



**NIS A.D. – Naftna industrija Srbije
Novi Sad**

**Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2025

Novi Sad, 27 February 2026

This version of the financial statements is a translation from the original, which was prepared in the Serbian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original Serbian language version of the document takes precedence over this translation.

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PREPARED IN ACCORDANCE WITH THE LAW ON ACCOUNTING OF THE REPUBLIC OF SERBIA

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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, 2025;
- the consolidated Income statement for the year then ended;
- the consolidated Statement of Other comprehensive income for the year then ended;
- the consolidated Statement of cash flows for the year then ended;
- 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, 2025, and its consolidated financial performance and its cash flows for the year then ended in accordance with the accounting regulations 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 these requirements and 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

These Consolidated Financial Statements have been prepared on a going concern basis, as disclosed in Notes 2.2 and 3.1 in the attached consolidated financial statements. In this regard, we draw attention to the following facts disclosed in the consolidated financial statements that were the subject of this audit: During 2025, the Group, was included on the US Treasury Specially Designated Nationals and Blocked Persons (SDN) List. For the year ended 31 December 2025, the Group recorded a net loss amounting to RSD 5.578.142 thousand. 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 and circumstances indicate the existence of significant uncertainty that may impact the Group's ability to continue operations in accordance with the going concern principle.

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

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 13.337.026 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 decommissioning 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 decommissioning 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 decommissioning 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;

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

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report (which does not include the regular consolidated financial statements and the Auditor's Report on them) for the year ended December 31, 2025. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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.

Based solely on the work we performed during the audit of the consolidated financial statements, in our opinion:

- The information stated in the consolidated Annual Business Report for the year ended on December 31, 2025, is harmonized in all materially significant aspects with the accompanying consolidated financial statements;
- The consolidated Annual Business Report was prepared in accordance with the Law on Accounting of the Republic of Serbia.

In addition, if based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact in our report. In this respect, we have nothing to report.

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

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

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

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

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 consolidated 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.

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.

The engagement partner on the audit resulting in this Independent Auditor's Report is licensed certified auditor Srđan Božović.

Belgrade, April 15, 2026



Srđan Božović
Licensed Certified Auditor



Finexpertiza d.o.o., Beograd

NIS Group
Consolidated Financial Statements for the year ended 31 December 2025
(All amounts are in RSD 000 unless otherwise stated)
CONSOLIDATED BALANCE SHEET

	AOP	Note	31 December 2025	31 December 2024
A. SUBSCRIBED CAPITAL UNPAID	0001		-	-
B. NON-CURRENT ASSETS (0003+0009+0017+0018+0028)	0002		354,744,956	355,362,739
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008)	0003	7	20,420,322	21,289,617
1. Development investments	0004		9,697,449	10,826,761
2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		4,659,581	3,858,394
3. Goodwill	0006		741,546	1,258,852
4. Intangible assets in lease and under development	0007		5,321,746	5,345,610
5. Advances for intangible assets	0008		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)	0009		329,014,054	329,889,070
1. Land and buildings	0010	8a	198,760,039	191,856,822
2. Machinery and equipment	0011	8a	94,600,274	97,163,419
3. Investment property	0012	8b	1,664,931	1,514,935
4. Property, plant and equipment in lease and construction in progress	0013	8a, 8d	32,410,158	36,300,132
5. Other property, plant and equipment and investments in leased PP&E	0014	8a	234,622	252,799
6. Advances for PP&E - domestic	0015	8a	1,308,150	2,535,758
7. Advances for PP&E - foreign	0016	8a	35,880	265,205
III. BIOLOGICAL ASSETS	0017		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)	0018		5,310,580	4,184,052
1. Investments in legal entities (except those evaluated using the equity method)	0019		91,713	91,816
2. Investments in legal entities evaluated by equity method	0020	9	3,394,511	2,623,087
3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021		1,013,125	826,117
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	6,685
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	804,546	636,347
V. LONG - TERM ACCRUED AND DEFERRED INCOME	0028		-	-
C. DEFERRED TAX ASSETS	0029	11	5,336,771	4,102,378
G. CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	0030		101,925,777	147,584,780
I. INVENTORY (0032+0033+0034+0035+0036)	0031	12	42,410,094	53,894,616
1. Materials, spare parts and tools	0032		12,971,675	22,634,732
2. Work in progress and finished goods	0033		19,462,055	26,490,525
3. Merchandise	0034		6,713,517	3,061,514
4. Advances for inventory and services - domestic	0035		3,211,873	1,305,117
5. Advances for inventory and services - foreign	0036		50,974	402,728
II. FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	0037		135,703	14,430

(continued)
The accompanying notes on pages 9 to 64 are an integral part of these consolidated financial statements.

NIS Group**Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)***CONSOLIDATED BALANCE SHEET (continued)**

	AOP	Note	31 December 2025	31 December 2024
III TRADE RECEIVABLES (0039+0040+0041+0042+0043)	0038	13	20,409,674	32,080,211
1. Trade receivables - domestic	0039		19,713,277	30,512,643
2. Trade receivables - foreign	0040		527,331	1,267,444
3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		168,083	51,000
4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		983	249,124
5. Other trade receivables	0043		-	-
IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	0044	14	3,278,935	8,818,937
1. Other receivables	0045		734,740	1,055,302
2. Receivables for overpaid income tax	0046		2,371,203	7,595,653
3. Receivables from overpaid other taxes and contributions	0047		172,992	167,982
V. SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	0048	15	83,067	299,134
1. Short-term loans and investments - parent and subsidiaries	0049		-	-
2. Short-term loans and investments - other related parties	0050		20,662	20,129
3. Short-term loans and investments - domestic	0051		62,405	64,228
4. Short-term loans and investments - foreign	0052		-	-
5. Securities evaluated 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
VI. CASH AND CASH EQUIVALENTS	0057	16	30,520,104	40,736,335
VII. PREPAYMENTS AND ACCRUED INCOME	0058	17	5,088,200	11,741,117
D TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	0059		462,007,504	507,049,897
E OFF-BALANCE SHEET ASSETS	0060	18	117,756,496	194,714,329
A. EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	0401	19	360,605,911	370,555,961
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		1,082,767	793,709
VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	0407		404,982	340,023
VII. RETAINED EARNINGS (0409+0410)	0408		285,003,924	288,572,075
1. Retained earnings from previous years	0409		285,003,924	278,746,859
2. Retained earnings from current year	0410		-	9,825,216
VIII. NON-CONTROLLING INTEREST	0411		-	-
IX. LOSS (0413+0414)	0412		6,605,998	-
1. Loss from previous years	0413		-	-
2. Loss from current year	0414		6,605,998	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	0415		45,173,754	75,427,142
I. LONG-TERM PROVISIONS (0417+0418+0419)	0416	20	14,190,785	14,752,819
1. Provisions for employee benefits	0417		1,416,759	1,720,236
2. Provisions for warranty claims	0418		-	-
3. Other long term provisions	0419		12,774,026	13,032,583

*(continued)**The accompanying notes on pages 9 to 64 are an integral part of these consolidated financial statements.*

NIS Group

Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET (continued)

	AOP	Note	31 December 2025	31 December 2024
II. LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	0420	21	30,982,969	60,674,323
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		28,921,865	45,456,751
5. Long-term loans and finance lease liabilities - foreign	0425		289,071	13,507,373
6. Liabilities for issued securities	0426		700,621	699,178
7. Other long-term liabilities	0427		1,071,412	1,011,021
III. LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	0428		-	-
C. DEFERRED TAX LIABILITIES	0429	11	3,975	3,682
D. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	0430		40,959	-
E. SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	0431		56,182,905	61,063,112
I. SHORT-TERM PROVISIONS	0432	20	2,538,201	1,342,054
II. SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	0433	22	20,424,492	9,749,970
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 borrowings from other parties	0436		897,525	934,141
4. Short-term loans from domestic banks	0437		19,175,777	7,016,799
5. Short-term loans, borrowings and liabilities - foreign	0438		351,190	1,799,030
6. Liabilities on short-term securities	0439		-	-
7. Liabilities based on financial derivatives	0440		-	-
III. ADVANCES RECEIVED	0441		2,501,191	5,649,106
IV. TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	0442	23	11,732,749	17,780,968
1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		189,977	511,682
2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		16,397	164,783
3. Trade payables - domestic	0445		7,651,648	14,512,714
4. Trade payables - foreign	0446		2,222,652	2,551,320
5. Liabilities on promissory notes	0447		-	-
6. Other operating liabilities	0448		1,652,075	40,469
V. OTHER SHORT-TERM LIABILITIES	0449	24	14,533,286	21,341,127
1. Other short-term liabilities	0450		7,980,348	8,441,133
2. Liabilities for VAT and other taxes	0451		6,540,061	12,886,385
3. Profit tax liabilities	0452		12,877	13,609
VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS	0453		-	-
VII. SHORT-TERM ACCRUED EXPENSES	0454	25	4,452,986	5,199,887
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		462,007,504	507,049,897
H. OFF-BALANCE SHEET LIABILITIES	0457	18	117,756,496	194,714,329

Novi Sad, 27 February 2026

Kirill Tyurdeney
Chief Executive Officer



M.P.

