



2024

QUARTERLY REPORT FOR FIRST QUARTER OF 2024

The Quarterly Report for First Quarter of 2024 presents a factual overview of NIS Group's activities, development and performance in first quarter of 2024.

The Report covers and presents data for NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to certain individual subsidiaries or only NIS j.s.c. Novi Sad, it is so noted in the Report. The terms: 'NIS j.s.c. Novi Sad' and 'the Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms 'NIS' and 'NIS Group' pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Quarterly Report for First Quarter of 2024 is compiled in Serbian, English and Russian. In case of any discrepancy, the Serbian version shall be given precedence.

The Quarterly Report for First Quarter of 2024 is also available online on the corporate website. For any additional information on NIS Group, visit the corporate website www.nis.rs.

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Foreword

NIS Group's priority in 2024 is to continue and increase the volume of the investment cycle started the previous year. To that end, RSD 10.5 billion were invested in development projects in the first quarter, which is an increase of 62 percent compared to the investments made in the same period in 2023. Furthermore, the focus of NIS in the reporting period was on the overhaul of the Oil Refinery in Pančevo, the most complex in the history of this facility. This project is worth more than EUR 80 million, and in addition to NIS employees, 2,000 external contractors are also involved in it. In view of the turnaround, the processing complex operations were put on hold in late February and lasted throughout March, but NIS ensured an uninterrupted supply of the market with all types of fuel.

As expected, the overhaul was reflected in the operational and financial indicators of the NIS Group. Thus, the volume of refining of crude oil and semi-products in the first quarter of 2024 amounted to 640.8 thousand tons. The total sales volume of petroleum products was 748.7 thousand tons. On the other hand, good results continued in exploration and production of oil and gas, so the total volume of production amounted to 289.5 thousand tons of oil equivalent, which is an increase of 2 percent compared to the first quarter of 2023.

The financial results of the NIS Group are in line with expectations due to the overhaul of the refinery. In the period when the average price of "Brent" oil was 83.24 dollars per barrel, the EBITDA indicator was RSD 10 billion, and the net profit was RSD 1.8 billion. The calculated liabilities of the NIS Group based on taxes and other public revenues amount to RSD 53.7 billion. Indebtedness to banks decreased by one percent compared to the first quarter of 2023 and amounts to EUR 554.9 million.

In addition to contributing to the energy stability of our country, NIS continued with programmes and initiatives of importance to the community. Thus, in the presence of Serbian Government officials, 15 years of the "Common Cause Community" programme was solemnly celebrated in the Palace of Serbia, through which the company invested more than RSD 1.7 billion in 13 partner municipalities and cities. In the first quarter of the current year, a new cycle of youth employment was also started through the "NIS Energy" programme and the first season of student internship "NIS Academy" took place, during which NIS hosted more than 60 students from nine faculties in Serbia with which it maintains a strategic partnership. In the rest of the year, the priority of NIS will be the continuation of the investment cycle, as well as the improvement of operational and financial results, with the consistent implementation of energy transition and projects that improve environmental protection.

Management Business report

Highlights

January

Start of a pilot project on the operation of self-checkout at PSs, analysing the network of PSs to see if they can be included in the project. The project is currently being implemented at the Block 45 PS

The results of NIS Group's operations for 2024 were presented

The fourth season of "NIS Energy" youth employment program has started

February

Preparations for the start of the overhaul

Pančevo Oil Refinery received a new Integrated Pollution Prevention and Control permit (IPPC)¹

The beginning of the reconstruction of the Prijepolje petrol station, with the prior demolition of the building

The company marked 15 years since the launch of its Common Cause Community corporate social responsibility programme

March

In the first 3 months, 9 development wells and 2 exploratory wells were drilled in Serbia, and 10 development wells were put into operation in Serbia and 2 production wells in Romania

Based on the contract on implementing 2D projects with the Turkish National Company the acquisition of seismic data in research area in Turkey is underway

Production at the exploitation field in Bosnia and Herzegovina continued

Conducting a overhaul of the Pančevo Oil Refinery, according to the scope and complexity of the largest one so far in the history of the refinery

NIS representatives participated in strategically important panel discussions at the Kopaonik Business Forum

The new student internship programme "NIS Academy" was launched

NIS was awarded the "Dobrocinitelj" award for 15 years of supporting local communities

NIS was recognised as the leader in the Serbian market by the results of the Youth Speak Voice poll

¹Integrated pollution prevention and control.

Group NIS

The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe, and its most valuable resource is a team of about 13,500 employees². The headquarters of NIS and its main assets are located in the Republic of Serbia, while representative offices and subsidiaries have been opened in several more countries in the world, primarily in neighbouring countries. NIS' core activities include exploration, production and refining of crude oil and natural gas, sale and distribution of a wide range of petroleum and gas products and the implementation of energy and petrochemistry projects.

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

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

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

Business activities

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

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

Exploration and production Block

Exploration and production

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

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

The plant for the preparation of natural gas, production of LPG and gasoline, and CO₂ stripping, based in Elemir, near Zrenjanin operates as part of the Exploration and Production Block. An amine unit for processing of natural gas using the high pressure acidgas capture technology is also located in Elemir. This method of gas processing completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, creates significant environmental benefits. In 2023, the Gas Refinery in Elemir marked its 60th anniversary.

² Including employees in HIP-Petrohemija LLC Pančevo

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

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

Services

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

Downstream

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

Refining

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

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

In the first quarter of 2024 the priority of the Refining Block was the creation of the necessary stocks of petroleum products in order to contribute to the orderly supply of the market during the implementation of the overhaul.

Sales and distribution

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

NIS is present in the market under two retail brands: NIS Petrol and GAZPROM, with the latter being a premium brand in this segment. The petrol stations of the NIS Group are synonymous with the quality of fuel and non-fuel portfolio, as well as with modern services that meet the consumers' demands. NIS continually invests in the development of its retail network and in improving the quality of its goods and services. As part of this goal was built PS Sokolići 2, the second retail facility of NIS at the Miloš Veliki motorway, began to operate. With it, the company contributes to the development of the road infrastructure in the Republic of Serbia. One of the priorities includes digital projects

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

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

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

Energy

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

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

The modern combined gas-steam thermal power plant-heating plant Pančevo (TE-TO Pančevo) on natural gas was built and started operating in 2022. The main advantage of TE-TO Pančevo is that natural gas, as a more environmentally friendly fuel, simultaneously produces thermal energy in the form of process steam for the needs of the Pančevo Refinery and electricity.

Since 2013, in oil and gas fields at eight locations in Serbia, NIS has put into operation mini power plants with an installed electrical power of 14.5 MWe. The environmental advantage of these plants is in the production of electricity and thermal energy from gas that was previously not used due to poor quality, large amounts of carbon dioxide and nitrogen, or could not be valorized due to the lack of gas infrastructure. The heat and electricity produced are used for the needs of NIS, but the electricity is also sold on the market. Electricity is also produced at the Jimbolia gas field in Romania, where electricity is sold on the local market.

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

HIP-Petrohemija

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

The company is registered in Pančevo, with its production facilities distributed across Pančevo, Elemir near Zrenjanin and Crepaja near Pančevo. The intergrated production complex of HIP Petrohemija is currently able to produce over 600 thousand tons of petrochemical products.

NIS worldwide

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



Risk management

Integrated Risk Management System

Risk management is a continuous and systematic business process which serves to support management decision-making and the achievement of a Company's objectives in a risk exposed environment. Risk represents a negative impact on the Company's objectives in the case of a risky event occurring. In business, the Company is exposed to certain risks which may affect the fulfilment of set objectives, if realised.

The Company has set up its Sector for Risk and Internal Control Monitoring which performs continuous monitoring and control of the risk management process and coordinates and improves this business process. The basic principle underpinning this system is that the responsibility for managing risks is assigned to risk owners; owners of business processes in the Company. Such an approach ensures that the responsibility for risk management and monitoring is identified for all processes of the Company, and that suitable solutions concerning risks and action plans are prepared in order to manage risks at the level of individual business processes and Company as a whole.

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

Nonfinancial risks

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

IT risks

Due to the growing dependence of the Company's business processes on information technology, automation and telecommunications, the Company is exposed to risks of ensuring the expected availability of services and business continuity.

The Company manages these risks through a range of measures, which include IT standards, system monitoring tools, and performs the backup of data and tests the service recovery process. In addition, the Company strives to monitor and implement new technologies and renew equipment in order to increase quality and continuity of service availability.

Information security risks

The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.

Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks.

The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.

Project risks

A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (*Project Management Institute*) standards.

Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives.

A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a "response strategy", that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register.

Political risks

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. Frequent changes and tightening of sanctions may have and additional impact on the Group's operations.

Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations.

The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

The Group has established internal procedures to ensure compliance with the sanctions requirements in the course of its business activities. The purpose is to eliminate risks and potential negative consequences for the Company that could result from a violation of requirements and restrictions imposed by international sanctions.

Financial risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Credit risks	
<p>It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.</p>	<p>Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad).</p> <p>With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.</p>
Liquidity risks	
<p>Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its due liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.</p>	<p>NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. For this purpose, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the internally defined maximum loan debt level is not exceeded and that all its obligations under commercial bank arrangements (covenants) are met.</p>
Commodity-price risks	
<p>Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil, petroleum and petrochemical products that affects the value of inventories and margins in oil refining and the production of petrochemical products, which further affects the future cash flows.</p>	<p>These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices. In addition, the following actions are undertaken to reduce a potentially negative effects of this risk on the financial result of the Company:</p> <ul style="list-style-type: none"> • annual planning based on multiple scenarios, planned follow-up and timely adjustment of operating plans for crude oil procurement; • regular sessions of Company's Commission in charge of crude oil purchase/sale to discuss all major topics; • Constant, intensive check of new potential suppliers through their procedural verification and according to inquiries and letters of interest submitted to NIS; • Maximum effort to ensure a continuous supply of crude oil in restrictive conditions, which have been very evident since the end of the first quarter of 2022, both in the required quantities but also by the type of oil that would correspond to refining plans and planned production/basket of derivatives; • Continuous efforts to optimize processes and strive for the best possible economic effects and indicators; • Monitoring market conditions throughout the calendar year and collecting information from foreign companies that are eminent, reliable traders in the European market and beyond, in order to better understand the potential conditions for the implementation and realization of spot purchases.

Foreign Exchange Risks

Company operates in an international setting and is thus exposed to the risk of fluctuating foreign exchange rates arising from business transactions being made in different currencies, primarily EUR and USD. The risk involves future trade transactions and recognised assets and liabilities.

The risks relating to fluctuations in the national currency against the US dollar and the impact of this factor on the prices of petroleum products is partly neutralised through the natural hedging of petroleum product selling prices, which are adjusted to these fluctuations. Risk management instruments are also used, such as forward transactions on the foreign exchange market and successive purchases of foreign exchange, which help reduce the impact of foreign currency losses in the event of depreciation of the national currency against the EUR (following the imposition of sanction constraints Company pays the majority of its foreign currency liabilities in this currency). Other measures include the balancing of the foreign exchange equilibrium in terms of adjusting the currencies in which export transactions are denominated to the currencies of foreign exchange liabilities, managing the currency structure of the loan portfolio, etc.

Interest Rate Risks

The Company is exposed to the risk of interest rate volatility, both in terms of its bank loans and deposits.

The Company takes out loans with commercial banks at either floating or fixed interest rates, depending on the forecasts of base interest rates in the monetary market and the business banks' capability to offer fixed interest rates for loans. Funds in the form of intercompany loans to third parties are taken out at floating or fixed interest rates, whereas funds deposited as term or demand deposits are mostly placed at flat interest rates. Deposits are aligned with the credit limit methodologies of commercial banks (funds are reciprocally placed only with major commercial banks from which Company takes out loans and/or lines of credit/security instruments). In this respect, revenues and cash flows from bank deposits and a section of intercompany loans are predominantly independent of any changes in base interest rates. In this respect, income and cash flows from bank deposits and intercompany loans do not largely depend on changes in base interest rates, while liabilities towards the banks and intercompany liabilities contracted and variable interest rates depend on changes in base interest rates.

In order to reduce the uncertainties associated with interest rate risk, when collecting offers from banks for financing, the Company insists on collecting offers with fixed interest rates in order to compare interest rates with variable and fixed interest rates and make a selection in accordance with the current policy on interest rate related expenditure management. In addition, the analysis of interest rate movements in the financial market is continuously being carried out, as well as analysis of restrictions and possibilities of using interest rate hedging instruments (interest rate swaps, options, etc.).

Business environment

World⁴

Tensions in the Middle East have risen further following Iranian attacks on Israeli military facilities, raising the risk of further instability in the already volatile oil markets and reiterating the importance of oil security. Oil and gas prices remained above the target level, production cuts by most OPEC members continued to be extended, so concerns about energy security are still present.

Research by World Oil also indicates that, at the global level, investments in exploration and production are still on a downward trend: growth of 5% is expected in 2024, which is less than the 11% growth recorded in 2023. Concerns about a possible recession, slower than expected growth in China and the deteriorating economy in the realm of oil exploration and production have led companies from this sector to revise their budgets. International growth accelerated in 2022 following the pandemic, but contracting delays and rising service costs began to affect it, as service availability began to decline. Capital expenditure globally increased by 15% in 2022 and 8% in 2023, and is expected to reach the level of 6% in 2024.

OPEC + still has a problem with the insufficient compliance of all members with the intended production targets. Iraq and Kazakhstan have been asked to submit detailed compensation plans and how they will cut production in the second quarter. OPEC+ daily output in February was 34.5 million bpd, about 170,000 bpd above current quotas, although both Saudi Arabia and Russia kept production within their quotas. Iraq cut output to 4.17 million barrels per day in March (down 30,000 bpd from February), the lowest level in Iraq in a year. However, even with this reduced production, it is about 170,000 barrels more than the level to which OPEC+ members committed themselves. But despite rising tensions in the Middle East, OPEC+ will not meet until June 1, when they should set production targets.

On the other hand, continued production curbs by OPEC+ mean that it is expected that non-OPEC+ producers, led by the US and other countries from the continent (Brazil, Guyana and Canada), could help meet the global demand growth for this and next year.

