ANNUAL REPORT
2024

The Annual Report for 2024 gives a factual overview of activities, development and performance of the NIS Group in 2024. The Report covers and presents data for the NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to specific subsidiaries or only NIS j.s.c. Novi Sad, it is duly noted in the Report. The terms: NIS j.s.c. Novi Sad and 'The Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms NIS and NIS Group pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Annual Report provides a concise and an integrated overview of the financial and non-financial performance of the NIS Group in 2024 and shows how the strategic goals, corporate governance, achieved results and realised potentials, in conjunction with the external environment, lead to generating the value in the short, medium and long term.

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

The Annual Report for 2024 is available online on the corporate website. For any additional information on NIS Group, you may visit the corporate website www.nis.rs.

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

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

Reference to the corporate website www.nis.rs

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NIS GROUP IN 2024[1]

OIL AND GAS OUTPUT
1,147
THOUSAND T.O.E.

REFINING VOLUME
3,620
THOUSAND TONNES

SALES VOLUME
3,750
THOUSAND TONNES

VOLUME OF PRODUCED ELECTRICITY
124.2
IN GWh

EBITDA
44.4
BLN RSD

NET PROFIT
10.1
BLN RSD

CAPEX
53.2
BLN RSD

OCF
61.0
BLN RSD

DIVIDEND INCOME[2]
7.9%

WAS PAID AS DIVIDEND
10.5 BLN RSD

1,065 mln RSD — investments in ecological projects

428.3 mln tonnes CO_2 — Indirect CO2 emissions (scope 2)

1,619.4 mln tonnes CO_2 — Direct CO_2 emissions (scope 1)

20 PVPP — Put into operation at PSs

Tier 1
1.0

Tier 2
8.0

Tier 3
377

311.4
mln RSD
Professional development of employees

4,703
Realized training

481.1
mln RSD
Socially responsible projects and support for professional

[1] The presented volume includes the volume of petrochemical products of HIP-Petrohemija.Volume of produced electricity includes the electricity produced in Power plant Pancevo, small power plants and photovoltaic power plants. The total volume of electricity produced for the 2024 in TE-TO Pančevo is 1 million MWh. NIS j.s.c. Novi Sad owns 49% of the shares in TE-TO Pančevo.
[2] Dividend yield calculated by comparing the gross amount by share paid out in 2024 and the share price as at 31 December 2023.

AWARDS AND RECOGNITIONS

According to the results of the largest domestic employer brand perception survey **"TalentX"**, conducted by the group of employment websites Poslovi.Infostud, the Company has once again been ranked among the three leading employers in Serbia.

On the occasion of 15 years of implementing the "Common Cause - Community" program, NIS was awarded the prestigious "**Dobrocinitelj**" award for continuous contribution to the community.

According to the results of the **Youth Speak Voice** survey conducted by the student organization AIESEC Serbia, NIS was recognized among students as a leader in business on the domestic market.

NIS was awarded a certificate of appreciation from the **Fund for Scholarships and Encouraging the Advancement of Gifted Students and Young Scientists and Artists of the University of Novi Sad** for its long-term support and scholarship of students.

The Faculty of Technical Sciences in Čačak, University of Kragujevac, awarded a plaque to NIS for its support for the development and affirmation of the faculty as part of the "Common Cause - Community" program.

The Serbian Chemical Society awarded a certificate of appreciation to NIS as a token of recognition for its support in organizing the 2024 high school student competition.

NIS received a **plaque** for its long-term cooperation and support to the Faculty of Mechanical Engineering, University of Belgrade, as part of the "**Energy of Knowledge**" program.

NIS was awarded a **certificate of appreciation by Aleksinac Gymnasium** on the occasion of 10 years of support and the existence of bilingual Serbian-Russian classes in this educational institution.

The Dragan Kovačević Elementary School in Belgrade presented a certificate of appreciation to NIS for its contribution to the education and upbringing of students with developmental disabilities, which the company provided to the school through the implementation of a project within the "Common Cause - Community" program.

The Partizan Basketball Club presented a certificate of appreciation to NIS for two decades of continuous partnership.

NIS

NIS AS A SOCIALLY RESPONSIBLE COMPANY

ZAJEDNICI ZAJEDNO

ZAJEDNO ZA ZELENU ENERGIJU

BELGRADE NOVI BEČEJ ČAČAK ZRENJANIN SRBOBRAN NIŠ NOVI SAD POŽAREVAC ŽITIŠTE VELIKO GRADIŠTE KIKINDA PANČEVO KANJIŽA

Projects for the construction of solar power plants at the institutions of public importance

40 institutions in **13** cities

144.5 MLN. RSD for the construction of **solar power plants of 10 – 50 KW** for the production of self-generating electricity in a sustainable and environmentally-friendly manner.

ENERGY OF KNOWLEDGE

COOPERATION WITH UNIVERSITIES AND FACULTIES AND SCHOOLS

3 Universities

10 Schools

5 Faculties

4 Scientific Societies

16 Interns from the selected courses of the secondary schools in Pančevo, who will acquire practical knowledge at the Pančevo Oil Refinery

5 New Memoranda signed

SPONSORSHIPS AND DONATIONS

Basketball club "Partizan"
Bolsoj Ballet Gala Concert
Basketball Federation of Serbia
Volleyball Federation of Serbia
Paralympic Committee of Serbia
"Jedro" Foundation
"Porodica" Foundation

During 2024,

481.1

mln. RSD was invested in socially responsible projects together with professional sports.

VOLUNTEERING

9 Volunteer actions

653 Volunteer hours

almost **2,000** Members of the Volunteer Club

27 Community Support Days

IMPLEMENTATIONS OF KEY PROJECTS

CAPITAL OVERHAUL

Capital overhaul which was carried out at the Pančevo Oil Refinery was a most complex and most challenging one in the Refinery's history, considering modernisation and higher number of production units. The overhaul and investment projects were worth over EUR 95 million, and, in addition to NIS employees, over 2,000 contractors were engaged. In terms of completed works, the overhaul covered 34 reactors and absorbers, whereat 850 m^3 of catalyst was replaced, 245 pressure vessels were repaired, as well as 47 compressors and pumps, 298 heat exchangers, 1,457 pipelines, 243 air coolers, and 16 tube furnaces. As regards activities, most process units underwent scheduled overhauls and investment works, whereat 12 investment projects were executed, including a significant number of investments maintenance projects. The completed works facilitated improvement of operational reliability, industrial safety and energy efficiency in Pančevo Oil Refinery.

ROBOTIZED DRILLING RIGS

Two new robotic drilling rigs, named after prominent scientists "Tesla" and "Pupin", represent one of the largest investments in the oilfield services segment in the history of NIS. The aim of this investment is to increase operational efficiency and optimize costs, while achieving environmental benefits in the field of oil and gas exploration and production. The new drilling rigs are modular, manual operations have been replaced with robotic systems, exhaust gas emissions have been reduced, and noise levels have been significantly decreased. Time savings of up to 20 percent in well construction are expected, and in terms of the locations where the rigs are set up for drilling, space savings of 25 to 45 percent when compared to existing setups, have been projected. This not only impacts the costs of location construction but also the environment by occupying less land area.

CONSTRUCTION OF A POLYPROPYLENE PRODUCTION PLANT

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

The project is being implemented according to plan.

RETAIL NETWORK DEVELOPMENT PROJECTS

Upon completion of their reconstruction 9 petrol stations have been put into operation, as well as 1 new petrol station (purchase and rebranding).

The renovation program for 11 petrol station was implemented.

SOLAR PANNELS

During 2024, 20 photovoltaic power plants (PvPPs) were built and put into operation at NIS petrol stations, so, the total of 45 PvPPs were put into operation at petrol stations in the period from 2022 until the end of 2024. Additional PvPPs were launched at the following locations: at the drinking water production plant “Jazak”, at four facilities in the Storage of petroleum products in Novi Sad, at Business Building Arse Teodorovic in Novi Sad, and at five facilities in the Pancevo Oil Refinery. In 2025, the construction of PvPP will continue at other NIS facilities.

DIGITAL TRANSFORMATION

The process of digital transformation in our company is characterized by continuous improvement of business processes and introduction of highly applicable digital solutions and technologies with the aim of improving business efficiency. A significant part of this strategic direction is aimed at developing the competencies of our employees through intensive educational modules on digital technologies and their application in the business environment. Our team of internal trainers arose as a result of collective commitment and individual professional engagement, and our portfolio includes a wide range of digital projects, whose number now amounts to about 140.

During 2024, work on the implementation of the programme of digitization of the HSE Function continued, aiming at improving the work of employees from the HSE area, as well as at easier and safer management of contractors, and the first version of the HSE Digit application was developed.

In 2024, as part of the regular activities of exploring new opportunities created by the modern technologies, the focus was on artificial intelligence – the possibility of applying artificial intelligence in the areas of corporate functions was examined, and in certain processes in the Refining Block within which machine learning can increase efficiency. The test results were positive and it was determined that there is a possibility for the application of artificial intelligence in the mentioned business segments.

In the field of data management and analytics, several projects were implemented, which enabled us to significantly reduce the time spent on routine data processing and contributed to a faster, better and easier daily work of our employees.

The digital transformation of our Company remains an integral part of the corporate strategy for the future, a solid foundation for the sustainable development. By applying innovation, we solve challenges and turn them into opportunities, distinguishing ourselves in a dynamic and changing business environment.

RESULTS FOR 2024:

A portfolio of ~140 digital projects

- Improvement of the digital transformation management process
- Quantificaion of economic effects across all business segments

Exploration and Production Block
Increasing the efficiency and transparency of the drilling and overhaul process with the implementation of digital instruments based on Industry 4.0 technologies.

Refining Block
Constant search for solutions that contribute to the high-quality and smooth operation of the plant, as well as the prediction of failures and overhaul activities.

Sales and Distribution Block
Optimizing the value creation chain from the oil base to the end consumer, in which the key role is played by the development of digital solutions that improve the experience of our users and clients.

Energy Block
Development of digital solutions that contribute to energy and operational efficiency in a broader sense.

LETTER TO SHAREHOLDERS

Dear friends,

The year behind us was challenging for NIS in all aspects. From the most comprehensive turnaround in the history of the Pančevo Oil Refinery, through efforts to modernize Petrohemija and integrate it into the NIS Group system, all the way to complex macroeconomic circumstances.

However, in the past year, we achieved successes that we can be collectively proud of. First of all, we realized capital investments amounting to RSD 53.2 billion, which is one of the most ambitious investment cycles in the history of NIS. ***The turnaround carried out in 2024 at the Pančevo Oil Refinery was the most extensive and complex in the history of the Refinery. In addition to maintenance and turnaround works, we implemented 12 investment projects, as well as a significant number of investment maintenance projects.*** The activities at the Refinery required exceptional logistics, not only in terms of equipment and materials but also involving human resources, as, in addition to NIS employees, more than 2,000 external contractors were engaged in the works. Despite the complexity of this task, the turnaround was successfully completed, ensuring the safety of all participants. It will provide the improvement of reliability in the operation of the plant, as well as the enhancement of industrial safety and energy efficiency at the Pančevo Oil Refinery. Moreover, we have started another important task in our refinery involving the reconstruction of the railway track and the fire protection system.

We have also made significant steps in modernizing our oil services by acquiring robotic drilling rigs worth more than EUR 30 million, as well as new machinery for more efficient and safer fieldwork. Our efforts to modernize the retail network and storage capacities are no less significant. In 2024 alone, we invested EUR 18 million in the development of our petrol stations. At the same time, we carried out the reconstruction of the petroleum products warehouse in Niš, along with the construction of three new 5,000 m^3 tanks. We also continued the company's energy transition and have so far built solar photovoltaic power plants at 45 petrol stations, at the Jazak drinking water plant, and at the Pančevo Oil Refinery. In the coming period, we will continue to implement this project, with our ultimate goal being that, by 2030, electricity production from renewable sources should cover half of the company's consumption. Moreover, we will provide significant support to the Republic of Serbia in the achievement of its energy transition goals. During the planned shutdown in HIP Petrohemija, we revised the main equipment and took new steps in preparing the polypropylene factory construction project. In short, we have made significant investments across all business segments and expect to see their positive impact on our operations in the future. Our financial results in 2024 are lower compared to previous years, but this was expected, especially considering the aforementioned turnaround, the negative result of the petrochemical complex, as well as specific trends in the petroleum products market.

In addition to business, NIS equally values its connection with the community we operate in. In 2024, through various socially responsible projects and support for professional sports, we invested more than RSD 481 million in the improvement of the lives of our fellow citizens. We also provided the opportunity to public institutions in our partner municipalities and cities to acquire solar power plants for their own electricity production. At the same time, we invested almost RSD 1.1 billion in environmental protection projects, contributing to the improvement of the ecological image across Serbia.

I would like to dedicate a few sentences to what awaits us in the upcoming period. Given the sanctions imposed by the US on our company at the beginning of 2025, we expect our operations to take place in very complex conditions in the future. Such events are beyond our control, but it is up to management and employees to do everything in our power to ensure that NIS continues to operate in a stable manner, especially considering the importance of our company for the economy of the Republic of Serbia. We are making adjustments to our plans and budgets for 2025, and we are ready to respond to various scenarios. Although we remain flexible when it comes to plans, there is no doubt that our priorities remain the same – maintaining stability in the domestic market of petroleum products and further development of NIS, along with the social security of employees. We can achieve these goals only with significant effort and dedication to our obligations, nurturing teamwork and innovative approaches and solutions in all areas of business. I believe that, with joint efforts, we will overcome the obstacles that await us and successfully achieve our set priorities.

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

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) which comprise the Balance sheet as at December 31, 2024, and the Income statement, Statement of other comprehensive income, Statement of cash flows and Statement of changes in equity for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

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

Materially significant uncertainty related to the going concern

We draw attention to Note 3.1 in the attached financial statements, which indicates that the Company, after the balance sheet date, was included on the US Treasury Specially Designated Nationals and Blocked Persons (SDN) List, which may have a significant impact on its operations in the future. This classification imposes a ban on transactions by U.S. persons or entities with the Company. Additionally, the designation may trigger secondary sanctions for non-US entities that engage in certain types of transactions with the Company, starting from the date the sanctions are applied. These sanctions, if enforced, may cast significant doubt on the Company's operational activities, cash flows, and its ability to meet obligations to creditors.

The Company's management is actively monitoring the situation and taking steps to eliminate or mitigate the potential risks arising from this uncertainty. A temporary delay in sanctions could be a positive signal, but there is still a significant degree of uncertainty regarding future decisions and their effects on the Company's operations.

This event indicates the existence of significant uncertainty that may impact the Company's ability to continue operations in accordance with the going concern principle in the foreseeable future.

Our opinion has not been modified in respect to this matter.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the section *Materially significant uncertainty related to the going concern*, we identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 22 to the financial statements. As described in the notes to the financial statements, the Company recognized provisions in the amount of RSD 12,019,862 thousand.

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

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

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

Audit approach:

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

We have also performed the following audit procedures:

- We have performed testing of arithmetic accuracy of the model that the Company have used when calculating provisions;
- We reviewed the status of the wells on a sample basis and compared them with the status within the well fund, which is the foundation for the calculation of provisions;
- We have compared the changes in the status of the wells in the current year to the previous year, since the change in the status of the wells can have a material impact on the calculation of provisions;

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Key Audit Matters (Continued)

- We have tested the completeness of the data, comparing it with other information within the business records and auditing procedures related to real estate, plants and equipment;
- We have assessed the justification of the applied discount rate as one of the assumptions for the calculation of provisions by comparing it with the rate on government bonds of the Republic of Serbia taken over from the National Bank of Serbia;
- We have evaluated and we have gained understanding of the assumptions related to the costs necessary for the liquidation and recultivation of the land;
- We have performed a review of the sensitivity analysis prepared by management for the main assumptions;
- We have gained an understanding of the Company's procedures applied by the management to estimate and record long-term provisions. This included understanding whether there was a legal or contingent obligation to establish a provision.

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2024.

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

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

Belgrade, March 07, 2025

FINEXPERTIZA d.o.o. BEOGRAD

Srđan Božović

The engagement partner on audit project

Licensed auditor

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) and its subsidiaries (together hereinafter: the Group) which comprise the consolidated Balance sheet as at December 31, 2024, and the consolidated Income statement, consolidated Statement of other comprehensive income, consolidated Statement of cash flows and consolidated Statement of changes in equity for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

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

Materially significant uncertainty related to going concern

We draw attention to Note 3.1 in the attached financial statements, which indicates that the Group, after the balance sheet date, was included on the US Treasury Specially Designated Nationals and Blocked Persons (SDN) List, which may have a significant impact on its operations in the future. This classification imposes a ban on transactions by U.S. persons or entities with the Group. Additionally, the designation may trigger secondary sanctions for non-US entities that engage in certain types of transactions with Group, starting from the date the sanctions are applied. These sanctions, if enforced, may cast significant doubt on the Group's operational activities, cash flows, and its ability to meet obligations to creditors.

The Group's management is actively monitoring the situation and taking steps to eliminate or mitigate the potential risks arising from this uncertainty. A temporary delay in sanctions could be a positive signal, but there is still a significant degree of uncertainty regarding future decisions and their effects on the Group's operations.

This event indicates the existence of significant uncertainty that may impact the Group's ability to continue operations in accordance with the going concern principle in the foreseeable future.

Our opinion has not been modified in respect to this matter.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the section *Materially significant uncertainty related to the going concern*, we identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 20 to the consolidated financial statements. As described in the notes to the consolidated financial statements, the Group recognized provisions in the amount of RSD 12,465,619 thousand.

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

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

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

Audit approach:

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

We have also performed the following audit procedures:

- We have performed testing of arithmetic accuracy of the model that the Group have used when calculating provisions;
- We reviewed the status of the wells on a sample basis and compared them with the status within the well fund, which is the foundation for the calculation of provisions;
- We have compared the changes in the status of the wells in the current year to the previous year, since the change in the status of the wells can have a material impact on the calculation of provisions;

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Key Audit Matters (Continued)

- We have tested the completeness of the data, comparing it with other information within the business records and auditing procedures related to real estate, plants and equipment;
- We have assessed the justification of the applied discount rate as one of the assumptions for the calculation of provisions by comparing it with the rate on government bonds of the Republic of Serbia taken over from the National Bank of Serbia;
- We have evaluated and we have gained understanding of the assumptions related to the costs necessary for the liquidation and recultivation of the land;
- We have performed a review of the sensitivity analysis prepared by management for the main assumptions;
- We have gained an understanding of the Group's procedures applied by the management to estimate and record long-term provisions. This included understanding whether there was a legal or contingent obligation to establish a provision.

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2024.

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Belgrade, March 07, 2025

Srđan Božović

The engagement partner on audit project

Licensed auditor

MANAGEMENT BUSINESS REPORT

NONFINANCIAL REPORTING HIGHLIGHTS

FIRST QUARTER

- Start of a pilot project on the operation of self-checkout at the Block 45 PS
- The results of NIS Group's operations for 2023 were presented
- The fourth season of “NIS Energy” youth employment program has started
- Pančevo Oil Refinery received a new Integrated Pollution Prevention and Control permit (IPPC)
- The company marked 15 years since the launch of its Common Cause Community corporate social responsibility programme
- Production at the exploitation field in Bosnia and Herzegovina continued
- NIS representatives participated in strategically important panel discussions at the Kopaonik Business Forum
- The new student internship programme “NIS Academy” was launched
- NIS was awarded the “Dobročinitelj” award for 15 years of supporting local communities
- NIS was recognised as the leader in the Serbian market by the results of the Youth Speak Voice poll

SECOND QUARTER

- During 2024, a major overhaul was successfully carried out at the Pančevo Oil Refinery, the largest in terms of scope and complexity in the history of the Refinery, during which an uninterrupted supply of all types of oil derivatives was ensured for all customers on the market of the Republic of Serbia in accordance with the signed contracts
- Dubravka Đedović Handanović, Minister of Mining and Energy of the Government of the Republic of Serbia, visited Pančevo Oil Refinery
- NIS Q1 2024 performance results presented
- NIS established cooperation with the University of Defense
- The Industrial Railway Reconstruction Project in Pančevo Oil Refinery began
- Company NIS participated in the International Agricultural Fair in Novi Sad, showcasing its efforts and achievements in sustainable development
- Two new robotic drilling rigs have been purchased and named Tesla and Pupin. The first of them, Tesla, was put into operation at the Kikinda field on 1st July
- The capital overhaul of the gas refinery in Elemir was completed
- Completion of the reconstruction of Prijepolje 2 PS
- Beginning of works on the partial reconstruction of the sales section of Veliki Mokri Lig 1 PS
- Pilot operation of a solar power plant has begun on the territory of the Jazak drinking water factory
- NIS is again among the three most sought-after employers in Serbia as per “TalentX” research conducted by the group of employment sites Poslovi.Infostud
- NIS received a certificate of appreciation from the Fund for Gifted Students of the University of Novi Sad for long-term support and provision of student scholarships
- The 2023 Sustainable Development Report published
- Shareholders’ Assembly of NIS j.s.c. Novi Sad held the XVI regular session, among which was adopted the decision on the payment of dividends to shareholders for the year 2023

THIRD QUARTER

- Technical training service has officially received the status of Publicly Recognized Organizer of Adult Learning Activities (JPOA) issued by the Ministry of Education, Science and Technological Development of the Republic of Serbia
- The second robotic drilling rig “Pupin” has been put into operation
- The Scientific and Technical Conference (STC) for young specialists was held
- The perspective of “blue” hydrogen production at the Pančevo Oil Refinery was presented at the conference in Turin, dedicated to promoting innovation, research and technical achievements in the field of energy sector transformation
- Commencement of operation of PS Prijepolje and PS Žitište after the completion of the total reconstruction
- A competition has been announced for the new season of the socially responsible program “Common Cause – Community”, the focus of which is investment in the field of renewable energy sources in partner communities
- Presented results of the NIS Group's operations in the first half of 2024
- A new oil collection and loading station was constructed and put in operation in the Banat region
- The well BD-004 workover project was successfully completed
- The competition “Best in Profession” was organized and the winners took part in the final competition in Russia
- Within the “Energy of Knowledge” programme, 16 interns from the selected courses of secondary schools in Pančevo were engaged, who would acquire their applied knowledge at the Pančevo Oil Refinery
- Commencement of activities on the preparation for the commissioning in the NIS network BS Zemun kej
- Two new cisterns for supplying aircraft with aviation fuel with

FOURTH QUARTER

a capacity of 32,000 liters per cistern were put into operation at the Belgrade Airport
- NIS paid more than RSD 10 billion to shareholders in dividends for 2023
- The construction works on the installation of the gas compressor were completed; the facility was put into operation in Banat
- Commencement of reconstruction of PS Vrbas 1 and Ada
- Action for farmers, who are in possession of an Agricultural Card, and do not have registered areas in the Register of Agricultural Holdings
- NIS, Science and Technology Center of NIS – Naftagas LLC Novi Sad and the Chinese company signed a Memorandum on Science and Technology Cooperation in Belgrade
- Open competition for the fifth season of the "NIS Energy" program, in which NIS employs graduates and master's students from selected faculties in Serbia.
- In 2024, 52 development and 5 exploration wells were drilled in Serbia, and 44 development wells and 1 exploration well were commissioned in Serbia, while 2 development wells were commissioned in Romania. In the fourth quarter of 2024, 16 development and 1 exploration wells were drilled in Serbia, while 8 development wells were commissioned in Serbia
- Contract was signed for the project of drilling of 4 wells PSG Banatski Dvor
- "The Best in the Profession" competition related to knowledge and skills of employees was held in the Refining Block
- Second Scientific and Technical Conference of the Refining Block was held
- Participation of the representatives of the Refining Block in the international conference AUTOMA dedicated to automation and digitization of the oil and gas sector in Düsseldorf
- Command and Simulation Exercise was conducted at the HIP Petrohemija and the Pančevo Oil Refinery
- Chromatographs were donated to the Institute of Chemistry, Technology and Metallurgy
- The top sale of jet fuel "in the wing" in the amount of 17,412 tonnes was achieved on a monthly basis for October
- Big NIS Prize Game being held with the biggest prize fund so far (3 cars and 1,500 vouchers for the purchase of fuel with the value of RSD 10,100)
- Start of work of Zemun kej PS in the NIS network
- Completion of reconstruction works of 7 PSs (Ada, Vrbas 1, Negotin 1, Kruševac 4, Boljevac, N. Kneževac and Adaševci)
- NIS organized the 11th Investor Day, where the NIS Group's performance in the first nine months of 2024 and the most important investment projects were presented to the investment public
- Memoranda of cooperation were signed with the law faculties in Belgrade and Novi Sad
- NIS representatives organized a panel "Modern Aspects of Contractual Business" at the Regional Legal Business Forum held in Zlatibor
- Within the framework of the "Common Cause - Community" programme, 40 projects developed by institutions of public importance were selected that will be given the opportunity to build solar power plants on their facilities
- The first issue of corporate bonds was issued
- The modernization of Oilfield Services continued with the purchase of 11 latest generation machines
- NIS was awarded a certificate of appreciation from the Serbian Chemical Society for its long-term successful partnership
- In 2024, NIS set a record in coffee sales at its Drive Cafes – 7 million cups were sold in Serbia

HIGHLIGHTS AFTER REPORTING DATE

a) Introduction of Sanctions by the United States of America (USA) on NIS a.d. Novi Sad

- On 10 January 2025, the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury announced on its Specially Designated Nationals and Blocked Persons List (SDN List) that, as part of measures taken by OFAC under Executive Order 14024 and Executive Order 13662, the company NIS a.d. Novi Sad was added to the SDN List.
  This listing represents a significant event after the balance sheet date, which may have a material impact on the Group's operations.
- On 14 January 2025, the Belgrade Stock Exchange decided to impose a temporary suspension of trading in NIS a.d. Novi Sad shares, which will remain in effect until the resolution of the situation, by order of the Securities Commission, the suspension of trading and transfer of ownership will remain in effect until the reasons that led to the suspension cease to exist.
- On 29 January 2025, NIS officially filed an application with OFAC - Request for Specific License, or Amended General Licenses, Authorizing Activities Described in General Licenses 26A, 117, 118, and 119, and Request for Specific or General License Authorizing Maintenance of Operations, Contracts, and Other Agreements. Application, aside from the requests related to OFAC licenses, also contains an explicit request to OFAC to issue a statement providing non-U.S. persons with assurances that they will not risk being targeted with sanctions for engaging in, or facilitating, any transactions authorized in response to the application.
- On February 26, 2025, the OFAC (Office for Foreign Assets Control) issued a specific license (Licence No. MUL-2025-1335128-1) that postpones the full implementation of sanctions until March 28, 2025. This license allows U.S. persons, as well as other individuals, to engage in business activities with NIS or its operational subsidiaries both on domestic and international level, which primarily includes transactions necessary for the uninterrupted and regular maintenance of business operations, contracts, and other agreements involving NIS or its operational subsidiaries. NIS continues to communicate with OFAC and takes necessary actions to ensure that NIS is fully removed from the U.S. SDN (Specially Designated Nationals) list.

As of the date of approval of these consolidated financial statements, the Group is unable to fully assess all potential financial and operational consequences of this event due to its complexity and the ongoing development of the situation.

The Group's management is conducting daily assessments of the impact of the sanctions on operations and is taking all necessary measures to ensure the sustainable operation of the Group.

b) Change in the ownership stake

- In February 2025, Gazprom Neft reduced its ownership stake in NIS a.d. to 44.85%.

All events occurring after the reporting date from 31 December 2024 to 28 February 2025, when consolidated financial statements were approved, have been taken into account.

NIS GROUP

The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe, whose 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. 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. Most valuable resource is a team of about 13,500[3] employees, including employees in HIP-Petrohemija LLC Pančevo.

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. NIS Group is committed to improving environmental protection and allocates significant funds for the implementation of environmental projects that contribute to environmental protection. One of NIS' priorities is the area of occupational health and safety, where the main goal is to ensure the smooth running of work processes without injuring employees.

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.

BUSINESS ACTIVITIES

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

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

EXPLORATION AND PRODUCTION BLOCK

EXPLORATION AND PRODUCTION

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

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

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

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.

In 2024, NIS acquired two new robotic drilling rigs that will bring significant financial and environmental benefits in the oil and gas exploration and production segment. These two plants, named after prominent Serbian scientists “Tesla” and “Pupin”, are worth around EUR 33 million and are one of the largest investments by NIS in the oil services segment in the company's history.

DOWNSTREAM

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

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

REFINING

NIS operates the Pančevo Oil Refinery which began its production in 1968, which is today 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 900 million have been invested in the modernization of the Refinery, with significant funds allocated for environmental protection projects. During 2024, the most complex turnaround in the refinery's history was carried out at this plant, which made a significant step towards increasing the efficiency and reliability of the plant's operation. During the overhaul activities, NIS regularly supplied the domestic market with all types of oil derivatives. 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 activities for finding additional measures for increasing efficiency and reducing costs, as well as digitization projects, are continuously carried out in the Refinery.

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 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. One of the priorities includes digital projects that provide consumers with services in line with modern trends, such as fuel payments without going to the payment point, digitalization of loyalty programs, etc.

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

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

ENERGY

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

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

The modern combined gas-steam thermal power plant-heating plant Pančevo (TE-TO Pančevo) on natural gas started operating in 2022. The 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 delivered to consumers due to the lack of gas infrastructure. The heat and electricity produced are used for the needs of NIS, but the electricity is also sold on the market. Electricity is also produced at the Jimbolia gas field in Romania, where electricity is sold on the local market.

In 2022, the construction of solar photovoltaic power plants began at NIS petrol stations, as well as on the roofs and ground of other company facilities, thereby achieving significant financial savings for NIS and contributing to the reduction of carbon dioxide emissions. As of December 2024, the construction of photovoltaic power plants at 45 petrol stations has been completed and put into operation. At the “Jazak” drinking water plant, a photovoltaic power plant has been put into permanent operation. Rooftop PV plants at the Novi Sad oil derivatives warehouse, at the Arse Teodorovića business facility, as well as on five roofs at the Pančevo Oil Refinery, have been built and put into operation in the mode of supplying internal consumers. The construction of photovoltaic power plants at 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 LLC Pančevo the transaction was closed on June 9, 2023, after which the work on the integration of HIP-Petrohemija into the NIS system began. HIP-Petrohemija is the largest producer of petrochemical products in the Republic of Serbia, and the strategy of further development of HIP-Petrohemija will be based on the modernization of basic production capacities and the construction of new facilities, then on increasing energy efficiency and business efficiency, as well as on the implementation of projects in the field of environmental protection. The key project is the construction of a polypropylene production plant.

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

HISTORY

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

1945-1963

1945 Oil and Petroleum Product Trading Company was founded.

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

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

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

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

1968-1999

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

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

1991 Public Enterprise Naftna Industrija Srbije was established.

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

2005-2012

2005 NIS became a joint stock company.

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

2009 Start of the modernization of the refining complex.

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

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

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

2013-2017

2013 The first dividends were paid out to the shareholders from the Company's earnings.
NIS began its transformation into an energy company.
The first cogeneration plant for the production of electricity and heat from gas was commissioned in Sirakovo.

2014 The first amounts of electricity were sold in the market.
NIS started selling its first branded motor fuel, Premium Euro Diesel Ultra D.

2015 The sales of G-Drive 100 petrol started.
Implementation of the Drive Cafe concept has begun.

2016 Start of operation of the amine unit for natural gas processing in Elemir.
In Serbia began selling Premium G-Drive Diesel.
Start of the loyalty program "With us on the road".
Product development under its own brand Drive café, G-Drive, "Jazak".

2017 In Pančevo Oil Refinery, the start of works on the delayed coking unit were cermonially marked.
The contact on construction of a combined-cycle power plant of Pančevo was signed between TE-TO Pančevo and the Chinese company Shanghai Electric Group.
NIS Development Strategy by 2025 was adopted.

2018-2023

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

2019 TE-TO Pančevo construction was initiated.

2020 The delayed coking unit was ceremonially started up int Pančevo Oil Refinery.
The Drive.Go digital application has been launched, enabling consumers, for the first time in Serbia, to pay at the PS, without entering a retail outlet.

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

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

2023 In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad, and HIP Petrohemija, the transaction was completed on 9 June 2023, after which the work on the integration of HIPP into the NIS system began.
The 55th anniversary of the beginning of production at the Pančevo Oil Refinery was celebrated.

2024

The most comprehensive and the most complex overhaul in the history of the Pančevo Oil Refinery was carried out.

Two the state-of-the-art robotic drilling rigs were purchased.

The first issuance of the corporate bonds was issued.

In coffee sales at its Drive Cafes – 7 million cups were sold in Serbia

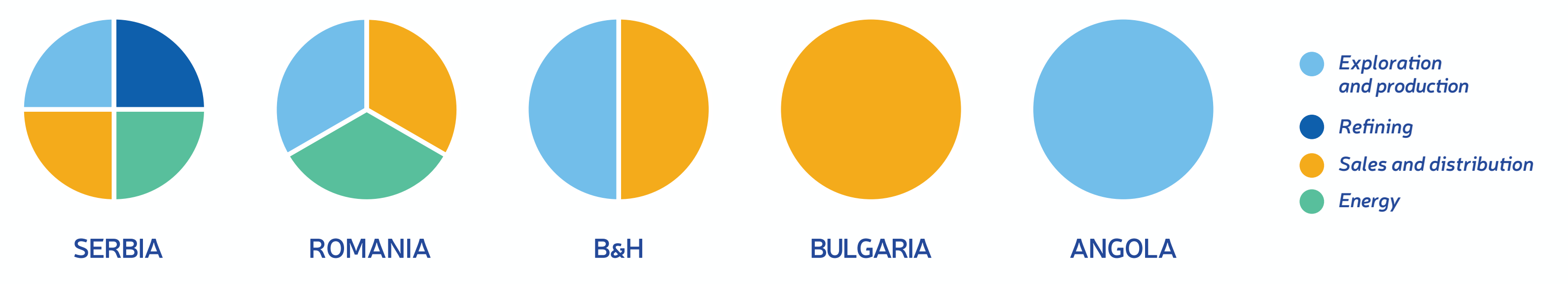
20 photovoltaic power plants were built and put into operation at NIS petrol stations

OVER 70 YEARS OF SUCCESS

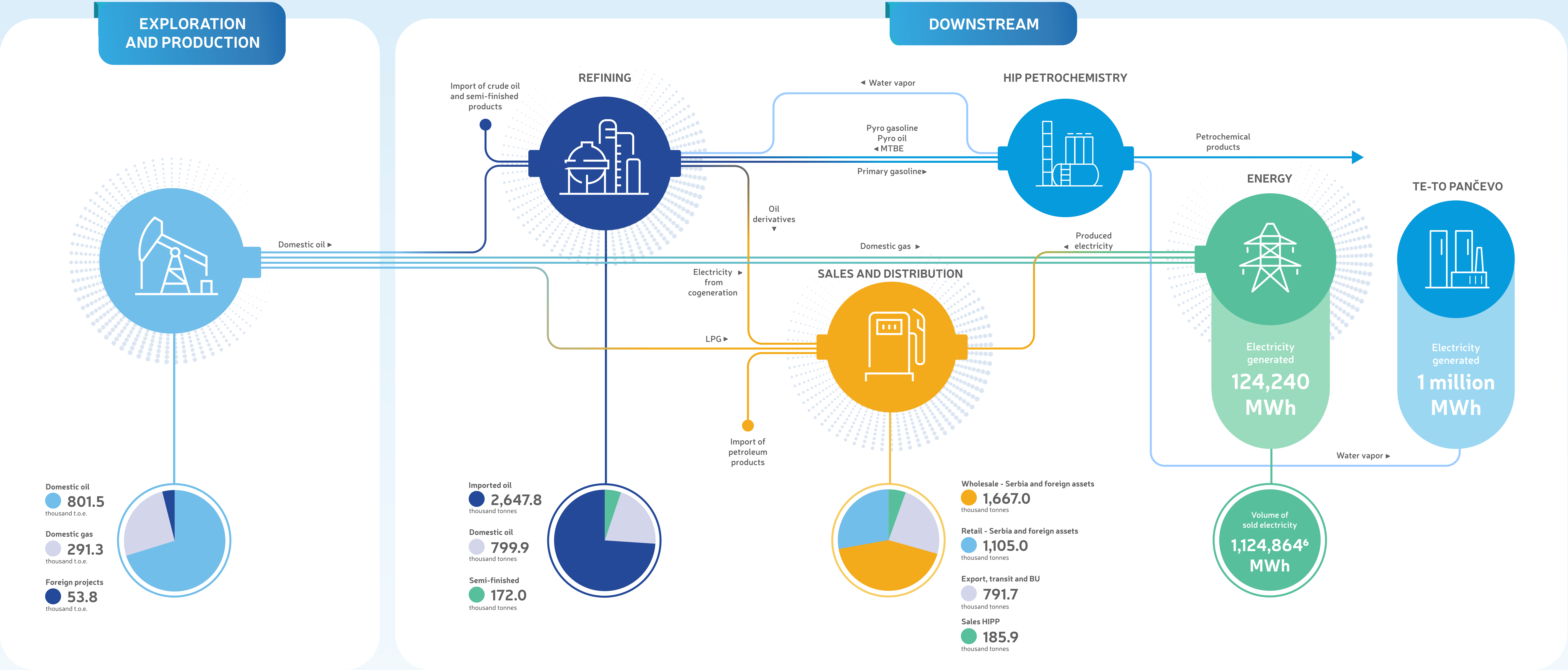
NIS WORLDWIDE

In addition to Serbia, NIS develops its business in neighboring countries. In Romania and Bosnia and Herzegovina, NIS has activities in the field of oil and gas exploration and production, and in Bosnia and Herzegovina, Bulgaria, and Romania, where it develops its retail activity. Moreover, NIS is an active trader on the electricity market and it is also present on regional markets.

NIS Group's organisational structure is shown on page 26



BUSINESS MODEL



[6]The total volume of electricity produced for the 2024 in TE-TO Pančevo is 1 million MWh. NIS j.s.c. Novi Sad owns 49% of the shares in TE-TO Pančevo. The presented volume of sold electricity (1,124,864 MWh) includes TE-TO Pancevo.

INTERSEGMENT PRICES

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

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

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

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

PRODUCTS AND SERVICES

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

From the products we single out the following:

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

NIS provides services in several areas:

- Fuel offer at petrol stations under two retail brands;
- Quality control services through the entire process of oil production and refining and quality control of finished products;
- Services in the field of oil and gas exploration and production,
- Transport services;
- Warehousing logistics services to third parties, with a 24/7 security and access control;
- Training sessions provided by the Scientific and Technological Centre NIS-Naftagas LLC Novi Sad and designing services;
- laboratory services for external users;
- accounting and HR administration services, and
- other services.

CREATING VALUE FOR SHAREHOLDERS

SHAREHOLDERS AND INVESTORS

The company fosters a transparent and responsible relationship with shareholders and investors by respecting shareholder rights, timely disclosure of all important information, and improving the corporate governance system.

Communication channels

- Shareholders' Assembly sessions;
- Mandatory reporting and publication of additional information;
- Presentations of business results;
- Investor Day;
- A dedicated website for shareholders and investors;
- Office for minority shareholder relations;
- Email address for investors (investor.relations@nis.rs);
- Email address for shareholders (servis.akcionara@nis.rs);
- And Call Centre for shareholders

Key activities in 2024

- The 16th regular and 45th extraordinary Shareholders' Assembly meetings were held;
- On August 28, 2024, a dividend was paid to shareholders in the total amount of RSD 10.48 billion;
- The 11th Investor Day was held

EMPLOYEES

Our company is one of the largest energy companies in Southeastern Europe and one of the largest employers in Serbia. Our team consists of around 13,500 talented, skilled, and hardworking individuals who are the strength and driving force behind our business.

Communication channels

- HRIS platforms (SAP SuccessFactors, Together)
- Employee experience survey
- Internal portals and intranet
- Workshops and training sessions
- Performance & potential review
- Mobile apps for employees
- Notice boards and internal bulletins

Key activities in 2024

- Developed employer branding and talent acquisition strategy for the period 2024–2027;
- Automation of HR processes through SAP SuccessFactors (SAP SF):
- Full digitalization of recruitment process
- Onboarding integration
- 360- degree evaluations
- Digitalization of the learning process
- The development program “NIS Compass” created for all management levels
- Mentorship program: Defined a new concept covering all levels
- Career planning and counseling system: Created the “Career Conversations” concept

SOCIAL RESPONSIBILITY AND LOCAL COMMUNITY

The priority of NIS when it comes to socially responsible projects is a responsible attitude towards the local community, providing incentives for its strengthening and development, and creating conditions for further progress. The focus of the supported projects is on all members of the society, with a special emphasis on the young.

Communication channels

- CSR initiatives
- Meetings with local governments
- Meetings with representatives of the social sector

Key activities in 2024

- Identification of community needs
- Support for institutions and organizations in the fields of science and education, public health and social protection, environmental protection, culture, and sports
- Active dialogue with representatives of local governments and all potential partners in local communities

CONSUMERS AND CUSTOMERS

The target group is drivers of both sexes, of different ages and educational levels, with a wide variety of interests and lifestyles. Our consumers use petrol stations for fuel supply, but also as a place for a break, a meal, and the purchase of all necessary items during their journey. The offer of additional, non-fuel products and services available at petrol stations is important to them.

The users of NIS's products and services can be described as "perception-based consumers"— they care about the brand, quality, but also the visual identity of the product, its design, and its reputation. Through loyalty programs and marketing activities, the offering of fuel and non-fuel products, NIS provides consumers with high-quality merchandise, and also offers services and facilities in line with modern trends to meet consumer needs. NIS continuously monitors customer satisfaction and works to further develop and enhance the quality of goods and services.

Communication channels

- Point of Sale Communication (POS materials, direct communication with consumers by employees at petrol stations);
- Media buying (TV, radio, OOH, web portals, PR);
- Online communication (social media, YouTube, influencers, website, Google App install, and advertising in mobile apps...);
- Direct marketing (CRM campaigns, newsletters);
- Below The Line (BTL) activities (events, tastings at petrol stations, participation in trade fairs, conferences, sponsorships...).

Key activities in 2024

- Promotion of the new functionality – IPS payment in the Drive.Go app, without entering payment card details;
- Promotion of the redesigned mobile app "On the Road with Us";
- Reconstruction and opening of new petrol stations;
- Promotion of the introduction of self-service kiosks at petrol stations;
- Campaign for the introduction of electronic application submission for the NIS Agro card in collaboration with e-Agrar;
- Ongoing promotion and support through various online channels (social media, YouTube, influencers, website, Google App install) in all mentioned campaigns and projects.

STATE

- NIS Company is among the leading domestic employers, investors, and exporter
- Significant contribution of NIS to the GDP of the Republic of Serbia
- Significant participation in the total tax revenue of the Republic of Serbia's budget
- Investments in environmental protection projects

Our commitments

- NIS and its subsidiaries in Serbia had public revenue obligations in 2024 amounting to 244.69 billion RSD, which represents 11.8% of the Republic of Serbia's budget. This ratio was calculated considering obligations from public revenues and the dividend paid to the Republic of Serbia.
- The total amount of calculated public revenue obligations for the NIS Group in 2024 was 260.43 billion RSD. Public revenue obligations are settled in accordance with legal deadlines.

GOVERNMENT AND REGULATORY BODIES

It is of key importance to ensure compliance with legislation, promote policies, and implement social and economic programs aimed at long-term sustainability.

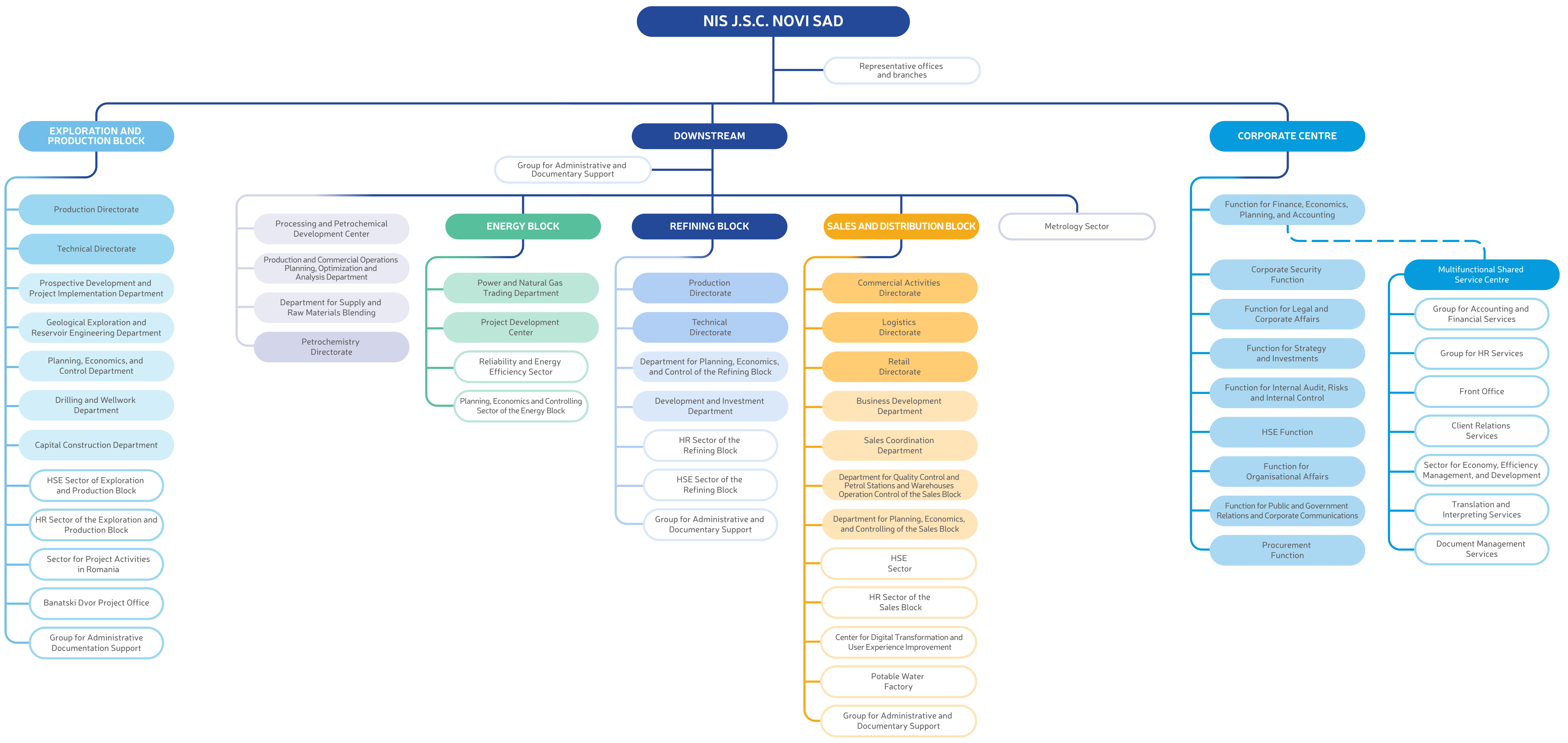
Communication channels

- Involvement in the work advisory bodies
- Regular interactions with government institutions and regulatory authorities
- Organizing training sessions, meetings for experience exchange, and collaboration with local authorities

Key activities in 2024

- Developing and improving standards, policies, frameworks, and guidelines
- Ensuring compliance with relevant laws and local regulations
- Preparing for and effectively managing challenging situations caused by various factors.

NIS J.S.C. NOVI SAD BUSINESS STRUCTURE



NIS GROUP BUSINESS STRUCTURE

SUBSIDIARIES[7] AND PARTICIPATION PERCENTAGE

- HIP-Petrohemija LLC Pančevo (90%)
- Naftagas – Oil Services LLC Novi Sad (100%)
- Naftagas – Technical services LLC Zrenjanin (100%)
- NIS MTO LLC Belgrade (100%)[8]
- STC NIS – Naftagas LLC Novi Sad (100%)
- NIS Petrol a.d. Belgrade (100%)
  - NIS MET Energowind LLC Belgrade (50%)[9]
- NIS Overseas o.o.o. Saint Petersburg (Russian Federation) (100%)
- NIS Petrol e.o.o.d. Sofia (Bulgaria) (100%)
- NIS Petrol s.r.l. Bucharest (Romania) (100%)
- NIS Petrol LLC Banja Luka (Bosnia and Herzegovina) (100%)
  - G-Petrol LLC Sarajevo (Bosnia and Herzegovina) (100%)
- Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina) (100%)

REPRESENTATIVE OFFICES AND BRANCH OFFICES

- Branch Offices in Serbia[10]
- Angola Representative Office
- Russian Federation Representative Office
- Turkmenistan Branch Office[11]

[7]All the company's subsidiaries are reflected i its consolidated reporting. The decision on the conclusion of the bankruptcy for subsidiary NIS-Svetlost LLC Bujanovac proceedings became final on 29 December 2023. As of 2022, the company Svetlost LLC Bujanovac has been excluded from the circle of consolidation. NIS j.s.c. Novi Sad owns the stake of 51% in this company. The company was deleted from the Register of Business Entities on 1st March 2024.

[8]On 29 February 2024, the business name and registered office of the Company were changed. The new abbreviated business name is NIS MTO d.o.o. Beograd.

[9]Joint venture.

[10]Under the Law on Tourism of the Republic of Serbia, if hospitality services are not the core activity of a company, then such company is obliged to establish a branch (premises outside its registered seat) and register it accordingly, or otherwise establish an organisational unit that is registered in the Tourism Registry. To this end, the Company registered all petrol stations where it provides hospitality services as separate branches. The list of petrol stations which are registered as branches is available at http://ir.nis.rs/en/corporate-governance/group-structure/.

[11]The process of liquidation has been initiated.

STRATEGY

MISION, VISION AND VALUES

MISSION

We are an energy company that uses modern technologies and innovative solutions to ensure continuous digitalization of its activities and increase efficiency, and contributes to the development and stability through a responsible attitude and care for employees and communities of presence.

VISION

Guided by the principles of efficiency and responsibility, we drive change and create energy for a stable, sustainable, and better future.

VALUES

RESPONSIBILITY

OUR RESULT AND SAFETY ARE MY RESPONSIBILITY !

A responsible company and employees who use resources effectively for the common good.

TRANSPARENCY

OPEN TOWARDS EACH OTHER !

Only through open and fair communication, we can create a transparent working environment.

INNOVATIVENESS

AWAKEN YOUR CURIOSITY !

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

EXPERTISE

KNOWLEDGE CREATES OUR FUTURE !

Everything we create is based on our expertise that inspires change throughout the community.

STRATEGY

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

THE MAIN STRATEGIC GOALS OF NIS J.S.C. NOVI SAD

- TO PRESERVE PRODUCTION AND RESOURCE BASE GROWTH INDICATORS
- TO INCREASE THE DEPTH AND EFFICIENCY OF REFINING
- TO BOOST THE SALES OF PETROLEUM PRODUCTS THROUGH OWN SALES CHANNELS AND MODERNISE THE RETAIL NETWORK
- TO DIVERSIFY THE BUSINESS BY BUILDING NEW ELECTRICITY GENERATION CAPACITIES
- TO OPTIMISE OPERATING PERFORMANCES

EXPLORATION AND PRODUCTION

In the current Strategy, the largest part of NIS investments is planned for the exploration and production segment. Exploration and geological and technical works in Serbia, investment in the development of the most profitable foreign concessions, as well as a constant increase in business efficiency will mitigate the expected slight decline in production. In the period from 2018 to 2024, the company drilled 353 wells in Serbia, and started oil and gas production in Bosnia and Herzegovina and Romania.

REFINING

The development of NIS refining through the modernization of the Pančevo Refinery and the increase of energy and operational efficiency in this segment is one of the main tasks of NIS. The refinery commissioned a deep processing unit with delayed coking technology in the period from 2018 to 2024, which increased the depth of refining and altered the structure of the product in favour of light petroleum products. Also, numerous investment projects have been implemented to increase efficiency and reliability.

SALES AND DISTRIBUTION

The strategy in this segment was to modernize the retail network and petroleum product depots, increasing profitability through sales growth and development of non-fuel products, increase the efficiency and volume of wholesale. The focus is also on developing and improving business lines of specialized products (raising the level of specialized logistics, improving the quality of products and ancillary services). In the period from 2018 to 2024, the following was realized: 19 new PSs were put into operation (of which 9 were newly built, 3 PSs were purchased, 7 were leased), 8 more PSs were brought back into the network and 43 were reconstructed. The company installed chargers for electric vehicles at 7 PSs.

ENERGY

The growth of electricity production and the increase in efficiency are the main goals of NIS in the energy sector. In addition to further growth in electricity production (combined-cycle plant TE-TO Pancevo, small gas power plants, solar power plants), key projects also include the growth in electricity trading. In 2022, photo-voltaic power plants with a total capacity of 292 kWp were put into operation at 8 petrol stations, in 2023, 17 photo-voltaic power plants with a total capacity of 578 kWp were put into operation at petrol stations, and in 2024, photo-voltaic power plants with a total capacity of 2,375 kWp were put into operation (at additional 20 petrol stations, at the Jazak drinking water plant, the Novi Sad Storage of petroleum products, the Pancevo Oil Refinery, and the Business Building 2 in Novi Sad). In 2024, the construction of a solar power plant at the Novi Sad Petroleum Product Storage with a capacity of 6,590 kWp was also started, as well as the construction of solar power plants at an additional 30 petrol stations with a total capacity of 1,000 kWp, with commissioning expected in the first half of 2025. NIS currently operates photo-voltaic power plants with a total capacity of 3.2 MWp, which produced 2.25 million kWh in 2024.

WHAT HAS BEEN DONE SO FAR?

BOTTOM OF THE BARREL UNIT WAS PUT INTO OPERATION

We are introducing modern technologies into the oil sector of Serbia

>90% emission reduction of SO_2

>300 milion of investments in project Bottom of the barrel

99.2% refining efficiency at the Pančevo Oil Refinery

UP TO 2,000 tons per day – unit capacity

38.2% increase in diesel output at the Pančevo Oil Refinery

CONSTRUCTION AND COMISSIONING IN CONTINUOUS OPERATION OF TE-TO PANČEVO

1,024 GWh of electricity was placed in the energy system of Serbia in 2024

VALUE PROJECT AROUND EUR 192 MILLION

UP TO 200 MW

HIP-PETROHEMIJA INTEGRATION 2023

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

In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP-Petrohemija LLC Pančevo the transaction was closed on June 9, 2023, after which the work on the integration of HIP-Petrohemija into the NIS system began. The funds will be directed towards the construction of a polypropylene production plant.

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

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

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

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

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

2023 June 9 **HIP-Petrohemija Integration**

2024

BEGINING OF CONSTRUCTION OF A POLYPROPYLENE PRODUCTION PLANT

„The construction of a new polypropylene factory would double the volume of polymer production and make better use of the products now exported by HIP-Petrohemija."

RECONSTRUCTION OF THE NIŠ OIL DERIVATIVES WAREHOUSE

The works on the strategic project "Reconstruction of the Petroleum Product Warehouse in Niš" have been completed. **Three new tanks** for petroleum products with a capacity of **5,000 m³** have also been built. A new transfer station for wagons and tank trucks, as well as a new pumping station, have been constructed. A bio-component unloading point with 4 reservoirs for bio-components has also been built.

TWO ROBOTIC DRILLING RIGS "TESLA" AND "PUPIN" WERE PUT INTO OPERATION

- Increasing work efficiency and cost optimization
- Safety and security
- Environmental benefits: the amount of exhaust emissions has been reduced and the noise level is significantly lower
- Savings in the well development time
- Occupying a smaller area of land
- The possibility of error is reduced to a minimum

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

FURTHER NIS' DEVELOPMENT

EXPLORATION AND PRODUCTION

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

REFINING

Increase efficiency through modernization projects, increasing operational and energy efficiency and integration with petrochemical sector

SALES AND DISTRIBUTION

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

ENERGY

Continuation of building electricity generation facilities, specifically using renewable energy sources.

ESG

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

CORPORATE HEADQUARTERS (HQ)

Increase efficiency in all areas

PETROHEMIJA

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

RISK MANAGEMENT

INTEGRATED RISK MANAGEMENT SYSTEM

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

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

The risk management system in the Company is based on the principles of the COSO Enterprise Risk Management framework and the international standard ISO 31000. The main normative and methodological documents regulating this process in the Company are the following:

The Policy of the Company
The Policy of Risk Management and Internal Control

The standards of the Company
The Risk Management Standard

The Instructions of the Company
The Instructions: Methodological Guidelines for Risk Management

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

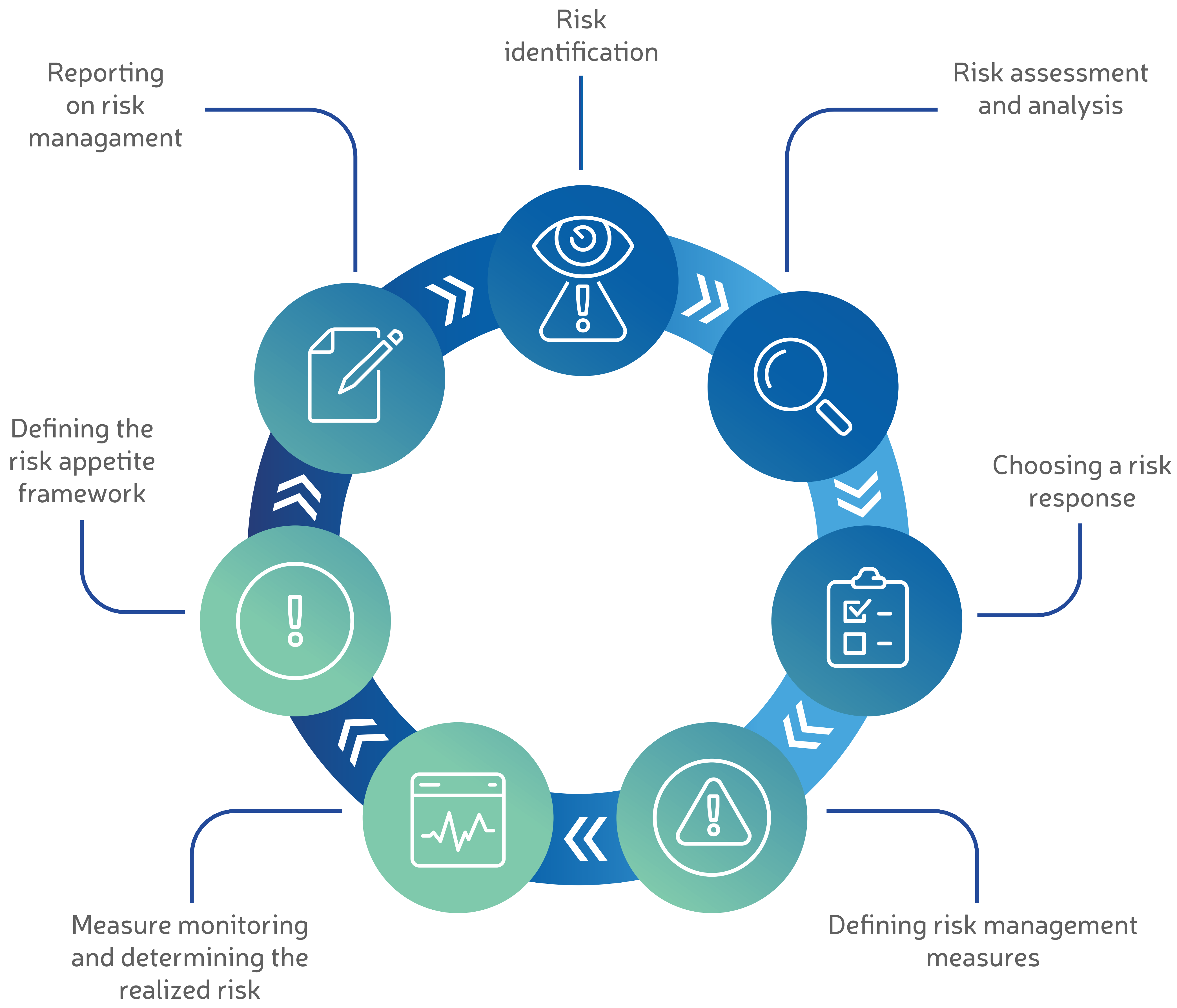
Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness and efficiency of managerial decisions by identifying, analysing and assessing risks which arising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

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

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

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

IRMS BUSINESS PROCESS FLOW AT NIS



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

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

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

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

IRMS IN BUSINESS PLANNING PROCESS

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

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

- Non-financial risks:
  - Operational risks;
  - Project risks;
  - Political risks;
  - Strategic risk;
  - Reputation risks;
  - Legal risks;
  - Compliance risks.
- Financial risks:
  - Foreign exchange risk;
  - Interest rate risk;
  - Liquidity risk;
  - Credit risk;
  - Concentration risk;
  - Commodity and price risks.

NONFINANCIAL RISKS

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Operational risks	
HSE risks	
Due to the nature of its activity, the Company is exposed to health, safety and environmental risks.	With a view to protect its members of staff, equipment, facilities and environment, while meeting legal obligations, the Company continuously monitors its operations, workforce, assets, working and living conditions and promptly amends its normative and methodological documents to reflect the changes in the legislation of the Republic of Serbia and ensures compliance with them. The Company timely implements corrective measures introduced in the wake of HSE investigations of incidents, through a system of observations, corporate monitoring and external inspections. Training courses are being conducted with a view to condition employees in HSE disciplines.
HR risks	
Highly qualified personnel is a key prerequisite of efficient operations of the Company.	The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. Some of the measures to attract qualified personnel are: early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, NIS Energy, Serbia Repatriation. The programs implemented for the retention of employees are: Talent management program, Talent development program, professional training of employees, employee evaluation procedure based on performance and potential – identifying talents and defining the succession plan for key positions in the Company, training for management and introduction of a unique talent management system.
IT risks	
Due to the growing dependence of the Company's business processes on information technology, automation and telecommunications, the Company is exposed to risks of ensuring the expected availability of services and business continuity.	The Company manages these risks through a range of measures, which include IT standards, system monitoring tools, and performs the backup of data and tests the service recovery process. In addition, the Company strives to monitor and implement new technologies and renew equipment in order to increase quality and continuity of service availability.
Information security risks	
The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.	Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks. The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.
Project risks	
A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (Project Management Institute) standards. Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives.	A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a "response strategy", that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register.
Political risks	
The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.	Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations. The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results. The Company has adopted internal procedures to ensure adherence of its business to sanctions. They aim to eliminate the risks and potential adverse effects on the Company's operations, resulting from business transactions contrary to the bans and restrictions imposed by the international sanctions.

FINANCIAL RISKS

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

BUSINESS ENVIRONMENT[12]

WORLD[13]

2024 was a year full of events for the world's energy sector: fears of a spike in oil supply in the Middle East by the "non-OPEC" producers, an increase in electricity demand and the renaissance of nuclear energy were among the hallmarks of 2024, along with an increase in natural gas demand. It seems that all these trends will continue in 2025, along with increasingly serious challenges on the path of energy transition.

Demand in China was a key driver of oil prices this year as well. Almost every report on changes in oil prices contained the phrase “concerns about Chinese demand”. The growth of Chinese demand in 2024 was disappointing for traders who expected the growth to remain in double-digit percentages. Several stimulus packages announced by the government in Beijing did not immediately lead to an increase in oil demand, which contributed to the decline in oil prices. Even though oil imports increased at the end of the year, the average import rate for the whole year will be lower than the average for 2023.

However, for 2025, analysts predict that China and India will significantly contribute to the growth of oil demand. However, geopolitical risks about Iran could disrupt markets, as potential additional US sanctions on Iranian exports could affect supply. In a situation when global oil stocks are declining and OPEC+ continues to restrict supply, there is a risk that the expectation of non-OPEC+ production growth is too optimistic and that this can affect the oil market in 2025.

One of the solutions is the further growth of shales production, especially in the USA. In 2024, the oil industry in the USA continued the consolidation started in 2023.

In terms of supply of refinery products, analysts believe that global supply and demand for petroleum products will decrease modestly in the second half of 2025. The announced capacity closures in the Asia-Pacific region will nullify the increase in capacity in other regions.

Power generation is a new business segment in which an increasing number of oil companies are involved. At a meeting in December 2024, both Exxon and Chevron stated that they were considering starting power generation, by using natural gas and carbon capture (CCS), for the purpose of powering data centres related to artificial intelligence. The demand for electricity is growing due to the significant increase in the number of these data centres. In the previous and early 2024, the increase in electricity demand caught electricity companies unprepared, and this increase is expected to intensify in the coming years. This is one of the causes of the growth of natural gas demand, which was one of the key trends in 2024. The prospects for natural gas in the medium term are also much "brighter" than those for crude oil. Investors expect natural gas and LNG to benefit from demand boost under the new US administration. In the opinion of the analysts, the announced deregulation, the lifting of bans on new LNG projects issued by the administration of the former US president, as well as the demand for gas in Asia and Europe will positively affect the further development of natural gas production in the whole of North America.

Producers of wind and solar power, the two pillars of the energy transition, were not been doing very well lately. New projects are slowing down as they struggle to absorb increasing costs and lower subsidies, as well as the increasing negative electricity prices resulting from overproduction during periods of strong sunshine or wind.

In less developed parts of the world, the share of coal in power generation is still huge. Natural gas for countries such as India or Pakistan and other Asian countries is expensive, and coal is domestic and it is easier to develop a reliable supply of growing energy demand.

Industries are already hit by high energy prices and a lot of regulation is further increasing the problems of the energy transition not only in Europe, but also in other similar regions, such as Canada, which also introduced restrictions on oil and gas emissions.

OIL PRICE

During the fourth quarter of 2024, the price of Brent crude oil fluctuated relatively little from mid-October to the end of the year. After the first fifteen days of October, when the average price was $78 per barrel, a slight decline followed, so the average price in the fourth quarter was around $75 per barrel. The highest price in this quarter ($81.2 per barrel) and the lowest price ($71.4 per barrel) were recorded in October. The average price was 11% lower than the average in the same period in 2023, while the maximum price was 14.5% lower.

Although during the first two months of 2024 prices were at the level of prices from the same period in 2023, and after that different price trends were recorded, the differences are much smaller on an annual basis. The average price in 2024 is only 2% lower than the previous year's average. And the deviations between maximum and minimum prices at the annual level are not large: the maximum price in 2024 is 4.7% lower than in 2023 ($93.3 vs. $97.9 per barrel) and the minimum is 1.6% lower ($70.6 vs. $71.7 per barrel).

During the first quarter of 2024, Brent crude prices generally rose due to heightened geopolitical risks, largely related to the escalating Middle East conflict.

Brent crude oil prices in 2024 peaked in April and generally fell until the end of 2024. The smaller price increases were caused by OPEC+ announcements in June and September regarding the postponement of production increases. The increase in conflict and the risks of armed conflict between Israel and Iran led to a short-term increase in prices. However, after short increases, prices usually fell quickly. Economic weakness and concerns about oil consumption – particularly trends in China’s diesel and gasoline consumption – have weighed on prices in the second half of 2024.

