lease liabilities	19	(629,948)	(407,259)
Dividends paid		(23,364,925)	(5,782,122)
Net cash used in financing activities		(28,178,285)	(12,592,797)
Net (decrease) / increase in cash and cash equivalents		(66,588,781)	63,785,528
Effect of foreign exchange on cash and cash equivalents		(223,981)	(1,039,174)
Cash and cash equivalents as of the beginning of the period		83,083,255	20,336,901
Cash and cash equivalents as of the end of the period	4	16,270,493	83,083,255

in 000 RSD

⁷¹ Company's policy is to present cash flow inclusive of related VAT.⁷² CF from investing activities includes VAT in the amount of 4 bln RSD (2022: 3.2 bln RSD)

Notes to Standalone Financial Statements⁷³

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije, Novi Sad (the "Company") is a vertically integrated oil company operating predominantly in the Republic of 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
- Electricity generation and trading.

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.

These Interim Condensed Financial Statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Board of Directors for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by Serbian legislation. The accompanying Interim Condensed Financial Statements were primarily derived from the Company's statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS).

The Interim Condensed Financial Statements have been prepared in accordance with International Accounting Standard **IAS 34 Interim Financial Reporting**. IAS 34 for interim financial reporting does not require all disclosures that would be necessarily required by IFRS.

Quarterly financial reports are prepared in accordance with the requirements of the Law on the Capital Market and the Rulebook on Reporting of Public Companies.

The new standard for insurance contracts and the amendments to the existing standards, which became effective on 1 January 2023, did not have any material impact on the Interim Condensed Financial Statements.

The Company intends to implement the amendments to the existing standards and new standards issued but not yet effective as of the date these Condensed Interim Financial Statements were authorised for issue, and the Company does not expect them to have any material impact on the Condensed Interim Financial Statements when adopted.

The Company does not disclose information, which would substantially duplicate the disclosures contained in its audited Financial Statements for 2022, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Company believes that the disclosures in these Condensed Financial Statements for Q4 are adequate to make the information presented not misleading if these Financial Statements are read in conjunction with the Company's Financial Statements for 2022.

In the 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 28) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise.

The Company continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The Company as a whole is not subject to significant seasonal fluctuations.

⁷³ All amounts are in 000 RSD, unless otherwise stated

Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2022.

3. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the year ended 31 December 2023 and 2022. Operating segments are components that engage 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 Company manages its operations in 2 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 are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised 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 ongoing 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	393,707,606	(50,895,745)	391,254,257
Intersegment	48,388,424	2,507,321	(50,895,745)	-
External	53,972	391,200,285	-	391,254,257
Adjusted 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)
Net foreign exchange loss	(43,509)	(76,486)	-	(119,995)
Finance income (expenses), net	(152,330)	2,445,515	-	2,293,185
Income tax	-	(7,844,963)	-	(7,844,963)
Segment profit	19,713,344	22,201,284	-	41,914,628

Reportable segment results for the year ended 31 December 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	60,886,851	485,470,985	(59,424,906)	486,932,930
Intersegment	58,790,033	634,873	(59,424,906)	-
External	2,096,818	484,836,112	-	486,932,930
Adjusted EBITDA (Segment results)	45,019,579	90,157,684	-	135,177,263
Depreciation, depletion and amortization	(12,287,131)	(10,835,767)	-	(23,122,898)
Net foreign exchange loss	(6,952)	(2,231,585)	-	(2,238,537)
Finance income (expenses), net	(51,167)	767,087	-	715,920
Income tax	(155,950)	(17,133,993)	-	(17,289,943)
Segment profit	32,672,133	60,784,798	-	93,456,931

Adjusted EBITDA for the year ended 30 December 2023 and 2022 is reconciled below:

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Profit for the period	7,012,517	21,379,336	41,914,628	93,456,931
Income tax	1,618,076	3,890,913	7,844,963	17,289,943
Finance expenses	809,402	613,391	3,261,078	1,869,479
Finance income	(977,321)	(1,259,552)	(5,554,263)	(2,585,399)
Depreciation, depletion and amortization	5,674,018	5,696,653	22,593,795	23,122,898
Net foreign exchange (gain) / loss	15,517	213,947	119,995	2,238,537
Other expenses/(income), net	182,632	(75,740)	7,342,979	(377,355)
Other non-operating expense/(income), net*	(169,189)	(104,743)	(7,015,787)	162,229
Adjusted EBITDA	14,165,652	30,354,205	70,507,388	135,177,263

*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 23)

Oil, gas and petroleum products sales, sales of electricity, lease revenue and other sales comprise the following:

	Year ended 31 December	
	2023	2022
Sale of crude oil	-	4,602,951
Sale of gas	190,850	150,365
<i>Wholesale activities</i>	190,850	150,365
Sale of petroleum products	359,261,927	458,532,171
<i>Through a retail network</i>	110,382,013	131,285,607
<i>Wholesale activities</i>	248,879,914	327,246,564
Sale of electricity	15,406,532	9,934,727
Lease revenue	369,617	356,051
Other sales	16,025,331	13,356,665
Total sales	391,254,257	486,932,930

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.

4. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in bank and in hand	8,265,248	16,861,298
Deposits with original maturity of less than three months	8,000,000	66,219,999
Cash equivalents	5,245	1,958
	16,270,493	83,083,255

The fair value of cash and cash equivalents approximates their carrying value.

5. SHORT-TERM FINANCIAL ASSETS

	31 December 2023	31 December 2022
Short-term loans	1,045,218	204,604
Deposits with original maturity more than 3 months less than 1 year	26,290,896	6,003,699
Current portion of long-term investments (note 12)	32,578,321	4,225,725
<i>Less impairment loss provision</i>	<i>(9,896,736)</i>	<i>(1,980,437)</i>
	50,017,699	8,453,591

The fair value of short-term financial assets approximates their carrying value.

6. TRADE AND OTHER RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables	52,053,320	50,420,797
Other receivables	95,494	88,717
<i>Less credit loss allowance for trade receivables</i>	<i>(7,386,577)</i>	<i>(7,437,841)</i>
<i>Less credit loss allowance for other receivables</i>	<i>(30,583)</i>	<i>(34,426)</i>
	44,731,654	43,037,247

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, specific and other receivables are fully recoverable.

The carrying amounts of the Company's trade and other receivables are mostly denominated in the RSD.