In its latest report, the IAEA downgrades its projections for the growth of world oil demand, with growth in the first quarter of 2024 being 1.6 barrels per day less (120 thousand barrels less than their previous forecast) due to extremely weak OECD deliveries as well as the fact that the post-pandemic recovery is now largely over, with vehicle efficiency and the growing fleet of electric vehicles further weighing on oil demand. They expect demand growth to slow to 1.2 and 1.1 million barrels per day in 2024 and 2025, respectively.

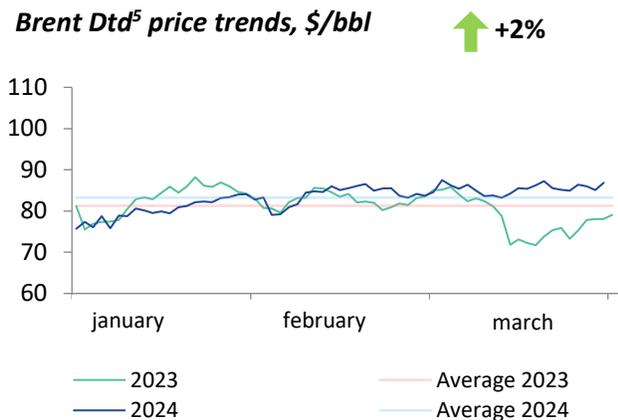
On the downstream side, Europe appears to be struggling the most, facing an unfavorable outlook for refining despite the exceptional margins seen over the past two years. The global refining system is still fragile and many capacities could enter the option for closure. WoodMackenzie estimates that around 19.95 million barrels per day of refining could be closed by 2030, with almost half located in Europe.

³Data sources for the World, Oil price and Macroeconomic trends: reports by IMF, *World Oil*, *Financial Times*, *Bloomberg*, *Reuters*, EU Commission. Wood Mackenzie, IHS, Bloomberg, Reuters, National Oil Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles. Data sources for Serbia: Report National bank of Serbia, Chamber of commerce and industry of Serbia, articles in newspapers: *Danas*, *Bliz Biznis*, *NIN*.

⁴Source: EIA, OPEC, *Oil&Gas Journal*, IHS, Wood Mackenzie.

Oil price

Just during the first ten days of 2024 the price of Brent oil was lower than USD 80 per barrel, and after that it remained above that level. Although the maximum price in the first quarter of this year of USD 87.5 per barrel is 0.8% lower than the maximum price achieved in the same period in 2023, this year's average price is 2% higher (USD 83.2 vs. USD 81.3 per barrel). And the minimum price was higher than the price in the first quarter of last year by 5.6% (USD 75.7 vs. USD 71.7 per barrel). The escalation of the conflict in the Middle East with the indirect involvement of Iran, as well as the drone attack on a major Russian oil refinery increased oil prices by more than USD 3 per barrel. The price on the first working day of the stock exchange in April was USD 90.0 per barrel, whereas on the last working day in March the price was USD 86.9 per barrel. This is the highest price since October 2023, and it is mainly the result of the caution of investors and stock traders who are closely monitoring potential new threats in the supply of crude oil.



In addition to current geopolitical risks, the continuation of “cuts” in the production of OPEC+ members may lead to a more intense global withdrawal of oil stocks during the second quarter of 2024. Therefore, the US agency IEA predicts that in the second quarter, the average spot price of Brent crude oil will be USD 90 per barrel, while the average price at the annual level will be around USD 89 per barrel. JP Morgan has similar expectations regarding the price of oil. According to it, Brent oil will reach a peak of USD 90 per barrel by May, as the reaction of the market to the escalation of the conflict has so far been “subdued”.

On the other hand, some analysts warn that the deterioration of the Middle East conflict could lead to an increase in Brent oil prices of up to USD 100 per barrel. They remind us of the energy crisis in the 1970s that caused “decade-long” inflationary spirals around the world.

Macroeconomic trends

Certain experts say that declining world trade volumes result in annual GDP loss to the extent of two to three percent world over. This, indirectly, indicates that the disruption of supply chains, military conflicts and difficult energy supply crunch, as well as the crisis in the food market, have a significant impact on the decline in living standards, globally. 2024 is the year of elections in more than half of the world's population (USA, European Union, India), so it can be expected that tensions will calm down, at least in that geopolitical context.

It can be expected that there will be a reduction in risk, which is a prerequisite for economic recovery.

The IMF sends divergent messages: on the one hand, there is concern that inflation may return, and on the other, there is optimism when it comes to economic growth. In the latest report, the projection of global economic growth was raised by 0.3% and now the IMF predicts global economic growth of 3%. Strong economic activity in the US and developing markets will especially contribute to this. However, it was noted that a prolonged war between Israel and Hamas would have a negative impact on economic activity.

The IMF also believes that the world economy will avoid recession, despite the sharp rise in borrowing costs. Although the interest rate cut was announced, the European Central Bank kept the key interest rate for refinancing at 4.5%. A drop in interest rates to 4.25% can only be expected in the second quarter of 2024. Interest rates are also forecast to reach 3.5% by the fourth quarter and further decline to 3% in 2025 and 2.5% in 2026.

At the beginning of the year, experts announced a drop in interest rates at the American central bank, the FED, already in the second quarter, but now the situation is different and the latest forecasts are that there will be no reduction in interest rates until September.

⁵Source: Platts.

In March, US inflation ended its year-on-year decline and actually rose to 3.5%, the largest year-on-year increase in six months. March inflation in the Eurozone fell to 2.4%, just 0.4% above the European Central Bank's target.

In both the Eurozone and the US, core inflation is still higher than overall inflation. Core inflation, product inflation when food and energy are excluded, was 2.9% in the Eurozone and 3.8% in the US, and that is what worries central bankers. Both central banks are targeting an inflation level of two percent.

The World Bank is also not too optimistic and believes that the gap between rich and poor countries is growing. In more than half of the 75 poorest countries in the world, despite their important potential in raw materials and an active young population, GDP per capita in 2023/2024 is growing more slowly than in rich countries, and in a third of those countries, GDP per capita is now lower than before the pandemic.

As for the Western Balkans region, the World Bank expects an increase in economic activity of 3.2% this year. The Western Balkans expects an increase in economic growth in 2024, and additional acceleration is predicted for 2025, so that this region will once again reach the average pre-pandemic growth rates. Improvements such as shortening the time needed to complete border procedures and modernizing payment systems can bring significant economic benefits to countries in the region. Investing in the green transition and improving the quality of life in the cities of the Western Balkans could also help boost growth in the region.

Serbia⁶

According to the NBS report for the first quarter, the downward trajectory of inflation that began in April 2023 continued during 2024. The annual inflation rate in the Republic of Serbia was 5.6% in February (February 2024 compared to February 2023), while in March the rate was reduced to 5% (March 2024 compared to March 2023). March's monthly inflation rate was 0.3% (consumer prices in March compared to February 2024). Although inflation is falling, it is still twice as high as the average inflation in the EU (Serbia also has the highest inflation rate in the region).

As of May 1, 2024, the new dinar amounts of excise taxes will be applied, which could affect the increase in the price of fuel, and therefore the increase in consumer prices. Since the Regulation limiting the prices of oil products is still in effect, at this moment it is difficult to predict whether and how the increase in excise duty will affect the "consumer basket"

In the past period, the inflow of foreign investments also increased (during January and February 2024, the net inflow of FDI amounted to EUR 854 million).

At the same time, the real gross domestic product (GDP) of Serbia in the first two months of 2024 grew by about 5.7% on an annual basis, so that the current dynamics exceed the projected annual growth rate for 2024 of 3%. NBS expects GDP growth of over 4% in 2025 and 2026.

At the session of the NBS Executive Board held on April 11, 2024, the NBS Executive Board decided to keep the reference interest rate at the level of 6.50%, and interest rates on deposit (5.25%) and credit facilities (7.75%). The Executive Board's decision to keep the reference interest rate at an unchanged level for the ninth month in a row was primarily determined by the declining, but still elevated, global inflationary pressures and the current medium-term inflation projection, according to which the return of inflation to the NBS target is expected in the middle of this year. The decision of the NBS from September 2023 on the limitation of interest rates on housing loans remains unchanged and commercial banks may not increase the interest rate, which must constantly be 4.08%, until the end of 2024.

In February 2024, compared to the same month of the previous year, industrial production increased by 8.4%, while the cumulative year-on-year increase in the period January-February amounted to 7.9%. This was largely contributed by the growth of the processing industry and, to a lesser extent, by the growth of mining.

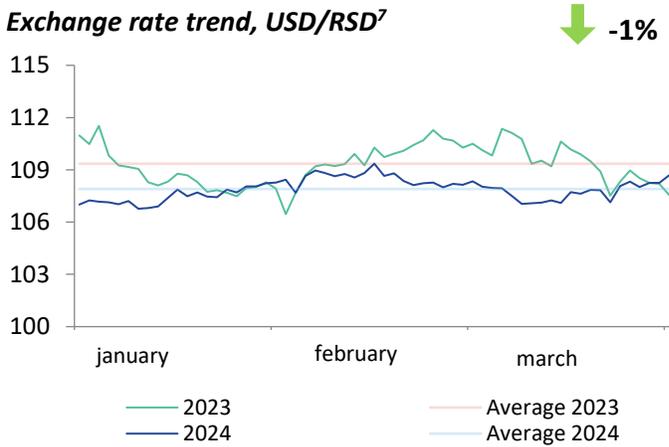
In the last quarter of 2023, compared to the same quarter of the previous year, the employment rate increased by 1.4%, while the unemployment rate decreased by 0.3%. The employment rate for the given period was 50.5% and

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

the unemployment rate was 9.1%. The overall increase in employment was recorded in both formal and informal employment

The average salary (gross) calculated for January 2024 was RSD 132,372, while the average salary without taxes and contributions (net) was RSD 95,836. Median net earnings in the first month of 2024 amounted to RSD 73,333 (50% of employees earned earnings up to the specified amount).

Exchange rate trend, USD/RSD⁷



- Average USD/RSD in the first three months of 2024 was lower by RSD 1.45, i.e. 1% lower compared to the average exchange rate in the same period of 2023.
- During the first three months of 2024 USD/RSD exchange rate increased by RSD 2.82 or 3%.
- During the first three months of 2023 USD/RSD exchange rate decreased by RSD 2.59 or 2%.

⁷Source: NBS.

Performance analyses

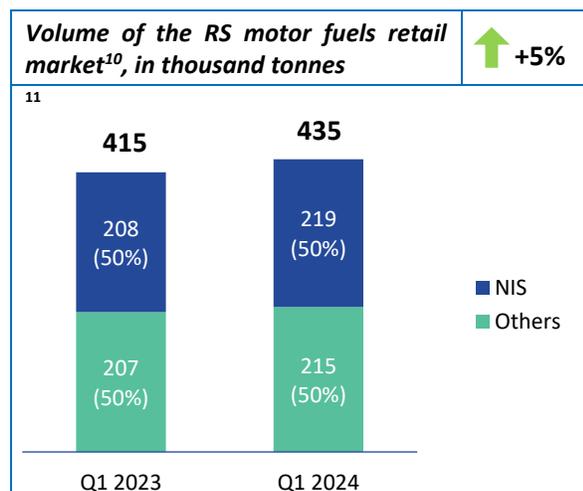
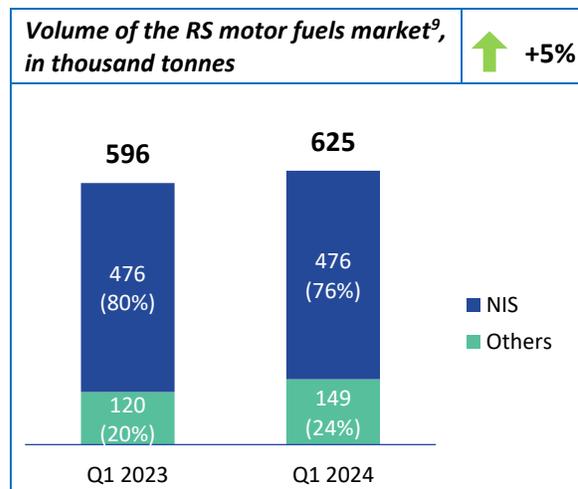
Market share⁸

The growth of consumption has been recorded in almost all countries of the region, except for Slovenia. After last year's decline, the consumption of motor fuels has also recovered in Hungary.

Market share in the Serbian market

The first quarter of 2024 was characterized by a 4.8% increase in the consumption of motor fuels in Serbia compared to the same period last year.

The continuation of infrastructure works, the commencement of the new once as well as meteorological conditions and the previous agricultural season have influenced the said growth.



Retail: In the first three months of 2024, the consumption grew by 4.7% compared to 2023. The participation of NIS is significant. The stipulated preferential price for supplying farmers is in force.

In 2024, NIS began the overhaul. The preparation for the process itself was also done by NIS and in 2024 it ensures the safe supply of petroleum products to the Serbian market in all sales channels.

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

⁹Data for 3M 2024 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

¹⁰The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 3M 2024 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

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

Market share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

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

The Ministry of Trade of the Federation of Bosnia and Herzegovina is working on the digitization of the system for monitoring and control of prices of petroleum products and on the development of a new application for smartphones. The digitization of the system is important, since it contains data on prices and stocks of oil and petroleum products at all petrol stations in the Federation of Bosnia and Herzegovina. Based on these data, the federal agencies and institutions control the correctness of data on the paid fees for petroleum products. The application has more than 250,000 users who can get information on fuel prices at petrol stations at any time. The new application that will be released soon will have more data than the previous one, and in addition to the current prices it will also contain the previous ones, so users will know whether fuel has become more expensive or cheaper compared to the previous day, week or month.

The company HIFA OIL has announced that from an oil company it is gradually becoming an energy company, with the aim of becoming the largest energy company in Bosnia and Herzegovina. The company states that it has recognized the need for changes in the segment of greater exploitation of the potential of renewable energy sources and that it has embarked on an energy transition. The Euro Solar sector operates within the company, and the annual production of the solar power plant in Trebinje is 4,000 MWh, while one of the latest projects is the construction of a 10 MW photovoltaic power plant in the municipality of Bosanski Petrovac.