Stratas Advisors analysts expect Brent crude to average $76.9 per barrel in the first quarter of 2025. The main drivers are relatively muted demand growth in China, coupled with cheaper oil supplies from Iran and Russia. There are also economic risks associated with Europe, where two major economies – Germany and France – are facing fiscal challenges, which are complicated by the fact that each country is also facing political instability. While the US economy is performing relatively better than other major economies, it also faces challenges, such as rising

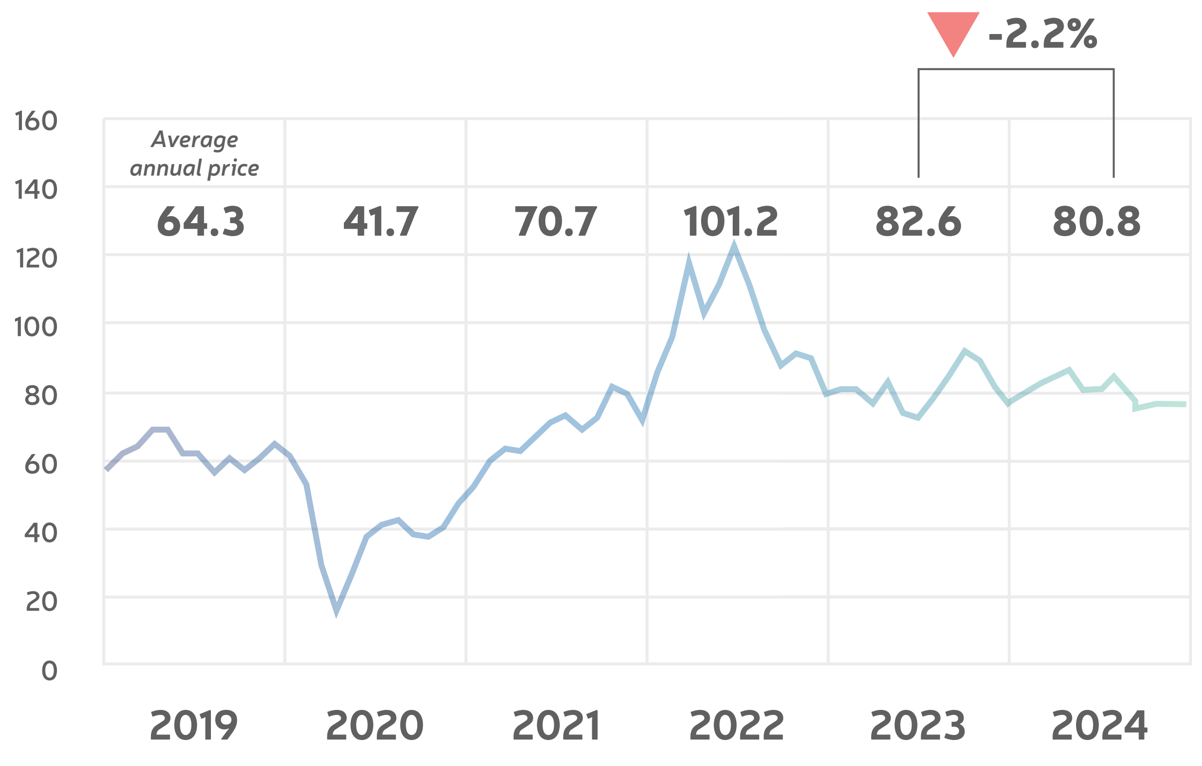
[12]Data sources for the World, Oil price and Macroeconomic trends: reports by World bank, IMF, Forbes, Bloomberg, Reuters, World Oil, FT, Eurostat, EU Commission. Data sources for Serbia: Report National bank of Serbia, Chamber of commerce and industry of Serbia, articles in newspapers: Danas, Biz Life, Bliz Biznis, Al Jazeera.
[13]Source: EIA, OPEC, Oil&Gas Journal, IHS, Wood Mackenzie.

fiscal debt, which is growing at a faster rate than GDP growth.

Analysts at brokerage Mind Money also expect the average price of Brent crude oil to remain in the range of $70 to $80 per barrel in 2025, barring any serious economic or geopolitical shocks.

Goldman Sachs predicts a price range of $70 to $85 per barrel for 2025.

Brent Dtd[14] price trends, $/bbl



MACROECONOMIC TRENDS

In 2024, the global economy was the weakest since the beginning of the twenty-first century with a growth rate of 2.7% that is not enough to encourage sustainable economic development. The World Bank expects the same rate of global growth for 2025 and 2026. This is the rate that the world “can live with“, but it is not enough to improve the standard of living of people, both in the richer and poorer countries of the world.

Developing countries will reach the income levels of advanced economies more slowly. Expected growth in developing countries of about 4% would be lower than before the pandemic and would not be sufficient to encourage the progress needed to mitigate poverty and achieve broader development goals. In the report “Global Economic Prospects”, the Bank also warns of additional obstacles to this scenario, from increased political uncertainty and adverse changes in trade policy, through geopolitical tensions and persistent inflation all the way to natural disasters related to the climate.

The IMF has slightly more optimistic forecasts of growth of the global economy, 3.3% in 2025 and 2026, while for developing countries they have growth projections as the World Bank.

Fixed income markets are forecasting that FED will cut rates in 2025, but not by much. Short-term interest rates are expected to be near 4% by the end of 2025, with the US central bank potentially ending its rate-cutting cycle. Fed officials’ caution about future rate cuts is driven by caution about the outlook for US inflation, given concerns among economists that plan of American administration for tariffs, tax cuts and immigration could accelerate price growth again.

The annual inflation rate in the Euro zone in December was 2.4%, while in EU countries it is 2.7%, according to the preliminary Eurostat calculations. Inflation increased during the last quarter of 2024, mostly influenced by the increase in service prices. Fresh food and energy have mitigated inflation, so when these two items are excluded, year-on-year inflation in the Eurozone would be 2.8%.

The largest increase in prices on an annual basis was recorded in Croatia, where consumer prices increased by 4.5% and in Belgium by 4.4%. By far the mildest price increases in the Eurozone were recorded in Ireland, where prices increased by 1.0% as well as in Italy (1.4%) and Luxembourg (1.6%).

The average GDP growth in EU countries in 2024 is estimated at 0.8%, while in the Eurozone it is slightly lower, 0.7%.

When looking at the countries of Southeast Europe, it can be said that the year 2024 was economically successful. According to the forecast of the European Bank for Reconstruction and Development, the year-on-year GDP growth ranges from 1.4% in Romania to close to 4% in Serbia. Other countries in the region: Croatia, Bosnia and Herzegovina, Montenegro, also achieved growth at rates above 3%.

The year-on-year inflation dropped in 2024, and in Montenegro and Bosnia and Herzegovina it fell below 2%.

Forecasts of most European financial institutions indicate that positive economic trends will continue in the next few years. The countries of Southeast Europe, even Greece, still recovering from the debt crisis, are on the path of economic expansion that will reduce the difference in development compared to the developed countries of the EU.

SERBIA[15]

Slow global economic growth, a large jump in the value of gold and bitcoin with a simultaneous drop in oil prices and current conflicts in the world affect large economies, so they inevitably leave traces on small ones, such as the economy of Serbia. Although there is a divergence in the assessment of economic and business results, most experts agree that the Serbian economy has managed to maintain itself in a positive sphere in such restless world trends.

This is also one of the reasons why the Republic of Serbia received an investment credit rating for the first time, in early October. The “Standard and Purs” Agency has assigned an investment credit rating of BBB minus to Serbia, with a stable prospect of further improvement. Raising the rating contributes to lower financing costs, easier access to international capital markets and increased investor confidence, while domestic officials expect other agencies to raise Serbia's rating to the investment level.

In addition, in December, the IMF approved a new 36-month non-financial arrangement for Serbia, in the form of the Policy Coordination Instrument (PCI): various economic reforms and fiscal measures which aim to stabilize the economy, reduce the budget deficit, implement structural reforms and measures in order to improve public finances.

The National Bank of Serbia expects GDP growth by 2024 to be higher by over 18% compared to the pre-pandemic level. The average real GDP growth rate in the first three quarters was 4.0%, while at the level of the year, GDP growth is estimated to be 3.9%. Both projections for 2025 and 2026 are approximate, with GDP growth accelerating to a range of 4.0 - 5.0%.

GDP growth in 2024 was driven by the growth of activities in the service sectors, as well as in the processing industry,

[14]Source: Platts.
[15]Source: National Bank of Serbia, Statistical Office of the Republic of Serbia, Serbian Chamber of Commerce, newspaper articles.

construction and mining, while due to the drought, the negative contribution came from agriculture and energy, as well as the growth of private consumption due to the growth of salaries.

In December, the NBS kept the benchmark interest rate at 5.75%, which represents a decrease of 75 basis points (compared to June 2024), and it is expected that monetary policy easing can be expected in the upcoming period, while emphasizing that developments in the international environment require caution. In anticipation of the adoption of the Law on User Protection, the NBS also decided to limit the interest rate on housing loans to a maximum of 5%, and by the end of 2025 at the latest.

Year-on-year inflation has been declining since April 2023, returned to target limits in May 2024, and ended the year at the level of 4.3% year-on-year. The average inflation in 2024 was 4.6%. The NBS expects year-on-year inflation to continue to move within the target limits of 3±1.5% during 2025.

The labor market is characterized by a continuation of the growth of formal employment and a real growth of the average salary in the period January-October 2024 of 9.3%. According to the Labor Force Survey, the unemployment rate was reduced to 8.1% in this period. Total formal employment in the period January – November 2024 amounted to 2.368 million persons and it is higher by 0.3% compared to the same period in 2023. Employment in the private sector has also increased by 0.3% and is now at the level of about 1.754 million persons. Employment growth is highest in health and social care, professional and scientific activities, in the IT sector, construction, as well as in accommodation and food services.

The average nominal net salary during the eleven months of 2024 amounted to RSD 97,215, whereby the average salary in the private sector was RSD 95,967, and the salary in the public sector was RSD 100,313.

The average salary (gross) calculated for November 2024 amounted to RSD 138,911, while the average salary without taxes and contributions (net) amounted to RSD 100,738. Median net earnings for November 2024 amounted to RSD 77,830, which means that 50% of employees earned up to the stated amount.

The growth of gross and net salaries in the period January-November 2024, compared to the same period last year, amounted to 14.2% in nominal terms, respectively 9.1% in real terms.

Exchange rate trend, USD/RSD[16]

- The average USD/RSD exchange rate in 2024 was lower by RSD 0.2, i.e. 0.2% compared to the average exchange rate in the same period of 2023.
- During 2024 USD/RSD exchange rate increased by RSD 6.6 or 6%.

[16]Source: National Bank of Serbia.

LEGISLATIVE CHANGES

In 2024, the legislative activity of state bodies was carried out in the direction of further regulating the issues of the energy and fiscal system in the field of environmental protection. The National Assembly adopted the following laws, significant for the operations of our company: Law on Amendments and Supplements to the Energy Law, Law on Environmental Impact Assessment, Law on Strategic Environmental Impact Assessment, Law on Electronic Shipping Notes, Law on Amendments and Supplements to the Excise Law, Law on Amendments and Supplements to the Electronic Invoicing Law, Energy Development Strategy of the Republic of Serbia until 2040 with projections until 2050, Environmental Protection Strategy - Green Agenda for the Republic of Serbia for the period from 2024 to 2033, Integrated National Energy and Climate Plan of the Republic of Serbia for the period until 2030 with a vision until 2050, the Strategy for Occupational Safety and Health in the Republic of Serbia for the period from 2024 to 2027 with the Action Plan for its implementation, etc. In 2024, through the adoption of the Regulation, the limitation of the price of oil derivatives continued. In addition to the adopted regulations, in 2024, several draft laws and bylaws were also prepared and considered, such as:. Draft Law on Air Protection, Draft Law on Amendments and Supplements to the Law on Working Hours of Vehicle Crews and Tachographs, Draft Law on Amendments and Supplements to the Law on Trade, Draft Regulation on Amendments and Supplements to the Regulation on Inspections of Pressure Equipment during the Lifespan of Use, etc.

Increased legislative activity is expected in the first quarter of 2025, as well as throughout 2025.

Regulations that were the subject of public debates or submitted to the company for consideration and suggestions were analyzed in detail by NIS, and appropriate comments and suggestions for improvement were provided.

NIS will continue to strive to contribute to the improvement of the business environment in the Republic of Serbia to the greatest extent possible.

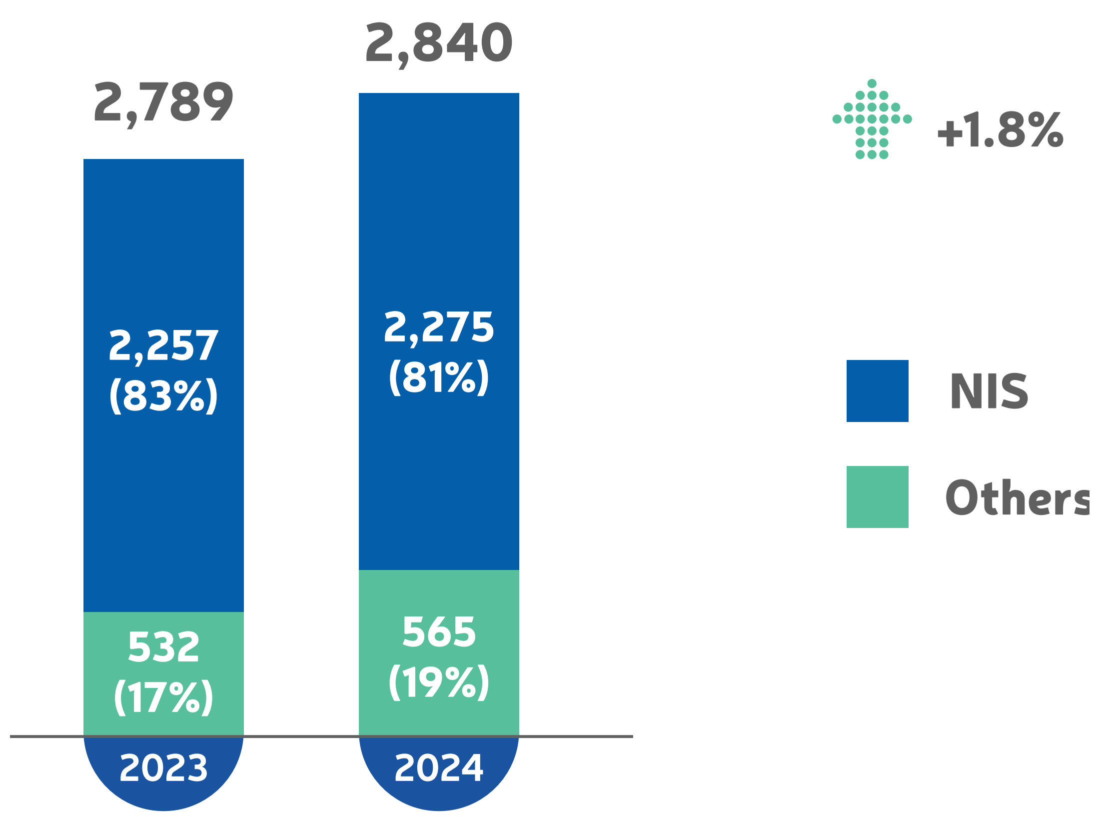
PERFORMANCE ANALYSIS

MARKET SHARE[17]

The growth of consumption has been recorded in all countries of the region. After last year's decline, there has been a slight recovery in the consumption of motor fuels.

MARKET SHARE IN THE SERBIAN MARKET

Volume of the RS motor fuels market [18], in thousand tonnes



In 2024, the consumption of petroleum products in Serbia was characterized by an increase of 1.8% in the consumption of motor fuels compared to the same period last year.

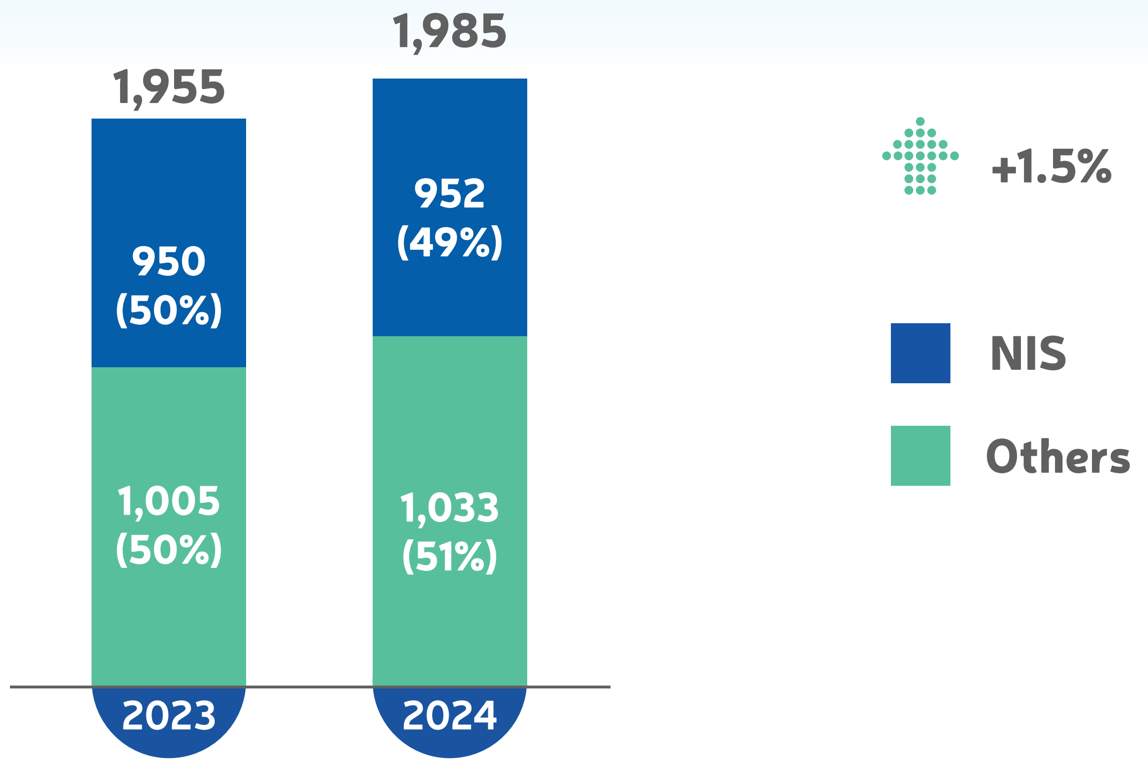
Intensive infrastructure works, growth in transport, and consumption in mining influenced the growth, especially in the first part of the year. The agricultural season had altered seasonality due to meteorological conditions, long-term droughts, and earlier sowing of almost all agricultural crops.

Retail: In 2024, the consumption has grown by 1.5% compared to 2023. The participation of NIS is significant. The Regulation stipulated preferential price for supplying the farmers is in force. This year, transit seasonal traffic had a lower impact on the retail placement of petroleum products on the Serbian market due to significantly higher prices compared to neighbouring markets (traditionally Macedonia and B&H, but also Hungary and Croatia during this year).

In 2024, NIS successfully complited the planned turnaround of Pančevo Oil Refinery. During the turnaround, NIS ensured the security of the supply of petroleum products to the Serbian market in all sales channels.

[17]Data sources for the projections: for Serbia – Sales and Distribution Block's internal analyzes and estimates; for consumption estimates for Bulgaria and Romania– Stratas Advisors; for Bosnia-Herzegovina – Stratas Advisors and internal estimates. Any deviations in percentages and aggregate values result from rounding.
[18]Data for 2024 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

Volume of the RS[19] motor fuels retail market[20], in thousand tonnes



MARKET SHARE IN BOSNIA AND HERZEGOVINA, BULGARIA AND ROMANIA

BOSNIA AND HERZEGOVINA

In 2024, Bosnia and Herzegovina saw a recovery in the consumption of motor fuels, as well as in the retail compared to the previous year.

The Ministry of Trade of the Federation of Bosnia and Herzegovina is working on the digitization of the system for monitoring and control of prices of petroleum products and on the development of a new application for smartphones. The digitization of the system is important, since it contains data on prices and stocks of oil and petroleum products at all petrol stations in the Federation of Bosnia and Herzegovina. Based on these data, the federal agencies and institutions control the accuracy of data on the paid fees for petroleum products. The application has more than 250,000 users who can get information on fuel prices at petrol stations at any time.

The new Law on Internal Trade in the Federation of Bosnia and Herzegovina, which recently entered into force, among other things, regulates and modernizes the operation of petrol stations and offers customers the possibility of self-service, as has long been the practice in European countries. It introduces the possibility of self-service refuelling in the area of this B&H entity.

The completion of works on the full rehabilitation of the liquid petroleum fuel terminal in Blažuj, with a capacity of 42 million litres, was officially marked.

The Association of Employers in the Federation of Bosnia and Herzegovina announced that it supports the adoption of the Rulebook on Mandatory Labelling of Liquid Petroleum Fuels in Bosnia and Herzegovina and the regulation of these issues in accordance with the legislation in the field of foreign trade policy of Bosnia and Herzegovina, related to the standardization and quality of Liquid Petroleum Fuels, but it insists on its amendment and higher involvement of experts and the interested parties in the preparation of the final text of the document.

After the abolition of the regulation prohibiting the export of diesel from Serbia, which has significantly hampered the supply of NIS retail network and prevented the supply of wholesale clients, the supply of the market has been normalized since the second quarter of last year.

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

The market share of NIS in the total motor fuel market in 2024 is 24.4%, while the retail market share is 11.1%.

BULGARIA

Rompetrol and UTA Edenred, the second largest fuel card issuer in Europe, have entered into a partnership within which the UTA users can use Rompetrol's network of stations in Bulgaria, two years after signing the similar partnership in Romania.

In 2024, Bulgaria recorded a recovery in the sales of motor fuels, as well as in retail, compared to the previous year.

In 2024, NIS operated a network of 23 petrol stations in Bulgaria.

The market share of NIS in the total motor fuel market in 2024 is 2.3%, while the retail market share is 2.2%.

ROMANIA

OMV Petrom is launching an extensive investment and modernization program on the Petrobrazi platform, worth about two billion euros by 2030, which will turn the refinery into a modern industrial unit, capable of producing both traditional fuels and the most modern biofuels. The Petrobrazi refinery currently supplies around 30 percent of Romania's fuel needs. OMV Petrom recently announced a decision to invest approximately EUR 750 million for sustainable aviation fuel (SAF) and for the production plant of renewable diesel (HVO) and for two plants for the production of green hydrogen. Therefore, starting from 2028, the Company will be able to provide up to 250,000 tonnes of biofuels per year.

The Ministry of Agriculture of Romania has launched a project to reduce the excise taxes on diesel which is used in agriculture. The Law envisages compensating farmers 24% of the price of diesel. The goal of this measure is to reduce the impact of unfavourable agricultural market trends on farmers, considering that the share of diesel costs is between 40% and 59% of the total amount allocated for crop development.

The Company has announced that the Rompetrol Rafinare, a member of the KMG International Group, has introduced two modern reactors into the operational course of the Petromidia refinery, a part of the Vacuum Distillate Hydrofining (HDV) factory, which should reach optimum operational parameters in the shortest possible time. The investment of about $16 million was carried out as part of the recently completed turnaround. The reactor change is one of the most important projects implemented during the reorganization. The overall of approximately USD 85 million has been invested in the modernization projects of the Petromidia refinery, the largest unit of its kind in Romania.

The European Commission has approved a state aid scheme for Romania in the amount of EUR 500 million, which is intended to support investments in the production of advanced biofuels. This scheme, funded through the EU Fund, will provide direct subsidies to the companies that invest in production capacities for bioethanol, sustainable aviation fuel and hydrogenated vegetable oil.

In 2024, compared to the previous year, Romania recorded a recovery in the market of motor fuels, as well as in its retail.

NIS has 19 petrol stations in Romania. NIS market share in the total market of motor fuels is 0.4%, while its share in the retail market is 0.6%.

[19] The retail of other participants in the market is supplied by the wholesale of NIS and other participants in the wholesale market of Serbia.
[20] The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 2024 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

KEY PERFORMANCE INDICATORS

Q4 2024	Q4 2023	Δ[21]	Indicator	Unit of measurement	2024	2023	Δ[22]
74.7	84.0	-11%	Brent Dtd	$/bbl	80.8	82.6	-2%
103.5	108.1	-4%	Sales revenue	RSD billion	408.1	412.1	-1%
2.0	12.4	-84%	Net profit	RSD billion	10.1	44.2	-77%
4.6			Net profit without HIP-Petohemija	RSD billion	17.7		
9.9	11.5	-14%	EBITDA [23]	RSD billion	44.4	68.1	-35%
12.2			EBITDA without HIP-Petohemija [24]	RSD billion	51.6		
21.0	6.4	+228%	OCF	RSD billion	61.0	28.0	+118%
15.9	17.3	-8%	CAPEX [25]	RSD billion	53.2	39.2	+36%
68.5	62.7	+9%	Accrued liabilities for taxes and other public revenues [26]	RSD billion	260.4	244.4	+7%
558.0	564.0	-1%	Total bank indebtedness [27]	EUR million	558.0	564.0	-1%
2.1	1.9	+11%	LTIF [28]	number	2.1	1.9	+11%

OPERATIONAL INDICATORS

In addition to the main goal of oil and gas production, which was achieved in 1.15 million t.o.e. Exploration and Production Block implemented projects for the construction of a collection and dispatch station, introduced two new drilling rigs into the production process, and performed the annual overhaul of the Elemir Gas Refinery with the first pressure test of the Amine Plant since its construction in 2014. Projects for the construction of facilities for the production of electricity from acid gas were implemented.

EXPLORATION AND PRODUCTION

KEY BUSINESS INDICATORS

Q4 2024	Q4 2023	Δ[29]	Indicator	Unit of measure	2024	2023	Δ[30]
290.0	290.2	-0.1%	Oil and gas output [31]	thousand t.o.e.	1,146.7	1,158.3	-1%
201.1	208.3	-3%	Domestic oil output [32]	thousand tonnes	801.5	814.2	-2%
1.0	0.5	+104%	LTIF [33]	number	1.0	0.5	+104%
10.2	9.4	+8%	EBITDA	RSD billion	40.0	34.2	+17%
7.7	7.3	+5%	CAPEX[34]	RSD billion	24.3	23.4	+4%

The main goal of 2024 in Exploration and Production Block was to fulfil the hydrocarbon production plan and increase the efficiency of geological and technological activities.

In 2024, a total production volume of oil and gas 1,092.9 t.o.e. was achieved at reservoirs in Serbia, i.e., including concessions – 1,146.7 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.

[21]Any deviations in percentages and aggregate values result from rounding.
[22]Any deviations in percentages and aggregate values result from rounding.
[23]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.
[24]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.
[25]CAPEX amounts are exclusive of VAT.
[26]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.
[27]Total bank indebtedness = Total debt to banks + Letters of Credit. As at 31 December 2024, this was EUR 558.0 million of total debt to banks, while there was no debt based on Letters of Credit.
[28]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, 2024.
[29]Any deviations in percentages and aggregate values result from rounding.
[30]Any deviations in percentages and aggregate values result from rounding.
[31]Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.
[32]With natural gasoline.
[33]Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers for the Exploration and production Block. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31, 2024.
[34]Financing, exclusive of VAT.

GEOLOGICAL EXPLORATION AND FIELD ENGINEERING IN SERBIA

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

In 2024, 45 new oil wells were successfully drilled and commissioned (44 development and 1 exploration), whereby the average increase of 7.2 t/day was achieved, i.e. an additional 53.1 thousand tons of oil.

Also, during 2024, geological and technical activities were successfully carried out in 158 wells with the satisfactory average increase.

In 2024, the application of the repair and insulation works (RIW) technology continued. After the application of this method, 55 wells were commissioned and the average increase of 1.3 t/day was achieved, and most of the operations were performed on the Velebit oil field. Additional oil production from the application of the RIW technology amounts to 14.2 tons for 2024.

Additionally, in 2024, 39 wells were commissioned after the transition to the new production layer with the mean realized increase of 4.9 t/day (+35.2 thousand tons), and a total of 44 intensifications were made, with the increase of 1.5 t/day, while a total of 16 wells were enabled for operation from the idle well stock, with the increase of 2.5 t/day.

When all geological and technological activities in 2024 are taken into account, additional oil production of 127.0 thousand tonnes was achieved.

EXPLORATORY DRILLING AND WELL TESTING

During 2024, a total of 5 exploratory and contour-exploratory wells were drilled and tested. Two of them are within the newly discovered Ada gas cluster.

2D/3D SEISMICS

In order to expand the portfolio of new candidates for exploration drilling, a complex reinterpretation of 2D and 3D seismic data, recorded in the previous period, is ongoing.

LICENSE OBLIGATIONS

In 2024, on the basis of 5 Geological Exploration Projects, oil and gas were obtained from the Provincial Secretariat for Energy, Construction and Transport. Approvals for the continuation of geological exploration in the exploration areas: North Banat, Middle Banat, South Bačka, North Bačka and South Bačka, with a validity period until 31 December 2026.

Due to the increase in the volume of exploration works, in 2024, Annexes to the Projects for the exploration areas of North Bačka, South Bačka and North Banat were made and approvals were obtained from the Provincial Secretariat for Energy, Construction and Transport for geological exploration.

In order to perform geological research in the exploitation fields of Velebit, Kikinda, Boka, Iđoš, Turija sever, Kikinda zapad, Zrenjanin sever and Bradarac-Maljurevac, 8 Geological Research Projects were performed and the Provincial Secretariat for Energy, Construction and Transport and the beginning of geological research was reported to the Ministry of Mining and Energy in accordance with the Law.

In accordance with the Law on Mining and Geological Exploration, during 2024, 6 Final Reports on Performed Geological Explorations and 2 Annual Reports on Performed Geological Explorations in Oil and Gas Exploitation Fields were prepared and submitted to the Provincial Secretariat for Energy, Construction and Transport. For the exploration area of the Danube Region, 1 Annual Report on the Performed Geological Research was prepared and submitted to the Ministry of Mining and Energy.

PROJECTS ABROAD

Key events in Romania during 2024:

Teremia North Project:

- In 2024, the total achieved volume of oil and gas production in Romania was 15.4 thousand tonnes of oil equivalent
- Gas infrastructure: the approved stage of permitting realizedfor the gas infrastructure project.

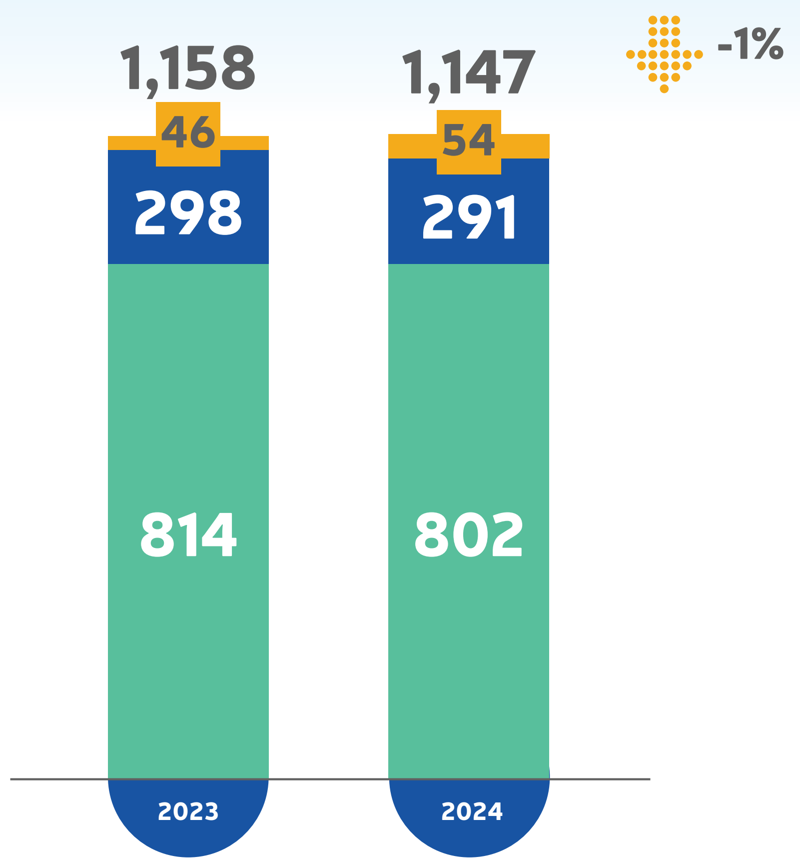
Key events in Bosnia and Herzegovina during 2024:

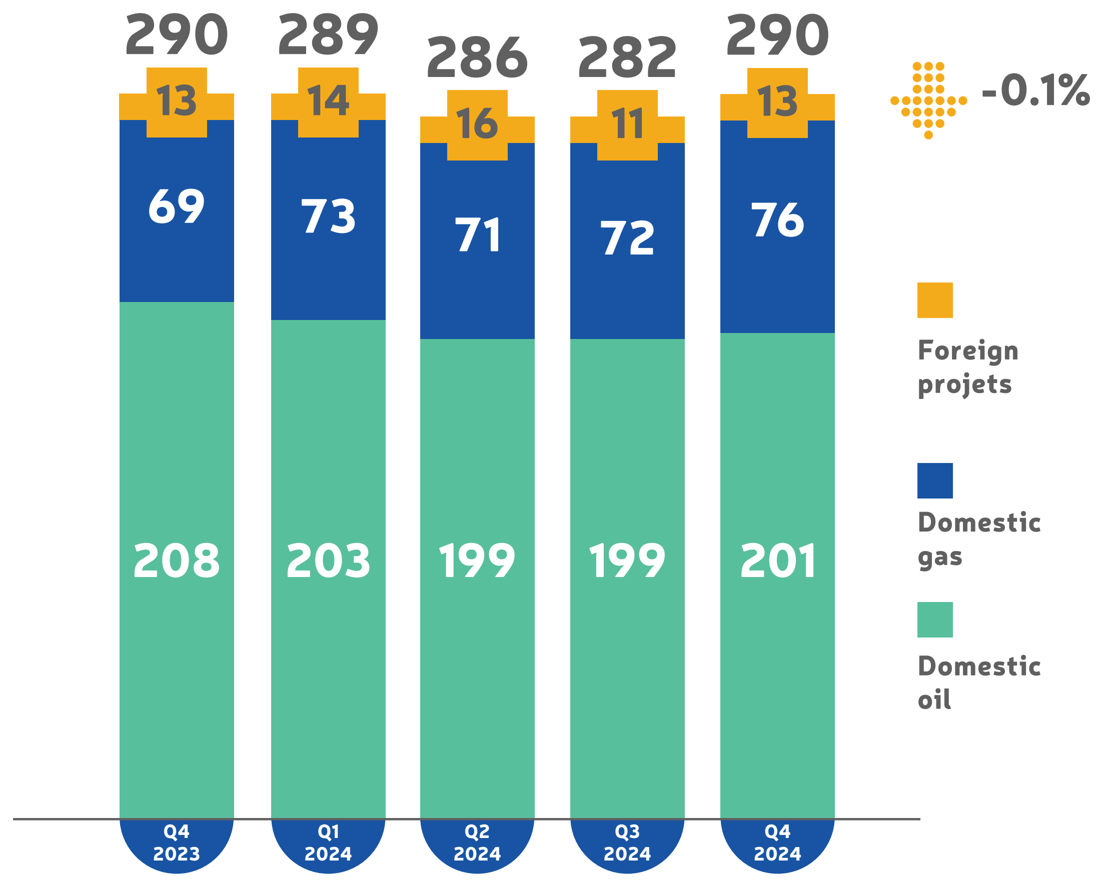
- Current operational profitability was obtained by optimizing operating costs
- Obtained environmental approval and consent of "Vode Srpske" Bijeljina
- The environmental approval, water approval and water permit obtained for the Obudovac Oil Field.

OPERATING INDICATORS

In 2024, the total of 1,147 thousand t.o.e. of oil and gas was produced, which is 1% lower year-on-year.

Oil and gas output[35], thousand t.o.e.





[35]Any deviations in percentages and aggregate values result from rounding.

DOWNSTREAM

KEY INDICATORS

Q4 2024	Q4 2023	Δ[36]	Key indicators	Unit of measure	2024	2023	Δ[37]
1,080.3	1,029.2	+5%	**Volume of refining of crude oil and semi-finished products**[38]	thous. tonnes	**3,619.7**	4,068.4	-11%
1,056.3	987.4	+7%	**Total sales volume of petroleum products**[39]	thous. tonnes	**3,749.6**	3,943.9	-5%
243.7	258.1	-6%	*Retail Serbia*	thous. tonnes	**944.6**	942,7	+0.2%
390.2	379.1	+3%	*Wholesale Serbia*[40]	thous. tonnes	**1,446.9**	1,485.6	-3%
38.7	41.5	-7%	*Retail Foreign Assets*	thous. tonnes	**160.4**	161.0	-0.4%
78.5	28.7	+173%	*Wholesale Foreign Assets*	thous. tonnes	**220.1**	187.2	+18%
253.1	233.1	+9%	*Transit, export and BU*[41]	thous. tonnes	**791.7**	1,057.9	-25%
752.7	719.6	+5%	**Motor fuels sales volumes**[42]	thous. tonnes	**2,867.4**	2,864.8	+0.1%
35.8	31.9	+12%	**Electricity output**[43]	thous. MWh	**124.2**	129.1	-4%
2.5	6.1	-59%	**EBITDA DWS**[44]	bln RSD	**12.4**	49.4	-75%
-0.9	1.5	-157%	*EBITDA Refining*[45]	bln RSD	**-1.4**	28.9	-105%
6.4	4.4	+47%	*EBITDA Sales and Distribution*[46]	bln RSD	**21.8**	22.2	-2%
7.7	9.5	-21%	**CAPEX DWS**[47]	bln RSD	**27.6**	14.9	+82%
3.8	4.9	-23%	*CAPEX Refining*	bln RSD	**18.7**	6.4	+192%
3.4	2.9	+15%	*CAPEX Sales and distribution*	bln RSD	**6.1**	6.2	-0.4%
1.9	2.1	-8%	**LTIF DWS**[48]	number	**1.9**	2.1	-8%
1.8	1.7	+8%	*LTIF Refining*	number	**1.8**	1.7	+8%
1.9	2.5	-23%	*LTIF Sales and distribution*	number	**1.9**	2.5	-23%

REFINING

The focus of the Refining Block during 2024, for the most part, was on the overhaul of the Pančevo Oil Refinery process plants. This overhaul is so far the largest one in the history of the Refinery in terms of volume and complexity, given the modernization and increase in the number of production plants. In addition to being specific in terms of its scope, this is the overhaul with the largest budget and the largest number of contractors so far. Before the overhaul, the company amped up production of petroleum products to create the necessary reserves for an uninterrupted supply to the market.

During 2024, the Refining Block processed 3.6 million tonnes of raw materials.

REFINING ACTIVITIES AND VOLUME

Capital overhaul which was carried out at the Pančevo Oil Refinery was a most complex and most challenging one in the Refinery's history, considering modernisation and higher number of production units. The overhaul and investment projects were worth over EUR 95 million, and, in addition to NIS employees, over 2,000 contractors were engaged. In terms of completed works, the overhaul covered 34 reactors and absorbers, whereat 850 m^3 of catalyst was replaced, 245 pressure vessels were repaired, as well as 47 compressors and pumps, 298 heat exchangers, 1,457 pipelines, 243 air coolers, and 16 tube furnaces. As regards activities, most process units underwent scheduled overhauls and investment works, whereat 12 investment projects were executed, including a significant number of investments maintenance projects. The completed works facilitated improvement of operational reliability, industrial safety and energy efficiency in Pančevo Oil Refinery.

The importance of the completed overhaul is evidenced by the visit of Dubravka Đedović Handanović, Minister of Mining and Energy of the Government of the Republic of Serbia, in April. On that occasion, the Minister toured works and talked to our company's managers about overhaul and other current issues related to operation of the refining complex.

Pančevo Oil Refinery obtained a new integrated permit (IPPC), which is a confirmation of the integrated approach to pollution prevention control, and also includes the obligations of minimizing the consumption of raw materials and energy, preventing or reducing emissions to air, water, and land, and managing waste in a manner that does not endanger human health and the environment.

This permit implies that the production process in the Refinery is largely compliant with the highest domestic and European standards in the field of environmental protection. Considering that this is the most important document that an operator can obtain from the aspect of EP, by receiving this permit, the Pančevo Oil Refinery is also recognized as an important factor in ensuring controlled environmental protection conditions.

The permit is also an obligation of Pančevo Oil Refinery to continue with a responsible management in the implementation of all its activities and significant investments in the field of environmental protection, with the application of the best available techniques. During previous periods, investments in energy efficiency projects had benefits such as the reduction of greenhouse gas emissions.

[36] Any deviations in percentages and aggregate values result from rounding.
[37] Any deviations in percentages and aggregate values result from rounding.
[38] The presented refining volume includes the refining volume of HIP-Petrohemija. Refining volume for 2023 is methodologically different than in 2024 due to the consolidation of HIP-Petrohemija in the second half of 2023.
[39] The presented volume includes the volume of petrochemical products of HIP-Petrohemija. Any deviations in percentages and aggregate values result from rounding. Comparative data for 2024 in this Annual report is different than the data presented in the Annual report for 2023 due to the consolidation of HIP-Petrohemija in the second half of 2023 (data from the Annual report for 2023 are shown without consolidation of HIP-Petrohemija).
[40] Includes the sale of CNG of Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.
[41] Business unit includes the sale of bitumen, bunkering and aviation fuel channels.
[42] Total motor fuels sales volumes in Serbia and in foreign assets.
[43] The volume of electricity produced includes the electricity produced by Power plant Pančevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for 2024 is 2,245.9 MWh, while for Q4 2024 it is 421.7 MWh.
[44] EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution, the rest of Downstream and EBITDA of HIP-Petrohemija.
[45] EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.
[46] EBITDA of the Sales and Distribution Block.
[47] Financing, excluding VAT. The shown CAPEX of Downstream includes CAPEX of Refining Block, Sales and distribution Block, Block Energy and the rest of Downstream. From the first quarter of 2024 CAPEX also includes the CAPEX of HIP-Petrohemija.
[48] Lost Time Injury Frequency – the ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31, 2024.

One of the key investment projects in the company - Industrial Railway Reconstruction Project in Pančevo Oil Refinery is underway. This project covers replacement of complete substructure and superstructure of existing railtracks and construction of five new ones, thus facilitating the full capacity of the switching yard for receipt and dispatch of trains.

The industrial railway in Pančevo Oil Refinery was constructed in 1968, the same year when the refinery was put into operation, and has been operating since. The importance of the Refinery railway lays in the fact that, on an annual basis, using this means of transportation, 14,000 rail cars were dispatched, carrying 750,000 tons of petroleum products. The reasons for launching the reconstruction project include ensuring legal compliance of the technical condition of the industrial railway, then implementation of measures prescribed by the HSE Action Plan, remedying deficiencies in the field pf safety, minimising the risk of accidents, and also increasing the permissible axle load of the industrial railway. The main works were started in the first quarter of 2024.

The implementation of a large investment project in the Refining Block is underway: "Reconstruction of the fire protection system and installation of a central foam extract distribution system and provision of fire protection water for stable fire protection systems in the Pančevo Oil Refinery". This investment was approved in the middle of last year and the implementation is divided into three stages, where each unit would be built and put into operation in phases.

The perspective of "blue" hydrogen production at the Pančevo Oil Refinery was presented at the conference in Turin, held in July, dedicated to promoting innovation, research and technical achievements in the field of energy sector transformation at the "SPE Europe Energy Conference & Exhibition". The result of the project would have a significant positive impact on the environment by reducing the carbon footprint of the refinery, with the monetization of low-carbon fuels such as blue hydrogen.

Also, this year, the interns in the Pančevo Oil Refinery are students who have just completed the selected courses of the "Pančevo" High School of Mechanical Engineering, "23. maj" Technical High School and "Nikola Tesla" Electrical Engineering High School. Strategic cooperation several years long is made with these schools in Pančevo through the "Energy of Knowledge" programme. 16 interns will acquire knowledge at the Pančevo Oil Refinery and will further improve their business skills through various training courses.

The City of Pančevo and the Pančevo Oil Refinery continued their partnership several years long by implementing a new project under the "Together for the Community" programme. This time, the support was given to the reconstruction and arrangement of the entrance hall of the "Jovan Bandur" Music School in Pančevo.

Second Scientific and Technical Conference of the Refining Block was prepared and held. The topic of the competition was "Improvement of the Process through Cross-Sectoral Cooperation". The presented ideas and projects did not only relate to the improvement of the process at the Pančevo Oil Refinery, but many of them could also apply to the improvement of the business operations of the entire company. The benefits of the new ideas and proposals are multiple – from improving reliability and efficiency of equipment, developing and improving products and processes, through the projects aimed at improving the safety of the production processes to those that create added value for the business operations by using modern digital technologies.

The representatives of the Refining Block participated in the international conference AUTOMA dedicated to automation and digitization of the oil and gas sector, which was held this year from 14 October to 16 October in Düsseldorf.

In order to continue increasing the capacity of the teams for readiness and response to emergencies at the HIP-Petrohemija and the Refining Block, the command and simulation exercise was successfully conducted in October. In this way, the business process was tested: readiness for emergencies.

In November, 4 chromatographs were donated to the Institute of Chemistry, Technology and Metallurgy by the Refining Block for the purpose of training future experts.

The Rulebook on Monitoring and Reporting on the Greenhouse Gas Emissions came into force in our country at the beginning of 2024. It defines in more detail the method of monitoring, calculation and verification of the GHG emissions, as well as the obligation for operators to obtain the GHG emissions permits for their plants.

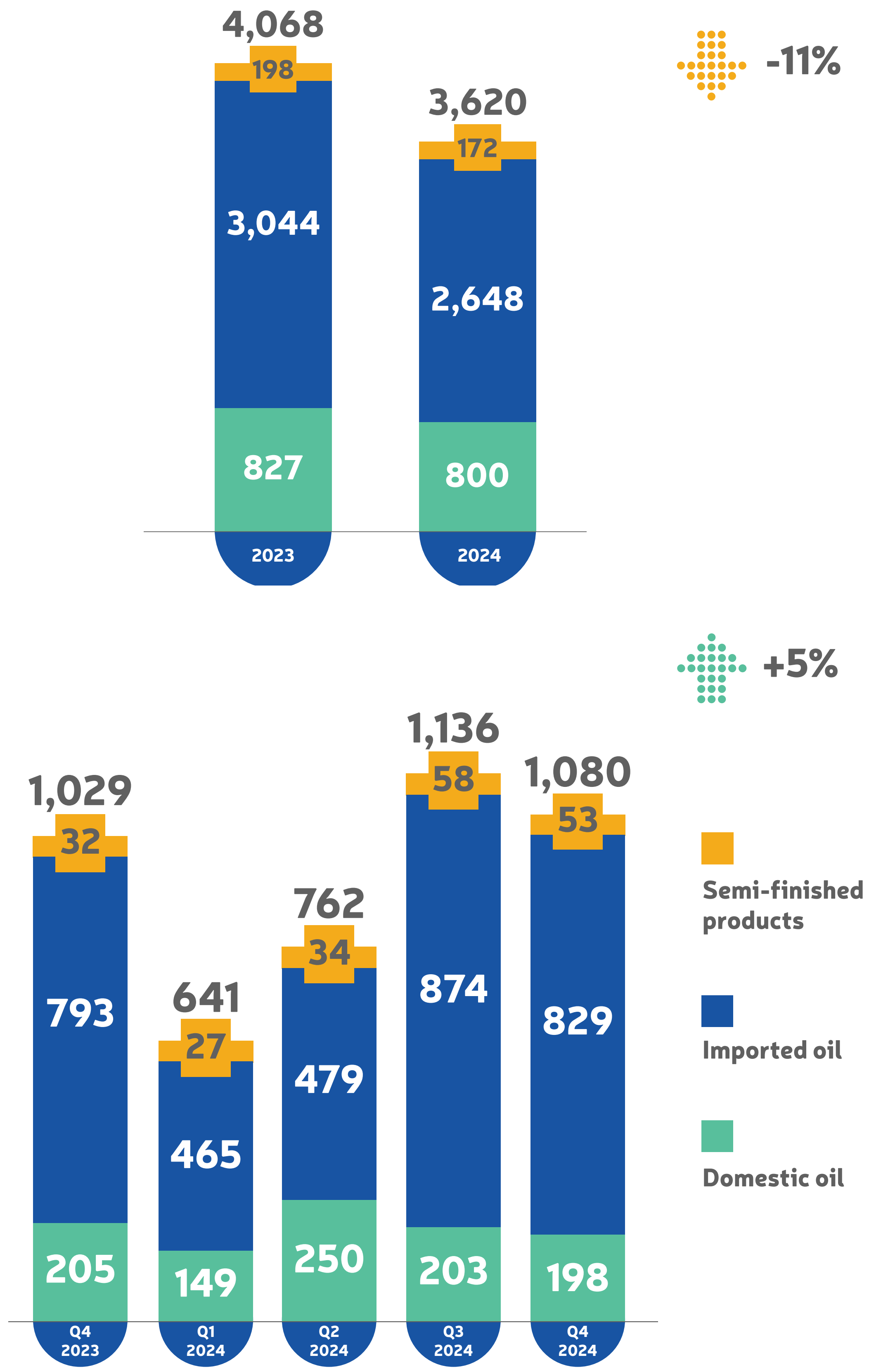
The goal is to reduce these emissions from the industrial sector in the long term and to accelerate the decarbonization of the economy, which is one of the important pillars of the green agenda. Companies and operators were obliged to submit the Applications for GHG Emissions Permits with the accompanying documentation to the Ministry of Environmental Protection by 5 July this year.

For our company, this obligation also applied to the Pančevo Oil Refinery. The colleagues responsible for the environmental protection and technical personnel at these plants, in cooperation with the colleagues from the HSE Function, prepared the GHG Emissions Monitoring Plans for all plants and accompanying documentation within the legally prescribed deadline. After reviewing the submitted documentation, the Ministry of Environmental Protection of the Republic of Serbia issued a Decision on the Issuance of the Greenhouse Gas Emissions Permit.

During 2024, the Refining Block continuously carried out the activities for finding new and maximizing the existing technical, technological and organizational measures for increasing efficiency and reducing costs.

In 2024, the effect of measures for the increase of efficiency was realized in the amount of about RSD 1.5 billion. A set of additional (Upside) measures was developed, aimed primarily at savings in energy consumption.

Refining volume[49], thousand tonnes



[49]The presented refining volume includes the refining volume of HIP-Petrohemija. Refining volume calculations for 2023 are methodologically different than in 2024 due to the consolidation of HIP-Petrohemija in the second half of 2023.

PROJECTS

The implementation of projects aimed at increasing the efficiency and reliability of the Pancevo Oil Refinery is underway:

- “Reconstruction of the FCC plant, construction of the ETBE plant” – The Provincial Secretariat in Novi Sad gave its consent for the Environmental Impact Assessment Study and the Waste Management Plan, while the Audit Committee gave its consent for the Preliminary Design. Thus, the conditions for applying for the Construction Permit were met. In July, the consent for the Construction Permit for the preparatory works was obtained from the Provincial Secretariat in Novi Sad. The decision was made to continue the implementation of the project through several smaller investment projects, all of which will aim at increasing the reliability of the FCC operation, which will enable the production of propylene in the amount sufficient for the selected production capacity of 140,000 t/h of the polypropylene production plant in HIPP.

- “Project for the Replacement of Steam turbines” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was implemented, the equipment was installed and commissioned in May 2024.

- “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 stage A was implemented in June 2024. Works on the stage B implementation are 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. Construction and installation works are completed and the functional test is being conducted.

- “Project for the Reconstruction of the Fire Protection System at Pančevo Oil Refinery” – The Provincial Secretariat in Novi Sad has approved the Environmental Impact Assessment Study, the Waste Management Plan, and the Audit Commission has approved the Preliminary Design. A request for a Construction Permit was submitted in early November 2024. Contractors have been selected and contracts for hydraulic and civil engineering works, mechanical and assembly works, and E&I works have been signed. Ordering of equipment and materials and preparation of a work plan are underway.

- “Reconstruction of Laboratory Building” – works on the construction of the foundation are ongoing. Almost the entire furniture was delivered.

- “Replacement of the Cyclone on the DC-2302 Regenerator of the FCC Plant” – works were fully completed during the major overhaul and the equipment was put into operation.

- “Reconstruction of the N2 Substation” – works were fully completed during the major overhaul and the equipment was put into operation.

SALES AND DISTRIBUTION

Under the conditions of the overhaul in the refinery and disruptions in traditional, pre-crisis logistics chains in the region, Sales and Distribution Block contributed to ensuring energy stability in Serbia in 2024, and fulfilled binding contracts.

The operations of oil companies in Serbia took place under regulated retail prices of diesel fuel and gasoline, as well as in an unstable geopolitical situation and regional challenges.

Development continued through the implementation of strategic projects for the development of the retail network, the modernization of the Sales and distribution Block's oil storage facilities, and the implementation of a key project for the development of logistics for its own transport.

POINTS OF SALE[50] AND LOGISTICS

NIS Group owns 414 active retail sites. Most of them, i.e. 330 retail sites are located in the Republic of Serbia. As for the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina, 23 petrol stations in Bulgaria and 19 petrol stations in Romania.

In Serbia, the reconstruction of 9 existing petrol stations and the purchase and rebranding of 1 petrol station and a renovation program of 11 petrol stations is planned. Two petrol stations (Đure Đakovića and Pančevo 3) were reintegrated into the NIS network.

Reconstruction work on the Niš storage facility was completed, and the facility was put into operation on 27 December 2024. Three new 5,000 m^3 storage tanks were built—two for diesel and one for gasoline. A new transfer station for wagons and tank trucks, as well as a new pumping station, have been constructed. A bio-component unloading point with 4 reservoirs for bio-components has also been built.

Financing was completed, and the exploitation of G11 and G12 aviation fuel tanks at the Novi Sad storage facility commenced, ensuring uninterrupted operations during the major overhaul of the Pančevo refinery.

During 2024, the works on the strategic project "Reconstruction of the Petroleum Product Warehouse in Niš" were fully completed. Three new 5,000 m^3 tanks for petroleum products have also been built.

New automatic systems were introduced:

- Additive dosing system consisting of 8 additive tanks, a pumping station and a dosing unit,
- Marker dosing system consisting of two tanks and a dosing unit,
- Biofuel mixing system consisting of a pumping station for biocomponents and a measuring unit for biofuel mixing.

All the constructed systems have common control systems that perform automatic management of all technological processes, as well as the supervision of safety processes.

In August, two new tank trucks for supplying aircraft with aviation fuel were put into operation at the Belgrade Airport.

The modernization of storage capacities will continue in the next period, and in December 2024, the project "Reconstruction of the Novi Sad Oil Derivatives Storage Facility" was approved.

The Sales and Distribution Block manages the following logistics facilities: 5 storage facilities for light derivatives, 5 LPG filling stations, 4 LPG bottle filling stations and 7 transport bases in Serbia, one storage in Bulgaria, one storage and one terminal in Bosnia and Herzegovina. The organization for secondary transport operates 112 own tank trucks, primary logistics has 452 tank cars.

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[50] As at 31 December 2024.

THE PROJECT MAP OF NEW CONSTRUCTIONS AND RECONSTRUCTIONS OF PSS IN SERBIA IN 2024

LOYALTY PROGRAM AND MARKETING ACTIVITIES

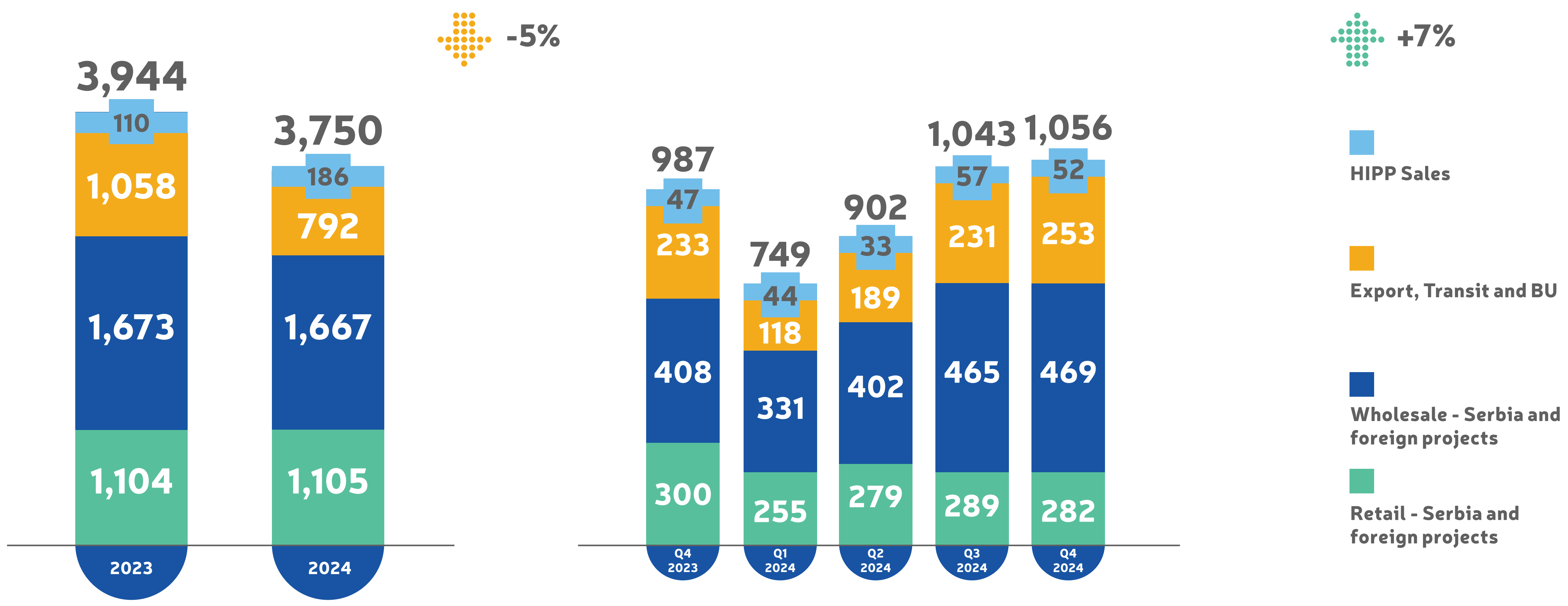
Throughout 2024, marketing activities were carried out in Serbia to develop consumer brands, loyalty programmes, improve fuel sales and the additional assortment at petrol stations.

We would like to highlight the following most important marketing activities that marked 2024 in Serbia:

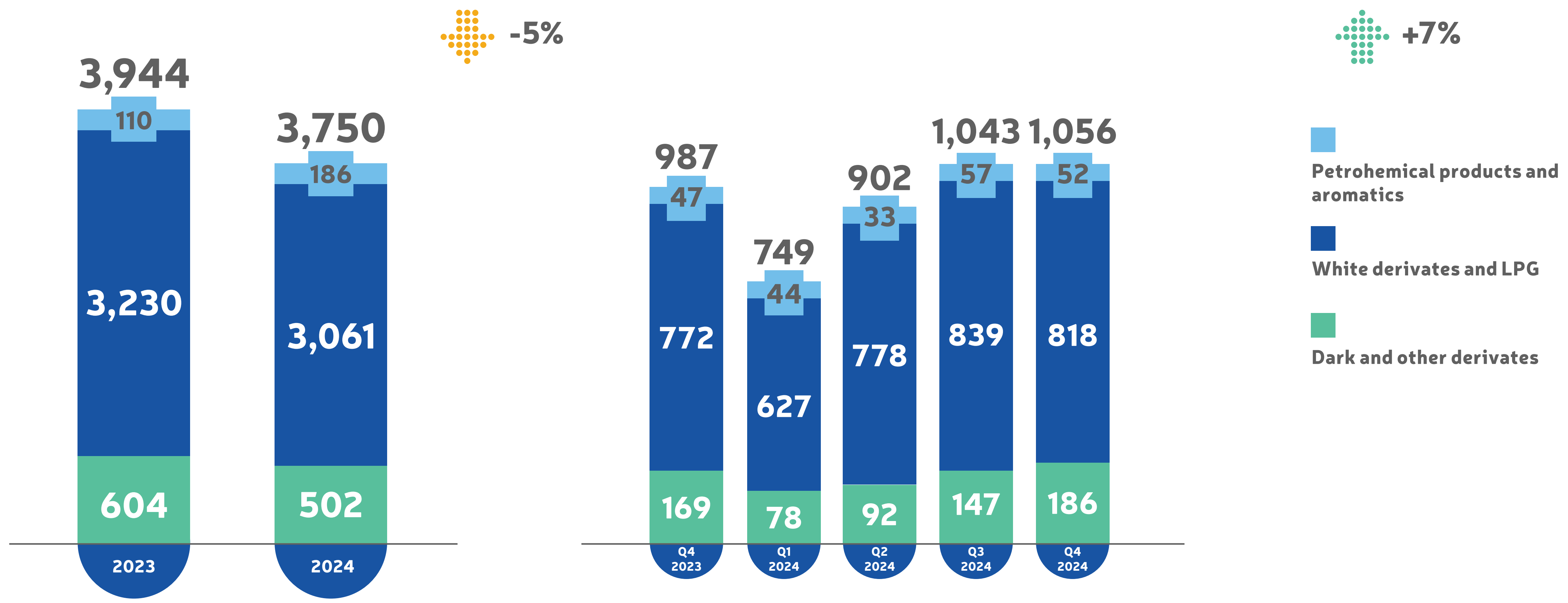
- Drive.Go application – promoted with the aim of attracting new members, increasing the number of downloaded applications with the help of a new visual identity with the key message “Pay for fuel in 30 seconds”, which was promoted through POS materials at petrol stations, via online channels, and the promotion will continue in the coming period. A new functionality – IPS payment in the application, was also promoted through a CRM campaign.
- “With us on the road” loyalty programme – an active campaign continued to acquire new virtual members, as well as to reactivate existing members. The total number of active users in 2024 was 1,031,102, applications downloaded 406,226, and new virtual members: 222,158 The mobile application has been improved with new functionalities for a better user experience as well as greater opportunities for placing marketing communications through the application.
- Drive Cafe/Non-fuel сегмент – promotion of the Drive Cafe shop’s gastronomic offer through TV, online and PR communication channels with the aim of further promotion and strengthening the brand image, contributing to increasing sales of gastronomic products and coffee. A PR event was organized to promote our best-selling product from the additional assortment – coffee. The event was attended by influencers and journalists, as well as representatives of the “Cafe Vergnano” Company – the manufacturer of Drive Cafe coffee. In the second and third quarters, new products were promoted at petrol stations. Campaigns were carried out on online and POSM communication channels. Constant support of promotions and super offers at petrol stations continued, as well as through additional services - TAG devices and car washes.
- Coffee Day was marked on 1 October through PR promotion and a prize competition on social networks in cooperation with influencers. At the very end of the year, on the occasion of the record number of Drive Cafe coffees sold - 7,000,000, we awarded a consumer who bought a jubilee coffee at the Fontana petrol station in Niš.
- Corporate clients and wholesale customers – A tour of the Pančevo Oil Refinery was organized for wholesale customers in October 2024. A conference on the quality of oil products was held, as well as a panoramic tour of the Pančevo Oil Refinery.
- Social networks/partners for creating online content/ site: during the twelve months of 2024, 7 new episodes were created as part of the content “With us on the road through Serbia”, where readers of our website and followers on social networks could read detailed recommendations about locations in Serbia that they could visit. In cooperation with Polovni automobili and Testosteron production, we promoted G-Drive fuels, while Testosteron also promoted the karting championship. In addition, six episodes of “Monasteries of Fruška Gora” were also produced for the needs of the Jazak blog section and “Jazak” social media channels.
- Innovative services – in connection with the expansion of the network of petrol stations with self-service cash registers, where fuel can now be paid for, as well as products from stores and restaurants, the promotion of new cash registers began in the fourth quarter. The cash registers were rebranded, POS materials were produced, and at all refuelling stations where cash registers are being introduced, a campaign of 1 additional bonus point per liter is underway for all “With us on the Road“ card users who pay at the self-service cash register. The campaign is being promoted through a CRM campaign. By the end of 2024, 17 cash registers will be put into operation, and the introduction and promotion will continue in 2025.

OPERATING INDICATORS

Volume of sales [51], thousand tonnes



Structure of sales [52], thousand tonnes



Drop in sales of 5% in 2024, when compared with the previous year was affected by:

- Retail in Serbia and foreign assets at last year's level:
  - the growth of retail sales in Serbia within the agricultural volume thanks to the increased demand by farmers in the first six months of 2024, as well as the growth of sales to the natural persons thanks to the activity of the management fully compensated for the decline caused by the sales restrictions based on the hectares reported by farmers;
  - retail of foreign assets – increased customer frequency thanks to the favorable weather conditions and management activities in Bosnia and Herzegovina increased the volume of sales for 9 months compared to the corresponding period in 2023 and fully compensated for the decline in the sales volume in Bulgaria, caused by a reduced number of PSs compared to the previous year and affected by the geopolitical situation in Romania.
- Wholesale in Serbia and foreign assets[53] at last year's level:
  - An exceptionally high share in the Serbian fuel market of over 80% was maintained even during the turnarounds of the Pančevo Oil Refinery and HIP-Petrohemija, when the sales of all petroleum products was in line with the available quantities. In addition, due to favourable weather in Serbia earlier in the year, the demand for heavy fuel oil was lower. The sales drop in Serbia was offset by a significantly higher wholesale in foreign assets in the fourth quarter (due to limited transport to foreign assets in the last quarter of 2023 resulting from the preparations for refinery turnaround).
- Export, transit and business units[54]:
  - Reduction in the turnover of straight-run gasoline in the domestic market by 2% - in accordance with the needs of HIP-Petrohemija, smaller quantities of straight-run gasoline were delivered
  - NIS's share in the aviation fuel market is maintained at 100%, with a 1% decrease in sales compared to 2023 due to changes in consumption dynamics by foreign and domestic airlines and export buyers
  - Increase in sales within the bunkering channel by 7% thanks to favorable weather conditions in 2024 compared to 2023 (October 2023 – extremely low water level)
  - Reduction of turnover of bitumen and coke by 17% caused by less available quantities as a result of the overhaul of the RNP
  - Increase in sales through the export channel by 10% due to the intervention export of straight-run gasoline, due to the surplus of petroleum products caused by the overhaul of HIP-Petrohemija.

ENERGY

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

NATURAL GAS

For the purposes of organizing and balancing the natural gas portfolio of NIS j.s.c. Novi Sad, a lease of natural gas transport capacities for the needs of NIS was made with the operator of the natural gas transport system and a contract for the transport of natural gas for the gas year 2024/2025 was concluded.

Natural gas prices until May 2025 are regulated by the Regulation of the Government of the Republic of Serbia on a temporary measure to limit the price of gas and to compensate for the difference in the price of natural gas purchased from imports and produced in the Republic of Serbia in the event of market disruption.

Annual Contracts on the full supply of energy from natural gas for the gas year 2024/2025 were signed as well as Contracts for the sale of energy from natural gas for the Gas Year 2024/2025.

[51] The presented volume includes the volume of petrochemical products of HIP-Petrohemija. Comparative data for 2024 in this Annual report is different than the data presented in the Annual report for 2023 due to the consolidation of HIP-Petrohemija in the second half of 2023. Any deviations in percentages and aggregate values result from rounding.