Anton Cherepanov
Chief Financial Officer

The accompanying notes on pages 9 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	AOP	Note	Year ended 31 December	
			2025	2024
A. OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	1001		298,800,591	421,713,648
I. INCOME FROM THE SALE OF GOODS (1003+1004)	1002	6	54,883,368	117,213,124
1. Income from sale of goods on domestic market	1003		17,779,952	73,057,921
2. Income from sale of goods on foreign market	1004		37,103,416	44,155,203
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	1005	6	234,704,149	290,350,538
1. Income from sales of products and services on domestic market	1006		206,843,536	244,421,797
2. Income from sales of products and services on foreign market	1007		27,860,613	45,928,741
III. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1008		15,669,260	17,495,769
IV. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1009		-	-
V. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1010		7,244,854	4,828,078
VI. OTHER OPERATING INCOME	1011	6	481,305	463,971
VII. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1012	26	307,363	1,018,324
B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		306,202,807	405,183,613
I. COST OF GOODS SOLD	1014		30,983,449	85,944,047
II. COST OF MATERIAL, FUEL AND ENERGY	1015	27	168,579,592	217,399,992
III. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1016	28	45,535,201	43,490,678
1. Cost of salaries and fringe benefits	1017		38,509,187	36,377,154
2. Cost of tax and contributions on wages and salaries	1018		5,369,269	5,008,349
3. Other personal expenses	1019		1,656,745	2,105,175
IV. DEPRECIATION, DEPLETION AND AMORTIZATION	1020		28,846,898	27,119,878
V. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1021	29	2,990,203	53,273
VI. COST OF PRODUCTION SERVICES	1022	30	17,116,802	19,181,009
VII. COST OF PROVISION	1023		1,489,672	1,008,915
VIII. NON-PRODUCTION COSTS	1024	31	10,660,990	10,985,821
C. OPERATING GAIN (1001-1013)>=0	1025		-	16,530,035
D. OPERATING LOSS (1013-1001)>=0	1026		7,402,216	-
E. FINANCE INCOME (1028+1029+1030+1031)	1027	32	3,146,522	3,156,520
I. FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1028		318,002	154,159
II. INTEREST INCOME	1029		1,500,615	2,365,440
III. FOREIGN EXCHANGE GAIN	1030		499,493	571,365
IV. OTHER FINANCIAL INCOME	1031		828,412	65,556
F. FINANCE EXPENSES (1033+1034+1035+1036)	1032	33	4,786,793	5,621,955
I. FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		740,549	257,977
II. INTEREST EXPENSE	1034		3,083,795	3,715,482
III. FOREIGN EXCHANGE LOSS	1035		931,047	1,532,466
IV. OTHER FINANCIAL EXPENSE	1036		31,402	116,030
I. PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	1037		-	-
J. LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	1038		1,640,271	2,465,435

(continued)

CONSOLIDATED INCOME STATEMENT (continued)

	AOP	Note	Year ended 31 December	
			2025	2024
K. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	34	110,804	130,862
L. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	35	93,814	42,864
M. OTHER INCOME	1041	36	2,110,939	1,461,278
N. OTHER EXPENSE	1042	37	1,352,396	1,560,838
O. TOTAL INCOME (1001+1027+1039+1041)	1043		304,168,856	426,462,308
P. TOTAL EXPENSE (1013+1032+1040+1042)	1044		312,435,810	412,409,270
Q. OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		-	14,053,038
R. OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		8,266,954	-
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
V. LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		8,266,954	-
W. INCOME TAX				
I. CURRENT INCOME TAX	1051	38	(1,463,404)	4,814,328
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	38	28,753	283
III. DEFERRED TAX INCOME FOR THE PERIOD	1053	38	1,254,161	841,010
X. PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y. NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		-	10,079,437
Z. NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		5,578,142	-
I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST	1057		-	-
II. NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		-	10,844,835
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	1059		1,026,595	765,398
IV. NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		4,551,547	-
V. EARNINGS PER SHARE				
1. Basic earnings per share	1061		(0.03)	0.06
2. Diluted earnings per share	1062		-	-

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	AOP	Note	Year ended 31 December	
			2025	2024
A. NET PROFIT				
I. PROFIT, NET (AOP 1064)	2001		-	10,079,437
II. LOSS, NET (AOP 1065)	2002		5,578,142	-
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
<i>a) Items that will not be reclassified to profit or loss</i>				
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		69,577	175,945
3. Gains/(losses) arising from a share in the associate's other comprehensive profit or loss				
a) gains	2007		-	-
b) losses	2008		-	-
<i>b) Items that may be subsequently reclassified to profit or loss</i>				
1. Gains/(losses) arising from equity investments				
a) gains	2009		-	-
b) losses	2010		-	-
2. Gains/(losses) from currency translation differences				
a) gains	2011		293,513	39,677
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
b) losses	2018		88	-
I OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)- (2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019		223,848	-
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		-	-
V. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0	2023		223,848	-
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
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	2026		5,354,294	-
D. TOTAL NET COMPREHENSIVE PROFIT (2028+2029)=AOP 2025>=0 or AOP 2026>0	2027		5,354,294	9,946,621
1. Attributable to shareholders	2028		5,354,294	9,946,621
2. Attributable to non-controlling interest	2029		-	-

The accompanying notes on pages 9 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	AOP	Note	Year ended 31 December	
			2025	2024
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	3001		564,749,766	728,049,827
1. Sales and advances received - domestic	3002		486,755,711	603,981,647
2. Sales and advances received - foreign	3003		73,544,200	116,962,605
3. Interest from operating activities	3004		1,279,680	3,238,079
4. Other inflow from operating activities	3005		3,170,175	3,867,496
II. Cash outflow from operating activities (1 do 8)	3006		521,335,071	667,073,290
1. Payments and prepayments to suppliers - domestic	3007		99,535,368	103,714,429
2. Payments and prepayments to suppliers - foreign	3008		132,747,702	220,571,607
3. Salaries, benefits and other personal expenses	3009		47,889,536	42,335,249
4. Interest paid - domestic	3010		2,139,416	2,677,572
5. Interest paid - foreign	3011		461,603	624,741
6. Income tax paid	3012		1,998,034	4,944,654
7. Payments for other public revenues	3013		236,563,412	292,205,038
8. Other payments from operating activities	3014		-	-
III. Net cash inflow from operating activities (I - II)	3015		43,414,695	60,976,537
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		3,864,165	31,330,240
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		587,491	211,748
3. Other financial investments	3020		3,276,674	31,059,893
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		-	58,599
II. Cash outflow from investing activities (1 to 3)	3023		34,794,586	60,517,947
1. Acquisition of subsidiaries or other business	3024		-	-
2. Purchase of intangible assets, property, plant and equipment	3025		31,717,930	60,281,791
3. Other financial investments	3026		3,076,656	236,156
III. Net cash inflow from investing activities (I - II)	3027		-	-
IV. Net cash outflow from investing activities (II - I)	3028		30,930,421	29,187,707
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	3029		4,464,639	12,755,977
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	21	4,464,639	12,055,367
3. Proceeds from long-term borrowings - foreign	3032		-	-
4. Proceeds from short-term borrowings - domestic	3033		-	-
5. Proceeds from short-term borrowings - foreign	3034		-	-
6. Other long-term liabilities	3035		-	700,610
7. Other short-term liabilities	3036		-	-
II. Cash outflow from financing activities (1 to 8)	3037		26,951,024	24,440,728
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	21	8,134,158	10,395,804
3. Repayment of long-term borrowings - foreign	3040	21	15,289,880	1,539,680
4. Repayment of short-term borrowings - domestic	3041	21	-	820,000
5. Repayment of short-term borrowings - foreign	3042		-	-
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	21	992,820	1,206,983
8. Dividend distribution	3045	19.1	2,534,166	10,478,261
III. Net cash inflow from financing activities (I - II)	3046		-	-
IV Net cash outflow from financing activities (II - I)	3047		22,486,385	11,684,751
D. TOTAL CASH INFLOW (3001+3017+3029)	3048		573,078,570	772,136,044
E. TOTAL CASH OUTFLOW (3006+3023+3037)	3049		583,080,681	752,031,965
F. NET CASH INFLOW (3048-3049)>=0	3050		-	20,104,079
G. NET CASH OUTFLOW (3049-3048)>=0	3051		10,002,111	-
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3052		40,736,335	21,484,271
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	3053		45,488	60,484
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	3054		259,608	912,499
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	3055	16	30,520,104	40,736,335

The accompanying notes on pages 9 to 64 are an integral part of these consolidated financial statements.

NIS Group
Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	AOP	Share capital	AOP	Rev. reserves and unr. gains and losses	AOP	Retained earnings	AOP	Loss	AOP	Non-controlling interest	AOP	Total
1. Balance as at 1 January 2024	4001	81,530,200	4037	575,971	4046	288,463,874	4055	-	4064	517,608	4073	371,087,653
2. Adjustments of material errors and changes in accounting policies	4002	-	4038	-	4047	-	4056	-	4065	-	4074	-
3. Restated opening balance as at 1 January 2024	4003	81,530,200	4039	575,971	4048	288,463,874	4057	-	4066	517,608	4075	371,087,653
4. Net changes in 2024	4004	-	4040	(122,285)	4049	108,201	4058	-	4067	(517,608)	4076	(531,692)
5. Balance as at 31 December 2024	4005	81,530,200	4041	453,686	4050	288,572,075	4059	-	4068	-	4077	370,555,961
6. Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4069	-	4078	-
7. Restated opening balance as at 1 January 2025	4007	81,530,200	4043	453,686	4052	288,572,075	4061	-	4070	-	4079	370,555,961
8. Net changes in 2025	4008	-	4044	224,099	4053	(3,568,151)	4062	6,605,998	4071	-	4080	(9,950,050)
9. Balance as at 31 December 2025	4009	81,530,200	4045	677,785	4054	285,003,924	4063	6,605,998	4072	-	4081	360,605,911

The accompanying notes on pages 9 to 64 are an integral part of these consolidated financial statements.

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 40. Information on other related party relationships of the Group is provided in Note 41.

These consolidated financial statements have been approved and authorized for issue by the Chief Executive Officer and will be presented to the 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 2025 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.