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

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

NIS market share in the total market of motor fuels in the first quarter of 2024 was 22.5%, while its share on the retail market share was 11.2%.

Bulgaria

Bulgaria has a derogation from the European Union embargo that allows it to continue importing Russian oil by sea by the end of 2024. However, the country has restricted the export of all refined products produced from Russian crude oil, making it almost impossible for its only refinery to operate on Russian oil, and it has decided to stop all imports of Russian crude oil since March. The profitability of the factory is also affected by the 60 percent tax imposed by the Bulgarian government on the refinery's profit. The refinery in Burgas is designed to process oil from the Urals and can currently work only on sour types, which are difficult and expensive to obtain in the European Union because there is currently no available oil from the Urals and Kurdistan. In addition, oil exports from the Iraqi region of Kurdistan have been suspended since last spring. In light of these changes, Lukoil has announced that it is reviewing its strategy regarding its assets in Bulgaria and may consider selling them.

Lukoil, referring to the bad treatment by the Sofia authorities, has announced its readiness to sell its refinery in Burgas – the largest one in Southeast Europe. According to Lukoil's estimates, the conversion of Burgas Refinery (with the capacity of 7-8 million tonnes annually) for the refining of non-Russian crude oil would amount to USD 500 million. Therefore, whoever buys the refinery will have to invest a lot, which would include the operation of the refinery with the reduced capacity for a while or maybe even shutdown. There is a lot of speculation about the potential buyer of the Lukoil Neftohim Burgas Refinery, and the Azerbaijani state-owned oil company SOCAR is mentioned as a stakeholder.

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

In the first quarter of this year, NIS operated a network of 23 petrol stations in Bulgaria, which is 11 petrol stations less than in the first quarter of the previous year.

NIS market share in the total market of motor fuels in the first quarter of 2024 was 2.4%, while its share on the retail market was 2.7%.

Romania

OMV Petrom, an oil and gas company, has announced two significant acquisitions in the renewable energy and mobility sectors. The company takes over Renovatio Asset Management, the operator of 400 charging stations for electric vehicles in Romania, and 50% of the shares in Electrocentrale Borzesti that implements green energy projects with a total planned capacity of 1 GW. OMV Petrom buys 50% of the share from RNV Infrastructure and plans further development, construction of the operation of projects in partnership with it.

Shareholders of Petroleum Terminals have approved the start of negotiations with Euronova Energies in order to establish a partnership for the construction of the bitumen terminal. The goal is to develop a project for the construction of the bitumen terminal, in accordance with the Development Strategy and the Management Plan for the period of 2023-2027.

OSCAR Downstream plans to open the first petrol station under the OSCAR brand in Romania in the second half of 2024. The company owns seven warehouses, four of which are greenfield investments, and in addition, it has a network of over 110 distribution stations across the country: 30 of its own stations for the "B2B" segment of customers under the OSCAR Drive brand and over 80 franchise petrol stations under the RO OSCAR concept brand for "B2C" customers. The company also has more than 2,500 OSCAR – DIESELPoint stations and a fleet of more than 100 tank trucks. The company says that retail is a very competitive market and different from the "B2B" segment, but the RO franchise brand - the concept of "B2C" petrol stations (launched in 2017), as well as the experience of more than 20 years in the "B2B" segment, have prepared the company to step into the fuel retail. The new concept of OSCAR petrol stations is intended for premium market segments and for economic hubs in the most dynamic regions of the country. The company's budget for this year provides investments of EUR 10 million for the expansion of the fuel storage capacity, development of the first OSCAR petrol stations and expansion of the RO network, as well as an increase in the number of OSCAR Drive stations and the number of tank trucks. In addition, in 2024, the emphasis will be on the consolidation of the company's integrated logistics chain, in which more than EUR 50 million has been invested so far.

From the beginning of 2027, Romanian drivers will pay a new carbon tax that will be included in the price of gasoline and diesel, according to the European directive that will be transposed into national legislation.

In the first quarter of 2024, Romania recorder a recovery in the market of motor fuels, along with its retail, compared to the same period last year.

NIS has 19 petrol stations in Romania. NIS market share in the total market of motor fuels is 0.5%, while its share in retail market is 0.9%.

Key performance indicators

Indicator	Unit of measurement	Q1 2024	Q1 2023	Δ ¹²
Brent Dtd	\$/bbl	83.2	81.3	+2%
Sales revenue	RSD billion	86.4	95.9	-10%
Net profit (loss)	RSD billion	1.8	11.7	-85%
EBITDA¹³	RSD billion	10.0	19.9	-50%
OCF	RSD billion	2.7	17.7	-85%
CAPEX¹⁴	RSD billion	10.5	6.5	+62%
Accrued liabilities for taxes and other public revenues¹⁵	RSD billion	53.7	50.3	+7%
Total bank indebtedness¹⁶	EUR million	554.9	563.1	-1%
LTIF¹⁷	number	1.3	1.1	+21%

¹²Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

¹³EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – operating expenses (OPEX) – other costs that may be controlled by the management.

¹⁴CAPEX amounts are exclusive of VAT.

¹⁵Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.

¹⁶Total bank indebtedness = Total debt to banks + letters of credit. As at 31 March 2024, this was EUR 554.9 million of total debt to banks, while there was no debt based on letters of credit.

¹⁷Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of March 31, 2024.

Operational indicators

Exploration and production

Key indicators

Indicator	Unit of measurement	Q1 2024	Q1 2023	Δ^{18}
Oil and gas output ¹⁹	thousand t.o.e.	289.5	282.8	+2%
Domestic oil output ²⁰	thousand tonnes	203.1	198.3	+2%
LTIF ²¹	number	0.0	0.0	0%
EBITDA	RSD billion	9.9	7.0	+41%
CAPEX ²²	RSD billion	5.1	5.0	+2%

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

In the first quarter of 2024, a total production volume of oil and gas 275.6 t.o.e. was achieved at reservoirs in Serbia, i.e., including concessions – 289.5 t.o.e.

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

Geological exploration and field engineering

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

In the first quarter of 2024, 10 new oil wells were successfully drilled and commissioned in Serbia (development and exploration wells), whereby the average increase of 5.2 t/day per well was achieved. Since the beginning of 2024, a total of 2.2 thousand tonnes of oil have been obtained from the development drilling.

In the first quarter of 2024, geological and technical activities were successfully carried out in 50 wells with the satisfactory average increase.

In the first quarter of 2024, after the application of the RIW technology, 18 wells were commissioned and the average increase of 1.5 t/day was achieved, and most of the operations were performed on the Velebit oil field.

In the first quarter of 2024, 13 wells were commissioned after the transition to the new production layer whereby the average increase of 7.9 t/day per well was achieved. Beside, totally 12 intensifications were made, with the increase of 2.3 t/day, while totally 6 wells from the idle well stock were enabled for operation, with the increase of 1.9 t/day.

Exploratory drilling and well testing

In the first quarter of 2024, the drilling and testing of one oil well from last year was completed, the testing of one oil well is underway, and the testing of two wells drilled at the end of 2023 that confirmed commercial quantities of gas in new fields in the North Banat. Based on the results of drilling and testing of these gas wells, a decision was made to drill two more wells in 2024 in order to delineate new gas deposits. By the end of the year, two more gas wells are planned within the same cluster, as well as the drilling and testing of one oil well.

¹⁸Any deviations in percentages and aggregate values result from rounding.

¹⁹Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

²⁰With natural gasoline.

²¹Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers for the Exploration and production Block. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of March 31, 2024.

²²Financing, exclusive of VAT.

2D/3D seismics

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

License obligations

In the first quarter of 2024, on the basis of completed Geological Exploration Projects for oil and gas in 5 exploration areas in Vojvodina, 5 approvals were obtained for the continuation of geological exploration in the period 2024-2026 issued by the Provincial Secretariat for Energy, Construction and Transportation.

In accordance with the Law on Mining and Geological Surveys on oil and gas exploitation fields, 2 Final Reports on Geological Surveys and 1 Annual Report on Geological Surveys were prepared and submitted to the Provincial Secretariat for Energy, Construction and Transportation.

In order to continue the geological exploration of oil and gas in the exploitation fields of NIS j.s.c Novi Sad, 3 Geological Research Projects were completed and the start of geological research was reported to the Provincial Secretariat for Energy, Construction and Transport in accordance with the Law.

In order to obtain approval for the performance of mining works on 14 exploitation fields of NIS j.s.c Novi Sad, the Provincial Secretariat for Energy, Construction and Transport has been provided with additional documentation for 3 exploitation fields, in accordance with the application of independent article 87, paragraph 1 of the Law on Mining and Geological Research, and in connection with the submission of evidence of resolved property-legal relations.

During March 2024, 1 request for the issuance of approval for the performance of mining works in the Banat exploitation field was submitted to the Provincial Secretariat for Energy, Construction and Transport.

Projects abroad

Key events in Romania in the first quarter in 2024:

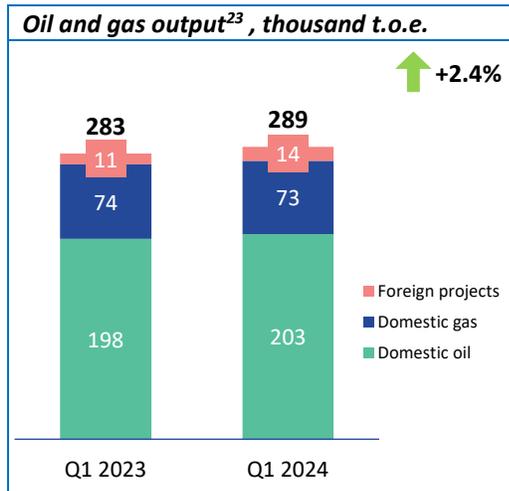
- Teremia North Project:
 - ✓ In the part of the oil infrastructure, during 2024, a construction permit was obtained for the South location. The process of selecting a supplier for the oil infrastructure is underway;
 - ✓ In the part of the gas infrastructure, the detailed project of the infrastructure has been completed, further activities are being carried out to obtain permits from state authorities, consents for land access;
 - ✓ As part of the interaction with NAMR, permission was obtained for the extension of gas flaring during 2024 from the wells of the base fund and new well;
 - ✓ In terms of project activities, a geological assurance session was conducted, a complex project analysis was planned in order to further submit the project to the investment and advisory bodies for making the final investment decision.

Key events in Bosnia and Herzegovina in the first quarter in 2024:

- NIS obtained a permission from the Ministry of Energy and Mining of Serbia to carry out mining works under the main mining project for oil and gas production in the field in Bosnia and Herzegovina;
- Oil production at the exploitation field in Bosnia and Herzegovina continued in March.

Oil and gas output

In the first quarter of 2024, the total of 289.5 thousand t.o.e. of oil and gas was produced, which is 2.4% more than the same period last year.



²³Any deviations in percentages and aggregate values result from rounding.

Downstream

Key indicators

Key indicators	Unit of measure	Q1 2024	Q1 2023	Δ ²⁴
Volume of refining of crude oil and semi-finished products²⁵	thous. tonnes	640.8	956.5	-33%
Total sales volume of petroleum products²⁶	thous. tonnes	748.7	908.9	-18%
<i>Retail Serbia</i>	thous. tonnes	217.6	206.1	+6%
<i>Wholesale Serbia²⁷</i>	thous. tonnes	292.7	344.4	-15%
<i>Retail Foreign Assets</i>	thous. tonnes	37.5	36.1	+4%
<i>Wholesale Foreign Assets</i>	thous. tonnes	38.6	38.6	0%
<i>Transit, export and BU²⁸</i>	thous. tonnes	118.1	283.8	-58%
Motor fuels sales volumes²⁹	thous. tonnes	594.4	615.1	-3%
Electricity output³⁰	MWh	28,169.2	38,460.5	-27%
EBITDA DWS³¹	bln RSD	3.6	14.1	-75%
<i>EBITDA Refining³²</i>	bln RSD	2.3	8.4	-73%
<i>EBITDA Sales and Distribution³³</i>	bln RSD	3.5	4.5	-21%
CAPEX DWS³⁴	bln RSD	5.1	1.3	growth
<i>CAPEX Refining</i>	bln RSD	3.9	0.4	growth
<i>CAPEX Sales and distribution</i>	bln RSD	0.4	0.8	-46%
LTIF DWS³⁵	number	1.5	0.9	+55%
<i>LTIF Refining</i>	number	2.2	1.1	+101%
<i>LTIF Sales and distribution</i>	number	1.0	1.0	-5%

²⁴Any deviations in percentages and aggregate values result from rounding.

²⁵The presented refining volume includes the refining volume of HIP-Petrohemija. Refining volume calculations for Q1 2023 are methodologically different than in Q1 2024 due to the consolidation of HIPP in the second half of 2023.

²⁶The presented volume includes the volume of petrochemical products of HIP-Petrohemija. Any deviations in percentages and aggregate values result from rounding. Sales volume calculations for Q1 2023 are methodologically different than in Q1 2024 due to the consolidation of HIPP in the second half of 2023.

²⁷Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.

²⁸Business unit includes the sale of bitumen, bunkering and aviation fuel channels.

²⁹Total motor fuels sales volumes in Serbia and in foreign assets.

³⁰The volume of electricity produced includes the electricity produced by Power plant Pančevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for the period January – March is 81.5 MWh.

³¹EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution, Block Energy, rest of Downstream and EBITDA of HIPP.

³²EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.

³³EBITDA of the Sales and Distribution Block.

³⁴Financing, excluding VAT. The shown CAPEX Of Downstream includes CAPEX of Refining Block, Sales and distribution Block, Block Energy and the rest of Downstream. From the first quarter of 2024 CAPEX also includes the CAPEX of HIP-Petrohemija.

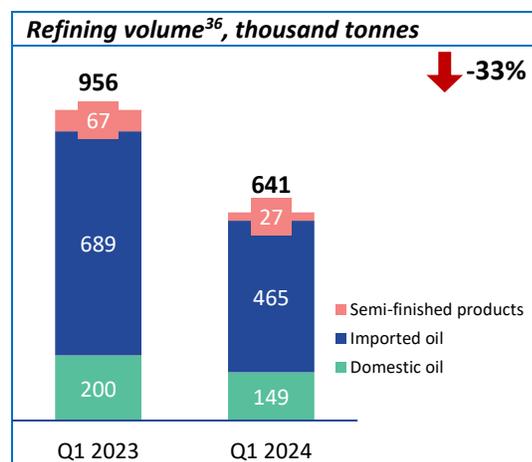
³⁵Lost Time Injury Frequency – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of March 31, 2024.