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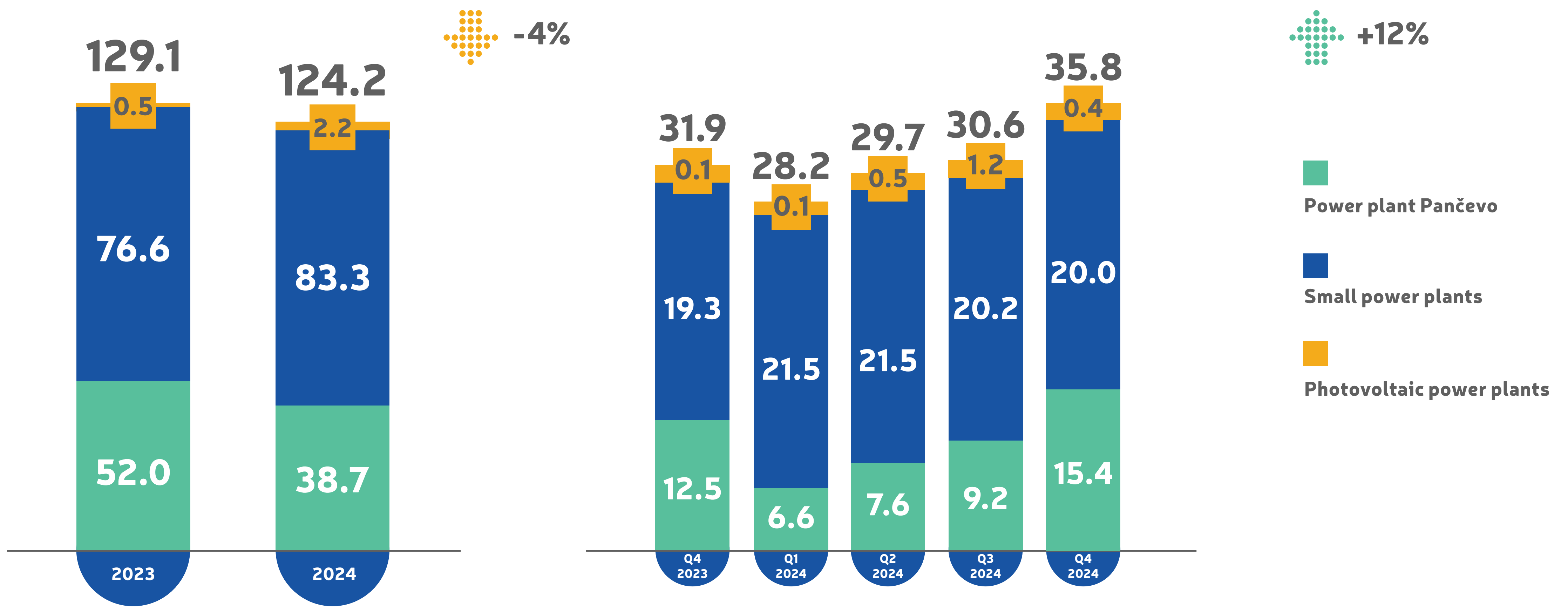
[53] Includes CNG sales by the "Energy Block" and sales of oil and lubricant sales by the Lubricant Production Plant

[54] Business units include the trade of petroleum derivatives, bitumen, bunker and aviation fuels.

PRODUCTION OF ELECTRICITY

During 2024, the total volume of produced electricity was 124.2 thousand MWh.

Volume of produced electricity [55], in thousand 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.

The programme of measures for reducing energy consumption and increasing energy efficiency in 2024 achieved the effect of energy savings of 21,678 t.o.e. The financial value of the savings amounts to RSD 1,582 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.

RENEWABLE ENERGY SOURCES

Activities implemented in 2024 are shown below:

- 20 photovoltaic power plants at petrol stations have been built and put into operation, which means that a total of 45 petrol stations have photovoltaic power plants in operation. The construction of photovoltaic power plants at petrol stations continues. A new project for the construction of solar photovoltaic power plants at an additional 30 petrol stations with a total capacity of 1 MWp has been approved, construction has been contracted and the project implementation has begun in November.
- A photovoltaic power plant has been built and put into operation – the drinking water factory complex "Jazak" with a total panel capacity of 620 kWp (370 kWp on the roof and 250 kWp on the ground). The generated electricity was released for own needs in June 2024. The operating permit was obtained and the photovoltaic power plant was put into permanent operation at the end of September 2024.
- For the project to build photovoltaic power plants in the oil derivatives storage facility in Novi Sad, a turnkey construction contract was signed at the end of December 2023 for the construction of a 6.59 MW ground-based photovoltaic power plant at the end of December 2023 and a contract with the contractor for pyrotechnic inspection of the terrain in January 2024. The main equipment was delivered from March to June 2024, the pyrotechnic inspection was completed in August 2024, and the piles for the installation of the supporting structure were driven. The general regulation plan was adopted, the location conditions and energy permit were issued in September 2024, and the construction permit in December, 2024. The works were reported and started in mid-December 2024.
- A 99.9 kWp power plant was built and put into operation at the end of July, supplying power to internal consumers on the roof of an office building on Arse Teodorovića Street in Novi Sad.
- A turnkey construction contract was signed for the project of building a rooftop solar photovoltaic power plant in the Pančevo Oil Refinery with a capacity of 600 kWp. The power plant has been built on 5 of the planned 6 facilities and the 400 kWp capacity was put into operation in mid-December 2024.
- Developmental projects activities:
  - 4 development projects for the construction of solar photovoltaic power plants have been adopted, for which techno-economic studies have been previously prepared: Elemir ground-based photovoltaic power plant 3.3 MWp, Elemir ground-based photovoltaic power plant 1.2 MWp, Jermenovci photovoltaic power plant 2.5 MWp and Smederevo photovoltaic power plant 2.9 MWp.
- Initiatives for the development of urban plans have been submitted to the Municipality of Plandište and the cities of Zrenjanin and Smederevo.
- A detailed regulation plan for the city of Smederevo has been prepared and its public review was completed in December 2024. The adoption of the planning document is expected at the first session of the Smederevo City Assembly in 2025.
- The master layout plan for the village of Jermenovci in the municipality of Planidište is in progress.
- The preparation of connection studies for the Jermenovci and Smederevo power plants has been agreed upon, and the study for Smederevo was completed in September 2024. A request has been submitted for the issuance of conditions for the design and connection of the power plant in Elemir in the status of buyer-producer for the needs of the Elemir Gas Refinery.
- Energy and economic analyses were conducted for the construction of a 5 MWp solar power plant at the location of the Elemir synthetic rubber factory, a HIP-Petrohemija plant that is part of the NIS Group. In June, a request was submitted by HIP-Petrohemija to the competent Power Supply Agency Serbia for the issuance of conditions for the design and connection of the Elemir synthetic rubber factory power plant in the status of a buyer-producer.

[55] The presented volume of produced electricity also includes the electricity produced in Power plant Pancevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for 2024 is 2,245.9 MWh, while for Q4 2024 it is 421.7 MWh. The total volume of electricity produced for the 2024 in TE-TO Pančevo is 1 million MWh. NIS j.s.c. Novi Sad owns 49% of the shares in TE-TO Pančevo.

FINANCIAL INDICATORS

HIP-PETROHEMIJA

KEY INDICATORS

Key indicators	Unit of measurement	Q4 2024	FY 2024
Production of petrochemical products	thous. tonnes	89.4	298.1
Refining of primary gasoline	thous. tonnes	119.5	399.6
Petrochemical product sales	thous. tonnes	83.1	288.0
EBITDA	RSD billion	-2.3	-7.2
Net profit (loss)	RSD billion	-2.6	-7.7
CAPEX[56]	RSD billion	0.2	1.5

In 2024, EBITDA is negative and amounted to RSD -7.2 billion.

The net loss for 2024 this is amounted to RSD 7.7 billion.

As regards investments, in 2024, RSD 1.5 billion was allocated.

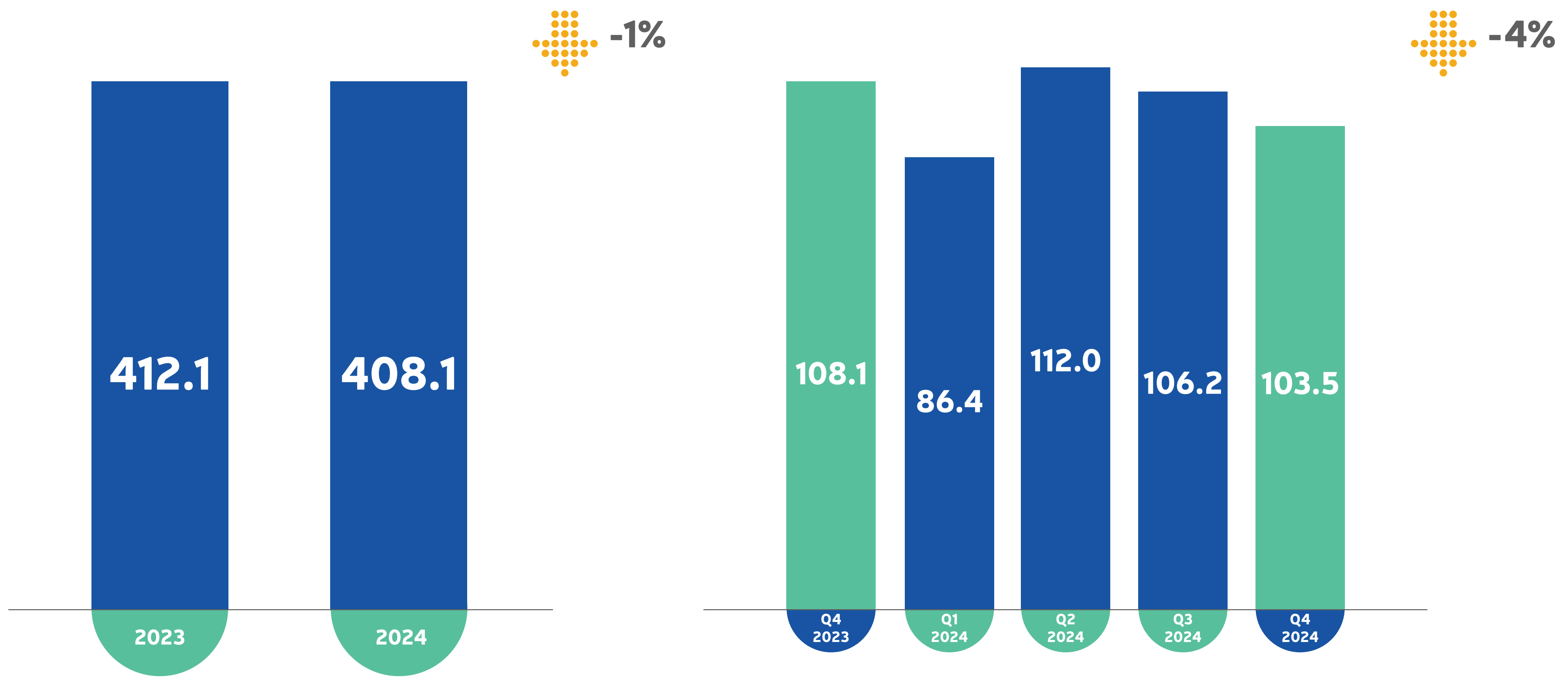
Regarding to operational indicators, in 2024, the production volume of petrochemical products is amounted to 298.1 thousand tons, the volume of virgin naphtha refining amounted to 399.6 thousand tons and the total sales volume in 2024 is amounted to 288.0 thousand tons.

Lower performance indicators mostly result from production downtimes and macroeconomic factors.

SALES REVENUES

In 2024, NIS achieved a 1% decrease in sales revenues compared to the previous year, and the total amount of sales revenues is RSD 408 billion.

Sales revenue[57], RSD billion

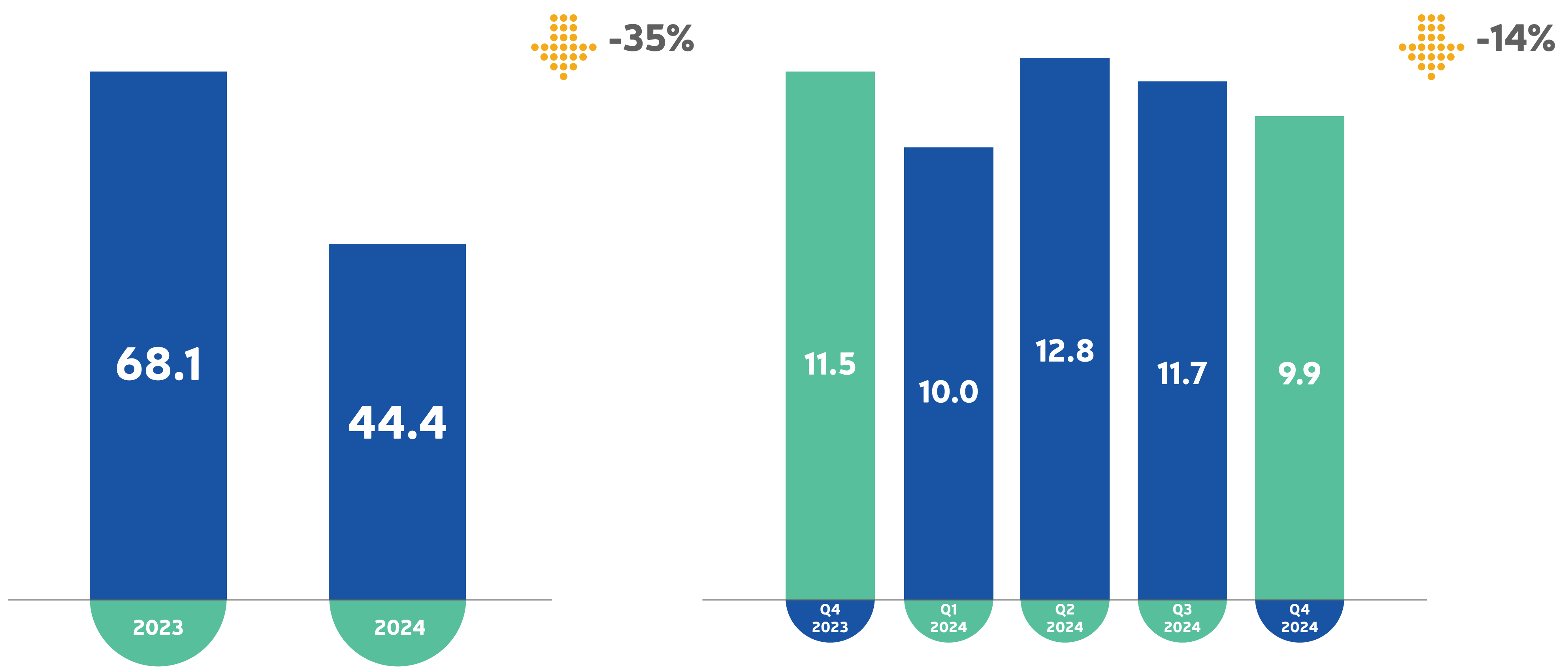


[56]Financing, excluding VAT.
[57]Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

EBITDA

The EBITDA indicator in 2024 is 35% lower than last year and amounted to RSD 44.4 billion.

EBITDA[58], RSD billion



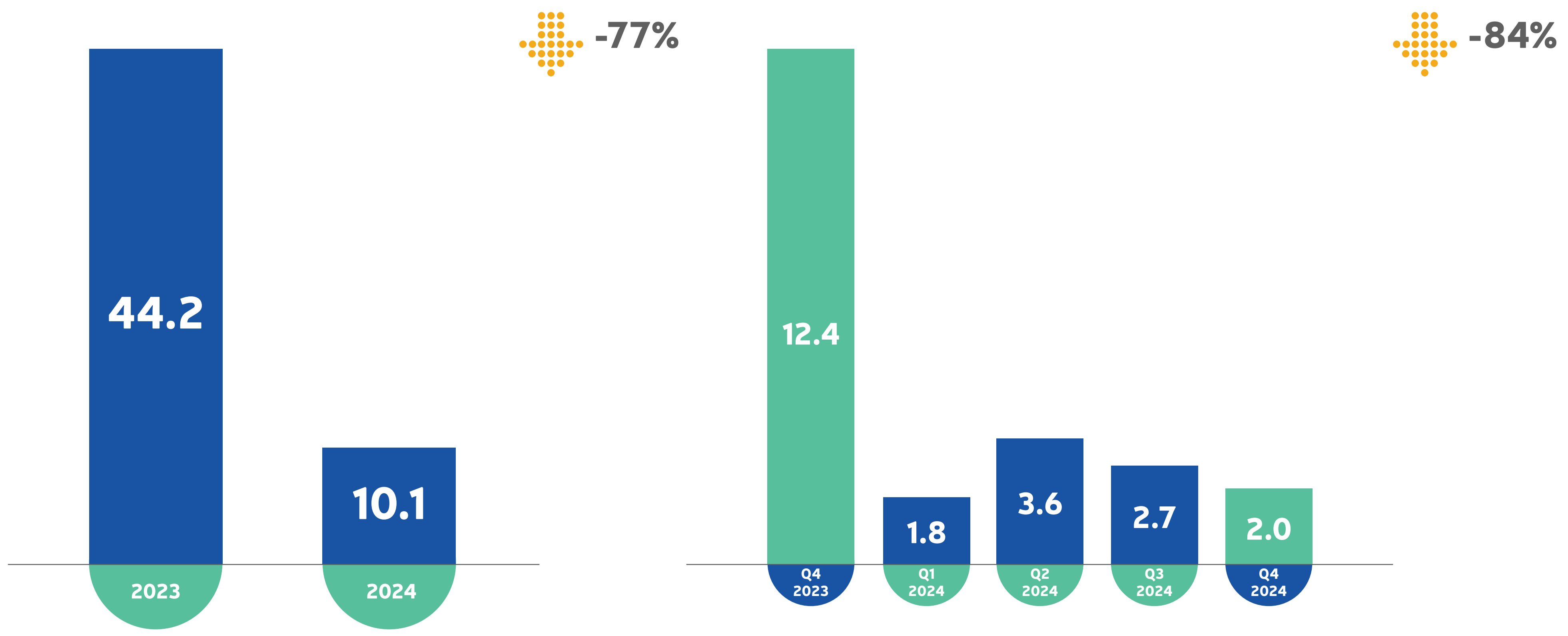
Decrease in EBITDA indicator was influenced by the following factors:

- Impact of a decrease in prices of petroleum products in the world market
- Impact of “expensive” oil stocks
- Impact of the completion of capital overhaul
- Increase in costs compared to the comparative period
- Negative result of HIP-Petrohemija in 2024.

NET PROFIT

The net profit in 2024 amounts to RSD 10.1 billion, which is lower 77% compared to the same period last year.

Net profit [59], RSD billion



The decrease in net profit indicator for 2024 compared to the last year 2023 was influenced by:

- decrease in EBITDA indicator
- higher depreciation costs and lower financial income from interest on financial placements
- positive effect based on goodwill during the purchase of HIP-Petrohemija which was realized in December 2023.

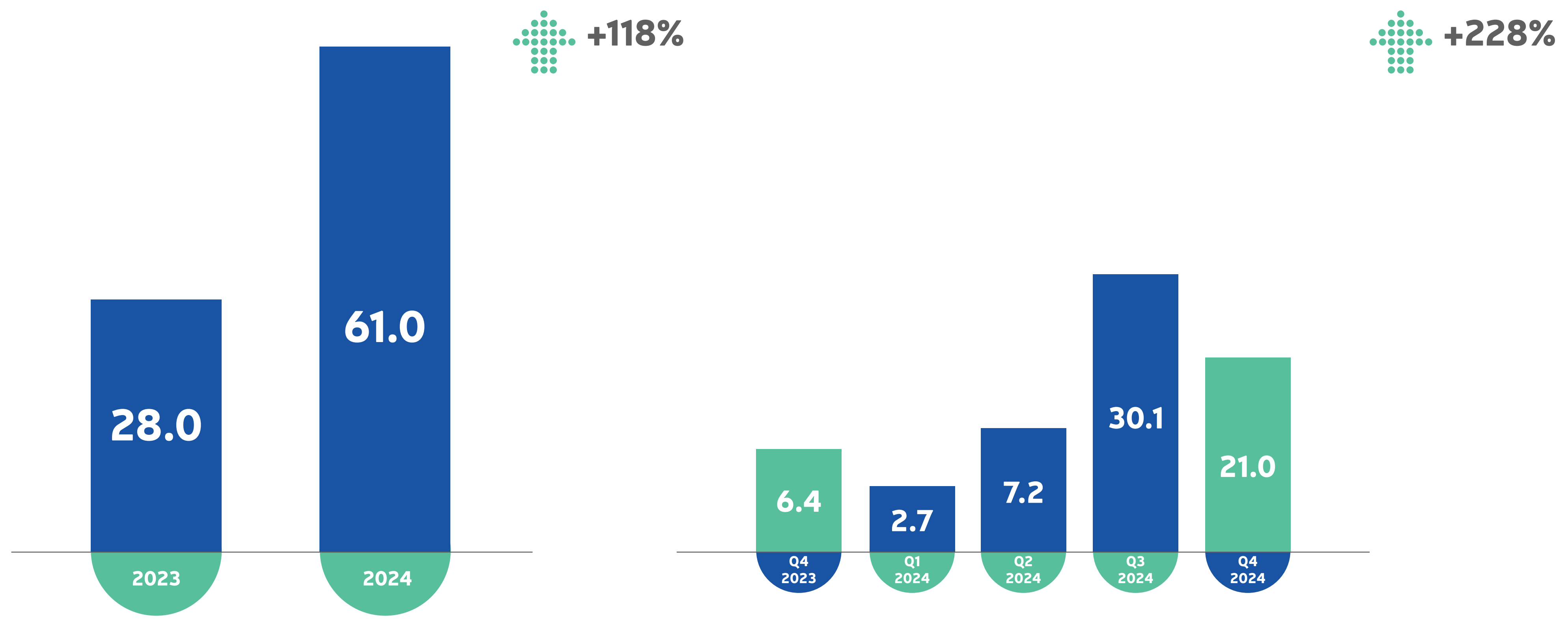
[58] Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

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

OCF

In 2024, the operating cash flow amounts to RSD 60.98 billion, and it is higher 118% compared to the same period last year.

OCF[60], RSD billion



The increase of the OCF indicator in 2024 compared to the previous business year, was largely influenced by:

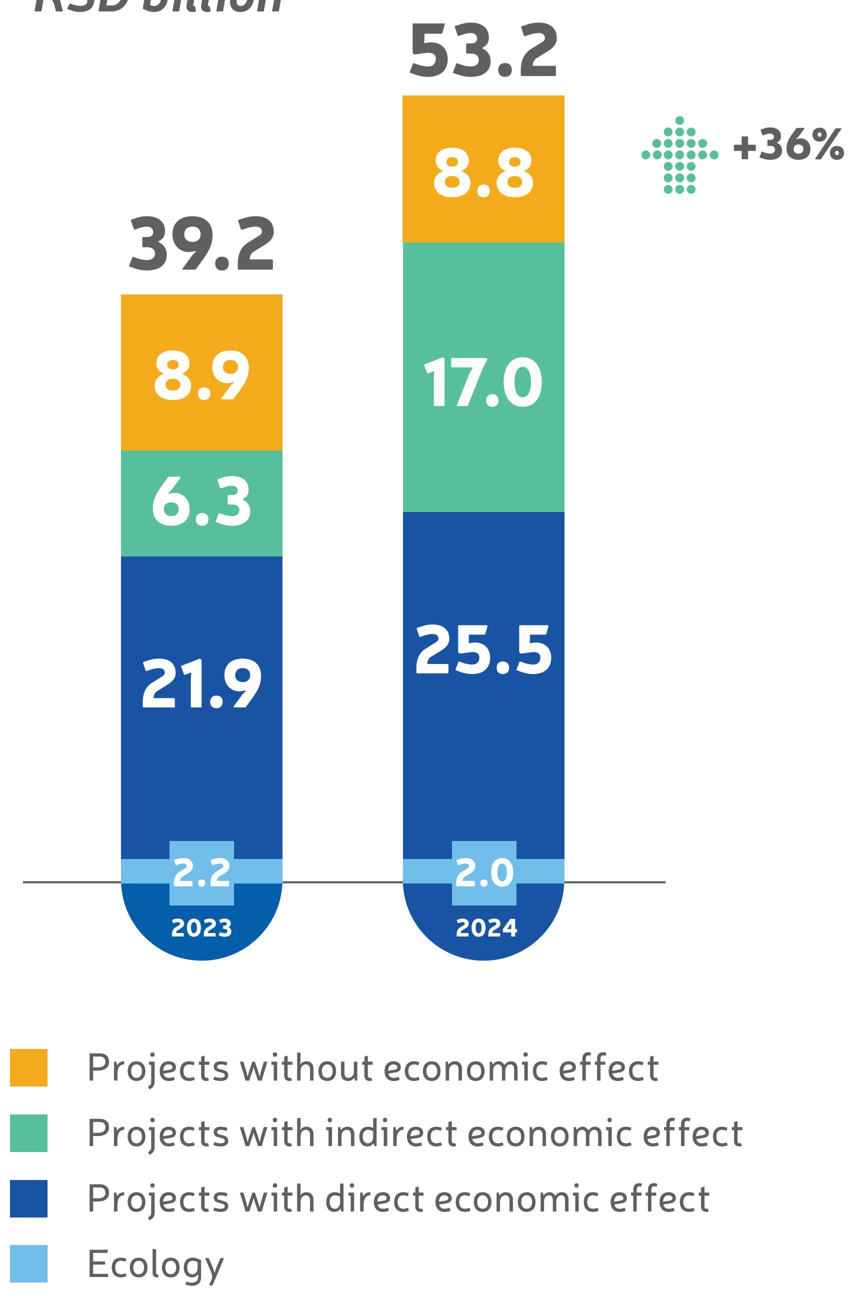
- Higher inflows
- Lower cash outflows from operating activities.

CAPEX

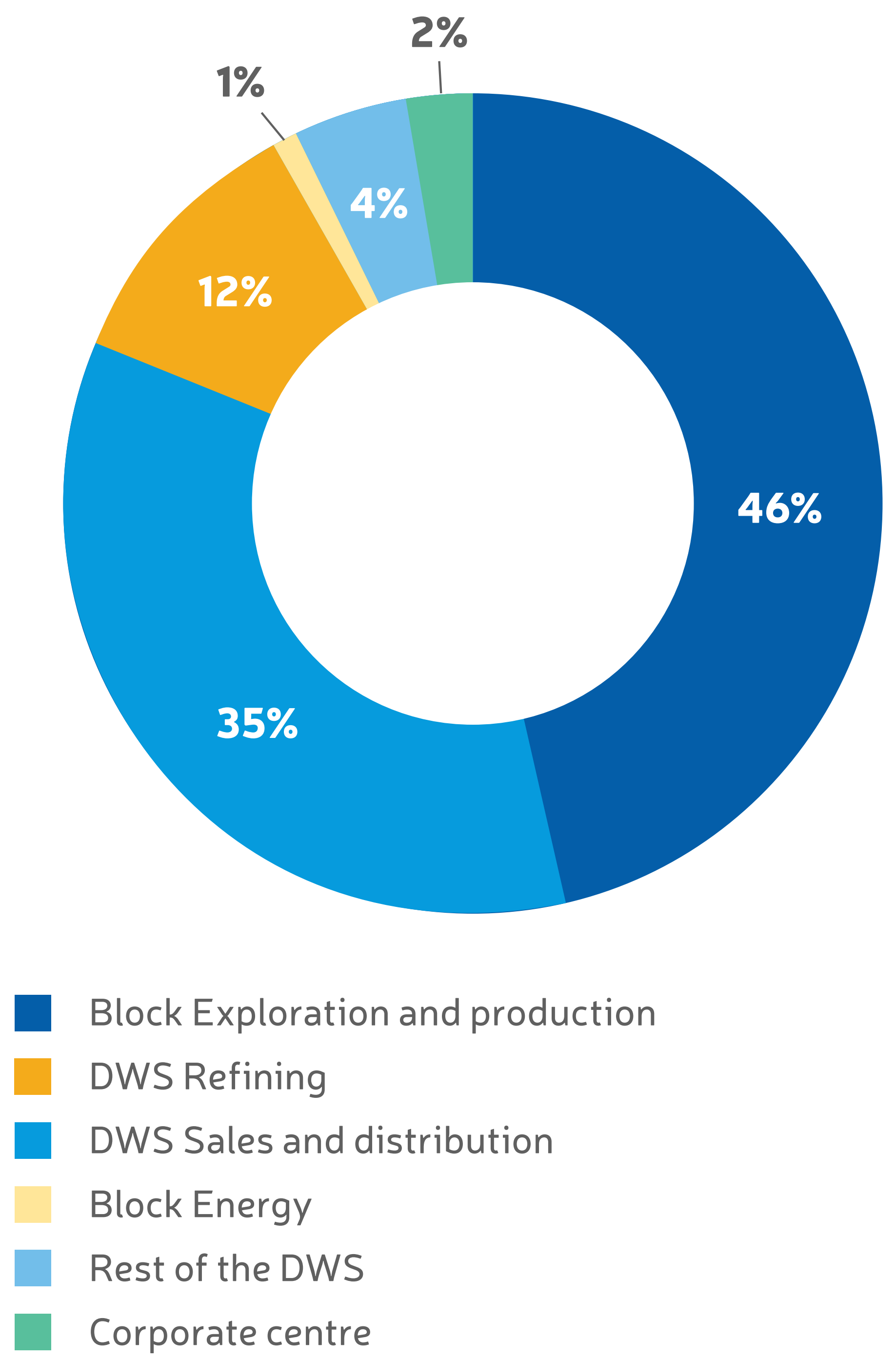
In 2024, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling, modernisation of equipment, followed by oil refining projects, as well as reconstruction, construction and rebranding projects of petrol stations. 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 2024, RSD 53.2 billion was allocated for investment, while in the same period last year, RSD 39.2 billion were allocated.

CAPEX by type of project [61], RSD billion



Investments by segments



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

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

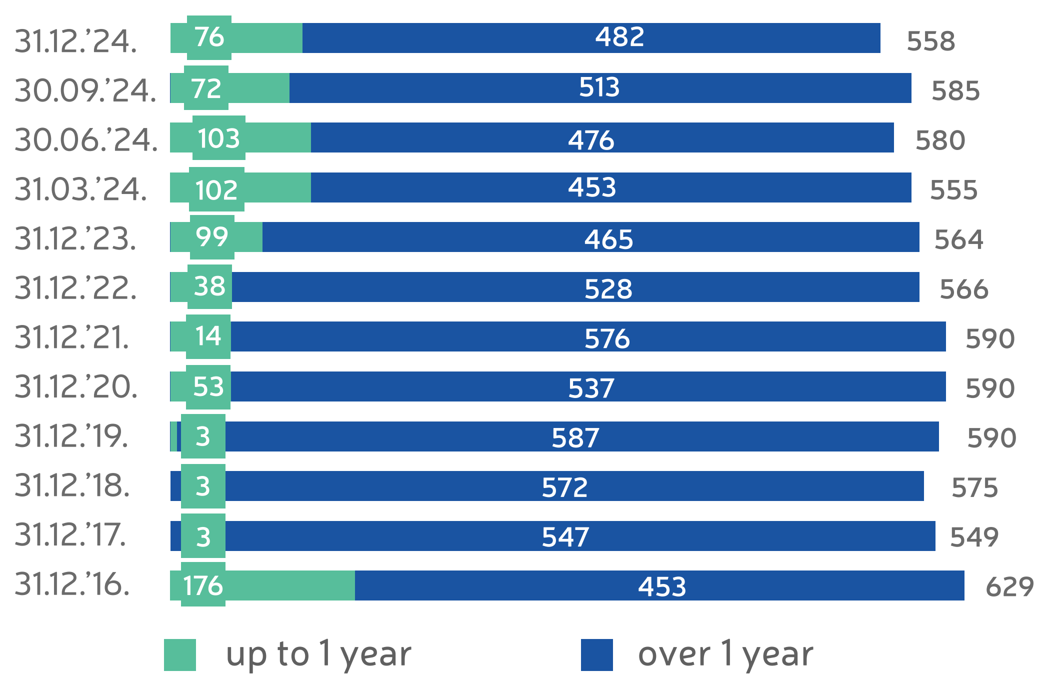
Organisation unit	Major projects
Exploration and production	• drilling of development wells • investing in geological and technical activities • infrastructure projects
Services	• procurement of semi-trailer trucks • procurement of automated drilling rigs
Refining	• projects aimed at ensuring compliance with legal norms and regulations • investment maintenance projects • environmental projects • capital overhaul in Pančevo Oil Refinery
Sales and distribution	• retail network development in Serbia (petrol station construction and reconstruction) • other retail projects in Serbia and the region • Niš petrol products warehouse reconstruction
Rest of Downstream projects (Energy, Technical services and HIPP)	• energy efficiency and solar projects • technical services projects • construction of the Polypropylene factory, BDP phase
Corporate centre	• projects related to the maintenance of software solutions • projects related to the modernization of the business centers of Novi Sad and Belgrade

DEBT BASED ON BANK LOANS

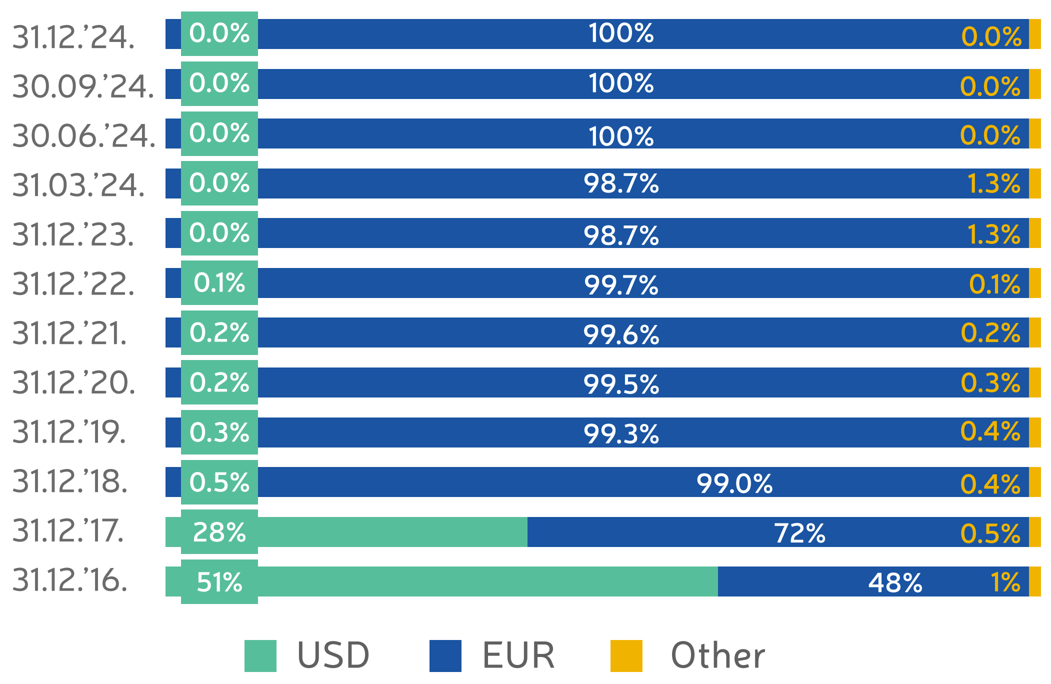
At the end of 2024, the total debt based on loans amounts to EUR 558 million. In 2024, loans in the amount of EUR 103 million were withdrawn, a loan in the amount of EUR 109 million was repaid, of which EUR 99 million was regularly repaid and EUR 10 million at an early date.

In the fourth quarter of 2024, the first issue of corporate bonds of the Company was realized.

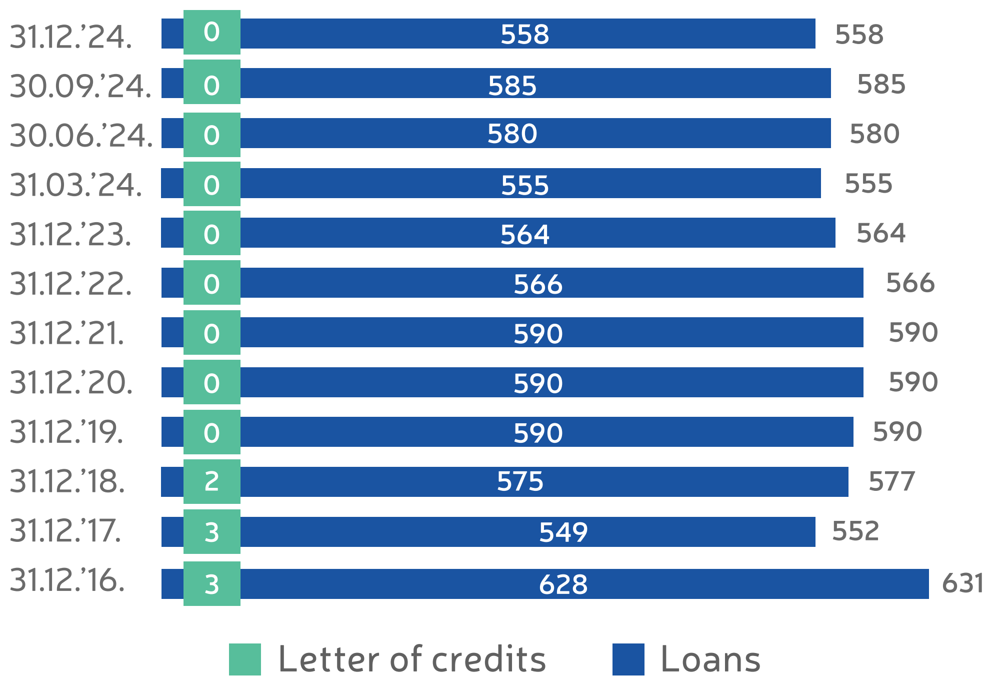
Total bank debt trends with maturity structure[62], EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness[63], EUR million



[62] Any deviations in percentages and aggregate values result from rounding.
[63] In addition to the bank debt and Letters of Credit as at 31 December 2024, NIS j.s.c. Novi Sad holds issued bank guarantees in the amount of EUR 27.6 million, corporate guarantees in the amount of EUR 316.5 million and financial leasing in the amount of EUR 30.4 million. Any deviations in aggregate values result from rounding.

TAXES AND OTHER PUBLIC REVENUE[64]

NIS j.s.c. Novi Sad	2024	2023	%[65]
Social insurance contributions paid by employer	2.53	2.34	+8%
Energy efficiency fee [66]	0.44	0.45	-2%
Corporate tax	4.19	8.39	-50%
Value-added tax	33.02	37.79	-13%
Excise duties	185.80	164.71	+13%
Commodity reserves fee	7.60	7.71	-1%
Customs duties	1.98	0.21	growth
Royalty	1.782	1.778	+0.2%
Other taxes	1.51	1.52	-0.7%
Total	238.85	224.90	+6%
NIS subsidiaries in Serbia[67]			
Social insurance contributions paid by employer	2.37	1.95	+22%
Corporate tax	0.27	0.13	+101%
Value-added tax	2.94	2.93	+0.3%
Excise duties	0.00	0.00	n/a
Customs duties	0.07	0.05	+37%
Royalty	0.00	0.00	n/a
Other taxes	0.19	0.15	+30%
Total	5.84	5.21	+12%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	244.69	230.10	+6%

NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.024	0.021	+12%
Energy efficiency fee	0.028	0.02	+62%
Corporate tax	0.355	0.02	growth
Value-added tax	0.679	0.60	+14%
Excise duties	8.919	8.09	+10%
Customs duties	6.412	6.00	+7%
Royalty	0.058	0.05	+7%
Other taxes	0.109	0.10	+6%
Total	16.58	14.91	+11%
Deferred taxes (total for Group)	(0.84)	(0.63)	growth
Total NIS Group [68]	260.43	244.38	+7%

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries deriving from its organisational structure in Serbia amounts RSD 244.7 billion in 2024.

The amount of accrued liabilities for public revenues for NIS Group in 2024 totalled RSD 260.4 billion, which is an increase of 7% on the same period in 2023.

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

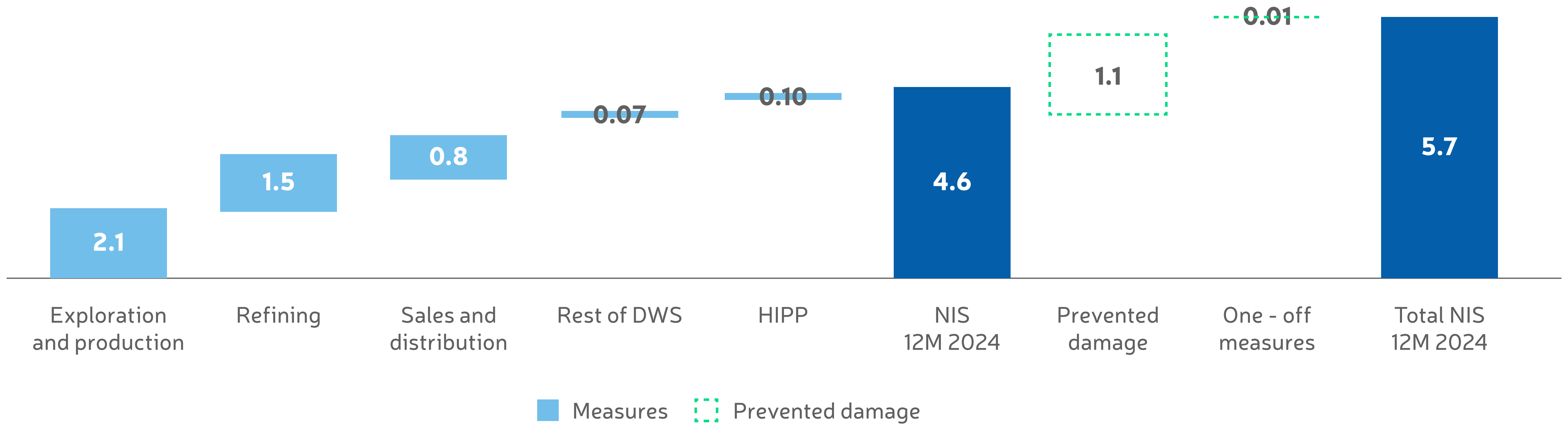
RATIO INDICATORS[69]

Profitability ratios	2024	2023
Gross profit margin (EBITDA margin) [70]	+11%	+16%
Net profit margin [71]	+2%	+10%
Return on assets (ROA) [72]	+2%	+9%
Return on equity (ROE) [73]	+3%	+12%
Liquidity ratios		
Current ratio [74]	+242%	+275%
Quick ratio [75]	+153%	+166%
Net working capital ratio [76]	+17%	+22%
Leverage ratios		
Leverage coefficient [77]	+24%	+24%
Net Debt/EBITDA [78]	0.67	0.73

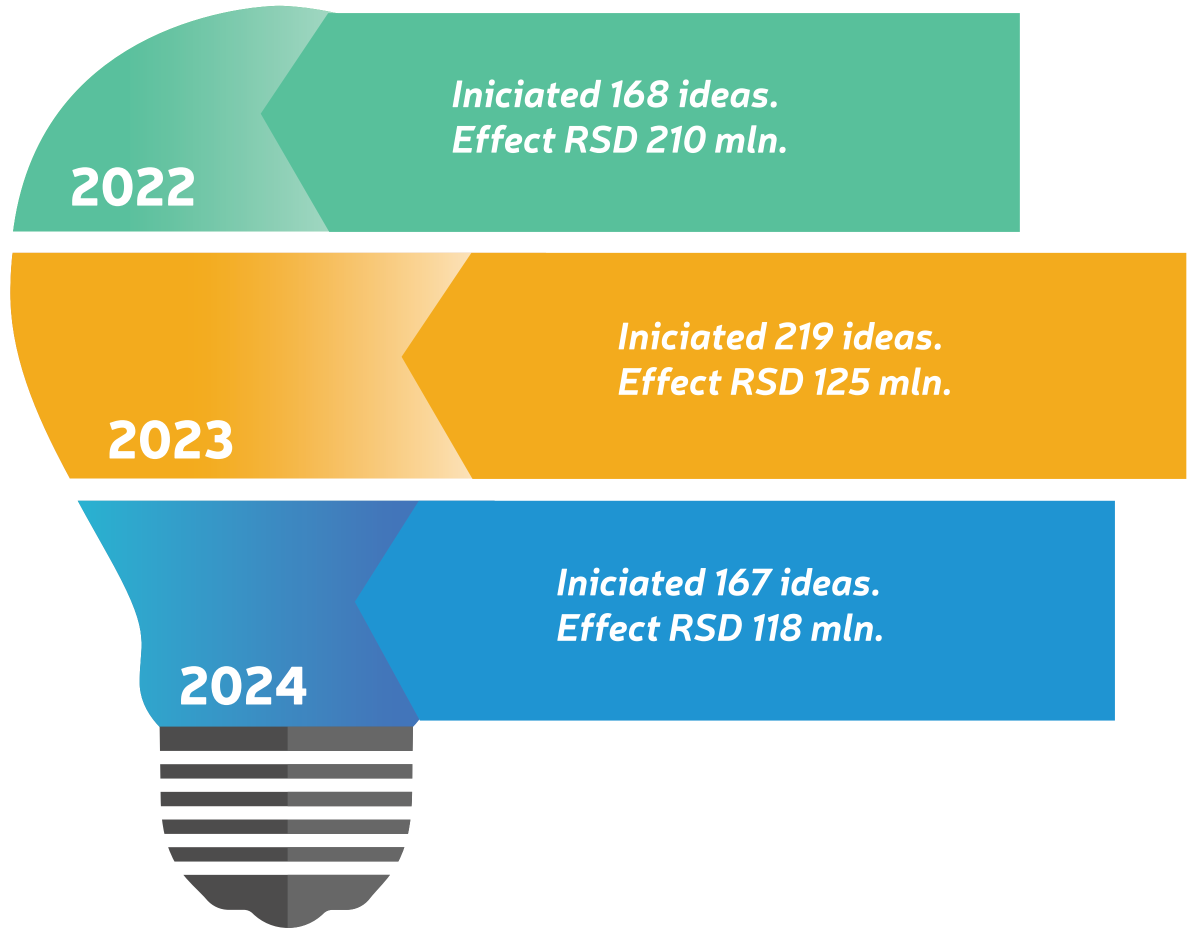
OPERATIONAL EFFICIENCY IMPROVEMENT

The total effect of reaching the target level of potential in 2024 on EBITDA equals RSD 4.6 billion.

Effect of reaching the target level of potential on EBITDA, in RSD billion



"I HAVE AN IDEA" PROGRAM



The motivation program "I have an Idea" allows each employee to suggest ideas that can improve business and thus directly affect efficiency.

In 2024, 167 ideas were initiated, 55 were approved, and 18 were implemented.

The total effect of realized ideas in 2024 is over RSD 118 million.

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

OMS ETALON

The OMS Etalon programme, which was launched at NIS in 2017, as a means of ensuring maximum operational efficiency through reliability and safety of business processes and engagement of all employees in the continuous improvement process, was completed in 2024 and transformed into a permanent structure for equipment reliability and safety within the HSE Function.

In 2024, a part of the OMS Etalon initiatives and projects was implemented and handed over for further execution to different organizational structures of NIS j.s.c Novi Sad.

The following key activities were completed in 2024:

- Creation of benchmark facilities, through the integration of all OMS tools and set up of an optimum business and cultural model for a production plant. A total of 37 large facilities across all organizational units of NIS were raised to the “benchmark“ level.
- Monitoring of benchmark facilities was established in order to verify sustainability of the achieved level of benchmark facilities.
- Mapping of digital competencies was carried out in the Production Management Centre of the Exploration and Production Block, leading to definition of specific digital competencies, required levels, identified non-compliance, and a set of training courses necessary to eliminate such non-compliance.
- The large cross-functional initiative, “Business Continuity Management (BCM)“ pilot project, was completed, where, on the example of oil and gas production processes, a diagnostics was performed to evaluate the Company's compliance with the requirements of the ISO 22301 Standard, and measures were proposed to eliminate the deficiencies.
- NIS j.s.c. Novi Sad best practices were collected, systematized and entered into the Company's Knowledge Database, to be put into practice in the coming period.

All of the aforementioned activities and methodologies will continue to be implemented in the coming period, in different organizational structures of the Company.

In addition to the above, a number of initiatives in the field of Technological Equipment Management were implemented in 2024, the key ones being the following:

- The project to improve the ongoing maintenance process at the Pančevo Refinery was completed: defined roles, responsibilities, KPIs, criteria for maintenance quality.
- The Pilot Project for the Application of the API 584 Standard at the S 2200 Plant in the Refinery has been completed and a plan for the further application of this Standard in NIS j.s.c. Novi Sad has been adopted.
- The plan for the implementation of basic Asset Management tools in HIP-Petrohemija has been implemented and a program for increasing equipment reliability in HIP- Petrohemija in the next three years has been defined and adopted.
- The effects of the application of Asset Management tools at certain RNP and UPS plants have been calculated.
- Implementation of plans for the application of all tools in the organizational parts of NIS.

Further implementation of all initiatives in the domain of Reliability Management of Technological Equipment in NIS j.s.c. Novi Sad will take place with the coordination, monitoring and methodological support of the newly established Centre for Equipment Reliability and Safety in the HSE Function.

EXPLORATION AND PRODUCTION

In 2024, two Upstream facilities were raised to the "benchmark level" by applying a complex OMS and continuous improvement approach. The measures were applied on the Tisa Loading Terminal and the Jermenovci 1 Gathering Station.

REFINING

Within the framework of the OMS program, the planned activities for the adoption of best practices and establishment of benchmarking plants for the Energy units - the remaining refinery plants where this approach had not been implemented yet, were fully accomplished. The contract for special adjustment and furnishing of plants with appropriate 5S equipment was executed, new designations were provided for visual equipment identification and unit branding, in accordance with the plan. Digital structured operator rounds and “Mobile Inspector” were implemented as a fully digitalized equipment operation and functioning supervision by external operators and inspection engineers, resulting in a completely unique and state-of-the-art digital system designed and implemented in this part of Europe. As part of the continuous improvement process, 22 new energy efficiency improvement projects and initiatives were assessed using Lean 6 Sigma tools.

SALES AND DISTRIBUTION

OMS initiatives within the Sales and Distribution Block in 2024 were centred in several directions:

- Benchmark facilities: Prahovo Oil Terminal – At this facility, the planned set of initiatives was implemented, including the formation of a list/register of technological equipment, classification based on equipment criticality, and analysis of the oil terminal work process.
- Risk analysis of the Prahovo Oil Terminal downtime, where the risks, barriers and consequences of the complete outage of this facility were defined;
- Analysis and calculation of the potential created by the application of Asset Management tools at the Smederevo Oil Terminal, as well as regular monitoring of KPI Asset Management at the Block level.

These initiatives will be further implemented in cooperation with the Equipment Reliability and Safety Centre of the HSE Function, due to transformation of the OMS program into a permanent structure for reliability management at the Company level.

SECURITIES

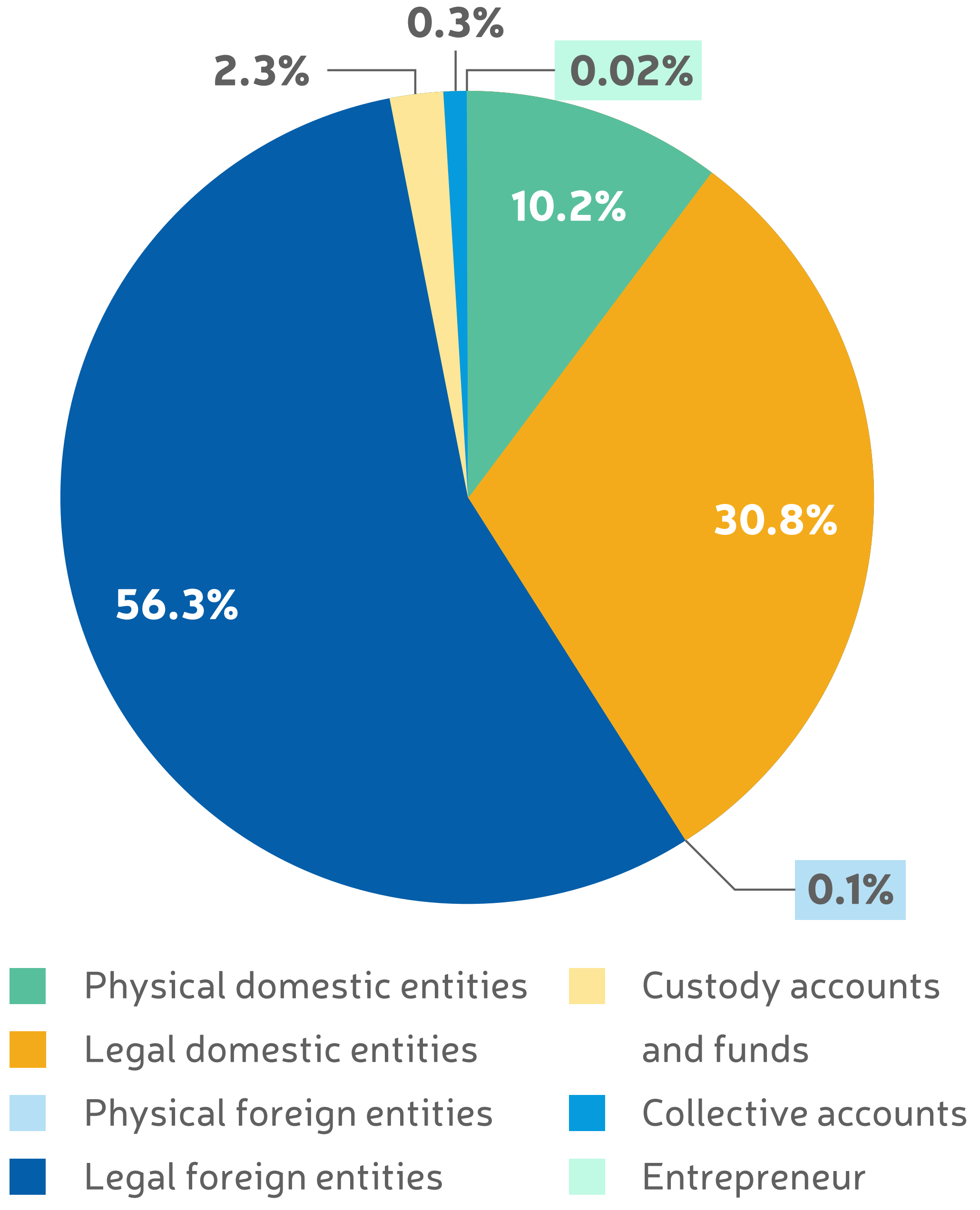
SHARE CAPITAL STRUCTURE

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

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

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

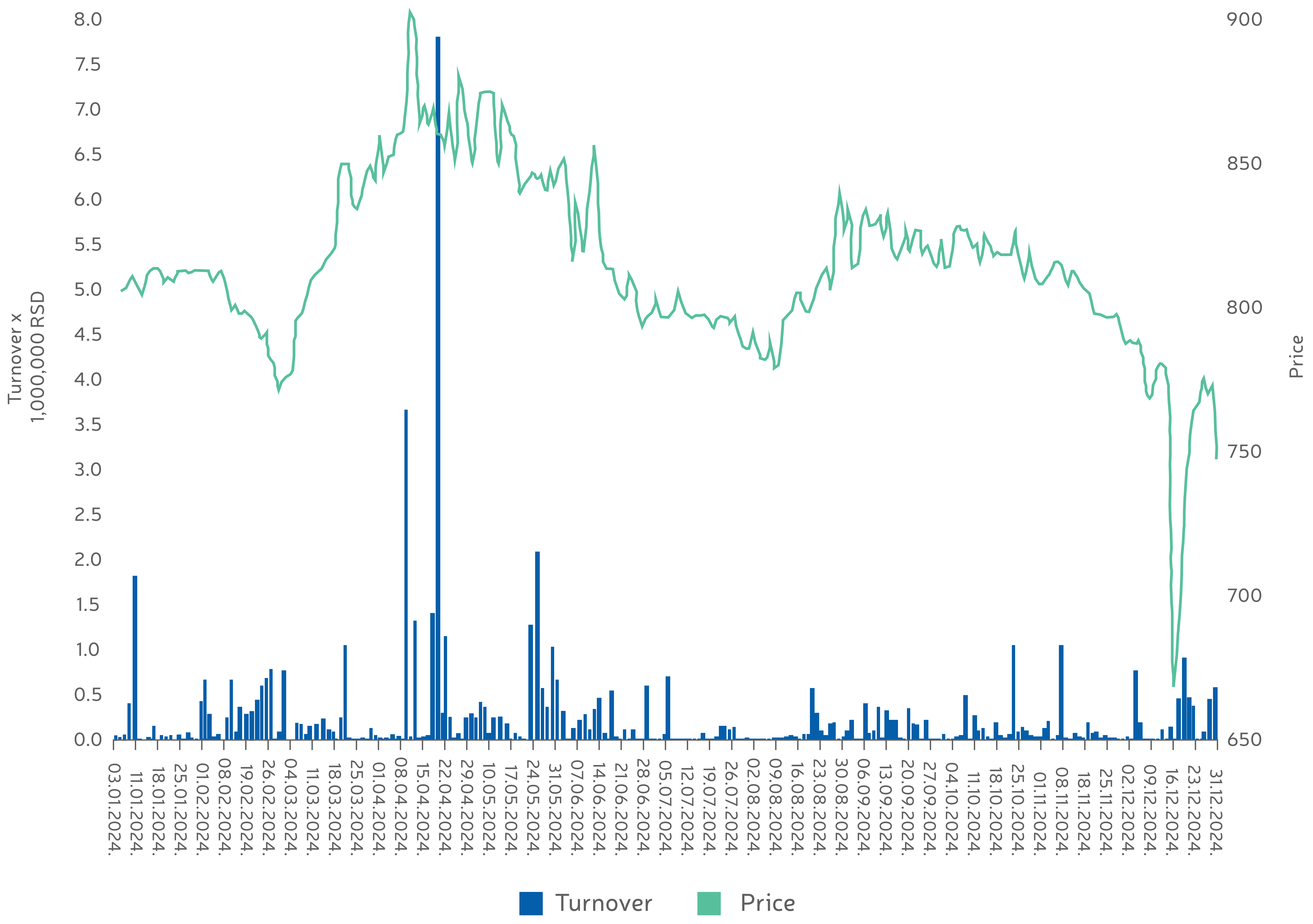
Share capital structure based on entity type [79]



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 2024



[79] A more detailed overview of the ownership of NIS a.d. Novi Sad can be found on the CSD and Clearing House.

In 2024 the Company did not acquire any treasury shares.

Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in 2024	
Last price (December 31, 2024)	754 RSD
High (April 9, 2024)	900 RSD
Low (December 16, 2024)	622 RSD
Total turnover, RSD	674,121,012 RSD
Total turnover, number of shares	819,378
Total number of transactions, number of transactions	4,496
Market capitalization as at December 31, 2024, in RSD	122,947,541,600
EPS	112.72
Consolidated EPS	61.81
P/E ratio	6.69
Consolidated P/E ratio	12.20
Book value as at December 31, 2024	2,368.2
Consolidated book value as December 31, 2024	2,272.5
P/BV ratio	0.32
Consolidated P/BV ratio	0.33

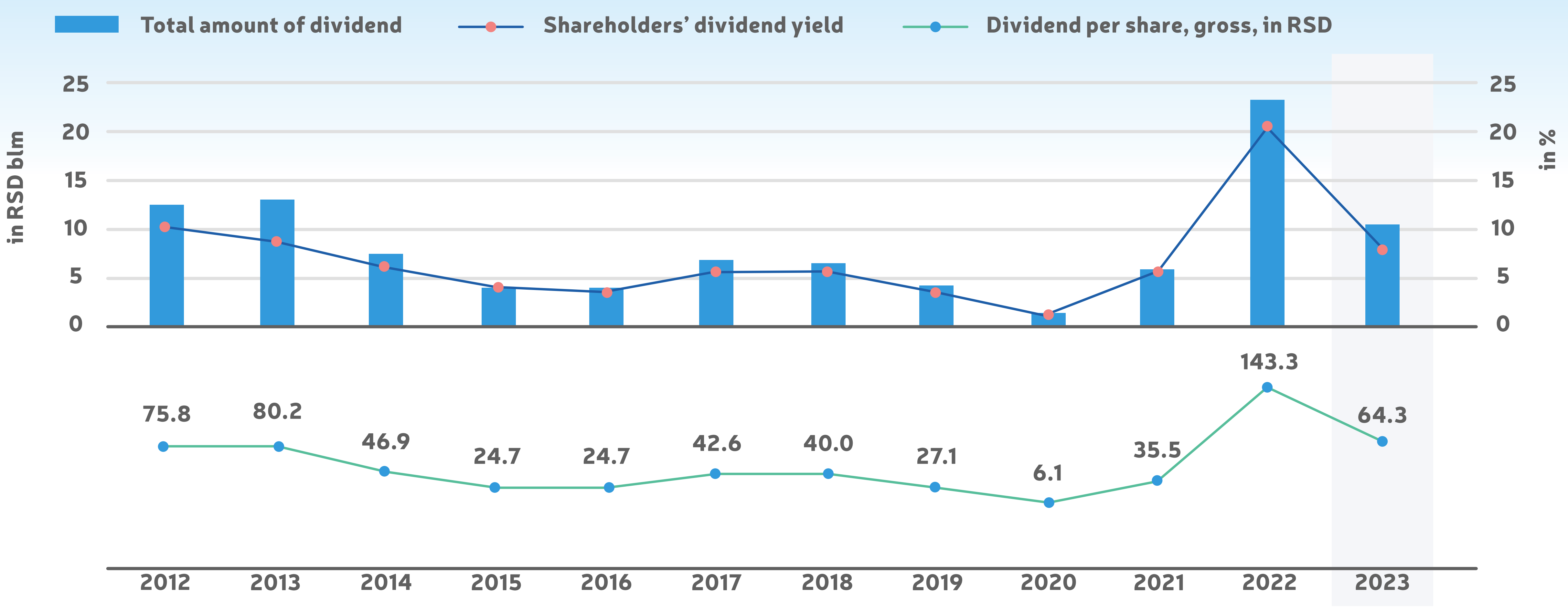
DIVIDENDS

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.

At the XVI Regular Meeting of the Shareholders' Assembly held on June 27, 2024, it was decided to allocate 25% of the net profit generated in 2023 for dividend payment. This decision determines that the dividends will be paid to the shareholders in cash, in the gross amount of RSD 10.5 or RSD 64.26 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 17 June 2024 entitle to dividend payment. The dividend for 2023 was paid to shareholders on August 28, 2024.

	Net profit (loss),RSD bn [80]	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in % [81]
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5 [82]	0.0	-	101.1	0	475	-
2011	40.6 [83]	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7
2022	93.5	23.4	25%	573.14	143.29	675	21.2
2023	41.9	10.5	25%	257.05	64.26	812	7.9



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

BONDS

Bonds are financial instruments, i.e. debt securities issued by the state, company or other legal entities in order to raise certain financial resources. On the basis of the bond, the bond issuer undertakes to return a certain amount of money to the investor and pay interest for a defined period of time.

The legal holder of bonds issued by NIS has the following rights:

- the right to payment of the principal upon maturity,
- the right to payment of interest,
- in the event of the Company's delay in paying the coupon or principal, the right to payment of the value of the due coupon or principal together with default interest calculated for the period of delay in dinars at the rate of the statutory default interest rate valid in the Republic of Serbia on the date of calculation of the default interest
- the right to dispose of the bonds and the right to transfer ownership of the bonds to third parties without restrictions in accordance with applicable regulations.

Based on the Decision on the Issuance of the Bond I (First) Issue, adopted at the meeting of the Shareholders' Assembly of NIS j.s.c. Novi Sad, the Company sent an invitation to the shareholders for the subscription and payment of the corporate bonds. The agent of the bond issue was the broker-dealer company Dunav Stockbroker a.d. Beograd.

Basic information about bonds of NIS j.s.c. Novi Sad	
Nominal value	RSD 10,000
CFI code	*DBFUFR*
ISIN no.	*RSNISHD82111*
Bond issue designation	I (first) issue
Posting date to proprietary accounts	December 20, 2024
Due date	5 years or 1,825 days
Due date	December 19, 2029
Interest rate	Fixed interest rate of 6.50% per annum and quarterly payment of an interest coupon starting from the issuance date.
Method of calculation of interest	The formula for calculating the amount of interest for the interest period is as follows: K = Nk x pk x 0.25 where the following letters shall have the following meanings: K: the amount of quarterly interest to be paid pk: the amount of the interest rate on an annual basis Nk: EUR equivalent of the nominal value of an individual bond at the middle exchange rate of the NBS on the date of issuance.

INVESTOR RELATIONS

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

Regularly, at the end of each quarter, NIS j.s.c. Novi Sad organizes presentations of its performance results, where the top management representatives analyse perfomance and the achieved results in detail, in direct communication with representatives of investors.

In 2024, presentations of NIS Group's performance results were held for the first, second and third quarter, in particular:

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

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

Every year, NIS j.s.c. Novi Sad organizes the Investor Day on the Company's premises, when important and major projects are presented. The 2024 Investor Day was held at the Science and Technology Centre NIS-Naftagas, in the Šangaj city quarter (Novi Sad), and in Kikinda, on 28 October 2024, when the NIS Group presented its performance results for nine months of 2024 to the investors. Additionally, current performance indicators and further development directions of NAFTAGAS - Oil Services were presented, as well as the programme for construction of photovoltaic power stations in NIS and a presentation on Science and Technology Centre NIS-NAFTAGAS. The participants had the opportunity to visit the core lab on the NTC premises and then the new robotized Tesla drilling rig in Kikinda. The participants could put questions about all presented projects and business performance results directly to the top management.