NIS Group

Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

At the date of signing Consolidated Financial Statements, crude oil price increased since 31 December 2025 from 62.555 \$/barrel to 72.040 \$/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. Going concern

These Consolidated Financial Statements have been prepared on a going concern basis. In making this assessment, management considered the Group's current and projected liquidity position, access to financing, operational performance and the broader regulatory and geopolitical environment.

For the year ended 31 December 2025, the Group recorded a net loss. Despite this, the Group maintained a high level of positive EBITDA, reflecting the resilience of its core operations and the ability to generate operational cash flows. Management has considered this performance in its assessment of the Group's ability to continue as a going concern and in planning mitigating actions to address potential operational and financial challenges arising from sanctions and supply disruptions (refer to note 3.1. Implication of imposed US Sanctions).

Management has prepared cash flow forecasts and assessed mitigating actions, including the ongoing engagement with relevant authorities, cooperation with shareholders (including the Government of the Republic of Serbia) and other operational measures aimed at ensuring business continuity. Based on these assessments, management believes that the Group will be able to meet its obligations as they fall due for at least the next twelve months from the reporting date.

Given the inherent uncertainty regarding the future development, scope and duration of sanctions and related regulatory measures, a material uncertainty exists which management is monitoring closely. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required if the Group were unable to continue as a going concern.

2.3. 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.

2.4. 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.

2.5. 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 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.

NIS Group

Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

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.

2.6. 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.

2.7. 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.

2.8. 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.

2.9. 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).

2.10. 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.

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(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.

2.11. 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).

2.12. 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.

2.13. 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 of 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.

2.14. 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.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL 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.

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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.

2.15. 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.

Certain inventories represent restricted reserves of energy products held in accordance with applicable regulations of the Republic of Serbia. Such inventories include motor gasoline, diesel fuel and jet fuel, held in quantities prescribed in the relevant regulation expressed in days of average market supply. These inventories are recognized as inventories and are not held for sale in the ordinary course of business. Measurement and impairment of these inventories are performed in accordance with IAS 2 Inventories. Where applicable, restricted reserves may be used under special approval from the competent Ministry.

The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as "Expense from valuation assets (except financial)" (note 29).

2.16. 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.

2.17. Share capital

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.18. 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.

2.19. 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.

2.20. 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.

2.21. 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).

2.22. 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).

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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 judgment 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 authorities 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.

2.23. 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:

	<u>Useful lives in years</u>
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.

2.24. 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.

2.25. 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, the Group was included in the U.S. Treasury's Specially Designated Nationals and Blocked Persons ("SDN") List.

Following the designation, the U.S. Office of Foreign Assets Control ("OFAC") issued a series of specific licenses during 2025 (except for the period 9 October 2025 – 30 December 2025), which allowed the Group to continue operating while negotiations regarding potential changes in the ownership structure. The last license in 2025 enabling operations of the Group to continue was issued by OFAC on 31 December 2025 with validity until 23 January 2026.

Management has assessed the potential implications of the sanctions and related regulatory measures. However, due to significant uncertainties regarding their scope, enforcement, duration and the evolving geopolitical and economic environment, the ultimate effects on the Group's financial position, results of operations and cash flows cannot be reliably estimated as at the reporting date.

Owing to this short interruption in licensing (9 October 2025 – 30 December 2025) during December 2025, the Group experienced a temporary suspension of Pančevo Oil Refinery operations due to interruptions in crude oil supply. The suspension was addressed through operational measures and was considered as part of management's overall assessment of operational and supply chain risks. No adjustments have been recognised in the consolidated financial statements for the year ended 31 December 2025 in connection with this event.

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Accordingly, no adjustments have been recognised in these consolidated financial statements for the year ended 31 December 2025 in respect of impairments, provisions or changes in accounting estimates related to the sanctions.

Notwithstanding the above, the sanctions may have a material adverse impact on the Group, including but not limited to:

- limitations in access to international financial markets and U.S. dollar transactions;
- disruptions in relationships with suppliers, customers and other business partners;
- potential reductions in revenues and profitability due to constrained trade activities; and
- operational challenges, including supply chain disruptions and increased costs related to the sourcing of crude oil, equipment and services.

The Group continues to actively monitor developments, engage with OFAC and other relevant authorities, and implement mitigation measures aimed at maintaining business continuity. The Group is also cooperating with its shareholders, including the Government of the Republic of Serbia, with the objective of identifying appropriate solutions to address the current situation and ensure the long-term sustainability of its operations.

Management judgment regarding going concern has been applied in preparing the financial statements. See note 2.2 for full disclosure.

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 2025 would be to increase/decrease it by 2,609,884 RSD (2024: 2,429,600 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. Impairment of assets

The assessment of the recoverable amount of the Group's assets related to the operations of NIS Petrol Romania, NIS Petrol Bulgaria and Jadran Naftagas Banja Luka (together, the "affected operations"), which are fully consolidated in the Group's consolidated financial statements, represents a significant accounting estimate requiring a high degree of management judgment and involving significant estimation uncertainty, in accordance with IAS 1 and IAS 36.

The affected operations represent separate cash-generating units (CGUs) and relate to long-standing activities held by the Group, primarily in upstream and downstream segments.

The operations are conducted in an environment characterized by evolving international sanctions since 2014, restrictions on cash transfers and ongoing financial restructuring proceedings (including a preventive concordat procedure in Romania, in further text "concordat"). These circumstances represent indicators of impairment within the meaning of IAS 36, and therefore required a detailed recoverable amount assessment as of the reporting date on a yearly basis.

Basis of recoverable amount determination

For each CGU, the recoverable amount was determined as the higher of value in use ("VIU") and fair value less costs of disposal ("FVLCD"), in accordance with IAS 36.

- For NIS Petrol Romania and Jadran Naftagas, management determined that VIU represents the recoverable amount, as observable market transactions reflecting orderly market conditions were not available.
- For NIS Petrol Bulgaria, the recoverable amount was determined based on FVLCD, derived from a signed contract received during the reporting period.

Sources of estimation uncertainty and valuation limitations**A) NIS Petrol Romania**

Due to sanctions, upstream project activities are temporarily suspended. During the reporting period, the Group received certain indicative, non-binding offers relating to the potential acquisition of the operations and/or underlying assets of NIS Petrol Romania. The values implied by such offers were below the carrying amounts of the related assets.

Management concluded that these offers do not provide a reliable basis for determining FVLCD for the purposes of IAS 36, as:

- the offers are not legally binding and have not been accepted,
- there is no certainty regarding transaction completion nor a defined timeframe,
- the offers were submitted in a constrained and distressed market environment,
- significant regulatory and sanctions-related risks have a dominant impact on the implied valuations,
- the implied prices do not reflect an orderly transaction between market participants, as required under IAS 36 and IFRS 13.

While such indicative offers were considered as part of the impairment assessment, management determined that they do not represent observable market prices and therefore do not override management's best estimate of the recoverable amount determined using a VIU approach.

NIS Group

Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

B) NIS Petrol Bulgaria

During the reporting period, the Group received and accepted a binding offer relating to the acquisition of the operations and underlying assets of NIS Petrol Bulgaria (note 40). The value implied by the accepted offer was below the carrying amount of the related assets.

Accordingly, an impairment loss of 1.3 bln RSD was recognized as of the reporting date, in accordance with IAS 36 (refer to notes 6, 7, 8).

C) Jadran Naftagas

Jadran Naftagas, a subsidiary engaged in oil and gas exploration and production in Bosnia and Herzegovina, operates under the same sanctions regime affecting the Group. Due to current restrictions, production activities are temporarily suspended.

The suspension of operations constitutes an impairment indicator, however, management assessed the related assets as part of the relevant CGU and concluded that, as of the reporting date, there is no objective evidence requiring the recognition of an impairment loss, based on the following considerations:

- the Group retains valid licenses and legal rights to resume operations,
- there has been no formal decision to abandon or permanently cease the activities,
- the suspension is assessed as temporary in nature, driven by external constraints,
- the recoverable amount assessment is determined by VIU and the planned project activities will be carried out.

Management will continue to reassess the recoverable amount of this CGU as circumstances evolve.

D) Other

Same assumptions and accounting assessment have been applied to all other assets where impairment indicators were identified in line with IAS 36 or other standards.

Internal assumptions and accounting assessment

Management assumes that going concern is a valid assumption as it believes that sanctions will be postponed and eventually lifted due to positive and continuing cooperation of relevant stakeholders and OFAC office. That will impact on lifting of financial payment restrictions and general improvement in business conditions for the whole Group.

Scenario-based approach

In determining the recoverable amount in impairment tests, management applied a scenario-based approach, considering, among other factors:

- a) continuation of operations under restructuring,
- b) deferred realization of asset values,
- c) potential normalization of operations following the possible lifting of international sanctions.

Management notes that the potential lifting of sanctions is subject to significant uncertainty and is not within the control of the Group.

Based on the analyses performed and information available as of the reporting date, management concluded that, although significant impairment indicators exist, the recoverable amount of certain assets was lower than their carrying amount, resulting in the recognition of an impairment loss of 1.6 bln RSD in respect of NIS Petrol Romania (refer to Note 6).

For Jadran Naftagas and other assets for which impairment indicators were identified, management concluded that the recoverable amounts exceeded their carrying amounts and, accordingly, no impairment loss was recognised.

These assessments involve significant professional judgment and are subject to ongoing reassessment in future reporting periods.

Sensitivity of the assessment

The recoverable amount of the assets is sensitive to changes in key assumptions, including:

- the duration and outcome of the concordat process,
- the regulatory and sanctions framework,
- the timing and ability to realize asset values,
- assumptions regarding future capital expenditures,
- unforeseen events.

Management estimates that reasonably possible adverse changes in these assumptions, individually or in aggregate, could result in the recoverable amount declining to or below the carrying amount, which would give rise to an impairment loss in future periods.