Refining

The focus of the Refining Block during the first quarter of 2024 was on the overhaul of the Pančevo Oil Refinery process plants. This overhaul is so far the largest one in the history of the Refinery in terms of volume and complexity, given the modernization and increase in the number of production plants, whose period for overhaul occurs in 2024. In addition to being specific in terms of its scope, this is the overhaul with the largest budget and the largest number of contractors so far. Additionally, before the overhaul, the focus was on production in order to provide the necessary supplies in order to supply the market with all types of petroleum products.

During the first quarter of 2024, the Refining Block processed almost 650 thousand tonnes of raw materials and achieved an EBITDA financial result of about RSD 2.3 billion.

Refining activities and volume



During the first quarter of 2024, the Refining Block adjusted its activities to current business conditions, with a focus on the creation of stocks of petroleum products for the orderly supply of the market and on the preparation and implementation of the overhaul.

After the overhaul, a significant reduction in the risk of equipment failure and shutdown of the plant is expected. In addition, the continuous operation of the plant within the projected operating parameters will be ensured, with the optimal use of the necessary energy sources. The overhaul date is adapted to the requirements of the market and sufficient quantities of petroleum products are provided for the market to be properly supplied with all types of quality products during the shutdown of Pančevo Oil Refinery.

An additional task was the synchronization of activities, due to the overlap of different types of works (overhaul, investment projects, etc.) at the same locations, which makes the execution of works difficult and complicated, and requires exceptional coordination between all participants in the overhaul.

During the overhaul, the activities of inspection and testing of pressurized equipment envisaged by the legislation of the Republic of Serbia are planned, as well as the implementation of technical, technological requirements, HSE requirements, and the requirements for the replacement and regeneration of the catalysts, and the implementation of investment maintenance projects and capital projects.

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

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

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

Refining Block continuously implements activities to find new and maximize existing measures to increase efficiency

³⁶The presented refining volume includes the refining volume of HIP-Petrohemija. Refining volume calculations for Q1 2023 are methodologically different than in Q1 2024 due to the consolidation of HIPP in the second half of 2023.

and reduce costs.

In the first quarter of 2024, the effect of measures for the increase of efficiency was realized in the amount of RSD 0.13 billion. A set of additional (Upside) measures was developed, aimed primarily at savings in energy consumption.

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

- Optimization of trace heating in the refinery, where the implementation of two measures resulted in savings in the consumption of medium pressure steam;
- Incineration of acid gases from the plant for neutralization of spent alkali;
- Optimization of the condensate recovery path on the plant for vacuum distillation.

Projects

The implementation of projects aimed at increasing the efficiency and reliability of the Pančevo oil refinery is underway:

- “Reconstruction of the FCC plant, construction of the ETBE plant” – the Study on the Environmental Impact Assessment and the Waste Management Plan were completed, and the consent of the Provincial Secretariat in Novi Sad was obtained.
- “Project for the Replacement of Steam turbines (GB-2301/2501/2601 compressor drive)” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing.
- “Project for the Reconstruction of the Industrial Track in Pančevo Oil Refinery” – The project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing. Commissioning of Stage A in 2024.
- “Project for the Installation of the System for Automatic Dosing and Adding of Markers and Additives to Motor Fuels at the Pančevo Oil Refinery Truck Loading Facility” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed.
- “Project for the Reconstruction of the Fire Protection System at RNP” – Location permits were obtained. The Preliminary Design with the Feasibility Study and the Study on the Environmental Impact Assessment were completed and the request for the consent of the Provincial Secretariat in Novi Sad was submitted.

Sales and distribution

Points of Sale³⁷ and Logistics

NIS Group owns over 414 active retail sites. Most of them, i.e. 330 retail sites are located in the Republic of Serbia (with 28 of them under GAZPROM brand). As for the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina (32 under GAZPROM brand), 23 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

Reconstruction of 9 existing petrol stations and new construction/longterm lease of 3 petrol stations is planned in Serbia. Work continued on the reconstruction of the Niš warehouse, which is scheduled to be put into operation by the end of July.

Loyalty program and marketing activities

In the first quarter of 2024, marketing activities were implemented in Serbia with the aim of developing consumer brands, loyalty programs, improving the sale of fuel and additional assortment at petrol stations.

We would highlight the following most important marketing activities, which marked the first quarter of 2024 in Serbia:

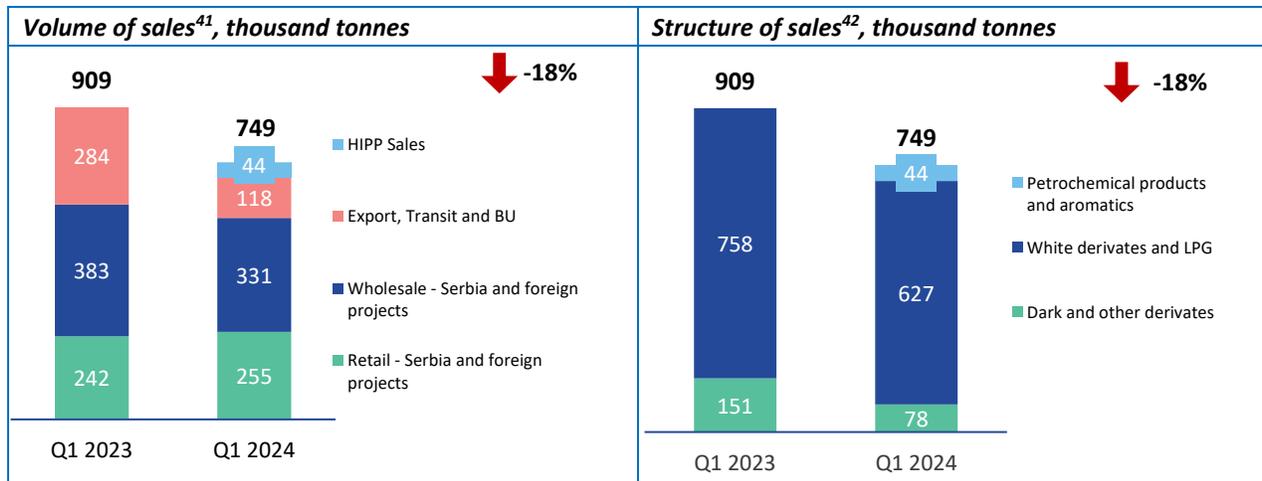
- Drive.Go App – promoted in order to collect new members, increase the number of downloaded applications and executed transactions with promotion on digital channels and PR advertising. During the march, a CRM campaign was implemented - 100 additional bonus points with the Drive.Go application. During the first quarter, 6,172 new registered users of the application were acquired, and the total number of transactions through the Drive.Go application in the first three months is 139,939.
- “On the Road with Us” loyalty programme – the active campaign for the acquisition of new virtual members and the reactivation of existing members continued. The total number of active users in the first quarter was 678,530, downloaded applications 57,942, and new virtual members in the first quarter: 23,649.
- Drive Cafe/Non-fuel segment – promotion of new products at petrol stations. Campaigns were implemented on online and POSM communication channels. We continued with the constant support of promotions and super offers at petrol stations, as well as additional services - tag and laundromats.
- Social networks/partners in creating online content/site: during first quarter of 2024, 3 new episodes were created within the “On the Road with Us in Serbia” content, where readers of our website and followers on social networks could read detailed recommendations about locations in Serbia that they could visit. In association with the “Used Cars” and Testosterone filming production we promoted G-Drive fuel, and together with Radovan Kovač, in the “Ušće” Shopping Mall we celebrated World’s Water Day.

³⁷As at 31 March 2024.

Volume of sales

In the first quarter of 2024, the sales reduced by 18% compared to the same period in 2023, bringing the total sales³⁸ to 749 thousand tonnes.

- Retail in Serbia and Foreign Assets – a 5% increase: sales growth was influenced by the development of the retail network, management activities to increase sales, as well as the growth of consumption in Serbia and Bosnia and Herzegovina. All this compensated for the decrease in sales in Bulgaria, which was caused by the decrease in the number of stations compared to last year, as well as the decrease in sales in Romania as a result of the geopolitical situation.
- Wholesale in Serbia and Foreign Assets³⁹ – a 14% decrease primarily due to:
 - Due to geopolitical situation, in the first quarter of 2023, the largest number of importers in Serbia decided to be supplied on the local market, i.e. from NIS. As a result, imports were drastically reduced, and sales of NIS were extremely high;
 - the decrease in the sale of petroleum products in Serbia is mainly due to the reduced consumption of fuel oil;
 - decrease in sales of gasoline through wholesale in Bulgaria as a result of the overhaul in the Pančevo Refinery;
 - this decline was partially offset by sales growth in Bosnia due to the lifting of the export ban that was in effect in 2023.
- Export, transit and BU⁴⁰:
 - decrease of bitumen sales as a result of the overhaul in the Pančevo Refinery and primary gasoline on the domestic market due to reduced consumption;
 - decrease in technological exports as a result of the overhaul in the Pančevo Refinery;
 - decrease in sales was partially compensated by the growth of aviation fuel sales by 10% compared to the first quarter of 2023 due to the expansion of the line of international flights by airlines, as well as the increase in the amount of aviation fuel exported compared to the same period last year.



³⁸The presented volume includes the volume of petrochemical products of HIP-Petrohemija.

³⁹It includes the sale of CNG of the Energy Block and the sale of oils, lubricants and technical fluids of the Downstream Lubricants Production Plant.

⁴⁰Business unit includes the sale in petroleum products of bitumen, bunker and jet fuels.

⁴¹The presented volume includes the volume of petrochemical products of HIP-Petrohemija. Any deviations in percentages and aggregate values result from rounding. Sales volume calculations for Q1 2023 are methodologically different than in Q1 2024 due to the consolidation of HIPP in the second half of 2023.

⁴²The presented volume includes the volume of petrochemical products of HIP-Petrohemija. Any deviations in percentages and aggregate values result from rounding. Sales volume calculations for Q1 2023 are methodologically different than in Q1 2024 due to the consolidation of HIPP in the second half of 2023.

Energy

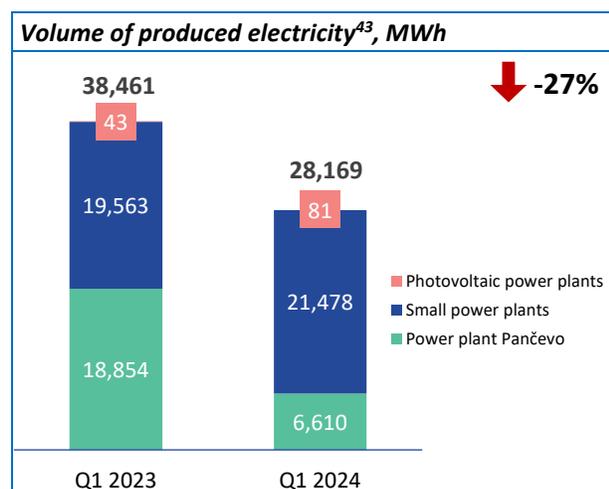
Natural gas

For the purposes of organizing and balancing the natural gas portfolio for NIS j.s.c. Novi Sad, the Contract on Natural Gas Distribution for 2024 was concluded with the natural gas distribution system operator in the first quarter of 2024. In addition, the Agreement on the Assignment of Natural Gas Storage Capacity at Banatski Dvor Underground Gas Storage Facility was concluded for the quantities of natural gas from domestic production available during the turnaround period at the Pančevo Oil Refinery.

Natural gas prices until 1 May 2024 are regulated by the Regulation of the Government of the Republic of Serbia on the temporary measure of limiting the gas price and compensate for differences in the price of natural gas procured from imports and produced in the Republic of Serbia in the event of market disruptions.

Production of electricity

In the first quarter of 2024, the volume of the produced electricity was 28,169 MWh.



Electricity trading

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

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

The programme of measures for reducing energy consumption and increasing energy efficiency in the first quarter of 2024 achieved the effect of energy savings of 232 t.o.e. The financial value of the savings amounts to RSD 19.6 million.

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

Renewable energy sources

The activities implemented in the first quarter of 2024 are shown below:

- After the release of 15 PVPPs at PSs, the project passport for the construction of the PVPPs at additional 30 PSs was adopted. By the end of November 2023, the construction of all 30 solar power plants with a total power of 1 MWp was completed. The power plants at 10 PSs were put into operation at the end of November 2023, and another 10 power plants were put into operation by the end of March 2024.

⁴³The presented volume of produced electricity also includes the electricity produced in Power plant Pancevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for the period January – March is 81.5 MWh.