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

RATING

Rating assigned by	Member of Group	Previous rating		Rating score	
		Rating	Date	Rating	Date
Business Registers Agency – Republic of Serbia	-	BB - Very good	21 June, 2023	BB - Very good	11 June, 2024
Dun&Bradstreet	*Dun&Bradstreet*	5A1	25 May, 2023	5A1	11 December, 2024

OVERVIEW OF FINANCIAL INSTRUMENTS USED BY THE GROUP

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

CORPORATE GOVERNANCE

STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE CODE

CORPORATE GOVERNANCE REPORT

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

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

COMPANY'S CORPORATE GOVERNANCE INSTRUMENTS

In addition to the legislation-stipulated rules, the corporate governance framework is specified within the following Company instruments:

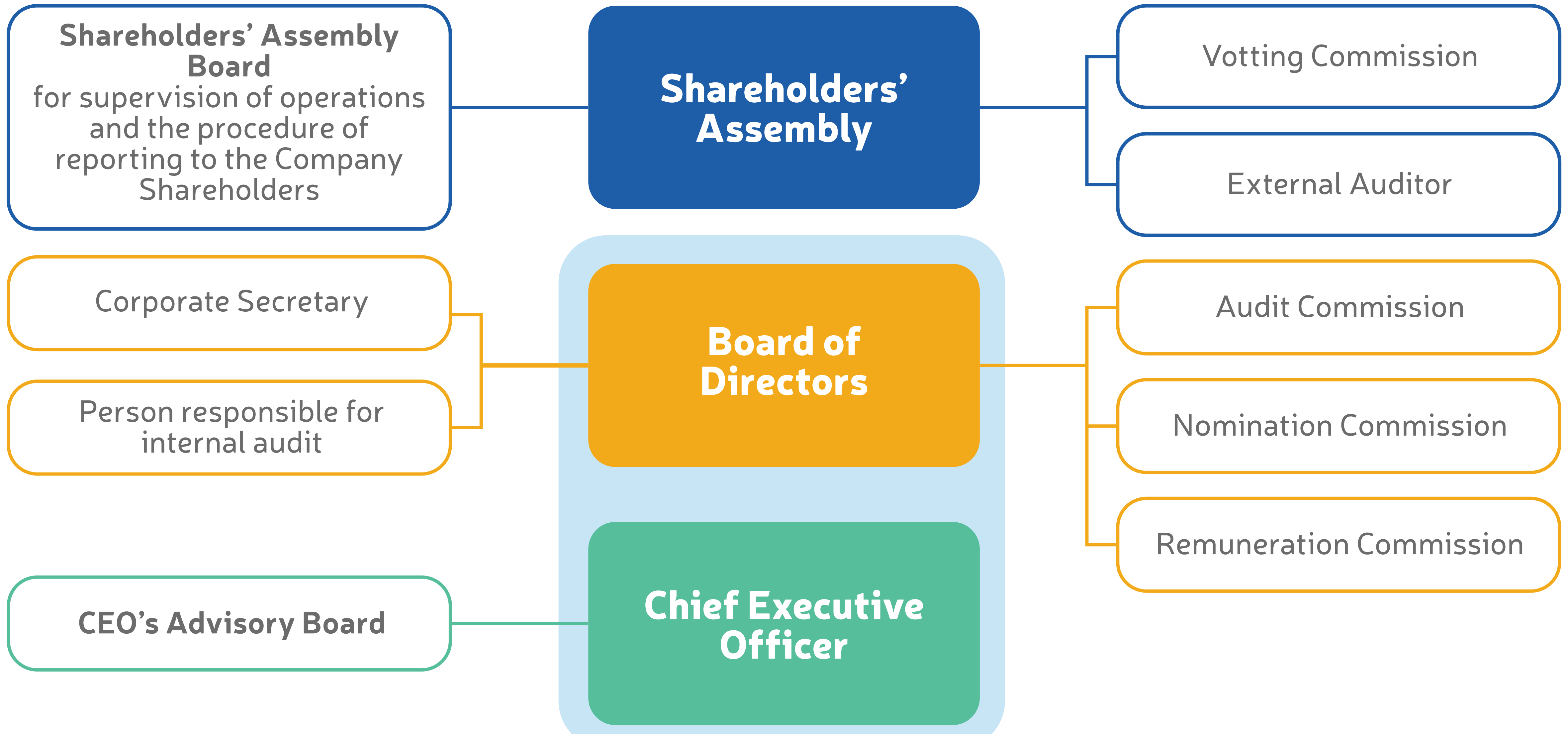
- Statute of NIS j.s.c. Novi Sad
- Founding Act of NIS j.s.c. Novi Sad
- Code of Corporate Governance of NIS j.s.c. Novi Sad
- Rules of Procedure of the Shareholders' Meeting of NIS j.s.c. Novi Sad
- Rules of Procedure of the Board of Directors and Committees of the Board of Directors of NIS j.s.c. Novi Sad
- Dividend Policy of NIS j.s.c. Novi Sad

CORPORATE GOVERNANCE SYSTEM

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

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

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



SHAREHOLDERS' ASSEMBLEY AND SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

SPECIAL SHAREHOLDERS' RIGHTS

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

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

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

RIGHT TO PARTICIPATE IN THE OPERATION OF THE SHAREHOLDER ASEMBLEY

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

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

In accordance with the Articles of Association, the right to personally participate in the Shareholders' Assembly meeting is granted to a company shareholder with at least 0.1% shares of the total number of company shares, or to a proxy representing at least 0.1% of the total number of Company shares. Company shareholders who individually hold less than 0.1% of the total number of company shares may participate in the Shareholders' Assembly meeting through a joint proxy, vote in absentia or vote electronically, regardless of the number of shares held, whereby all of the above voting methods have the same effect. The stipulation of a threshold for personal participation is due to the fact that the Company has a very large number of shareholders (more than 2 million) and a threshold in these circumstances is necessary in order not to compromise the efficiency and rationality in terms of planning and holding Shareholders' Assembly meetings.

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

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

PROPOSING AMENDMENTS TO THE AGENDA

Pursuant to the Law, one or more shareholders of the Company, who own at least 5% of shares with voting rights, may send a proposal to the Board of Directors containing additional items for the agenda of the meeting of the Shareholders' Assembly which they propose to discuss or which are proposed to be discussed by the Shareholders' Assembly make decisions, as well as proposals for different decisions according to the existing items of the agenda, on the condition that they justify their proposal and submit the text of the proposed decisions (if it is proposed to adopt a decision of the Assembly of Shareholders).

RIGHT TO RAISE QUESTIONS, RECEIVE ANSWERS AND PUT FORWARD MOTIONS

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

VOTING MAJORITY AND AMENDMENT TO THE ARTICLES OF ASSOCIATION

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

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

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

ACTIVITIES OF THE SHAREHOLDERS' ASSEMBLY IN 2024

During the course of 2024, the XVI regular Session of the Shareholders' Assembly (June 27, 2024) and the 45th extraordinary session of the Shareholders' Assembly (November 15, 2024) were held. Both sessions took place in Belgrade, in the NIS Business Centre building, 1 Milentija Popovića Street.

At the XVI regular session, the Shareholders' Assembly adopted the financial and consolidated financial statements of the Company for 2023 with the auditor's opinion. The Annual Report of the Company for 2023 with the independent auditor's report, the Report on the analysis of the work of the Board of Directors and the committees of the Board of Directors, the Annual Report of the Board of Directors on accounting practices, financial reporting practices and compliance of operations with the law on other regulations, as well as the Report on the work of the Shareholders' Assembly Committees were also adopted. The Shareholders' Assembly also adopted the results of the Long-Term Incentive Program for Non-Executive Directors and Members of the Management Bodies of NIS j.s.c. Novi Sad for the 2021-2023 cycle. Report on Remuneration to Members of the Board of Directors for 2023 with the report of the independent auditor, as well as the Report on the adequacy of the composition of the Board of Directors and the number of members of the Board of Directors to the needs of the Company.

In addition to the above, the Shareholders' Assembly Session also adopted the Decision to distribution profit for 2023, the payment of dividends and the determination of the total amount of the Company's undistributed profit, which determined that 25% of the profit generated in 2023 would be allocated for the payment of dividends, i.e. it was decided that a total of 10.48 billion dinars would be paid to the Company's shareholders.

The Shareholders' Meeting also appointed the members of the Board of Directors, as well as the Chairman and members of the Committee of the Shareholders' Meeting for Supervision of Operations and the Procedure for Reporting to Shareholders for the current mandate period.

At the 45th extraordinary Session, the Shareholders' Assembly adopted the Decision on the issuance of the first issue of NIS j.s.c. Novi Sad bonds.

SHAREHOLDER RELATIONS AND INFORMATION PROVISION

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

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

More information on Investor Relations on page 59

NIS j.s.c. Novi Sad applies the highest standards in the area of information sharing, and ensures equal treatment of all information users. The Company ensures that published information is available to all interested parties in an equal and easily accessible way as soon as possible, and mostly uses its website for this purpose. A special segment of the website intended for shareholders and investors contains the most important news, decisions of the authorities, answers to the most common questions of shareholders in the previous period, as well as all necessary information on shares, shareholder rights and dividends. All information and documents on the website are available in Serbian, Russian and English. NIS is constantly working on developing the content of the website in order to further facilitate access to all substantial information of importance to shareholders and investors and is committed to constantly improving relations with investors and shareholders through this method of communication. During 2024, a new segment was added to the website related to the fiast issue of corporate bonds of the company, through which all interested parties can obtain information on important issues related to these securities. The statutory reporting procedure is de–ned by special company documents governing the method and process of publishing information and submitting information to the relevant authorities.

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

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

BOARD OF DIRECTORS

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

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

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

APPOINTMENT AND MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors shall be appointed and dismissed at a Shareholder Assembly by a simple majority vote of the present voting shareholders. At the XVI General Annual Shareholder Assembly held on June 27, 2024, 11 members of the Board of Directors of NIS were appointed. The members elect the Chairperson of the Board of Directors, while the responsibilities of the Board of Directors' Chairperson and the CEO are clearly divided. The members of the Board of Directors have the right combination of the required knowledge, skills and experience relevant for the type and scope of activities performed by NIS j.s.c. Novi Sad.

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

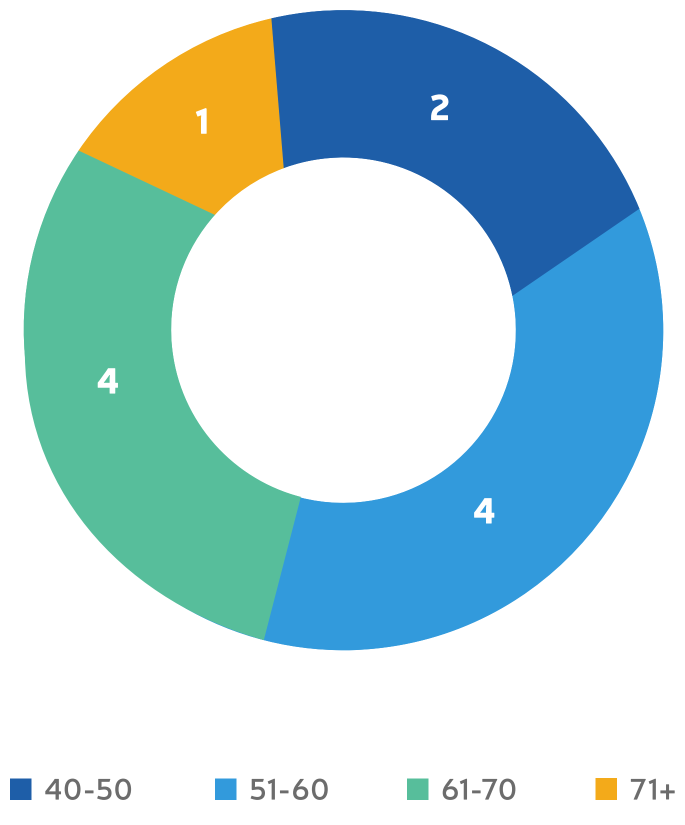
The Board of Directors consists of executive and non-executive directors. The Board of Directors consists of one executive member, while all the other members are non-executive. Two of these non-executive members are also independent members of the Board of Directors who meet special criteria prescribed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

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

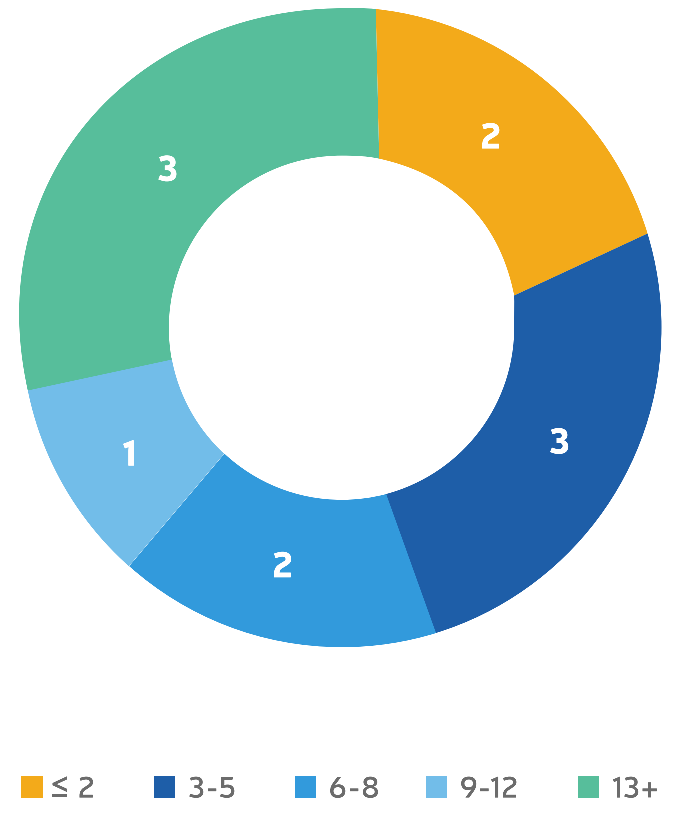
The members of the Board of Directors must fulfil the criteria prescribed by the Law, as well as special conditions prescribed by the Articles of Association, about which they are required to give a statement at the beginning of their term of office. They are also obliged to inform the Company about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

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

Report of the Appointments Committee – In accordance with the Law, and taking into account the principles set out in Article 5, item 5.1 of the Code, the Appointments Committee shall, at least once a year, prepare a report for the Shareholders' Meeting of the Company on the adequacy of the composition of the Board of Directors and make recommendations regarding this issue. Thus, in 2024, at the XVI regular session, the Appointments Committee submitted to the Shareholders' Assembly the Report on the Suitability of the Composition of the Board of Directors and the Number of Members of the Board of Directors of NIS j.s.c. Novi Sad to the Needs of NIS j.s.c. Novi Sad. Based on the performed analysis, it was determined that the size of the composition of the Board of Directors of the Company corresponds to the practice of large companies in the oil and gas sector of Europe and that the existing composition of the Board of Directors of the Company is knowledgeable in the field of auditing, finance, strategic management, tax system, marketing, trade in oil and petroleum products, as well as sales and distribution, and the composition of the Board of Directors includes both men and women. It has been established that the members of the Board of Directors have international certificates ACCA and MBA and CMA qualifications. The report concludes that the composition of the Board of Directors corresponds to the needs of the Company's corporate governance and the principles set out in Article 5, item 5.1 of the Code. The report in question is publicly available on the Company's website.



Number of members of the Board of Directors by age category



Number of members of the Board of Directors by length of term in years

More information on the application of the Diversity Policy applied in relation to the governing authorities is available in the section of this report on page 65.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2024

At the XVI regular session of the NIS Shareholders' Assembly, held on 27 June, 2024, all members of the Board of Directors were re-elected, so that the following were appointed as members of the Board of Directors: Vadim Yakovlev, Kirill Tyurdenev, Danica Drašković, Alexei Yankevich, Pavel Oderov, Vsevolod Vorobyov, Dejan Radenkovic, Dragutin Matanović, Goran Knežević, Anatoly Cherner and Olga Vysocka.

Board of directors' members as of 31 December 2024

VADIM YAKOVLEV
Chairman of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

KIRILL TYURDENEV
CEO of NIS j.s.c. Novi Sad
Member of NIS j.s.c. Novi Sad Board of Directors
Executive director
Member of Nomination Commission

DANICA DRAŠKOVIĆ
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

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

PAVEL ODEROV
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

VSEVOLOD VOROBEV
Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

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

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

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

ANATOLY CHERNER
Member of NIS j.s.c. Novi Sad Board of Directors
Non-excecutive director

OLGA VYSOTSKAIA
Independent Member of NIS j.s.c.Novi Sad Board of Directors
Non-ecxcecutive director
Chairman of the Audit Commission
Member of the Remuneration Commission

BOARD OF DIRECTORS' ACTIVITIES IN 2024

The Board of Directors held 4 sessions in presentia and 20 sessions in absentia. All meetings of the Board of Directors, recorded practically maximum attendance.

In addition to regular activities of consideration of the annual report of NIS j.s.c. Novi Sad, the following items were also on the agenda of the Board of Directors: financial statements and consolidated financial statements of the Company for the year 2023, the adoption of periodic (quarterly) reports of the Company in 2024, convening of a regular and extraordinary session of the Shareholders' Assembly, the adoption of the Company's business plan, scheduling the date, procedure and method of paying dividends to the Company's shareholders, then on the establishment of branches of the Company and the approval of the conclusion of the Annex to the Intercompany Loan Agreement between NIS j.s.c. Novi Sad and NAFTAGAS - Naftni Servisi d.o.o. Novi Sad, or the Intercompany Loan Agreement between NIS j.s.c. Novi Sad and HIP-Petrohemija d.o.o. Pančevo. The Board of Directors also approved proposals for the approval of candidacies for the position of Director of NIS MTO d.o.o. Belgrade, the position of Sole Director of NIS PETROL S.R.L. Romania, proposals for the dismissal and approval of candidacies for the positions of President/Members of the Board of Auditors / Audit Committee / Internal Audit Committee in NIS subsidiaries, and the dismissal from the position and approval of the candidacies for the position of Director of NAFTAGAS - Naftni Servisi d.o.o. Novi Sad and NAFTAGAS-Technical Services d.o.o. Zrenjanin. The Board of Directors also appointed members of the Audit, Remuneration and Appointments Committees of the Board of Directors of the Company for the current term of office, then elected the Deputy Chairman of the Board of Directors of NIS, and reappointed the Company Secretary. For the purposes of achieving the Company's planned goals, reviewing the Company's performance and the quality of corporate management, the Board of Directors, through quarterly reports, discussed the business analysis in the reporting period, with the assessments of the business activity of NIS j.s.c. Novi Sad until the end of 2024. The Board of Directors also analysed its own work and submitted the appropriate Report at the XVI regular session of the Shareholders' Assembly. Besides, the Board discussed the results of the fulfilment of key business indicators for 2023, as well as the evaluation system for key business indicators for 2024. In addition, Board of Directors also adopted Risk management and internal control policy Accounting policies of the Company, version 2.0.

In 2024, the Board of Directors adopted 81 decisions, and the enforcement of these decisions is monitored through periodic reports on the enforcement of Board of Directors decisions and orders.

BOARD OF DIRECTORS' RULES OF PROCEDURE AND MEETINGS

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

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

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

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

BOARD OF DIRECTORS AND COMMISSION MEMBERS' REMUNERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Commission Report – The Remuneration Commission prepares a report on the assessment of the amount and structure of remunerations for the Shareholders' Assembly at least once a year, as well as a clear, comprehensive and comprehensible report on all remuneration paid by the Company or an affiliated company, operating within the same group of companies, paid or allocated to be paid to each individual current and former member of the Board of Directors, in the last business year preceding the year in which the report is drawn up. Thus, for the calendar year 2023, the Remuneration Commission submitted a Report on remuneration for the members of the Board of Directors of NIS j.s.c. Novi Sad for 2023, which contained both of the aforementioned reports, and was adopted at the XVI regular session of the Shareholders' Assembly, held on 27 June 2024. The aforementioned Report on the remuneration of the members of the Board of Directors of NIS j.s.c. Novi Sad for the year 2023 was audited by the independent auditor FinExpertiza d.o.o. Belgrade, and the relevant Auditor's Report was also adopted at the XVI regular session of the Shareholders' Assembly.

Total amount paid to Board of Directors members in 2024, net RSD	
BoD Members	308,364,927 RSD

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

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

DESCRIPTION OF THE DIVERSITY POLICY APPLIED IN RELATION TO THE GOVERNING AUTHORITIES

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

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

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

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

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

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

Gender diversity

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

Our Company seeks to ensure both genders are equally represented.

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

Age diversity

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

Professional diversity

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

Diversity of competencies

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

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

INDUCTION AND TRAINING OF THE BOARD OF DIRECTORS' MEMBERS

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

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

ANALYSIS OF THE BOARD OF DIRECTORS' ACTIVITIES

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

Its performance is analyzed through a survey completed by the members of the Board of Directors which contains three sets of key questions for evaluation of the Board of Directors' performance and its Committees. The first group contains criteria for assessing the work of the Board of Directors in terms of the goals, tasks and responsibilities of the Board of Directors, the second group contains criteria for assessing the procedures applied in the work of the Board of Directors, while the third group contains questions for assessing the structure, activities and core performance of the Board of Directors Committees.

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

At the XVI regular session held on 27 June 2024, the Shareholders' Assembly adopted the Report on the Analysis of the Work of the Board of Directors and Committees of the Board of Directors of NIS j.s.c. Novi Sad for the period April 16, 2023 - April 15, 2024. The aftermentioned report is publicly available on the Company's website.

COOPERATION OF BOARD OF DIRECTORS AND COMPANY MANAGEMENT

The members of the Board of Directors are regularly reported by the General Director and the Company's management on issues that affect the Company's operations, financial position and potential risks in its operations, and the Board of Directors regularly monitors and assesses the implementation of the set goals, the implementation of the adopted business plan and the effectiveness of the Company's operations through appropriate forms of Company reports. The reports include quarterly and annual business reports, as well as reports on the analysis of operations in the previous period and business forecasts for the next period and reports on the implementation of decisions and orders of the Board of Directors.

The Board of Directors and management continuously discuss issues related to the set business goals and criteria for assessing the achievement of goals.

STRATEGIC MEETINGS

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

BOARD OF DIRECTORS' COMMISSIONS

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

The Board of Directors established the following Commissions:

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

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

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

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

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

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

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

Audit Commission

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

Members of the Audit Commission are:

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

The Chairperson and members of the Audit Commission were appointed by a decision of the Board of Directors dated 15 July 2024, and all three members performed the above functions in the Audit Committee in the previous term of office as well.

During 2024, the Audit Commission held two sessions in the presence of members and eight written sessions. The Commission considered, inter alia, the contents of the Quarterly Report, the Financial Report and the Consolidated Financial Report for Q1, Q2, Q3 and Q4 of 2024 and made appropriate recommendations to the Board of Directors. The Audit Commission also considered the Annual Report for 2023 with the report of the independent auditor FinExpertiza LLC Belgrade, and gave a consent to the contract with the auditor for 2023. In the same way, the Audit Commission accepted the Plan for the implementation of the audit procedure and for determining key issues that should be the subject of audit, and defined the Annual Plan for the performance of the internal audit at NIS j.s.c. Novi Sad for 2024. It also considered the audit findings and significant audit issues for 2023, and monitored the implementation status of the auditor's recommendations given in the Management Letter Points of NIS j.s.c. Novi Sad for 2023 and with the balance as of 31 August 2024. The Audit Commission analysed the report on results of internal monitoring of the operations of NIS j.s.c. Novi Sad for the year 2023 and for six and nine months of 2023, as well as for 3 months of 2024, and the Report on the management of key risks of NIS j.s.c. Novi Sad for 9 months of 2023 (with a forecast until the end of 2023), i.e. Report on risk monitoring and internal controls of NIS a.d. Novi Sad for 3 and 6 months of 2024 (with a forecast until the end of 2024), as well as the Report on the realisation of key risks of NIS j.s.c. Novi Sad for 2023. The Commission approved the Annual Internal Control Plan in NIS j.s.c. Novi Sad for 2024, determined the draft Policy: Risk Management and Internal Controls of NIS j.s.c. Novi Sad, version 2.0 and approved the Internal Audit Charter of NIS j.s.c. Novi Sad, version 7.0, as well as the Development Strategy for the Internal Audit, Risks and Internal Controls Function 2023-2025. – Implementation Status as of Decembar 31, 2023 and Implementation Status as of June 30, 2024.

Remuneration Commission

Members of the Remuneration Commission are:

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

The Chairperson and members of the Remuneration Committee were pursuant to the decision of the Board of Directors dated 15 July 2024, and all the three members performed the above functions in the Remuneration Committee in the previous term of office as well.

During 2024, the Remuneration Commission held three sessions in absentia. The Commission deliberated the results of the fulfilment of key performance indicators for the year 2023, as well as the system of evaluation and indicators for the purposes of remuneration for the year 2024. The Remuneration Commission also prepared the Report on Remuneration to the Members of the Board of Directors of NIS j.s.c. Novi Sad for the year 2023, which contains the Report on the assessment of the amount and structure of remuneration for each member of the Board of Directors and the Report on the remuneration of the members of the Board of Directors for the year 2023, which was submitted for deliberation to the Shareholders' Assembly at the session held on 27 June 2024.

Nomination Commission

Members of the Nomination Commission are:

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

The Chairperson and members of the Nomination Commission were appointed by a decision of the Board of Directors dated 15 July 2024, and all the three members performed the above functions in the Remuneration Committee in the previous term of office as well.

In 2024, the Nomination Commission held two meetings with the personal presence of members and three written meetings. The Commission considered proposals for dismissal and approval of candidacies for the positions of President/Member of the Board of Auditors / Audit Commission / Internal Board of Auditors in the companies: NAFTAGAS-Naftni servisi d.o.o. Novi Sad, NAFTAGAS-Transport d.o.o. Novi Sad (now NIS MTO LLC Belgrade), NTC NIS-Naftagas d.o.o. Novi Sad, NAFTAGAS-Technical Services d.o.o. Zrenjanin, NIS PETROL d.o.o. Banja Luka, Jadran-Naftagas d.o.o. Banja Luka, NIS PETROL S.R.L. Romania, NIS PETROL EOOD, Bulgaria, and the proposal for the position of Director of NIS MTO d.o.o. Belgrade and the Sole Director of NIS PETROL S.R.L. Romania. The Commission also considered the proposal for dismissal from the position and approval of the candidacy for the position of Director of NAFTAGAS – Oil Services d.o.o. Novi Sad and NAFTAGAS-Technical Services d.o.o. Zrenjanin. The Commission also prepared a Report on the Suitability of the Composition of the Board of Directors and the Number of Members of the Board of Directors of NIS j.s.c. Novi Sad to the Needs of NIS j.s.c. Novi Sad, which was submitted for consideration to the Shareholders' Assembly at the session held on 27 June 2024.

Shareholders' Assembly Board

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

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

MEMBERS OF THE SHAREHOLDERS' ASSEMBLY BOARD AS AT 31 DECEMBER 2024

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

At the XVI General Annual Shareholders' Assembly held on 27 June 2024, all members of the Board of the Shareholders' Assembly Board whose term of office ended were re-elected, so that in 2024 there was no change in the composition of the Board of the Shareholders' Assembly, and the composition is as follows:

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

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

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

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

ACTIVITIES OF THE SHAREHOLDERS' ASSEMBLY BOARD IN 2024

In 2024, the Board of the Shareholders' Assembly held ten sessions in absentia. The Board of the Shareholders' Assembly deliberated on the Company's annual financial and consolidated financial statements for 2023, as well as interim (quarterly) financial and consolidated financial statements for Q1, Q2, Q3, Q4 of 2024. Apart from that, the Board of the Shareholders' Assembly considered the reports of the independent auditor on the audit of the Company's financial statements, as well as the method of profit distribution for the year 2023, payment of dividends and determining the total amount of retained earnings, and submitted a Report on its work to the Company's Shareholders' Assembly. Apart from the above-said, the Board of the Shareholders' Assembly deliberated also on proposals for forming the Company branches and approved the conclusion of an Annex to the Intercompany Loan Agreement between NIS j.s.c. Novi Sad and NAFTAGAS – Oilfield Services LLC Novi Sad, and also Intercompany loan agreement between NIS Novi Sad and HIP-Petrohemija LLC Pančevo. In 2024, the Board of the Shareholders' Assembly adopted 35 conclusions.

Chief excecutive officer

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

ADVISORY BOARD OF THE CEO

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities. The members of the Advisory Board were determined by the Decision of CEO, and they include First Deputy CEO – Director of the Downstream, First Deputy CEO – Director of the Exploration and Production Block, Directors of the Refining and the Energy Blocks, Directors of Functions, Director of HIP-Petrohemija LLC Pančevo 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.

ACTIVITIES OF THE ADVISORY BOARD IN 2024

During 2024, there were 16 Advisory Board sessions, chaired by the CEO, where the members discussed the following matters on a monthly basis:

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

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

Company Management Succession Plan

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

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

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

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

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

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

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

During 2024, the Company was not informed of the acquisition or disposal of the Company's securities by the Company's managers or persons related to them.

Internal Audit Activities

The regulatory framework for internal control, i.e. internal audit in NIS j.s.c. Novi Sad is established by the Law on Business Companies, the Internal Audit Charter, the Internal Audit Management Standard and other relevant legal and internal regulations.

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

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

Internal Audit activities in particular include:

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

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

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

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

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

The internal control system includes five key components:

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

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

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

1. Control environment

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

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

2. Risk assessment

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

3. Control measures

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

4. Information and communication

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

5. Monitoring

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

External auditor

AUDIT OF FINANCIAL STATEMENTS

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

The reports of the Audit Company on the audit of the financial statements and consolidated financial statements of the Company for 2023 were adopted on 27 June 2024 at the XVI regular session of the Shareholders Assembly, which was attended by the auditor of the company FinExpertiza LLC Belgrade, which in accordance with the Law is obligatorily invited to the regular session of the Assembly. At the previous XV regular session held on June 29, 2023, the Shareholders' Meeting approved the audit of the financial statements and consolidated financial statements for the next three-year period (2023–2025) selected the auditing company FinExpertiza d.o.o. Belgrade. When selecting an independent auditor and as required by the law, the Audit Committee received the auditor's statement confirming impartiality of the firm and its licensed auditors towards the company.

Integrated management system

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

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

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

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

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

Transactions involving personal interest and non-compete clauses

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

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

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

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

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

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

Information on Acquisition Bids

In 2024, neither NIS j.s.c. Novi Sad nor its subsidiaries made any bids for acquisition of another company, in accordance with the regulations providing for acquisition of companies, or any bid was made under such regulations for acquisition of shares of NIS j.s.c. Novi Sad or any of its subsidiaries.

Related-Party Transactions

In the year ended 31 December 2024 and in the same period in 2023, 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. An overview of transactions with related parties is provided in the notes attached to the financial statements.[84]

Code of Business Ethics

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

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

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

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

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

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

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 company corporate culture.

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.

NIS's long-term goal is to strengthen the commitment of its employees and improve HR practices, which will provide the best possible work experience to NIS employees. For this reason, NIS continued to invest in strengthening employee engagement in 2024 and started implementing various activities based on the results of the latest employee engagement survey and our company's strategic plans. The implementation of the "Engagement Academy", one of the important strategic initiatives, aimed at improving commitment at the Company level, continued. But the curriculum of the managers' development program of the NIS KOMPAS was also created, within which, through five spheres of development, managers are helped to lead their teams more successfully. All activities included colleagues from HIP Petrohemija for the first time after the integration.

Aware of the need to reduce bureaucracy in all processes, at the beginning of 2024, we launched the project "Debureaucratization" of NIS, which aims to reduce documentation, shorten steps, automate and digitize processes in all parts of the company. NIS strives to digitize HR processes and thus provide faster and more efficient support to its employees. In this regard, a digital platform has been implemented, connecting key HR processes. A digital assistant, a chatbot, was introduced, which provides employees with answers to basic HR questions.

As the activities from the previous employer branding strategy were implemented and the measurement of success indicators was completed, a new strategy for the period 2024 – 2027 was created. In order to be aligned in a common orientation, the agenda was adapted to all organizational parts relevant to its fulfillment.

Aiming to improve the quality and efficiency of the selection process for candidates at petrol stations, a video was created for candidates with all relevant information on working conditions. The video is shown to candidates during the selection process. Additionally, through an adequate selection of recruitment channels, the request for hiring 19 new positions for tower workers was successfully implemented.

The 3rd season of the operator internship program has started, which plays a key role in bringing in young workforce as a replacement for retired/promoted operators. Thanks to the recognition of the program in solving business needs, as of this season, in addition to Refining, the program also includes the Scientific and Technological Center and HIP-Petrohemija. This season, 27 interns are participating in the program.

[84]Information on related party transactions can be found on page 160 under note number 42 of the Consolidated Financial Statements.

As for the program for students, the 8th season of the NIS Calling internship program is coming to an end. Based on the end-of-program evaluation, all 44 interns wish to continue their careers in NIS.

The process of organizing the 5th season of the one-year NIS Energy mentoring program was initiated for student graduates, aimed at employment after completion. In the third quarter, it has being launched an employer branding campaign with the aim of attracting adequate candidates, and in the first 10 of the 30 days of the campaign, 400 applications were submitted, out of the planned 600. Moreover, the preparation of a large conference for 400+ candidates of the appropriate profile for this program was held in October, where the candidates had the opportunity to hear speakers on topics young people find relevant.

A new company within the NIS Group, HIP-Petrohemija LLC Pančevo, recognized the importance of dual education and in order to support it, it met the requirements for learning through the work of students of the following educational profiles - Mechatronics Technician, Cutting Machine Operator and Locksmith-Welder. In this way, students are helped to acquire practical competencies faster and work in their profession more successfully. In the Technical Directorate of HIP-Petrohemija, under the supervision of licensed instructors, in the school year 2023/24, 9 students had on-the-job training, and since October, this number has been 5. A total of 1,556 hours of this type of practice were completed last year.

Professional development of employees

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

During 2024 we continued to provide support Company's digital transformation through several segments. A special segment this year was dedicated to the SAP Success Factors program, whose implementation significantly improved the existing processes, but also introduced new ones. With the help of this platform, annual assessment by competencies, setting individual development plans, creating learning plans, applying for specific development activities, 360 degrees of assessment are now being carried out.

As part of the Digital Academy strategic programme, the NIS Training and Development Sector, in cooperation with digitalisation specialists and external experts, organised all planned trainings on topics related to digital transformation for different groups of employees. In 2024, the Digital Academy became an integral part of the managers' and employees' development program NIS KOMPAS, which now includes topics of digital transformations, digital technologies, data management and project and product management.

During 2024, the focus was on the further development of models of professional and technical competencies, for the purpose of targeted development of employees in their current positions and preparation for future positions.

In 2024, 4,703 training courses were organised in cooperation with external providers, attended by 13,343 participants, i.e. 4,148 employees. The total number of hours of training was 118,622, amounting to a total cost of RSD 311.4 million.

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

The foreign language programme also continued: this year, more than 600 employees attended courses in Russian, English and Serbian.

Corporate and development programmes

During 2024, within the framework of corporate and development programs, we worked on the improvement of the existing strategic and development programs, high-quality implementation and additional adaptation of training to the specific needs of different organizational units, and we prepared new employee development programs for specific groups of employees. The focus of corporate and development programs in 2024 was also on the promotion and further development of the culture of learning with the aim of flexibly responding to the needs of business while following current global digital trends.

Within the "Engagement Academy", aimed at developing highly dedicated and motivated teams in our Company through active roles of senior, middle and lower management, 28 workshops were held in 2024, in which 314 lower, middle and high level managers took part, as well as 21 follow-up workshops.

We continued the implementation of the Drive Leadership Development Program designed to support middle and lower-level managers, constituting a key link in the operational management of the Company. In 2024, the program was successfully completed by 22 participants who started the program in 2023, with a 99% attendance in all modules, thus showing high motivation and recognition of the importance of the program for the personal and development of their teams. In 2024, 22 program participants coming from all Blocks and Functions had the opportunity to develop leadership skills and knowledge through interactive work and strengthen their teams.

According to the needs of the business, more than 100 training courses that develop soft skills were implemented in cooperation with long-term partners - the leading providers in the market in the country and the region. Nearly 2,000 employees participated.

In order to promote the culture of learning, in 2024, NIS continued implementing its Learning Driver programme. The programme serves as an additional material and non-material motivation for all employees who are involved in mentoring, organising training courses for colleagues or other similar activities that promote knowledge sharing.

The Job Shadowing Program, developed for the needs of improving intersectoral cooperation and knowledge transfer, also continued. In 2024, thanks to the activities of Job shadowing, employees internally transferred knowledge and improved communication, thus indirectly contributing to greater transparency in the Company, as well as improving business processes. In 2024, 39 employees took part in this program. In workplace activities, during 93 days, they attained 221 working hours.

The new generation of students has passed the "First-Time Manager" Program. Colleagues who found themselves in a managerial position for the first time, 86 of them, used the opportunity to improve their leadership skills through 8 workshops. The Program goal is the development of new managerial skills, the mastery of key HR processes important for managing employees, as well as connecting with colleagues from other organizational units.

To increase employee engagement and develop leaders, NIS created the NIS COMPASS Manager Development Program. It helps managers in leading their teams more effectively through five development areas: Leading Self, Leading Others, Leading Business, Leading Digital, Wellbeing, and Responsible Behavior. The program curriculum for all management levels was finalized in collaboration with key stakeholders from top management. Four pilot trainings of the NIS COMPASS Development Program have been conducted, and following the trainings, focus groups were held with participants to evaluate the sessions.

Together with colleagues from other HR departments, the implementation of the development program for the participants of the NIS Energy and NIS Calling programs, which were rated as high quality and useful for the development of young people who are gaining their first work experience within our Company, has continued.

Professional development of employees in business blocks

In the Refining Block, the competition “The Best in the Profession in 2024– was held, in which 65 employees competed. The colleagues who won were financially rewarded.

The Second Scientific and Technical Conference was held in the Refining Block. Representatives of the Refining Block and Technical Services participated in the contest. The winner of this contest, a colleague from Naftagas-Technical Services, participated in the contest held in St. Petersburg and won 1st place in his category.

Naftni Servisi (Oil Services) organized the contest "The Best in the Profession" for 28 participants in 3 categories. In 2024, a new category of electricians was introduced.

The internal professional training program for forklift and telehandlers of Oil Services employees was carried out. The program was attended by 142 employees, and the training was held externally until 2024.

Internal Rig inspection training was developed for training Oil Services and Exploration and Production Block employees.

The Transport application has been expanded for the purpose of analyzing and monitoring CPC certification and ADR drivers of Oil Services.

The project for the overhaul of Cardwell-4 unit, which will be placed in the Training Centre of Naftagas - Oil Services, was approved, and the works are in progress.

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

In 2024, the VII Scientific and Technical Conference of Young Scientists and Specialists UPSTREAM was held. Participants-exhibitors were young specialists and young scientists not older than 35. The conference took place live, with more than 150 participants.

At the Scientific and Technical Conference, 10 employees represented the Science and Technological Center. The three best colleagues presented their projects at the final event organized in Russia.

Eleven of our employees from the Exploration and Production Block and STC NIS-Naftagas presented a total of 9 projects at the final XIII Conference of the Exploration and Production NTK Block.

At the Elemir Oil and Gas Field, the contests "2024's Best Technologist" and "2024's Best Professional" were held. The contest was attended by 44 engineers and operators, divided into 7 categories. The contestants showed their competencies through practical and theoretical tasks. The winners participated in the central contest.

The Technical Training Service of the Exploration and Production Block has been granted the status of a publicly recognized organizer of adult education activities (JPOA) by the Qualifications Agency of the Ministry of Education.

The Sales and Distribution Block traditionally organized the largest company contest "The Best in the Field", with over 1,000 employees from Serbia and Bosnia and Herzegovina participating in ten categories. Compared to the previous contest, a new category was introduced: Gastro worker, as well as a new competitive task "First aid" for all categories in the final within HSE, based on the Grand Final contest, where our representatives achieved notable results: two second places won in the Cashier and Filler categories, as well as one third place in the Territorial Manager category.

The mentoring program was introduced in August 2023 with the primary business goal of reducing the staff turnover at stations. After the implementation of the Mentoring Program throughout 2024, the turnover of the staff at stations included in the program was 12.8% lower than the turnover of the staff who are not included, which brings to the conclusion that this program has a direct impact on the PS staff retention with a growing tendency. Now, a year and a half after the implementation, plan is to improve the program.

Talent development

In 2024, we implemented several key processes, which served as a basis of our work with our talents to allocate development areas and create development plans; therefore we have set up several new programs to support the career and personal development of employees. These processes are the foundations of data-driven employee development, clear metrics, and learning options that are equally accessible to all employees. In this way, we ensure continuity in our Company's operations. Moreover, we place a special focus on improving the process of identifying successors to take over business-critical jobs.

One of such processes is the process of performance and potential-based evaluation of employees. During 2024, the employee evaluation procedure (talent process) was changed, in order to define the process dynamics matching the real needs of the business, and the process is now held every 2 years for the entire included population. As an additional process, the concept of "Career Talks" was introduced to empower managers to work with employees on career development topics, but also to revise succession plans for senior and middle management positions. This process included 147 top, upper and middle managers and made it possible to identify successors in a more objective, transparent and efficient manner, to link the process of defining succession directly to the recruitment process and to extend the population for setting the IDP to all successors of the "ready now" level regardless of the position.

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

In order to assess employees and define areas for their development and strong sides, the process of annual assessment by competencies is organized, also using the SAP Success Factors platform. In 2024, this process was carried out for 5,350 colleagues, including colleagues from HIP Petrohemija, Bosnia and Herzegovina, and Bulgaria.

In order to digitize the learning process, assisted by SAP Success Factors platform, the process of Annual Assessment by competencies and planning the implementation of development activities was directly linked, offering our employees the opportunity to assign the desired learning activities to themselves with their superior's approval. This way, we received 1,831 applications for various learning activities offered within the NIS KOMPAS curriculum.

In order to digitize the assessment process, in 2024 we created and piloted an internal 360-degree assessment process using the SAP Success Factors platform.

In 2024, a mentoring program was designed as a new development concept that will be implemented by internal resources. Pilot pairs were launched, after which an evaluation is to be carried out and the concept is to be brought to the employee level, as needed.

Care for employees' social welfare

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

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

- Special protection for persons with disabilities and in the event of occupational diseases;
- Preventive recovery of employees who perform high-risk jobs or are entitled to reduced service years, as well as preventive recovery of other employees, in order to prevent occupational illnesses and disabilities;
- Employment and support allowance, payment of medical treatment costs and refunding of funeral expenses for an employee and/or his/her immediate family members;
- One-time allowance for the birth of each child after March 1 2023, from the date of entry into force of the new Collective Agreement;
- One-time assistance to the family of a deceased employee;
- Compensation for damages suffered by employees in the event of the destruction of or damage to their residential buildings caused by natural disasters or other emergencies;
- Scholarships during full-time education of children of killed and deceased workers;
- Collective health insurance for all employees covering severe illnesses and surgeries, as well as in case of accidents;

- Collective insurance of all employees covering death as a result of an accident or a disease;
- Helping employees resolve their housing needs by granting subsidies for housing loans;
- Voluntary pension insurance;
- Vouchers for New Year's gifts for children up to 10 years old;
- Jubilee employee awards for 10, 20, 30 and 40 years of uninterrupted employment in NIS.

Material and non-material motivation

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

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

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

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

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

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

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

Corporate culture

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

Employer brand and candidate recruitment and selection

In 2024, NIS has continued to implement the program for the most talented students, university and high school graduates. As part of the work with students, the eighth season of the "NIS Calling" program for 45 interns was implemented, this time including HIP-Petrohemija. The fourth season of the "NIS Energy" Graduate Program for 25 young graduates was also organized, and a recruitment campaign and selection process for the fifth season of this program were implemented, after which 26 selected participants started working in the company in January 2025. In addition to these two programs, the first season of the "NIS Academy" program for 60 interns was designed and implemented, allowing students to attend an 80-hour internship that is mandatory for all state faculties under the new Law on Education. As part of the work with high school graduates, the third season of internship for young operators for 28 interns started, who toured the Scientific and Technological Center and HIP Petrohemija this time, in addition to the Refinery. In addition, we also took part in the "My First Salary" program, within which 9 young people were given the opportunity to work in our company.

In the survey of young people's opinions on the labor market in Serbia "The Voice of Young People of Serbia", conducted by the student organization AIESEC, with more than 3,000 young people from all over the country participating, NIS was recognized as the most desirable employer for young people.

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

The previous year was also marked by the implementation of various successful HR projects with the community, such as participation in:

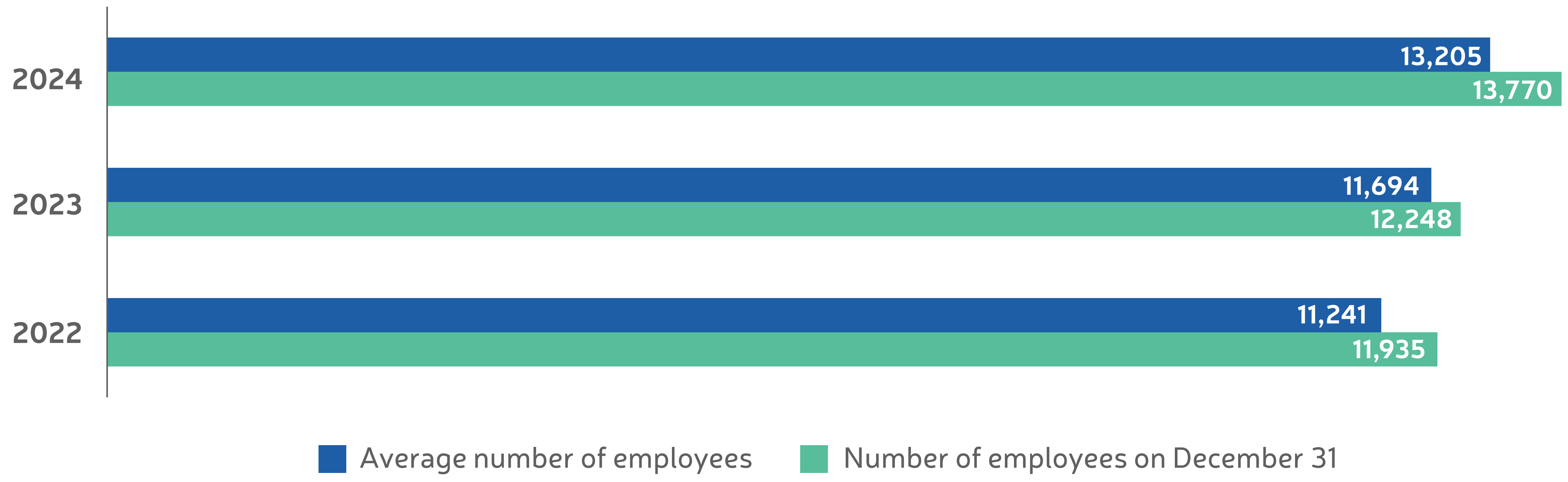
- over 10 youth fairs (such as the "JobFair" employment fair), with a total of over 2,000 participants
- over 20 projects with student organizations and faculties (such as the "DigiHack" hackathon and the "Belgrade Engineers' Days" conference), with a total of over 3,500 participants
- 8 projects and partnerships with the HR community, with over 10,000 participants (such as the "HR Week" conference)
- 2 workshops held for children from SOS Children's Villages, with a total of 45 young people.

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

Employee Number and Structure

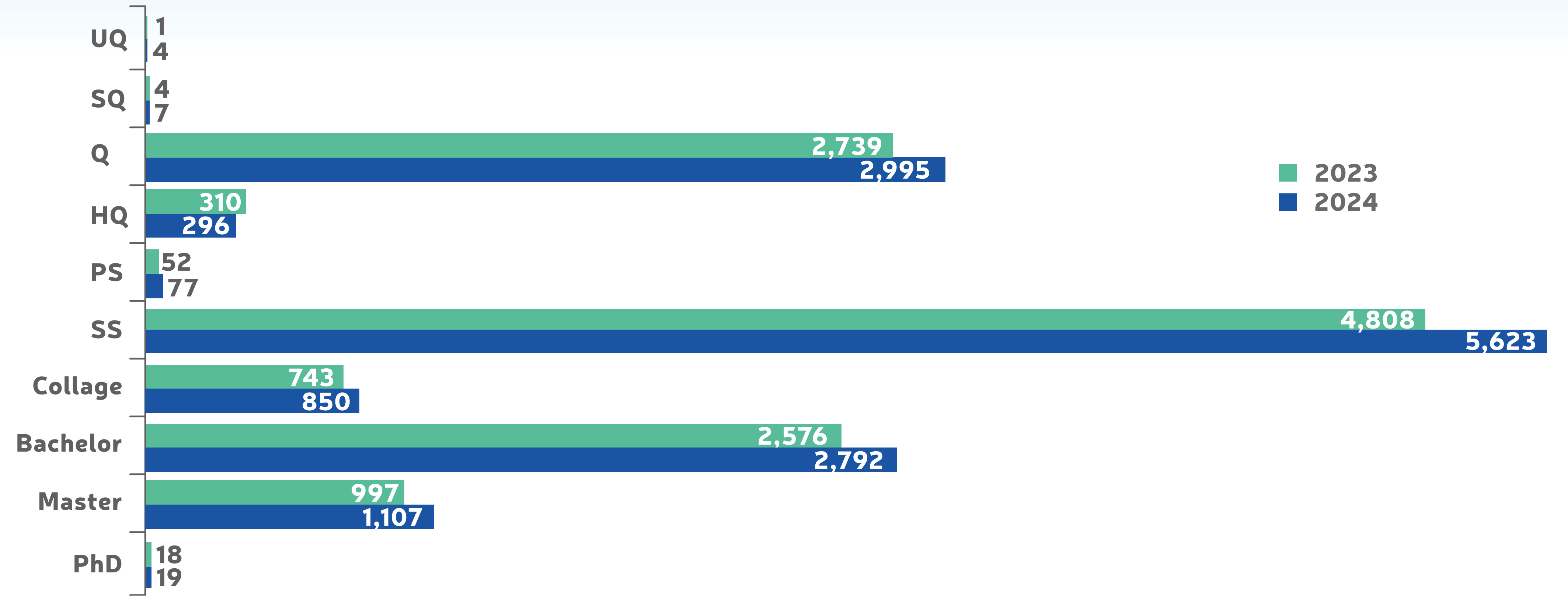
Organisational unit	Total number of employees as at 12/31/2024	Total number of employees as at 12/31/2023
NIS j.s.c. Novi Sad [85]	5,314	5,317
Exploration and Production Block	*1,108*	*1,079*
Downstream	2,622	2,592
Refining Block	1,004	997
Sales and Distribution Block	1,408	1,384
Energy Block	49	46
The rest of Downstream [86]	161	165
Corporate Centre	*1,581*	*1,642*
Representative and Branch Offices	*3*	*4*
Local subsidaries	7,854	6,307 [87]
Subsidaries abroad	602	624
TOTAL[88]:	13,770	12,248

Headcount trend[89]

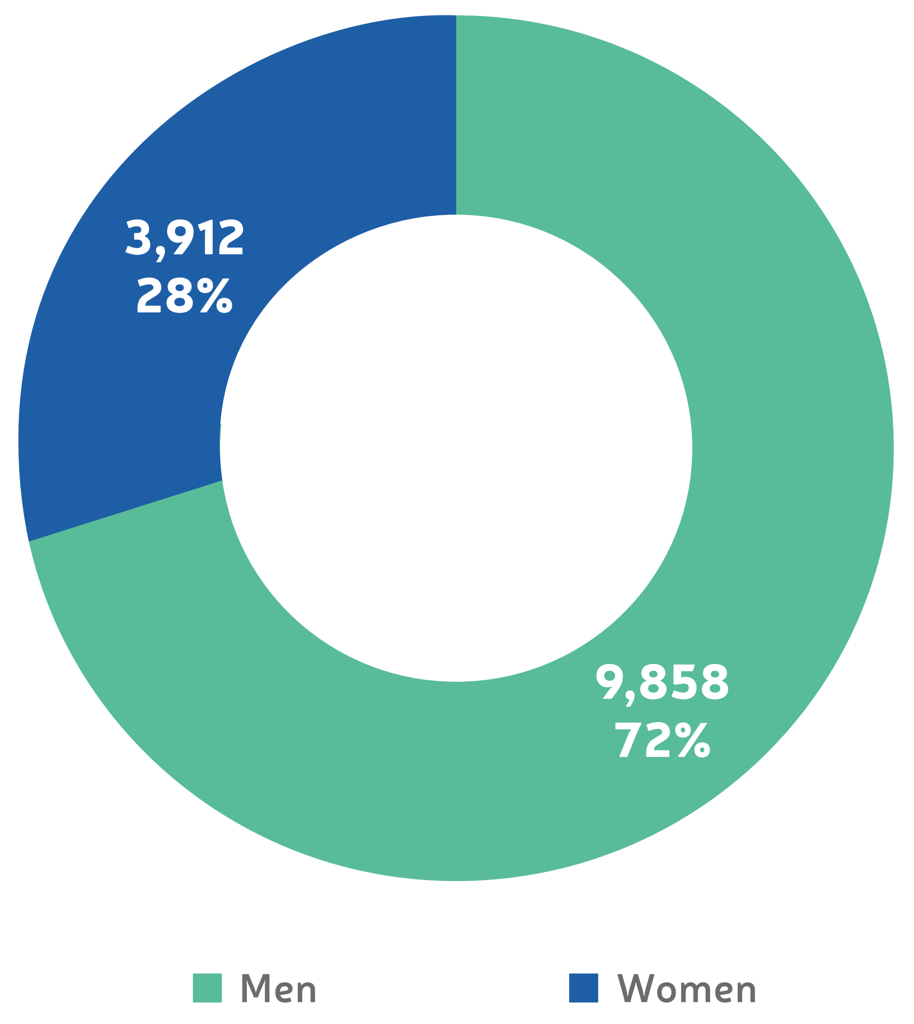


Employee qualifications, gender and age structure[90]

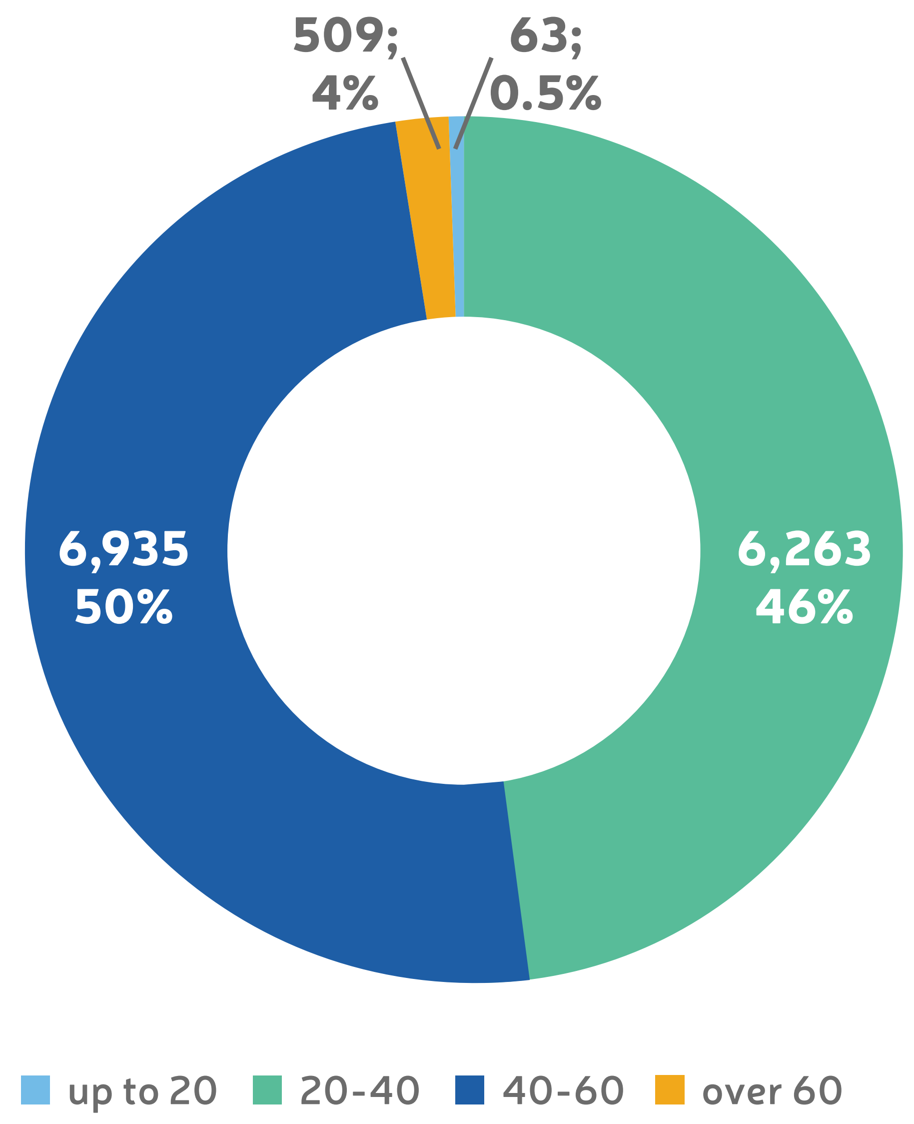
Employee qualifications strucutre



Employee gender structure



Employee age structure



[85] The number of employees does not include employees hired through the Contract of Services. On December 31, 2024 within the NIS a. d. In Novi Sad, we have 92 employees hired through the Contract of Services.
[86] The rest of the Downstream includes: Office of Downstream Director, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.
[87] The total headcount of subsidiaries in the country as of 31 December 2024, including HIP-Petrohemija, whereas the headcount as of 31 December 2023 was exclusive of this subsidiary. The number of employees in the company HIP-Petrohemija LLC on December 31 2023 is 1,268, including agency employees.
[88] Employees with shared working hours are shown as whole units in the associated Company.
[89] The average number of employees does not include employees who are on maternity leave, employees who have been on sick leave for more than 30 days, and employees who have inactive status of employment, but it includes employees who left the company in the observed period and new employees proportionately to the number of days spent at the position.
[90] Includes employees of NIS j.s.c. Novi Sad with representative offices and branches, subsidiaries in the country and abroad and subsidiary companies that enter into consolidation on December 31, 2024. The number of employees in HIP-Petrohemija is not included.

Employment terminations

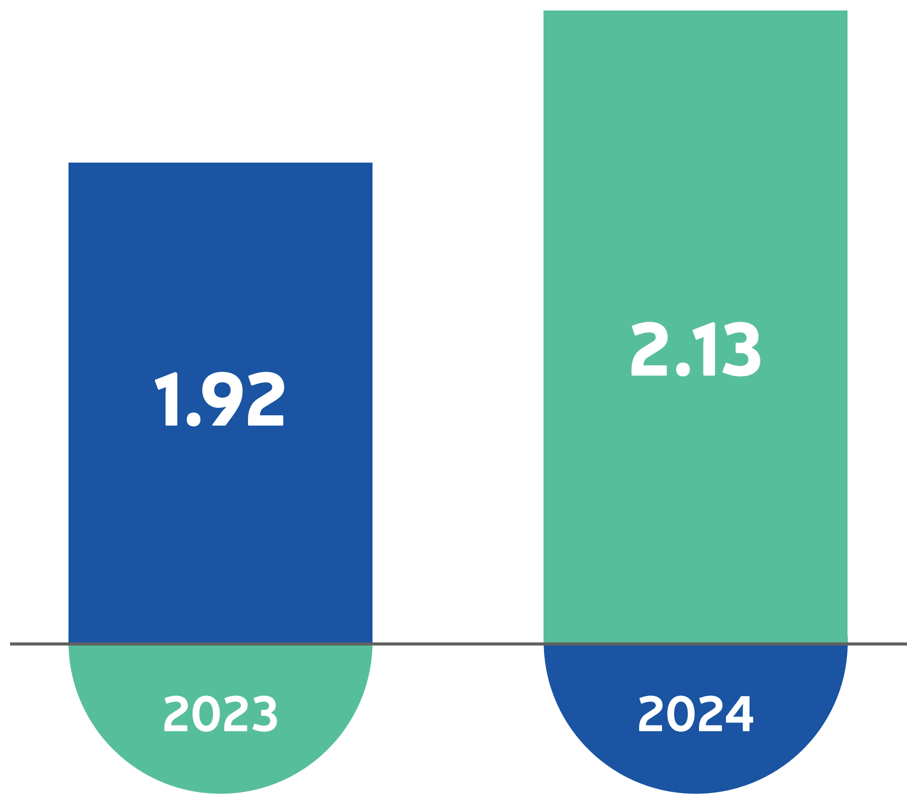
In 2024, a total of 1,311 employees left NIS j.s.c: 245 employees retired, 87 employees left NIS after termination of employment by mutual consent, while the employment of 979 people was terminated on other grounds (cancellation of employment contract, employment termination by the employee and redundancy).

Basis of employment termination	NIS j.s.c Novi Sad [91]	Subsidiaries [92]
Retirement	103	142
Termination by mutual consent	17	70
Other	198	781
Total	318	993

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

OCCUPATIONAL SAFETY AND HEALTH

LTIF indicator



In 2024, the LTIF indicator marked a 11% increase if compared with th year before. In 12 months of 2024, 69 LTIs were recorded, as opposed to 12 months of 2023 when 50 LTIs were recorded in the Company.

During 2024, out of a total of 69 injuries, we recorded 56 injuries among NIS employeesand 13 by employees of contractor companies. As before, the majority of accidents are trips and falls.

OCCUPATIONAL SAFETY RISK MANAGEMENT

In 2024, following organizational changes and new requirements of the Serbian legislation governing occupational safety and health, the company amended the Workplace and Work Environment Risk Assessment Act for NIS j.s.c. and Subsidiaries.

Throughout the year, NIS analysed regulatory changes and developed action plans to fully comply with the Law on Occupational Health and Safety by May 2025.

In terms of the Karkas Safety Shield program dedicated to HSE risk management, NIS focused on managing and controlling HSE barriers related to operations with fatality potential. In addition, the company improved the existing risk assessment tools and implemented new ones, as well as optimised its work permit system to facilitate efficient risk management for high-risk jobs.

The program for HSE digitalization now covers the process of personal protection equipment management, which will allow NIS to precisely assess the demand, plan, track, and issue such equipment.

[91]Including representative offices and branches. Of the total number of terminations, there is no terminations account for the representative offices and branches.
[92]Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, NIS MTO LLC Belgrade , NTC NIS – Naftagas LLC Novi Sad, NIS Petrol j.s.c. Belgrade and HIP-Petrohemija LLC Pancevo.

HSE event management

The HSE event management process involves transparent notification and reporting of NSE events, investigation of the causes of NSE events, monitoring of the financial impacts of large and medium HSE events and, as one of the most important segments after the investigated causes of HSE events, the exchange of lessons, i.e. learning from HSE events.

Key goals of the HSE event management process are:

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

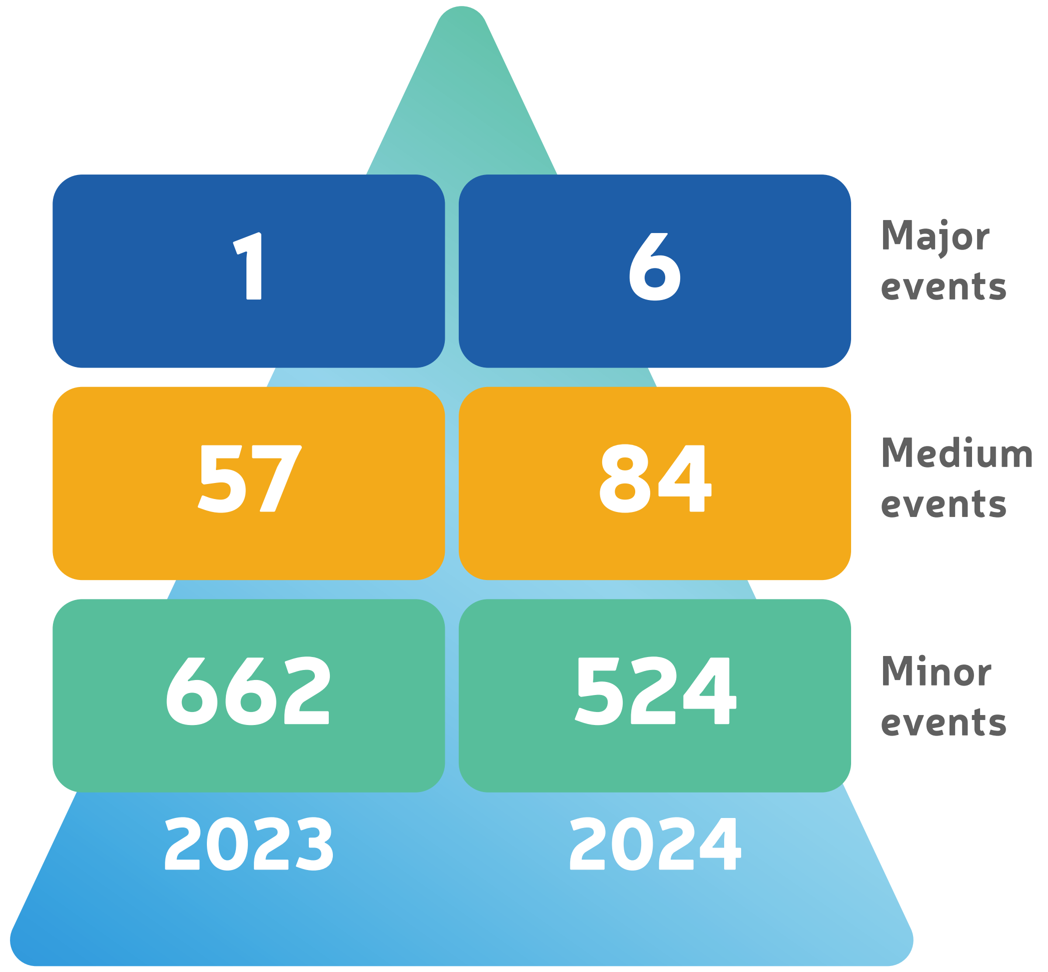
NIS investigates all HSE events that affect people (such as workplace injuries, ill health or occupational diseases), fires, traffic accidents, equipment failures that may affect human safety or the environment, and natural disasters, if the severity of consequences is classified as high or medium, or if the accident is classified as a high-potential accident.

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

Investigation of the causes of an HSE event is a complex process of discovering ineffective barriers and determining immediate, basic, and systemic causes so that these causes can be addressed to prevent similar events in the future. The resulting measures should aim to address the systemic causes of HSE incidents, to prevent the recurrence of the same or similar events. All measures, related barriers, and causes identified in the investigation are entered into the task-tracking tool and monitored. There is regular reporting in place regarding the implementation of the correction measures and causes of HSE events.

The figure below illustrates the transparency pyramid showing the number of HSE events in the Company in 2024:

Transparency pyramide



Contractor management

The main goal of the contractor management process is to avoid unwanted events (injuries, damage to property or to the environment, etc.) caused by contractors of third parties.

Collaborative relations of partnership and enforcement of universal safety principles foster a culture where human life and health are the biggest values and where the rules to preserve them are followed by all.

From the HSE standpoint, contractors engage in high-risk activities that could be fatal, and HSE standards, performance, and culture vary from contractor to contractor. Statistically, most severe injured and fatalities worldwide happen during activities carried out by contractors and subcontractors. In 2024 the HSE teams of NIS actively participated in the preparation for the Pančevo refinery turnaround by doing site checks and HSE qualification of contractors. The Contractor Management process was monitored in all subsidiaries, with recommendations issued for continued work.

In 2024 the NIS business center hosted an HSE seminar with the representatives of other oil companies in Serbia. The goal of the seminar was to establish partnerships, exchange experience and best practices in health and safety, and learn about the HSE practices of prominent industry operators in Serbia. During the workshop, participants also presented ways in which they are facing current challenges in the field of occupational health and safety, such as the increase in the number of injuries and the number of disputed sick leaves, etc.

The HSE function organizes HSE Contractor Forums that are dedicated to improving safety during the performance of contractor activities, especially those that are considered high-risk according to NIS standards.

The 15th HSE Contractors Forum under the slogan "Safety is my responsibility" brought together over 100 participants from the company and more than 140 guests from contractor companies and aimed to promote fair, open, and partner-like relations with both contractors and competent state authorities like the Occupational Safety and Health Administration and the Transport Safety Agency.

As a side program during the forum NIS held an Education and New Technologies Fair with guest speakers from the Zrenjanin Technical Faculty, the Niš Occupational Safety Faculty, and the Novi Sad Faculty of Technical Sciences.

Dealta Reality from Zagreb and the Niš Electronic Faculty organized stands where the guests of the HSE Forum could learn more about VR technology.

Employee health care

The care for the physical and mental health of employees is one of the strategic goals of the Company and an important aspect of the activities of the HSE Function. As a socially responsible company, NIS strives to provide a healthy and safe working environment that will enable employees to maintain good health. The company offers various preventive activities that are not only a response to legal and regulatory obligations, but also the foundation for creating a productive and safe working environment.

Preventive healthcare for the Company's employees is a comprehensive system that includes regular medical examinations, education on health and disease prevention, as well as activities that encourage a healthier and safer working environment. The main focus of employee health care is on activities aimed at the prevention and early detection of diseases, through educational campaigns, training, and various communication channels, monitoring the health status of employees, preventing the occurrence of occupational diseases, improving physical and mental health, as well as promoting a healthy lifestyle.

In addition to the regular medical examinations, the company partnered up with local hospitals and held mini-examinations on-site, which included measuring blood sugar, blood pressure, BMI, and CO_2 levels in smokers.

As part of the HSE Week, NIS hosted the Health Festival, offering employees specific examinations, training, special offers, and vouchers from medical institutions.

The company is actively working on the digital transformation of its HSE processes. In 2024, it developed a unified software solution to manage medical examinations.

During the year NIS hosted lectures to educate employees about health. Over 2,000 people attended.

In 2022, the Refining Block of NIS offered an idea that now resulted in the development of the Ask a Doctor corporate app. In the app, NIS employees can consult with different specialty doctors.

To prevent alcoholism and drug use, in 2024 the company updated its control procedures. NIS held regular and out-of-schedule alcohol testing for employees and contractors at the entrances.