The Group's maximum total net assets exposure amounts to 15.6 bln RSD for NIS Petrol Romania (app 7.6 bln RSD), NIS Petrol Bulgaria (5.7 bln RSD) and Jadran Naftagas (2.3 bln RSD) as of the reporting date. This exposure is fully recognised and presented in the Group's consolidated financial statements. It does not give rise to any off-balance-sheet arrangements, commitments or obligations.

3.6. 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 6.83% (rather than 5.83%) per year, the past service liability (DBO) for the whole NIS Group would decrease by about 9.5% for retirement indemnity and 4.62% for jubilee benefit. If pay increased by 1.0% higher than assumed on an annual basis, than the past service liability (DBO) for the whole NIS Group would increase by amount 6.19% 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 10.22% for the retirement indemnity and 5.08% for the jubilee benefit.

3.7. 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 6.16% (rather than 5.16%) per year, the present liability would have decreased by approx. 1,015,250 RSD (31 December 2024: 7.40% (rather than 6.40%) per year the present liability would have decreased by approx. 784,144 RSD).

3.8. 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 39).

3.9. 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 11.9 bln RSD (31 December 2024: 86.1 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, 2025, 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.

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

The carrying values (net of allowance) of the Group's financial instruments by currencies they are denominated are as follows:

As of 31 December 2025

	RSD	EUR	USD	Other	Total
Financial assets					
Non-current assets					
Financial instrument at FVTOCI	91,713	-	-	-	91,713
Long-term receivables	-	1,013,125	-	-	1,013,125
LT loans issued	6,685	-	-	-	6,685
Other long-term financial investments and receivables	462,568	335,983	5,995	-	804,546
Current assets					
Trade receivables	19,274,382	612,956	982	521,354	20,409,674
Other receivables	285,164	25,778	155,344	268,454	734,740
Short-term financial investments	12,895	49,510	-	20,662	83,067
Cash and cash equivalents	24,531,455	2,710,965	2,183	3,275,501	30,520,104
Financial liabilities					
Non-current liabilities					
Long-term liabilities	(4,847)	(30,823,256)	-	(154,866)	(30,982,969)
Current liabilities					
Short-term financial liabilities	(16,246)	(20,379,734)	-	(28,512)	(20,424,492)
Trade payables	(6,742,181)	(1,191,433)	(923,437)	(2,875,698)	(11,732,749)
Other short-term liabilities	(7,605,570)	(129,665)	(160,616)	(84,497)	(7,980,348)
Net exposure	30,296,018	(47,775,771)	(919,549)	942,398	(17,456,904)

As of 31 December 2024

	RSD	EUR	USD	Other	Total
Financial assets					
Non-current assets					
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 liabilities					
Long-term liabilities	(8,292)	(60,196,280)	-	(469,751)	(60,674,323)
Current liabilities					
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)

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2025	31 December 2024
EUR	117.2820	117.0149
USD	99.9165	112.4386

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

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 2025, 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 477,758 RSD (2024: 557,269 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 2025, 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 18,391 RSD (2024: 1,448 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 2025 would have been 410,352 RSD (2024: 407,226 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 scenarios for key performance factors 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:

	Year end 31 December	
	2025	2024
Financial instrument at FVTOCI	91,713	91,816
Long-term receivables	1,013,125	826,117
Other long-term investments (note 10)	804,546	636,347
Long-term loans issued	6,685	6,685
Trade receivables (note 13)	20,409,674	32,080,211
Other receivables (note 14)	3,278,935	8,818,937
Short-term financial investments (note 15)	83,067	299,134
Cash and cash equivalents (note 16)	30,520,104	40,736,335
Total maximum exposure to credit risk	56,207,849	83,495,582

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

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 2025 and 60 months before 1 January 2025 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 2025 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	0.09%	20,507,223	(17,582)	20,489,641
- less than 30 days overdue	0.86%	1,421,169	(12,267)	1,408,902
- 31 to 90 days overdue	4.67%	1,083,655	(50,648)	1,033,007
- 91 to 270 days overdue	22.17%	393,852	(87,336)	306,516
- over 271 days overdue	96.99%	14,951,782	(14,501,239)	450,543
Total trade and other receivables		38,357,681	(14,669,072)	23,688,609

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

NIS Group

Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

The Management of the Group regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Group.

Management believes that not impaired trade and other receivables and other current assets are fully recoverable.

Movements on the Group's provision for impairment of trade and lease receivables are as follows:

	Trade receivables	Lease receivables	Total
As at 1 January 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
As at 1 January 2025	4,713,718	27,827	4,741,545
Provision for receivables impairment (note 35)	77,067	3,516	80,583
Unused amounts reversed (note 34)	(36,095)	(688)	(36,783)
Receivables written off during the year as uncollectible	(107,412)	(461)	(107,873)
Other	(155)	(1)	(156)
As at 31 December 2025	4,647,123	30,193	4,677,316

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 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
As at 1 January 2025	752,266	1,991,740	7,356,031	10,100,037
Provision for other receivables impairment (note 35)	633	9,978	2,620	13,231
Unused amounts reversed (note 34)	(53,707)	(9,833)	(1,514)	(65,054)
Receivables written off during the year as uncollectible	(21,634)	(28,497)	(6,166)	(56,297)
Other	(199)	-	38	(161)
As at 31 December 2025	677,359	1,963,388	7,351,009	9,991,756

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)***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 2025				
Cash and cash equivalents (note 16)	1,390,947	366,658	28,762,499	30,520,104
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

The Group uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2025 and 2024 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.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
As at 31 December 2025					
Financial liabilities	51,407,461	55,711,810	22,321,397	32,511,504	878,909
Trade payables and dividends	17,576,940	17,576,940	17,576,940	-	-
	68,984,401	73,288,750	39,898,337	32,511,504	878,909
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

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

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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 adjusted EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2025	31 December 2024
Total borrowings (notes 21 and 22)	51,407,461	70,424,293
Less: cash and cash equivalents (note 16)	(30,520,104)	(40,736,335)
Net debt	20,887,357	29,687,958
Adjusted EBITDA	22,240,551	44,392,551
Net debt to adjusted EBITDA ratio at the end of the year	0.94	0.67

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 2025 and 31 December 2024, 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 2025 and 2024. 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.

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Reportable segment results for the year ended 31 December 2025 are shown in the table below:

	DWS			Eliminations	Total
	Upstream	Downstream Petrochemical			
Segment revenue	45,259,037	273,283,552	18,004,523	(46,478,290)	290,068,822
Intersegment	43,336,186	3,142,104	-	(46,478,290)	-
External	1,922,851	270,141,448	18,004,523	-	290,068,822
Adjusted EBITDA (Segment results)	25,920,084	5,431,738	(9,111,271)	-	22,240,551
Depreciation, depletion and amortization	(15,400,352)	(12,708,563)	(737,983)	-	(28,846,898)
Impairment of non-financial assets	(1,625,020)	(1,359,366)	(204)	-	(2,984,590)
Share of profit in joint ventures	-	771,424	-	-	771,424
Finance expenses, net	(716,907)	(1,669,875)	(24,913)	-	(2,411,695)
Income tax	(83,335)	2,776,814	(4,667)	-	2,688,812
Segment profit/(loss)	10,417,381	(5,729,571)	(10,265,952)	-	(5,578,142)

Reportable segment results for the year ended 31 December 2024 are shown in the table below:

	DWS			Eliminations	Total
	Upstream	Downstream Petrochemical			
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/(loss)	23,360,123	(5,626,705)	(7,653,981)	-	10,079,437

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 9,502,362 RSD for the year ended 31 December 2025 (31 December 2024: negative EBITDA in the amount of 9,042,728 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December 2025	2024
Adjusted EBITDA for the Downstream segment after allocation of Corporate centre	(3,679,533)	4,433,971
Corporate centre EBITDA	(9,502,362)	(9,042,728)
Adjusted EBITDA prior allocation of Corporate centre	5,822,829	13,476,699

Adjusted EBITDA for the year ended 31 December 2025 and 2024 is reconciled below:

	Year ended 31 December 2025	2024
Profit/(Loss) for the period	(5,578,142)	10,079,437
Income tax	(2,688,812)	3,973,601
Other expenses	1,352,396	1,560,838
Other income	(2,110,939)	(1,461,278)
Losses from valuation of assets at fair value through profit and loss	93,814	42,864
Income from valuation of assets at fair value through profit and loss	(110,804)	(130,862)
Finance expense	4,786,793	5,621,955
Finance income	(3,146,522)	(3,156,520)
Depreciation, depletion and amortization	28,846,898	27,119,878
Other non-operating expenses, net	795,869	742,638
EBITDA	22,240,551	44,392,551

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Impact of major one-off items and the result of HIP Petrohemija on the Group result

For the purpose of providing a better understanding of the Group's underlying performance, the table below presents an analysis of the consolidated result for the years ended 31 December 2025 and 31 December 2024. The analysis shows the Group's result before one-off items related to impairment losses, as well as the Group's result excluding the impact of the result of HIP Petrohemija, which is included in the consolidated result of the Group.

The impairment losses relate to goodwill and marketing assets in Petrol Bulgaria, and to O&G assets in Petrol Romania, as disclosed in notes 7 and 8 to the consolidated financial statements.