- The contractor was selected for the construction of the PVPP at Jazak Drinking Water Factory Complex with a total panel power of 620 kWp (370 kWp on the roof and 250 kWp on the ground) in August 2023, the construction was contracted, and the project implementation began. The construction of the roof power plant and the power plant on the ground was completed in December 2023. Activities on the construction of the connection to the distribution network are underway.
- For the project of the construction of the photovoltaic power plant at the petroleum product warehouse in Novi Sad, the contract was signed with the Contractor according to the “turn-key” principle at the end of December 2023 for the construction of the photovoltaic power plant on the ground, with a power of 6.5 MW. The contract was also signed for the service of the pyrotechnic inspection of the terrain with the execution of preparatory earthworks and the foundation of the supporting structure in January 2024. By the end of March 2024, the “pull-out” test of the load-bearing piles was completed, the terrain was cleaned of high and dense vegetation, the final appearance of the PVPP was designed, photovoltaic panels were delivered to the petroleum product warehouse in Novi Sad, the load-bearing structure and equipment for the connection cell were ordered at the Novi Sad 9 substation, and the consent of the distribution system operator was requested for the preliminary design of the connection.
- For the project of the construction of the Roof Photovoltaic Power Plant, with a power of 585 kWp at the petroleum product warehouse in Novi Sad, the contract was signed with the Contractor according to the “turn-key” principle at the end of December 2023 and the implementation of the project began. The design and connection conditions were obtained from Elektrodistribucija Srbije, Serbian public electric utility company. A request has been made for the location permit.
- For the project of the construction of the solar PVPP on the roof of the NIS business building with a power of 99.9 kWp, the contract was signed with the Contractor according to the “turn-key” principle in October and the implementation began. At the request of Elektrodistribucija Srbije, in November 2023, a request was submitted to change the design and connection conditions. The location permit was obtained.
- The roof solar photovoltaic power plant in Pančevo Oil Refinery with a power of 600 kWp – In the third quarter of 2023, optimization was carried out in order to reduce the construction costs. In February, the project passport was adopted, the tender procedure was carried out, the contractor was selected, and the construction contract was signed according to the “turn-key” principle in March 2024.
- Development projects for the construction of solar photovoltaic power plants – Technical and economic studies for the construction of photovoltaic power plants were prepared at selected locations (warehouses: Elemir, Smederevo, Jermenovci, Banatsko Aranđelovo, and petrol stations: Sokolići 1 and 2). In February, the project passports were adopted for: Elemir PVPP on the ground 3.3 MWp (PI 1.5), Elemir PVPP on the ground 1.2 MWp (PI 1.5), Jermenovci PVPP 2.5 MWp (PI 1.45), and Smederevo PVPP 2.9 MWp (PI 1.45).

HIP-Petrohemija**Key indicators**

Key indicators	Unit of measurement	Q1 2024
Production of petrochemical products	thous. tonnes	80.2
Refining of primary gasoline	thous. tonnes	99.8
Petrochemical product sales	thous. tonnes	60.9
EBITDA	RSD billion	-0.8
Net loss	RSD billion	-0.9
CAPEX ⁴⁴	RSD billion	0.5

In the first quarter of 2024, the EBITDA indicator was negative and amounted to -0.8 billion RSD.

The net profit for the first quarter of 2024 was -0.9 billion RSD.

As regards investments, 0.5 billion RSD was allocated in the first quarter of 2024.

Regarding to operational indicators, in the first quarter of 2024, the production volume of petrochemical products amounted to 80.2 thousand tons. The refining of virgin naphtha in the first quarter amounted to 99.8 thousand tons, while the petrochemical product sales in the first quarter of 2024 amounted to 60.9 thousand tons.

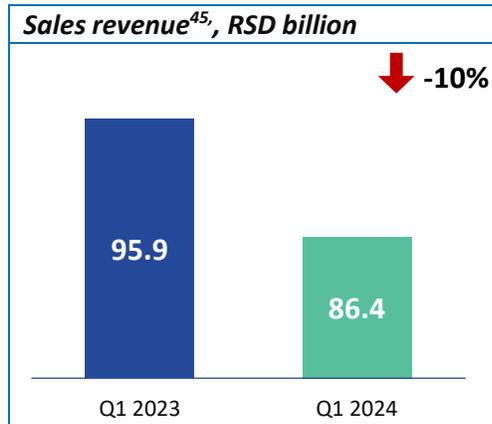
The decline in operational indicators is largely due to the implementation of the capital overhaul within HIP-Petrohemija and due to the impact of the macroeconomic environment.

⁴⁴Financing, excluding VAT.

Financial indicators

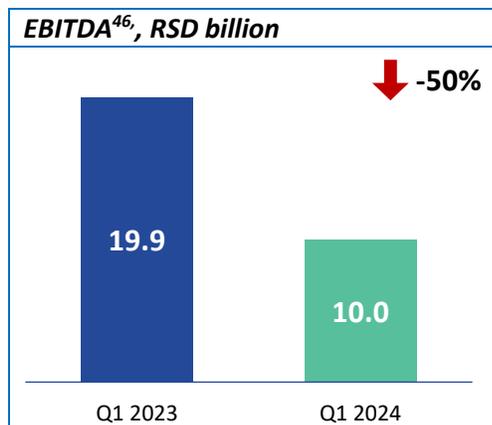
Sales revenues

During the first quarter of 2024 sales revenues are 10% lower compared to the previous year, and the total amount of sales revenues is RSD 86.4 billion.



EBITDA

The EBITDA indicator in the first quarter of 2024 is 50% lower than the same period last year and amounted to RSD 10.0 billion.



The decrease in EBITDA in the first quarter of 2024 is due to the following:

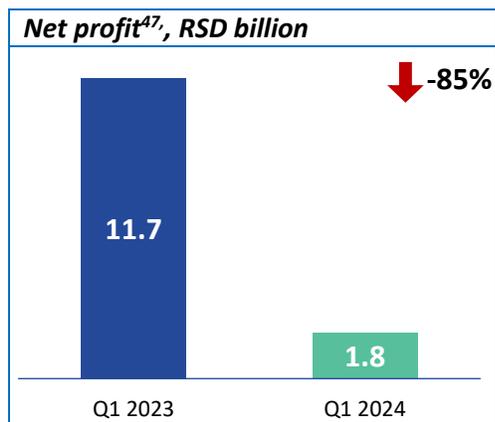
- The impact of lower prices for oil products on the global market partially offset by the impact of cheaper oil reserves;
- Reduced refining volumes and lower margins on refined products;
- Increase in costs compared to the same period last year;
- Negative HIP-Petrohemija result in 2024.

⁴⁵Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

⁴⁶Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Net profit

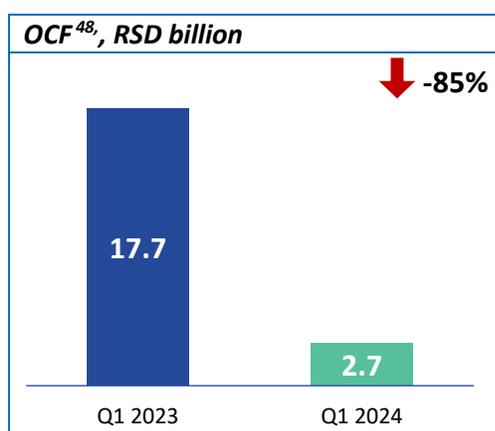
The net profit in the first quarter of 2024 amounts to RSD 1.8 billion, which is lower 85% compared to the same period last year.



The lower net profit for the first quarter of 2024 compared to the same period last year is a consequence of lower EBITDA and lower financial income.

OCF

At the end of the first quarter of 2024, the operating cash flow amounts to RSD 2.7 billion, and it is lower compared to the same period last year.



The decline of the OCF indicator in the first quarter of 2024 was influenced by:

- Lower inflows;
- Higher operating costs.

⁴⁷Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

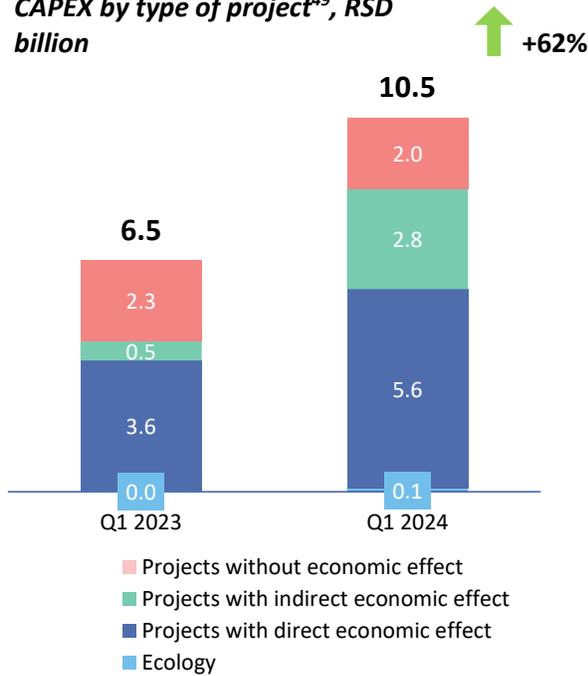
⁴⁸Any deviations aggregate values result from rounding.

CAPEX

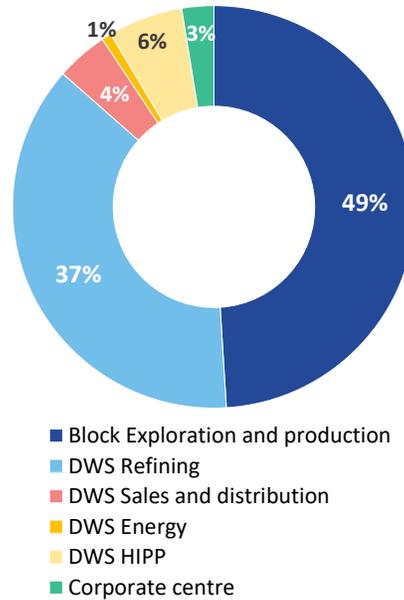
In the first quarter of 2024, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling, followed by oil refining projects, as well as reconstruction, construction and rebranding projects of petrol stations. In addition, NIS invested in projects in the field of energy and services, as well as in a certain number of projects in the corporate center.

In the first quarter 2024, RSD 10.5 billion was allocated for investment, which is 62% more compared to the same period last year.

CAPEX by type of project⁴⁹, RSD billion



Investments by segments



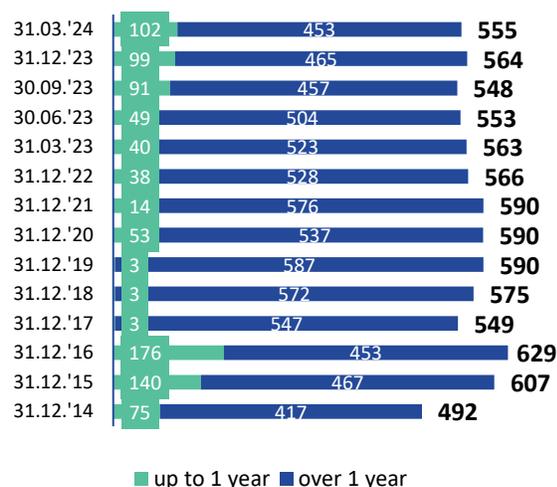
⁴⁹All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Organisation unit	Major projects in the first quarter
Exploration and production	<ul style="list-style-type: none"> • drilling of development wells • investing in geological and technical activities • infrastructure projects
Services	<ul style="list-style-type: none"> • procurement of semi-trailer trucks
Refining	<ul style="list-style-type: none"> • projects aimed at ensuring compliance with legal norms and regulations • investment maintenance projects • environmental projects • capital overhaul in Pančevo Oil Refinery
Sales and distribution	<ul style="list-style-type: none"> • retail network development in Serbia (petrol station construction and reconstruction) • other retail projects in Serbia and the region
Rest of Downstream projects (Energy and Technical services)	<ul style="list-style-type: none"> • energy efficiency and solar projects • technical services projects
Corporate centre	<ul style="list-style-type: none"> • projects related to the maintenance of software solutions • projects related to the modernization of the business centers of Novi Sad and Belgrade

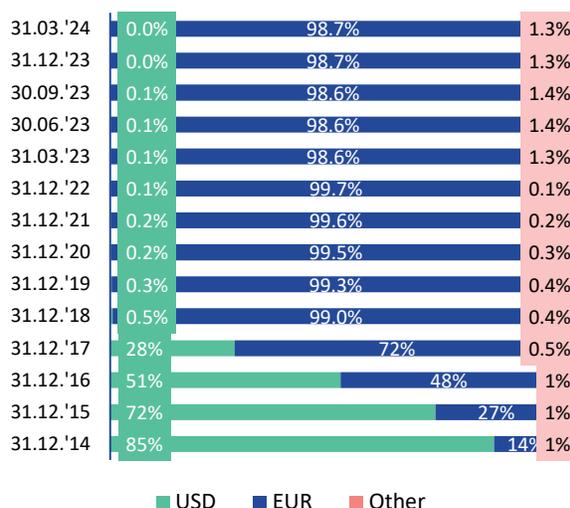
Indebtedness

At the end of the first quarter of 2024, the debt to banks is lower than at the end of 2023 and amounts to EUR 554.9 million. During the first quarter of 2024, a loan in the amount of EUR 9.1 million was repaid, of which EUR 5.1 million was regularly repaid and EUR 4.0 million at an early date.

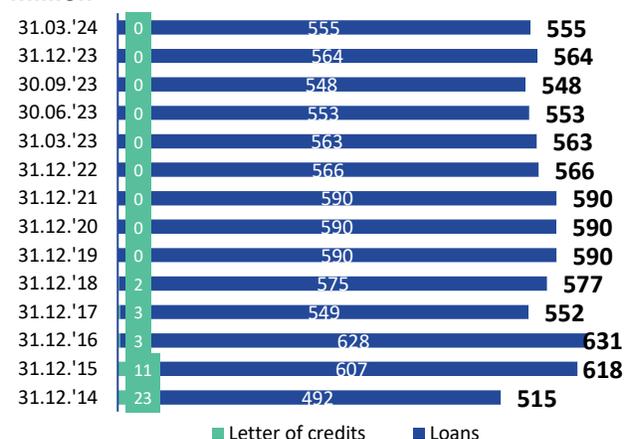
Total bank debt trends with maturity structure⁵⁰, EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness⁵¹, EUR million



⁵⁰Any deviations in aggregate values result from rounding.

⁵¹In addition to the bank debt and Letters of Credit as at 31 March 2024, NIS j.s.c. Novi Sad holds issued bank guarantees in the amount of EUR 38.5 million, corporate guarantees in the amount of EUR 316.5 million and financial leasing in the amount of EUR 34.7 million. Any deviations in aggregate values result from rounding.