7. INVENTORIES

	31 December 2023	31 December 2022
Crude oil	32,326,837	29,409,389
Petroleum products	24,875,824	23,314,075
Materials and supplies	5,230,211	4,771,464
Other	1,291,956	1,124,692
<i>Less impairment provision</i>	<i>(4,396,527)</i>	<i>(4,456,029)</i>
	59,328,301	54,163,591

8. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid	887,650	729,280
Deferred VAT	3,017,260	4,198,144
Prepaid expenses	307,150	251,155
Prepaid custom duties	67,649	60,157
Prepaid excise	4,267,660	4,415,877
Other current assets	7,824,421	7,628,408
<i>Less impairment provision</i>	<i>(7,485,515)</i>	<i>(7,486,667)</i>
	8,886,275	9,796,354

Deferred VAT as at 31 December 2023 amounting to 3,017,260 RSD (31 December 2022: 4,198,144 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 December 2023 amounting to 4,267,660 RSD (31 December 2022: 4,415,877 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

Other current assets mainly relate to claims in dispute, which are impaired.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2023						
Cost	215,586,310	165,764,521	57,566,537	16,696,746	16,398,494	472,012,608
Depreciation and impairment	(86,096,477)	(73,525,826)	(32,557,325)	(9,625,912)	(3,094,272)	(204,899,812)
Net book value	129,489,833	92,238,695	25,009,212	7,070,834	13,304,222	267,112,796
Period ended 31 December 2023						
Additions	16,196,962	840,180	2,267,686	539,591	9,899,599	29,744,018
Changes in decommissioning obligations	290,237	-	-	114	-	290,351
Impairment	-	-	-	-	(133,295)	(133,295)
Depreciation	(12,310,596)	(7,011,875)	(1,881,288)	(462,905)	-	(21,666,664)
Disposals and write-off	(36,059)	(12,673)	(31,258)	(296)	(163,235)	(243,521)
Transfer from / (to) investment property	136	-	(8,631)	14,296	-	5,801
Transfer to non-current assets held for sale	-	-	-	(31,539)	-	(31,539)
Other transfers	(71)	(89,789)	119,595	(29,487)	5,174	5,422
	133,630,442	85,964,538	25,475,316	7,100,608	22,912,465	275,083,369
As at 31 December 2023						
Cost	231,482,614	164,584,606	59,556,609	17,297,562	24,718,845	497,640,236
Depreciation and impairment	(97,852,172)	(78,620,068)	(34,081,293)	(10,196,954)	(1,806,380)	(222,556,867)
Net book value	133,630,442	85,964,538	25,475,316	7,100,608	22,912,465	275,083,369

in 000 RSD

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the year ended 31 December 2023 are as follows:

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2023	-	842,723	224,722	1,759,080	-	2,826,525
Additions	2,542	110,783	135,670	325,279	-	574,274
Depreciation	(1,116)	(97,860)	(81,654)	(239,326)	-	(419,956)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	(55,249)	(110,112)	(5,415)	-	(170,776)
Impairment	-	-	-	-	(1,994)	(1,994)
As at 31 December 2023	1,426	800,397	173,626	1,832,624	-	2,808,073

11. 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
<i>Less: Provision</i>	(12,744,460)	(1,172,263)
	31,016,682	13,425,627

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	11,572,197
<i>Less: transfer of provision</i>	(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 20) 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.

12. LONG-TERM FINANCIAL ASSETS

	31 December 2023	31 December 2022
LT loans issued	41,289,971	40,958,458
Financial assets at FVTPL	838,937	840,001
Other LT placements	28,655	30,605
Available for sale financial assets	128,683	176,206
<i>Less Current portion of LT loans issued (note 5)</i>	(32,578,321)	(4,225,725)
<i>Less provision of other LT placements</i>	(213,799)	(8,190,693)
	9,494,126	29,588,852

13. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid for PPE	4,184,286	1,063,325
Prepaid expenses	104,566	142,503
Other assets	916,063	1,131,217
<i>Less allowance for other assets</i>	(284,068)	(341,519)
<i>Less allowance for advances paid</i>	(21,363)	(21,395)
	4,899,484	1,974,131

14. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	31 December 2023	31 December 2022
Short-term loans	3,606,281	5,345,097
Interest liabilities	256,467	151,584
Current portion of long-term loans (note 18)	10,761,083	5,811,404
	14,623,831	11,308,085

Movements on the Company's liabilities from short-term finance activities are as follows:

	Year ended 31 December 2023	2022
Short-term loans at 1 January	5,345,097	2,188,401
Proceeds	10,988,503	17,433,917
Repayment	(12,726,855)	(14,273,782)
Foreign exchange difference (note 24)	(464)	(3,439)
Short-term loans at 31 December	3,606,281	5,345,097

15. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	19,062,793	25,943,650
Dividends payable	3,783,595	3,783,818
Other accounts payable	21,143	56,382
	22,867,531	29,783,850

16. OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
– Advances received	4,747,256	11,294,740
– Customer loyalty	843,176	686,933
– Deferred income	45,170	-
Payables to employees	3,931,046	3,790,114
Other current non-financial liabilities	85,622	47,108
	9,652,270	15,818,895

Revenue in the amount of 7,874,028 RSD (31 December 2022: 3,298,290 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: 2,728,700 RSD) related to advances and 466,357 RSD (31 December 2022: 569,590 RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	31 December 2023	31 December 2022
Mineral extraction tax	471,143	393,085
VAT	1,202,951	3,955,956
Excise tax	8,121,033	7,814,476
Contribution for State commodity reserves	625,507	887,822
Custom duties	28,928	5,007
Energy efficiency fee	72,972	92,638
Other taxes	1,056,917	977,269
	11,579,451	14,126,253

18. LONG-TERM DEBT

	31 December 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	65,223,168	65,009,756
Other Long-term borrowings	3,372	3,778
<i>Less Current portion (note 14)</i>	<i>(10,761,083)</i>	<i>(5,811,404)</i>
	54,465,457	61,930,558

Movements on the Company's liabilities from finance activities are as follows:

	Year period ended 31 December	
	2023	2022
Long-term loans at 1 January	67,738,184	77,480,027
Proceeds	3,380,401	4,499,753
Repayment	(5,825,461)	(14,063,304)
Non-cash transactions	20,343	(12,959)
Foreign exchange difference (note 24)	(90,299)	(165,333)
Long-term loans at 31 December	65,223,168	67,738,184

(a) Bank loans

	31 December 2023	31 December 2022
Domestic	48,366,114	48,275,895
Foreign	16,857,054	16,733,861
	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 bank loans was as follows:

	31 December 2023	31 December 2022
Between 1 and 2 years	7,632,523	9,708,140
Between 2 and 5 years	45,494,977	47,889,786
Over 5 years	1,334,585	4,328,854
	54,462,085	61,926,780

The carrying amounts of 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 both fixed and 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. Management believes the Company is in compliance with these covenants as of 31 December 2023 and 31 December 2022, respectively.