	Year ended 31 December	
	2025	2024
Group profit/(loss) for the period	(5,578,142)	10,079,437
Impairment of goodwill in Petrol Bulgaria (note 7)	513,845	-
Impairment of marketing asset in Petrol Bulgaria (note 8)	758,042	-
Impairment of O&G asset in Petrol Romania (note 8)	1,618,730	-
Income tax effect of impairment loss	(254,761)	-
Group profit/(loss) for the period before impairment loss	(2,942,286)	10,079,437
Loss of HIP Petrohemija	10,265,952	7,653,981
Group profit for the period before impairment loss and loss of HIP Petrohimija	7,323,666	17,733,418

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 2025		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	78,653	78,653
Sale of gas	542,854	-	542,854
<i>Wholesale activities</i>	542,854	-	542,854
Sale of petroleum products	194,647,521	53,478,792	248,126,313
<i>Through a retail network</i>	92,855,221	13,075,735	105,930,956
<i>Wholesale activities</i>	101,792,300	40,403,057	142,195,357
Sales of petrochemical products	10,283,400	7,585,913	17,869,313
Sales of electricity	748,929	11,742	760,671
Lease revenue	362,981	54,411	417,392
Other sales and other operating income	18,438,672	3,834,954	22,273,626
Total sales and other income	225,024,357	65,044,465	290,068,822

	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
<i>Wholesale activities</i>	182,983	8,788	191,771
Sale of petroleum products	291,268,645	65,607,973	356,876,618
<i>Through a retail network</i>	106,235,625	17,007,775	123,243,400
<i>Wholesale activities</i>	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

Revenue from one customer amounted to 21,365,603 RSD (2024: 25,139,992 RSD), arise from sale of petroleum products attributable to wholesale activities within Downstream segment.

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Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 15,558,318 RSD (2024: 16,114,987 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 225,024,357 RSD (2024: 317,842,156 RSD), and the total of revenue from external customer from other countries is 65,044,465 RSD (2024: 90,185,477 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	
	2025	2024
Sale of crude oil	78,653	5,368,026
Sale of gas	-	8,788
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	28,418,800	32,739,769
Bulgaria	9,270,851	8,018,311
Romania	3,476,011	5,327,434
All other markets	12,313,130	19,522,459
	<u>53,478,792</u>	<u>65,607,973</u>
Sales of petrochemical products	7,585,913	14,282,845
Sales of electricity	11,742	109,243
Lease revenue	54,411	56,686
Other sales and other operating income	3,834,954	4,751,916
	<u>65,044,465</u>	<u>90,185,477</u>

Presentation of excise duties

The following table presents sales revenue earned and related calculated excise duties for 2025 and 2024:

	2025	2024
Sales revenue and other income	453,095,272	606,166,250
Excise duties	(163,026,450)	(198,138,617)
Net sales revenue and other income	<u>290,068,822</u>	<u>408,027,633</u>

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 2025	31 December 2024
Serbia	326,149,669	322,775,711
Romania	10,784,756	12,788,439
Bosnia and Herzegovina	6,999,384	7,263,604
Bulgaria	4,156,534	5,549,969
	<u>348,090,343</u>	<u>348,377,723</u>

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7. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Goodwill	Other intangibles	Intangible assets under development	Total
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
At 1 January 2025						
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
Year ended 31 December 2025						
Additions	205,959	1,554,555	-	15,757	72,267	1,848,538
Impairment (note 29)	-	(44,907)	(513,845)	-	(62,802)	(621,554)
Amortization	(1,298,741)	(687,582)	-	(36,331)	-	(2,022,654)
Transfer from PP&E (note 8)	-	-	-	-	703	703
Disposals and write-off	-	(198)	-	-	-	(198)
Other transfers	-	19,031	-	(19,031)	3,102	3,102
Translation differences	(36,530)	(107)	(3,461)	-	(37,134)	(77,232)
Closing net book amount	9,697,449	3,587,701	741,546	1,071,880	5,321,746	20,420,322
As at 31 December 2025						
Cost	21,283,198	14,754,962	741,546	1,612,456	5,384,439	43,776,601
Accumulated amortization and impairment	(11,585,749)	(11,167,261)	-	(540,576)	(62,693)	(23,356,279)
Net book amount	9,697,449	3,587,701	741,546	1,071,880	5,321,746	20,420,322

Intangible assets under development as at 31 December 2025 amounting to 5,321,746 RSD (31 December 2024: 5,345,610 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 4,250,381 RSD (31 December 2024: 4,165,318 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.

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The average key assumptions used in value-in use calculations:

	2025	2024
Growth rate	1%	1%
Price/sales ratio	0.77	0.77
Discount rate		
- Romania market	8.72%	8.06%
- Bulgaria market	7.97%	7.44%
- Bosnia and Herzegovina market	14.96%	13.22%

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
2025					
Bosnia and Herzegovina	480,016	-	-	1,097	481,113
Romania	266,163	-	-	(5,730)	260,433
Bulgaria	512,673	-	(513,845)	1,172	-
	1,258,852	-	(513,845)	(3,461)	741,546
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

The Group performs annual impairment tests on goodwill allocated to its cash-generating units ("CGUs") in accordance with IAS 36. As at 31 December 2025, the impairment tests for CGUs in Bosnia and Herzegovina and Romania indicate that the recoverable amounts, determined as the higher of value in use and fair value less costs to dispose, exceed or do not materially differ from the carrying amounts of goodwill allocated to these units.

For the CGU in Bulgaria, the impairment test identified an impairment loss of 513,845 RSD, which has been recognized in the consolidated financial statements.

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.

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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 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
At 1 January 2025								
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
Year ended 31 December 2025								
Additions	58,495	21,033,458	9,564,512	(1,075,136)	-	9,911	957,792	30,549,032
Changes in decommissioning obligations	-	804,769	-	-	-	-	-	804,769
Impairment effect, net (note 26 and 29)	(759,282)	(10,353)	(92)	(1,593,309)	-	-	21,791	(2,341,245)
Depreciation	-	(13,956,016)	(12,116,992)	-	-	(25,829)	-	(26,098,837)
Transfer to intangible assets (note 7)	-	-	-	(703)	-	-	-	(703)
Transfer to non-current assets held for sale	(11,296)	(110,904)	(215)	-	-	-	-	(122,415)
Disposals and write-off	(17,981)	(36,066)	(42,541)	(225,958)	(2)	(2,312)	-	(324,860)
Other transfers and closing of advances paid	12,962	(21,940)	39,545	(712,680)	-	-	(2,436,534)	(3,118,647)
Translation differences	(9,390)	(73,239)	(7,362)	(71,735)	-	55	18	(161,653)
Closing net book amount	16,597,919	182,162,120	94,600,274	28,746,555	94,097	140,525	1,344,030	323,685,520
At 31 December 2025								
Cost	17,690,452	332,835,758	230,146,843	30,845,747	95,210	640,738	1,527,978	613,782,726
Accumulated depreciation and impairment	(1,092,533)	(150,673,638)	(135,546,569)	(2,099,192)	(1,113)	(500,213)	(183,948)	(290,097,206)
Net book amount	16,597,919	182,162,120	94,600,274	28,746,555	94,097	140,525	1,344,030	323,685,520

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

In 2025, The Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost amounting to 8,494 RSD (2024: 80,335 RSD).

Of the total amount of activations in 2025 in the amount of 31,052,058 RSD, the most significant part refers to activation on oil&gas properties in the amount of 21,023,459 RSD. In 2024 the amount of 50,266,273 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 24,273,215 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 2025, the Group assessed indicators of impairment for its cash-generating units ("CGUs"). Based on this assessment, the Group recognized impairment losses of 2,425,837 RSD (2024: net reversal of impairment 173,197 RSD). The impairment in 2025 mainly relates to the Marketing asset 769,727 RSD and Assets under Construction within the Oil & Gas segment 1,624,819 RSD and reflects indications that the expected recoverable amounts of these assets are lower than their carrying amounts – refer to note 6 for details.

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:

	2025	2024
As at 1 January	1,514,935	1,514,920
Fair value gain/(loss) (note 26 and 29)	155,389	(2,991)
Transfer from PPE carried at cost (note 8a)	-	10,432
Other transfer	(5,393)	(7,426)
As at 31 December	1,664,931	1,514,935

As at 31 December 2025, investment properties amounting to 1,664,931 RSD (31 December 2024: 1,514,935 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 2025 and 2024. 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 2025 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Recurring fair value measurements</i>			
<i>Land and buildings</i>			
– Shops and other facilities for rents	-	1,062,935	-
– Gas stations	-	-	601,996
Total	-	1,062,935	601,996

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)*

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)
<i>Recurring fair value measurements</i>			
<i>Land and buildings</i>			
- Shops and other facilities for rents	-	923,440	-
- Gas stations	-	-	591,495
Total	-	923,440	591,495

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:

	2025	2024
Long term growth rate	1%	0%
Discount rate	9.88%	9.21%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2025	2024
Assets as at 1 January	591,495	593,769
Transfer to PPE	-	(2,274)
Changes in fair value measurement:		
Gains recognised in profit or loss, fair value measurement	10,501	-
Total increase in fair value measurement, assets	10,501	-
Assets as at 31 December	601,996	591,495

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

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 2.10).

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total asset under construction	Production assets	Other business and corporate assets	Total
As 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	-	-	-	(14,057,728)	(2,540)	(14,060,268)
Transfer to 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
At 1 January 2025						
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
Year ended 31 December 2025						
Additions	(273,411)	(1,167,045)	(1,440,456)	21,023,459	9,911	19,592,914
Changes in decommissioning obligations	-	-	-	804,576	-	804,576
Impairment	(1,618,730)	(6,289)	(1,625,019)	-	-	(1,625,019)
Depreciation	-	-	-	(14,691,786)	(4,523)	(14,696,309)
Disposals and write-off	(219,840)	-	(219,840)	(15,428)	-	(235,268)
Other transfers	137,142	(212,290)	(75,148)	319	(258)	(75,087)
Translation differences	(99,614)	(9,278)	(108,892)	(101,495)	-	(210,387)
	10,070,453	8,339,081	18,409,534	159,911,120	32,007	178,352,661
As at 31 December 2025						
Cost	11,884,680	8,378,247	20,262,927	299,265,216	72,282	319,600,425
Depreciation and impairment	(1,814,227)	(39,166)	(1,853,393)	(139,354,096)	(40,275)	(141,247,764)
Net book amount	10,070,453	8,339,081	18,409,534	159,911,120	32,007	178,352,661

The Group identified an impairment loss of RSD 1,625,019 in respect of the Exploration investment. This investment is currently in the stage of evaluating exploration results, and confirmation of these results. When assessing this investment at 31 December 2025, the Group observed indicators of impairment in accordance with IFRS 6 and recognized the corresponding impairment loss. The Group continues to monitor the results and, once confirmed by the National Agency for Mineral Resources, will reassess the investment for any further impairment or adjustments.