Taxes and Other Public Revenue⁵²

NIS j.s.c. Novi Sad	Q1 2024	Q1 2023	%⁵³
Social insurance contributions paid by employer	0.60	0.54	+12%
Energy efficiency fee ⁵⁴	0.09	0.10	-9%
Corporate tax	0.93	2.46	-62%
Value-added tax	7.42	7.71	-4%
Excise duties	37.18	33.51	+11%
Commodity reserves fee	1.62	1.78	-9%
Customs duties	0.36	0.03	growth
Royalty	0.43	0.44	-2%
Other taxes	0.47	0.46	+3%
Total	49.11	47.03	+4%
NIS subsidiaries in Serbia⁵⁵			
Social insurance contributions paid by employer	0.55	0.39	+41%
Corporate tax	0.09	0.06	+38%
Value-added tax	0.70	0.48	+46%
Excise duties	0.00	0.00	n/a
Customs duties	0.019	0.013	+53%
Royalty	0.00	0.00	n/a
Other taxes	0.051	0.030	+70%
Total	1.40	0.98	+44%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	50.5	48.0	+5%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.00	0.00	+29%
Energy efficiency fee	0.00	0.01	-94%
Corporate tax	0.00	0.00	0%
Value-added tax	0.173	0.171	+1%
Excise duties	1.84	1.45	+27%
Customs duties	1.27	0.82	+55%
Royalty	0.03	0.02	+53%
Other taxes	0.03	0.05	-34%
Total	3.35	2.53	+32%
Deferred taxes (total for Group)	-0.16	-0.23	-32%
Total NIS Group⁵⁶	53.7	50.3	+7%

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries in Serbia in the the first quarter of 2024 amounts RSD 50.5 billion.

The amount of accrued liabilities for public revenues for NIS Group in the first quarter of 2024 totalled RSD 53.7 billion, which is an increase of 7% on the same period in 2023.

⁵²In RSD billion.

⁵³Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

⁵⁴Calculated from 1 July 2019.

⁵⁵Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad, NTC NIS – Naftagas LLC Novi Sad, NIS Petrol a.d. Belgrade and HIP-Petrohemija LLC Pančevo.

⁵⁶Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

Securities

Share Capital Structure

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

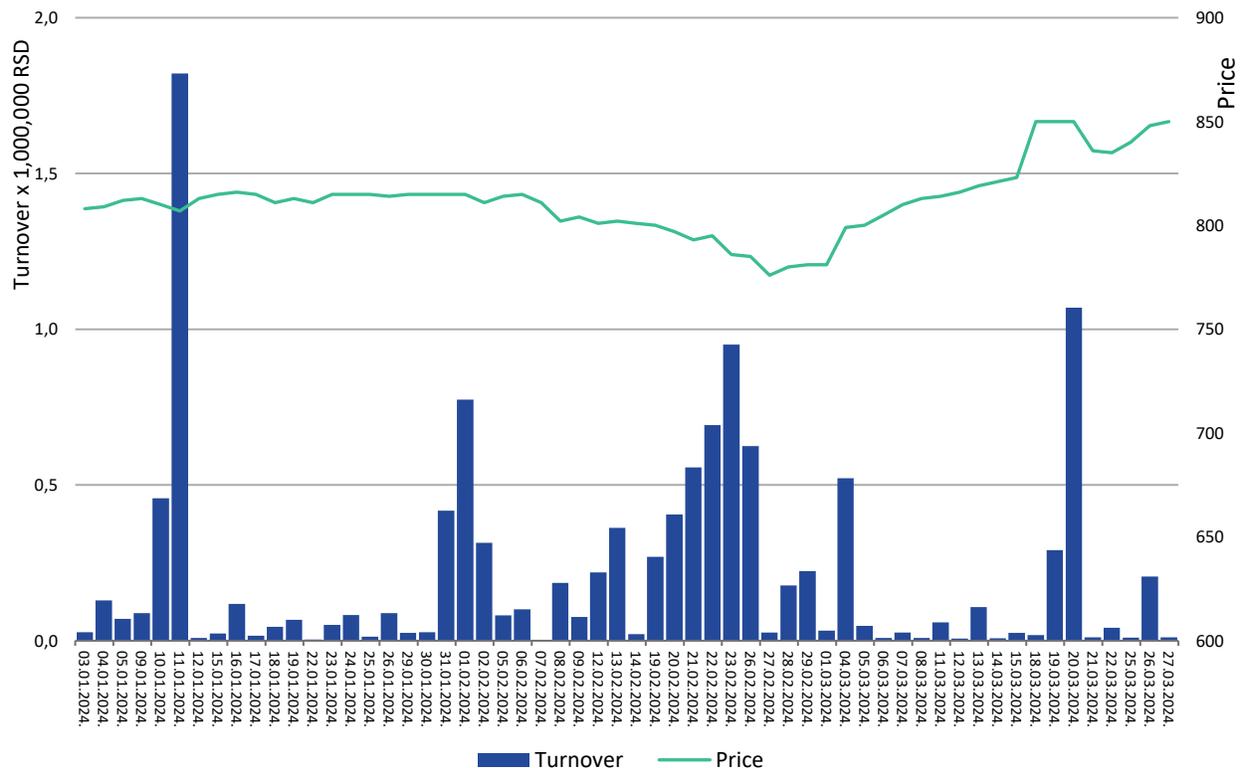
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance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

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

Share trading and indicators per share

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

Price and turnover trends in the first quarter of 2024



During the first quarter of 2024 the Company did not acquire any treasury shares.

Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first quarter of 2024	
Last price (March 31, 2024)	860 RSD
High (March 29, 2024)	865 RSD
Low (February 27, 2024)	754 RSD
Total turnover, RSD	123,494,203 RSD
Total turnover, number of shares	152,783
Total number of transactions, number of transactions	1,107
Market capitalization as at March 31, 2024, in RSD	140,231,944,000
<i>EPS</i>	21.42
Consolidated <i>EPS</i>	11.47
<i>P/E</i> ratio	40.15
Consolidated <i>P/E</i> ratio	74.99
Book value as at March 31, 2023	2,341.5
Consolidated book value as at March 31, 2023	2,286.8
<i>P/BV</i> ratio	0.37
Consolidated <i>P/BV</i> ratio	0.38

Dividends

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

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

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

	<i>Net profit (loss), RSD bn⁵⁷</i>	<i>Total amount of dividend, RSD bn</i>	<i>Payment ratio</i>	<i>Earnings per share, RSD</i>	<i>Dividend per share, gross, RSD</i>	<i>Share price as at 31 December, RSD</i>	<i>Shareholders' dividend yield, in %⁵⁸</i>
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5 ⁵⁹	0.0	-	101.1	0	475	-
2011	40.6 ⁶⁰	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7
2022	93.5	23.4	25%	573.14	143.29	675	21.2

⁵⁷ Net profit of NIS j.s.c. Novi Sad.

⁵⁸ Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.

⁵⁹ Net profit used for coverage of accumulated losses.

⁶⁰ Net profit used for coverage of accumulated losses.

Corporate Governance

Corporate Governance System

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

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

Shareholders' Assembly and Shareholders' Rights

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders. All NIS j.s.c. Novi Sad shares are ordinary shares that give their owners the same rights, wherein one share carries one vote.

Board of directors

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

Total amount of fees paid to BoD members in the first quarter of 2024, net in RSD	
Members od BoD	72,412,067 RSD

Board of Directors' Committees

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

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

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

Shareholders' Assembly Board

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

Chief executive officer

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

Advisory Board of the CEO

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

Related-Party Transactions

In the first quarter of 2024 the Group entered into business transactions with its related parties. An outline of related-party transactions is part of the Notes to the Financial Statements⁶¹.

⁶¹Information on related party transactions can be found on page 81 under note number 26 of the Consolidated Financial Statements.

Human resources

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

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

Our long-term goal is to strengthen employee engagement and improve HR practices to offer the best possible employee experience. For this reason, we have continued to invest in employee engagement in 2024 and have initiated the implementation of various activities based on the results of the latest employee engagement survey and our company's strategic plans. We continued with the implementation of and upgraded the Engagement Academy Program, which aims to develop highly dedicated and motivated teams through the active role of senior and middle management in our Company and from last year also lower management. We have restarted the "First-Time Managers" Programme, within which, through several education modules, we help colleagues who have just taken on managerial functions to be as better managers and leaders as possible.

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

NIS continued the implementation of the agenda for young talents in 2024. As early in the year as January, we started the new, fourth season of the NIS Energy programme for 25 young people, who will start their career at NIS through a one-year mentoring programme, with the goal of employment after the programme. In the same way, we finished the third season of the programme, and out of 27 participants, 25 colleagues continued their careers.

Starting from 2023 all universities in the country have included a 90-hour internship in their curricula. This is why our company has created a new programme seeking to meet this requirement – NIS Academy, an internship programme for final year students of 9 faculties with which company has strategic cooperation. This programme helps faculties to provide students with a quality internship that is mandatory, students' first encounter with us as an employer, and our company an even larger number of young people in the recruitment pool for key positions. The programme was attended by 65 students, and the programme includes various activities - onboarding, career consulting, CV creation and interview simulations, field visits and expert lectures, soft skills training, as well as team work on a case study.

The second season of the internship programme for young operators has also ended, of which we employed more than 50%, and the plan is to start the third season in cooperation with high schools in the second quarter of 2024.

In the first quarter, we also had a large number of activities with faculties and student organizations, and had the opportunity to present NIS as an employer to more than 2,000 students through more than 15 projects. Some of the most important are Days of the Faculty of Mechanical Engineering, KONSEK 24, BEST Case Study - Belgrade Days of Engineers, Case Study Show and others.

All these activities were recognized by young people, so in the first quarter we were voted as the number 1 employer leader for young people by the vote of 3,500 young people. The Youth Speak Voice survey was conducted again this year by the student organization AIESEC, and this year we took first place for the first time (the previous 2 years we were third and second).

At the beginning of 2024, we completed a survey of the external labor market, focused on our key target groups, on the basis of which we will create a new Employer Branding strategy for the period 2024 – 2027.

In order to bring NIS as an employer closer to candidates on the labor market, we continued our activities on social networks and digital channels, launched 2 campaigns, and the plan for the second quarter is to implement two large national campaigns for the NIS Calling internship programme, as well as a recruitment campaign for employment at petrol stations.

Employee Number⁶² and Structure

Organisational unit	Number of employees on:	
	03/31/2024	03/31/2023
NIS j.s.c. Novi Sad	5,408	5,255
Exploration and Production Block	1,089	1,078
Downstream	2,633	2,558
Refining Block	1,018	986
Sales and Distribution Block	1,402	1,382
Energy Block	47	45
The rest of Downstream ⁶³	166	145
Corporate Centre	1,682	1,615
Representative and Branch Offices	4	4
Local subsidiaries	6,400	6,276
Subsidiaries abroad	623	635
TOTAL⁶⁴:	12,431	12,166

Headcount trend⁶⁵



⁶²The number of employees does not include employees hired through the Contract of Services. On March 31, 2024 within the NIS a. d. In Novi Sad, we have 110 employees hired through the Contract of Services.

⁶³The rest of the Downstream includes: Office of Downstream Director, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.

⁶⁴Employees with shared working hours are shown as whole units in the associated Company. The total number of NIS Group employees shown does not include employees of HIP-Petrohemija LLC Pančevo. The number of employees in the company HIP-Petrohemija d.o.o. on March 31, 2024 is 1,247 including agency employees. The number of employees does not include employees hired through the Contract of Services. On March 31, 2024 within the HIP-Petrohemija LLC Pančevo, we have 1 employee hired through the Contract of Services.

⁶⁵The average number of employees does not include employees who are on maternity leave, employees who have been on sick leave for more than 30 days, and employees who have inactive status of employment, but it includes employees who left the company in the observed period and new employees proportionately to the number of days spent at the position. The average number of employees does not include employees of HIP-Petrohemija.

Employment terminations

In the first quarter of 2024, a total of 234 employees⁶⁶ left NIS j.s.c: 30 employees retired, 23 employees left NIS after termination of employment by mutual consent, while the employment of 181 people was terminated on other grounds (cancellation of employment contract, employment termination by the employee and redundancy).

Basis of employment termination in the first quarter of 2024	NIS j.s.c Novi Sad ⁶⁷	Subsidiaries
Retirement	18	12
Termination by mutual consent	5	18
Other	40	141
Total	63	171

⁶⁶The data does not include employment terminations for HIP-Petrohemija. The total number of employees with employment termination at HIP-Petrohemija is 51 (8 employees retired), 19 left HIP-Petrohemija by mutual consent, while for 24 employees the reason for termination of employment was of a other nature.

⁶⁷Including representative offices and branches. Of the total number of terminations, there is no terminations account for the representative offices and branches.

Research and Development

In all segments of its business, NIS is dedicated to continuous technological development and introduction of innovations into business.

STC NIS Naftagas LLC Novi Sad, as a subsidiary in which NIS j.s.c. has a 100% share, provides scientific-technical and innovation support to the parent company in the field of oil and gas exploration and production. The research and development activity within STC has a dual role: coordinating and performing scientific and research works.

Implementation and development of new technologies, scientific and research activities and increasing the efficiency of exploration, production and refining of oil and gas, remain in the focus of attention for the STC management and employees.

During the first quarter of 2024 in the field of geological and research works, geology, reservoir engineering and production in Serbia the following activities were carried out:

- Work is underway to support the creation of the company's resource base development strategy for 2024-2027. In the first quarter of 2024, geological exploration projects for oil and gas were implemented in larger exploitation fields
- 4 exploratory wells were drilled with positive results, which open up the possibility of additional development
- In order to determine the optimal development drilling and geological-technical activities, geological 3D models were created and the existing geological-hydrodynamic models on oil and gas fields were updated.
- Activities were carried out to draft new research studies pertaining to reserves in oil and gas fields
- In the area of integrated modeling, the project "Integrated modeling and operational monitoring" produced a model of gas wells with associated infrastructure, for which proposals were made for maintaining and optimizing production
- In the field of geothermal energy, the development of the geological model has been completed, and work on the development of the hydrodynamic model is underway

A project assignment for the implementation of the Pančevo decarbonization project was signed with the Energy Block: preparation of the CO₂ storage certification, adaptation of the feasibility study and requirements for the contractor's Technical and Commercial Offer for the "blue" hydrogen feasibility study.

After the preparatory work on the "Laboratory Building in RNP" project was completed, work on the construction of the foundation for the new NTC Laboratory Downstream facility at the Oil Refinery in Pančevo began.