19. LEASE LIABILITIES

	31 December 2023	31 December 2022
Non-current lease liabilities	1,610,014	1,797,176
Current lease liabilities	522,002	498,203
	2,132,016	2,295,379

Amounts recognized in profit and loss:

	2023	Year ended 31 December 2022
Interest expense (included in finance cost) (note 26)	92,725	40,099
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	4,313	64,148
Expense relating to leases of low value assets that are not shown above as short-term leases	10,226	19,703
Expense relating to variable lease payments not included in lease liabilities	1,197,918	1,118,267

Movements on the Company's liabilities from lease activities are as follows:

	2023	Year ended 31 December 2022
As at 1 January	2,295,379	1,338,381
Repayment	(629,948)	(407,259)
Non-cash transactions	470,687	1,364,705
Foreign exchange difference (note 24)	(4,102)	(448)
As at 31 December	2,132,016	2,295,379

20. 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 25, and foreign exchange gain of 10,000 RSD – note 24). 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.

21. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Employee costs	1,212,769	1,253,273	4,217,476	4,229,770
Materials and supplies (other than O&G and petroleum products)	334,714	303,077	1,245,576	1,057,995
Repair and maintenance services	1,606,681	1,619,912	5,503,194	5,311,710
Electricity for resale	4,003,462	5,954,092	14,118,564	9,052,451
Electricity and utilities	2,496,461	1,857,578	8,507,113	6,578,018
Safety and security expense	225,819	242,964	665,818	700,368
Transportation services for production	415,972	595,187	1,421,506	1,981,049
Other	3,634,357	3,199,309	13,436,401	12,321,111
	13,930,235	15,025,392	49,115,648	41,232,472

Electricity for resale represents part of other nonproduction and nonmanufacturing cost.

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Employee costs	4,467,443	3,450,809	14,274,987	11,939,866
Commission and agency fees	1,539,919	1,410,841	5,278,196	4,426,408
Legal, audit and consulting services	846,546	679,512	1,968,498	1,601,779
Current repair cost	399,766	408,158	1,313,804	1,179,122
Costs on advertising and marketing	87,639	105,786	333,172	293,364
Rent expense	7,503	22,115	21,770	96,786
Business trips expense	90,811	90,148	265,742	181,855
Safety and security expense	272,797	239,540	909,302	680,066
Insurance expense	21,415	19,690	96,094	86,552
Transportation and storage	56,789	57,288	210,202	190,993
Allowance for doubtful accounts	(1,543)	(544,949)	8,684	(533,126)
Other	1,641,919	1,450,354	5,740,037	4,822,779
	9,431,004	7,389,292	30,420,488	24,966,444

23. OTHER INCOME (EXPENSES), NET

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Penalties	32,427	72,796	162,640	249,084
Provisions	(2,343)	(148,705)	(33,650)	(182,394)
Impairment of non financial assets	(109,343)	(56,473)	(135,449)	(65,293)
Charity and social payments	(177,152)	(145,696)	(7,247,557)	(161,087)
Other	73,779	353,818	(88,963)	537,045
	(182,632)	75,740	(7,342,979)	377,355

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.

24. NET FOREIGN EXCHANGE (LOSS)

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Foreign exchange gain (loss) on financing activities including:				
– foreign exchange gain (note 14,18,19,20)	64,320	32,968	223,601	612,559
– foreign exchange loss (note 14,18,19,20)	(49,537)	(22,283)	(118,736)	(443,339)
Net foreign exchange loss on operating activities	(30,300)	(224,632)	(224,860)	(2,407,757)
	(15,517)	(213,947)	(119,995)	(2,238,537)

25. FINANCE INCOME

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Interest on bank deposits	730,772	1,075,934	4,177,624	1,860,083
Gains on restructuring of borrowings	28,877	5,782	46,217	23,158
Revaluation of equity investment at fair value – income / (loss)	(29,375)	-	517,395	-
Dividend income	44,372	-	44,372	-
Interest income on loans issued	202,675	177,836	768,655	702,158
	977,321	1,259,552	5,554,263	2,585,399

26. FINANCE EXPENSES

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Interest expense	848,678	552,720	3,148,442	1,738,774
Losses on restructuring of borrowings	4,406	6,452	20,438	24,732
Decommissioning provision: unwinding of the present value discount	36,604	9,272	145,922	36,958
Provision of trade and other non-current receivables: discount	(63,245)	51,929	7,299	89,989
Less: amounts capitalised on qualifying assets	(17,041)	(6,982)	(61,023)	(20,974)
	809,402	613,391	3,261,078	1,869,479

Interest expense includes expenses on lease liabilities in amount of 92,725 RSD for the year ended 31 December 2023 (40,099 RSD for the year ended 31 December 2022, accordingly) (note 19).

27. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Financial Statements: investment properties and financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Financial Statements as of 31 December 2022. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 December 2023 the carrying value of financial assets approximates their fair value.

28. CONTINGENCIES AND COMMITMENTS

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.

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 Group 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.

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: 391,270 RSD).

There were no other material contingencies and commitments of the Company.

29. RELATED PARTY TRANSACTIONS

For the purpose of these Interim Condensed 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.