The Group has concession-related obligations arising from its oil and gas operations in Angola. Due to sanctions-related restrictions, the Group has been temporarily unable to settle certain concession payments as they fall due. Management is in ongoing discussions with the relevant authorities to address the outstanding obligations. As of the reporting date, these obligations remain unsettled, which places the Group in default risks in respect of these concession obligations. The Group holds rights to produced crude oil reserves in Angola, which are recognised as inventories, the estimated value of which fully covers the outstanding concession obligations.

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

d) *Right of use assets*

	Land	Property	Plant and equipment	Vehicles	Total
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
As at 1 January 2025	112,221	1,263,250	283,430	2,215,155	3,874,056
Additions	-	59,545	406,014	107,631	573,190
Depreciation	(10,796)	(226,323)	(140,085)	(348,203)	(725,407)
Transfers	-	-	293	(30,860)	(30,567)
Disposals	-	(56,008)	(1,271)	(1,701)	(58,980)
Effect of contract modifications and changes in estimates	-	9,974	23,397	(770)	32,601
Translation differences	(2,085)	800	4	(9)	(1,290)
As at 31 December 2025	99,340	1,051,238	571,782	1,941,243	3,663,603

9. INVESTMENTS IN JOINT VENTURE

The carrying values of the investments in joint ventures as of 31 December, 2025 and 2024 are summarised below:

		Ownership percentage	31 December 2025	31 December 2024
NIS MET Energowind d.o.o. Belgrade	Joint venture	50%	723,389	746,727
Gazprom Energoholding Serbia d.o.o. Belgrade	Joint venture	49%	2,671,122	1,876,360
Total investments			3,394,511	2,623,087

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.

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, including a review of strategic options for the project. 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.

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)*

The summarised financial information for the joint ventures is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia
31 December 2025		
Current assets	15,938	1,727,360
Non-current assets	3,720,936	21,436,952
Current liabilities	1,885,124	3,814,015
Non-current liabilities	-	13,886,752
Revenue	18,334	15,014,478
Profit/(Loss) for the year	<u>(46,675)</u>	<u>1,621,963</u>
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	<u>(101,022)</u>	<u>(113,078)</u>

10. OTHER LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES

	31 December 2025	31 December 2024
Other long-term financial investments	259,810	260,558
LT loans given to employees	667,972	657,983
Other long-term receivables	150,718	-
<i>Less provision</i>	<u>(273,954)</u>	<u>(282,194)</u>
	<u>804,546</u>	<u>636,347</u>

Loans to employees as at 31 December 2025 amounting to 667,972 RSD (31 December 2024: 657,983 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 the amount of 273,954 RSD (31 December 2024: 282,194 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, 2025			
Provisions	859,211	-	859,211
Property, plant and equipment	4,430,754	(3,975)	4,426,779
Impairment losses	54,045	-	54,045
Fair value gains	3,971	-	3,971
Revaluation reserve	-	(11,210)	(11,210)
	<u>5,347,981</u>	<u>(15,185)</u>	<u>5,332,796</u>
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)
	<u>4,290,055</u>	<u>(191,359)</u>	<u>4,098,696</u>

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

Movements in temporary differences during the period:

	As at December 31, 2024	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2025
Provisions	705,815	143,998	9,398	-	859,211
Property, plant and equipment	3,339,275	1,088,375	-	(871)	4,426,779
Impairment losses	61,012	(6,965)	-	(2)	54,045
Fair value gains	3,956	-	16	(1)	3,971
Revaluation reserve	(11,362)	-	-	152	(11,210)
Total	4,098,696	1,225,408	9,414	(722)	5,332,796

	As at December 31, 2023	Recognised in profit or loss	Recognised in other comprehensive income	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

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 2025	31 December 2024
Materials, spare parts and tools	18,110,889	27,760,671
Work in progress	8,335,160	6,994,014
Finished goods	11,126,895	19,496,511
Goods for sale	6,717,754	3,066,241
Advances	3,415,522	1,868,543
<i>Less: impairment of inventory</i>	(5,143,451)	(5,130,666)
<i>Less: impairment of advances</i>	(152,675)	(160,698)
	42,410,094	53,894,616

The increase in advance payments is primarily attributable to the operational constraints arising from the sanction's environment, as well as the timing of payments for supply contracts.

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)*

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2024	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)
Write 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
Provision for inventories and advances (note 29)	1,506	7,860	9,366
Unused amounts reversed (note 26)	(121,957)	(11,703)	(133,660)
Write off during the year	(13,537)	(4,180)	(17,717)
Other	146,773	-	146,773
Balance as of 31 December 2025	5,143,451	152,675	5,296,126

13. TRADE RECEIVABLES

	31 December 2025	31 December 2024
Trade receivables - other related parties - domestic	168,083	51,000
Trade receivables - other related parties - foreign	983	249,124
Trade receivables domestic – third parties	24,327,924	35,203,570
Trade receivables foreign – third parties	590,000	1,318,062
	25,086,990	36,821,756
<i>Less: Impairment</i>	(4,677,316)	(4,741,545)
	20,409,674	32,080,211

14. OTHER SHORT-TERM RECEIVABLES

	31 December 2025	31 December 2024
Receivables from specific operations	911,673	968,429
Interest receivables	2,003,016	2,029,910
Receivables from employees	23,490	35,261
Other receivables	120,031	380,208
Income tax prepayment	7,664,784	7,738,035
Prepaid taxes and contributions	2,371,203	7,595,653
Receivables for VAT	176,494	171,478
<i>Less: Impairment</i>	(9,991,756)	(10,100,037)
	3,278,935	8,818,937

15. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2025	31 December 2024
Deposits with original maturity more than 3 months less than 1 year	-	214,937
Other short-term financial assets	83,067	84,197
	83,067	299,134

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

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)***16. CASH AND CASH EQUIVALENTS**

	31 December 2025	31 December 2024
Cash in bank and in hand	7,205,585	10,853,599
Deposits with original maturity of less than three months	22,956,223	29,878,687
Cash equivalents	3,386	3,797
Restricted cash	354,910	252
	30,520,104	40,736,335

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.

Restricted cash includes temporarily frozen funds held in a bank account in Bulgaria, in accordance with a decision by the National Competent Authority in Bulgaria regarding the implementation of EU restrictive measures. The Company is actively working with its legal advisors to remove these restrictions and enable the use of the funds.

17. PREPAYMENTS AND ACCRUED INCOME

	31 December 2025	31 December 2024
Deferred input VAT	1,298,915	4,115,321
Prepaid expenses	231,472	453,185
Prepaid excise	3,042,485	6,651,125
Housing loans and other prepayments	515,328	521,486
	5,088,200	11,741,117

Deferred input VAT as at 31 December 2025 amounting to 1,298,915 RSD (31 December 2024: 4,115,321 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 2025 amounting to 3,042,485 RSD (31 December 2024: 6,651,125 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 2025	31 December 2024
Issued warranties and bills of exchange	73,567,386	107,967,248
Received warranties and bills of exchange	13,827,109	47,093,558
Properties in ex-Republics of Yugoslavia	5,358,020	5,358,146
Receivables from companies from ex-Yugoslavia	6,134,751	6,903,557
Third party merchandise in warehouses	14,223,697	20,656,672
Assets for oil fields liquidation	1,361,966	1,361,966
Mortgages and pledges received	2,287,988	4,617,140
Other off-balance sheet assets and liabilities	995,579	756,042
	117,756,496	194,714,329

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Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

19. EQUITY

Equity attributable to the Company's owners						
Note	Share capital	Rev. reserves and unr. gains and losses	Retained earnings (losses)	Total	Non-controlling interest	Total equity
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 period		(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

Equity attributable to the Company's owners						
Note	Share capital	Rev. reserves and unr. gains and losses	Retained earnings (losses)	Total	Non-controlling interest	Total equity
Balance as at 1 January 2025	81,530,200	453,686	288,826,296	370,810,182	(254,221)	370,555,961
Loss for the period	-	-	(4,551,547)	(4,551,547)	(1,026,595)	(5,578,142)
Other comprehensive income/(loss)						
Remeasurements of post-employment benefit obligations	20	(68,316)	-	(68,316)	(1,261)	(69,577)
Loss from investments in equity instruments		(88)	-	(88)	-	(88)
Currency translation differences		293,513	-	293,513	-	293,513
Total comprehensive income/(loss) for the period		225,109	(4,551,547)	(4,326,438)	(1,027,856)	(5,354,294)
Dividend distribution	19.1	-	(4,595,042)	(4,595,042)	-	(4,595,042)
Internal transfers		(296)	296	-	-	-
Other		(714)	-	(714)	-	(714)
Balance as at 31 December 2025	81,530,200	677,785	279,680,003	361,887,988	(1,282,077)	360,605,911

NIS Group

Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

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 2025 and 31 December 2024 comprise of 163,060,400 ordinary shares.

The dividends payable declared for the year ended 31 December 2024, amounted to 4,595,042 RSD or 28.18 RSD per share (31 December 2023: 10,478,261 RSD or 64.26 RSD per share). The dividend distribution was approved on the General Assembly Meeting held on 20 June 2025 and paid on 22 October 2025, with dividend payments to certain shareholders deferred in line with the decision of the General Assembly due to applicable sanctions.