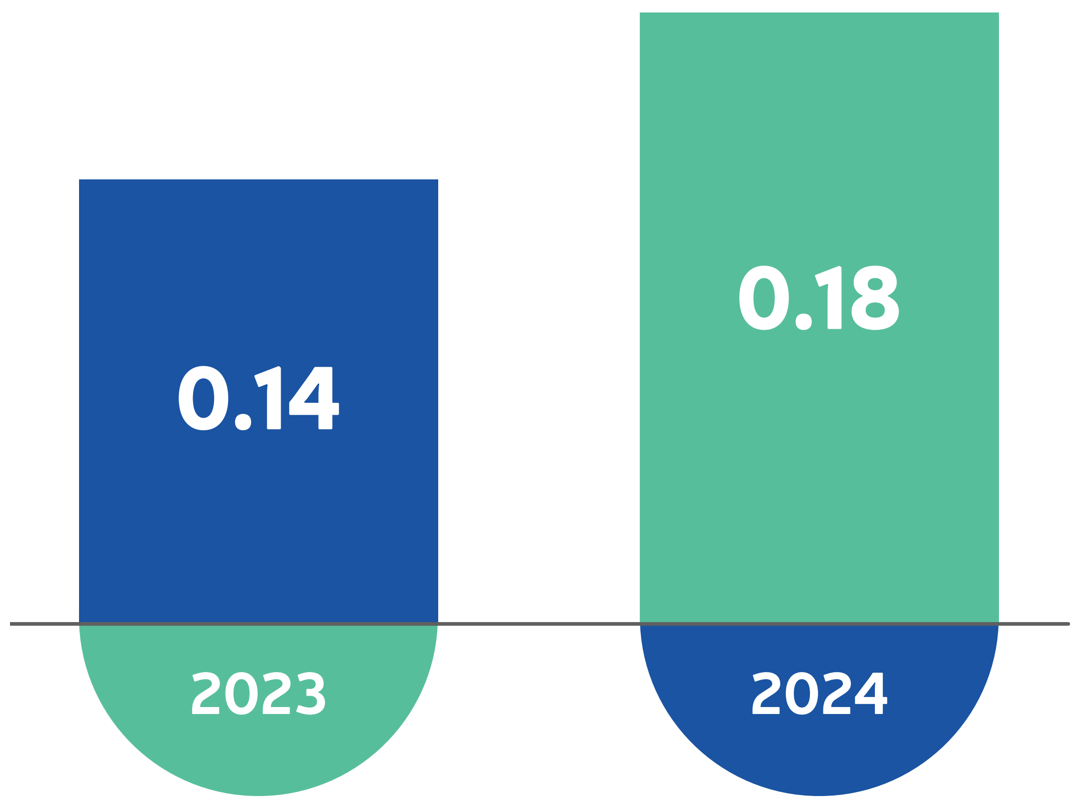
In cooperation with the Traffic Safety Agency NIS held a Traffic Safety Week, including various activities and workshops. Among other things, visitors could use simulator glasses to experience the effects of alcohol or drug intoxication and physical fatigue on driving ability.

Traffic Safety

Traffic safety includes all standards, rules, and activities to reduce traffic risks. This is a multidisciplinary field including technology, infrastructure, laws, education, and awareness of traffic participants.

The company's employees travel 40 million kilometers per year on average and are exposed to many traffic risks. To minimise these risks, the Company invests considerable efforts in the traffic safety of its employees through practical and theoretical training, continuous in-vehicle monitoring, deployment of safety advisers, rewarding the best drivers, organising awareness campaigns and informing employees about risks and dangers, developing normative documents, etc.

RAR indicator [93]



According to the traffic safety improvement program, in 2024 NIS adjusted its internal regulations on traffic safety and transportation of hazardous goods.

The company also collaborated with state bodies and institutions to raise awareness of traffic safety. The goal was to inform employees of the importance of responsible driving and compliance with the traffic rules.

One of the key projects last year was the implementation of a new performance management system for drivers, based on the negative points approach. This system aims to improve traffic safety and reduce risks by identifying and correcting unsafe behaviours.

For transparent performance tracking NIS has implemented a system of KPIs in the area of traffic safety. These indicators reflect performance and inform decisions and targeted measures for improvement. The Road Accident Rate (RAR) reflects the overall trends in traffic safety and makes it possible to evaluate the efficiency of safety measures. The RAR was 0.18 in 2024 and 0.14 in 2023. Traffic safety is of crucial importance for the transportation of hazardous goods. One accident might not only cause damage to its participants but generate significant environmental impact. This is why every organizational unit in NIS and its affiliated companies has a dedicated advisor for the transportation of hazardous goods, whose job it is to control risks related to this process.

NIS organizes regular training in environment-friendly and defensive driving to improve the skills of professional drivers and users of company cars. In the previous year, 506 employees attended the trainings at the National Driver's Academy.

These activities are a solid foundation for further progress in the field of traffic safety and the transportation of dangerous goods, with a clear goal of reducing incidents and responsibly managing risks.

INDUSTRIAL SAFETY AND EMERGENCIES

Fire protection

To provide better working conditions for employees and improve the operational functionality of the firefighting units in 2024 NIS renovated and furnished the fire stations in Smederevo and Prahovo and the training center of the Novi Sad fire station. The training center also received new modular training set where fire fighter can practice rescue from height, rescue from depth, and rescue from confined spaces. This will significantly improve day-to-day operations of the fire units and their performance. The company regularly replaces the required equipment and resources for fire units (fire-fighting and protective equipment, rescue equipment, self-contained breathing apparatuses, etc.).

NIS implemented new internal regulations reflecting the changes in the legal framework and business needs and made operational and organizational improvements in the work of fire-fighting units.

In respect to training, 2024 was a highly successful year, as reflected by the following indicators:

- NIS held joined HSE drills with fire units of the Emergency Management Sector and neighbouring enterprises to practice strategic response to different emergencies, such as fire suppression, technical rescue from heights and depths, administering first aid, responding to chemical accidents, etc.
- To facilitate learning and exchange of best practices the company held an internal competition for all 11 NIS fire units and the fire units of HIP and the Pančevo synthetic rubber plant.
- NIS continues its cooperation with the Serbian-Russian Humanitarian Center in Niš.It held training for 86 firefighters for rescue from height and rescue from depth.
- In cooperation with the National Emergency Training Centre of the Serbian Ministry of Interior, the company held a training for IV-class operational managers.
- External company was engaged to train the personnel at the Pančevo Refinery to operate fire trucks and hydraulic lifts.

All the interventions of our firefighting units were successfully carried out in 2024 both at our locations, but also at the locations of other economic entities and the local community. Our firefighters provided assistance to representatives of the fire-rescue units of the Ministry of Internal Affairs of the RS at the facilities of other economic entities and the local community.

Process Safety

Having analysed the process safety information collected at its operational locations in 2024, NIS modified the corporate audit methodology. Namely, there are now clear checklists and clear instructions on how to evaluate the findings. As planned, in 2024 NIS audited ten production locations across all divisions/blocks of the Company and its subsidiaries. The company established the Industrial Safety Council including representatives from all parts of the company, where they exchange information collected during

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

the audits, and preventive and corrective measures recommended. It is an established practice that the Industrial Safety Council, with the participation of representatives from all organisational units of the Company, exchanges relevant information collected during audits, as well as presents preventive/corrective measures defined after the audits.

As for hazard identification and risk analysis, NIS implements the PHSER (project HSE review) methodology for risk analysis. For its upstream business the company has simulated the highest-impact emergency scenario, identified hazards and analysed risks, set prevention measures and in now in the process of implementing them.

The people working at the company's process facilities are an integral part of process safety. Competency building is a continuous activity that takes place throughout the year. Last year, NIS spent a significant share of time and effort training employees at HIPP. Also, throughout 2024, the NIS Department of Industrial Safety and Emergency Situations actively participated in the adaptation of normative and methodological documents in the field of production process safety, to transfer and apply the experience and operational practice gained in the Company to HIP-Petrohemija.

Emergencies

All emergency response and civil defence activities in the Company are focused on enabling the Company to successfully respond to emergencies and disasters. NIS follows the norms set by the Law on Disaster Risk Reduction and Emergency Management, other legal and regulatory acts, best practice in the industry, as well as the Company's technical standards. Additional obligation for the company arise from the Government's Decision on Designating Entities of Special Importance for Protection and Rescue in the Republic of Serbia. NIS continuously strengthens its resilience to emergencies and crises, improves the safety of employees, and protects the environment and assets, both at the level of the company and in local communities where it operates.

During 2024, NIS continued improving its emergency preparedness by updating the Crisis Management Plan prioritizing the implementation of this business process in HIP Petrohemija Pančevo. After adopting the appropriate normative and methodological documents and training all employees who have roles and responsibilities in protection and rescue, the company organized a joint simulation exercise for the emergency preparedness and response teams of HIP Petrohemija and the Refining Block. The scenario for the exercise was a response to heavy rainfall, gale-force winds, thunderstorms, and supercell storms causing a general collapse in the city, with additional risks in the form of floods and technical and process accidents. Representatives of the Department of Industrial Safety and Emergency Situations of NIS, as well as representatives of the National Emergency Training Center and the Emergency Situations Sector of the Ministry of Internal Affairs of the Republic of Serbia, analyzed and monitored the exercise and the testing of the implemented system.

The company successfully held all 238 exercises as per the 2024 HSE exercise plan.

In 2024, in cooperation with the National Training Center for Emergency Situations of the Ministry of Internal Affairs of the Republic of Serbia, NIS trained more than 250 employees of its protection and rescue forces. This included training of civil protection commissioners, deputy commissioners, and operational managers, and the implementation of joint command and simulation exercises (according to the adopted programs of the Ministry of Internal Affairs of the Republic of Serbia). This year, the cooperation improved further, as NIS and the Ministry of Internal Affairs of Serbia signed a Memorandum of Cooperation in the professional training of Company employees in disaster risk reduction and emergency management. This will entail official visits, drills and exercises, conferences, seminars, exchange of experience, and consultations. In addition, the memorandum will enable easier communication between the Ministry of Internal Affairs and the company as an entity of particular importance for protection and rescue in the Republic of Serbia.

ENVIRONMENTAL PROTECTION

The Company reflects its environmental commitment in its mission and vision, its adopted values and the HSE policy, which means that efforts and investments in this area are both a strategic focus of the Company at all levels and a daily practice in its business processes.

In 2024, the company outlined its key environmental goals in its Corporate Strategy stressing the importance of environmental protection and reduction of the environmental impact of its operations.

In 2024 the Company continued inviting in environmental protection projects and in investment projects with environment effect. NIS invested RSD 1,065 million in environmental protection projects. One should bear in mind that the amount is significantly higher if it includes investments in technology the implementation of which contributes to the reduction of harmful environmental effects.

In 2024, NIS maintained the positive trend in reducing emission of pollutants into the air and water from the Company's locations.

Reduction of pollutant emissions

Achievements in 2024

1,619.4
mln tonnes

direct CO_2 emissions

reduction

-3%

carbon intensity in Exploation and production Block for scope 1

reduction

-13%

carbon intensity in Rfining Block for scope 1

Green Agenda: Overview of the most significant projects by Blocks

EXPLORATION AND PRODUCTION BLOCK

- NIS continues injecting the CO_2 produced at the amine plant on the Rusanda formation
- The projects for the construction of a gas monetization facility from the Banatsko Miloševo oil and gas field and the increase in gas monetization from the Srpska Crnja gas field are in the final phase of implementation
- GHG emission permit obtained at the Elemir Refinery

SALES AND DISTRIBUTION BLOCK

- NIS is developing sales of compressed natural gas at its fuel stations
- Electric car chargers are being installed at retail facilities.
- The Niš oil depot reconstruction project is in its final phase

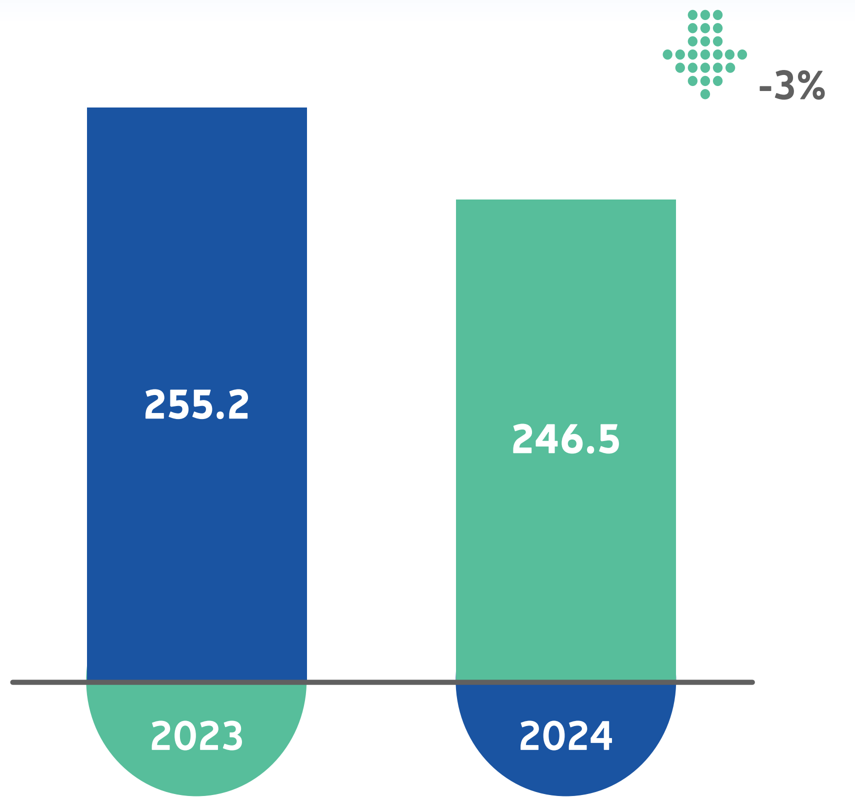
REFINING BLOCK

- A new IPPC permit was obtained, which is proof of compliance of the refinery's operations with the Serbian and European legislation in environmental protection, as well as an obligation to continue with a responsible attitude in the implementation of activities and significant investments in the field of environmental protection
- A turnaround was carried out in 2024. It increase reliability, improved energy efficiency and environmental management

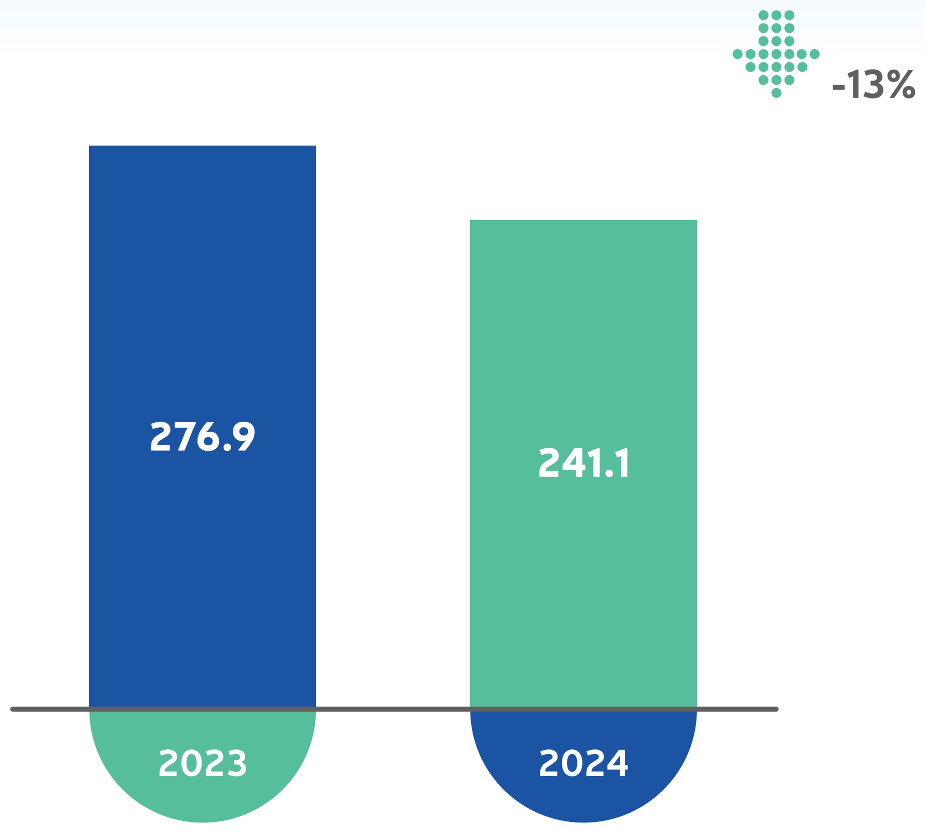
ENERGY BLOCK

- In 2024, 20 PvPP will be put into operation at PS (a total of 45 so far), as well as at the Jazak Plant, on the roofs of the Novi Sad Oil Derivatives Warehouse and the Pančevo Oil Refinery
- A new project for the construction of solar power plant on additional 30 PSs with a total capacity of 1 MWp has been contracted

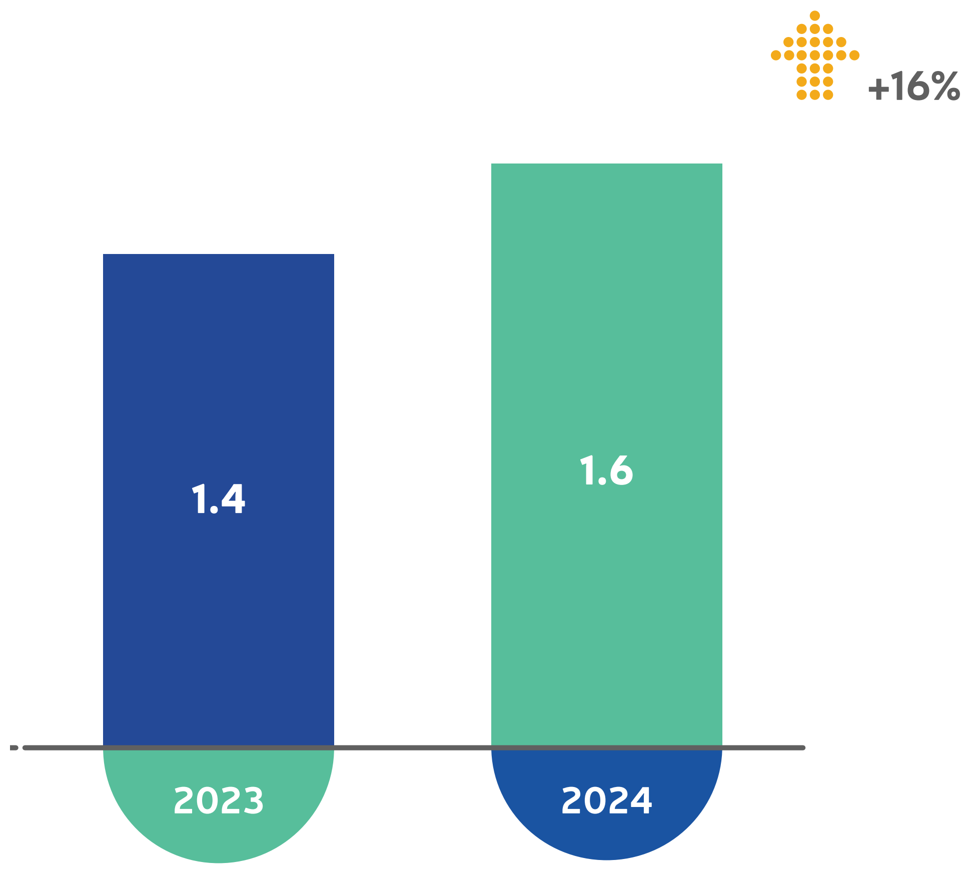
Carbon intensity in Exploration and production Block for scope 1, in kg CO_2E /t of oil production



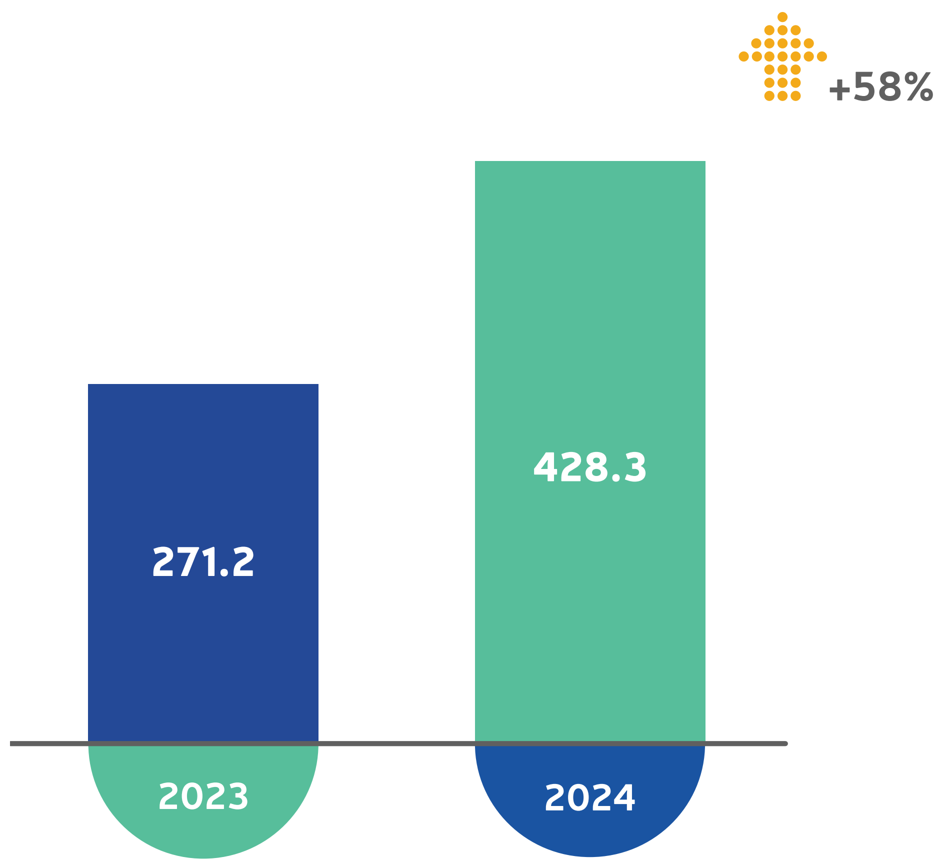
Carbon intensity in the Refining Block for scope 1, in kg CO_2E/t of oil production



Direct CO_2 emission (scope 1), mln tonnes[94]



Indirect CO_2 emissions (scope 2), thousand tonnes[95]



NIS continues its numerous initiatives contributing to the fight against climate change, which the Company is dedicated to. This includes the production of electric power from renewable sources. The company implements projects aimed at reducing the consumption and losses of energy resources (steam, gas, electricity), including the injection of CO_2 from the amine plant into the Rusanda reservoir.

The Regulation on Monitoring and Reporting on Greenhouse Gas Emissions (Official Gazette of the Republic of Serbia, No. 118/2023) entered into force in the Republic of Serbia at the beginning of 2024. It defines the method of monitoring, calculating and verifying GHG emissions, as well as the obligation for operators to issue GHG emission permits for their facilities. The goal is to reduce these emissions from the industrial sector in the long term and to accelerate the decarbonization of the economy, which is one of the important pillars of the Green Agenda.

As a confirmation of the quality of the activities implemented so far and the timely fulfilment of legal obligations in the field of climate change management, the Ministry of Environmental Protection has issued a permit for greenhouse gas emissions for 4 facilities: the Novi Sad oil depot, the Pančevo Refinery, PiTNiG Elemir and HIP Petrohemija (a permit is expected for FSK Elemir). The facilities that received the permits are obliged to monitor GHG emissions and prepare GHG Emissions Reports, verified independently.

In the field of waste management, audit controls of engaged waste management operators have been implemented. Waste management activities are carried out under framework contracts (concluded every three years) by authorized operators for waste collection, storage and treatment services.

In 2024, NIS issued the report titled Analysis of the Current State and Possibilities for Improving the OILY Waste Management Process in the Company (NIS and HIPP) by Developing Internal Resources or Engaging a Strategic Partner. A foreign consultant helped prepare the report. It resented a comparison of Serbian and EU procedures and prices, an estimate of CAPEX/OPEX costs for the development of internal resources, and an analysis of informative offers from operators/equipment suppliers from the EU. Based on the analysis, NIS will decide on the method of oily waste management in NIS.

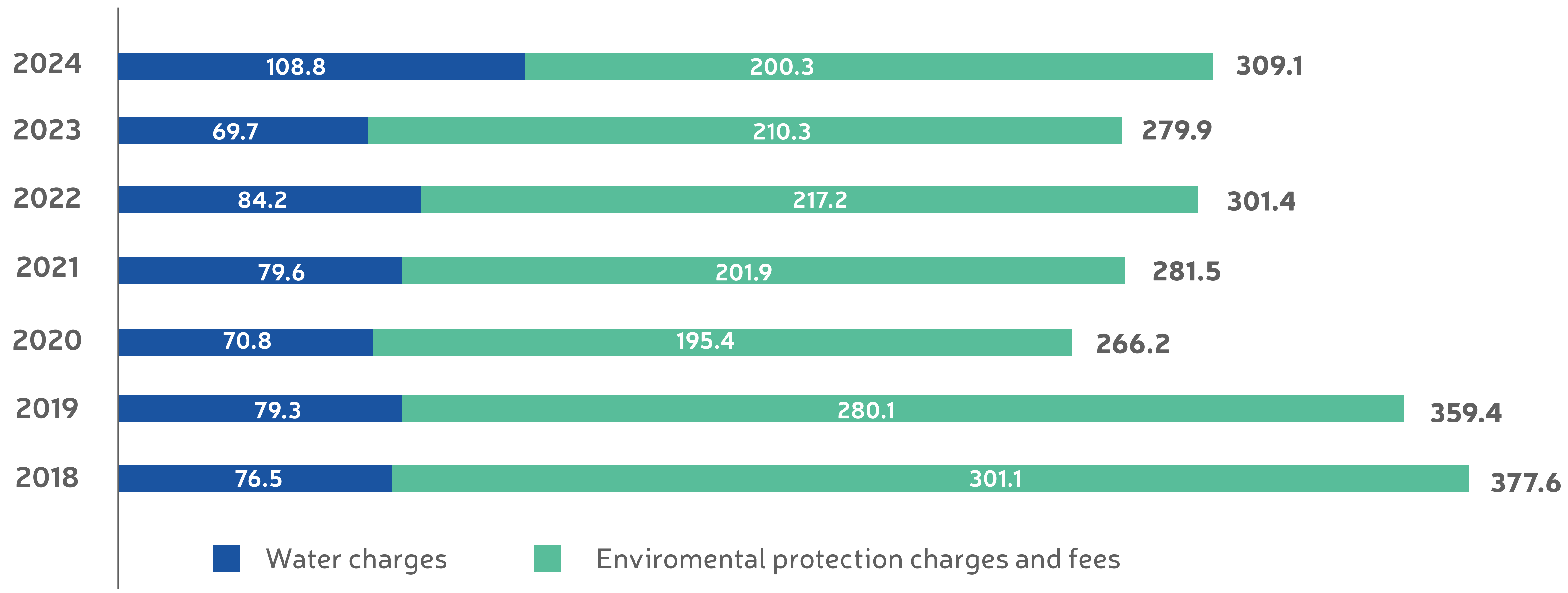
The Company regularly tracks and settles all its legal obligations related to environmental protection fees. In 2024, RSD 309.1 was allocated for taxes and fees.

In 2024, on the occasion of World Environment Day, an ecological cleaning campaign was traditionally implemented, in partnership with the City Environmental Protection Department of the City of Novi Sad, the Officers' Beach in Novi Sad was cleaned and arranged. The Company also cares about the environment in synergy with its employees, who regularly participate in environmental campaigns. Educational workshops and campaigns are also conducted to increase the environmental awareness of employees. By implementing such initiatives and campaigns, we work together to preserve and improve the environment.

[94] The increase in direct and indirect CO_2 emissions is due to the inclusion of HIPP emissions in the calculation.
[95] The increase in direct and indirect CO_2 emissions is due to the inclusion of HIPP emissions in the calculation.

Overview of charges and fees in 2024	Water charges (RSD million)	Environmental protection charges and fees (RSD million)	Total (RSD million)
NIS j.s.c. Novi Sad	84.5	186.1	270.6
Subsidiaries [96]	24.3	14.2	38.5
Total	**108.8**	**200.3**	**309.1**

Environmental protection charges and fees (2018-2024)



Karkas Safety Shield project

This project was created in order to eliminate injuries, accidents, incidents and negative environmental impacts, as well as promote HSE culture, prevent fatal and other injuries to employees and contractors, and to reduce financial losses resulting from incidents and accidents.

In 2024, NIS continued implementing and using modules 1 to 6 of the Safety Shield program and did the gap analysis and budgeting for module 6. Barrier functionality checks took place in NIS j.s.c. and G-Petrol LLC Sarajevo with good results.

In order to reduce the risk of injuries to employees and contractors, accidents and incidents at the level of NIS and its subsidiaries, the implementation of the program of measures to establish barrier functionality continues and the Program is being expanded to the subsidiary HIP Petrohemija, where diagnostics were conducted and barriers were selected that will be subject to inspection in 2025.

HSE culture improvement

In order to bring the topic of HSE closer to employees, NIS held two HSE weeks in 2024. At four NIS locations the HSE weeks were focused on health, and at the rest on occupational safety. The events included volunteer pick-ups in nature, various competitions on the topic of HSE, meet-and-greet with firefighters for employee's children, and the HSE Contractors' Forum. In order to raise awareness among employees about the importance of preventive health care, as well as to familiarize them with various methods and ways of preventing, mitigating and treating certain diseases, the guests of the health festival were reputable medical institutions, renowned manufacturers of herbal preparations, and promoters of diagnostic procedures.

NIS Petrol in Bosnia and Herzegovina also held HSE days. The three-day event included HSE competitions at petrol stations in three different regions, HSE games and practical exercises, and a screening of an educational film dedicated to the confessions of a petroleum industry operator, who suffered due to non-compliance with safety rules.

In order to develop HSE leadership and HSE culture, NIS held 24 HSE workshops attended by almost 500 employees from all blocks, functions and subsidiaries. Also, a HSE module became an integral part of the NIS Leader Academy First-Time Manager program, which this year included 95 new managers.

Also, during 2024, intensive efforts were made to raise awareness among employees about their responsibility and potential contribution to safer work, health, and environmental protection by communicating HSE topics through internal campaigns.

[96] Including Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, NIS MTO LLC Novi Sad, STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

HSE training, development of HSE competencies and raising awareness of the employees

Attendees of HSE trainings courses
83,932

Trained contractors
14,021

Hours spent on HSE trainings
326,541

The focus in 2024 was on compliance with the new legal regulations in the field of occupational safety and health, i.e. on the fulfillment of legal requirements regarding the competencies of Occupational Safety and Health Advisors. In order to improve the quality of HSE training, work was done on updating educational materials for on-the-job training (M2), as well as the creation of digital educational materials (e-learning content) and educational films. New programs and educational materials for Introductory Training for managers, employees and employee representatives were also developed, in accordance with legal requirements. In order to raise awareness of HSE risks, campaigns were implemented in the fields of traffic safety, prevention of injuries at work, raising HSE culture through various activities in HSE weeks, preventive health care and environmental protection. Cooperation with partner faculties within the "Energy of Knowledge" program was carried out through an expert visit of HIP students to Petrohemija in Pančevo, as well as through the Education Fair within the HSE Forum.

HSE motivation

In 2024, the additional motivation system for employees was revised, specifically the HSE motivation, by adopting the new Instructions for HSE Motivation through the Safety Leader Program and the relevant application was adjusted in line with the new concept. HSE Motivation throught the Safety Leader Program rewards responsible behaviour of employees towards their own safety, as well as the safety of colleagues and the environment. By adopting new criteria, a larger number of participants or employees have been involved, which was the goal.

HSE inspections

Systematic monitoring of inspection supervision by competent state authorities in all HSE areas showed that during 2024 the number of these controls at our locations was at the same level as the previous year.

HSE indicators

HSE indicators [97]	2023	2024	% changes
Injuries [98]	112	126	+13%
Lost-time injuries [98]	50	69	+38%
Traffic accidents [98]	7	10	+43%
Inspection visits coefficient	0.17	0.27	+59%
Visits by inspection bodies	540	553	+2%

[97] HIPP is included in the calculation of data from 2024.
[98] The data includes events for NIS j.s.c. Novi Sad, subsidiaries in the Republic of Serbia and abroad, as well as all contractors.

ANTI-CORRUPTION AND ANTI-FRAUD POLICY

Corruption in the oil industry is one of the key challenges faced by many companies and countries. Oil remains one of the most important resources, and its trade often involves significant amounts of money and power, creating a favorable environment for various forms of corruption.

In this regard, the company has adopted an Anti-Corruption and Fraud Policy to prevent and enforce a ban on participation in any form of corrupt behavior or fraudulent activities.

The policy ensures conditions for the timely detection, prevention, and minimization of risks related to unlawful, unethical, and corrupt behavior, based on the establishment of a unified standard of conduct, values, principles of legal business operations, and basic rules for fighting corruption and fraud.

The policy stipulates the obligation of all persons to provide appropriate information through predefined and protected communication channels, while guaranteeing confidentiality, in the event of reasonable suspicions regarding the commission or preparation for the commission of corrupt or fraudulent acts, as well as in the event of their discovery. The policy also defines measures to protect the person who has provided this information and the manner of their application. These measures ensure that the person who points out corrupt or fraudulent acts in this way is not in any way endangered as a result.

Additionally, continuous analysis is run across all organizational units of the Company to identify inherent corruption-related risks. The corruption indicators are continuously monitored, predominantly in the area of procurement of goods and services, in cooperation with buyers, and also in the process of verification of candidates for employment, appointment to management and other top positions at the Company, in the process of verification of business entities prior to entering into contracts, and in the process of approving the contractual and normative-methodological documents.

With a view to preventing any possible occurrence of corrupt behavior, the Company organized the education of employees of Corporate Security Function on how to identify the signs of corrupt activities in a timely manner. The members of the Company's governance bodies and the bodies established by them are familiar with anti-corruption rules and procedures in compliance with the Decision of the CEO, pursuant to which a standard template of the Anti-Corruption Agreement was adopted. Besides, members of Company's governance bodies and the bodies established by them are also familiar with the Anti-Corruption and Anti-Fraud Policy of the Company, in particular, with the clause of mandatory compliance with anti-corruption and anti-fraud legislation and the applicable rules and procedures related to anti-corruption activities.

Great importance is placed on the education and improvement of employees in the organizational part of the company engaged in detecting corrupt and other illegal activities. In this context, in 2024, the following topics were among those discussed:

- Information protection – handover of confidential data and protection of personal data;
- Confidential handling of documents for the Front Office in Pančevo and HIPP;
- Protection of information for new employees as part of Onboarding;
- Training organized and delivered by the Civil Protection Commissioner and Deputy Commissioner;
- Training organized by the Bizcon Group on the topic "Personal Data Protection";
- Implementation of an anti-drone system at the Pančevo Oil Refinery to protect critical infrastructure from the increasingly present threat of drones;
- Participation of the management of Corporate Security Function (FCS) in organizing and delivering the "10th International Security Managers Conference" focusing on new technologies and AI as support for corporate security.
- Participation of 21 FCS employees in the training "Corporate Financial Investigations" organized as a discussion, exchange of opinions and experiences, or as a practical workshop aimed at improving skills and competencies, contributing to more effective preventive work.

In addition, employees are provided with anti-corruption training in the process of internal audits of business compliance with Company's normative documents.

During 2024, 3,255 potential employment candidates were verified at NIS j.s.c. Novi Sad and subsidiaries in Serbia. All new hires at NIS j.s.c. received an induction training that includes the introduction to anti-corruption rules and practices.

The Company's business procedures require that all business partners with whom NIS has entered into a contractual relationship sign the Anti-Corruption Agreement, in order to preserve and ensure a favorable business environment through preventive and individual action combating corrupt and/or unlawful actions and behavior. The Decision of the CEO stipulates the procedure to be applied in situations when a business partner refuses to sign the above-mentioned Agreement, which includes taking measures and actions by the Company's competent sections to establish genuine reasons for the refusal to sign the Agreement, following which the decision on further actions is to be made and approved.

In 2024, against 76 employees, whose actions or failure to act caused harmful consequences for the Company, proposals were submitted to the relevant managers for the initiation of disciplinary or misdemeanor proceedings, which ended with one of the disciplinary measures. Out of that number the measure of termination of the employment contract with the employee was pronounced in 3 cases. None of the mentioned cases involved corruption motives as the basis for initiating the relevant proceedings.

During 2024, there were 53 cases with business partners, where the contract was not concluded or the already existing contract on business cooperation was not renewed. The reasons for this are an unprofessional attitude towards contractual obligations, non-fulfillment or poor-quality fulfillment of contractual obligations, non-fulfillment of financial obligations/currency debt (jeopardized claims) towards the Company or subsidiaries, etc. Investigations into corruption and fraud, received through the Red Line, were conducted in 5 cases.

The implementation of planned anti-corruption measures to protect business with continuous education and exchange of experiences and good practices with the management and employees of NIS, especially with organisational parts whose scope includes the implementation of procurement activities and the sale of goods and services - is a permanent and binding task for all employees.

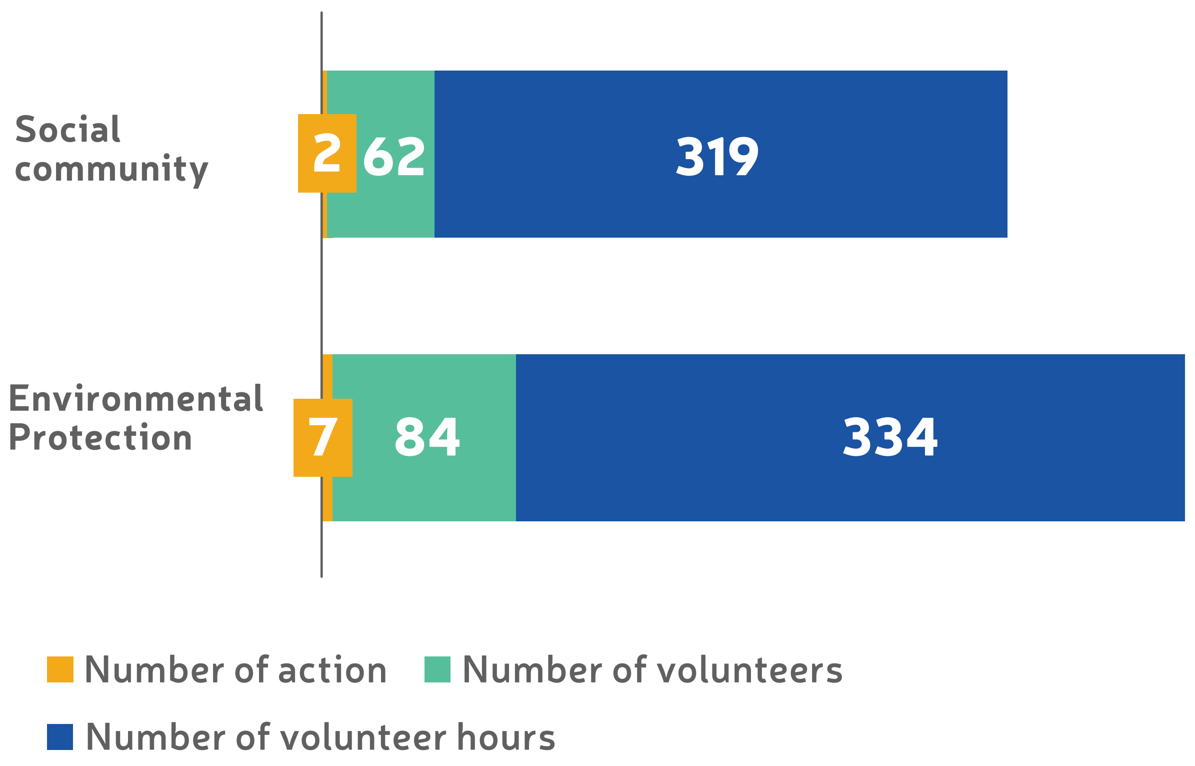
CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

Supporting projects that will contribute to improving living conditions in the community was one of the priorities for NIS in 2024. The focus of the supported projects was on all members of society, with a particular emphasis on young people, the development of the local community in all areas, and the improvement of environmental protection. NIS once again stood out as one of the leading investors in socially responsible projects in Serbia, into which, together with professional sports, an investment of RSD 481.1 million was made in 2024.

In order to encourage local communities to use renewable energy sources, rationalize energy consumption, and create an environmentally responsible atmosphere, NIS was the first company in our country to announce and independently implement and finance a competition aimed at projects that produce green energy through the use of solar energy potential. With this goal, NIS allocated funds totaling 144.5 million dinars in the previous year's cycle of the “Community Together“ program to implement 40 selected projects for the construction of solar power plants on public interest facilities in 13 partner cities and municipalities across Serbia. In line with the slogan of the cycle, “Together for Green Energy“ NIS aims to provide active support for the energy development of partner cities and municipalities, as well as to promote green energy and build a more sustainable future.

Volunteer actions by areas of support



The company's Volunteer Club continued to implement numerous actions, with its members dedicating more than 600 volunteer hours to the community just in 2024. NIS volunteers participated in various environmental initiatives, such as the maintenance and cleaning of the Officer's Beach in Novi Sad, as well as planting 100 ornamental tree seedlings in a public area in Kikinda. The traditional fourth internal volunteer competition was also conducted, focused on environmental protection. Under the slogan “Change, Green, Be (a)eco“ the company's volunteers greened and equipped selected schools in Bašaid and Sečanj, and a preschool institution in Gajdobra with solar benches and chargers, composters, recycling presses, and other ecological solutions.

The NIS Volunteer Club is also committed to the development of social entrepreneurship and fosters cooperation with organizations that focus on vulnerable members of our community. One such organization is “Our House“, which provides support to individuals with developmental disabilities and advocates for their social inclusion and economic empowerment. In the company's Business Center in Novi Sad, the Volunteer Club organized a sale of products from this organization to support its efforts in establishing business sustainability. Additionally, the dedicated volunteers took advantage of the autumn season to participate in the preparation of ajvar at the "Evo Ruka" association's courtyard, with the proceeds from the sale being used to improve the quality of life for families of children with developmental disabilities and rare diseases.

Humanity in action is also demonstrated by the employees of the company through their regular participation in the Blood Donation Club actions organized in cooperation with the relevant transfusion services. During 2024, 15 actions were carried out in the company's premises in Belgrade, Novi Sad, Pančevo, and Zrenjanin, during which more than 579 units of blood were collected.

Considering that the company's attention is always focused on the youngest members of the community, at the beginning of 2024, NIS donated a new van for food distribution to the Preschool Institution in Zrenjanin, enabling fresh meals from the central kitchen to be delivered on time to 20 kindergartens of this institution. At the beginning of the year, another holiday donation was made, where, in a joint humanitarian campaign with KK Partizan, new winter clothing and footwear were provided for 600 socially vulnerable children from across Serbia. NIS also participated in a major humanitarian initiative by the “Porodica“ Foundation called “This Journey for Children's Joy“ where the support was directed toward the reconstruction and improvement of part of the Pediatric Oncology Department at the Institute for Oncology and Radiology of Serbia. Additionally, NIS donated to the “Jedro“ Foundation to support the improvement of healthcare and treatment for patients suffering from Duchenne Muscular Dystrophy.

In addition, to provide support for young people coming from vulnerable social groups, NIS and the SOS Children's Village Foundation Serbia organized educational workshops aimed at empowering young people supported by this organization, with the goal of preparing them to enter the labor market and assisting in finding their first job.

As part of a traditional, festive campaign, at the end of the year, NIS provided vouchers worth 25,000 dinars each for the purchase of clothing and footwear for 120 large families and families of single parents cared for by the Religious Charitable Trust, while members of the company's Volunteer Club provided a large amount of sweets for the beneficiaries of the "Duga" Day Care Center in Leskovac and the beneficiaries of the Religious Charitable Trust's Soup Kitchen in Belgrade.

In 2024, more than 45 sponsorship projects in the fields of sports, culture, and science were realized. The long-standing cooperation with the Partizan Basketball Club, as well as with the Basketball and Volleyball Federations of Serbia, continued. Support was also provided to the Paralympic Committee of Serbia and the Vojvodina Volleyball Club, with particular emphasis on youth sports. Strategic partnerships of societal importance were continuously implemented, and support was given to the Belgrade Philharmonic Orchestra. Other projects of cultural significance were also highlighted, such as the gala concert of the Bolshoi Ballet, which visited Belgrade for the first time in nearly 50 years. All proceeds from the ticket sales for this concert were donated to improve the conditions for the education of young artists in the country.

As a company contributing to the achievement of global sustainable development goals, NIS published its 14th consecutive verified report last year, prepared in accordance with the standards of the leading global organization in sustainable business – the Global Reporting Initiative (GRI). In this way, all interested parties were comprehensively and transparently informed about the company's activities during 2024 in the areas of business development, investment in socially responsible projects, environmental protection, health and safety at work, as well as human resource development.

The continuous activities of the “Energy of Knowledge“ program were also maintained. In 2024, five students studying in the Russian Federation were awarded scholarships, along with five additional students through the Fund for Gifted Students of the University of Novi Sad.

During 2024, NIS partnered with the “Mihajlo Pupin“ Technical Faculty in Zrenjanin in the accreditation process of the new master's program “Industrial Engineering in Oil and Gas Exploitation“. Donor support was also provided to the faculty in order to improve the quality of teaching in the newly accredited master's program. Additionally, five new memorandums of cooperation were signed with higher education institutions.

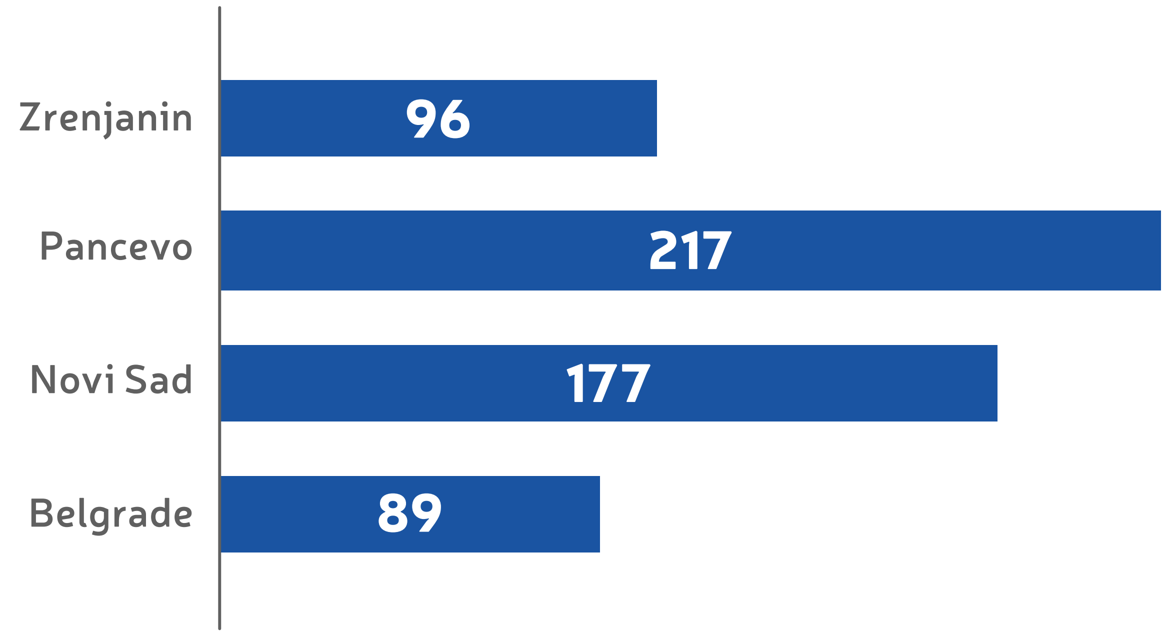
Donor support was also provided for the renovation and adaptation of Russian language classrooms in three schools in Serbia: the “Filip Višnjić“ Elementary School in Višnjićevo, the “Despot Stefan Lazarević“ Elementary School in Babušnica, and the “Prva Vojvođanska Brigada“ Elementary School in Novi Sad. Five chromatographs were donated to the Institute for Chemistry, Technology, and Metallurgy, and the Faculty of Mechanical Engineering in Belgrade. In cooperation with the Slavic Society of Serbia, the monograph “Methods in Foreign Language Teaching and Learning (in the Context of Russian as a Foreign Language)“ was published.

Company's experts conducted more than 15 guest lectures for students of partner faculties in Serbia, and for the third consecutive year, contracts were signed for the practical teaching implementation between three NIS engineers and the “Mihajlo Pupin“ Technical Faculty in Zrenjanin.

Summer student internships were organized for the program's scholarship recipients, as well as visits to the company by students, professors, and teachers from partner faculties and high schools. As part of the new internship program NIS Academy, a two-week internship was realized for 62 students from partner faculties.

Support continued for domestic and international Olympiads of Knowledge in Mathematics, Physics and Chemistry, NIS Olympiad in the Russian Language, bilingual classes in three schools in Serbia, as well as the implementation of the Serbian language classes at the Russian School at the Embassy of the Russian Federation in Belgrade.

Number of voluntary blood donation campaigns by city



COMMUNICATION

PUBLIC RELATIONS

Giving information to the public in a timely and comprehensive manner, and conducting media and digital promotion of all the business and other activities of NIS, is a priority of the Press Service work.

In addition to a large number of press releases and responses to journalists' inquiries, in 2024 the Press Service of NIS organized visits for journalists to the selected business locations of the company in order to give them the opportunity to directly learn about the work and the most important projects of NIS. In 2024, the Press Service of NIS continued to change the style of external communication, by adapting the corporate style to the current media trends. In the upcoming period, the priority of the Press Service of NIS will also be strengthening of the relations with the media and giving information to the public in a transparent way about the company's most important activities through as many communication channels as possible.

According to the global trends and the increasing importance of digital communication channels, the integration of the external digital channels into the corporate communication formats was carried out through the inclusion of materials from the company's social networks on media portals. In addition to an innovative approach to the digital corporate communications, a number of digital press tours was conducted. Greater personalization and segmentation of the company's content on the current corporate digital channels (external website and social networks) was achieved in terms of increased engagement of the company's employees in presenting the significant communication topics in the field of business, sustainable development and socially responsible business in order to inform the general public. The creation of the new digital formats and generating the content that responds to all challenges of modern communications have been improved. The visibility and cooperation with experts in the field of digital communications was also increased, as well as the commitment to the development of cooperation with the digital community. The corporate website publishes all the key information related to NIS, as well as electronic versions of annual reports and reports on sustainable development. There is also a platform "Energize Powered by NIS", where readers can get to know NIS from a different perspective and gain insight into texts in the fields of education, environmental protection, sustainable development and human resources.

INFORMING EMPLOYEES

Employee awareness is one of the key factors for achieving the company's business goals. Therefore, an important task of internal communications in NIS is to inform employees in a timely and accurate manner on all topics relevant to the Company. Last year, NIS continued developing its digital communication channels. The focus was on the mPortal mobile application, designed for field employees who do not have access to other digital channels, to provide them with information and opportunities for communication. By promoting the app NIS was able to increase in the number of users by 36% in 2024. At the same time, the internal web portal, the company's main channel for communicating with employees, was visited by an average of 6,000 users per day in 2024.

GOVERNMENTAL RELATIONS

COOPERATION WITH BUSINESS ASSOCIATIONS

In 2024, NIS representatives actively cooperated with the following business and professional associations:

- National Energy Committee of Serbia – WPC Energy (WPC Energy Serbia)
- Foreign Investors Council (FIC)
- American Chamber of Commerce in Serbia (AMCHAM)
- Serbian Chamber of Commerce (SCC)
- National Alliance for Local Economic Development (NALED).

As part of the cooperation with the NPCS-WPC, we would like to highlight the following significant activities that were carried out during 2024:

- Participation in the WPC Energy Governing Body Meeting in Washington in order to prepare and organize the WPC Energy Governing Body Meeting in April 2025 in Belgrade.
- Organization and participation in an educational workshop on the future of refinery processing and the role of hydrogen in the energy transition for representatives of the professional public and domestic media.
- Visit of the representative of the WPC Energy Serbia Young Professionals Committee to the Hydrocarbon Agency in Zagreb for the purpose of cooperation on geothermal energy projects.
- Participation of the WPC Energy Serbia representative at the Trebinje Energy Summit – SET 2024.
- Participation of the President of the WPC Energy Serbia Young Professionals Committee at the international conference of young professionals in the energy sector NEXT GEN'ERGY CONGRESS in Paris.
- Support for the organization of the International Conference “Biomedicine and Geosciences - the impact of the environment on human health”, held on Kopaonik, organized by the Agency of Geophysicists and Ecologists of Serbia.

NIS had an active contribution in the preparation of the annual publication “White Paper 2024” of the Foreign Investors Council (FIC), which included recommendations for the Oil and Gas Sector as well as recommendations for the successful continuation of the fight against illegal trade in the Republic of Serbia as part of measures to improve business conditions.

As part of the cooperation with NALED, we would like to highlight the activities of the creation of a legal framework for continuing the digitization in the health system through the implementation of the “e-Sick leave” project.

CURBING THE GREY MARKET

NIS supports the activities of state authorities in the fight against illegal trade and the grey market. We would like to emphasize that the adoption of the new National Programme for Suppressing the Grey Economy is of great importance, as well as the accompanying action plan for its implementation in 2024, in order to maintain the continuity of the systemic approach of the state authorities to reducing the volume of the grey market in the country.

RESEARCH AND DEVELOPMENT

In all segments of its business, NIS is dedicated to continuous technological development and introduction of innovations into business.

STC NIS Naftagas LLC Novi Sad, as a subsidiary in which NIS j.s.c. has a 100% share, provides scientific-technical and innovation support to the parent company in the field of oil and gas exploration and production. The research and development activity within STC has a dual role: coordinating and performing scientific and research works.

Implementation and development of new technologies, scientific and research activities and increasing the efficiency of exploration, production and refining of oil and gas, remain in the focus of attention for the STC management and employees.

In the field of geological and research works, geology, reservoir engineering and production, the following activities were carried out in 2024:

- The works on “Srednji Banat” and “Severni Banat” projects continued. Implementation of these projects in determining the presence of hydrocarbon accumulation directed further exploration works;
- Three exploration wells were drilled during the year. All three wells fulfilled the task and confirmed new hydrocarbon reserves;
- Activities were carried out to create new studies on reserves for oil and gas fields;
- Created RBDS (Resource Base Development Strategy). Generated multiple new potential sites for exploration by geological drilling;
- In order to determine the optimum development drilling and geological-technical activities, 7 geological and hydrodynamic models for external projects and 7 geological and hydrodynamic models for domestic projects were developed;
- Developed application for automatic calculation of recoverable reserves. With the application, it is possible to determine the dynamics of future production at the level of the well, reservoir and field, as well as the dynamics for several selected wells at once;
- In the field of oil and gas production technology, operational monitoring of the entire gas well stock through modelling contributed to a better overview of the condition and potential of the wells, and thus to a better control of the operation of the wells, faster and more efficient selection of methods for solving problems on the wells, as well as optimum selection of equipment to be installed in the wells. As a result, we have reduced OPEX costs and decreased downtime at gas wells.
- As one of the directions of the development of the geothermal energy portfolio, the locations suitable from the aspect of diversification of thermal energy supply at NIS infrastructure facilities are being considered. The study was created, which included the analysis of the existing well stock, the selection of priority geological facilities interesting from the aspect of resource utilization for the purpose of diversification of thermal consumption at NIS infrastructure facilities, the selection of wells, modelling and petrophysical interpretation of target intervals, as well as the formation of a simulation of the layer – well under dynamic conditions.

The work on searching for new technologies for solving the Upstream technological challenges of the 2024-2025 cycle has been completed. During the work, more than 20 hypotheses of new technologies regarding field development, tank stimulation, disposal of produced water, monetization of gas from small fields and so on were proposed.

The accreditation was confirmed to the Downstream Laboratory at the Pančevo Oil Refinery with the new Certificate on Accreditation for a new four-year cycle according to the SRPS ISO/IEC 17025 standard, which ensures continuity in accreditation of more than 20 years.

FURTHER DEVELOPMENT

EXPLORATION AND PRODUCTION BLOCK

EXPLORATION AND PRODUCTION

The main goal in 2025 is to maintain a stable level of oil and gas production with a constant increase in the efficiency of all activities, as well as the development of new directions of operations of Geothermal, CCUS, the program of entering the external markets. The plan is also to increase the drilling technology (horizontal wells, Reentry, lateral drilling) as well as the implementation of the program of modernization of the NFS material and technical base.

- Implementation of the exploration and development drilling program
- Maintaining high intensity of GTA in Serbia to maintain the level of base production
- Monetization of acid gas reserves (with a high CO_2 content) through electricity production
- Development of the new HMUN Velebit project
- Development of the study of the “blue” hydrogen production project at the Pančevo Refinery
- Realization of the “Expansion of PSG Banatski Dvor”project.

DOWNSTREAM

REFINING BLOCK

In 2025, within the production activity of Refining Block, the focus will be on the following activities:

- Adapting to changes in the basket of imported oil for refining, conditioned by the movement on the spot market and procurement opportunities;
- Implementation of projects and measures with the aim of operational efficiency increase at the Pančevo Oil Refinery;
- Development of the Asset Management System within the programme of increasing reliability of the Pančevo Oil Refinery.

Within the investment projects, during 2025, the focus will be on:

- Reconstruction of the fire protection system at the Pančevo Oil Refinery
- Reconstruction of industrial track at the Pančevo Oil Refinery
- Replacement of critical rotary equipment at the Refining Block
- Reconstruction of the Laboratory Building at the Pančevo Oil Refinery
- Temporary hazardous waste storage at the Pančevo Oil Refinery.

RESALES AND DISTRIBUTION BLOCK

Goals:

- Ensuring energy stability and uninterrupted supply of petroleum products to the Serbian market.
- Maintaining a high share in the growing retail market and motor fuel market in Serbia.
- Increasing sale efficiency through proactive action in wholesale and retail channels.

Investments:

- Construction of PSs in Serbia
- Commencement of work, after the total reconstruction of 8 PSs
- NB Novi Sad – preparatory works and start of the oil base reconstruction.

Projects aimed at increasing the focus on customers/ Digital transformation projects:

- Development of the project for combining two existing applications into a new single-consumer mobile application - combining the “On the Road with Us” and “Drive.Go” functions and including the additional functions aimed at improving the user experience
- Development of the web portal of the Regional Wholesale Department
- Implementation and development of self-service payment options at PSs (self-service cash registers, indoor and outdoor self-service payment).
- System for centralized logistics management (LOGIS)
- Implementation of virtual cards for corporate clients.

ENERGY BLOCK

In 2025, the construction and commissioning of contracted solar power plants is planned, specifically photovoltaic power plants at 30 refuelling stations and photovoltaic power plants with a total capacity of 1 MW and the Smederevo photovoltaic power plant with a capacity of 2.9 MWp, which is in the phase of collecting bids for construction under the “turnkey” model, as well as the start of the implementation of projects for which due diligence has been completed, economic justification assessed, technical feasibility determined and project passports approved, namely:

- Elemir photovoltaic power plant on the ground 3.3 MWp,
- Elemir photovoltaic power plant on rooftops 1.2 MWp and
- Jermenovci photovoltaic power plant 2.5 MWp.

The construction of power plants with a capacity of up to 150 kW in the status of buyer-producer will continue for the needs of the company's production and other facilities.