For the year ended 31 December 2023 and in the same period in 2022, the Company 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 at 31 December 2023 and 31 December 2022 the outstanding balances, net of impairment, with related parties were as follows:

	Joint ventures, associates and parent's subsidiaries and associates		
As at 31 December 2023	Subsidiaries	Parent company	
Short-term financial assets	23,726,803	-	-
Trade and other receivables	13,735,659	-	113,387
Other current assets	3,271	-	16,553
Right of use assets	75,408	-	-
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	31,016,682	-	-
Long-term financial assets	9,387,567	-	-
Other non-current assets	88,847	-	72,113
Trade and other payables	(7,017,861)	-	(774,636)
Other current liabilities	(98,543)	-	(442)
Short-term debt	(2,799,157)	-	-
Current lease liabilities	(6,029)	-	-
Non-current lease liabilities	(72,895)	-	-
Other non-current financial liabilities	(11,199,975)	-	-
	56,839,777	-	465,775
As at 31 December 2022	Subsidiaries	Parent company	
Short-term financial assets	2,449,892	-	-
Trade and other receivables	8,490,014	-	1,637,009
Other current assets	1,360	-	22,259
Right of use assets	41,030	-	197
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,480,650	-	-
Other non-current assets	2,192	-	-
Trade and other payables	(4,186,297)	(1,762)	(3,676,115)
Other current liabilities	(67,543)	-	(3,121)
Short-term debt and current portion of long-term debt	(4,047,577)	-	(2,728,428)
Current lease liabilities	(2,240)	-	(124)
Non-current lease liabilities	(41,883)	-	(50)
	45,545,225	(1,762)	(3,709,573)

For the year ended 31 December 2023 and 31 December 2022 the following transaction occurred with related parties:

	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
For the 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 income (expenses), net	1,216,686	-	(40,779)
	19,938,242	(5,218)	36,886
	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
For the year ended 31 December 2022			
Revenues from sales of products and services	36,438,469	-	40,931,150
Expenses based on procurement of products and services	(12,375,169)	(7,292)	(125,392,223)
Other income (expenses), net	683,311	-	(151,067)
	24,746,611	(7,292)	(84,612,140)

30. EVENTS AFTER THE REPORTING DATE

Subsequent events occurring after 31 December 2023 were evaluated through 30 January 2024, the date these Interim Condensed Financial Statements were authorised for issue.

Consolidated financial statements (unaudited)**Interim Condensed Consolidated Statement of Financial Position**

Assets	Note	31 December 2023 (unaudited)	31 December 2022
Current assets			
Cash and cash equivalents	4	21,484,271	88,131,045
Short-term financial assets	5	32,639,879	6,104,619
Trade and other receivables	6	33,432,827	35,969,998
Inventories	7	67,680,808	58,234,614
Current income tax prepayments		7,470,959	-
Other current assets	8	11,171,402	12,031,734
Assets classified as held for sale		56,605	23,833
Total current assets		173,936,751	200,495,843
Non-current assets			
Property, plant and equipment	9	308,217,345	295,790,456
Right-of-use assets	10	3,728,750	3,695,826
Investment property		1,514,920	1,531,705
Goodwill and other intangible assets		5,406,024	5,228,587
Investments in associates and joint ventures		2,729,006	2,866,724
Trade and other non-current receivables		669,617	2,821
Long-term financial assets		262,005	323,702
Deferred tax assets		3,245,067	2,766,666
Other non-current assets	11	7,001,095	2,113,788
Total non-current assets		332,773,829	314,320,275
Total assets		506,710,580	514,816,118
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	11,824,846	7,260,508
Current lease liabilities	17	924,031	735,918
Trade and other payables	13	20,703,916	28,455,871
Other current liabilities	14	14,093,357	17,746,302
Current income tax payable		-	14,013,449
Other taxes payable	15	12,961,786	15,233,939
Provisions for liabilities and charges		2,712,762	2,013,474
Total current liabilities		63,220,698	85,459,461
Non-current liabilities			
Long-term debt	16	54,612,097	62,053,580
Non-current lease liabilities	17	3,010,984	2,413,671
Other non-current financial liabilities		838,937	840,001
Long-term trade and other payables		2,868	7,171
Provisions for liabilities and charges		13,937,343	14,814,651
Total non-current liabilities		72,402,229	80,129,074
Equity			
Share capital		81,530,200	81,530,200
Reserves		694,603	572,221
Retained earnings		288,345,242	267,125,162
Equity attributable to the Company's owners		370,570,045	349,227,583
Non-controlling interest		517,608	-
Total equity		371,087,653	349,227,583
Total liabilities and shareholder's equity		506,710,580	514,816,118

in 000 RSD

Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 December		Year ended 31 December	
		2023	2022	2023	2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		92,756,458	122,315,780	364,517,218	486,083,320
Other revenues		15,303,381	10,573,370	47,630,290	27,603,254
Total revenue from sales	3	108,059,839	132,889,150	412,147,508	513,686,574
Purchases of oil, gas and petroleum products		(67,468,811)	(76,313,832)	(240,327,970)	(295,956,329)
Production, manufacturing and cost of other sales	18	(16,884,635)	(14,923,112)	(55,101,217)	(42,276,617)
Selling, general and administrative expenses	19	(9,264,267)	(7,754,458)	(31,884,849)	(27,045,041)
Transportation expenses		(464,862)	(511,195)	(1,667,766)	(1,859,150)
Depreciation, depletion and amortization		(6,381,483)	(6,236,318)	(24,960,531)	(25,479,192)
Taxes other than income tax		(2,253,440)	(1,988,282)	(8,026,106)	(8,073,810)
Exploration expenses		(162,986)	-	(163,308)	(173)
Total operating expenses		(102,880,484)	(107,727,197)	(362,131,747)	(400,690,312)
Other income/(expenses), net	20	8,725,525	84,422	1,248,307	(2,274,338)
Operating profit		13,904,880	25,246,375	51,264,068	110,721,924
Share of gain (loss) of associates and joint ventures		32,501	1,040,115	(137,719)	1,283,824
Net foreign exchange gain/(loss)	21	95,047	31,455	(254,494)	(2,168,099)
Finance income	22	904,457	1,118,378	4,618,428	1,952,293
Finance expenses	23	(879,204)	(621,466)	(3,329,567)	(1,951,977)
Total other (expense) income		152,801	1,568,482	896,648	(883,959)
Profit before income tax		14,057,681	26,814,857	52,160,716	109,837,965
Current income tax expense		(1,639,703)	(4,031,773)	(8,532,713)	(17,886,433)
Deferred tax income		4,353	143,979	564,513	423,121
Total income tax		(1,635,350)	(3,887,794)	(7,968,200)	(17,463,312)
Profit for the period		12,422,331	22,927,063	44,192,516	92,374,653
Other comprehensive income/(loss):					
Items that will not be reclassified to profit/(loss)					
Losses on remeasurements of defined benefit plans		(49,477)	(119,016)	(49,477)	(181,767)
Gain/(loss) from investments in equity instruments	23	-	-	8,299	(104)
Items that may be subsequently reclassified to profit					
Currency translation differences		(3,846)	(19,727)	80,237	65,496
Other comprehensive income / (loss) for the period		(53,300)	(138,743)	39,059	(116,375)
Total comprehensive income for the period		12,369,031	22,788,320	44,231,575	92,258,278
Profit/(loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		12,642,237	22,927,063	44,667,130	92,374,653
- Non-controlling interest		(219,906)	-	(474,614)	-
Profit for the period		12,422,331	22,927,063	44,192,516	92,374,653
Total comprehensive income / (loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		12,587,632	22,788,320	44,704,884	92,258,278
- Non-controlling interest		(218,601)	-	(473,309)	-
Total comprehensive income for the period		12,369,031	22,788,320	44,231,575	92,258,278
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		77.53	140.60	273.93	566.51
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Year ended 31 December 2023 and 2022