The accreditation body of Serbia during March 2024 at the locations of Novi Sad, Surčin and Pančevo completed an unscheduled assessment of the Laboratory's competence for an additional 10 test methods to the already 263 accredited methods. During the evaluation and certification of the required test methods, the Accreditation Body of Serbia did not find any non-conformities. Expanded scope of accreditation is a prerequisite for the new appointment of the DWS Laboratory by the Ministry of Mining and Energy for the tasks of conducting conformity assessment of liquid petroleum products in accordance with the current technical regulation.

Financial Statements⁶⁸

Standalone financial statements (unaudited)

Interim Condensed Statement of Financial Position

Assets	Note	31 March 2024	31 December 2023
Current assets		(unaudited)	
Cash and cash equivalents	4	37,841,081	16,270,493
Short-term financial assets	5	25,697,188	50,017,699
Trade and other receivables	6	38,908,258	44,731,654
Inventories	7	54,242,004	59,328,301
Current income tax prepayments		10,835,146	7,380,049
Other current assets	8	12,620,401	8,886,275
Assets classified as held for sale		41,276	60,091
Total current assets		180,185,354	186,674,562
Non-current assets			
Property, plant and equipment	9	281,255,726	275,083,369
Right-of-use assets	10	3,051,944	2,808,073
Investment property		1,514,691	1,514,651
Intangible assets		3,858,895	3,836,403
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		31,016,682	31,016,682
Long-term financial assets	11	9,063,680	9,494,126
Deferred tax assets		3,665,807	3,527,437
Other non-current assets	12	4,580,301	4,899,484
Total non-current assets		339,046,526	333,219,025
Total assets		519,231,880	519,893,587
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	13	16,952,912	14,623,831
Current lease liabilities	18	562,594	522,002
Trade and other payables	14	22,227,458	22,867,531
Other current liabilities	15	7,760,822	9,652,270
Other taxes payable	16	10,088,385	11,579,451
Provisions for liabilities and charges		1,208,494	2,624,738
Total current liabilities		58,800,665	61,869,823
Non-current liabilities			
Long-term debt	17	53,002,115	54,465,457
Non-current lease liabilities	18	1,760,298	1,610,014
Other non-current financial liabilities	19	12,064,913	12,038,912
Long-term trade and other payables		2,868	2,868
Provisions for liabilities and charges		11,787,009	11,585,649
Total non-current liabilities		78,617,203	79,702,900
Equity			
Share capital		81,530,200	81,530,200
Reserves		34,460	34,408
Retained earnings		300,249,352	296,756,256
Total equity		381,814,012	378,320,864
Total liabilities and shareholder's equity		519,231,880	519,893,587

in 000 RSD

⁶⁸ The financial statements, standalone and consolidated, have not been audited.

Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended	
		2024	31 March 2023
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		78,294,411	81,749,648
Other revenues		4,108,491	8,783,452
Total revenue from sales	3	82,402,902	90,533,100
Purchases of oil, gas and petroleum products		(54,355,590)	(49,415,334)
Production, manufacturing and cost of other sales	20	(8,736,599)	(12,980,952)
Selling, general and administrative expenses	21	(7,291,725)	(6,702,774)
Transportation expenses		(328,276)	(360,355)
Depreciation, depletion and amortization		(5,768,549)	(5,704,696)
Taxes other than income tax		(1,380,184)	(1,343,398)
Exploration expenses		(187)	-
Total operating expenses		(77,861,110)	(76,507,509)
Other income (expenses), net	22	87,164	(155,666)
Operating profit		4,628,956	13,869,925
Net foreign exchange loss	23	(142,961)	(48,397)
Finance income	24	722,482	1,533,500
Finance expenses	25	(925,379)	(776,826)
Total other (expense) / income		(345,858)	708,277
Profit before income tax		4,283,098	14,578,202
Current income tax		(928,372)	(2,463,060)
Deferred tax income		138,370	226,055
Total income tax		(790,002)	(2,237,005)
Profit for the period		3,493,096	12,341,197
Other comprehensive income:			
Items that will not be reclassified to profit			
Gain from investments in equity instruments		52	-
Other comprehensive income for the period		52	-
Total comprehensive income for the period		3,493,148	12,341,197
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		21.42	75.68
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Interim Condensed Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2024 and 2023

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2023	81,530,200	93,904	278,192,015	359,816,119
Profit for the period	-	-	12,341,197	12,341,197
Other comprehensive income				
Gain from investments in equity instruments	-	-	-	-
Total comprehensive income for the period	-	-	12,341,197	12,341,197
Balance as at 31 March 2023	81,530,200	93,904	290,533,212	372,157,316

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2024	81,530,200	34,408	296,756,256	378,320,864
Profit for the period	-	-	3,493,096	3,493,096
Other comprehensive income				
Gain from investments in equity instruments	-	52	-	52
Total comprehensive income for the period	-	52	3,493,096	3,493,148
Balance as at 31 March 2024	81,530,200	34,460	300,249,352	381,814,012

in 000 RSD

*Interim Condensed Statement of Cash Flows*⁶⁹

	Note	Three month period ended	
		2024	31 March 2023
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Profit before income tax		4,283,098	14,578,202
Adjustments for:			
Finance expenses	25	925,379	776,826
Finance income	24	(722,482)	(1,533,500)
Unrealised foreign exchange losses/(gain), net		158,236	(273,142)
Depreciation, depletion and amortization		5,768,549	5,704,696
Other non-cash items		68,496	94,103
Operating cash flow before changes in working capital		10,481,276	19,347,185
Changes in working capital:			
Trade and other receivables		5,853,152	4,850,464
Inventories		5,057,796	2,556,284
Other current assets		(3,641,051)	690,385
Trade payables and other current liabilities		(5,002,342)	(5,131,369)
Other taxes payable		(1,491,064)	(3,312,463)
Total effect on working capital changes		776,491	(346,699)
Income taxes paid		(4,386,321)	(1,015,032)
Interest paid		(745,406)	(602,363)
Interest received		1,749,986	1,212,701
Net cash generated by operating activities		7,876,026	18,595,792
Cash flows from investing activities			
Loans issued		(4,149,015)	(1,650,052)
Loan proceeds received		2,771,282	1,067,344
Capital expenditures ⁷⁰		(10,446,758)	(5,319,661)
Proceeds from sale of property, plant and equipment		64,448	24,069
Bank deposits repayment/(proceeds), net		25,000,000	(10,000,000)
Net cash generated / (used) in investing activities		13,239,957	(15,878,300)
Cash flows from financing activities			
Proceeds from borrowings	13,17	6,562,518	4,458,394
Repayment of borrowings	13,17	(5,780,595)	(7,390,556)
Repayment of lease liabilities	18	(190,720)	(174,130)
Net cash generated / (used) in financing activities		591,203	(3,106,292)
Net (decrease) / increase in cash and cash equivalents		21,707,186	(388,800)
Effect of foreign exchange on cash and cash equivalents		(136,598)	(80,474)
Cash and cash equivalents as of the beginning of the period		16,270,493	83,083,255
Cash and cash equivalents as of the end of the period	4	37,841,081	82,613,981

*in 000 RSD*⁶⁹ Company's policy is to present cash flow inclusive of related VAT.⁷⁰ CF from investing activities includes VAT in the amount of 1.3 bln RSD (2023: 0.7 bln RSD)

Notes to the Standalone Financial Statements⁷¹

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije, Novi Sad (the "Company") is a vertically integrated oil company operating predominantly in the Republic of Serbia. The Company's principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading and
- Electricity generation and trading.

Other activities primarily include sales of other goods, works and services.

The Company is a public joint stock company listed on the Belgrade Stock Exchange.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

The amendments to existing standards, which became effective on January 1, 2024, did not have a material impact on the Condensed Interim Financial Statements.

The Company plans to apply the new IFRS 18 Presentation and Disclosures in Financial Statements, as well as amendments to existing standards adopted but not effective at the date of issue of these Condensed Interim Financial Statements, when they become effective. The Company does not expect the amendments to existing standards to have a material impact on the Condensed Interim Financial Statements. In relation to the new standard, which will become effective from 1 January 2027 and will replace IAS 1 Presentation of Financial Statements, the Company is currently assessing its impact on the Financial Statements.

The Company does not disclose information, which would substantially duplicate the disclosures contained in its audited Financial Statements for 2023, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Company believes that the disclosures in these Interim Condensed Financial Statements are adequate to make the information presented not misleading if these Interim Financial Statements are read in conjunction with the Company's Financial Statements for 2023.

In the first quarter 2024 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 27) due to geopolitical situation. Due to that during the first quarter 2024 the Company didn't review the critical accounting estimates which are used by the Company in the Interim Condensed Consolidated Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 31 March 2024 the Company didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing Under current conditions it turned out to be

⁷¹ All amounts are in 000 RSD, unless otherwise stated.

impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. The Company continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The results in these Interim Condensed Financial Statements for the three month period ended 31 March 2024 are not necessarily indicative of the Company's results expected for the full year.

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2023.

3. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the three month period ended 31 March 2024 and 2023. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Company manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Company operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre and Energy business activities are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Company's EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Company's ongoing operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the three month period ended 31 March 2024 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	13,100,209	83,063,443	(13,760,750)	82,402,902
Intersegment	13,085,032	675,718	(13,760,750)	-
External	15,177	82,387,725	-	82,402,902
Adjusted EBITDA (Segment results)	9,418,461	1,036,237	-	10,454,698
Depreciation, depletion and amortization	(3,242,394)	(2,526,155)	-	(5,768,549)
Net foreign exchange loss	(85,042)	(57,919)	-	(142,961)
Finance expenses, net	(30,559)	(172,338)	-	(202,897)
Income tax	-	(790,002)	-	(790,002)
Segment profit / (loss)	6,186,551	(2,693,455)	-	3,493,096

Reportable segment results for the three month period ended 31 March 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	10,610,708	90,780,228	(10,857,836)	90,533,100
Intersegment	10,593,339	264,497	(10,857,836)	-
External	17,369	90,515,731	-	90,533,100
Adjusted EBITDA (Segment results)	6,814,218	12,977,721	-	19,791,939
Depreciation, depletion and amortization	(3,062,787)	(2,641,909)	-	(5,704,696)
Net foreign exchange loss	(27,088)	(21,309)	-	(48,397)
Finance income (expenses), net	(41,471)	798,145	-	756,674
Income tax	-	(2,237,005)	-	(2,237,005)
Segment profit	3,686,366	8,654,831	-	12,341,197

Adjusted EBITDA for the three month period ended 31 March 2024 and 2023 is reconciled below:

	Three month period ended	
	2024	31 March 2023
Profit for the period	3,493,096	12,341,197
Income tax	790,002	2,237,005
Finance expenses	925,379	776,826
Finance income	(722,482)	(1,533,500)
Depreciation, depletion and amortization	5,768,549	5,704,696
Net foreign exchange loss	142,961	48,397
Other (income)/expense, net	(87,164)	155,666
Other non-operating expense, net	144,357	61,652
Adjusted EBITDA	10,454,698	19,791,939

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

	Three month period ended	
	2024	31 March 2023
Sale of gas	70,807	60,696
<i>Wholesale activities</i>	70,807	60,696
Sale of petroleum products	78,223,604	81,688,952
<i>Through a retail network</i>	24,762,263	24,833,529
<i>Wholesale activities</i>	53,461,341	56,855,423
Sale of electricity	225,489	5,228,055
Lease revenue	86,452	89,730
Other sales	3,796,550	3,465,667
Total sales	82,402,902	90,533,100

Other sales mainly relate to sales of non-fuel products at petrol stations for 2,708,703 RSD (2023: 2,260,202 RSD).

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

4. CASH AND CASH EQUIVALENTS

	31 March 2024	31 December 2023
Cash in bank and in hand	8,316,397	8,265,248
Deposits with original maturity of less than three months	29,520,000	8,000,000
Cash equivalents	4,684	5,245
	37,841,081	16,270,493

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

5. SHORT-TERM FINANCIAL ASSETS

	31 March 2024	31 December 2023
Short-term loans	2,361,464	1,045,218
Deposits with original maturity more than 3 months less than 1 year	-	26,290,896
Current portion of long-term investments (note 11)	33,229,741	32,578,321
<i>Less impairment loss provision</i>	(9,894,017)	(9,896,736)
	25,697,188	50,017,699

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

6. TRADE AND OTHER RECEIVABLES

	31 March 2024	31 December 2023
Trade receivables	46,145,334	52,053,320
Other receivables	91,264	95,494
<i>Less credit loss allowance for trade receivables</i>	(7,298,675)	(7,386,577)
<i>Less credit loss allowance for other receivables</i>	(29,665)	(30,583)
	38,908,258	44,731,654

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

Management believes that not impaired trade, specific and other receivables are fully recoverable.