Calculation of basic earnings per share is disclosed in the following table:

	Year ended 31 December	
	2025	2024
Profit/(Loss) attributable to the ordinary equity holder of the parent entity	(4,551,547)	10,844,835
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings/(Loss) per share (in RSD)	(27.91)	66.51

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 provision	Long-term incentive program	Legal claims and other provisions	Total
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
As at 1 January 2025	12,079,868	385,751	1,550,419	500,277	1,578,558	16,094,873
Charged to the income statement	261,600	-	227,916	1,126,541	20,840	1,636,897
New obligation incurred and change in estimates	804,769	-	-	-	-	804,769
Release of provision (note 36)	(89,977)	-	-	-	(1,182,070)	(1,272,047)
Actuarial loss charged to other comprehensive income	-	-	78,975	-	-	78,975
Settlement	(12,537)	(83,347)	(205,812)	(237,534)	(68,167)	(607,397)
Other	(9,101)	-	42	-	1,975	(7,084)
As at 31 December 2025	13,034,622	302,404	1,651,540	1,389,284	351,136	16,728,986

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)*

Analysis of total provisions:

	31 December 2025	31 December 2024
Non-current	14,190,785	14,752,819
Current	2,538,201	1,342,054
	16,728,986	16,094,873

(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 302,404 RSD (31 December 2024: 385,751 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 2025 the management made an assessment of present value of liabilities related to new three-year employee incentives (2024-2026) in amount of 1,389,284 RSD (2024: 500,277 RSD).

(d) Legal claims and other provisions

As at 31 December 2025, the Group assessed the likelihood of adverse outcomes in ongoing legal proceedings and estimated the probable losses. A provision of 20,840 RSD (2024: 502,264 RSD) was recognized in 2025 for proceedings assessed as likely to result in negative outcomes. During the year, the Group released provisions amounting to 1,182,070 RSD, primarily reflecting the reversal of previously recognized provisions for interest on contractual obligations related to the O&G minimum work programs under current research projects. The Group estimates that the ultimate outcome of all legal and other proceedings will not result in material losses exceeding the provision as at 31 December 2025.

(e) Provision for employee benefits

Employee benefits:

	31 December 2025	31 December 2024
Retirement allowances	1,179,597	1,111,245
Jubilee awards	471,943	439,174
	1,651,540	1,550,419

The principal actuarial assumptions used were as follows:

	31 December 2025	31 December 2024
Discount rate	5.83%	6.40%
Future salary increases	6.11%	6.29%
Future average years of service	17.48	18.39

NIS Group

Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2024	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
Benefits paid directly	(151,839)	(53,973)	(205,812)
Actuarial loss charged to other comprehensive income	78,975	-	78,975
Debited to profit or loss	141,174	86,742	227,916
Translation reserves	42	-	42
Balances as at 31 December 2025	1,179,597	471,943	1,651,540

The amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December	
	2025	2024
Current service cost	114,173	75,201
Interest cost	93,474	93,333
Curtailment (gain)/loss	19,611	(5,120)
Actuarial (gain)/loss (jubilee awards)	(1,781)	435
Amortisation of past service cost	2,439	38,951
	227,916	202,800

21. LONG-TERM LIABILITIES

	31 December 2025	31 December 2024
Bank loans	46,392,416	65,159,107
Lease liabilities	3,213,835	3,554,987
Other non-current financial liabilities	874,088	837,800
Other long-term borrowings	897,946	872,399
	51,378,285	70,424,293
<i>Less: Current portion (note 22)</i>	<i>(20,395,316)</i>	<i>(9,749,970)</i>
	30,982,969	60,674,323

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

	Long-term loans	Short-term		Total
		loans	Finance lease	
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
As at 1 January 2025	65,159,107	-	3,554,987	68,714,094
Proceeds	4,464,639	-	-	4,464,639
Repayment	(23,424,038)	-	(992,820)	(24,416,858)
Non-cash transactions	49,497	-	643,704	693,201
Foreign exchange difference	143,211	-	7,964	151,175
As at 31 December 2025	46,392,416	-	3,213,835	49,606,251

NIS Group
Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

a) *Bank loans*

	31 December 2025	31 December 2024
Bank loans	46,392,416	65,159,107
Current portion of long-term loans	(19,245,155)	(8,815,829)
	27,147,261	56,343,278

The maturity of non-current loans was as follows:

	31 December 2025	31 December 2024
Between 1 and 2 years	6,323,799	30,987,592
Between 2 and 5 years	20,578,503	24,567,096
Over 5 years	244,959	788,590
	27,147,261	56,343,278

The carrying amounts of bank loans in the amount of 46,392,416 RSD (31 December 2024: 65,159,107 RSD) are denominated in EUR.

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 to maintain a ratio of Consolidated Indebtedness to Consolidated EBITDA (note 5). Management believes the Group is in compliance with these covenants as of 31 December 2025 and 31 December 2024 respectively.

The loan agreements also contain prepayment covenants in the event international sanctions are imposed against the Group, which are not triggered automatically. Given the current geopolitical environment and the associated sanction-related risks, there is uncertainty regarding the potential future application of this clause. The Group is continuously monitoring the situation and conducting assessments in coordination with its legal advisors.

b) *Lease liabilities*

	31 December 2025	31 December 2024
Non-current portion of lease liabilities	2,063,674	2,620,846
Current portion of lease liabilities	1,150,161	934,141
	3,213,835	3,554,987

Amounts recognized in profit and loss:

	31 December 2025	31 December 2024
Interest expense (included in finance cost) (note 33)	147,942	167,022
Expense relating to short-term leases (note 30)	136,349	165,546
Expense relating to leases of low value assets that are not shown above as short-term leases (note 30)	69,927	102,859
Expense relating to variable lease payments not included in lease liabilities (note 30)	2,499,573	2,592,014

c) *Other non-current financial liabilities*

As at 31 December 2025 other non-current financial liabilities in the amount of 874,088 RSD (2024: 837,800 RSD) represents deferred consideration for O&G exploration.

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)**d) Other long-term borrowings*

Other long-term borrowings in the amount of 897,946 RSD (31 December 2024: 872,399 RSD) mainly relate to the corporate bonds.

22. SHORT-TERM FINANCE LIABILITIES

	31 December 2025	31 December 2024
Current portion of long-term loans (note 21)	19,245,155	8,815,829
Current portion of lease liabilities (note 21)	1,150,161	934,141
Other short-term financial liabilities	29,176	-
	20,424,492	9,749,970

23. TRADE PAYABLES

	31 December 2025	31 December 2024
Trade payables – other related parties	206,374	676,465
Trade payables - domestic	7,651,648	14,512,714
Trade payables - foreign	2,222,652	2,551,320
Trade payables - other	1,652,075	40,469
	11,732,749	17,780,968

24. OTHER SHORT-TERM LIABILITIES

	31 December 2025	31 December 2024
Specific liabilities	443,127	258,947
Liabilities for unpaid wages and salaries, gross	27,090	2,527,256
Interest liabilities	128,714	214,943
Dividends payable	5,844,191	3,783,398
Other payables to employees	1,529,607	1,465,516
VAT	1,821,915	2,624,817
Excise tax	2,103,292	8,609,345
Contribution for State commodity reserves	128,631	348,237
Energy efficiency fee	15,063	45,956
Income tax	12,877	13,609
Other taxes payables	2,470,940	1,257,829
Other current liabilities	7,839	191,274
	14,533,286	21,341,127

25. ACCRUED EXPENSES

Accrued expenses as at 31 December 2025 amounting to 4,452,986 RSD (31 December 2024: 5,199,887 RSD) mainly relate to accrued employee bonuses of 1,372,787 RSD (31 December 2024: 2,772,247 RSD) and contract liabilities arising from contracts with customers related to customer loyalty 804,379 RSD (31 December 2024: 1,032,331 RSD).

Revenue in the amount of 5,820,812 RSD recognized in the current reporting period (31 December 2024: 5,326,324 RSD) related to the contract liabilities as at 1 January 2025, of which 5,028,721 RSD (31 December 2024: 4,586,279 RSD) related to advances and 792,091 RSD (31 December 2024: 650,045 RSD) to the customer loyalty programme.

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)***26. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)**

	Year ended 31 December	
	2025	2024
<i>Release of impairment:</i>		
- PPE (note 8)	-	200,000
- investment property (note 8b)	155,389	-
- inventory (note 12)	121,957	561,720
- other	30,017	256,604
	307,363	1,018,324

27. COST OF MATERIAL, FUEL AND ENERGY

	Year ended 31 December	
	2025	2024
Costs of raw materials	148,830,994	197,144,081
Overheads and other costs	236,806	226,725
Fuel and energy cost	17,921,279	18,540,574
Other	1,590,513	1,488,612
	168,579,592	217,399,992

28. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	Year ended 31 December	
	2025	2024
Wages and salaries (gross)	38,509,185	36,377,155
Taxes and contributions on wages and salaries paid by employer	5,369,269	5,008,349
Cost of service agreement	72,970	243,291
Cost of other personal wages	60,393	60,596
Fees paid to board of directors and general assembly board	166,645	143,867
Termination costs	30,678	24,138
Cost of service organization	15,957	26,458
Other personal expenses	1,310,104	1,606,824
	45,535,201	43,490,678

29. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2025	2024
<i>Impairment of:</i>		
- intangible assets (note 7)	621,554	9,714
- PPE (note 8)	2,363,036	39,427
- investment property (note 8b)	-	2,991
- inventory (note 12)	1,506	-
- other	4,107	1,141
	2,990,203	53,273

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)***30. COST OF PRODUCTION SERVICES**

	Year ended 31 December	
	2025	2024
Cost of production services	2,394,165	2,894,878
Transportation services	2,782,676	3,175,605
Maintenance	5,911,360	6,978,915
Rental costs (note 21)	2,705,849	2,860,419
Fairs	5,689	8,038
Advertising costs	817,697	1,236,106
Exploration expenses	229,735	30,425
Cost of other services	2,269,631	1,996,623
	17,116,802	19,181,009

31. NON-PRODUCTION COSTS

	Year ended 31 December	
	2025	2024
Costs of non-production services	3,702,330	4,097,222
Representation costs	71,264	189,038
Insurance premium	640,474	747,001
Bank charges	714,271	776,506
Cost of taxes	1,620,535	1,608,848
Mineral extraction tax	1,926,995	1,842,816
Other non-production expenses	1,985,121	1,724,390
	10,660,990	10,985,821

Costs of non-production services for the year ended 31 December 2025 amounting to 3,702,330 RSD (2024: 4,097,222 RSD) mainly relate to security cost of 1,583,779 RSD (2024: 1,344,121 RSD); project management costs of 561,054 RSD (2024: 612,170 RSD) and consulting service costs of 194,631 RSD (2024: 264,722 RSD).