<i>(unaudited)</i>	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
Balance as at 1 January 2022	81,530,200	488,736	180,797,597	262,816,533	19,678	262,836,211
Profit for the period	-	-	92,374,653	92,374,653	-	92,374,653
Other comprehensive income/(loss)						
Loss from investments in equity instruments	-	(104)	-	(104)	-	(104)
Losses on remeasurements of defined benefit plans	-	-	(181,767)	(181,767)	-	(181,767)
Currency translation differences	-	59,714	5,782	65,496	-	65,496
Total comprehensive income for the period	-	59,610	92,198,668	92,258,278	-	92,258,278
Dividend distribution	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other	-	23,875	(88,981)	(65,106)	(19,678)	(84,784)
Balance as at 31 December 2022	81,530,200	572,221	267,125,162	349,227,583	-	349,227,583

<i>(unaudited)</i>	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
Balance as at 1 January 2023	81,530,200	572,221	267,125,162	349,227,583	-	349,227,583
Profit for the period	-	-	44,667,130	44,667,130	(474,614)	44,192,516
Other comprehensive income/(loss)						
Gain from investments in equity instruments	-	8,299	-	8,299	-	8,299
Gains/(Losses) on remeasurements of defined benefit plans	-	-	(50,782)	(50,782)	1,305	(49,477)
Currency translation differences	-	80,237	-	80,237	-	80,237
Total comprehensive income/(loss) for the period	-	88,536	44,616,348	44,704,884	(473,309)	44,231,575
Acquisition of subsidiary	-	-	-	-	990,917	990,917
Dividend distribution	-	-	(23,364,925)	(23,364,925)	-	(23,364,925)
Disposal of investment in equity instruments	-	33,846	(33,846)	-	-	-
Other	-	-	2,503	2,503	-	2,503
Balance as at 31 December 2023	81,530,200	694,603	288,345,242	370,570,045	517,608	371,087,653

in 000 RSD

Interim Condensed Consolidated Statement of Cash Flows⁷⁴

	Note	2023 (unaudited)	Year ended 31 December 2022 (unaudited)
Cash flows from operating activities			
Profit before income tax		52,160,716	109,837,965
Adjustments for:			
Share of (profit)/loss of associates and joint ventures		137,719	(1,283,824)
Finance expenses	23	3,329,567	1,951,977
Finance income	22	(4,618,428)	(1,952,293)
Unrealised foreign exchange (gain)/losses, net		(217,838)	1,725,407
Depreciation, depletion and amortization		24,960,531	25,479,192
Gain from bargain purchase		(8,918,255)	-
Other non-cash items		1,449,603	2,652,346
Operating cash flow before changes in working capital		68,283,615	138,410,770
Changes in working capital:			
Trade and other receivables		2,880,679	(6,783,443)
Inventories		(2,210,875)	(21,346,719)
Other current assets		2,023,025	(3,284,683)
Trade payables and other current liabilities		(11,354,555)	11,426,228
Other taxes payable		(2,436,945)	3,681,591
Total effect on working capital changes		(11,098,671)	(16,307,026)
Income taxes paid		(29,870,559)	(8,084,345)
Interest paid		(2,709,244)	(1,471,158)
Interest received		3,378,477	1,515,009
Net cash generated by operating activities		27,983,618	114,063,250
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiaries		568,307	-
Capital expenditures ⁷⁵		(43,363,331)	(25,437,566)
Proceeds from sale of property, plant and equipment		104,698	393,157
Dividends received		44,372	-
Bank deposits repayment, net		(24,351,012)	(6,091,880)
Other outflow		(14,999)	(170,391)
Net cash used in investing activities		(67,011,965)	(31,306,680)
Cash flows from financing activities			
Proceeds from borrowings	12,16	4,200,401	5,811,336
Repayment of borrowings	12,16	(7,133,141)	(14,063,305)
Repayment of lease liabilities	17	(1,025,957)	(814,876)
Dividends paid		(23,364,925)	(5,782,122)
Net cash used in financing activities		(27,323,622)	(14,848,967)
Net increase/(decrease) in cash and cash equivalents		(66,351,969)	67,907,603
Effect of foreign exchange on cash and cash equivalents		(294,805)	(1,059,832)
Cash and cash equivalents as of the beginning of the period		88,131,045	21,283,274
Cash and cash equivalents as of the end of the period	4	21,484,271	88,131,045

in 000 RSD

⁷⁴ Group policy is to present cash flow inclusive of related VAT.⁷⁵ CF from investing activities includes VAT in the amount of 4.6 bln RSD (2022: 3.4 bln RSD)

Notes to Consolidated Financial Statements⁷⁶

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.

These Interim Condensed Consolidated Financial Statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Board of Directors for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.2. Basis of preparation

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily Serbian). The accompanying Interim Condensed Consolidated Financial Statements were primarily derived from the Group’s statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS).

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard **IAS 34 Interim Financial Reporting**. IAS 34 for interim financial reporting does not require all disclosures that would be necessarily required by IFRS.

Quarterly financial reports are prepared in accordance with the requirements of the Law on the Capital Market and the Rulebook on Reporting of Public Companies.

The new standard for insurance contracts and the amendments to the existing standards which became effective on 1 January 2023 did not have any material impact on the Interim Condensed Consolidated Financial Statements.

The Group intends to implement the amendments to the existing standards and new standards issued but not yet effective as of the date these Condensed Interim Consolidated Financial Statements were authorised for issue, and the Group does not expect them to have any material impact on the Condensed Interim Consolidated Financial Statements when adopted.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2022, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group’s Consolidated Financial Statements for 2022.

In the 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 26) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise.

⁷⁶ All amounts are in 000 RSD, unless otherwise stated

The Group continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The Group as a whole is not subject to significant seasonal fluctuations.

2.3. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2022.

3. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the year ended 31 December 2023 and 2022. Operating segments are components that engage 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. Corporate centre, Energy business activities and petrochemical production are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised 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	414,200,532	(53,159,768)	412,147,508
Intersegment	50,179,631	2,980,137	(53,159,768)	-
External	927,113	411,220,395	-	412,147,508
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)
Share of loss in associates and joint ventures	-	(137,719)	-	(137,719)
Net foreign exchange loss	(86,755)	(167,739)	-	(254,494)
Finance (expenses) income, net	(414,697)	1,703,558	-	1,288,861
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	511,451,670	(61,249,404)	513,686,574
Intersegment	60,524,458	724,946	(61,249,404)	-
External	2,959,850	510,726,724	-	513,686,574
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 of non-financial assets	(23,193)	(91,974)	-	(115,167)
Share of gain in associates and joint ventures	-	1,283,824	-	1,283,824
Net foreign exchange gain/(loss)	83,049	(2,251,148)	-	(2,168,099)
Finance income/(expenses), net	(292,409)	292,725	-	316
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 three and year ended 31 December 2023 and 2022 is reconciled below:

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Profit for the period	12,422,331	22,927,063	44,192,516	92,374,653
Income tax	1,635,350	3,887,794	7,968,200	17,463,312
Finance expenses	879,204	621,466	3,329,567	1,951,977
Finance income	(904,457)	(1,118,378)	(4,618,428)	(1,952,293)
Depreciation, depletion and amortization	6,381,483	6,236,318	24,960,531	25,479,192
Share of (profit)/loss of associates and joint ventures	(32,501)	(1,040,115)	137,719	(1,283,824)
Net foreign exchange(gain)/loss	(95,047)	(31,455)	254,494	2,168,099
Other expenses/(income) net	(8,725,525)	(84,422)	(1,248,307)	2,274,338
Other non-operating expense/(income), net*	(24,512)	(5,532)	(6,924,800)	(2,283,197)
Adjusted EBITDA	11,536,326	31,392,739	68,051,492	136,192,257

*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 20).

Oil, gas, petroleum and petrochemical products sales, sales of electricity, lease revenue and other sales comprise the following:

	Year ended 31 December	
	2023	2022
Sale of crude oil	-	4,602,951
Sale of gas	171,880	147,142
<i>Wholesale activities</i>	171,880	147,142
Sale of petroleum products	364,345,338	481,333,227
<i>Through a retail network</i>	128,471,691	156,198,705
<i>Wholesale activities</i>	235,873,647	325,134,522
Sales of petrochemical products	11,934,525	-
Sale of electricity	15,529,018	10,298,884
Lease revenue	368,495	352,812
Other sales	19,798,252	16,951,558
Total sales	412,147,508	513,686,574

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).

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.

4. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in bank and in hand	11,739,845	18,958,001
Deposits with original maturity of less than three months	9,734,451	69,170,832
Cash held on escrow account	4,729	254
Cash equivalents	5,246	1,958
	21,484,271	88,131,045

The fair value of cash and cash equivalents approximates their carrying value.

5. SHORT-TERM FINANCIAL ASSETS

	31 December 2023	31 December 2022
Short-term loans	34,215	43,116
Deposits with original maturity more than 3 months less than 1 year	32,607,844	6,063,683
<i>Less impairment loss provision</i>	(2,180)	(2,180)
	32,639,879	6,104,619

The fair value of short-term financial assets approximates their carrying value.

6. TRADE AND OTHER RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables	41,108,308	43,289,967
Other receivables	83,048	88,129
Accrued assets	3,029	2,907
<i>Less credit loss allowance for trade receivables</i>	(7,730,975)	(7,376,579)
<i>Less credit loss allowance for other receivables</i>	(30,583)	(34,426)
	33,432,827	35,969,998

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.

The carrying amounts of the Group's trade and other receivables are mostly denominated in RSD.

7. INVENTORIES

	31 December 2023	31 December 2022
Crude oil	32,398,731	29,455,750
Petroleum products	29,073,971	25,216,800
Materials and supplies	10,338,729	6,557,773
Other	1,622,606	1,517,953
<i>Less impairment provision</i>	(5,753,229)	(4,513,662)
	67,680,808	58,234,614

8. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid	1,801,551	1,059,350
VAT receivables	667,468	601,319
Deferred VAT	3,450,155	4,405,141
Prepaid expenses	334,025	326,204
Prepaid custom duties	68,247	60,981
Prepaid excise	4,305,367	4,465,682
Other current assets	8,074,069	8,614,106
<i>Less impairment provision</i>	<i>(7,529,480)</i>	<i>(7,501,049)</i>
	11,171,402	12,031,734

Deferred VAT as at 31 December 2023 amounting to 3,450,155 RSD (31 December 2022: 4,405,141 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 December 2023 amounting to 4,305,367 RSD (31 December 2022: 4,465,682 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2023						
Cost	235,638,513	165,764,521	76,125,213	17,455,773	24,562,759	519,546,779
Depreciation and impairment	(97,472,486)	(73,525,826)	(39,768,592)	(9,891,917)	(3,097,502)	(223,756,323)
Net book value	138,166,027	92,238,695	36,356,621	7,563,856	21,465,257	295,790,456
Period ended 31 December 2023						
Additions	17,216,199	1,247,890	2,726,222	549,131	13,003,498	34,742,940
Acquisitions through business combinations	-	1,860,920	-	-	37,592	1,898,512
Changes in decommissioning obligations	290,237	-	-	114	-	290,351
Impairment	-	-	-	-	(133,295)	(133,295)
Depreciation	(13,616,185)	(7,122,503)	(2,405,427)	(479,199)	-	(23,623,314)
Transfer from intangible assets	-	-	-	-	767	767
Transfer (to)/from investment property	136	-	(8,631)	14,296	-	5,801
Transfer to non-current assets held for sale	(6,497)	-	-	(31,539)	-	(38,036)
Disposals and write-off	(37,696)	(12,673)	(50,862)	(6,922)	(188,776)	(296,929)
Other transfers	72,553	(89,789)	130,885	(29,485)	(412,661)	(328,497)
Translation differences	(26,352)	-	(25,394)	(25)	(39,640)	(91,411)
	142,058,422	88,122,540	36,723,414	7,580,227	33,732,742	308,217,345
As at 31 December 2023						
Cost	252,630,090	175,629,205	78,033,327	18,056,185	36,977,722	561,326,529
Depreciation and impairment	(110,571,668)	(87,506,665)	(41,309,913)	(10,475,958)	(3,244,980)	(253,109,184)
Net book value	142,058,422	88,122,540	36,723,414	7,580,227	33,732,742	308,217,345