FINANCIAL STATEMENTS

STAND-ALONE FINANCIAL STATEMENTS

BALANCE SHEET

	AOP	Note	31 December 2024	31 December 2023
A. SUBSCRIBED CAPITAL UNPAID	**0001**		**-**	**-**
B. NON-CURRENT ASSETS (0003+0009+0017+0018+0028)	**0002**		**350,197,200**	**329,587,024**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008)	**0003**	**7**	**14,345,079**	**15,216,763**
1. Development investments	0004		8,882,621	10,006,187
2. Concessions, licenses, software and other rights	0005		3,534,996	3,231,197
3. Goodwill	0006		-	-
4. Intangible assets in lease and under development	0007		1,927,462	1,979,379
5. Advances for intangible assets	0008		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)	**0009**		**295,945,676**	**272,188,658**
1. Land and buildings	0010	8a	176,699,610	168,250,886
2. Machinery and equipment	0011	8a	84,670,315	73,685,863
3. Investment property	0012	8c	1,512,766	1,514,651
4. Property, plant and equipment in lease and construction in progress	0013	8a, 86	30,083,812	24,365,059
5. Other property, plant and equipment and investments in leased PP&E	0014	8a	202,543	209,276
6. Advances for PP&E - domestic	0015	8a	2,541,354	3,621,003
7. Advances for PP&E - foreign	0016	8a	235,276	541,920
III. BIOLOGICAL ASSETS	**0017**		**-**	**-**
IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)	**0018**		**39,906,445**	**42,181,603**
1. Investments in legal entities (except those evaluated using the equity method)	0019	9	31,108,375	31,108,323
2. Investments in legal entities evaluated by equity method	0020	10	1,038,800	1,038,800
3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021	11	2,062,694	1,889,147
4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties- foreign	0022	11	4,222,893	6,659,484
5. Long-term investments - domestic	0023		6,685	8,565
6. Long-term investments - foreign	0024		-	-
7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
8. Purchased own shares	0026		-	-
9. Other long-term financial investments and long-term receivables	0027	12	1,466,998	1,477,284
V. LONG - TERM ACCRUED AND DEFERRED INCOME	**0028**		**-**	**-**
C. DEFFERED TAX ASSETS	**0029**	**13**	**4,278,690**	**3,527,437**

in 000 RSD

	AOP	Note	31 December 2024	31 December 2023.
G. CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	**0030**		**173,362,054**	**186,779,123**
I. INVENTORY (0032+0033+0034+0035+0036)	**0031**	**14**	**43,230,623**	**60,067,483**
1. Materials, spare parts and tools	0032		19,174,959	28,747,942
2. Work in progress and finished goods	0033		21,117,623	27,636,379
3. Merchandise	0034		1,744,615	2,943,979
4. Advances for inventory and services - domestic	0035		835,841	463,859
5. Advances for inventory and services - foreign	0036		357,585	275,324
II. FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	**0037**		**17,915**	**60,090**
III TRADE RECEIVABLES (0039+0040+0041+0042+0043)	**0038**	**15**	**38,989,898**	**44,461,405**
1. Trade receivables - domestic	0039		28,094,037	29,353,436
2. Trade receivables - foreign	0040		798,523	1,332,734
3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		1,830,623	5,574,445
4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		8,266,715	8,200,790
5. Other trade receivables	0043		-	-
IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	**0044**	**16**	**11,981,627**	**10,895,067**
1. Other receivables	0045		4,268,904	3,385,888
2. Receivables for overpaid income tax	0046		7,549,680	7,380,049
3. Receivables from overpaid other taxes and contributions	0047		163,043	129,130
V. SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	**0048**	**17**	**29,217,183**	**47,122,344**
1. Short-term loans and investments - parent and subsidiaries	0049		7,566,107	1,034,375
2. Short-term loans and investments – other related parties	0050		-	-
3. Short-term loans and investments - domestic	0051		62,433	63,862
4. Short-term loans and investments - foreign	0052		21,588,643	19,733,211
5. Securities evaluted at amortized cost	0053		-	-
6. Financial assets evaluated through profit or loss	0054		-	-
7. Purchased own shares	0055		-	-
8. Other short-term financial investments	0056		-	26,290,896
VI. CASH AND CASH EQUIVALENTS	**0057**	**18**	**38,821,710**	**16,270,493**
VII. PREPAYMENTS AND ACCRUED INCOME	**0058**	**19**	**11,103,098**	**7,902,241**
D TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	**0059**		**527,837,944**	**519,893,584**
E OFF-BALANCE SHEET ASSETS	**0060**	**20**	**186,552,396**	**178,808,690**

in 000 RSD

	AOP	Note	31 December 2024	31 December 2023
A. EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	**0401**	**21**	**386,154,558**	**378,320,864**
I. EQUITY	**0402**		**81,530,200**	**81,530,200**
II. SUBSCRIBED CAPITAL UNPAID	**0403**		**-**	**-**
III. SHARE PREMIUM	**0404**		**-**	**-**
IV. RESERVES	**0405**		**-**	**-**
V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0406**		**66,259**	**52,362**
VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0407**		**151,698**	**73,330**
VII. RETAINED EARNINGS (0409+0410)	**0408**		**304,709,797**	**296,811,632**
1. Retained earnings from previous years	0409		286,329,219	254,897,004
2. Retained earnings from current year	0410		18,380,578	41,914,628
VIII. NON-CONTROLLING INTEREST	**0411**		**-**	**-**
IX. LOSS (0413+0414)	**0412**		**-**	**-**
1. Loss from previous years	0413		-	-
2. Loss from current year	0414		-	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	**0415**		**84,507,525**	**79,702,902**
I. LONG-TERM PROVISIONS (0417+0418+0419)	**0416**	**22**	**12,652,906**	**11,585,650**
1. Provisions for employee benefits	0417		1,240,381	737,192
2. Provisions for warranty claims	0418		-	-
3. Other long term provisions	0419		11,412,525	10,848,458
II. LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	**0420**	**23**	**71,854,619**	**68,117,252**
1. Liabilities convertible to equity	0421		-	-
2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422		-	-
3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423		-	-
4. Long-term loans and finance lease liabilities - domestic	0424		44,333,550	40,276,230
5. Long-term loans and finance lease liabilities - foreign	0425		13,507,373	15,795,870
6. Liabilities for issued securities	0426		1,870,637	-
7. Other long-term liabilities	0427		12,143,059	12,045,152
III. LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	**0428**		**-**	**-**
C. DEFFERED TAX LIABILITIES	**0429**	**13**	**-**	**-**
D. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	**0430**		**-**	**-**

in 000 RSD

	AOP	Note	31 December 2024	31 December 2023
E. SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	**0431**		**57,175,861**	**61,869,818**
I. SHORT-TERM PROVISIONS	**0432**	**22**	**1,155,490**	**2,624,738**
II. SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	**0433**	**24**	**11,692,096**	**14,889,366**
1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		2,387,512	2,786,281
2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		-	-
3. Short-term loans and borowings from other parties	0436		488,755	522,002
4. Short-term loans from domestic banks	0437		7,016,799	10,519,898
5. Short-term loans, borowings and liabilities - foreign	0438		1,799,030	1,061,185
6. Liabilities on short-term securities	0439		-	-
7. Liabilities based on financial derivatives	0440		-	-
III. ADVANCES RECEIVED	**0441**		**5,242,137**	**4,817,430**
IV. TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	**0442**	**25**	**16,323,505**	**18,658,813**
1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		6,268,938	7,741,512
2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		47,626	50,989
3. Trade payables - domestic	0445		8,281,677	8,104,925
4. Trade payables - foreign	0446		1,700,296	2,748,942
5. Liabilities on promissory notes	0447		-	-
6. Other operating liabilities	0448		24,968	12,445
V. OTHER SHORT-TERM LIABILITIES (450+451+452)	**0449**	**26**	**18,759,717**	**17,155,121**
1. Other short-term liabitilies	0450		6,562,762	6,342,389
2. Liabilities for VAT and other taxes	0451		12,196,955	10,812,732
3. Profit tax liabilities	0452		-	-
VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TER-MINATED BUSINESS	**0453**		**-**	**-**
VII. SHORT-TERM ACCRUED EXPENSES	**0454**	**27**	**4,002,916**	**3,724,350**
F. LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0	**0455**		**-**	**-**
G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)	**0456**		**527,837,944**	**519,893,584**
H. OFF-BALANCE SHEET LIABILITIES	**0457**	**20**	**186,552,396**	**178,808,690**

in 000 RSD

INCOME STATEMENT

	AOP	Note	Year ended 31 December 2024	2023
A. OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	1001		386,894,807	394,916,730
I. INCOME FROM THE SALE OF GOODS (1003+1004)	1002	6	75,498,279	32,482,249
1. Income from sale of goods on domestic market	1003		73,410,631	31,901,438
2. Income from sale of goods on foreign market	1004		2,087,648	580,811
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	1005	6	315,055,600	358,295,284
1. Income from sales of products and services on domestic market	1006		263,456,244	312,728,598
2. Income from sales of products and services on foreign market	1007		51,599,356	45,566,686
III. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1008		2,286,767	1,912,698
IV. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1009		-	1,735,916
V. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1010		6,518,756	-
VI. OTHER OPERATING INCOME	1011	6	447,704	436,837
VII. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1012	28	125,213	53,746
B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		363,371,652	339,798,347
I. COST OF GOODS SOLD	1014		70,356,252	29,541,577
II. COST OF MATERIAL, FUEL AND ENERGY	1015	29	210,536,124	233,247,909
III. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1016	30	22,966,389	21,123,506
1. Cost of salaries and fringe benefits	1017		19,263,808	17,693,178
2. Cost of tax and contributions on wages and salaries	1018		2,525,325	2,331,792
3. Other personal expenses	1019		1,177,256	1,098,536
IV. DEPRECIATION, DEPLETION AND AMORTIZATION	1020	7,8	24,232,857	22,593,795
V. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1021	31	51,324	139,927
VI. COST OF PRODUCTION SERVICES	1022	32	19,428,773	18,030,811
VII. COST OF PROVISION	1023		512,459	923,808
VIII. NON-PRODUCTION COSTS	1024	33	15,287,474	14,197,014
C. OPERATING GAIN (1001-1013)>=0	1025		23,523,155	55,118,383
D. OPERATING LOSS (1013-1001)>=0	1026		-	-
E. FINANCE INCOME (1028+1029+1030+1031)	1027	34	3,731,635	6,948,780
I. FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1028		941,853	2,241,852
II. INTEREST INCOME	1029		2,237,985	4,309,314
III. FOREIGN EXCHANGE GAIN	1030		486,465	350,420
IV. OTHER FINANCIAL INCOME	1031		65,332	47,194
G. FINANCE EXPENSES (1033+1034+1035+1036)	1032	35	5,081,542	4,676,470
I. FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		391,350	1,154,108
II. INTEREST EXPENSE	1034		3,530,576	3,087,786
III. FOREIGN EXCHANGE LOSS	1035		1,151,960	424,612
IV. OTHER FINANCIAL EXPENSE	1036		7,656	9,964
I. PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	1037		-	2,272,310
J. LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	1038		1,349,907	-

in 000 RSD

	AOP	Note	Year ended 31 December 2024	2023
K. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	36	109,555	101,080
L. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	37	37,466	82,794
M. OTHER INCOME	1041	38	1,314,112	786,254
N. OTHER EXPENSE	1042	39	1,393,267	8,435,642
O. TOTAL INCOME (1001+1027+1039+1041)	1043		392,050,109	402,752,844
P. TOTAL EXPENSE (1013+1032+1040+1042)	1044		369,883,927	352,993,253
Q. OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		22,166,182	49,759,591
R. OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		-	-
S. POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1047		-	-
T. NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1048		-	-
U. PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	1049		22,166,182	49,759,591
V. LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		-	-
W. INCOME TAX				
I. CURRENT INCOME TAX	1051	40	4,523,958	8,391,534
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	40	-	-
III. DEFERRED TAX INCOME FOR THE PERIOD	1053	40	738,354	546,571
X. PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y. NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		18,380,578	41,914,628
Z. NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	-
I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	1057		-	-
II. NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		-	-
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	1059		-	-
IV. NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		-	-
V. EARNINGS PER SHARE			-	-
1. Basic earnings per share	1061		-	-
2. Diluted earnings per share	1062		-	-

in 000 RSD

STATEMENT OF OTHER COMPREHENSIVE INCOME

	AOP	Note	Year ended 31 December 2024	2023
A. NET PROFIT/LOSS				
I. NET PROFIT (AOP 1055)	**2001**		**18,380,578**	**41,914,628**
II. NET LOSS (AOP 1056)	**2002**		**-**	**-**
B. OTHER COMPREHENSIVE PROFIT/LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase of revaluation reserves	2003		3,400	-
b) decrease of revaluation reserves	2004		-	-
2. Actuarial gains (losses) of post employmet benefit obligations				
a) gains	2005		-	-
b) losses	2006		72,023	53,255
3. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
a) gains	2007		-	-
b) losses	2008		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains and losses arising from equity investments				
a) gains	2009		-	-
b) losses	2010		-	-
2. Gains (losses) from currency translation differences				
a) gains	2011		-	-
b) losses	2012		-	-
3. Gains (losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
4. Gains (losses) on hedging in a cash flow hedge				
a) gains	2015		-	-
b) losses	2016		-	-
5. Gains (losses) from change in value of available-for-sale financial assets				
a) gains	2017		52	8,299
b) losses	2018		-	-
I OTHER COMPREHENSIVE GAIN BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	**2019**		**-**	**-**
II OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0	**2020**		**68,571**	**44,956**
III DEFERRED TAX EXPENSE ONR OTHER COMPREHENSIVE PROFIT (LOSS)	**2021**		**-**	**-**
IV DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT (LOSS)	2022		-	-
V. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0	2023		-	-
VI. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0	2024		68,571	44,956
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0	2025		18,312,007	41,869,672
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	2026		-	-
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2028+2029)=AOP 2025>=0 or AOP 2026>0	2027		-	-
1. Attributable to shareholders	2028		-	-
2. Attributable to non-controling interest	2029		-	-

in 000 RSD

STATEMENT OF CASH FLOWS

	AOP	Note	Year ended 31 December 2024	2023
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	**3001**		**694,202,046**	**663,228,848**
1. Sales and advances received - domestic	3002		657,387,424	631,066,472
2. Sales and advances received - foreign	3003		33,225,743	28,302,511
3. Interest from operating activities	3004		3,141,175	3,423,030
4. Other inflow from operating activities	3005		447,704	436,835
II. Cash outflow from operating activities (1 to 8)	**3006**		**626,404,426**	**640,503,796**
1. Payments and prepayments to suppliers - domestic	3007		130,722,546	105,747,347
2. Payments and prepayments to suppliers - foreign	3008		198,014,581	223,291,963
3. Salaries, benefits and other personal expenses	3009		22,517,680	19,842,032
4. Interest paid - domestic	3010		2,854,619	2,278,867
5. Interest paid - foreign	3011		624,741	571,343
6. Income tax paid	3012		4,703,104	29,759,942
7. Payments for other public revenues	3013		266,967,155	259,012,302
8. Other payments from operating activities	3014		-	-
III. Net cash inflow from operating activities (I - II)	**3015**		**67,797,620**	**22,725,052**
IV. Net cash outflow from operating activities (II - I)	**3016**		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3017**		**48,207,299**	**17,692,662**
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		774,284	151,307
3. Other financial investments	3020		47,374,416	17,496,983
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		58,599	44,372
II. Cash outflow from investing activities (1 to 3)	**3023**		**82,279,590**	**78,828,210**
1. Acquisition of subsidiaries or other business	3024		-	5,863,685
2. Purchase of intangible assets, property, plant and equipment	3025		53,606,816	35,905,900
3. Other financial investments	3026		28,672,774	37,058,625
III. Net cash inflow from investing activities (I - II)	**3027**		**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3028**		**34,072,291**	**61,135,548**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	**3029**		**38,469,531**	**14,368,904**
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	23	12,055,367	2,911,766
3. Proceeds from long-term borrowings - foreign	3032	23	-	468,635
4. Proceeds from short-term borrowings - domestic	3033	23	24,542,554	10,988,503
5. Proceeds from short-term borrowings - foreign	3034		-	-
6. Other long-term liabilities	3035		1,871,610	-
7. Other short-term liabilities	3036		-	-

in 000 RSD

	AOP	Note	Year ended 31 December 2024	2023
II. Cash outflow from financing activities (1 to 8)	**3037**		**48,859,970**	**42,547,189**
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	23	10,395,806	2,768,255
3. Repayment of long-term borrowings - foreign	3040	23	1,539,679	3,057,206
4. Repayment of short-term borrowings - domestic	3041	23	25,761,322	12,240,277
5. Repayment of short-term borrowings - foreign	3042		-	486,580
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	23	684,902	629,946
8. Dividend distribution	3045	21	10,478,261	23,364,925
III. Net cash inflow from financing activities (I - II)	**3046**		**-**	**-**
IV Net cash outflow from financing activities (II - I)	**3047**		**10,390,439**	**28,178,285**
D. TOTAL CASH INFLOW (3001+3017+3029)	**3048**		**780,878,876**	**695,290,414**
E. TOTAL CASH OUTFLOW (3006+3023+3037)	**3049**		**757,543,986**	**761,879,195**
F. NET CASH INFLOW (3048-3049)>=0	**3050**		**23,340,890**	**-**
G. NET CASH OUTFLOW (3049-3048)>=0	**3051**		**-**	**66,588,781**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3052**		**16,270,493**	**83,083,255**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3053**		**51,270**	**17,461**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3054**		**834,943**	**241,442**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	**3055**	**18**	**38,821,710**	**16,270,493**

in 000 RSD

NOTES TO THE STANDALONE FINANCIAL STATEMENTS[99]

STATEMENT OF CHANGES IN EQUITY

	Equity components								
	AOP	Share capital	AOP	Rev. reserves and unr. gains and losses	AOP	Retained earnings	AOP	Loss	AOP	Total (equals AOP 0401)
1. Balance as at 01 January 2023	**4001**	**81,530,200**	**4037**	**91,787**	**4046**	**278,194,130**	**4055**	**-**	**4073**	**359,816,117**
2.Adjustments of material errors and changes in accounting policies	4002	-	4038	-	4047	-	4056	-	4074	-
3. Restated opening balance as at 01 January 2023	**4003**	**81,530,200**	**4039**	**91,787**	**4048**	**278,194,130**	**4057**	**-**	**4075**	**359,816,117**
4. Net changes in 2023	4004	-	4040	(112,755)	4049	18,617,502	4058	-	4076	18,504,747
5. Balance as at 31 December 2023	**4005**	**81,530,200**	**4041**	**(20,968)**	**4050**	**296,811,632**	**4059**	**-**	**4077**	**378,320,864**
6. Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4078	-
7. Restated opening balance as at 01 January 2024	**4007**	**81,530,200**	**4043**	**(20,968)**	**4052**	**296,811,632**	**4061**	**-**	**4079**	**378,320,864**
8. Net changes in 2024	4008	-	4044	(64,471)	4053	7,898,165	4062	-	4080	7,833,694
9. Balance as at 31 December 2024	**4009**	**81,530,200**	**4045**	**(85,439)**	**4054**	**304,709,797**	**4063**	**-**	**4081**	**386,154,558**

in 000 RSD

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije, Novi Sad (the "Company") is a vertically integrated oil company operating predominantly in Serbia. The Company's principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading and
- Electric generation and trading.

Other activities primarily include sales of other goods, works and services.

The Company is an open joint stock company listed on the Belgrade Stock Exchange.

These financial statements are separate financial statements of the Company. The Company also prepares consolidated financial statements.

These Financial Statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Shareholders' Assembly for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

These financial statements for the year ended 31 December 2024 were prepared in accordance with the applicable Law on Accounting of the Republic of Serbia, which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,

[99] All amounts are in RSD 000, unless otherwise stated.

- "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

As a result, the accompanying financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Financial Statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Company will be able to continue to operate as a going concern in the foreseeable future (refer to note 3.1. Implication of imposed US Sanctions) and, therefore, this principle should be applied in the preparation of these Financial Statements.

At the date of signing Financial Statements, crude oil price increased since 31 December 2024 from 74.645 $/barrel to 84.140 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. BASIS OF MEASUREMENT

These Financial Statements are prepared on the historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

2.3. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.4. FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Serbian dinars ("RSD"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other monetary assets and liabilities are presented in the income statement within 'finance income or cost'.

2.5. INTANGIBLE ASSETS

(a) Licenses and rights (concessions)

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives (average useful life is 5 years).

Licenses and rights include Oil and Gas Upstream Exploration Rights, which are amortised in accordance with the terms and conditions of the rights.

(b) Software

These include primarily the costs of implementation the (SAP) computer software program. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not to exceed 8 years).

2.6. OIL AND GAS PROPERTIES

(a) Exploration and evaluation expenditure

The Company follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:
- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

(b) Development costs of fixed and intangible assets

Development costs are incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

(c) Oil and gas production assets

Oil and gas production assets comprise exploration and evaluation assets as well as development costs associated with the production of proved reserves.

(d) Depreciation/amortization

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) Impairment – exploration and evaluation assets

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

(f) Impairment – proved oil and gas properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.7. PROPERTY, PLANT AND EQUIPMENT

As of the date of establishment, the Company's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Buildings	10-50
Machinery and Equipment:	
- Production equipment	2 – 35
- Furniture	3 – 10
- Vehicles	5 – 25
- Computers	3 – 10
Other PP&E	3 – 20

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/(expenses)" in the income statement (notes 38 and 39).

2.8. LEASES

The Company leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	25
Buildings	2-22
Machinery	3-15
Motor vehicles	2-10

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.9. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10. INVESTMENT PROPERTY

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises of petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value. Changes in fair values are recorded in the income statement as part of income/expenses from valuation of assets (except financial) (note 28 and 31).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.11. FINANCIAL INSTRUMENTS

(a) Key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Amortized cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL").

(b) Classification and measurement

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

At initial recognition, the Company measures a financial asset as its fair value plus, in case of a financial assets not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit and loss. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Factors considered by the Company in determining the business model include the purpose and composition of portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest ("SPPI"), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

(c) Write-off

Financial assets are written-off, in whole or in part, when the Company has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

(e) Modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

(f) Financial assets impairment

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and recognises Net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

– General model of impairment of financial assets – three stage model

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

When defining default for the purposes of determining the risk of a default occurring, Company applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately.

Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

– Simplified approach for impairment of receivables and lease receivables

Company applies simplified approach for trade receivables and lease receivables and measure the loss allowance at an amount equal to lifetime expected credit losses ("Lifetime ECL").

Company uses a provision matrix in the calculation of the expected credit losses on trade receivables. Company use historical credit loss experience (adjusted as appropriate on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling, general and administrative expenses.

Impairment losses are reversed through profit or loss if the amount of the impairment loss decreases and the decrease can be attributed to an event occurring after the impairment was recognized.

2.12. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as Other expense (note 39).

2.13. OFF-BALANCE SHEET ASSETS AND LIABILITIES

Off-balance sheet assets/liabilities include: material received from third parties for further processing and other assets not owned by the Company, as well as receivables/payables relating to collaterals received/given such as guarantees and other warrants.

2.14. SHARE CAPITAL

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.15. EARNINGS PER SHARE

The Company calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

2.16. PROVISIONS

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as cost of provision and charged to income statement.

2.17. CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.18. EMPLOYEE BENEFITS

(a) Pension obligations

The Company operates a defined contribution pension plan. The Company pays contributions to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee benefits provided by the Collective Agreement

The Company provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

(c) Bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

At the end of 2023 the Company has made decision to introduce new three-year (2024-2026) program for Company's managers which will be based on the Key Performance Indicators ("KPI") reached during the program (note 22).

2.19. REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is shown net of returns, rebates and discounts.

Sales taxes

Revenue does not amount collected on behalf of tax authorities – value added taxes (VAT), excise duties and other sales taxes (fee for improvement of energy efficiency).

The accounting for excise duties is based on the Company's assessment whether it is primarily obligated for payment of excise duties or whether it collects the amount from the customer on behalf of the tax authorities.

Excise duties imposed during the inventory procurement process are included in the transaction price, revenue is determined on a gross basis and paid excise duties are also included in the cost of goods sold.

Excise duties incurred in production and sale of products are assessed as part of amounts collected on behalf of tax authorities and are accounted on a net basis.

(a) Sales - wholesale

The Company manufactures and sells oil, petrochemical products, liquefied natural gas and energy in the wholesale market. Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts entitled to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of less than one year and is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales – retail

The Company operates a chain of Petrol Stations. Sales of goods are recognised when the Company sells a product to the customer. Retail sales are usually in cash or by credit card. Company offers customer incentives mostly in the form of loyalty programs described under section d).

(c) Sales of electricity

The Company sells electricity on a short and long term basis with a contract terms generally accepted in the energy industry (via bilateral forward standardized general EFET agreements). Majority of sales are made on a wholesale market without structured trades.

In accordance with contract terms if Company expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis in financial statements. In general, delivery of electricity represent transfer of a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer over time. Accordingly, delivery of electricity is treated as a single performance obligation to which transaction price is allocated. Revenue is recognized by applying a single measure of progress to the identified single performance obligation.

(d) Customer loyalty program

The Company operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 27.

(e) Interest income

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Company relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.20. DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

2.21. CAPITALISATION OF BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparing financial statements required Management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other facts that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimates is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Company's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Information on the effect of macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Financial Statements is provided below.

3.1. IMPLICATION OF IMPOSED US SANCTIONS

On 10 January 2025 the Company was included on the US Treasury Specially Designated Nationals and Blocked Persons (SDN) List. This designation imposes prohibitions on transactions by US persons or entities with the Company. Additionally, the designation may trigger secondary sanctions for non-US entities that engage in certain types of transactions with the Company starting from sanction issuance date.

Management has conducted an assessment of the potential implications of these sanctions. However, due to the inherent uncertainties surrounding:

- The scope and enforcement of the sanctions,
- Their durations, and
- The evolving geopolitical and economic environment

The full impact of the Company's financial position, operations, and performance remains unclear.

As a result, no adjustment have been recognised in these consolidated financial statements for the reporting period ended 31 December 2024. This includes any impairments, provisions or changes in estimates related to the sanctions.

Although no adjustments have been made, management has identified the following areas where sanctions could have a material impact in the future:

1. **Financial transactions**: restricted access to US dollar transactions and potential limitations on dealings with international financial institutions.
2. **Business relationship**: Potential disruption to relationship with key suppliers, customers, and partners who may be reluctant to engage with Company due to sanctions compliance.
3. **Revenue and Profitability**: A reduction in revenue if trade activities are constrained or contracts with international counterparties are terminated.
4. **Operational challenges**: Potential delays or additional costs related to supply chain disruptions and sourcing of critical inputs (crude oil, critical equipment etc.)

Management of the Company is actively monitoring these restrictions and is exploring alternative solutions to mitigate any potential adverse effects on its operations and financial performance.

Working group has been formed, involving all key shareholders of the Company, to explore possible solutions aimed at eliminating or reducing the impact of the imposed sanctions while ensuring the long-term sustainability of the Company 's operations as priority.

Management of the Company has assessed the Company ability to continue as a going concern and concluded that, at the reporting date, there are no material uncertainties that would cast significant doubt on the Company ability to meet its obligations. However, the evolving situation may materially affect future results and financial position.

3.2. ESTIMATION OF OIL AND GAS RESERVES

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Company estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Company estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the Company's normative documents are classified as a business secret.

3.3. USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2024 would be to increase/ decrease it by 2,199,056 RSD (2023: 2,040,256 RSD).

3.4. EMPLOYEE BENEFITS

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Company takes into consideration the interest rates of Serbian Treasury bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 7.40% (rather than 6.40% per year, the past service liability (DBO) for the Company would decrease by about 7.96% for retirement indemnity and 4.96% for jubilee benefit). If pay increased by 1% higher than assumed on an annual basic, than the past service liability (DBO) for the Company would increase by amount 9.29% for the retirement indemnity.

3.5. DECOMMISSIONING AND ENVIRONMENTAL PROTECTION PROVISION

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision (note 22) is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Company's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 7.40% (rather than 6.40%) per year, the present liability would have decreased by approx. 784,144 RSD (31 December 2023: 7.68% (rather than 6.68%) per year the present liability would have decreased by approx. 835,469 RSD).

3.6. CONTINGENCIES

Certain conditions may exist as of the date of these financial statements are issued that may result in a loss to the Company, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Company or unasserted claims that may result in such proceedings, the Company, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 41).

3.7. RECOVERABILITY OF CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

In the line with changes in the crude oil price on the world market, management of the Company performed stress sensitivity analysis of its impact on recoverability of the Company PPE and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Company's PPE exceed its carrying value.

The Company assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Company's PPE by 86.1 bln RSD (31 December 2023: 92.2 bln RSD).

Oil prices are based on the available forecasts from globally recognized research.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact if the negative trends on the market continue.

4. APPLICATION OF AMENDMENTS TO THE EXISTING STANDARDS

The amendments to existing standards, which became effective on January 1, 2024, did not have a material impact on the Financial Statements.

The Company plans to apply the new IFRS 18 Presentation and Disclosures in Financial Statements, as well as amendments to existing standards adopted but not effective at the date of issue of these Financial Statements, when they become effective. The Company does not expect the amendments to existing standards to have a material impact on the Financial Statements. In relation to the new standard, which will become effective from 1 January 2027 and will replace IAS 1 Presentation of Financial Statements, the Company is currently assessing its impact on the Financial Statements.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Finance, Economics, Planning and Accounting (further "FEPA") which under the policies approved by the Company identifies and evaluates financial risks in close co-operation with the Company's operating units.

In the normal course of its operations the Company has exposure to the following financial risks:

a) market risk (including currency risk, interest rate risk and commodity price risk);
b) credit risk and
c) liquidity risk.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates (c) commodity price, all of which are exposed to general and specific market movements. Management analyse and monitoring risk that may be accepted, however, the use of this approach does not prevent losses in the event of more significant market movements.

Currency risk

The Company operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to USD and EUR. Currency risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to manage its currency risk against its functional currency. In order to manage its currency risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Currency risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company functional currency.

The Company has borrowings denominated in foreign currency mainly in EUR which predominantly expose Company to the currency translation risk. Currency exposure arising from the borrowings is managed through the participation of the borrowing denominated in functional currency of the Company in the total credit portfolio.

The carrying values (net of allowance) of the Company's financial instruments by currencies they are denominated are as follows:

As of 31 December 2024	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,693	-	-	-	91,693
Long-term investments in subsidiaries foreign	-	4,222,893	-	-	4,222,893
Long term loans provided - domestic	-	2,062,694	-	-	2,062,694
LT placements	6,685	-	-	-	6,685
Other long-term investments	293,102	1,167,150	6,746	-	1,466,998
Current					
Trade receivables	29,055,736	9,934,162	-	-	38,989,898
Other receivables	2,157,196	1,932,346	178,845	517	4,268,904
Short term financial investments	7,577,154	21,640,029	-	-	29,217,183
Cash and cash equivalents	25,256,003	13,363,589	93,816	108,302	38,821,710
Financial liabilities					
Non-current					
Long-term liabilities	(7,565)	(71,831,598)	-	(15,456)	(71,854,619)
Current					
Short-term financial liabilities	(2,391,579)	(9,288,151)	-	(12,366)	(11,692,096)
Trade payables	(14,584,538)	(1,635,268)	(69,357)	(34,342)	(16,323,505)
Other short-term liabilities	(6,160,659)	(217,912)	(183,882)	(309)	(6,562,762)
Net exposure	**41,293,228**	**(28,650,066)**	**26,168**	**46,346**	**12,715,676**

As of 31 December 2023	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,641	-	-	-	91,641
Long-term investments in subsidiaries foreign	-	6,659,484	-	-	6,659,484
Long term loans provided - domestic	-	1,889,147	-	-	1,889,147
LT placements	8,565	-	-	-	8,565
Other long-term investments	299,282	1,173,038	4,964	-	1,477,284
Current					
Trade receivables	34,099,023	10,362,382	-	-	44,461,405
Other receivables	127,878	3,089,151	168,013	846	3,385,888
Short term financial investments	27,336,070	19,786,274	-	-	47,122,344
Cash and cash equivalents	14,000,844	2,252,574	323	16,752	16,270,493
Financial liabilities					
Non-current					
Long-term liabilities	(3,369)	(68,103,171)	-	(10,712)	(68,117,252)
Current					
Short-term financial liabilities	(3,620,364)	(11,200,371)	(30,298)	(38,333)	(14,889,366)
Trade payables	(16,442,577)	(1,375,404)	(800,999)	(39,833)	(18,658,813)
Other short-term liabilities	(5,929,791)	(243,066)	(169,426)	(106)	(6,342,389)
Net exposure	**49,967,202**	**(35,709,962)**	**(827,423)**	**(71,386)**	**13,358,431**

The following exchange rates applied during the period:

Reporting date spot rate

	31 December 2024	31 December 2023
EUR	117.0149	117.1737
USD	112.4386	105.8671

Sensitivity analysis

The Company has chosen to provide information about market and potential exposure to hypothetical gain/(loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis below reflects the hypothetical effect on the Company's financial instruments and the resulting hypothetical gains/losses that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

As at 31 December 2024, if the currency had strengthened/ weaken by 1% against the EUR with all other variables held constant, pre-tax profit for the year and equity would have been 286,501 RSD (2023: 357,100 RSD) higher/lower, mainly as a result of foreign exchange gains/(losses) on translation of EUR – denominated borrowings.

As at 31 December 2024, if the currency had strengthened/ weaken by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 523 RSD (2023: 16,548 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Commodity price risk

The Company's financial performance relates directly to prices of crude oil and petroleum products. The Company is unable to fully control the prices of its products, which depend on the balance of supply and demand on global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

The Company's planning system calculates different scenarious for key performance facors depending on global oil prices. This approach enables Management to adjust cost by reducing or rescheduling investment programs and other mechanisms. Such activities help to decrease risk to an acceptable level.

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Company to cash flow interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR) has a proportionate impact on the Company's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2024 would have been 407,226 RSD (2023: 343,848 RSD) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position is as follows:

	31 December 2024	31 December 2023
Financial instrument at FVTOCI	91,693	91,641
Long-term investments in subsidiaries domestic (note 11)	2,062,694	1,889,147
Long-term investments in subsidiaries foreign (note 11)	4,222,893	6,659,484
Long term loans provided - domestic	6,685	8,565
Other long-term investments (note 12)	1,466,998	1,477,284
Trade receivables (note 15)	38,989,898	44,461,405
Other receivables (note 16)	11,981,627	10,895,067
Short term financial investments (note 17)	29,217,183	47,122,344
Cash and cash equivalents (note 18)	38,821,710	16,270,493
Total maximum exposure to credit risk	**126,861,381**	**128,875,430**

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- scoring Serbian Business Register Agency, NIS and/ or D&B reports;
- amount of registered pledges;
- data on customer's account blockade;
- history of relationships with the Company;
- planned sales volume;
- duration of relationship with the Company, including ageing profile, maturity and existence of any financial difficulties.

Trade and Other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The credit loss allowance for trade, specific and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2024 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, and other receivables
Trade and other receivables				
- current	0.27%	41,140,320	(111,262)	41,029,058
- less than 30 days overdue	1.23%	2,272,588	(28,000)	2,244,588
- 31 to 90 days overdue	2.25%	1,231,653	(27,762)	1,203,891
- 91 to 270 days overdue	2.17%	1,204,456	(26,135)	1,178,321
- over 270 days overdue	73.44%	20,015,077	(14,699,410)	5,315,667
Total trade and other receivables		**65,864,094**	**(14,892,569)**	**50,971,525**

At 31 December 2023 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, and other receivables
Trade and other receivables				
- current	0.02%	40,486,860	(7,328)	40,479,532
- less than 30 days overdue	0.06%	6,617,171	(3,810)	6,613,361
- 31 to 90 days overdue	0.64%	1,738,360	(11,125)	1,727,235
- 91 to 270 days overdue	2.43%	2,050,090	(49,905)	2,000,185
- over 270 days overdue	76.82%	19,569,173	(15,033,014)	4,536,159
Total trade and other receivables		**70,461,654**	**(15,105,182)**	**55,356,472**

Trade and other receivables over 270 days overdue in amount of 5,315,667 RSD (2023: 4,536,159 RSD) mainly relates to receivables from related parties.

Management of the Company regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Company.

Management believes that not impaired trade and other receivables are fully recoverable.

Movements on the Company's provision for impairment of trade receivables and lease receivables are as follows:

	Trade receivables	Lease receivables	Total
As at 1 January 2023	**4,591,921**	**34,426**	**4,626,347**
Provision for receivables impairment (note 37)	71,950	123	72,073
Unused amounts reversed (note 36)	(32,751)	(3,528)	(36,279)
Receivables written off during the year as uncollectible	(65,646)	(474)	(66,120)
Other	5,432	-	5,432
As at 31 December 2023	**4,570,906**	**30,547**	**4,601,453**
As at 1 January 2024	**4,570,906**	**30,547**	**4,601,453**
Provision for receivables impairment (note 37)	25,799	1,321	27,120
Unused amounts reversed (note 36)	(97,680)	(3,947)	(101,627)
Receivables written off during the year as uncollectible	(125,465)	(94)	(125,559)
As at 31 December 2024	**4,373,560**	**27,827**	**4,401,387**

Expenses that have been provided for or written off are included in fair value measurement loss within the income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The other classes within trade and other receivables do not contain impaired assets.

Movements on the provision for other receivables:

	Receivables from specific operations	Interest receivables	Other receivables	Total
As at 1 January 2023	**952,681**	**2,244,662**	**7,338,180**	**10,535,523**
Provision for other receivables impairment (note 37)	80	9,662	549	10,291
Unused amounts reversed (note 36)	(382)	(5,171)	(1,659)	(7,212)
Receivables written off during the year as uncollectible and other	1	(33,343)	(22)	(33,364)
Other	-	(1,509)	-	(1,509)
As at 31 December 2023	**952,380**	**2,214,301**	**7,337,048**	**10,503,729**
As at 1 January 2024	**952,380**	**2,214,301**	**7,337,048**	**10,503,729**
Provision for other receivables impairment (note 37)	551	7,893	1,902	10,346
Unused amounts reversed (note 36)	(88)	(1,619)	(1,208)	(2,915)
Receivables written off during the year as uncollectible and other	-	(19,395)	(107)	(19,502)
Other	(1)	(475)	-	(476)
As at 31 December 2024	**952,842**	**2,200,705**	**7,337,635**	**10,491,182**

Other financial assets at amortised cost

Movements on the provision for long-term placements to subsidiaries:

	Total
As at 1 January 2023	**8,092,083**
Remeasurement of expected credit losses	-
Reclassification from non-current to current part	(7,946,133)
Exchange differences	17,070
As at 31 December 2023	**163,020**
As at 1 January 2024	**163,020**
Exchange differences	(221)
As at 31 December 2024	**162,799**

Movements on the provision for short-term placements:

	Short-term financial loans- Domestic	Current portion of long-term placements	Total
As at 1 January 2023	**2,019**	**1,627,000**	**1,629,019**
Remeasurement of expected credit losses	-	-	-
Unused amounts reversed	-	-	-
Reclassification from non-current to current part	-	7,946,133	7,946,133
Exchange differences	-	(29,389)	(29,389)
As at 31 December 2023	**2,019**	**9,543,744**	**9,545,763**
Remeasurement of expected credit losses	-	-	-
Unused amounts reversed	-	-	-
Reclassification from non-current to current part	-	-	-
Exchange differences	-	(12,934)	(12,934)
As at 31 December 2024	**2,019**	**9,530,810**	**9,532,829**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	BBB and higher	Less than BBB	Without rating	Total
As at December 2024				
Cash and cash equivalents (note 18)	2,440,490	12,000,432	24,380,788	**38,821,710**
Deposits with original maturity more than 3 months less than 1 year (note 17)	-	-	-	**-**
As at December 2023				
Cash and cash equivalents (note 18)	4,441,215	4,124,171	7,705,107	**16,270,493**
Deposits with original maturity more than 3 months less than 1 year (note 17)	3,128,640	5,243,556	17,918,700	**26,290,896**

The Company uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2024 and 2023 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Company's level. The Company's finance function monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions. Surplus cash held by the Company over and above the balance required for working capital management is invested as surplus cash in time deposits.

The table below analyses the Company's financial liabilities into relevant maturity groupings at the balance sheet.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
As ar 31 December 2024					
Financial liabilities	83,546,715	92,759,105	17,307,916	74,306,024	1,145,165
Trade payables and dividends payable	20,106,903	20,106,903	20,106,903	-	-
	103,653,618	**112,866,008**	**37,414,819**	**74,306,024**	**1,145,165**
As at 31 December 2023					
Financial liabilities	83,006,618	91,820,250	17,558,974	72,476,964	1,784,312
Trade payables and dividends payable	22,442,408	22,442,408	22,442,408	-	-
	105,449,026	**114,262,658**	**40,001,382**	**72,476,964**	**1,784,312**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On the Company level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Company’s net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2024	31 December 2023.
Total borrowings (note 23 and 24)	83,546,715	83,006,618
Less: cash and cash equivalents (note 18)	(38,821,710)	(16,270,493)
Net debt	**44,725,005**	**66,736,125**
Adjusted EBITDA	47,955,195	70,507,388
Net debt to adjusted EBITDA ratio at the end of the year	**0.93**	**0.95**

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 2024 and 31 December 2023, respectively.

There were no changes in the Company’s approach to capital management during the year.

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

The carrying amount of trade, specific and other receivables and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current financial assets and non-current financial liabilities the fair values are also not significantly different to their carrying amounts.

6. SEGMENT INFORMATION

Presented below is information about the Company’s operating segments for the years ended 31 December 2024 and 2023. Operating segments are components are engaged in business activities which may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Company manages its operations in two operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Company operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre and Energy business activities expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Company’s EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Company's on-going operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the year ended 31 December 2024 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	57,869,171	388,557,458	(55,425,046)	391,001,583
Intersegment	52,736,119	2,688,927	(55,425,046)	-
External	5,133,052	385,868,531	-	391,001,583
Adjused EBITDA (Segment results)	**37,949,644**	**10,005,551**	**-**	**47,955,195**
Depreciation, depletion and amortization	(12,965,557)	(11,267,300)	-	(24,232,857)
Impairment losses/ Revaluation surpluses (note 28 and 31)	2,715	71,174	-	73,889
Finance expenses, net	(337,598)	(1,012,309)	-	(1,349,907)
Income tax	(329,842)	(3,455,762)	-	(3,785,604)
Segment profit	**24,359,833**	**(5,979,255)**	**-**	**18,380,578**

Reportable segment results for the year ended 31 December 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	48,442,396	393,667,719	(50,895,745)	391,214,370
Intersegment	48,388,424	2,507,321	(50,895,745)	-
External	53,972	391,160,398	-	391,214,370
Adjused EBITDA (Segment results)	**32,337,898**	**38,169,490**	**-**	**70,507,388**
Depreciation, depletion and amortization	(12,450,152)	(10,143,643)	-	(22,593,795)
Impairment losses/ Revaluation surpluses (note 28 and 31)	(68,461)	(17,720)	-	(86,181)
Finance expenses, net	(195,839)	2,468,149	-	2,272,310
Income tax	-	(7,844,963)	-	(7,844,963)
Segment profit	**19,713,344**	**22,201,284**	**-**	**41,914,628**

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 9,042,728 RSD for the year ended 31 December 2024 (31 December 2023: negative EBITDA in the amount of 15,604,457 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December 2024	2023
Adjusted EBITDA after allocation of Corporate centre	10,005,551	38,169,490
Corporate centre EBITDA	(9,042,728)	(15,604,457)
Adjusted EBITDA prior allocation of Corporate centre	**19,048,279**	**53,773,947**

Adjusted EBITDA for the year ended 31 December 2024 and 2023 is reconciled below:

	Year ended 31 December 2024	2023
Profit for the year	18,380,578	41,914,628
Income tax expenses	3,785,604	7,844,963
Other expenses	1,393,267	8,435,642
Other income	(1,314,112)	(786,254)
Loss from valuation of assets at fair value through profit and loss	37,466	82,794
Income from valuation of assets at fair value through profit and loss	(109,555)	(101,080)
Finance expense	5,081,542	4,676,470
Finance income	(3,731,635)	(6,948,780)
Depreciation, depletion and amortization	24,232,857	22,593,795
Other non operating expenses / (income), net*	199,183	(7,204,790)
EBITDA	**47,955,195**	**70,507,388**

*Other non-operating expense/(income), net mainly relates to penalties and excess and deficiencies of assets revealed, (for 2023 mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and other) (note 39).

Oil, gas and petroleum products sales comprise the following (based on the country of customer incorporation):

	Year ended 31 December 2024		
	Domestic Market	Export and international sales	Total
Sale of crude oil	-	5,042,244	5,042,244
Sale of gas	217,712	-	217,712
Wholesale activities	217,712	-	217,712
Sale of petroleum products	318,233,897	48,239,918	366,473,815
Through a retail network	106,235,625	-	106,235,625
Wholesale activities	211,998,272	48,239,918	260,238,190
Lease revenue	352,126	5,746	357,872
Sales of electricity	933,083	-	933,083
Other sales and other operating income	17,572,016	404,841	17,976,857
Total sales and other income	**337,308,834**	**53,692,749**	**391,001,583**

	Year ended 31 December 2023		
	Domestic Market	Export and international sales	Total
Sale of crude oil	-	-	-
Sale of gas	190,850	-	190,850
Wholesale activities	190,850	-	190,850
Sale of petroleum products	313,480,564	45,740,878	359,221,442
Through a retail network	110,382,013	-	110,382,013
Wholesale activities	203,098,551	45,740,878	248,839,429
Lease revenue	360,760	8,857	369,617
Sales of electricity	15,406,532	-	15,406,532
Other sales and other operating income	15,618,037	407,892	16,025,929
Total sales and other income	**345,056,743**	**46,157,627**	**391,214,370**

Revenue from one customer amounted to 25,139,992 RSD (2023: 25,983,119 RSD), arise from sale of petroleum products attributable to wholesale activities within Downstream segment.

Other sales and other operating income mainly relate to sales of non-fuel products at petrol stations for 12,788,758 RSD (2023: 11,031,630 RSD).

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Year ended 31 December 2024	2023
Sale of crude oil	5,042,244	-
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	21,830,495	20,919,814
Bulgaria	5,715,850	5,028,468
Romania	1,171,245	506,590
All other markets	19,522,328	19,286,007
	48,239,918	45,740,879
Lease revenue	5,746	8,856
Other sales and other operating income	404,841	407,892
	53,692,749	**46,157,627**

Revenues from the individual countries included in all other markets are not material.

Presentation of excise duties

The following table presents sales revenue earned and related calculated excise duties for 2024 and 2023:

	2024	2023
Sales revenue and other income	587,147,802	564,184,939
Excise duties	(196,146,219)	(172,970,569)
Net sales revenue and other income	**391,001,583**	**391,214,370**

In the Republic of Serbia excise duties become payable when products subject of excise duties exit from excise warehouse. This incurs when the goods are loaded for transport either for direct sales to customers (wholesale) or for transport to own retail network. Calculated excise duties are payable in 15 days. The Company assessed that for excise duties levied in wholesale it bears no inventory risk nor significant credit risk. In retail sales, the Company estimates that average turnover of inventories approximates payment period for excise duties, and that there are no significant inventory or credit risk. Accordingly, since the Company bears no significant risks in both cases, excise duties are collected on behalf of tax authority and consequently deducted from revenue.

7. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Other intangibles	Intangible assets under development	Total
At 1 January 2023					
Cost	17,787,257	11,032,863	1,284,857	1,473,121	31,578,098
Accumulated amortisation and impairment	(6,956,323)	(8,642,284)	(200,475)	(63,665)	(15,862,747)
Net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**
Year ended 31 December 2023					
Additions	427,548	256,889	19,106	569,922	1,273,465
Depreciation	(1,252,295)	(498,014)	(20,968)	-	(1,771,277)
Disposals and write-off	-	(995)	-	-	(995)
Other transfer	-	1,646	(1,428)	1	219
Closing net book amount	**10,006,187**	**2,150,105**	**1,081,092**	**1,979,379**	**15,216,763**
As at 31 December 2023					
Cost	18,209,844	11,276,330	1,302,523	1,979,379	32,768,076
Accumulated amortization and impairment	(8,203,657)	(9,126,225)	(221,431)	-	(17,551,313)
Net book amount	**10,006,187**	**2,150,105**	**1,081,092**	**1,979,379**	**15,216,763**
At 1 January 2024					
Cost	18,209,844	11,276,330	1,302,523	1,979,379	32,768,076
Accumulated amortization and impairment	(8,203,657)	(9,126,225)	(221,431)	-	(17,551,313)
Net book amount	**10,006,187**	**2,150,105**	**1,081,092**	**1,979,379**	**15,216,763**
Year ended 31 December 2024					
Additions	146,248	832,978	25,771	(51,009)	953,988
Depreciation	(1,269,814)	(521,629)	(24,299)	-	(1,815,742)
Impairment charge (note 28 and 31)	-	(8,806)	-	(908)	(9,714)
Disposals and write-off	-	(216)	-	-	(216)
Closing net book amount	**8,882,621**	**2,452,432**	**1,082,564**	**1,927,462**	**14,345,079**
As at 31 December 2024					
Cost	18,356,092	12,084,339	1,306,706	1,928,370	33,675,507
Accumulated amortization and impairment	(9,473,471)	(9,631,907)	(224,142)	(908)	(19,330,428)
Net book amount	**8,882,621**	**2,452,432**	**1,082,564**	**1,927,462**	**14,345,079**

Intangible assets under development as at 31 December 2024 amounting to 1,927,462 RSD (31 December 2023: 1,979,379 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 1, 234,303 RSD (31 December 2023: 1,196,344 RSD).

8. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment carried at cost

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
At 1 January 2023								
Cost	10,423,471	259,174,345	167,389,337	15,405,954	82,660	543,535	1,063,325	454,082,627
Accumulated depreciation and impairment	(292,232)	(104,897,262)	(89,071,695)	(3,094,272)	(1,114)	(403,907)	(21,395)	(197,781,877)
Net book amount	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**
Year ended 31 December 2023								
Additions	18,302	14,858,660	4,537,099	9,536,661	-	2,811	6,686,875	35,640,408
Changes in decommissioning obligations (note 22)	-	290,351	-	-	-	-	-	290,351
Impairment effect, net (note 28 and 31)	-	-	-	(133,295)	-	-	32	(133,263)
Depreciation	-	(11,476,825)	(8,911,029)	-	-	(14,709)	-	(20,402,563)
Transfer to assets held for sale	(31,539)	-	-	-	-	-	-	(31,539)
Transfer from investment property	(9,338)	15,140	-	-	-	-	-	5,802
Disposals and write-off	(865)	(36,924)	(42,496)	(163,235)	-	-	-	(243,520)
Other transfers (and closing advances for PPE)	-	215,602	(215,353)	5,173	1	(1)	(3,565,914)	(3,560,492)
Closing net book amount	**10,107,799**	**158,143,087**	**73,685,863**	**21,556,986**	**81,547**	**127,729**	**4,162,923**	**267,865,934**
At 31 December 2023								
Cost	10,400,031	273,843,067	169,629,727	23,363,366	82,660	542,554	4,184,286	482,045,691
Accumulated depreciation and impairment	(292,232)	(115,699,980)	(95,943,864)	(1,806,380)	(1,113)	(414,825)	(21,363)	(214,179,757)
Net book amount	**10,107,799**	**158,143,087**	**73,685,863**	**21,556,986**	**81,547**	**127,729**	**4,162,923**	**267,865,934**
At 1 January 2024								
Cost	10,400,031	273,843,067	169,629,727	23,363,366	82,660	542,554	4,184,286	482,045,691
Accumulated depreciation and impairment	(292,232)	(115,699,980)	(95,943,864)	(1,806,380)	(1,113)	(414,825)	(21,363)	(214,179,757)
Net book amount	**10,107,799**	**158,143,087**	**73,685,863**	**21,556,986**	**81,547**	**127,729**	**4,162,923**	**267,865,934**
Year ended 31 December 2024								
Additions	36,420	21,078,320	20,223,401	5,946,384	704	158	6,397,006	53,682,393
Changes in decommissioning obligations (note 22)	-	479,676	-	-	-	-	-	479,676
Impairment effect, net (note 28 and 31)	(1,335)	(1,587)	-	63,011	-	-	(12,623)	47,466
Depreciation	-	(12,842,700)	(9,132,833)	-	-	(15,022)	-	(21,990,555)
Transfer from/(to) assets held for sale	12,924	(814)	(57)	(85,111)	-	-	-	(73,058)
Transfer to investment property	(8,532)	(1,900)	-	-	-	-	-	(10,432)
Disposals and write-off	(11,290)	(288,859)	(105,217)	(186)	(15)	-	-	(405,567)
Other transfers (and closing advances for PPE)	2,813	(4,412)	(842)	(219,730)	-	7,442	(7,770,676)	(7,985,405)
Closing net book amount	**10,138,799**	**166,560,811**	**84,670,315**	**27,261,354**	**82,236**	**120,307**	**2,776,630**	**291,610,452**
Year ended 31 December 2024								
Cost	10,424,275	294,306,334	188,538,210	27,468,765	83,349	549,155	2,810,616	524,180,704
Accumulated depreciation and impairment	(285,476)	(127,745,523)	(103,867,895)	(207,411)	(1,113)	(428,848)	(33,986)	(232,570,252)
Net book amount	**10,138,799**	**166,560,811**	**84,670,315**	**27,261,354**	**82,236**	**120,307**	**2,776,630**	**291,610,452**

In 2024, the Company capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to 80,335 RSD (2023: 61,023 RSD).

Of the total amount of activations in 2024 in the amount of 47,285,387 RSD, the most significant part refers to activation on oil&gas properties in the amount of 16,510,657 RSD. In 2023 the amount of 28,953,533 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 16,196,962 RSD.

As at 31 December 2024, the Company assessed impairment indicators of cash generating units ("CGU") – refer to note 3.7 for details. In addition, Company has assessed and recognized impairment gains in amount of 47,466 RSD (2023: impairment losses 133,263 RSD) for the asset which has disposed due to obsolete, physically damage or for assets under constructions for which exist indication that expected recoverable amounts would not recover carrying value of the assets.

The management of the Company assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

b) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2023	**-**	**842,721**	**224,723**	**1,759,082**	**-**	**2,826,526**
Additions	2,542	110,783	135,670	325,279	-	574,274
Depreciation	(1,116)	(97,860)	(81,654)	(239,325)	-	(419,955)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposal	-	(55,247)	(110,112)	(5,419)	-	(170,778)
Impairment (note 28 and 31)	-	-	-	-	(1,994)	(1,994)
As at 31 December 2023	**1,426**	**800,397**	**173,627**	**1,832,623**	**-**	**2,808,073**
As at 1 January 2024	**1,426**	**800,397**	**173,627**	**1,832,623**	**-**	**2,808,073**
Additions	13,793	194,522	128,253	304,572	-	641,140
Depreciation	(3,121)	(109,237)	(80,939)	(233,263)	-	(426,560)
Disposal	-	-	(1,548)	(198,647)	-	(200,195)
As at 31 December 2024	**12,098**	**885,682**	**219,393**	**1,705,285**	**-**	**2,822,458**

c) Investment property – carried at fair value

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

	2024	2023
As at 1 January	**1,514,651**	**1,605,254**
Fair value gain / (loss) (note 28 and 31)	(2,991)	(160)
Transfers from/(to) PPE	10,432	(5,802)
Other transfer	40	(18,579)
Disposals	(9,366)	(66,062)
As at 31 December	**1,512,766**	**1,514,651**

As at 31 December 2024, investment properties amounting to 1,512,766 RSD (31 December 2023: 1,514,651 RSD) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Company's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2024 and 2023. The revaluation gain was credited to income from assets valuation.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements at 31 December 2024 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	921,271	-
– Gas stations	-	-	591,495
Total	**-**	**921,271**	**591,495**

Fair value measurements at 31 December 2023 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	920,882	-
– Gas stations	-	-	593,769
Total	**-**	**920,882**	**593,769**

Valuation techniques used to derive level 2 fair values

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Fair value measurements using significant unobservable inputs (Level 3)

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Company based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

	2024	2023
Long term growth rate	0%	0%
Discount rate	9.21%	10.65%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2024	2023
Assets as at 1 January	**593,769**	**585,138**
Transfer from/to PPE	(2,274)	8,631
Changes in fair value measurement:		
Fair value income	-	-
Other	-	-
Total increase in fair value measurement, assets	-	-
Assets as at 31 December	**591,495**	**593,769**

d) Oil and gas production assets

Oil and gas production assets comprise of aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves (note 2.6).

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2023						
Cost	3,525,268	5,349,443	8,874,711	215,586,310	25,934	224,486,955
Depreciation and impairment	(77,594)	(34,739)	(112,333)	(86,096,477)	(20,353)	(86,229,163)
Net book amount	**3,447,674**	**5,314,704**	**8,762,378**	**129,489,833**	**5,581**	**138,257,792**
Year ended 31 December 2023						
Additions	1,231,782	1,441,698	2,673,480	16,196,962	-	18,870,442
Changes in decomisioning obligations	-	-	-	290,237	-	290,237
Impairment	(74,169)	(47,986)	(122,155)	-	-	(122,155)
Depreciation and depletion	-	-	-	(12,310,595)	-	(12,310,595)
Transfer from investment property	-	-	-	136	-	136
Other transfer	(2,916)	34,839	31,923	(71)	(45)	31,807
Disposals and write-off	-	(163,308)	(163,308)	(36,059)	-	(199,367)
	4,602,371	**6,579,947**	**11,182,318**	**133,630,443**	**5,536**	**144,818,297**
As at 31 December 2023						
Cost	4,754,134	6,613,024	11,367,158	231,482,615	25,889	242,875,662
Depreciation and impairment	(151,763)	(33,077)	(184,840)	(97,852,172)	(20,353)	(98,057,365)
Net book amount	**4,602,371**	**6,579,947**	**11,182,318**	**133,630,443**	**5,536**	**144,818,297**
Year ended 31 December 2024						
Additions	1,712,950	2,230,637	3,943,587	16,510,657	-	20,454,244
Changes in decomisioning obligations	-	-	-	479,398	-	479,398
Depreciation and depletion	-	-	-	(12,833,413)	-	(12,833,413)
Transfer to investment property	-	-	-	(13)	-	(13)
Other transfer	485	(14,212)	(13,727)	7,072	(94)	(6,749)
Disposals and write-off	-	(187)	(187)	(30,297)	(15)	(30,499)
	6,315,806	**8,796,185**	**15,111,991**	**137,763,847**	**5,427**	**152,881,265**
As at 31 December 2024						
Cost	6,467,569	8,829,262	15,296,831	248,033,301	25,780	263,355,912
Depreciation and impairment	(151,763)	(33,077)	(184,840)	(110,269,454)	(20,353)	(110,474,647)
Net book amount	**6,315,806**	**8,796,185**	**15,111,991**	**137,763,847**	**5,427**	**152,881,265**

9. INVESTMENTS IN SUBSIDIARY

	31 December 2024	31 Deceber 2023
Investments in subsidiaries:		
- In shares	3,457,576	3,457,576
- In stakes	40,303,566	40,303,566
	43,761,142	43,761,142
Less: Provision	(12,744,460)	(12,744,460)
	31,016,682	**31,016,682**
Other financial assets available for sales	91,693	91,641
	31,108,375	**31,108,323**

In the previous year, the Company completed acquisition of HIP Petrohemija doo Pančevo. This acquisition was carried out in accordance with the Strategic Partnership Agreement signed on December 24, 2021, between the Government of the Republic of Serbia, NIS a.d. Novi Sad, and HIP Petrohemija doo Pančevo. On June 9, 2023, the Company acquired control of HIP Petrohemija, increasing its shareholding from 20.86% to 90%. As part of the transaction, the Company committed to an additional capital increase of 17,591,055 RSD (150 million EUR), which will be allocated to the construction of a polypropylene production plant with an annual capacity of at least 140,000 tons over the next six years. Total identifiable net assets at fair value acquired in the acquisition amounted to 9,909,172 RSD, with the bargain purchased aquired in the amount of 8,918,255 RSD.The details of this transaction were disclosed in the prior year's financial statements, including its impact on the Company's financial position and performance.

In the current year, no acquisition were undertaken. This absence reflects the Company's focus on the integration of previously acquired businesses and the continued development of its operations.

10. INVESTMENTS IN JOINT VENTURES

The carrying value of the investments in associates and joint ventures as of 31 December 2024 and 2023 is presented below:

		Ownership percentage	31 December 2024	31 December 2023
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	1,038,800	1,038,800
			1,038,800	**1,038,800**

The principal place of business of joint venture disclosed above is Republic of Serbia.

There are no contingent liabilities relating to the Company's interest in the joint venture, and no contingent liabilities of the venture itself.

Gazprom Energoholding Serbia d.o.o. Belgrade

In 2015 holding company has been established to operate Thermal and Heating Power Plant "TE-TO" Pančevo with a projected capacity of 208 MW. In October 2017 the contract for development was signed on a "turnkey" basis. At this moment provides thermal energy – technological steam to the Oil Refinery in Pančevo, while electricity is sold to Elektroprivreda Srbije JSC Belgrade and transferred into electricity transmission system of Serbia.

The summarised financial information for the joint ventures as of 31 December 2024 and 2023 and for the years ended 31 December 2024 and 2023 is presented in the table below:

	Gazprom Energoholding Serbia
31 December 2024	
Current assets	2,506,687
Non-current assets	21,979,523
Current liabilities	5,747,971
Non-current liabilities	14,894,183
Revenue	15,095,928
Loss for the year	(113,078)
31 December 2023	
Current assets	2,612,304
Non-current assets	22,614,890
Current liabilities	5,047,973
Non-current liabilities	16,220,251
Revenue	14,604,254
Loss for the year	(179,466)

11. LONG-TERM INVESTMENTS IN PARENT AND SUBSIDIARIES

	31 December 2024	31 December 2023
LT loans - Subsidiaries - Domestic	2,062,694	1,889,147
LT loans - Subsidiaries - Foreign	4,385,692	6,822,504
	6,448,386	8,711,651
Less: Impairment	(162,799)	(163,020)
Total	**6,285,587**	**8,548,631**

Long-term loans to subsidiaries denominated in RSD relate to:

	Currency	31 December 2024	31 December 2023
Domestic			
NIS Petrol a.d. Belgrade, Serbia	EUR	2,062,694	1,889,147
		2,062,694	1,889,147
Foreign			
NIS Petrol e.o.o.d. Sofija, Bulgaria	EUR	-	-
NIS Petrol SRL, Bucharest, Romania	EUR	3,892,516	6,270,070
NIS Petrol d.o.o. Banja Luka, BiH	EUR	-	-
Jadran - Naftagas d.o.o. Banja Luka, BiH	EUR	493,176	552,434
		4,385,692	6,822,504
		6,448,386	**8,711,651**

12. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31 December 2024	31 December 2023
Other LT investments	260,553	260,159
LT loans given to employees	647,358	662,316
Other LT investments at FV	837,800	838,937
Less: Impairment	(278,713)	(284,128)
	1,466,998	**1,477,284**

Loans to employees as at 31 December 2024 amounting to 647,358 RSD (31 December 2023: 662,316 RSD) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of 278,713 RSD.

Other long-term investments at fair value in the amount of 837,800 RSD (31 December 2023: 838,937 RSD) are recognised in accordance with agreement for O&G exploration project.

13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31 2024			
Provisions	705,806	-	705,806
Property, plant and equipment	3,519,278	-	3,519,278
Impairment losses	61,010	-	61,010
Fair value gains	3,955	-	3,955
Revaluation reserve	-	(11,359)	(11,359)
	4,290,049	**(11,359)**	**4,278,690**
As at December 31 2023			
Provisions	834,108	-	834,108
Property, plant and equipment	2,628,687	-	2,628,687
Impairment losses	72,236	-	72,236
Fair value gains	4,004	-	4,004
Revaluation reserve	-	(11,598)	(11,598)
	3,539,035	**(11,598)**	**3,527,437**

Movements in temporary differences during the period:

	As at December 2023	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31 2024
Provisions	834,108	(141,011)	12,710	(1)	705,806
Property, plant and equipment	2,628,687	890,589	-	2	3,519,278
Impairment losses	72,236	(11,224)	-	(2)	61,010
Fair value gains	4,004	-	(50)	1	3,955
Revaluation reserve	(11,598)	-	239	-	(11,359)
Total	**3,527,437**	**738,354**	**12,899**	**-**	**4,278,690**

	As at December 31 2022	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31 2023
Provisions	704,723	119,989	9,398	(2)	834,108
Property, plant and equipment	1,916,114	712,570	-	3	2,628,687
Impairment losses	367,129	(294,893)	-	-	72,236
Fair value gains	10,327	(6,346)	23	-	4,004
Revaluation reserve	(26,848)	15,251	-	(1)	(11,598)
Total	**2,971,445**	**546,571**	**9,421**	**-**	**3,527,437**

The recognition of deferred tax assets was based on a five-year business plan of the Company and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

14. INVENTORY

	31 December 2024	31 Decmeber 2023
Materials, spare parts and tools	23,496,351	33,137,985
Work in progress	5,524,212	6,910,854
Finished goods	15,593,411	20,725,525
Goods for sale	1,749,342	2,950,462
Advances	1,341,448	887,650
Less: impairment of inventory	(4,326,119)	(4,396,526)
Less: impairment of advances	(148,022)	(148,467)
	43,230,623	**60,067,483**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2023	**4,456,030**	**148,487**	**4,604,517**
Provision for inventories and advances (note 31)	-	-	-
Unused amounts reversed (note 28)	(53,694)	(20)	(53,714)
Write-off and other	(5,810)	-	(5,810)
Balance as of 31 December 2023	**4,396,526**	**148,467**	**4,544,993**
Provision for inventories and advances (note 31)	-	93	93
Unused amounts reversed (note 28)	(40,067)	(538)	(40,605)
Write-off and other	(30,340)	-	(30,340)
Balance as of 31 December 2024	**4,326,119**	**148,022**	**4,474,141**

15. TRADE RECEIVABLES

	31 December 2024	31 December 2023
Parents and subsidiaries - domestic	1,783,650	5,464,592
Parents and subsidiaries - foreign	8,266,715	8,200,790
Other related parties - domestic	50,484	144,184
Trade receivables domestic – third parties	32,466,980	33,838,606
Trade receivables foreign – third parties	823,456	1,414,686
	43,391,285	**49,062,858**
Less: Impairment	(4,401,387)	(4,601,453)
	38,989,898	**44,461,405**

16. OTHER RECEIVABLES

	31 December 2024	31 December 2023
Receivables from specific operations	1,312,690	1,201,401
Interest receivables	5,945,423	5,194,740
Receivables from employees	23,431	22,309
Other receivables	7,477,918	7,470,526
Income tax prepayment	7,549,680	7,380,049
Prepaid taxes and contributions	163,667	129,771
Less: Impairment	(10,491,182)	(10,503,729)
	11,981,627	**10,895,067**

17. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2024	31 December 2023
ST loans and placements - Parent and subsidiaries	7,566,107	1,034,375
ST loans and placements - Domestic	2,019	2,019
Current portion of LT placements - Parent and subsidiaries	31,119,453	29,276,955
Other ST financial placements	62,433	63,862
Deposits with original maturity more than 3 months less than 1 year	-	26,290,896
Less: Impairment-subsidiaries	(9,530,810)	(9,543,744)
Less: Impairment-third parties	(2,019)	(2,019)
	29,217,183	**47,122,344**

Short-term loans and current portion of long-term placements to subsidiaries denominated in RSD relate to:

	Currency	31 December 2024	31 December 2023
Domestic			
NIS Petrol a.d. Belgrade, Serbia	RSD	-	84,206
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	RSD	2,485,108	950,169
HIP Petrohemija d.o.o. Pančevo, Serbia	RSD	5,080,999	-
		7,566,107	1,034,375
Foreign			
NIS Petrol e.o.o.d. Sofija, Bulgaria	EUR	10,562,818	10,577,153
NIS Petrol SRL, Bucharest, Romania	EUR	14,883,673	12,667,623
NIS Petrol d.o.o. Banja Luka, BiH	EUR	3,991,716	4,407,241
Jadran - Naftagas d.o.o. Banja Luka, BiH	EUR	1,681,246	1,624,938
		31,119,453	29,276,955
		38,685,560	**30,311,330**

18. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash in bank and in hand	9,905,260	8,091,792
Deposits with original maturity of less than three months	28,912,653	8,173,457
Cash equivalents	3,797	5,244
	38,821,710	**16,270,493**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits with original maturity of less than three months are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.The fair value of cash and cash equivalents approximates their carrying value.

19. PREPAYMENTS AND ACCRUED INCOME

	31 December 2024	31 December 2023
Deferred input VAT	3,599,608	3,017,260
Prepaid expenses	421,816	261,241
Accrued revenue	38,709	45,913
Prepaid excise duty	6,610,439	4,210,375
Housing loans and other prepayments	432,526	367,452
	11,103,098	**7,902,241**

Deferred input VAT as at 31 December 2024 amounting to 3,599,608 RSD (31 December 2023: 3,017,260 RSD) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2024 amounting to 6,610,439 RSD (31 December 2023: 4,210,375 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

20. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2024	31 December 2023
Issued warranties and bills of exchange	107,949,227	122,894,818
Received warranties and bills of exchange	42,053,432	22,567,551
Properties in ex-Republics of Yugoslavia	5,358,146	5,358,178
Receivables from companies from ex-Yugoslavia	6,903,557	6,500,094
Third party merchandise in warehouses	17,557,514	15,774,911
Assets for oil fields liquidation	1,361,966	1,361,966
Mortgages and pladges recived	4,617,140	3,672,927
Other off-balance sheet assets and liabilities	751,414	678,245
	186,552,396	**178,808,690**

21. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is RSD 500.

Share capital as of 31 December 2024 and 31 December 2023 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2023, amounted to 10,478,261 RSD or 64.26 RSD per share (31 December 2022: 23,364,925 RSD or 143.29 RSD per share) were approved on the General Assembly Meeting held on 27 June 2024 and paid on 28 August 2024.

Calculation of basic earnings per share is disclosed in the following table:

	Year ended 31 December	
	2024	2023
Profit attributable to the ordinary equity holder	18,380,578	41,914,628
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	**112.72**	**257.05**

The Company does not have any convertible instruments, options or warrants accordingly, diluted earnings per share is equal to the basic earnings per share as stated in the table above.

22. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommissioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
As at 1 January 2023	**10,787,041**	**488,060**	**770,889**	**644,158**	**359,826**	**13,049,974**
Charged to the income statement	165,801	-	21,808	852,375	34,599	1,074,583
New obligation incurred and change in estimates (note 8)	290,351	-	-	-	-	290,351
Release of provision (note 38)	(62,404)	(331)	-	-	-	(62,735)
Actuarial loss charged to other comprehensive income	-	-	62,655	-	-	62,655
Settlement	(52,495)	(36,442)	(53,753)	-	(61,750)	(204,440)
As at 31 December 2023	**11,128,294**	**451,287**	**801,599**	**1,496,533**	**332,675**	**14,210,388**
As at 1 January 2024	**11,128,294**	**451,287**	**801,599**	**1,496,533**	**332,675**	**14,210,388**
Charged to the income statement	151,029	-	137,968	303,850	70,642	663,489
New obligation incurred and change in estimates (note 8)	479,676	-	-	-	-	479,676
Release of provision (note 38)	(87,194)	-	-	-	-	(87,194)
Actuarial loss charged to other comprehensive income	-	-	84,733	-	-	84,733
Settlement	(25,422)	(77,808)	(78,298)	(1,300,106)	(61,083)	(1,542,717)
Other	-	-	-	-	21	21
As at 31 December 2024	**11,646,383**	**373,479**	**946,002**	**500,277**	**342,255**	**13,808,396**

Analysis of total provisions:

	31 December 2024	31 December 2023
Non-current	12,652,906	11,585,650
Current	1,155,490	2,624,738
	13,808,396	**14,210,388**

(a) Decommissioning

The Company's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

(b) Environmental protection

The Company has to comply with environmental protection regulations. At the reporting date Company recorded provision for environmental protection of 373,479 RSD (31 December 2023: 451,287 RSD) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

(c) Long-term incentive program

In 2011, the Company started setting-up a long-term incentive program for Company managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2024 the management made an assessment of present value of liabilities related to new three-year employee incentives (2024-2026) in the total amount of RSD 500,277 thousand (2023: 1,496,533 RSD).

(d) Legal claims provisions

As at 31 December 2024, the Company assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Company charged provision for litigation amounting to 70,642 RSD (charged to provision in 2023: 34,599 RSD) for proceedings which were assessed to have negative outcome. The Company estimated that the outcome of all legal proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2024.

(e) Provision for employee benefits

Employee benefits:

	31 December 2024	31 December 2023
Retirement allowances	651,561	550,343
Jubilee awards	294,441	251,256
	946,002	**801,599**

The principal actuarial assumptions used were as follows:

	31 December 2024	31 December 2023
Discount rate	6.29%	7.78%
Future salary increases	5.67%	6.46%
Future average years of service	18.39	18.42

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2023	**521,896**	**248,993**	**770,889**
Benefits paid directly	(33,536)	(20,217)	(53,753)
Actuarial losses charged to other comprehensive income	62,655	-	62,655
Debited to the income statement	(672)	22,480	21,808
Balances as at 31 December 2023	**550,343**	**251,256**	**801,599**
Benefits paid directly	(56,131)	(22,167)	(78,298)
Actuarial losses charged to other comprehensive income	84,733	-	84,733
Debited to the income statement	72,616	65,352	137,968
Balances as at 31 December 2024	**651,561**	**294,441**	**946,002**

The amounts recognized in the Income Statement are as

	Year ended 31 December	
	2024	2023
Current service cost	45,585	44,134
Past service cost	58,680	45,895
Interest cost	10,804	8,551
Curtailment (gain)/loss	14,298	(20,097)
Actuarial (gain)/loss (jubilee awards)	8,601	(56,675)
	137,968	**21,808**

23. LONG-TERM LIABILITIES

	31 December 2024	31 December 2023
Bank loans	65,159,107	65,223,168
Lease liabilities	1,986,400	2,132,016
Other non-current financial liabilities	12,140,168	12,038,912
Other long-term borowings	1,873,528	6,241
	81,159,203	**79,400,337**
Less Current portion (note 24)	(9,304,584)	(11,283,085)
	71,854,619	**68,117,252**

Movements on the Company's liabilities from bank loans and lease liabilities are as follows:

	Long-term loans	Short-term loans	Lease	Total
As at 1 January 2023	**67,738,184**	**5,345,098**	**2,295,379**	**75,378,661**
Proceeds	3,380,401	10,988,503	-	14,368,904
Repayment	(5,825,461)	(12,726,857)	(629,946)	(19,182,264)
Non-cash transactions	20,343	-	470,686	491,029
Foreign exchange difference	(90,299)	(463)	(4,103)	(94,865)
As at 31 December 2023	**65,223,168**	**3,606,281**	**2,132,016**	**70,961,465**
As at 1 January 2024	**65,223,168**	**3,606,281**	**2,132,016**	**70,961,465**
Proceeds	12,055,367	24,542,554	-	36,597,921
Repayment	(11,935,485)	(25,761,322)	(684,902)	(38,381,709)
Non-cash transactions	(95,467)	(1)	545,633	450,165
Foreign exchange difference	(88,476)	-	(6,347)	(94,823)
As at 31 December 2024	**65,159,107**	**2,387,512**	**1,986,400**	**69,533,019**

a) Bank loans

	31 December 2024	31 December 2023
Domestic	49,852,704	48,366,113
Foreign	15,306,403	16,857,055
	65,159,107	65,223,168
Current portion of long-term loans	(8,815,829)	(10,761,083)
	56,343,278	**54,462,085**

The maturity of non-current loans was as follows:

	31 December 2024	31 December 2023
Between 1 and 2 years	30,987,592	7,632,523
Between 2 and 5 years	24,567,096	45,494,976
Over 5 years	788,590	1,334,586
	56,343,278	**54,462,085**

The carrying amounts of the Company's bank loans are denominated in the following currencies:

	31 December 2024	31 December 2023
USD	-	30,298
EUR	65,159,107	65,163,377
JPY	-	29,493
	65,159,107	**65,223,168**

The Company repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Company has floating interest rates with the creditors. Floating interest rates are connected with Euribor. Management expects that the Company will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Company's ratio of indebtedness to EBITDA (note 5). The Company is in compliance with these covenants as of 31 December 2024 and 31 December 2023 respectively.

b) Lease liabilities

	31 December 2024	31 December 2023
Current portion of lease liabilities	488,755	522,002
Non-current finance lease liabilities	1,497,645	1,610,014
	1,986,400	**2,132,016**

Amounts recognized in profit and loss:

	2024	2023
Interest expense (included in finance cost)	95,416	92,725
Expense relating to short-term leases (note 32)	74,883	4,313
Expense relating to leases of low value assets that are not shown above as short-term leases (note 32)	11,521	10,226
Expense relating to variable lease payments not included in lease liabilities (note 32)	1,264,305	1,197,918

c) Other non-current financial liabilities

Other non-current financial liabilities in the amount of 12,140,168 RSD (2023: 12,038,912 RSD) represents deferred consideration in the amount of 837,800 RSD (2023: 838,937 RSD) for O&G exploration project and liabilities for additional capital contribution associated with the new plant construction program in the amount of 11,302,368 RSD (2023: 11,199,975 RSD).

d) Other long-term borowings

Other long-term borrowings in the amount of 1,873,528 RSD mainly relates to corporate bonds issued. In November 2024, the Company raised funds from the Serbian financial market by, successfully placing its corporate bonds. The corporate bonds are denominated in euro, with a fixed annual interest rate of 6,5%, maturity of five years and quarterly interest rate payment to the owner.