32. FINANCE INCOME

	Year ended 31 December	
	2025	2024
Finance income - related parties:		
- foreign exchange differences	318,001	154,159
Interest income	1,458,458	2,240,770
Share of profit in joint ventures	794,762	-
Modification gain	-	95,469
Unwinding of present value discount - income	42,157	29,201
Foreign exchange gains	499,493	571,365
Other finance income	33,651	65,556
	3,146,522	3,156,520

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)***33. FINANCE EXPENSE**

	Year ended 31 December	
	2025	2024
Finance expenses – related parties:		
- foreign exchange differences	706,340	239,248
- other finance expense	34,209	18,729
Interest expenses	2,864,492	3,540,404
Share of loss in joint ventures	23,338	105,918
Amortisation expense – discount of receivables	149,299	19,450
Decommissioning provision: unwinding of the present value discount	20,508	155,628
Loss on restructuring of borrowings	49,496	-
Foreign exchange losses	931,047	1,532,466
Other finance expenses	8,064	10,112
	4,786,793	5,621,955

34. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December	
	2025	2024
Reversal of impairment of LT financial investments	8,967	5,012
Income from valuation:		
- trade receivables (note 5)	36,783	120,756
- receivables from specific operations (note 5)	53,707	88
- other receivables (note 5)	11,347	5,006
	110,804	130,862

35. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December	
	2025	2024
Allowance provision expense:		
- trade receivables (note 5)	80,583	29,852
- receivables from specific operations (note 5)	633	1,507
- other receivables (note 5)	2,738	1,208
- other (note 5)	9,860	10,297
	93,814	42,864

36. OTHER INCOME

	Year ended 31 December	
	2025	2024
Gains on disposal - PPE	73,511	137,228
Gains on disposal - materials	41,779	68,268
Surpluses from stock count	498,677	697,343
Payables written off	43,219	29,069
Release of long-term provisions (note 20)	1,272,047	99,988
Penalty interest	84,408	126,349
Other income	97,298	303,033
	2,110,939	1,461,278

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)***37. OTHER EXPENSES**

	Year ended 31 December	
	2025	2024
Loss on disposal - PPE	115,291	115,455
Loss on disposal - material	21,002	76,591
Shortages from stock count	553,114	729,579
Write-off receivables	6,898	9,695
Write-off inventories	250,962	214,900
Charity and social payments	177,015	197,077
Other expense	228,114	217,541
	1,352,396	1,560,838

38. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2025	2024
Income tax for the year	(1,463,404)	4,814,328
Deferred income tax for the period (note 11)		
Origination and reversal of temporary differences	(1,225,408)	(840,727)
	(2,688,812)	3,973,601

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	
	2025	2024
Profit/(Loss) before income tax	(8,266,954)	14,053,038
Tax expense at applicable domestic tax rate (15%)	(1,240,043)	2,107,956
Effect of unrecognized tax losses and tax rates in foreign jurisdictions	419,391	300,841
<i>Tax effects of:</i>		
- Revenues exempt from taxation	(921)	(64,923)
- Tax paid abroad	-	329,842
- Effect of tax consolidation (2024)	(1,455,629)	-
- Other adjustments of prior year	(212,269)	-
- Other expenses not deductible	(1,160,317)	195,576
- Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	1,004,461	1,105,130
- Other tax effects for reconciliation between accounting profit and tax expense	(43,485)	(821)
	(2,688,812)	3,973,601
The weighted average effective tax rate	-	28.28%

NIS applied tax consolidation for the 2024 and 2025 tax year, following approval by the tax authorities. This was done in accordance with the Serbian tax legislation, which allows a group of related legal entities, where one company directly or indirectly holds at least 75% ownership in the others, to be treated as a single taxpayer for corporate income tax purposes. All entities within the group must be tax residents of the Republic of Serbia, and once approved, the consolidation is valid for a period of five years.

As a result of the tax consolidation, the Group was able to utilize accumulated tax losses of certain subsidiaries to offset the consolidated taxable base, leading to a significant tax credit. This tax benefit, relating to the previous tax year (2024) in amount 1,455,629 RSD, was recognized in the current financial year (2025) upon receipt of the final tax assessment. The effect of this tax benefit has been accounted for in accordance with IAS 12 – Income Taxes and is reflected in the income tax expense line item in the consolidated statement of profit and loss.

39. COMMITMENTS AND CONTINGENT LIABILITIES*Economic environment in the Republic of Serbia*

The exacerbation of the geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility in the commodity and financial markets. The average cost of Oil prices during 2025 was US \$ 69.11 per barrel which is 14% less from the same period in 2024 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 302,404 RSD (31 December 2024: 385,751 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 2025.

Capital commitments

As of 31 December 2025 the Group has entered into contracts to purchase property, plant and equipment in the amount of 3,177,738 RSD (31 December 2024: 4,852,949 RSD).

There were no other material commitments and contingent liabilities of the Group.

40. GROUP STRUCTURE

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 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.

Considering the aforementioned, in June 2025, the Board of Directors passed a decision to convert the total outstanding receivables, including the subordinated and financial loans as well as the commercial receivables, into the share capital of the subsidiary NIS Petrol Bulgaria. The conversion procedure has been initiated.

In addition, the Board of Directors has approved the sale of the subsidiary NIS Petrol Bulgaria, subject to the terms of the offer and the satisfaction of the defined conditions precedent. The transaction relates to the disposal of the Company's full equity interest in the subsidiary. Further details will be disclosed once the outcome becomes sufficiently certain.

41. 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 2025 and in the same period in 2024, 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.

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025***(All amounts are in RSD 000 unless otherwise stated)*

As of 31 December 2025 and 31 December 2024 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 2025			
Investments in joint ventures	-	-	3,394,511
Long-term receivables	-	-	1,013,125
Advances for inventory and services	-	1,477	-
Trade receivables	-	151,329	17,737
Other receivables	-	27,570	22
Short-term investments	-	20,662	-
Advances received	-	(330)	(213)
Trade payables	-	(17,796)	(188,578)
Other short-term liabilities	-	(2,060,877)	-
	-	(1,877,965)	4,236,604
As at 31 December 2024			
Investments in joint ventures	-	-	2,623,087
Long-term receivables	-	-	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

For the year ended 31 December 2025 and 2024 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Joint venture
Year ended 31 December 2025			
Revenues from sales of products and services	-	1,673,763	164,294
Expenses based on procurement of products and services	-	(218,345)	(1,826,757)
Other income	-	3,457	740,002
	-	1,458,875	(922,461)
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)

Main balances and transactions with state and state owned companies are shown below:

	31 December 2025	31 December 2024
As at 31 December 2025		
Trade and other receivables	371,692	987,154
Advances paid	-	592
Trade and other payables	(102,954)	(639,118)
Other current liabilities	(211,618)	(24)
	57,120	348,604

NIS Group**Notes to Consolidated Financial Statements for the year ended 31 December 2025**

(All amounts are in RSD 000 unless otherwise stated)

Year ended 31 December	Year ended 31 December	
	2025	2024
Operating income	9,079,504	11,358,258
Operating expenses	(104,807)	(122,989)
	8,974,697	11,235,269

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.

Transactions with Key Management Personnel

In the year ended 31 December 2025 and 2024 the Group recognized 998,312 RSD and 1,287,663 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.

42. 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.

43. EVENTS AFTER THE REPORTING DATE

Subsequent to 31 December 2025, the Group submitted a request to the U.S. Office of Foreign Assets Control (OFAC) on 19 January 2026 for the issuance of a new specific license that would allow the Group to continue its operational activities beyond 23 January 2026. The request was made in the context of ongoing discussions regarding the change in the ownership structure and based on the signed memorandum of understanding covering the principal terms of the sale and related purchase activities between Gazprom Neft and MOL.

Under the previous OFAC license (note 3.1.), initial operational activities had commenced at the Pančevo Oil Refinery. The issuance of the new license would allow the Group to continue refinery operations at full capacity.

On 23 January 2026, OFAC issued a specific license (Licence No. MUL- 2025-1447098-2) that postpones the full implementation of sanctions until 20 February 2026.

On 20 February 2026, OFAC issued a specific license (Licence No. MUL- 2025-1447098-3) that postpones the full implementation of sanctions until 20 March 2026.

The Group considers this to be a non-adjusting event under IAS 10, and no adjustments have been made to the financial statements for the year ended 31 December 2025 as a result of this event.

All events occurring after the reporting date from 31 December 2025 to 27 February 2026, when these consolidated financial statements were approved, have been taken into account.

NIS Group
Notes to Consolidated Financial Statements for the year ended 31 December 2025

(All amounts are in RSD 000 unless otherwise stated)

NIS Group
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