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the year ended 31 December 2023 are as follows:

	Land	Property	Plant and equipment	Vehicles	Other	Total
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	-	-	-	-	(1,994)	(1,994)
Foreign currency translation	(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

11. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid for PPE	6,749,277	1,208,348
Prepaid expenses	104,566	142,503
Other assets	952,700	1,131,217
<i>Less allowance of other assets</i>	(287,549)	(341,519)
<i>Less allowance for advances paid</i>	(517,899)	(26,761)
	7,001,095	2,113,788

12. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	31 December 2023	31 December 2022
Short-term loans	820,000	1,308,145
Interest payables	243,592	140,959
Other Short-term financial liabilities	171	-
Current portion of long-term loans (note 16)	10,761,083	5,811,404
	11,824,846	7,260,508

Movements on the Group's liabilities from short-term finance activities are as follows:

	2023	Year ended 31 December 2022
Short-term loans at 1 January	1,308,145	-
Proceeds	820,000	1,311,584
Repayment	(1,307,509)	-
Foreign exchange difference (note 21)	(636)	(3,439)
Short-term loans at 31 December	820,000	1,308,145

13. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	16,880,398	24,568,481
Dividends payable	3,783,595	3,783,818
Other accounts payable	39,923	103,572
	20,703,916	28,455,871

14. OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
- Advances received	5,136,000	11,395,388
- Customer loyalty	926,279	774,596
- Deferred income	88,916	48
Payables to employees	6,008,721	5,523,217
Other current non-financial liabilities	1,933,441	53,053
	14,093,357	17,746,302

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.

Other current non-financial liabilities mainly relate to compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects in amount of 1,794,373 RSD. This obligation was previously recognized as a provisions for liabilities and charges.

15. OTHER TAXES PAYABLE

	31 December 2023	31 December 2022
Mineral extraction tax	483,058	441,244
VAT	1,771,559	4,314,755
Excise tax	8,264,105	7,996,666
Contribution for State commodity reserves	625,507	887,822
Custom duties	61,075	24,304
Energy efficiency fee	73,968	122,510
Other taxes	1,682,514	1,446,638
	12,961,786	15,233,939

16. LONG-TERM DEBT

	31 December 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	65,223,168	65,009,756
Other long-term borrowings	150,012	126,800
Less Current portion (note 12)	(10,761,083)	(5,811,404)
	54,612,097	62,053,580

Movements on the Group's liabilities from finance activities are as follows:

	2023	Year ended 31 December 2022
Long-term loans at 1 January	67,738,184	77,480,042
Proceeds	3,380,401	4,499,752
Repayment	(5,825,632)	(14,063,305)
Non-cash transactions	20,343	(12,974)
Foreign exchange difference (note 21)	(90,128)	(165,331)
Long-term loans at 31 December	65,223,168	67,738,184

(b) Bank loans

	31 December 2023	31 December 2022
Domestic	48,366,114	48,275,922
Foreign	16,857,054	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 bank 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	45,494,977	47,889,786
Over 5 years	1,334,585	4,329,055
	54,462,085	61,926,780

The carrying amounts of 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	29,493	92,041
	65,223,168	65,009,756

The Group repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has both fixed and 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. Management believes the Group is in compliance with these covenants as of 31 December 2023 and 31 December 2022, respectively.

17. LEASE LIABILITIES

	31 December 2023	31 December 2022
Non-current lease liabilities	3,010,984	2,413,671
Current lease liabilities	924,031	735,918
	3,935,015	3,149,589

Amounts recognized in profit and loss:

	2023	Year ended 31 December 2022
Interest expense (included in finance cost) (note 23)	160,516	68,835
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	103,413	342,565
Expense relating to leases of low value assets that are not shown above as short-term leases	51,477	64,077
Expense relating to variable lease payments not included in lease liabilities	2,304,661	1,459,684

Movements on the Group's liabilities from lease activities are as follows:

	2023	Year ended 31 December 2022
As at 1 January	3,149,589	2,335,974
Repayment	(1,025,957)	(814,876)
Company incoming to consolidation	883,328	-
Non-cash transactions	938,612	1,630,618
Foreign exchange difference (note 21)	(10,557)	(2,127)
As at 31 December	3,935,015	3,149,589

18. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Employee costs	3,981,195	3,044,091	12,373,188	10,230,914
Materials and supplies (other than O&G and petroleum products)	969,650	760,881	3,479,421	2,637,915
Repair and maintenance services	1,425,658	1,100,977	4,084,089	3,400,779
Electricity for resale	4,003,938	5,955,189	14,121,674	9,058,463
Electricity and utilities	4,475,873	2,271,039	13,224,738	8,030,233
Safety and security expense	158,507	243,324	532,093	701,712
Transportation services for production	212,503	373,761	769,863	1,437,219
Other	1,657,311	1,173,850	6,516,151	6,779,382
	16,884,635	14,923,112	55,101,217	42,276,617

Electricity for resale represents part of other nonproduction and nonmanufacturing cost.

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Employee costs	5,971,650	5,295,918	20,709,654	17,627,462
Commission and agency fees	176,663	217,039	741,677	849,079
Legal, audit and consulting services	365,845	325,414	944,291	814,298
Current repair cost	392,834	397,209	1,351,598	1,233,726
Costs on advertising and marketing	96,800	118,684	373,572	339,866
Rent expense	11,477	18,231	60,157	118,631
Business trips expense	110,633	98,728	309,100	201,643
Safety and security expense	297,341	258,768	986,916	751,205
Insurance expense	22,930	20,876	101,102	93,706
Transportation and storage	67,153	47,728	247,642	215,137
Allowance for doubtful accounts	17,745	(544,328)	39,582	(523,766)
Other	1,733,196	1,500,191	6,019,558	5,324,054
	9,264,267	7,754,458	31,884,849	27,045,041

20. OTHER INCOME/(EXPENSES), NET

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Penalties	40,056	77,990	176,798	282,851
Provisions (legal, environmental, etc.)	10,377	(2,955,114)	(282,569)	(2,997,017)
Impairment of non-financial assets	(109,332)	(106,347)	(135,289)	(115,167)
Gain from write-off of accounts payable	53,826	12,988	59,344	17,126
ARO - Change in estimate	42,185	219,161	47,378	219,161
Charity and social payments	(177,751)	(146,128)	(7,248,576)	(162,030)
Gain from bargain purchase	8,918,255	-	8,918,255	-
Other	(52,091)	2,981,872	(287,034)	480,738
	8,725,525	84,422	1,248,307	(2,274,338)

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.