24. SHORT-TERM FINANCE LIABILITIES

	31 December 2024	31 December 2023
ST loans - Parent and subsidiaries	2,387,512	2,786,281
ST loans – Domestic	-	820,000
Current portion of long-term liablities (note 23)	8,815,829	10,761,083
Current portion of long-term financial lease (note 23)	488,755	522,002
	11,692,096	**14,889,366**

25. TRADE PAYABLES

	31 December 2024	31 December 2023
Trade payables – parents and subsidiaries	5,773,742	7,017,865
Trade payables – other related parties	542,822	774,636
Trade payables - domestic	8,281,677	8,104,925
Trade payables - foreign	1,700,296	2,748,942
Trade payables - other	24,968	12,445
	16,323,505	**18,658,813**

26. OTHER SHORT-TERM LIABILITIES

	31 December 2024	31 December 2023
Specific liabilities	208,813	235,319
Liabilities for unpaid wages and salaries, gross	1,453,367	1,292,623
Interest liabilities	227,461	260,381
Dividends payable	3,783,398	3,783,595
Other payables to employees	799,826	685,669
VAT	2,313,587	984,454
Excise tax	8,458,168	7,923,810
Contribution for buffer stocks	348,084	617,524
Energy efficiency fee	39,876	72,511
Other taxes payables	1,037,240	1,214,433
Other current liabilities	89,897	84,802
	18,759,717	**17,155,121**

27. ACCRUED EXPENSES

Accrued expenses as at 31 December 2024 amounting to 4,002,916 RSD (31 December 2023: 3,724,350 RSD) mainly relate to accrued employee bonuses of 2,070,055 RSD (31 December 2023: 2,111,085 RSD), and contract liabilities arising from contracts with customers related to customer loyalty programme in amount 949,116 RSD (31 December 2023: 843,176 RSD).

Revenue in the amount of 4,831,194 RSD (31 December 2023: 7,874,028 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2024, of which 4,243,270 RSD (31 December 2023: 7,407,671 RSD) related to advances and 587,924 RSD (31 December 2023: 466,357 RSD) to customer loyalty programme.

28. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2024	2023
Release of impairment:		
- PPE (note 8)	85,111	32
- Inventory	40,067	53,694
- Other property	35	20
	125,213	**53,746**

29. COST OF MATERIAL FUEL AND ENERGY

	Year ended 31 December	
	2024	2023
Costs of raw materials	199,038,259	222,182,720
Overheads and other costs	89,713	285,023
Fuel and energy cost	10,768,790	10,206,906
Other	639,362	573,260
	210,536,124	**233,247,909**

30. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	Year ended 31 December	
	2024	2023
Wages and salaries (gross)	19,263,808	17,693,178
Taxes and contributions on wages and salaries paid by employer	2,525,325	2,331,792
Cost of service agreement	223,192	132,172
Cost of other personal wages	29,875	23,288
Fees paid to board of directors and general assembly board	141,340	159,567
Termination costs	21,561	3,105
Cost of service organizations	4,865	3,741
Other personal expenses	756,423	776,663
	22,966,389	**21,123,506**

31. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2024	2023
Impairment:		
- IA	9,714	-
- PPE (note 8)	37,645	135,289
- Investment property	2,991	160
- Other property	974	4,478
	51,324	**139,927**

32. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2024	2023
Cost of production services	3,052,041	3,055,105
Transportation services	3,955,771	3,767,547
Maintenance	7,309,869	6,897,981
Rental costs (note 23)	1,350,709	1,212,457
Fairs	5,609	8,786
Advertising costs	1,153,047	928,919
Exploration expenses	30,404	266,078
Cost of other services	2,571,323	1,893,938
	19,428,773	**18,030,811**

33. NON-PRODUCTION COSTS

	Year ended 31 December	
	2024	2023
Costs of non-production services	4,281,899	3,644,747
Representation costs	171,573	120,107
Insurance premium	576,200	568,459
Bank charges	647,849	589,310
Cost of taxes	1,267,484	1,245,452
Mineral extraction tax	1,782,172	1,778,247
Franchisor commission	5,809,647	5,502,997
Other non-production expenses	750,650	747,695
	15,287,474	**14,197,014**

Cost of non-production services for the year ended 31 December 2024 amounting to 4,281,899 RSD (2023: 3,644,747 RSD), mostly relate to project management costs of 1,792,682 RSD (2023: 1,545,271 RSD), security costs of 1,032,374 RSD (2023: 767,395 RSD) and consulting service costs of 217,675 RSD (2023: 203,878 RSD).

34. FINANCE INCOME

	Year ended 31 December	
	2024	2023
Finance income - related parties:		
- foreign exchange differences	36,217	917,461
- modification gain	-	46,217
- revaluation of equity investment at fair value	-	517,395
- other finance income	905,635	760,780
Interest income	2,113,315	4,309,314
Modification Gain	95,469	-
Unwinding of present value discount - income	29,201	-
Foreign exchange gains	486,465	350,420
Other finance income	65,333	47,193
	3,731,635	**6,948,780**

35. FINANCE EXPENSE

	Year ended 31 December 2024	2023
Finance expenses – related parties:		
- foreign exchange differences	92,548	963,264
- other finance expense	298,802	190,844
Interest expenses	3,378,155	2,914,129
Amortization of long-term liabilities	151,029	150,775
Interest expenses on bonds issued - third parties	1,392	-
Amortisation expense – discount of receivables	-	2,445
Modification Loss (third parties)	-	20,437
Foreign exchange losses	1,151,960	424,612
Other finance expense	7,656	9,964
	5,081,542	**4,676,470**

36. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December 2024	2023
Reversal of impairment of LT financial investments	5,013	57,589
Income from valuation:		
- trade receivables (note 5)	101,627	36,279
- specific receivables (note 5)	88	382
- other receivables (note 5)	2,827	6,830
	109,555	**101,080**

37. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December 2024	2023
Impairment of LT financial investments and other AFS securities	-	430
Loss from financial instruments at fair value through Profit and loss		
Loss from valuation:		
- trade receivables (note 5)	27,120	72,073
- specific receivables (note 5)	551	80
- other receivables (note 5)	9,795	10,211
	37,466	**82,794**

38. OTHER INCOME

	Year ended 31 December 2024	2023
Gains on disposal – PPE	491,704	42,321
Gains on disposal – materials	38,327	20,007
Surpluses from stock count	554,750	467,380
Payables written off	13,531	56,381
Release of long-term provisions (note 22)	87,194	62,735
Penalty interest	99,278	68,709
Other income	29,328	68,721
	1,314,112	**786,254**

39. OTHER EXPENSES

	Year ended 31 December 2024	2023
Loss on disposal – PPE	106,207	49,093
Loss on disposal – materials	58,560	64,092
Shortages from stock count	640,997	610,287
Write-off receivables	6,221	6,302
Write-off inventories	183,362	137,352
Charity and social payments	196,808	7,247,557
Other expenses	201,112	320,959
	1,393,267	**8,435,642**

Charity and social payments amounting to 196,808 RSD (2023: 7,247,557 RSD) mainly relate to donations for support projects in the field of education, social and health care.

40. INCOME TAXES

Components of income tax expense:

	Year ended 31 December 2024	2023
Income tax for the year	4,523,958	8,391,534
Deferred income tax for the period		
Origination and reversal of temporary differences (note 13)	(738,354)	(546,571)
	3,785,604	**7,844,963**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Company's profits as follows:

	Year ended 31 December	
	2024	2023
Profit (loss) before tax	**22,166,182**	**49,759,591**
Tax calculated at domestic tax rates – 15%	3,324,927	7,463,939
Tax effect on:		
Revenues exempt from taxation	(28,390)	(47,609)
Expenses not deductible for tax purposes		
– Tax paid in abroad	329,842	-
– Other expenses not deductable	159,225	447,095
Other tax effects for reconciliation between accounting profit and tax expense	-	(18,462)
	3,785,604	**7,844,963**
The weighted average effective income tax rate	17.08%	15.77%

41. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. Frequent changes and tightening of sanctions may have and additional impact on the Company's operations.

Currently the Company is continuing the assessment of the new sanctions' impact on the Company's operations.

The Company has established internal procedures to ensure compliance with the sanctions requirements in the course of its business activities. The purpose is to eliminate risks and potential negative consequences for the Company that could result from a violation of requirements and restrictions imposed by international sanctions.

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 373,479 RSD (31 December 2023: 451,287 RSD).

The Company's Management believes that cash outflows related to provision will not be significantly higher than the ones already provided for. However, it is possible that these costs will increase significantly in the future, should the legislation become more restrictive.

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 December 2024.

Capital commitments

As of 31 December 2024 the Company has entered into contracts to purchase property, plant and equipment for 4,852,949 RSD (31 December 2023: 2,861,058 RSD).

There were no other material commitments and contingent liabilities of the Company.

42. RELATED PARTIES TRANSACTIONS

For the purpose of these Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the year ended 31 December 2024 and in the same period in 2023, 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 of 31 December 2024 and 31 December 2023 the outstanding balances with related parties were as follows:

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2024			
Right of use assets	95,917	-	-
Investments in subsidiaries, associates and joint ventures	31,016,682	-	1,038,800
Long-term loans	6,285,587	-	-
Other long-term investments	837,800	-	-
Advances for inventory and services	402	-	540,205
Trade receivables	10,046,854	-	50,484
Other receivables	3,884,526	-	51
Short-term investments	29,154,750	-	-
Long-term liabilities	(12,566,106)	-	-
Short-term financial liabilities	(2,395,086)	-	-
Advances received	(56,815)	-	(389)
Trade payables	(5,773,742)	-	(542,822)
Other short-term liabilities	(12,521)	-	(1)
	60,518,248	**-**	**1,086,328**

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2023			
Right of use assets	75,408	-	-
Investments in subsidiaries, associates and joint ventures	31,016,682	-	1,038,800
Long-term loans	8,548,631	-	-
Other long-term investments	838,937	-	-
Advances for inventory and services	713	-	16,553
Trade receivables	13,661,872	-	113,363
Other receivables	3,035,561	-	25
Short-term investments	20,767,586	-	-
Long-term liabilities	(11,272,870)	-	-
Short-term financial liabilities	(2,792,310)	-	-
Advances received	(98,543)	-	(442)
Trade payables	(7,017,865)	-	(774,636)
Other short-term liabilities	(12,872)	-	(1)
	56,750,930	**-**	**393,662**

For the year ended 31 December 2024 and 2023 the following transaction occurred with related parties:

	Subsidiary	Parent	Entities under common control and associates
Year ended 31 December 2024			
Revenues from sales of products and services	53,454,486	-	279,211
Expenses based on procurement of products and services	(23,271,146)	-	(3,576,553)
Other expenses	628,722	-	(338)
	30,812,062	**-**	**(3,297,680)**
Year ended 31 December 2023			
Revenues from sales of products and services	35,605,124	-	16,076,612
Expenses based on procurement of products and services	(16,883,568)	(5,218)	(15,998,947)
Other expenses	1,216,686	-	(40,779)
	19,938,242	**(5,218)**	**36,886**

Transactions with subsidiaries in Romania and Bulgaria

The companies are currently facing significant challenges in its operations in Bulgaria (DWS operations) and Romania (DWS and UPS operations), which are affecting the overall performance and future prospects in these markets. As a result, management is considering both the possibility of further development and the option of exit from these markets.

Given the current circumstances, the company is analysing the following options:

1. **Potential for Further Development**: This includes exploring opportunities to improve operational efficiency and identification of further business opportunities for development to address local market challenges.
2. **Exit Strategy:** In parallel, management is also considering the possibility of exiting these markets if the challenges persist or worsen, including assessing potential complete or partial sale of asset, closure, or other exit mechanisms. A comprehensive review is ongoing to ensure that any decision taken will align with long-term strategic goals and shareholder interests. The outcome of these considerations will be disclosed as part of the regular reporting in the coming periods, depending on the final decisions taken.

Main balances and transactions with state and mayor state owned companies:

	Entities under common control and associates	Other
As at 31 December 2024		
Trade and other receivables (gross)	-	987,154
Advances paid	-	592
Trade and other payables	-	(639,118)
Other current liabilities	-	(24)
	-	**348,604**
As at 31 December 2023		
Trade and other receivables (gross)	-	967,842
Advances paid	-	445
Trade and other payables	-	(517,071)
Other current liabilities	-	24
	-	**451,240**

	Entities under common control and associates	Other
As at 31 December 2024		
Operating income	-	11,358,258
Operating expenses	-	(122,989)
	-	**11,235,269**
As at 31 December 2023		
Operating income	15,329,411	11,388,815
Operating expenses	(172,776)	(256,434)
	15,156,635	**11,132,381**

Transactions with state controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties. For the period of first six months of 2023 transaction with HIP Petrohemija are included in Associates and joint venture in related party transactions.

Transactions with Key Management Personnel

In the year ended 31 December 2024 and 2023 the Company recognized 1,287,663 RSD and 1,063,808 RSD respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

43. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with the Accounting Law, the Company reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. The total amount of unreconciled account receivables amounts to 34,810 RSD (6 customers) which is 0.09% of the total amount of trade receivables. The total amount of unreconciled account payables amounts to 218,920 RSD (50 suppliers) which is 1.34% of the total amount of trade payables.

44. EVENTS AFTER THE REPORTING DATE

a. Introduction of Sanctions by the United States of America (USA) on NIS a.d. Novi Sad

- On 10 January 2025, the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury announced on its Specially Designated Nationals and Blocked Persons List (SDN List) that, as part of measures taken by OFAC under Executive Order 14024 and Executive Order 13662, the company NIS a.d. Novi Sad was added to the SDN List.
  This listing represents a significant event after the balance sheet date, which may have a material impact on the company's operations.

- On 14 January 2025, the Belgrade Stock Exchange decided to impose a temporary suspension of trading in NIS a.d. Novi Sad shares, by order of the Securities Commission, the suspension of trading and transfer of ownership will remain in effect until the reasons that led to the suspension cease to exist.

- On 29 January 2025, NIS officially filed an application with OFAC - Request for Specific License, or Amended General Licenses, Authorizing Activities Described in General Licenses 26A, 117, 118, and 119, and Request for Specific or General License Authorizing Maintenance of Operations, Contracts, and Other Agreements. Application, aside from the requests related to OFAC licenses, also contains an explicit request to OFAC to issue a statement providing non-U.S. persons with assurances that they will not risk being targeted with sanctions for engaging in, or facilitating, any transactions authorized in response to the application.

- On February 26, 2025, the OFAC (Office for Foreign Assets Control) issued a specific license (Licence No. MUL-2025-1335128-1) that postpones the full implementation of sanctions until March 28, 2025. This license allows U.S. persons, as well as other individuals, to engage in business activities with NIS or its operational subsidiaries both on domestic and international level, which primarily includes transactions necessary for the uninterrupted and regular maintenance of business operations, contracts, and other agreements involving NIS or its operational subsidiaries. NIS continues to communicate with OFAC and takes necessary actions to ensure that NIS is fully removed from the U.S. SDN (Specially Designated Nationals) list.

As of the date of approval of these Financial Statements, the Company is unable to fully assess all potential financial and operational consequences of this event due to its complexity and the ongoing development of the situation.

The Company's management is conducting daily assessments of the impact of the sanctions on operations and is taking all necessary measures to ensure the sustainable operation of the Company.

b. Change in the ownership stake

- In February 2025, Gazprom Neft reduced its ownership stake in the Company to 44.85%.

All events occurring after the reporting date, from 31 December 2024 to 28 February 2025 when these Financial Statements were approved, have been taken into account.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	AOP	Note	31 December 2024	31 December 2023
A. SUBSCRIBED CAPITAL UNPAID	**0001**		**-**	**-**
B. NON-CURRENT ASSETS (0003+0009+0017+0018+0028)	**0002**		**355,362,739**	**329,424,052**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008)	**0003**	**7**	**21,289,617**	**21,873,058**
1. Development investments	0004		10,826,761	11,707,933
2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		3,858,394	3,578,867
3. Goodwill	0006		1,258,852	1,260,808
4. Intangible assets in lease and under development	0007		5,345,610	5,325,450
5. Advances for intangible assets	0008		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)	**0009**		**329,889,070**	**303,225,222**
1. Land and buildings	0010	8a	191,856,822	180,697,284
2. Machinery and equipment	0011	8a	97,163,419	81,846,555
3. Investment property	0012	8b	1,514,935	1,514,920
4. Property, plant and equipment in lease and construction in progress	0013	8a, 8g	36,300,132	32,666,938
5. Other property, plant and equipment and investments in leased PP&E	0014	8a	252,799	268,147
6. Advances for PP&E - domestic	0015	8a	2,535,758	3,368,255
7. Advances for PP&E - foreign	0016	8a	265,205	2,863,123
III. BIOLOGICAL ASSETS	**0017**		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)	**0018**		**4,184,052**	**4,325,772**
1. Investments in legal entities (except those evaluated using the equity method)	0019		91,816	91,765
2. Investments in legal entities evaluated by equity method	0020	9	2,623,087	2,729,005
3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021		826,117	669,617
4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - foreign	0022		-	-
5. Long-term investments - domestic	0023		6,685	8,565
6. Long-term investments - foreign	0024		-	-
7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
8. Purchased own shares	0026		-	-
9. Other long-term financial investments and long-term receivables	0027	10	636,347	826,820
V. LONG - TERM ACCRUED AND DEFERRED INCOME	**0028**		**-**	**-**
C. DEFFERED TAX ASSETS	**0029**	**11**	**4,102,378**	**3,245,067**
G. CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	**0030**		**147,584,780**	**174,041,470**

in 000 RSD

	AOP	Note	31 December 2024	31 December 2023
I. INVENTORY (0032+0033+0034+0035+0036)	**0031**	**12**	**53,894,616**	**69,307,394**
1. Materials, spare parts and tools	0032		22,634,732	32,499,892
2. Work in progress and finished goods	0033		26,490,525	30,789,008
3. Merchandise	0034		3,061,514	4,392,043
4. Advances for inventory and services - domestic	0035		1,305,117	1,134,412
5. Advances for inventory and services - foreign	0036		402,728	492,039
II. FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	**0037**		**14,430**	**56,605**
III TRADE RECEIVABLES (0039+0040+0041+0042+0043)	**0038**	**13**	**32,080,211**	**33,207,906**
1. Trade receivables - domestic	0039		30,512,643	30,997,145
2. Trade receivables - foreign	0040		1,267,444	1,907,675
3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		51,000	111,515
4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		249,124	191,571
5. Other trade receivables	0043		-	-
IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	**0044**	**14**	**8,818,937**	**8,847,384**
1. Other receivables	0045		1,055,302	1,242,522
2. Receivables for overpaid income tax	0046		7,595,653	7,470,959
3. Receivables from overpaid other taxes and contributions	0047		167,982	133,903
V. SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	**0048**	**15**	**299,134**	**32,697,380**
1. Short-term loans and investments - parent and subsidiaries	0049		-	-
2. Short-term loans and investments - other related parties	0050		20,129	25,835
3. Short-term loans and investments - domestic	0051		64,228	63,862
4. Short-term loans and investments - foreign	0052		-	-
5. Securities evaluted at amortized cost	0053		-	-
6. Financial assets evaluated through profit or loss	0054		-	-
7. Purchased own shares	0055		-	-
8. Other short-term financial investments	0056		214,777	32,607,683

in 000 RSD

	AOP	Note	31 December 2024	31 December 2023
VI. CASH AND CASH EQUIVALENTS	**0057**	**16**	**40,736,335**	**21,484,271**
VII. PREPAYMENTS AND ACCRUED INCOME	**0058**	**17**	**11,741,117**	**8,440,530**
D TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	**0059**		**507,049,897**	**506,710,589**
E OFF-BALANCE SHEET ASSETS	**0060**	**18**	**194,714,329**	**184,617,946**
A. EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	**0401**	**19**	**370,555,961**	**371,087,653**
I. EQUITY	**0402**	**19.1**	**81,530,200**	**81,530,200**
II. SUBSCRIBED CAPITAL UNPAID	**0403**		**-**	**-**
III. SHARE PREMIUM	**0404**		**-**	**-**
IV. RESERVES	**0405**		**-**	**-**
V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0406**		**793,709**	**753,946**
VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0407**		**340,023**	**177,975**
VII. RETAINED EARNINGS (0409+0410)	**0408**		**288,572,075**	**288,463,874**
1. Retained earnings from previous years	0409		278,746,859	244,271,358
2. Retained earnings from current year	0410		9,825,216	44,192,516
VIII. NON-CONTROLLING INTEREST	**0411**		**-**	**517,608**
IX. LOSS (0413+0414)	**0412**		**-**	**-**
1. Loss from previous years	0413		-	-
2. Loss from current year	0414		-	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	**0415**		**75,427,142**	**72,402,230**
I. LONG-TERM PROVISIONS (0417+0418+0419)	**0416**	**20**	**14,752,819**	**13,937,343**
1. Provisions for employee benefits	0417		1,720,236	1,266,146
2. Provisions for warranty claims	0418		-	-
3. Other long term provisions	0419		13,032,583	12,671,197
II. LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	**0420**	**21**	**60,674,323**	**58,464,887**
1. Liabilities convertible to equity	0421		-	-
2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422		-	-
3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423		-	-
4. Long-term loans and finance lease liabilities - domestic	0424		45,456,751	41,677,200
5. Long-term loans and finance lease liabilities - foreign	0425		13,507,373	15,795,870
6. Liabilities for issued securities	0426		699,178	-
7. Other long-term liabilities	0427		1,011,021	991,817
III. LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	**0428**		**-**	**-**
C. DEFFERED TAX LIABILITIES	**0429**	**11**	**3,682**	**-**
D. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	**0430**		**-**	**-**
E. SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	**0431**		**61,063,112**	**63,220,706**

in 000 RSD

	AOP	Note	31 December 2024	31 December 2023
I. SHORT-TERM PROVISIONS	**0432**	**20**	**1,342,054**	**2,712,762**
II. SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	**0433**	**22**	**9,749,970**	**12,505,285**
1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		-	-
2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		-	-
3. Short-term loans and borowings from other parties	0436		934,141	924,202
4. Short-term loans from domestic banks	0437		7,016,799	10,519,898
5. Short-term loans, borowings and liabilities - foreign	0438		1,799,030	1,061,185
6. Liabilities on short-term securities	0439		-	-
7. Liabilities based on financial derivatives	0440		-	-
III. ADVANCES RECEIVED	**0441**		**5,649,106**	**5,206,173**
IV. TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	**0442**	**23**	**17,780,968**	**16,389,168**
1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		511,682	728,736
2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		164,783	110,863
3. Trade payables - domestic	0445		14,512,714	12,228,611
4. Trade payables - foreign	0446		2,551,320	3,289,717
5. Liabilities on promissory notes	0447		-	-
6. Other operating liabilities	0448		40,469	31,241
V. OTHER SHORT-TERM LIABILITIES	**0449**	**24**	**21,341,127**	**21,526,533**
1. Other short-term liabilities	0450		8,441,133	9,814,397
2. Liabilities for VAT and other taxes	0451		12,886,385	11,712,136
3. Profit tax liabilities	0452		13,609	-
VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS	**0453**		**-**	**-**
VII. SHORT-TERM ACCRUED EXPENSES	**0454**	**25**	**5,199,887**	**4,880,785**
F. LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0	**0455**		**-**	**-**
G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)	**0456**		**507,049,897**	**506,710,589**
H. OFF-BALANCE SHEET LIABILITIES	**0457**	**18**	**194,714,329**	**184,617,946**

in 000 RSD

CONSOLIDATED INCOME STATEMENT

	AOP	Note	Year ended 31 December 2024	Year ended 31 December 2023
A. OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	**1001**		**421,713,648**	**433,722,189**
I. INCOME FROM THE SALE OF GOODS (1003+1004)	**1002**	6	**117,213,124**	**70,403,187**
1. Income from sale of goods on domestic market	1003		73,057,921	31,884,664
2. Income from sale of goods on foreign market	1004		44,155,203	38,518,523
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	**1005**	6	**290,350,538**	**341,238,036**
1. Income from sales of products and services on domestic market	1006		244,421,797	304,534,507
2. Income from sales of products and services on foreign market	1007		45,928,741	36,703,529
III. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	**1008**		**17,495,769**	**14,307,357**
IV. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1009**		**-**	**-**
V. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1010**		**4,828,078**	**2,011,908**
VI. OTHER OPERATING INCOME	**1011**	6	**463,971**	**394,457**
VII. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1012**	26	**1,018,324**	**9,391,060**
B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	**1013**		**405,183,613**	**375,290,577**
I. COST OF GOODS SOLD	**1014**		**85,944,047**	**43,485,683**
II. COST OF MATERIAL, FUEL AND ENERGY	**1015**	27	**217,399,992**	**239,879,654**
III. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	**1016**	28	**43,490,678**	**38,486,743**
1. Cost of salaries and fringe benefits	1017		36,377,154	32,111,745
2. Cost of tax and contributions on wages and salaries	1018		5,008,349	4,385,978
3. Other personal expenses	1019		2,105,175	1,989,020
IV. DEPRECIATION, DEPLETION AND AMORTIZATION	**1020**		**27,119,878**	**24,960,531**
V. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1021**	29	**53,273**	**809,170**
VI. COST OF PRODUCTION SERVICES	**1022**	30	**19,181,009**	**16,294,412**
VII. COST OF PROVISION	**1023**		**1,008,915**	**1,319,055**
VIII. NON-PRODUCTION COSTS	**1024**	31	**10,985,821**	**10,055,329**
C. OPERATING GAIN (1001-1013)>=0	**1025**		**16,530,035**	**58,431,612**
D. OPERATING LOSS (1013-1001)>=0	**1026**		**-**	**-**
E. FINANCE INCOME (1028+1029+1030+1031)	**1027**	32	**3,156,520**	**6,290,653**
I. FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1028**		**154,159**	**950,947**
II. INTEREST INCOME	**1029**		**2,365,440**	**4,698,292**
III. FOREIGN EXCHANGE GAIN	**1030**		**571,365**	**594,210**
IV. OTHER FINANCIAL INCOME	**1031**		**65,556**	**47,204**
F. FINANCE EXPENSES (1033+1034+1035+1036)	**1032**	33	**5,621,955**	**5,298,169**
I. FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1033**		**257,977**	**1,259,768**
II. INTEREST EXPENSE	**1034**		**3,715,482**	**3,243,087**
III. FOREIGN EXCHANGE LOSS	**1035**		**1,532,466**	**647,631**
IV. OTHER FINANCIAL EXPENSE	**1036**		**116,030**	**147,683**
I. PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	**1037**		**-**	**992,484**
J. LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	**1038**		**2,465,435**	**-**

in 000 RSD

	AOP	Note	Year ended 31 December 2024	Year ended 31 December 2023
K. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1039**	34	**130,862**	**161,390**
L. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1040**	35	**42,864**	**156,316**
M. OTHER INCOME	**1041**	36	**1,461,278**	**1,392,778**
N. OTHER EXPENSE	**1042**	37	**1,560,838**	**8,661,232**
O. TOTAL INCOME (1001+1027+1039+1041)	**1043**		**426,462,308**	**441,567,010**
P. TOTAL EXPENSE (1013+1032+1040+1042)	**1044**		**412,409,270**	**389,406,294**
Q. OPERATING PROFIT BEFORE TAX (1043-1044)>=0	**1045**		**14,053,038**	**52,160,716**
R. OPERATING LOSS BEFORE TAX (1044-1043)>=0	**1046**		**-**	**-**
S. POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	**1047**		**-**	**-**
T. NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	**1048**		**-**	**-**
U. PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	**1049**		**14,053,038**	**52,160,716**
V. LOSS BEFORE TAX (1046-1045+1048-1047)>=0	**1050**		**-**	**-**
W. INCOME TAX				
I. CURRENT INCOME TAX	1051	38	4,814,328	8,532,713
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	38	283	284
III. DEFERRED TAX INCOME FOR THE PERIOD	1053	38	841,010	564,797
X. PERSONAL INCOME PAID TO EMPLOYER	**1054**		**-**	**-**
Y. NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	**1055**		**10,079,437**	**44,192,516**
Z. NET LOSS (1050-1049+1051-1052-1053+1054)>=0	**1056**		**-**	**-**
I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	**1057**		**-**	**-**
II. NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	**1058**		**10,844,835**	**44,667,130**
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	**1059**		**765,398**	**474,614**
IV. NET LOSS ATTRIBUTABLE TO PARENT COMPANY	**1060**		**-**	**-**
V. EARNINGS PER SHARE				
1. Basic earnings per share	1061		0.06	0.27
2. Diluted earnings per share	1062		-	-

in 000 RSD

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	AOP	Note	Year ended 31 December 2024	2023
A. NET PROFIT				
I. PROFIT, NET (AOP 1064)	**2001**		**10,079,437**	**44,192,516**
II. LOSS, NET (AOP 1065)	**2002**		**-**	**-**
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase in revaluation reserves	2003		3,400	-
b) decrease in revaluation reserves	2004		-	-
2. Actuarial gains/(losses) of post employment benefit obligations				
a) gains	2005		-	-
b) losses	2006		175,945	49,477
3. Gains/(losses) arising from a share in the associate's other comprehensive profit or loss				
a) gains	2007		-	-
b) losses	2008		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains/(losses) arising from equity investments				
a) gains	2009		-	-
b) losses	2010		-	-
2. Gains/(losses) from currency translation differences				
a) gains	2011		39,677	80,237
b) losses	2012		-	-
3. Gains/(losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
4. Gains/(losses) on cash flow hedges				
a) gains	2015		-	-
b) losses	2016		-	-
5. Gains/(losses) from change in value of available-for-sale financial assets				
a) gains	2017		52	8,299
b) losses	2018		-	-
I OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	**2019**		**-**	39,059
II OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0	**2020**		**132,816**	**-**
III DEFERRED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT/(LOSS)	**2021**		**-**	**-**
IV DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT/(LOSS)	**2022**		**-**	**-**

in 000 RSD

	AOP	Note	Year ended 31 December 2024	2023
V TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0	**2023**		**-**	**39,059**
VI TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0	**2024**		**132,816**	**-**
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0	**2025**		**9,946,621**	**44,231,575**
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	**2026**		**-**	**-**
D. TOTAL NET COMPREHENSIVE PROFIT (2028+2029)=AOP 2025>=0 or AOP 2026>0	**2027**		**9,946,621**	**44,231,575**
1. Attributable to shareholders	2028		9,946,621	44,231,575
2. Attributable to non-controling interest	2029		-	-

in 000 RSD

CONSOLIDATED STATEMENT OF CASH FLOWS

	AOP	Note	Year ended 31 December 2024	2023
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	**3001**		**728,049,827**	**708,894,927**
1. Sales and advances received - domestic	3002		603,981,647	600,703,088
2. Sales and advances received - foreign	3003		116,962,605	104,418,905
3. Interest from operating activities	3004		3,238,079	3,378,477
4. Other inflow from operating activities	3005		3,867,496	394,457
II. Cash outflow from operating activities (1 to 8)	**3006**		**667,073,290**	**680,911,308**
1. Payments and prepayments to suppliers - domestic	3007		103,714,429	84,440,360
2. Payments and prepayments to suppliers - foreign	3008		220,571,607	248,643,442
3. Salaries, benefits and other personal expenses	3009		42,335,249	36,290,997
4. Interest paid - domestic	3010		2,677,572	2,137,901
5. Interest paid - foreign	3011		624,741	571,343
6. Income tax paid	3012		4,944,654	29,870,557
7. Payments for other public revenues	3013		292,205,038	278,956,708
8. Other payments from operating activities	3014		-	-
III. Net cash inflow from operating activities (I - II)	**3015**		**60,976,537**	**27,983,619**
IV. Net cash outflow from operating activities (II - I)	**3016**		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3017**		**31,330,240**	**7,426,296**
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		211,748	104,698
3. Other financial investments	3020		31,059,893	7,277,226
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		58,599	44,372
II. Cash outflow from investing activities (1 to 3)	**3023**		**60,517,947**	**74,438,261**
1. Acquisition of subsidiaries or other business	3024		-	-
2. Purchase of intangible assets, property, plant and equipment	3025		60,281,791	43,363,331
3. Other financial investments	3026		236,156	31,074,930
III. Net cash inflow from investing activities (I - II)	**3027**		**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3028**		**29,187,707**	**67,011,965**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	**3029**		**12,755,977**	**4,200,401**
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	21	12,055,367	3,380,401
3. Proceeds from long-term borrowings - foreign	3032	21	-	-
4. Proceeds from short-term borrowings - domestic	3033	21	-	820,000
5. Proceeds from short-term borrowings - foreign	3034	21	-	-
6. Other long-term liabilities	3035		700,610	-
7. Other short-term liabilities	3036		-	-

in 000 RSD

	AOP	Note	Year ended 31 December 2024	2023
II. Cash outflow from financing activities (1 to 8)	**3037**		**24,440,728**	**31,524,024**
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	21	10,395,804	2,767,509
3. Repayment of long-term borrowings - foreign	3040	21	1,539,680	3,057,206
4. Repayment of short-term borrowings - domestic	3041	21	820,000	821,099
5. Repayment of short-term borrowings - foreign	3042	21	-	487,328
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	21	1,206,983	1,025,957
8. Dividend distribution	3045	19.1	10,478,261	23,364,925
III. Net cash inflow from financing activities (I - II)	**3046**		**-**	**-**
IV Net cash outflow from financing activities (II - I)	**3047**		**11,684,751**	**27,323,623**
D. TOTAL CASH INFLOW (3001+3017+3029)	**3048**		**772,136,044**	**720,521,624**
E. TOTAL CASH OUTFLOW (3006+3023+3037)	**3049**		**752,031,965**	**786,873,593**
F. NET CASH INFLOW (3048-3049)>=0	**3050**		**20,104,079**	**-**
G. NET CASH OUTFLOW (3049-3048)>=0	**3051**		**-**	**66,351,969**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3052**		**21,484,271**	**88,131,045**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3053**		**60,484**	**30,798**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3054**		**912,499**	**325,603**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	**3055**	**16**	**40,736,335**	**21,484,271**

in 000 RSD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	AOP	Share capital	AOP	Rev. reserves and unr. gains and losses	AOP	Retained earnings	AOP	Loss	AOP	Non-controling interest	AOP	Total
1. Balance as at 1 January 2023	**4001**	**81,530,200**	**4037**	**504,425**	**4046**	**267,193,012**	**4055**	**-**	**4064**	**-**	**4073**	**349,227,637**
2. Adjustments of material errors and changes in accounting policies	4002	-	4038	-	4047	-	4056	-	4065	-	4074	-
3. Restated opening balance as at 1 January 2023	**4003**	**81,530,200**	**4039**	**504,425**	**4048**	**267,193,012**	**4057**	**-**	**4066**	**-**	**4075**	**349,227,637**
4. Net changes in 2023	4004	-	4040	71,546	4049	21,270,862	4058	-	4067	517,608	4076	21,860,016
5. Balance as at 31 December 2023	**4005**	**81,530,200**	**4041**	**575,971**	**4050**	**288,463,874**	**4059**	**-**	**4068**	**517,608**	**4077**	**371,087,653**
6. Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4069	-	4078	-
7. Restated opening balance as at 1 January 2024	**4007**	**81,530,200**	**4043**	**575,971**	**4052**	**288,463,874**	**4061**	**-**	**4070**	**517,608**	**4079**	**371,087,653**
8. Net changes in 2024	4008	-	4044	(122,285)	4053	108,201	4062	-	4071	(517,608)	4080	(531,692)
9. Balance as at 31 December 2024	**4009**	**81,530,200**	**4045**	**453,686**	**4054**	**288,572,075**	**4063**	**-**	**4072**	**-**	**4081**	**370,555,961**

in 000 RSD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS[100]

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the "Company") and its subsidiaries (together refer to as the "Group") is a vertically integrated oil company operating predominantly in Serbia. The Group's principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading,
- Electricity generation and trading and
- Production and trading of petrochemical products.

Other activities primarily include sales of other goods, works and services.

The Company is a public joint stock company listed on the Belgrade Stock Exchange.

Information on the Group's structure is provided in Note 41. Information on other related party relationships of the Group is provided in Note 42.

These consolidated financial statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Shareholders' Assembly for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

These consolidated financial statements for the year ended 31 December 2024 were prepared in accordance with the Law on Accounting of the Republic of Serbia which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition, the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,
- "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

As a result, the accompanying consolidated financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Consolidated Financial Statements have been prepared based on the going concern principle, which assumes that the Group will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Group will be able to continue to operate as a going concern in the foreseeable future (refer to note 3.1. Implication of imposed US Sanctions) and, therefore, this principle should be applied in the preparation of these Consolidated Financial Statements.

At the date of signing Consolidated Financial Statements, crude oil price increased since 31 December 2024 from 74.645 $/barrel to 84.140 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. BASIS OF MEASUREMENT

These consolidated financial statements are prepared on the historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

2.3. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.4. FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary

[100] All amounts are in RSD 000, unless otherwise stated.

economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Serbian dinars ("RSD"), which is the functional currency of the Company and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other monetary assets and liabilities are presented in the consolidated income statement within 'Finance income or expense'.

(c) Group's Companies

The result and financial position of all Group companies whose functional currency is different from the Group's presentation currency are calculated as follows:

I. assets and liabilities are translated into the RSD using the exchange rate as at reporting date;
II. income and expenses are translated at average exchange rates and all resulting foreign exchange differences are recognized in reserves as separate items in equity.

2.5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of subsidiaries in which the Group has control. Control implies rights or exposure to variable returns from the involvement with the investee and the ability to affect those returns through the power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. An investor is exposed, or has the right to variable returns from its involvement with investee when the investor's return from its involvement has the potential to vary as a result of the investee's performance. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control commences until the date when control ceases.

In accessing control, Group takes into consideration potential voting rights that are substantive. Investments in entities that the Group does not control, but where it has the ability to exercise significant influence over operating and financial policies, are accounted for under equity method except for investments that meet criteria of joint operations, which are accounted for on the basis of the Group's interest in the assets, liabilities, expenses and revenue of the joint operation. All other investments are classified either as held-to-maturity or as available for sale.

(a) Joint Operations and Joint Ventures

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

With regards to joint arrangements, where the Group acts as a joint venturer, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Non-controlling interests

In the consolidated financial statements, non-controlling interests in subsidiaries are presented separately from the Group equity as non-controlling interests. Non-controlling interest is measured at fair value or at its proportionate share in the acquiree's net identifiable assets. For each business combination a separate measurement principle is determined.

(d) Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associate are accounted for using equity method and are recognised initially at cost. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

2.6. BUSINESS COMBINATIONS

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and recognised goodwill or a gain from a bargain purchase. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

2.7. GOODWILL

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated profit or loss. Transaction costs, that the Group incurs in connection with a business combination are expensed as incurred.

2.8. INTANGIBLE ASSETS

(a) Goodwill

Goodwill that arises from business combination is included in intangible assets. Subsequently goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (note 7).

(b) Licenses and rights

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. (average useful life is 5 years)

Licenses and rights include Oil and Gas Upstream Exploration Rights, which are amortised in accordance with the terms and conditions of the rights.

(c) Software

These include primarily the costs of implementation the (SAP) computer software program. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not to exceed 8 years).

2.9. OIL AND GAS PROPERTIES

(a) Exploration and evaluation expenditure

The Group follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment. Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

(b) Development costs of fixed and intangible assets

Development costs are incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

(c) Oil and gas production assets

Oil and gas production assets comprise exploration and evaluation assets as well as development costs associated with the production of proved reserves.

(d) Depreciation/amortization

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) Impairment – exploration and evaluation assets

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

(f) Impairment – proved oil and gas properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.10. PROPERTY, PLANT AND EQUIPMENT

As of the date of establishment, the Group's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Buildings	10-50
Machinery and Equipment:	
- Production equipment	2-35
- Furniture	3-10
- Vehicles	5-25
- Computers	3-10
Other PP&E	3-20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/expenses" in the consolidated income statement (notes 36 and 37).

2.11. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12. INVESTMENT PROPERTY

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises of petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value. Changes in fair values are recorded in the consolidated income statement as part of "Income/Expense from valuation od assets (except financial)"(note 26 and 29).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.13. FINANCIAL INSTRUMENTS

(a) Key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Amortized cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL").

(b) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

At initial recognition, the Group measures a financial asset as its fair value plus, in case of a financial assets not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit and loss.

After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Factors considered by the Group in determining the business model include the purpose and composition of portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest (''SPPI''), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(c) Write-off

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

(e) Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

(f) Financial assets impairment

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and recognises Net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated balance sheet net of the allowance for ECL.

For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in consolidated statement of OCI as gains less losses on debt instruments at FVOCI.

General model of impairment of financial assets – three stage model

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

When defining default for the purposes of determining the risk of a default occurring, the Group applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately.

Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

Simplified approach for impairment of receivables and lease receivables

Group applies simplified approach for trade receivables, contract assets and lease receivables and measure the loss allowance at an amount equal to lifetime expected credit losses ("Lifetime ECL").

Group uses a provision matrix in the calculation of the expected credit losses on trade receivables. Group use historical credit loss experience (adjusted as appropriate on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement.

Impairment losses are reversed through profit or loss if the amount of the impairment loss decreases and the decrease can be attributed to an event occurring after the impairment was recognized.

2.14. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as "Other expenses" (note 37).

2.15. OFF-BALANCE SHEET ASSETS AND LIABILITIES

Off-balance sheet assets/liabilities include: material received from third parties for further processing and other assets not owned by the Group, as well as receivables/payables related to collaterals such as guarantees and other warrants.

2.16. SHARE CAPITAL

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.17. EARNINGS PER SHARE

The Group calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

2.18. PROVISIONS

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as cost of provision and charged to consolidated income statement.

2.19. CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Group operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.20. EMPLOYEE BENEFITS

(a) Pension obligations

The Group operates a defined contribution pension plan. The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee benefits provided by the Collective Agreement

The Group provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in consolidated statement of other comprehensive income in the period in which they arise. These obligations are valued annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

At the end of 2023 Group has made decision to introduce new three-year (2024-2026) incentive program for Group managers which will be settle based on the Key Performance Indicators ("KPI") reached during the program (note 20).

2.21. REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS

The Group recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is shown net of returns, rebates and discounts after eliminating sales within the Group.

Sales taxes

Revenue does not amounts collected on behalf of tax authorities – value added taxes (VAT), excise duties and other sales taxes (fee for improvement of energy efficiency).

The accounting for excise duties is based on the Group's assessment whether it is primarily obligated for payment of excise duties or whether it collects the amount from the customer on behalf of the tax authorities. This determination is made based on the analysis of the local regulatory requirements for each country in which the Group operates. Due to complexity and variety in tax legislations, significant judgmenent is applied in the assessment whether excise duties would be accounted on gross or net basis.

Excise duties imposed during the inventory procurement process are included in the transaction price, revenue is determined on a gross basis and paid excise duties are also included in the cost of goods sold.

Excise duties incurred in production and sale of products are assessed as part of amounts collected on behalf of tax authorites and are accounted on a net basis.

(a) Sales - wholesale

The Group manufactures and sells oil, petrochemical products, liquefied natural gas and energy in the wholesale market. Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts entitled to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of less than one year and is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales – retail

The Group operates a chain of Petrol Stations. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. Group offers customer incentives mostly in the form of loyalty programs described under section d).

(c) Sales of electricity

The Group sells electricity on a short and long term basis with a contract terms generally accepted in the energy industry (via bilateral forward standardized general EFET agreements). Majority of sales are made on a wholesale market without structured trades.

In accordance with contract terms if Group expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis in consolidated financial statements. In general, delivery of electricity represent transfer of a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer over time. Accordingly, delivery of electricity is treated as a single performance obligation to which transaction price is allocated. Revenue is recognized by applying a single measure of progress to the identified single performance obligation.

(d) Customer loyalty program

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 25.

(e) Interest income

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.22. LEASES

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	25
Buildings	2 - 22
Machinery	3 - 15
Motor vehicles	2 - 10

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.23. DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the Group's shareholders.

2.24. CAPITALISATION OF BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparing consolidated financial statements required Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other facts that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimates are revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Group's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Information on the effect of macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Consolidated Financial Statements is provided below.

3.1. IMPLICATION OF IMPOSED US SANCTIONS

On 10 January 2025 Group was included on the US Treasury Specially Designated Nationals and Blocked Persons (SDN) List. This designation imposes prohibitions on transactions by US persons or entities with Group. Additionally, the designation may trigger secondary sanctions for non-US entities that engage in certain types of transactions with Group starting from sanction issuance date.

Management has conducted an assessment of the potential implications of these sanctions. However, due to the inherent uncertainties surrounding:

- The scope and enforcement of the sanctions,
- Their durations, and
- The evolving geopolitical and economic environment

The full impact of the Group's financial position, operations, and performance remains unclear.

As a result, no adjustment have been recognised in these consolidated financial statements for the reporting period ended 31 December 2024. This includes any impairments, provisions or changes in estimates related to the sanctions.

Although no adjustments have been made, management has identified the following areas where sanctions could have a material impact in the future:

1. **Financial transactions**: restricted access to US dollar transactions and potential limitations on dealings with international financial institutions.
2. **Business relationship**: Potential disruption to relationship with key suppliers, customers, and partners who may be reluctant to engage with Group due to sanctions compliance.
3. **Revenue and Profitability**: A reduction in revenue if trade activities are constrained or contracts with international counterparties are terminated.
4. **Operational challenges**: Potential delays or additional costs related to supply chain disruptions and sourcing of critical inputs (crude oil, critical equipment etc.)

Management of the Group is actively monitoring these restrictions and is exploring alternative solutions to mitigate any potential adverse effects on its operations and financial performance.

Working group has been formed, involving all key shareholders of the Group, to explore possible solutions aimed at eliminating or reducing the impact of the imposed sanctions while ensuring the long-term sustainability of the Group's operations as priority.

Management of the Group has assessed the Group ability to continue as a going concern and concluded that, at the reporting date, there are no material uncertainties that would cast significant doubt on the Group ability to meet its obligations. However, the evolving situation may materially affect future results and financial position.

3.2. ESTIMATION OF OIL AND GAS RESERVES

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Group estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Group estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the Group's normative documents are classified as a business secret.

3.3. USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2024 would be to increase/decrease it by 2,429,600 RSD (2023: 2,210,441 RSD).

3.4. IMPAIRMENT OF GOODWILL

Goodwill is tested for impairment annually.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. The estimated future cash flows include estimation of future costs to produce reserves, future commodity prices, foreign exchange rate, discount rate etc. (note 7).

3.5. EMPLOYEE BENEFITS

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Group takes into consideration the interest rates of Serbian Treasury bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 7.40% (rather than 6.40%) per year, the past service liability (DBO) for the whole NIS Group would decreased by about 7.68% for retirement indemnity and 4.83% for jubilee benefit. If pay increased by 1.0% higher than assumed on an annual basic, than the past service liability (DBO) for the whole NIS Group would increase by amount 8.91% for the retirement indemnity. If employee fluctuation rate increase by 1.0% higher than assumed on an annual basis, then the past service liability (DBO) would decrease by about 8.42% for the retirement indemnity and 5.29% for the jubilee benefit.

3.6. DECOMMISSIONING AND ENVIRONMENTAL PROTECTION PROVISION

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision (note 20) is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 7.40% (rather than 6.40%) per year, the present liability would have decreased by approx. 784,144 RSD (31 December 2023: 7.68% (rather than 6.68%) per year the present liability would have decreased by approx. 835,469 RSD).

3.7. CONTINGENCIES

Certain conditions may exist as of the date of these consolidated financial statements are issued that may result in a loss to the Group, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 40).

3.8. RECOVERABILITY OF CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

In the line with changes in the crude oil price on the world market, management of the Group performed stress sensitivity analysis of its impact on recoverability of the Group PPE and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Group's PPE exceed its carrying value.

The Group assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Group's PPE by 86.1 bln RSD (31 December 2023: 92.2 bln RSD).

Oil prices are based on the available forecasts from globally recognized research institutions.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact.

4. APPLICATION OF AMENDMENTS TO THE EXISTING STANDARDS

The amendments to existing standards, which became effective on January 1, 2024, did not have a material impact on the Consolidated Financial Statements.

The Group plans to apply the new IFRS 18 Presentation and Disclosures in Financial Statements, as well as amendments to existing standards adopted but not effective at the date of issue of these Consolidated Financial Statements, when they become effective. The Group does not expect the amendments to existing standards to have a material impact on the Consolidated Financial Statements. In relation to the new standard, which will become effective from 1 January 2027 and will replace IAS 1 Presentation of Financial Statements, the Group is currently assessing its impact on the Consolidated Financial Statements.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Economics, Finance, Planning and Accounting (further "FEPA") which under the policies approved by the Group identifies and evaluates financial risks in close co-operation with the Group's operating units.

In the normal course of its operations the Group has exposure to the following financial risks:

a) market risk (including currency risk, interest rate risk and commodity price risk);
b) credit risk and
c) liquidity risk.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates (c) commodity price, all of which are exposed to general and specific market movements. Management analyse and monitoring risk that may be accepted, however, the use of this approach does not prevent losses in the event of more significant market movements.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to manage its foreign exchange risk against its functional currency. In order to manage its foreign exchange risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Foreign exchange risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group functional currency.

The Group has borrowings denominated in foreign currency mainly in EUR which predominantly expose Group to the foreign currency translation risk.

The carrying values (net of allowance) of the Group's financial instruments by currencies they are denominated are as follows:

As of 31 Decmeber 2024	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,816	-	-	-	91,816
Long term receivables		826,117			826,117
LT loans issued	6,685	-	-	-	6,685
Other long-term financial investments and receivables	299,462	330,139	6,746	-	636,347
Current assets					
Trade receivables	27,842,828	1,960,023	175,781	2,101,579	32,080,211
Other receivables	455,752	111,180	176,114	312,256	1,055,302
Short term financial investments	12,842	206,334	-	79,958	299,134
Cash and cash equivalents	25,423,558	13,277,199	94,144	1,941,434	40,736,335
Financial liabilities					
Non-current					
Long-term liabilities	(8,292)	(60,196,280)	-	(469,751)	(60,674,323)
Current liabilies					
Short-term financial liabilities	(8,171)	(9,625,715)	-	(116,084)	(9,749,970)
Trade payables	(11,542,379)	(2,399,951)	(155,945)	(3,682,693)	(17,780,968)
Other short-term liabilities	(7,827,519)	(215,968)	(224,428)	(173,218)	(8,441,133)
Net exposure	**34,746,582**	**(55,726,922)**	**72,412**	**(6,519)**	**(20,914,447)**

As of 31 Decmeber 2023	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,765	-	-	-	91,765
Long term receivables	–	669,617	-	-	669,617
LT placements	8,565	-	-	-	8,565
Other long-term financial investments and receivables	332,436	489,420	4,964	-	826,820
Current					
Trade receivables	29,028,568	2,576,956	184,873	1,417,509	33,207,906
Other receivables	562,513	109,129	165,649	405,231	1,242,522
Short term financial investments	32,515,563	96,072	-	85,745	32,697,380
Cash and cash equivalents	14,107,046	4,707,499	11,743	2,657,983	21,484,271
Financial liabilities					
Non-current					
Long-term liabilities	(3,370)	(57,983,936)	-	(477,581)	(58,464,887)
Current					
Short-term financial liabilities	(838,339)	(11,404,482)	(30,298)	(232,166)	(12,505,285)
Trade payables	(12,426,696)	(1,869,835)	(834,576)	(1,258,061)	(16,389,168)
Other short-term liabilities	(7,420,785)	(243,117)	(1,964,383)	(186,112)	(9,814,397)
Net exposure	**55,957,266**	**(62,852,677)**	**(2,462,028)**	**2,412,548**	**(6,944,891)**

The following exchange rates applied during the period:

Reporting date spot rate	31 December 2024	31 December 2023
EUR	117.0149	117.1737
USD	112.4386	105.8671

Sensitivity analysis

The Group has chosen to provide information about market and potential exposure to hypothetical gain / (loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis below reflects the hypothetical effect on the Group's consolidated financial statements and the resulting hypothetical gains/losses that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

As at 31 December 2024, if the currency had strengthened/ weaken by 1% against the EUR with all other variables held constant, pre-tax profit and equity for the year would have been 557,269 RSD (2023: 628,527 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings and account payables.

As at 31 December 2024, if the currency had strengthened/ weaken by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 1,448 RSD (2023: 49,241 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Group to cash flow interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (Euribor) has a proportionate impact on the Group's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2024 would have been 407,226 RSD (2023: 343,848 RSD) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Commodity price risk

The Group's financial performance relates directly to prices for crude oil and petroleum products. The Group is unable to fully control the prices of its products, which depend on the balance of supply and demand on global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

The Group's planning system calculates different scenarious for key performance facors depending on global oil prices. This approach enables Management to adjust cost by reducing or rescheduling investment programs and other mechanisms. Such activities help to decrease risk to an acceptable level.

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated balance sheet is as follows:

	31 December 2024	31 December 2023
Financial instrument at FVTOCI	91,816	91,765
Long-term receivables	826,117	669,617
Other long-term investments (note 10)	636,347	826,820
Long-term loans issued	6,685	8,565
Trade receivables (note 13)	32,080,211	33,207,906
Other receivables (note 14)	8,818,937	8,847,384
Short-term financial investments (note 15)	299,134	32,697,380
Cash and cash equivalents (note 16)	40,736,335	21,484,271
Total maximum exposure to credit risk	**83,495,582**	**97,833,708**

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- scoring Serbian Business Register Agency, NIS and/or D&B reports;
- amount of registered pledges;
- data on customer's account blockade;
- history of relationships with the Group;
- planned sales volume;
- duration of relationship with the Group, including ageing profile, maturity and existence of any financial difficulties.

Trade and Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2024 and 60 months before 1 January 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The credit loss allowance for trade, sprecific and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2024 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade and other receivables
Trade and other receivables				
- current	0.27%	37,187,967	(100,573)	37,087,394
- less than 30 days overdue	1.23%	1,265,866	(15,596)	1,250,270
- 31 to 90 days overdue	2.25%	944,660	(21,293)	923,367
- 91 to 270 days overdue	2.17%	984,740	(21,368)	963,372
- over 271 days overdue	95.61%	15,357,497	(14,682,752)	674,745
Total trade and other receivables		**55,740,730**	**(14,841,582)**	**40,899,148**

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.

At 31 December 2023 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade and other receivables
Trade and other receivables				
- current	0.02%	38,601,582	(6,987)	38,594,595
- less than 30 days overdue	0.06%	1,850,830	(1,066)	1,849,764
- 31 to 90 days overdue	0.64%	846,998	(5,420)	841,578
- 91 to 270 days overdue	2.43%	292,544	(7,121)	285,423
- over 271 days overdue	96.89%	15,579,275	(15,095,345)	483,930
Total trade and other receivables		**57,171,229**	**(15,115,939)**	**42,055,290**

Movements on the Group's provision for impairment of trade and lease receivables are as follows:

	Trade receivables	Lease receivables	Total
As at 1 January 2023	**4,736,003**	**34,426**	**4,770,429**
Provision for receivables impairment (note 35)	140,628	123	140,751
Unused amounts reversed (note 34)	(93,052)	(3,528)	(96,580)
Receivables written off during the year as uncollectible	(65,646)	(474)	(66,120)
Other	255,706	-	255,706
As at 31 December 2023	**4,973,639**	**30,547**	**5,004,186**
As at 1 January 2024	**4,973,639**	**30,547**	**5,004,186**
Provision for receivables impairment (note 35)	28,531	1,321	29,852
Unused amounts reversed (note 34)	(116,809)	(3,947)	(120,756)
Receivables written off during the year as uncollectible	(171,414)	(94)	(171,508)
Other	(229)	-	(229)
As at 31 December 2024	**4,713,718**	**27,827**	**4,741,545**

Expenses that have been provided for or written off are included in fair value measurement loss within the consolidated income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned. The other classes within trade and other receivables do not contain impaired assets.

Movements on the provision for other receivables:

	Receivables from specific operations	Interest receivables	Other receivables	Total
As at 1 January 2023	**748,202**	**1,892,881**	**7,352,521**	**9,993,604**
Provision for other receivables impairment (note 35)	1,986	9,762	3,388	15,136
Unused amounts reversed (note 34)	(382)	(5,180)	(1,659)	(7,221)
Receivables written off during the year as uncollectible	-	(33,361)	(278)	(33,639)
Other	1,058	142,406	409	143,873
As at 31 December 2023	**750,864**	**2,006,508**	**7,354,381**	**10,111,753**
As at 1 January 2024	**750,864**	**2,006,508**	**7,354,381**	**10,111,753**
Provision for other receivables impairment (note 35)	1,507	8,317	3,188	13,012
Unused amounts reversed (note 34)	(88)	(3,659)	(1,347)	(5,094)
Receivables written off during the year as uncollectible	-	(19,492)	(170)	(19,662)
Other	(17)	66	(21)	28
As at 31 December 2024	**752,266**	**1,991,740**	**7,356,031**	**10,100,037**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	BBB and higher	Less than BBB	Without rating	Total
As at December 2024				
Cash and cash equivalents (note 16)	4,009,229	12,023,518	24,703,588	**40,736,335**
Deposits with original maturity more than 3 months less than 1 year (note 15)	59,829	-	155,108	**214,937**
As at December 2023				
Cash and cash equivalents (note 16)	8,674,679	4,188,851	8,620,741	**21,484,271**
Deposits with original maturity more than 3 months less than 1 year (note 15)	9,385,677	5,243,556	17,978,611	**32,607,844**
Deposits with original maturity more than 1 year (note 10)	-	-	155,319	**155,319**

The Group uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2024 and 2023 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Group's level. The Group's finance function monitors rolling forecasts of the Group's liquidity requirements to ensure It has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Group over and above balance required for working capital management are invested as surplus cash in time deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Садашња вредност	Уговорени новчани токови	Мање од 1 године	1-5 година	Преко 5 година
As at 31 December 2024					
Financial liabilities	70,424,293	80,065,839	14,539,202	63,916,039	1,610,598
Trade payables and dividends	21,564,366	21,564,366	21,564,366	-	-
	91,988,659	**101,630,205**	**36,103,568**	**63,916,039**	**1,610,598**
As at 31 December 2023					
Financial liabilities	70,970,172	79,381,283	15,089,355	61,555,296	2,736,632
Trade payables and dividends	20,172,763	20,172,763	20,172,763	-	-
	91,142,935	**99,554,046**	**35,262,118**	**61,555,296**	**2,736,632**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Group's net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2024	31 December 2023
Total borrowings (notes 21 and 22)	70,424,293	70,970,172
Less: cash and cash equivalents (note 16)	(40,736,335)	(21,484,271)
Net debt	**29,687,958**	**49,485,901**
Adjusted EBITDA	44,392,551	68,051,492
Net debt to adjusted EBITDA ratio at the end of the year	**0.67**	**0.73**

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 2024 and 31 December 2023, respectively.

There were no changes in the Group's approach to capital management during the year.

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying amount of trade and other receivables, other current assets and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current receivables and non-current payables the fair values are also not significantly different to their carrying amounts.

6. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the years ended 31 December 2024 and 2023.

Operating segments are components that engaged in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre and Energy business activities expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Group's EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Group's on-going operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the year ended 31 December 2024 are shown in the table below:

	Upstream	Downstream	DWS Petrohemical	Elimintaions	Total
Segment revenue	60,423,522	382,458,129	22,533,987	(57,388,005)	408,027,633
Intersegment	54,251,818	3,136,187	-	(57,388,005)	-
External	6,171,704	379,321,942	22,533,987	-	408,027,633
Adjusted EBITDA (Segment results)	**39,958,580**	**11,673,855**	**(7,239,884)**	**-**	**44,392,551**
Depreciation, depletion and amortization	(14,770,001)	(11,604,570)	(745,307)	-	(27,119,878)
Share of loss in joint ventures	-	(105,918)	-	-	(105,918)
Finance (expenses)/income, net	(582,753)	(1,790,924)	14,160	-	(2,359,517)
Income tax	(421,538)	(3,594,467)	42,404	-	(3,973,601)
Segment profit	23,360,123	(5,626,705)	(7,653,981)	-	10,079,437

Reportable segment results for the year ended 31 December 2023 are shown in the table below:

	Upstream	Downstream	DWS Petrohemical	Elimintaions	Total
Segment revenue	51,106,744	402,030,281	12,058,423	(53,159,768)	412,035,680
Intersegment	50,179,631	2,980,137	-	(53,159,768)	-
External	927,113	399,050,144	12,058,423	-	412,035,680
Adjusted EBITDA (Segment results)	**34,150,299**	**38,791,513**	**(4,890,320)**	**-**	**68,051,492**
Depreciation, depletion and amortization	(14,345,495)	(10,504,115)	(110,921)	-	(24,960,531)
Gain from bargain purchase	-	8,918,255	-	-	8,918,255
Share of loss in associates and joint ventures	-	(137,719)	-	-	(137,719)
Finance (expenses)/income, net	(405,616)	1,280,747	255,072	-	1,130,203
Income tax	(13,304)	(7,954,896)	-	-	(7,968,200)
Segment profit	18,946,894	29,991,762	(4,746,140)	-	44,192,516

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 9,042,728 RSD for the year ended 31 December 2024 (31 December 2023: negative EBITDA in the amount of 15,604,457 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December 2024	2023
Adjusted EBITDA for the Downstream segment after allocation of Corporate centre	4,433,971	33,901,193
Corporate centre EBITDA	(9,042,728)	(15,604,457)
Adjusted EBITDA prior allocation of Corporate centre	**13,476,699**	**49,505,650**

Adjusted EBITDA for the year ended 31 December 2024 and 2023 is reconciled below:

	Year ended 31 December	
	2024	2023
Profit for the year	10,079,437	44,192,516
Income tax	3,973,601	7,968,200
Other expenses	1,560,838	8,661,232
Other income	(1,461,278)	(1,392,778)
Losses from valuation of assets at fair value through profit and loss	42,864	156,316
Income from valuation of assets at fair value through profit and loss	(130,862)	(161,390)
Finance expense	5,621,955	5,298,169
Finance income	(3,156,520)	(6,290,653)
Depreciation, depletion and amortization	27,119,878	24,960,531
Other non-operating (income)/expenses, net*	742,638	(15,340,651)
EBITDA	**44,392,551**	**68,051,492**

* Other non-operating (income)/expense, net mainly relates to penalties and excess and deficiencies of assets revealed (for 2023 mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and other).

Oil, gas and petroleum products sales, sales of electricity, lease revenue and other sales comprise the following (based on the country of customer incorporation):

	Year ended 31 December 2024		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	5,368,026	5,368,026
Sale of gas	182,983	8,788	191,771
Wholesale activities	182,983	8,788	191,771
Sale of petroleum products	291,268,645	65,607,973	356,876,618
Through a retail network	106,235,625	17,007,775	123,243,400
Wholesale activities	185,033,020	48,600,198	233,633,218
Sales of petrochemical products	8,124,591	14,282,845	22,407,436
Sales of electricity	933,084	109,243	1,042,327
Lease revenue	303,116	56,686	359,802
Other sales and other operating income	17,029,737	4,751,916	21,781,653
Total sales and other income	**317,842,156**	**90,185,477**	**408,027,633**

	Year ended 31 December 2024		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	-	-
Sale of gas	159,320	12,560	171,880
Wholesale activities	159,320	12,560	171,880
Sale of petroleum products	302,150,163	62,156,561	364,306,724
Through a retail network	110,382,013	18,089,678	128,471,691
Wholesale activities	191,768,150	44,066,883	235,835,033
Sales of petrochemical products	3,605,123	8,329,402	11,934,525
Sales of electricity	15,406,533	122,485	15,529,018
Lease revenue	310,654	57,841	368,495
Other sales and other operating income	15,096,829	4,628,209	19,725,038
Total sales and other income	**336,728,622**	**75,307,058**	**412,035,680**

Revenue from one customer amounted to 25,139,992 RSD (2023: 25,983,119 RSD), arise from sale of petroleum products attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 16,114,987 RSD (2023: 14,077,617 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 317,842,156 RSD (2023: 336,728,622 RSD), and the total of revenue from external customer from other countries is 90,185,477 RSD (2023: 75,307,058 RSD).

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Year ended 31 Decembar	
	2024	2023
Sale of crude oil	5,368,026	-
Sale of gas	8,788	12,560
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	32,739,769	28,939,958
Bulgaria	8,018,311	8,552,855
Romania	5,327,434	5,377,527
All other markets	19,522,459	19,286,221
	65,607,973	**62,156,561**
Sales of petrochemical products	14,282,845	8,329,402
Sales of electricity	109,243	122,485
Lease revenue	56,686	57,841
Other sales and other operating income	4,751,916	4,628,209
	90,185,477	**75,307,058**

Revenues from the individual countries included in all other markets are not material.

Presentation of excise duties

The following table presents sales revenue earned and related calculated excise duties for 2024 and 2023:

	2024	2023
Sales revenue and other income	606,166,250	587,297,104
Excise duties	(198,138,617)	(175,261,424)
Net sales revenue and other income	**408,027,633**	**412,035,680**

In the Republic of Serbia excise duties become payable when products subject of excise duties exit from excise warehouse. This incurs when the goods are loaded for transport either for direct sales to customers (wholesale) or for transport to own retail network. Calculated excise duties are payable in 15 days. The Group assessed that for excise duties levied in wholesale it bears no inventory risk nor significant credit risk. In retail sales, the Group estimates that average turnover of inventories approximates payment period for excise duties, and that there are no significant inventory or credit risk. Accordingly, since the Group bears no significant risks in both cases, excise duties are collected on behalf of tax authority and consequently deducted from revenue.