21. NET FOREIGN EXCHANGE GAIN/(LOSS)

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Foreign exchange gain/(loss) on financing activities including:				
foreign exchange gain (note 12, 16 and 17)	81,180	48,966	365,233	643,850
foreign exchange loss (note 12, 16 and 17)	(68,584)	(38,390)	(263,912)	(472,953)
Net foreign exchange gain/(loss) on operating activities	82,451	20,879	(355,815)	(2,338,996)
	95,047	31,455	(254,494)	(2,168,099)

22. FINANCE INCOME

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Interest on bank deposits	857,761	1,114,596	4,563,096	1,938,537
Interest income on loans issued	2,324	3,782	10,960	13,756
Dividend income	44,372	-	44,372	-
	904,457	1,118,378	4,618,428	1,952,293

23. FINANCE EXPENSES

	Three month period ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Interest expense	914,231	559,960	3,213,860	1,818,414
Losses on restructuring of borrowings	4,406	6,452	20,438	24,732
Decommissioning provision: unwinding of the present value discount	42,296	10,107	154,128	39,816
Provision of trade and other non-current receivables: discount	(63,245)	51,929	7,299	89,989
Less: amounts capitalised on qualifying assets	(18,484)	(6,982)	(66,158)	(20,974)
	879,204	621,466	3,329,567	1,951,977

Interest expense includes expenses on lease liabilities in the amount of 160,516 RSD for the year ended 31 December 2023 (98,355 RSD for the year ended 31 December 2022 accordingly). (Note 17).

24. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties, financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2022. There were no transfers between the levels of the fair value hierarchy during 2023.

As of 31 December 2023 the carrying value of financial assets approximates their fair value.

25. BUSINESS COMBINATIONS

Acquisition of HIP Petrohemija d.o.o. Pančevo

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 (HIPPP), 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 capacity. 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 9)	1,898,512
	Other non-current assets	34,314
	Total assets acquired	14,634,523
Liabilities		
	Current provisions for liabilities and charges	(7,312)
	Other current liabilities	(2,914,880)
	Lease liabilities (note 17)	(883,328)
	Non-current provisions for liabilities and charges	(820,458)
	Deferred tax liabilities	(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 20)	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 applying 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.

26. CONTINGENCIES AND COMMITMENTS

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.

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. 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 of 466,555 RSD (31 December 2022: 508,332 RSD).

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.

Capital commitments

As of 31 December 2023 the Group has entered into contracts to purchase property, plant and equipment 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.

27. RELATED PARTY 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 at 31 December 2023 and 31 December 2022 the outstanding balances, presented net of impairment, with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint venture
As at 31 December 2023			
Short-term financial assets	-	32,196	-
Trade and other receivables	-	231,618	84,568
Investments in joint venture and associates	-	-	2,729,005
Trade and other non-current receivables	-	-	669,618
Other current assets	-	16,917	-
Other non-current assets	-	72,113	-
Trade and other payables	-	(172,009)	(667,586)
Other current liabilities	-	(127)	(433)
	-	180,708	2,145,554
As at 31 December 2022			
Trade and other receivables	-	368,216	1,446,747
Investments in joint venture and associates	-	-	2,866,724
Other current assets	-	22,258	709,412
Right of use assets	-	197	-
Trade and other payables	(1,762)	(641,933)	(3,053,876)
Other current liabilities	-	(195)	(3,101)
Short-term debt and current portion of long-term debt	-	(2,728,428)	-
Current lease liabilities	-	(124)	-
Non-current lease liabilities	-	(50)	-
	(1,762)	(2,980,059)	1,965,906

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 income/(expenses)	-	(147,867)	663
	(7,292)	(115,076,746)	30,661,248

28. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2023 were evaluated through 30 January 2024, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

Statement of individuals responsible for the preparation of report

We hereby declare that, to the best of our knowledge, the quarterly report has been prepared in accordance with applicable accounting standards and that it provides a true and objective overview of data on assets, liabilities, profits and losses, revenues and expenditures, the financial position of the Company, including all companies included in the group with which it forms an economic entity, and that the quarterly management report contains an objective overview of the information required in accordance with the Law on the Capital Market.

The financial statements, which are an integral part of the Quarterly Report, have not been audited.

Anton Cherepanov



Deputy CEO,
Head of Function for Finance, Economics,
Planning and Accounting
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Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
B&H	Bosnia and Herzegovina
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CNG	Compressed natural gas
CO ₂	Carbon Dioxide
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
ETBE	Ethyl tertiary-butyl ether
EU	European Union
EUR	Euro
FED	The Federal Reserve System
HiPACT	High Pressure Acid Gas Capture Technology
HR	Human Resources
HSE	Health, Safety and the Environment
IRMS	Integrated Risk Management System
ISCC	International Sustainability & Carbon Certification
IT	Information Technology
j.s.c. or JSC	Joint Stock Company
km	kilometre
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTIF	Lost Time Injury Frequency
m ²	Square meter
m ³	Cubic meter
MW	Megawatt, SI unit of electricity
OECD	The Organization for Economic Cooperation and Development
OCF	Operating Cash Flow
OPEC	Organization of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RSD	Serbian Dinar
SNNP	Sa nama na putu cart (On the road with us card)
s.r.l.	Limited liability company (in Romania)
STC	Scientific and Technological Centre
t.o.e.	Tonnes of oil equivalent
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax

The Report contains statements on uncertain future events. Statements on uncertain future events involve statements which are not historical facts, statements with regard to the NIS Group's intentions, beliefs or current expectations related to, inter alia, the NIS Group's business results, financial standing and liquidity, prospects, growth, strategies and industrial sectors in which the NIS Group does business. For the reason that they relate to the events and depend on the circumstances which may or may not realize in the future, statements on uncertain future events by their nature involve risks and uncertainty, including, but without limitation to risks and uncertainties that the NIS Group has identified in other publicly available documents. NIS Group hereby warns that there are no guarantees that the statements on uncertain future events will be realized in the future and that actual business results, financial standing and liquidity, as well as the development of the industrial sector in which the NIS Group does business, may considerably differ from the ones represented or assumed by statements on uncertain future events. In addition, even if the NIS Group's business results, its financial standing and liquidity, and the development of the industrial sector in which the NIS Group does business happen to comply with the statements on uncertain future events contained herein, the results and development are not indicative of the results and development in upcoming periods. The information contained herein has been presented on the date of the Report and may be changed without prior announcement.