Non-current assets, other than financial instruments, deferred income tax assets, investments in joint venture and other non-current assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	31 December 2024	31 December 2023
Serbia	322,775,711	292,669,732
Romania	12,788,439	13,049,599
Bosnia and Herzegovina	7,263,604	7,455,480
Bulgaria	5,549,969	5,692,212
Other	-	16
	348,377,723	**318,867,039**

7. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Goodwill	Other intangibles	Intangible assets under development	Total
At 1 January 2023						
Cost	20,160,174	12,133,953	1,263,760	1,574,316	4,826,534	39,958,737
Accumulated amortization and impairment	(7,367,721)	(9,616,901)	-	(461,208)	(63,665)	(17,509,495)
Net book amount	**12,792,453**	**2,517,052**	**1,263,760**	**1,113,108**	**4,762,869**	**22,449,242**
Year ended 31 December 2023						
Additions	430,703	497,704	-	41,713	577,001	1,547,121
Amortization	(1,502,427)	(546,125)	-	(43,617)	-	(2,092,169)
Transfer to PP&E (note 8)	-	-	-	-	(765)	(765)
Disposals and write-off	-	(995)	-	-	-	(995)
Other transfers	(1)	1,645	-	(1,429)	(1)	214
Translation differences	(12,795)	(184)	(2,952)	(5)	(13,654)	(29,590)
Closing net book amount	**11,707,933**	**2,469,097**	**1,260,808**	**1,109,770**	**5,325,450**	**21,873,058**
As at 31 December 2023						
Cost	20,569,506	12,620,296	1,260,808	1,614,257	5,325,450	41,390,317
Accumulated amortization and impairment	(8,861,573)	(10,151,199)	-	(504,487)	-	(19,517,259)
Net book amount	**11,707,933**	**2,469,097**	**1,260,808**	**1,109,770**	**5,325,450**	**21,873,058**
At 1 January 2024						
Cost	20,569,506	12,620,296	1,260,808	1,614,257	5,325,450	41,390,317
Accumulated amortization and impairment	(8,861,573)	(10,151,199)	-	(504,487)	-	(19,517,259)
Net book amount	**11,707,933**	**2,469,097**	**1,260,808**	**1,109,770**	**5,325,450**	**21,873,058**
Year ended 31 December 2024						
Additions	568,471	859,288	-	33,520	44,155	1,505,434
Impairment (note 29)	-	(8,806)	-	-	(908)	(9,714)
Amortization	(1,445,846)	(570,996)	-	(31,804)	-	(2,048,646)
Transfer from PP&E (note 8)	-	-	-	-	280	280
Disposals and write-off	-	(216)	-	-	-	(216)
Other transfers	-	(1,339)	-	(1)	(16,952)	(18,292)
Translation differences	(3,797)	(119)	(1,956)	-	(6,415)	(12,287)
Closing net book amount	**10,826,761**	**2,746,909**	**1,258,852**	**1,111,485**	**5,345,610**	**21,289,617**
As at 31 December 2024						
Cost	21,132,497	13,455,192	1,258,852	1,625,824	5,346,518	42,818,883
Accumulated amortization and impairment	(10,305,736)	(10,708,283)	-	(514,339)	(908)	(21,529,266)
Net book amount	**10,826,761**	**2,746,909**	**1,258,852**	**1,111,485**	**5,345,610**	**21,289,617**

Intangible assets under development as at 31 December 2024 amounting to 5,345,610 RSD (31 December 2023: 5,325,450 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 4,165,318 RSD (31 December 2023: 4,374,285 RSD).

Impairment test for goodwill

Goodwill is monitored by the management on an individual CGU basis and geographic location. The recoverable amount of each CGUs has been determined based on higher of value-in-use and fair value less cost to disposed calculations. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The average key assumptions used in value-in use calculations:

	2024	2023
Average gross margin	15.6%	15.6%
Growth rate	1%	1%
Price/sales ratio	0.77	0.77
Discount rate		
- Romania market	8.06%	9.70%
- Bulgaria market	7.44%	8.90%
- Bosnia and Herzegovina market	13.22%	13.60%

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relation to the relevant CGU. The following is a summary of goodwill allocation:

	Opening balance	Addition	Impairment	Translation differences	Closing balance
2024					
Bosnia and Herzegovina	480,669	-	-	(653)	480,016
Romania	266,769	-	-	(606)	266,163
Bulgaria	513,370	-	-	(697)	512,673
	1,260,808	**-**	**-**	**(1,956)**	**1,258,852**
2023					
Bosnia and Herzegovina	481,266			(597)	480,669
Romania	268,484	-	-	(1,715)	266,769
Bulgaria	514,010	-	-	(640)	513,370
	1,263,760	**-**	**-**	**(2,952)**	**1,260,808**

Impairment test in Bosnia, Romania and Bulgaria shows that the recoverable amount calculated based on higher of value-in-use and fair value less cost to disposed exceeds carrying value.

The value-in-use impairment test using the method based on after-tax cash flow projections showed that all countries with the current level of the discount rate are sensitive to asset impairment, which is why the determination of fair value less cost to disposed was used to determine the recoverable amount.

For calculation of fair value less cost to disposed, a P/S ratio of 0.77 was used based on publicly available data and the internal database of renowned external consultants. The impairment test for the market of Bosnia and Herzegovina is the least sensitive to the change of the P/S indicator, where the fair value less cost to disposed is below the current value of the corresponding asset when this indicator is lower than 0.41, for the market of Romania and Bulgaria below 0.77.

The management considers the average fuel gross margin as a part of the overall average gross margin to be the key assumption which affects the sensitivity of value in use calculation. The following table shows sensitivity of this calculation against the change in this assumption by showing how much the average fuel gross margin should decrease in order for value in use to be equal to the carrying amount of tested assets:

	2024		2023	
	Used assumption on average gross fuel margin	Change in pp	Used assumption on average gross fuel margin	Change in pp
Romania market	18.7%	+3.2pp	15.5%	-1.1pp
Bulgaria market	19.2%	+3.0pp	16.2%	-0.4pp
Bosnia and Herzegovina market	17.3%	+2.1pp	15.2%	+0.1pp

8. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment carried at cost

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
At 1 January 2023								
Cost	17,056,211	269,382,451	187,471,805	20,115,586	95,086	604,777	1,208,348	495,934,264
Accumulated depreciation and impairment	(340,333)	(110,221,522)	(102,059,678)	(3,097,502)	(1,114)	(435,971)	(26,761)	(216,182,881)
Net book amount	**16,715,878**	**159,160,929**	**85,412,127**	**17,018,084**	**93,972**	**168,806**	**1,181,587**	**279,751,383**
Year ended 31 December 2023								
Additions	139,087	14,792,291	6,350,587	12,642,354	-	26,775	8,862,911	42,814,005
Acquisitions through business combinations	507,101	695,129	658,691	37,591	-	-	-	1,898,512
Changes in decommissioning obligations	-	290,351	-	-	-	-	-	290,351
Impairment effect, net (note 26 and 29)	-	-	-	(133,295)	-	-	32	(133,263)
Depreciation	-	(11,784,965)	(10,298,110)	-	-	(21,331)	-	(22,104,406)
Transfer from intangible assets (note 7)	-	-	-	765	-	-	-	765
Transfer (to)/from investment property (note 8b)	(9,338)	15,139	-	-	-	-	-	5,801
Transfer to non-current assets held for sale	(31,539)	-	(6,497)	-	-	-	-	(38,036)
Disposals and write-off	(14,375)	(44,599)	(49,131)	(188,776)	(48)	-	-	(296,929)
Other transfers and closing of advances paid	-	302,583	(218,416)	(412,794)	1	(2)	(3,813,083)	(4,141,711)
Translation differences	(13,101)	(23,287)	(2,696)	(25,741)	-	(26)	(69)	(64,920)
Closing net book amount	**17,293,713**	**163,403,571**	**81,846,555**	**28,938,188**	**93,925**	**174,222**	**6,231,378**	**297,981,552**
At 31 December 2023		-						
Cost	17,633,974	287,304,340	197,904,758	32,183,168	95,038	627,681	6,749,276	542,498,235
Accumulated depreciation and impairment	(340,261)	(123,900,769)	(116,058,203)	(3,244,980)	(1,113)	(453,459)	(517,898)	(244,516,683)
Net book amount	**17,293,713**	**163,403,571**	**81,846,555**	**28,938,188**	**93,925**	**174,222**	**6,231,378**	**297,981,552**
At 1 January 2024								
Cost	17,633,974	287.304.340	197.904.758	32.183.168	95.038	627.681	6.749.276	542.498.235
Accumulated depreciation and impairment	(340,261)	(123.900.769)	(116.058.203)	(3.244.980)	(1.113)	(453.459)	(517.898)	(244.516.683)
Net book amount	**17,293,713**	**163.403.571**	**81.846.555**	**28.938.188**	**93.925**	**174.222**	**6.231.378**	**297.981.552**
Year ended 31 December 2024								
Additions	36,420	23,716,491	26,517,158	3,800,632	706	974	7,300,119	61,372,500
Changes in decommissioning obligations	-	662,734	-	-	-	-	-	662,734
Impairment effect, net (note 26 and 29)	(1,335)	(1,587)	-	176,119	-	-	231,794	404,991
Depreciation	-	(13,148,916)	(11,123,179)	-	-	(23,901)	-	(24,295,996)
Transfer to intangible assets (note 7)	-	-	-	(280)	-	-	-	(280)
Transfer to investment property (note 8b)	(8,532)	(1,900)	-	-	-	-	-	(10,432)
Transfer (to)/from non-current assets held for sale	12,924	(814)	(57)	(200,000)	-	-	-	(187,947)
Disposals and write-off	(2,023)	(80,539)	(76,749)	(1,069)	(532)	-	-	(160,912)
Other transfers and closing of advances paid	2,812	(6,332)	1,063	(274,799)	-	7,445	(10,962,324)	(11,232,135)
Translation differences	(9,568)	(10,297)	(1,372)	(12,715)	-	(40)	(4)	(33,996)
Closing net book amount	**17,324,411**	**174,532,411**	**97,163,419**	**32,426,076**	**94,099**	**158,700**	**2,800,963**	**324,500,079**
At 31 December 2024								
Cost	17,657,849	311,286,927	223,795,724	33,229,067	95,212	635,012	3,033,702	589,733,493
Accumulated depreciation and impairment	(333,438)	(136,754,516)	(126,632,305)	(802,991)	(1,113)	(476,312)	(232,739)	(265,233,414)
Net book amount	**17,324,411**	**174,532,411**	**97,163,419**	**32,426,076**	**94,099**	**158,700**	**2,800,963**	**324,500,079**

In 2024, The Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost amounting to 80,335 RSD (2023: 66,158 RSD).

Of the total amount of activations in 2024 in the amount of 50,266,273 RSD, the most significant part refers to activation on oil&gas properties in the amount of 24,273,215 RSD. In 2023 the amount of 21,308,740 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 17,216,199 RSD.

The management of the Group assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

As at 31 December 2024, the Group assessed impairment indicators of cash generating units ("CGU") – refer to note 3.8 for details. In addition, Group has assessed and recognized gains from reversal of impairment gains in the net amount of 173,197 RSD (2023: loss in the amount of 133,295 RSD). The gain arises from the sale of previously impaired assets, while the loss pertains to for the asset which has disposed due to obsolete, physically damage or for assets under constructions for which exist indication that expected recoverable amounts would not recover carrying value of the assets.

b) Investment property – carried at fair value

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

	2024	2023
As at 1 January	**1,514,920**	**1,531,705**
Fair value loss (note 29)	(2,991)	-
Transfer (from)/to PP&E carried at cost (note 8a)	10,432	(5,801)
Other transfer	(7,426)	(10,984)
As at 31 December	**1,514,935**	**1,514,920**

As at 31 December 2024, investment properties amounting to 1,514,935 RSD (31 December 2023: 1,514,920 RSD) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Group's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2024 and 2023. The revaluation gain was credited to income from assets valuation (note 26).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements at 31 December 2024 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	923,440	-
– Gas stations	-	-	591,495
Total	**-**	**923,440**	**591,495**

Fair value measurements at 31 December 2023 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
– Shops and other facilities for rents	-	921,151	-
– Gas stations	-	-	593,769
Total	**-**	**921,151**	**593,769**

Valuation techniques used to derive level 2 fair values

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Fair value measurements using significant unobservable inputs (Level 3)

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Group based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

	2024	2023
Long term growth rate	0%	0%
Discount rate	9.21%	10.65%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2024	2023
Assets as at 1 January	**593,769**	**585,138**
Transfer from/to PPE	(2,274)	8,631
Changes in fair value measurement:		
Gains recognised in profit or loss, fair value measurement	-	-
Other	-	-
Total increase in fair value measurement, assets	-	-
Assets as at 31 December	**591,495**	**593,769**

c) *Oil and gas production assets*

Oil and gas production assets comprise of aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves (note 2.9).

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total asset under construction	Production assets	Other business and corporate assets	Total
As at 1 January 2023						
Cost	10,724,715	6,167,892	16,892,607	235,638,513	57,889	252,589,009
Depreciation and impairment	(120,508)	(34,768)	(155,276)	(97,472,486)	(29,389)	(97,657,151)
Net book amount	**10,604,207**	**6,133,124**	**16,737,331**	**138,166,027**	**28,500**	**154,931,858**
Year ended 31 December 2023						
Additions	2,525,111	1,511,664	4,036,775	17,216,199	5,463	21,258,437
Changes in decommissioning obligations	-	-	-	290,237	-	290,237
Impairment (note 29)	(74,169)	(47,986)	(122,155)	-	-	(122,155)
Depreciation and depletion	-	-	-	(13,616,185)	(3,826)	(13,620,011)
Transfer from investment property	-	-	-	136	-	136
Transfer to non-current assets held for sale	-	-	-	(6,497)	-	(6,497)
Disposals and write-off	-	(163,308)	(163,308)	(37,696)	(48)	(201,052)
Other transfers	(9,103)	48,472	39,369	72,553	(46)	111,876
Translation differences	(36,893)	(2,216)	(39,109)	(26,352)	-	(65,461)
	13,009,153	**7,479,750**	**20,488,903**	**142,058,422**	**30,043**	**162,577,368**
As at 31 December 2023						
Cost	13,205,102	7,512,827	20,717,929	252,630,090	63,258	273,411,277
Depreciation and impairment	(195,949)	(33,077)	(229,026)	(110,571,668)	(33,215)	(110,833,909)
Net book amount	**13,009,153**	**7,479,750**	**20,488,903**	**142,058,422**	**30,043**	**162,577,368**
At 1 January 2024						
Cost	13,205,102	7,512,827	20,717,929	252,630,090	63,258	273,411,277
Depreciation and impairment	(195,949)	(33,077)	(229,026)	(110,571,668)	(33,215)	(110,833,909)
Net book amount	**13,009,153**	**7,479,750**	**20,488,903**	**142,058,422**	**30,043**	**162,577,368**
Year ended 31 December 2024						
Additions	(843,955)	2,251,853	1,407,898	24,273,215	-	25,681,113
Changes in decommissioning obligations	-	-	-	662,734	-	662,734
Depreciation and depletion	-	-	-	(14,057,728)	(2,540)	(14,060,268)
Transfer from investment property	-	-	-	(13)	-	(13)
Disposals and write-off	-	(187)	(187)	(35,634)	(532)	(36,353)
Other transfers	(2,664)	3,999	1,335	(1,641)	(94)	(400)
Translation differences	(17,628)	(1,432)	(19,060)	(7,880)	-	(26,940)
	12,144,906	**9,733,983**	**21,878,889**	**152,891,475**	**26,877**	**174,797,241**
As at 31 December 2024						
Cost	12,342,168	9,767,060	22,109,228	277,691,675	62,632	299,863,535
Depreciation and impairment	(197,262)	(33,077)	(230,339)	(124,800,200)	(35,755)	(125,066,294)
Net book amount	**12,144,906**	**9,733,983**	**21,878,889**	**152,891,475**	**26,877**	**174,797,241**

Exploration investment in Romania in amount of 1,792,913 RSD is currently in the phase of Evaluation of research results and confirmation of these results by the National Agency for Mineral Resources was not received until the end of 2024, but was transferred to 2025. When assessing the status of this investment as at 31 December 2024 impairment indicators were analysed by observing this whole exploration area allowed in accordance with IFRS 6. Based on the analysis performed as at 31 December 2024 the Group assessed that there were no indicators of impairment and is continuing to assess the possibility of commercial production on the field. Once National Agency for Mineral Resources confirms results impairment indicators will be reassessed.

d) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2023	**115,093**	**1,459,371**	**276,644**	**1,844,718**	**-**	**3,695,826**
Additions	2,542	154,343	213,308	549,768	-	919,961
Depreciation	(8,577)	(268,002)	(155,144)	(332,233)	-	(763,956)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	3	(110,235)	(9,153)	-	(119,385)
Impairment (note 29)	-	-	-	-	(1,994)	(1,994)
Translation differences	(278)	(1,069)	(285)	(70)	-	(1,702)
As at 31 December 2023	**108,780**	**1,344,646**	**229,288**	**2,046,036**	**-**	**3,728,750**
As at 1 January 2024	**108,780**	**1,344,646**	**229,288**	**2,046,036**	**-**	**3,728,750**
Additions	13,794	166,604	206,573	759,104	-	1,146,075
Depreciation	(10,111)	(241,263)	(150,835)	(373,027)	-	(775,236)
Transfers	-	(5,963)	-	-	-	(5,963)
Disposals	-	-	(1,548)	(216,925)	-	(218,473)
Translation differences	(242)	(774)	(48)	(33)	-	(1,097)
As at 31 December 2024	**112,221**	**1,263,250**	**283,430**	**2,215,155**	**-**	**3,874,056**

9. INVESTMENTS IN JOINT VENTURE

The carrying values of the investments in joint ventures as of 31 December, 2024 and 2023 are summarised below:

		Ownership percentage	31 December 2024	31 December 2023
NIS MET Energowind d.o.o. Belgrade	Joint venture	50%	746,727	797,238
Gazprom Energoholding Serbia d.o.o. Belgrade	Joint venture	49%	1,876,360	1,931,767
Total investments			**2,623,087**	**2,729,005**

The principal place of business of joint ventures disclosed above is the Republic of Serbia.

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

NIS MET Energowind d.o.o. Belgrade

In 2013 the Group acquired 50% of interest in a joint venture Energowind d.o.o. which was intended to be used as a vehicle for operation of future wind farm ''Plandište'' with total capacity of 102 MW. During March 2019, MET Renewables AG acquired from third parties 50% of share in the project and became a joint partner on the project that has been renamed to NIS MET Energowind d.o.o. Beograd.

As of the date of issuance of these Consolidated Financial Statements, the project is in the development and optimization phase. A comprehensive analysis of potential development opportunities is being conducted, taking into account the current geopolitical circumstances. The company has obtained license approval, with the project scheduled for completion by 2027, and the possibility of a one-year extension.

NIS MET Energowind d.o.o. is a private company and there is no available quoted market price.

Gazprom Energoholding Serbia d.o.o. Belgrade

In 2015 holding company has been established to operate Thermal and Heating Power Plant "TE-TO" Pančevo with a projected capacity of 208 MW. In October 2017 the contract for development was signed on a "turnkey" basis. At this moment provides thermal energy – technological steam to the Oil Refinery in Pančevo, while electricity is sold to Elektroprivreda Srbije JSC Belgrade and transferred into electricity transmission system of Serbia.

The summarised financial information for the joint ventures is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia
31 December 2024		
Current assets	30,137	2,506,687
Non-current assets	3,722,072	21,979,523
Current liabilities	1,853,550	5,747,971
Non-current liabilities	-	14,894,183
Revenue	18,740	15,095,928
Loss for the year	(101,022)	(113,078)
31 December 2023		
Current assets	120,106	2,612,304
Non-current assets	3,725,436	22,614,890
Current liabilities	1,845,831	5,047,973
Non-current liabilities	-	16,220,251
Revenue	9,623	14,604,254
Loss for the year	(99,561)	(179,466)

10. OTHER LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES

	31 December 2024	31 December 2023
Deposits with original maturity more than 1 year	-	155,319
Other long-term financial investments	260,558	260,165
LT loans given to employees	657,983	698,946
Less provision	(282,194)	(287,610)
	636,347	**826,820**

Loans to employees as at 31 December 2024 amounting to 657,983 RSD (31 December 2023: 698,946 RSD) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of 282,194 RSD (31 December 2023: 287,610 RSD).

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Consolidated Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31, 2024			
Provisions	705,815	-	705,815
Property, plant and equipment	3,519,272	(179,997)	3,339,275
Impairment losses	61,012	-	61,012
Fair value gains	3,956	-	3,956
Revaluation reserve	-	(11,362)	(11,362)
	4,290,055	**(191,359)**	**4,098,696**
As at December 31, 2023			
Provisions	834,113	-	834,113
Property, plant and equipment	2,628,687	(282,373)	2,346,314
Impairment losses	72,236	-	72,236
Fair value gains	4,005	-	4,005
Revaluation reserve	-	(11,601)	(11,601)
	3,539,041	**(293,974)**	**3,245,067**

Movements in temporary differences during the period:

	As at December 31, 2023	Recognised in profit or loss	Recognised in other comprehensive income	Effects of subsidiary acquisition	Other	As at December 31, 2024
Provisions	834,113	(141,011)	12,710	-	3	705,815
Property, plant and equipment	2,346,314	992,962	-	-	(1)	3,339,275
Impairment losses	72,236	(11,224)	-	-	-	61,012
Fair value gains	4,005	-	(49)	-	-	3,956
Revaluation reserve	(11,601)	-	239	-	-	(11,362)
Total	**3,245,067**	**840,727**	**12,900**	**-**	**2**	**4,098,696**

	As at December 31, 2022	Recognised in profit or loss	Recognised in other comprehensive income	Effects of subsidiary acquisition	Other	As at December 31, 2023
Provisions	704,723	119,989	9,398	-	3	834,113
Property, plant and equipment	1,698,562	743,295	-	(95,548)	5	2,346,314
Impairment losses	367,129	(294,893)	-	-	-	72,236
Fair value gains	10,327	(6,353)	31	-	-	4,005
Revaluation reserve	(14,075)	2,475	-	-	(1)	(11,601)
Total	**2,766,666**	**564,513**	**9,429**	**(95,548)**	**7**	**3,245,067**

The recognition of deferred tax assets was based on a five-year business plan of the Group and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

12. INVENTORY

	31 December 2024	31 December 2023
Materials, spare parts and tools	27,760,671	38,246,639
Work in progress	6,994,014	7,638,856
Finished goods	19,496,511	23,150,152
Goods for sale	3,066,241	4,398,526
Advances	1,868,543	1,801,550
Less: impairment of inventory	(5,130,666)	(5,753,230)
Less: impairment of advances	(160,698)	(175,099)
	53,894,616	**69,307,394**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2023	**4,513,662**	**148,529**	**4,662,191**
Company incoming to consolidation	1,080,053	26,989	1,107,042
Provision for inventories and advances (note 29)	646,688	13,766	660,454
Unused amounts reversed (note 26)	(472,753)	(14,185)	(486,938)
Other	(14,420)	-	(14,420)
Balance as of 31 December 2023	**5,753,230**	**175,099**	**5,928,329**
Provision for inventories and advances (note 29)	-	146	146
Unused amounts reversed (note 26)	(561,720)	(14,435)	(576,155)
Writte off during the year	(71,355)	-	(71,355)
Other	10,511	(112)	10,399
Balance as of 31 December 2024	**5,130,666**	**160,698**	**5,291,364**

13. TRADE RECEIVABLES

	31 December 2024	31 December 2023
Trade receivables - other related parties - domestic	51,000	142,336
Trade receivables - other related parties - foreign	249,124	191,571
Trade receivables domestic – third parties	35,203,570	35,859,921
Trade receivables foreign – third parties	1,318,062	2,018,264
	36,821,756	38,212,092
Less: Impairment	(4,741,545)	(5,004,186)
	32,080,211	**33,207,906**

14. OTHER SHORT-TERM RECEIVABLES

	31 December 2024	31 December 2023
Receivables from specific operations	968,429	950,186
Interest receivables	2,029,910	2,035,894
Receivables from employees	35,261	70,394
Other receivables	380,208	667,468
Income tax prepayment	7,738,035	7,626,816
Prepaid taxes and contributions	7,595,653	7,470,959
Receivables for VAT	171,478	137,420
Less: Impairment	(10,100,037)	(10,111,753)
	8,818,937	**8,847,384**

15. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2024	31 December 2023
Deposits with original maturity more than 3 months less than 1 year	214,937	32,607,844
Other short-term financial assets	84,197	89,536
	299,134	**32,697,380**

Deposits with original maturity more than 3 months less than 1 year earn interest at the respective short-term deposit rates. The fair value of short-term financial assets approximates their carrying value.

16. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash in bank and in hand	10,853,599	11,739,845
Deposits with original maturity of less than three months	29,878,687	9,734,451
Cash with restriction	252	4,729
Cash equivalents	3,797	5,246
	40,736,335	**21,484,271**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits with original maturity of less than three months are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.The fair value of cash and cash equivalents approximates their carrying value.

17. PREPAYMENTS AND ACCRUED INCOME

	31 December 2024	31 December 2023
Deferred input VAT	4,115,321	3,450,138
Prepaid expenses	453,185	288,116
Prepaid excise duty	6,651,125	4,247,860
Housing loans and other prepayments	521,486	454,416
	11,741,117	**8,440,530**

Deferred input VAT as at 31 December 2024 amounting to 4,115,321 RSD (31 December 2023: 3,450,138 RSD) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2024 amounting to 6,651,125 RSD (31 December 2023: 4,247,860 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

18. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2024	31 December 2023
Issued warranties and bills of exchange	107,967,248	124,606,180
Received warranties and bills of exchange	47,093,558	26,498,912
Properties in ex-Republics of Yugoslavia	5,358,146	5,358,178
Receivables from companies from ex-Yugoslavia	6,903,557	6,500,094
Third party merchandise in warehouses	20,656,672	15,936,565
Assets for oil fields liquidation	1,361,966	1,361,966
Mortgages and pledges received	4,617,140	3,672,927
Other off-balance sheet assets and liabilities	756,042	683,124
	194,714,329	**184,617,946**

19. EQUITY

	Note	Share capital	Rev. reserves and unr. gains and losses	Retained earnings (losses)	Total	Non-controlling interest	Total
		Equity attributable to the Company's owners					
Balance as at 1 January 2023		**81,530,200**	**504,425**	**267,193,012**	**349,227,637**	**-**	**349,227,637**
Profit/(loss) for the period		-	-	44,667,130	44,667,130	(474,614)	44,192,516
Other comprehensive income/(loss)							
Remeasurements of post-employment benefit obligations	20	-	(50,782)	-	(50,782)	1,305	(49,477)
Gain from investments in equity instruments		-	8,299	-	8,299	-	8,299
Currency translation differences		-	80,237	-	80,237	-	80,237
Total comprehensive income/(loss) for the year		**-**	**37,754**	**44,667,130**	**44,704,884**	**(473,309)**	**44,231,575**
Acquisition of subsidiary		-	-	-	-	990,917	990,917
Dividend distribution	19.1	-	-	(23,364,925)	(23,364,925)	-	(23,364,925)
Disposal of investments in equity instruments		-	33,846	(33,846)	-	-	-
Other		-	(54)	2,503	2,449	-	2,449
Balance as at 31 December 2023		**81,530,200**	**575,971**	**288,463,874**	**370,570,045**	**517,608**	**371,087,653**

	Note	Share capital	Rev. reserves and unr. gains and losses	Retained earnings (losses)	Total	Non-controlling interest	Total
		Equity attributable to the Company's owners					
Balance as at 1 January 2024		**81,530,200**	**575,971**	**288,463,874**	**370,570,045**	**517,608**	**371,087,653**
Profit/(loss) for the period		-	-	10,844,835	10,844,835	(765,398)	10,079,437
Other comprehensive income/(loss)							
Remeasurements of post-employment benefit obligations	20	-	(169,514)	-	(169,514)	(6,431)	(175,945)
Gain from investments in equity instruments		-	52	-	52	-	52
Revaluation of property, plant and equipment transferred to investment property			3,400	-	3,400	-	3,400
Currency translation differences		-	39,677	-	39,677	-	39,677
Total comprehensive income/(loss) for the year		**-**	**(126,385)**	**10,844,835**	**10,718,450**	**(771,829)**	**9,946,621**
Dividend distribution	19.1	-	-	(10,478,261)	(10,478,261)	-	(10,478,261)
Other		-	4,100	(4,152)	(52)	-	(52)
Balance as at 31 December 2024		**81,530,200**	**453,686**	**288,826,296**	**370,810,182**	**(254,221)**	**370,555,961**

19.1. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is 500 RSD. Share capital as of 31 December 2024 and 31 December 2023 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2023, amounted to 10,478,261 RSD or 64.26 RSD per share (31 December 2022: 23,364,925 RSD or 143.29 RSD per share) were approved on the General Assembly Meeting held on 27 June 2024 and paid on 28 August 2024.

Calculation of basic earnings per share is disclosed in the following table:

	Year ended 31 December 2024	2023
Profit attributable to the ordinary equity holder of the parent entity	10,844,835	44,667,130
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	**66.51**	**273.93**

The Group does not have any convertible instruments, options or warrants accordingly, diluted earnings per share is equal to the basic earnings per share as stated in the table above.

20. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommi-ssioning	Environmental protection	Employees benefits	Long-term incentive program	Legal claims and other provisions	Total
As at 1 January 2023	**11,031,673**	**508,332**	**1,084,587**	**674,173**	**3,529,360**	**16,828,125**
Company incoming to consolidation	-	-	715,833	-	111,937	827,770
Charged to the income statement	169,154	7,268	61,381	852,375	383,005	1,473,183
New obligation incurred and change in estimates	290.351	-	-	-	-	290.351
Release of provision (note 36)	(62,404)	(12,603)	(379,749)	(30,015)	(95,101)	(579,872)
Actuarial loss charged to other comprehensive income	-	-	56,338	-	-	56,338
Settlement	(52,503)	(36,441)	(171,840)	-	(134,289)	(395,073)
Other	(1,583)	(1)	(10)	-	(1,849,123)	(1,850,717)
As at 31 December 2023	**11,374,688**	**466,555**	**1,366,540**	**1,496,533**	**1,945,789**	**16,650,105**
As at 1 January 2024	**11,374,688**	**466,555**	**1,366,540**	**1,496,533**	**1,945,789**	**16,650,105**
Charged to the income statement	155,628	-	202,800	303,851	502,264	1,164,543
New obligation incurred and change in estimates	662.734	-	-	-	-	662.734
Release of provision (note 36)	(87,194)	(2,995)	-	-	(9,799)	(99,988)
Actuarial loss charged to other comprehensive income	-	-	188,656	-	-	188,656
Settlement	(25,422)	(77,809)	(207,555)	(1,300,107)	(969,373)	(2,580,266)
Other	**(566)**	**-**	**(22)**	**-**	**109,677**	**109,089**
As at 31 December 2024	**12,079,868**	**385,751**	**1,550,419**	**500,277**	**1,578,558**	**16,094,873**

Analysis of total provisions:

	31 December 2024	31 December 2023
Non-current	14,752,819	13,937,343
Current	1,342,054	2,712,762
	16,094,873	**16,650,105**

(a) Decommissioning

The Group's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

(b) Environmental protection

The Group has to comply with environmental protection regulations. At the reporting date Group recorded provision for environmental protection of 385,751 RSD (31 December 2023: 466,555 RSD) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

(c) Long-term incentive program

In 2011, the Group started setting-up a long-term incentive program for Group managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2024 the management made an assessment of present value of liabilities related to new three-year employee incentives (2024-2026) in amount of 500,277 RSD (2023: 1,496,533 RSD).

(d) Legal claims and other provisions

As at 31 December 2024, the Group assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Group charged provision for litigation amounting to 502,264 RSD (2023: 383,005 RSD) for proceedings which were assessed to have negative outcome. The most significant amount of increase of provision relates to the reservation based on the potential compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects. The Group estimated that the outcome of all legal and other proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2024.

(e) Provision for employee benefits

Employee benefits:

	31 December 2024	31 December 2023
Retirement allowances	1,111,245	938,794
Jubilee awards	439,174	427,746
	1,550,419	**1,366,540**

The principal actuarial assumptions used were as follows:

	31 December 2024	31 December 2023
Discount rate	6.40%	7.78%
Future salary increases	6.29%	6.46%
Future average years of service	18.39	18.42

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2023	**768,865**	**315,722**	**1,084,587**
Benefits paid directly	(124,376)	(47,464)	(171,840)
Company incoming to consolidation	260,361	455,472	715,833
Actuarial loss charged to other comprehensive income	56,338	-	56,338
Debited to profit or loss	(22,384)	(295,984)	(318,368)
Translation reserves	(10)	-	(10)
Balances as at 31 December 2023	**938,794**	**427,746**	**1,366,540**
Benefits paid directly	(150,959)	(56,596)	(207,555)
Actuarial loss charged to other comprehensive income	188,656	-	188,656
Debited to profit or loss	134,776	68,024	202,800
Translation reserves	(22)	-	(22)
Balances as at 31 December 2024	**1,111,245**	**439,174**	**1,550,419**

The amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December	
	2024	2023
Current service cost	75,201	46,379
Interest cost	93,333	85,156
Curtailment (gain)/loss	(5,120)	85,333
Actuarial (gain)/loss (jubilee awards)	435	(104,856)
Amortisation of past service cost	38,951	(430,380)
	202,800	**(318,368)**

21. LONG-TERM LIABILITIES

	31 December 2024	31 December 2023
Bank loans	65,159,107	65,223,169
Lease liabilities	3,554,987	3,935,015
Other non-current financial liabilities	837,800	838,937
Other long-term borrowings	872,399	152,880
	70,424,293	**70,150,001**
Less: Current portion (note 22)	(9,749,970)	(11,685,114)
	60,674,323	**58,464,887**

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

	Long-term loans	Short-term loans	Finance lease	Total
As at 1 January 2023	**67,738,184**	**1,308,145**	**3,149,589**	**72,195,918**
Proceeds	3,380,401	820,000	-	4,200,401
Repayment	(5,824,715)	(1,308,427)	(1,025,957)	(8,159,099)
Company incoming to consolidation	-	-	883,328	883,328
Non-cash transactions	20,345	-	938,612	958,957
Foreign exchange difference	(91,046)	282	(10,557)	(101,321)
As at 31 December 2023	**65,223,169**	**820,000**	**3,935,015**	**69,978,184**
As at 1 January 2024	**65,223,169**	**820,000**	**3,935,015**	**69,978,184**
Proceeds	12,055,367	-	-	12,055,367
Repayment	(11,935,484)	(820,000)	(1,206,983)	(13,962,467)
Non-cash transactions	(95,469)	-	836,184	740,715
Foreign exchange difference	(88,476)	-	(9,229)	(97,705)
As at 31 December 2024	**65,159,107**	**-**	**3,554,987**	**68,714,094**

a) Bank loans

	31 December 2024	31 December 2023
Domestic	49,852,704	48,366,114
Foreign	15,306,403	16,857,055
	65,159,107	**65,223,169**
Current portion of long-term loans	(8,815,829)	(10,761,083)
	56,343,278	**54,462,086**

The maturity of non-current loans was as follows:

	31 December 2024	31 December 2023
Between 1 and 2 years	30,987,592	7,632,523
Between 2 and 5 years	24,567,096	45,494,976
Over 5 years	788,590	1,334,587
	56,343,278	**54,462,086**

The carrying amounts of the Group's bank and other long-term loans are denominated in the following currencies:

	31 December 2024	31 December 2023
USD	-	30,298
EUR	65,159,107	65,163,377
JPY	-	29,494
	65,159,107	**65,223,169**

The Group repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has floating interest rates with the creditors. Floating interest rates are connected with Euribor. Management expects that the Group will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Group's ratio of consolidated indebtedness to consolidated EBITDA (note 5). The Group is in compliance with these covenants as of 31 December 2024 and 31 December 2023 respectively.

b) Lease liabilities

	31 December 2024	31 December 2023
Non-current portion of lease liabilities	2,620,846	3,010,984
Current portion of lease liabilities	934,141	924,031
	3,554,987	**3,935,015**

Amounts recognized in profit and loss:

	2024	2023
Interest expense (included in finance cost) (note 33)	167,022	160,516
Expense relating to short-term leases (note 30)	165,546	103,413
Expense relating to leases of low value assets that are not shown above as short-term leases (note 30)	102,859	51,477
Expense relating to variable lease payments not included in lease liabilities (note 30)	2,592,014	2,304,661

c) Other non-current financial liabilities

As at 31 December 2024 other non-current financial liabilities in the amount of 837,800 RSD (2023: 838,937 RSD) represents deferred consideration for O&G exploration.

d) Other long-term borrowings

Other long-term borrowings in the amount of 872,399 RSD mainly relates to corporate bonds issued. In November 2024 Group raise funds from the Serbian financial market, successfully placed corporate bonds. The corporate bonds are denominated in euro, with fix anual interest rate of 6,5%, maturity date of five years and quarterly interest cupone rate payment to the owner.

22. SHORT-TERM FINANCE LIABILITIES

	31 December 2024	31 December 2023
Short-term loans - domestic	-	820,000
Current portion of long-term loans (note 21)	8,815,829	10,761,083
Current portion of lease liabilities (note 21)	934,141	924,031
Other short-term financial liabilities	-	171
	9,749,970	**12,505,285**

23. TRADE PAYABLES

	31 December 2024	31 December 2023
Trade payables – other related parties	676,465	839,599
Trade payables - domestic	14,512,714	12,228,611
Trade payables - foreign	2,551,320	3,289,717
Trade payables - other	40,469	31,241
	17,780,968	**16,389,168**

24. OTHER SHORT-TERM LIABILITIES

	31 December 2024	31 December 2023
Specific liabilities	258,947	331,038
Liabilities for unpaid wages and salaries, gross	2,527,256	2,256,409
Interest liabilities	214,943	247,688
Dividends payable	3,783,398	3,783,595
Other payables to employees	1,465,516	1,272,621
VAT	2,624,817	1,530,268
Excise tax	8,609,345	8,059,685
Contribution for buffer stocks	348,237	617,524
Energy efficiency fee	45,956	73,508
Income tax	13,609	-
Other taxes payables	1,257,829	1,430,698
Other current liabilities	191,274	1,923,499
	21,341,127	**21,526,533**

25. ACCRUED EXPENSES

Accrued expenses as at 31 December 2024 amounting to 5,151,684 RSD (31 December 2023: 4,833,588 RSD) mainly relate to accrued employee bonuses of 2,772,247 RSD (31 December 2023: 2,844,890 RSD) and contract liabilities arising from contracts with customers related to customer loyalty 1,032,331 RSD (31 December 2023: 926,279 RSD).

Revenue in the amount of 5,326,324 RSD was recognized in the current reporting period (31 December 2023: 8,004,503 RSD) related to the contract liabilities as at 1 January 2024, of which 4,586,279 RSD (31 December 2023: 7,473,198 RSD) related to advances and 650,045 RSD (31 December 2023: 531,305 RSD) to customer loyalty programme.

26. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2024	2023
Gain on bargain purchase (note 39)	-	8,918,255
Release of impairment:		
Relase of impairment – PPE (note 8)	200,000	32
Relase of impairment – Inventory (note 12)	561,720	472,753
Relase of impairment – Other	256,604	20
	1,018,324	**9,391,060**

27. COST OF MATERIAL, FUEL AND ENERGY

	Year ended 31 December	
	2024	2023
Costs of raw materials	197,144,081	222,719,629
Overheads and other costs	226,725	362,483
Fuel and energy cost	18,540,574	15,159,281
Other	1,488,612	1,638,261
	217,399,992	**239,879,654**

28. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	Year ended 31 December	
	2024	2023
Wages and salaries (gross)	36,377,155	32,111,745
Taxes and contributions on wages and salaries paid by employer	5,008,349	4,385,978
Cost of service agreement	243,291	152,673
Cost of other personal wages	60,596	40,300
Fees paid to board of directors and general assembly board	143,867	162,567
Termination costs	24,138	14,682
Cost of service organization	26,458	158,288
Other personal expenses	1,606,824	1,460,510
	43,490,678	**38,486,743**

29. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2024	2023
Impairment - intangible assets (note 7)	9,714	-
Impairment - PPE (note 8)	39,427	135,289
Impairment – investment property (note 8b)	2,991	-
Impairment - inventory (note 12)	-	646,688
Impairment - other	1,141	27,193
	53,273	**809,170**

30. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2024	2023
Cost of production services	2,894,878	2,699,228
Transportation services	3,175,605	3,141,497
Maintenance	6,978,915	5,155,930
Rental costs (note 21)	2,860,419	2,459,551
Fairs	8,038	9,134
Advertising costs	1,236,106	998,752
Exploration expenses	30,425	267,288
Cost of other services	1,996,623	1,563,032
	19,181,009	**16,294,412**

31. NON-PRODUCTION COSTS

	Year ended 31 December	
	2024	2023
Costs of non-production services	4,097,222	3,442,145
Representation costs	189,038	134,834
Insurance premium	747,001	689,725
Bank charges	776,506	717,055
Cost of taxes	1,608,848	1,559,694
Mineral extraction tax	1,842,816	1,833,103
Other non-production expenses	1,724,390	1,678,773
	10,985,821	**10,055,329**

Costs of non-production services for the year ended 31 December 2024 amounting to 4,097,222 RSD (2023: 3,442,145 RSD) mainly relate to security cost of 1,344,121 RSD (2023: 920,982 RSD); project management costs of 612,170 RSD (2023: 573,102 RSD) and consulting service costs of 264,722 RSD (2023: 219,575 RSD).

32. FINANCE INCOME

	Year ended 31 December	
	2024	2023
Finance income - related parties:		
- foreign exchange differences	154,159	950,947
Interest income	2,240,770	4,698,292
Modification Gain	95,469	-
Unwinding of present value discount - income	29,201	-
Foreign exchange gains	571,365	594,210
Other finance income	65,556	47,204
	3,156,520	**6,290,653**

33. FINANCE EXPENSE

	Year ended 31 December 2024	2023
Finance expenses – related parties:		
- foreign exchange differences	239,248	1,152,020
- other finance expense	18,729	107,748
Interest expenses	3,540,404	3,066,076
Amortisation expense – discount of receivables	19,450	2,445
Decommissioning provision: unwinding of the present value discount	155,628	154,128
Loss on restructuring of borrowings	-	20,438
Foreign exchange losses	1,532,466	647,631
Other finance expenses	116,030	147,683
	5,621,955	**5,298,169**

34. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December 2024	2023
Reversal of impairment of LT financial investments	5,012	57,589
Income from valuation:		
- trade receivables (note 5)	120,756	96,580
- receivables from specific operations (note 5)	88	382
- other receivables (note 5)	5,006	6,839
	130,862	**161,390**

35. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December 2024	2023
Impairment of impairment of LT financial investments	-	429
Allowance provision expense:		
- trade receivables (note 5)	29,852	140,751
- receivables from specific operations (note 5)	1,507	1,986
- other receivables (note 5)	1,208	2,935
- other (note 5)	10,297	10,215
	42,864	**156,316**

36. OTHER INCOME

	Year ended 31 December 2024	2023
Gains on disposal - PPE	137,228	42,871
Gains on disposal - materials	68,268	20,928
Surpluses from stock count	697,343	517,018
Payables written off	29,069	62,678
Release of long-term provisions (note 20)	99,988	579,872
Penalty interest	126,349	88,096
Other income	303,033	81,315
	1,461,278	**1,392,778**

37. OTHER EXPENSES

	Year ended 31 December 2024	2023
Loss on disposal - PPE	115,455	70,216
Loss on disposal - material	76,591	135,536
Shortages from stock count	729,579	684,272
Write-off receivables	9,695	22,460
Write-off inventories	214,900	171,504
Charity and social payments	197,077	7,248,576
Other expenses	217,541	328,668
	1,560,838	**8,661,232**

Charity and social payments amounting to 197,077 RSD (2023: 7,248,576 RSD) mainly relate to donations for support projects in the field of education, social and health care.

38. INCOME TAXES

Components of income tax expense:

	Year ended 31 December 2024	2023
Income tax for the year	4,814,328	8,532,713
Deferred income tax for the period (note 11)		
Origination and reversal of temporary differences	(840,727)	(564,513)
	3,973,601	**7,968,200**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group's profits as follows:

	Year ended 31 December	
	2024	2023
Profit before income tax	**14,053,038**	**52,160,716**
Tax expense at applicable domestic tax rate (15%)	2,107,956	7,824,107
Effect of unrecognized tax losses and tax rates in foreign jurisdictions	300,841	322,860
Tax effects of:		
- Revenues exempt from taxation	(64,923)	(1,398,172)
- Tax paid abroad	329,842	-
- Other expenses not deductible	195,576	558,610
- Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	1,105,130	679,338
- Other tax effects for reconciliation between accounting profit and tax expense	(821)	(18,543)
	3,973,601	**7,968,200**
The weighted average effective tax rate	28.28%	15.28%

39. BUSINESS COMBINATIONS

In the previous year, the Group completed a business combination involving the acquisition of HIP-Petrohemija doo Pančevo. This acquisition was carried out in accordance with the Strategic Partnership Agreement signed on December 24, 2021, between the Government of the Republic of Serbia, NIS a.d. Novi Sad, and HIP-Petrohemija doo Pančevo. On June 9, 2023, the Group acquired control of HIP Petrohemija, increasing its shareholding from 20.86% to 90%. As part of the transaction, the Group committed to an additional capital increase of 17,591,055 RSD (150 million EUR), which will be allocated to the construction of a polypropylene production plant with an annual capacity of at least 140,000 tons over the next six years. Total identifiable net assets at fair value acquired in the acquisition amounted to RSD 9,909,172, with the bargain purchased aquired in the amount of RSD 8,918,255.The details of this transaction were disclosed in the prior year's financial statements, including its impact on the Group's financial position and performance.

In the current year, no business combinations were undertaken. This absence reflects the Group's focus on the integration of previously acquired businesses and the continued development of its operations.

40. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices during 2024 was US $ 80.76 per barrel which is 2% less from the same period in 2023 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations.

The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 385,751 RSD (31 December 2023: 466,555 RSD) (note 20).

The Group's Management believes that cash outflows related to provision will not be significantly higher than the ones already provided for. However, it is possible that these costs will increase significantly in the future, should the legislation become more restrictive.

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 December 2024.

Capital commitments

As of 31 December 2024 the Group has entered into contracts to purchase property, plant and equipment for 4,852,949 RSD (31 December 2023: 2,861,058 RSD) and drilling and exploration works estimated to 89.43 USD million (31 December 2023: 89.78 USD million).

There were no other material commitments and contingent liabilities of the Group.

41. GROUP STRUCTURE

Material subsidiaries

The consolidated financial statements of below listed subsidiaries are consolidated as at 31 December 2024 and 31 December 2023:

			Share %	
Subsidiary	Country of incorporation	Nature of business	31 December 2024	31 December 2023
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	Trade	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	Trade	100	100
NIS Petrol SRL, Bucharest	Romania	Trade	100	100
Naftagas-Naftni servisi d.o.o., Novi Sad NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	O&G activity	100	100
NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	O&G activity	100	100
Naftagas-Tehnicki servisi d.o.o., Zrenjanin	Serbia	O&G activity	100	100
NIS MTO d.o.o., Belgrade	Serbia	Other	100	100
NIS Petrol a.d., Belgrade	Serbia	Other	100	100
G Petrol d.o.o., Sarajevo	Bosnia and Herzegovina	Trade	100	100
Jadran - Naftagas d.o.o., Banja Luka	Bosnia and Herzegovina	O&G activity	100	100
HIP Petrohemija d.o.o., Pančevo	Serbia	Petrochemical	90	90

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The immediate and ultimate holding company of the Group is PJSC Gazprom. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company.

Operations in Bulgaria and Romania

The Group is currently facing significant challenges in its operations in Bulgaria (DWS operations) and Romania (DWS and UPS operations), which are affecting the overall performance and future prospects in these markets. As a result, management is considering both the possibility of further development and the option of exit from these markets.

Given the current circumstances, the company is analysing the following options:

1. **Potential for Further Development**: This includes exploring opportunities to improve operational efficiency and identification of further business opportunities for development to address local market challenges.
2. **Exit Strategy**: In parallel, management is also considering the possibility of exiting these markets if the challenges persist or worsen, including assessing potential complete or partial sale of asset, closure, or other exit mechanisms.

A comprehensive review is ongoing to ensure that any decision taken will align with the Group long-term strategic goals and shareholder interests. The outcome of these considerations will be disclosed as part of the Group regular reporting in the coming periods, depending on the final decisions taken.

42. RELATED PARTIES TRANSACTIONS

For the purpose of these Consolidated Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the year ended 31 December 2024 and in the same period in 2023, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As of 31 December 2024 and 31 December 2023 the outstanding balances with related parties other than state and state own companies were as follows:

	Parent	Parent's subsidiaries and associates	Joint venture
As at 31 December 2024			
Investments in joint ventures	-	-	2,623,087
Long-term reseivables	-	-	826,117
Advances for inventory and services	-	70,492	469,713
Trade receivables	-	249,158	50,966
Other receivables	-	22,237	51
Short-term investments	-	20,129	-
Advances received	-	(118)	(389)
Trade payables	-	(166,304)	(510,161)
	-	**195,594**	**3,459,384**
As at 31 December 2023			
Advances for PP&E	-	72,113	-
Investments in joint ventures	-	-	2,729,005
Long-term reseivables	-	-	669,617
Advances for inventory and services	-	16,552	-
Trade receivables	-	218,543	84,543
Other receivables	-	19,799	25
Short-term investments	-	25,835	-
Advances received	-	(127)	(433)
Trade payables	-	(172,010)	(667,589)
	-	**180,705**	**2,815,168**

For the year ended 31 December 2024 and 2023 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
Year ended 31 December 2024			
Revenues from sales of products and services	-	293,244	283,562
Expenses based on procurement of products and services	-	(907,615)	(2,788,722)
Other (expenses)/income	-	3,834	(124,986)
	-	**(610,537)**	**(2,630,146)**
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**

Main balances and transactions with state and state owned companies are shown below:

	Entities under common control and associates	Other
As at 31 December 2024		
Trade and other receivables (gross)	-	987,154
Advances paid	-	592
Trade and other payables	-	(639,118)
Other current liabilities	-	(24)
	-	**348,604**
As at 31 December 2023		
Trade and other receivables (gross)	-	967,842
Advances paid	-	445
Trade and other payables	-	(517,071)
Other current liabilities	-	24
	-	**451,240**

	Entities under common control and associates	Other
Year ended 31 December 2024		
Operating income	-	11,358,258
Operating expenses	-	(122,989)
	-	**11,235,269**
Year ended 31 December 2023		
Operating income	15,329,411	11,388,815
Operating expenses	(172,776)	(256,434)
	15,156,635	**11,132,381**

Transactions with state and state owned companies controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties. For the period of first six months of 2023 transaction with HIP Petrohemija are included in Associates and joint venture in related party transactions.

Transactions with Key Management Personnel

In the year ended 31 December 2024 and 2023 the Group recognized 1,287,663 RSD and 1,063,808 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

43. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with The Accounting Law, the Group reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. There are no material unconfirmed receivables or payables in the Group.

44. EVENTS AFTER THE REPORTING DATE

a) Introduction of Sanctions by the United States of America (USA) on NIS a.d. Novi Sad

- On 10 January 2025, the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury announced on its Specially Designated Nationals and Blocked Persons List (SDN List) that, as part of measures taken by OFAC under Executive Order 14024 and Executive Order 13662, the company NIS a.d. Novi Sad was added to the SDN List.

  This listing represents a significant event after the balance sheet date, which may have a material impact on the Group's operations.

- On 14 January 2025, the Belgrade Stock Exchange decided to impose a temporary suspension of trading in NIS a.d. Novi Sad shares, which will remain in effect until the resolution of the situation, by order of the Securities Commission, the suspension of trading and transfer of ownership will remain in effect until the reasons that led to the suspension cease to exist.
- On 29 January 2025, NIS officially filed an application with OFAC - Request for Specific License, or Amended General Licenses, Authorizing Activities Described in General Licenses 26A, 117, 118, and 119, and Request for Specific or General License Authorizing Maintenance of Operations, Contracts, and Other Agreements. Application, aside from the requests related to OFAC licenses, also contains an explicit request to OFAC to issue a statement providing non-U.S. persons with assurances that they will not risk being targeted with sanctions for engaging in, or facilitating, any transactions authorized in response to the application.
- On February 26, 2025, the OFAC (Office for Foreign Assets Control) issued a specific license (Licence No. MUL-2025-1335128-1) that postpones the full implementation of sanctions until March 28, 2025. This license allows U.S. persons, as well as other individuals, to engage in business activities with NIS or its operational subsidiaries both on domestic and international level, which primarily includes transactions necessary for the uninterrupted and regular maintenance of business operations, contracts, and other agreements involving NIS or its operational subsidiaries. NIS continues to communicate with OFAC and takes necessary actions to ensure that NIS is fully removed from the U.S. SDN (Specially Designated Nationals) list.

As of the date of approval of these consolidated financial statements, the Group is unable to fully assess all potential financial and operational consequences of this event due to its complexity and the ongoing development of the situation.

The Group's management is conducting daily assessments of the impact of the sanctions on operations and is taking all necessary measures to ensure the sustainable operation of the Group.

b) Change in the ownership stake

- In February 2025, Gazprom Neft reduced its ownership stake in NIS a.d. to 44.85%.

All events occurring after the reporting date from 31 December 2024 to 28 February 2025, when these consolidated financial statements were approved, have been taken into account.

REPORT ON PAYMENTS TO GOVERNMENTAL AUTHORITIES

For the year ending on December 31, 2024

Articles 39 and 40 of the Law on Accounting ("Official Gazette", No. 73/2019 and 44/2021 – other Laws) require the companies of public interest operating in the extractive or primary forest felling industries to compile and publish a report or consolidated report on payments to governmentar authorities on an annual basis.

Article 76 of the Law on the Capital Market stipulates that an issuer engaged in mining, which includes the activities of exploration, discovery and extraction of minerals, oil, natural gas and other raw materials, or primary forestry, such as the cultivation, felling and restoration of forests and forest areas, has the obligation to compile and publish, once a year, and not later than 6 months after the end of the business year, the summary report on all payments to the state, autonomous provinces, cities, municipalities and organisations that have public powers.

INFORMATION ABOUT THE PREPARATION (PREPARATION RULES) OF THE REPORT ON PAYMENTS TO GOVERNMENTAL AUTHORITIES:

LEGAL ENTITIES SUBJECT TO REPORTING

Pursuant to the Law on Accounting, NIS j.s.c. Novi Sad as a legal entity operating in the extractive industry is required to prepare a consolidated Report on Payments to Governmental Authorities for every completed business year, both for NIS and all of its subsidiaries (engaged in the extractive industry) subject to consolidation within the Consolidated Financial Statements of NIS Group.

PAYMENTS INCLUDED IN THE REPORT ON PAYMENTS TO GOVERNMENTAL AUTHORITIES

All payments of NIS Group made the governmental authorities during the indicated business year for activities including exploration, prospecting, discovery, development and extraction of coal, crude oil and natural gas, metal ores, non-ferrous, other mining and quarrying of stone, sand, clay, gravel, etc. are presented in this Report.

Within the meaning of the law, payment represents an amount paid in money, goods, services or rights for activities of legal entities operating in the extractive industry or engaged in felling of primary forests.

Types of payments subject to this Report are as follows:

Right to production – The right to production includes the share of production that belongs to the state during the reporting period. As a rule, this payment is made in kind. These payments were not identified within NIS Group.

Income, production or profit tax of legal entities excluding consumption taxes such as value added tax, personal income tax or excise duties – The Report on Payments to Governmental Authorities includes all payments related to income tax and production tax. VAT, excise duties and property tax are not shown in this Report. Payments based on environmental protection fees and not included.

Benefits – Include royalty-related payments.

Dividends – All dividends paid out to the Republic of Serbia except for dividends paid out on the basis of ownership rights from ordinary shares. These payments were not identified within NIS Group in 2024 RSD 3,130,271,804.52 was paid to the Republic of Serbia in the name of dividends based on ownership rights from ordinary shares in 2024.

Signing, discovery and production bonuses – It includes bonuses paid out after signing of an agreement or a contract, or when a commercial discovery is announced, or when production started, or when production reached a milestone. In 2024, there were no payments of this type.

License fees, lease fees, entry fees and other licenses and/or concessions – It includes fees and other amounts paid as fees to obtain access to a certain area where extractive activities are carried out. Administrative fees that are not specifically related to the extractive sector or access to the extractive resources are excluded. Payments in exchange of services provided by the Government are also excluded. Payments of this type were not identified within NIS Group in 2024.

Infrastructure improvement payments – Include payments for development and improvement of the local infrastructure (roads, bridges or railway), except when infrastructure is used exclusively for operational purposes. Socially significant payments (construction of schools and hospitals) are not included. In 2024, there were no payments of this type within the NIS Group.

The Report on Payments to Governmental Authorities includes payments in excess of EUR 100,000 in dinar equivalent.

GOVERNMENTAL AUTHORITIES

In terms of this law, Governmental authorities are any national, regional or local authorities of the Republic of Serbia, a member state or a third country. This includes a department, agency or company that controls such authorities as per provisions of Articles 39 and 40 of the Law on Accounting.

PROJECT

A Project represents operational activities regulated by a single contract, license, lease, concession or similar agreement and forms the basis for payment of obligations to authorities. If several such contracts are considerably interconnected, they are considered a single project.

REPORTING CURRENCY

All amounts presented in this Report are expressed in dinars (RSD).

Total amount by payment type

Payments, by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[101]	Infrastructure improvement payments
Republic of Serbia	0	4,386,320	1,814,991	0	0	0	0
Angola	0	316,750	0	0	0	0	0
Bosnia and Herzegovina	0	0	0	0	0	0	0
Romania	0	0	206,663	0	0	0	0
Total	**0**	**4,703,070**	**2,021,654**	**0**	**0**	**0**	**0**

in 000 RSD

Payments, to governmental authorities

Serbia

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[102]	Infrastructure improvement payments
Ministry of Finance Treasury Department	0	0	1,814,991	0	0	0	0
Ministry of Finance, Tax administration, Center for Large Taxpayers	0	4,386,320	0	0	0	0	0
Total	**0**	**4,386,320**	**1,814,991**	**0**	**0**	**0**	**0**

in 000 RSD

Angola

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[103]	Infrastructure improvement payments
Ministry of Finance of Angola, Tax Administration	0	316,750	0	0	0	0	0
Total	**0**	**316,750**	**0**	**0**	**0**	**0**	**0**

in 000 RSD

Romania

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[104]	Infrastructure improvement payments
NAMR National Agency for Mineral Resources	0	0	206,663	0	0	0	0
Total	**0**	**0**	**206,663**	**0**	**0**	**0**	**0**

in 000 RSD

Payments, by projects

Angola

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[105]	Infrastructure improvement payments
Angola Block 3	0	316,750	0	0	0	0	0
Total	**0**	**316,750**	**0**	**0**	**0**	**0**	**0**

in 000 RSD

[101] License fees, lease fees, entry fees and other licenses and/or concessions.
[102] License fees, lease fees, entry fees and other licenses and/or concessions.
[103] License fees, lease fees, entry fees and other licenses and/or concessions
[104] License fees, lease fees, entry fees and other licenses and/or concessions.
[105] License fees, lease fees, entry fees and other licenses and/or concessions.

ESG INDICATORS

	Unit of measure	2023	2024[106]	Δ
Climate change & environment				
Direct CO_2 emissions (scope 1),	mn tonnes CO_2	1.397	**1.619**	+16%
Carbon intensity in Exploration and production Block for scope 1	in kg CO_2E /t of oil production	255.2	**246.5**	-3%
Carbon intensity in the Refining Block for scope 1	in kg CO_2E /t of oil production	276.9	**241.1**	-13%
Indirect CO_2 emissions (scope 2)	in thousands t CO_2	271.2	**428.3**	+58%
Other indirect greenhouse gas emissions (scope 3)[107]	in thousands t CO_2	11,172	**11,381**	+2%
Energy consumption within the company, total	toe	506,872	**445,016**	-12%
Total number of spills[108]	number	20	**30**	+50%
Number of spills (>1 bbl)	number	5	**14**	+180%
Volume of spilled material [109]	m^3	10.2	**18.6**	+82%
Captured water per ton of refined oil	mn m^3/mn t	1.4	**2.4**	+66%
Waste water discharged per ton of refined oil	mn m^3/mn t	0.7	**1.2**	+70%
Total Waste Generated	in thousands tons	10.7	**21.5**	+101%
Dangerous	in thousands tons	7.6	**9.2**	+21%
Non-dangerous	in thousands tons	3.1	**11.8**	+283%
Total Waste Discharged	in thousands tons	11.0	**22.3**	+103%
Dangerous	in thousands tons	7.9	**9.6**	+22%
Non-dangerous	in thousands tons	3.1	**12.7**	+309%

[106] All Climate Change&Environment indicators for 2024 include data for HIPP, except for data for Scope 3.
[107] Other indirect emissions of gases with the greenhouse effect, which are mostly the consequence of the use of the company's products - emissions for category 1 - purchased goods and services, category 2 - means of production (steel, cement) and category 11 - use of the company's sold products). The Scope 3 data shown for 2024 does not include HIPP.
[108] Spillage of oil and derivatives on land, waste water, chemicals, gas emissions and other
[109] The data shown refer to the spillage of oil and derivatives on land

	Unit of measure	2023	2024	∆
People & communities				
Number of Employees[110]	number	12,248	**13,770**	+12%
Number of Employees with part-time[111]	number	30	**34**	+13%
Employee turnover rate	%	11	**11**	0%
o/w Voluntary Turnover Rate	%	8	**7**	-13%
o/w Non-Voluntary Turnover Rate	%	3	**4**	+33%
Proportion of women in total workforce	%	30	**28**	-7%
Proportion of women in management	%	30	**32**	+7%
Average hours of training per employee	hours	12.5	**8.6**	-31%
Average training cost per employee	RSD thousand	22,306.7	**22,614.4**	+1%
Employees covered by collective agreement	%	97	**97**	0%
Investments in community[112]	RSD million	7,471	**481.1**	-94%
Volunteer hours	number	1,121	**653**	-42%
Voluntary blood donation (collected blood units)	number	572	**579**	+1%
Health & safety				
Fatalities – own staff	number	0	**1**	-
Fatalities – contractors (on- and off- site)	number	0	**0**	-
Fatalities – third parties (work related)	number	1	**0**	-100%
LTIF [113]	per 1 mn worked hours	1.9	**2.1**	+11%
Tier 1 (Process safety events [114])	number	0	**1**	+29%
Tier 2 (Process safety events)	number	2	**8**	+300%
Tier 3 (Process safety events)	number	334	**377**	+13%
Members of Board of directors				
Number of board members	number	11	**11**	-
Number of executive members	number	1	**1**	-
Number of non-executive members	number	10	**10**	-
o/w number of independent board members	number	2	**2**	-
Numbers of Board of directors Meetings	number	22	**24**	+9%
Numbers of Board of directors Committees	number	3	**3**	-

[110]The number of employees does not include employees hired through the Contract of Services.
[111]Employees hired through the Contract of Services. On December 31, 2024 within the NIS a. d. In Novi Sad, we have 92 employees hired through the Contract of Services.
[112]Regarding data for 2023, RSD 471.7 million is the company's investment in all areas of support, and the amount of RSD 7 billion represents the company's donation to support the projects of the Government of the Republic of Serbia in the field of education, social and health care, all that after the excellent business results of the company during 2022.
[113]LTIF (Lost Time Injury Frequency) – ratio of employee injuries with sick leaves.
[114]PSE Tier (Process safety event Tier-1, Tier-2, technological events of the first and second level) – unplanned and uncontrolled leakage from vessels / pipelines during the technological process, which, according to the interna244tional classification (API 754, IOGP 456) leads to the occurrence of: fire, explosion, employee injury or other major negative impacts

STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THE PREPARATION OF REPORT

We hereby declare that, to the best of our knowledge, the annual report has been prepared in accordance with applicable accounting standards and that it provides a true and objective overview of the assets, liabilities, financial position, profits and losses, revenues and expenditures of the Company, including all companies included in the group with which the Company forms an economic entity, and that the management report on the operations of the Company provides a fair insight into the development and course of its operations, as well as its position and the position of its companies in the group with which it forms an economic entity, together with a description of the main risks and uncertainties to which they are exposed.

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

APPENDICES

GENERAL INFORMATION ABOUT NIS J.S.C. NOVI SAD

Business name:	NIS j.s.c. Novi Sad
Company Registration No:	20084693
Address:	12 Narodnog fronta Street, Novi Sad
TIN:	104052135
Website:	www.nis.rs
Email:	office@nis.rs
Core activity:	0610 - Extraction of crude petroleum
Date of Establishment:	1 October 2005
Audit Company which audited the last financial report (as at 31 December 2024):	FinExpertiza LLC Belgrade 90a Kneza Miloša Street 11000 Belgrade
Organized market where shares of the Issuer are traded in:	Belgrade Stock Exchange a.d. 1 Omladinskih brigada Street 11070 Novi Beograd

GLOSSARY

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensioal
a.d.o.	Insurance joint stock company
AMCHAM	American Chamber of Commerce
B&H	Bosnia and Herzegovina
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CMMS	Computerized maintenance management system
CNG	Compressed Natural Gas
CO_2	Carbon Dioxide
CSM	Contractor Safety Management
CSR	Corporate Social Responsibility
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
EIA	Energy Information Administration
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
ETBE	Ethyl tert-butyl ether
EU	European Union
EUR	Euro
FCC	Fluid Catalytic Cracker
FIC	Foreign Investors Council
FU	Firefighting Unit
GDP	Gross Domestic Product
GTA	Geological-technical activities
GWh	Gigawatt hours
HAZID	Hazard Identification Study
HAZOP	Hazard Operational Analysis
HiPACT	High Pressure Acid Gas Capture Technology
HQ	Highly-qualified worker
HR	Human Resources
HSE	Health, Safety and the Environment
IC	Investment Commission
IMF	International Monetary Fund
IMS	Integrated Management System
IPPC	Integrated Pollution Prevention and Control
IRMS	Integrated Risk Management System
ISO	International Standardisation Organisation
IT	Information Technology
IVMS	In-Vehicle Monitoring System
j.s.c. or JSC	Joint Stock Company
km	kilometre
KM	Bosnia-Herzegovina Convertible Mark
KPI	Key Performance Indicator
kW	Kilowatt, unit for measuring electrical energy
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTD	Limited
LTI	Lost Time Injury
LTIF	Lost Time Injury Frequency
m^2	Square meter
m^3	Cubic meter
MBA	Master of Business Administration
mn	million
MW	Megawatt, SI unit of electricity
MWe	Megawatt electrical – a unit of electrical generating capacity
MWh	Megawatt hour, unit of electricity
N^2	Nitrogen
NAMR	National Agency of Mineral Resources
NATO	North Atlantic Treaty Organisation/North Atlantic Alliance
NBS	National Bank of Serbia
NMD	Regulatory methodology document
NO^x	Nitrogen Oxides
OCF	Operating Cash Flow
OF	Oil field
OMS	Operating Management System
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
P/BV	Price/Book Value
P/E	Price/EPS
PE	Public Enterprise
PhD	Doctor of Philosophy
PS	Petrol Station
Q	Qualified worker
RAR	Road Accident Rate
RIW	Repair and insulation works

FINANCIAL CALENDAR

Reporting period	Proposed date of publication of results in 2024
FY 2024	April 30, 2025
Q4 2024	January 31, 2025
Q1 2025	April 30, 2025
Q2 2025	July 30, 2025
Q3 2025	October 30, 2025 on the day of the Investor Day

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NIS