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

7. INVENTORIES

	31 March 2024	31 December 2023
Crude oil	27,779,323	32,326,837
Petroleum products	23,531,775	24,875,824
Materials and supplies	6,050,227	5,230,211
Other	1,261,486	1,291,956
<i>Less impairment provision</i>	(4,380,807)	(4,396,527)
	54,242,004	59,328,301

8. OTHER CURRENT ASSETS

	31 March 2024	31 December 2023
Advances paid	4,472,632	887,650
Deferred VAT	3,540,687	3,017,260
Prepaid expenses	755,407	307,150
Prepaid custom duties	77,090	67,649
Prepaid excise	3,472,152	4,267,660
Other current assets	7,788,566	7,824,421
<i>Less impairment provision</i>	(7,486,133)	(7,485,515)
	12,620,401	8,886,275

Deferred VAT as at 31 March 2024 amounting to 3,540,687 RSD (31 December 2023: 3,017,260 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2024 amounting to 3,472,152 RSD (31 December 2023: 4,267,660 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2024						
Cost	231,482,614	164,584,606	59,556,609	17,297,562	24,718,845	497,640,236
Depreciation and impairment	(97,852,172)	(78,620,068)	(34,081,293)	(10,196,954)	(1,806,380)	(222,556,867)
Net book value	133,630,442	85,964,538	25,475,316	7,100,608	22,912,465	275,083,369
Period ended 31 March 2024						
Additions	3,635,890	558,633	1,412,469	229,618	5,601,377	11,437,987
Changes in decommissioning obligations	34,606	-	-	-	-	34,606
Impairment	-	-	-	-	(33)	(33)
Depreciation	(3,206,895)	(1,682,162)	(500,921)	(118,722)	-	(5,508,700)
Disposals and write-off	(15,791)	(1,341)	(24,278)	(69)	(187)	(41,666)
Other transfers	(51)	(5,212)	6,296	(1,034)	250,164	250,163
	134,078,201	84,834,456	26,368,882	7,210,401	28,763,786	281,255,726
As at 31 March 2024						
Cost	235,016,644	165,089,568	60,801,614	17,505,919	30,570,199	508,983,944
Depreciation and impairment	(100,938,443)	(80,255,112)	(34,432,732)	(10,295,518)	(1,806,413)	(227,728,218)
Net book value	134,078,201	84,834,456	26,368,882	7,210,401	28,763,786	281,255,726

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the year ended 31 March 2024 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2024	1,426	800,397	173,626	1,832,624	2,808,073
Additions	-	166,607	29,571	163,324	359,502
Depreciation	(838)	(28,286)	(19,894)	(65,787)	(114,805)
Disposals	-	-	-	(826)	(826)
As at 31 March 2024	588	938,718	183,303	1,929,335	3,051,944

11. LONG-TERM FINANCIAL ASSETS

	31 March 2024	31 December 2023
LT loans issued	41,512,790	41,289,971
Financial assets at FVTPL	838,706	838,937
Other LT placements	24,835	28,655
Available for sale financial assets	128,734	128,683
<i>Less Current portion of LT loans issued (note 5)</i>	(33,229,741)	(32,578,321)
<i>Less provision of LT financial assets</i>	(211,644)	(213,799)
	9,063,680	9,494,126

12. OTHER NON-CURRENT ASSETS

	31 March 2024	31 December 2023
Advances paid for PPE	3,870,555	4,184,286
Prepaid expenses	90,670	104,566
Other assets	933,807	916,063
<i>Less allowance for other assets</i>	(292,207)	(284,068)
<i>Less allowance for advances paid</i>	(22,524)	(21,363)
	4,580,301	4,899,484

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

	31 March 2024	31 December 2023
Short-term loans	5,453,751	3,606,281
Interest liabilities	354,311	256,467
Current portion of long-term loans (note 17)	11,144,850	10,761,083
	16,952,912	14,623,831

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

	Three month period ended	
	2024	31 March 2023
Short-term loans at 1 January	3,606,281	5,345,097
Proceeds	6,562,518	4,458,394
Repayment	(4,715,048)	(5,713,632)
Foreign exchange difference (note 23)	-	(278)
Short-term loans at 31 March	5,453,751	4,089,581

14. TRADE AND OTHER PAYABLES

	31 March 2024	31 December 2023
Trade payables	18,422,004	19,062,793
Dividends payable	3,783,491	3,783,595
Other accounts payable	21,963	21,143
	22,227,458	22,867,531

15. OTHER CURRENT LIABILITIES

	31 March 2024	31 December 2023
Contract liabilities arising from contracts with customers:		
– Advances received	3,201,102	4,747,256
– Customer loyalty	872,615	843,176
– Deferred income	41,636	45,170
Payables to employees	3,561,376	3,931,046
Other current non-financial liabilities	84,093	85,622
	7,760,822	9,652,270

Revenue in the amount of 4,108,584 RSD (31 March 2023: 5,354,941 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2024, of which 3,888,039 RSD (31 March 2023: 5,167,752 RSD) related to advances and 220,545 RSD (31 March 2023: 187,189 RSD) to customer loyalty programme.

16. OTHER TAXES PAYABLE

	31 March 2024	31 December 2023
Mineral extraction tax	429,613	471,143
VAT	4,162,056	1,202,951
Excise tax	4,015,510	8,121,033
Contribution for State commodity reserves	343,082	625,507
Custom duties	40,403	28,928
Energy efficiency fee	50,121	72,972
Other taxes	1,047,600	1,056,917
	10,088,385	11,579,451

17. LONG-TERM DEBT

	31 March 2024	31 December 2023
Bank loans	64,143,667	65,223,168
Other Long-term borrowings	3,298	3,372
<i>Less Current portion (note 13)</i>	<i>(11,144,850)</i>	<i>(10,761,083)</i>
	53,002,115	54,465,457

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

	Three month period ended	
	2024	31 March 2023
Long-term loans at 1 January	65,223,168	67,738,184
Repayment	(1,065,547)	(1,676,924)
Non-cash transactions	4,074	5,869
Foreign exchange difference (note 23)	(18,028)	(20,410)
Long-term loans at 31 March	64,143,667	66,046,719

(a) Bank loans

	31 March 2024	31 December 2023
Domestic	47,757,992	48,366,114
Foreign	16,385,675	16,857,054
	64,143,667	65,223,168
Current portion of long-term loans	(11,144,850)	(10,761,083)
	52,998,817	54,462,085

The maturity of bank loans was as follows:

	31 March 2024	31 December 2023
Between 1 and 2 years	10,291,373	7,632,523
Between 2 and 5 years	41,373,225	45,494,977
Over 5 years	1,334,219	1,334,585
	52,998,817	54,462,085

The carrying amounts of bank loans are denominated in the following currencies:

	31 March 2024	31 December 2023
USD	-	30,298
EUR	64,115,386	65,163,377
JPY	28,281	29,493
	64,143,667	65,223,168

The Company repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Company has both fixed and floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Company will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Company's ratio of Indebtedness to EBITDA. Management believes the Company is in compliance with these covenants as of 31 March 2024 and 31 December 2023, respectively.

18. LEASE LIABILITIES

	31 March 2024	31 December 2023
Non-current lease liabilities	1,760,298	1,610,014
Current lease liabilities	562,594	522,002
	2,322,892	2,132,016

Amounts recognized in profit and loss:

	Three month period ended 31 March	
	2024	2023
Interest expense (included in finance cost) (note 25)	26,525	22,541
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	26,674	1,401
Expense relating to leases of low value assets that are not shown above as short-term leases	2,587	443
Expense relating to variable lease payments not included in lease liabilities	303,063	266,181

	Three month period ended	
	2024	31 March 2023
As at 1 January	2,132,016	2,295,379
Repayment	(190,720)	(174,130)
Non-cash transactions	382,849	24,045
Foreign exchange difference (note 23)	(1,253)	(2,116)
As at 31 March	2,322,892	2,143,178

19. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in the amount of 12,064,913 RSD (2023: 12,038,912 RSD) represents deferred consideration in the amount of 838,706 RSD (2023: 838,937 RSD) for O&G exploration project and liabilities for additional capital contribution associated with the new plant construction program in the amount of 11,226,207 RSD (2023: 11,199,975 RSD).

20. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended	
	2024	31 March 2023
Employee costs	964,866	960,970
Materials and supplies (other than O&G and petroleum products)	321,163	290,477
Repair and maintenance services	1,081,772	1,282,761
Electricity for resale	25,372	4,905,259
Electricity and utilities	2,575,780	2,276,340
Safety and security expense	100,078	141,868
Transportation services for production	399,784	320,995
Other	3,267,784	2,802,282
	8,736,599	12,980,952

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

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	2024	31 March 2023
Employee costs	3,461,991	3,203,683
Commission and agency fees	1,315,135	1,179,725
Legal, audit and consulting services	336,307	368,610
Current repair cost	307,112	279,046
Costs on advertising and marketing	69,957	41,738
Rent expense	30,005	2,866
Business trips expense	56,526	30,307
Safety and security expense	218,258	215,017
Insurance expense	28,435	25,659
Transportation and storage	59,385	47,939
Allowance for doubtful accounts	(11,360)	(1,383)
Other	1,419,974	1,309,567
	7,291,725	6,702,774

22. OTHER INCOME (EXPENSES), NET

	Three month period ended 31 March	
	2024	2023
Penalties	123,621	52,092
Provisions	(10,551)	(20,401)
Impairment of non financial assets	(33)	(2,679)
Charity and social payments	(6,141)	(19,536)
Other	(19,732)	(165,142)
	87,164	(155,666)

23. ET FOREIGN EXCHANGE LOSS

	Three month period ended 31 March	
	2024	2023
Foreign exchange gain (loss) on financing activities including:		
– foreign exchange gain (note 13,17,18,19)	36,847	39,973
– foreign exchange loss (note 13,17,18,19)	(14,346)	(17,169)
Net foreign exchange loss on operating activities	(165,462)	(71,201)
	(142,961)	(48,397)

24. FINANCE INCOME

	Three month period ended 31 March	
	2024	2023
Interest on bank deposits	520,312	1,354,038
Interest income on loans issued	202,170	173,679
Gains on restructuring of loans issued	-	5,783
	722,482	1,533,500

25. FINANCE EXPENSES

	Three month period ended 31 March	
	2024	2023
Interest expense	866,002	708,030
Losses on restructuring of borrowings	4,075	5,896
Decommissioning provision: unwinding of the present value discount	34,683	35,516
Provision of trade and other non-current receivables: discount	8,933	40,011
Revaluation of equity investment at fair value - expense	29,452	-
Less: amounts capitalised on qualifying assets	(17,766)	(12,627)
	925,379	776,826

Interest expense includes expenses on lease liabilities in amount of 26,525 RSD for the three months ended 31 March 2024 (22,541 RSD for the three months ended 31 March 2023, accordingly) (note 18).

26. FAIR VALUE MEASUREMENT

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

As of 31 March 2024 the carrying value of financial assets approximates their fair value.

27. CONTINGENCIES AND COMMITMENTS

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 March 2024.

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. Frequent changes and tightening of sanctions may have and additional impact on the Company's operations.

Currently the Company is continuing the assessment of the new sanctions' impact on the Company's operations.

The Company has established internal procedures to ensure compliance with the sanctions requirements in the course of its business activities. The purpose is to eliminate risks and potential negative consequences for the Company that could result from a violation of requirements and restrictions imposed by international sanctions.

The management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 445,764 RSD (31 December 2023: 451,287 RSD).

The Company's Management believes that cash outflows related to provision will not be significantly higher than the ones already provided for. However, it is possible that these costs will increase significantly in the future, should the legislation become more restrictive.

Capital commitments

As of 31 March 2024 the Company has entered into contracts to purchase property, plant and equipment for 2,378,512 RSD (31 December 2023: 2,861,058 RSD).

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

28. RELATED PARTY TRANSACTIONS

For the purpose of these Interim Condensed Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the three month period ended 31 March 2024 and in the same period in 2023, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to sale of petroleum products and energy.

As at 31 March 2024 and 31 December 2023 the outstanding balances, net of impairment, with related parties were as follows:

	Joint ventures, associates and parent's subsidiaries and associates		
As at 31 March 2024	Subsidiaries	Parent company	
Short-term financial assets	25,697,188	-	-
Trade and other receivables	11,307,329	-	16,970
Other current assets	3,872	-	27,527
Right of use assets	99,834	-	-
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	31,016,682	-	-
Long-term financial assets	8,958,780	-	-
Other non-current assets	87,272	-	-
Trade and other payables	(6,154,745)	-	(210,722)
Other current liabilities	(29,668)	-	(439)
Short-term debt	(4,654,665)	-	-
Current lease liabilities	(7,448)	-	-
Non-current lease liabilities	(96,366)	-	-
Other non-current financial liabilities	(11,226,207)	-	-
	55,001,858	-	872,136
As at 31 December 2023	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	23,726,803	-	-
Trade and other receivables	13,735,659	-	113,387
Other current assets	3,271	-	16,553
Right of use assets	75,408	-	-
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	31,016,682	-	-
Long-term financial assets	9,387,567	-	-
Other non-current assets	88,847	-	72,113
Trade and other payables	(7,017,861)	-	(774,636)
Other current liabilities	(98,543)	-	(442)
Short-term debt	(2,799,157)	-	-
Current lease liabilities	(6,029)	-	-
Non-current lease liabilities	(72,895)	-	-
Other non-current financial liabilities	(11,199,975)	-	-
	56,839,777	-	465,775

For the three month period ended 31 March 2024 and 31 March 2023 the following transaction occurred with related parties:

	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
For the year ended 31 March 2024			
Revenues from sales of products and services	11,004,495	-	76,719
Expenses based on procurement of products and services	(4,651,104)	-	(1,182,887)
Other income (expenses), net	124,472	-	(201)
	6,477,863	-	(1,106,369)

	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
For the year ended 31 March 2023			
Revenues from sales of products and services	4,428,382	-	8,511,961
Expenses based on procurement of products and services	(3,052,574)	(1,721)	(5,301,049)
Other income (expenses), net	139,255	-	(36,627)
	1,515,063	(1,721)	3,174,285

29. EVENTS AFTER THE REPORTING DATE

Subsequent events occurring after 31 March 2024 were evaluated through 26 April 2024, the date these Interim Condensed Financial Statements were authorised for issue.

Consolidated financial statements (unaudited)

Interim Condensed Consolidated Statement of Financial Position

Assets	Note	31 March 2024	31 December 2023
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	4	41,776,369	21,484,271
Short-term financial assets	5	107,257	32,639,879
Trade and other receivables	6	30,503,670	33,432,827
Inventories	7	65,113,479	67,680,808
Current income tax prepayments		10,872,330	7,470,959
Other current assets	8	15,280,602	11,171,402
Assets classified as held for sale		37,792	56,605
Total current assets		163,691,499	173,936,751
Non-current assets			
Property, plant and equipment	9	314,374,748	308,217,345
Right-of-use assets	10	4,068,789	3,728,750
Investment property		1,514,960	1,514,920
Goodwill and other intangible assets		5,818,920	5,406,024
Investments in associates and joint ventures		2,615,710	2,729,005
Trade and other non-current receivables		814,068	669,618
Long-term financial assets		260,304	262,005
Deferred tax assets		3,408,085	3,245,067
Other non-current assets	11	6,623,943	7,001,095
Total non-current assets		339,499,527	332,773,829
Total assets		503,191,026	506,710,580
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	12,298,247	11,824,846
Current lease liabilities	17	1,063,296	924,031
Trade and other payables	13	20,830,916	20,703,916
Other current liabilities	14	12,112,725	14,093,357
Current income tax payable		18	-
Other taxes payable	15	11,430,670	12,961,786
Provisions for liabilities and charges		1,317,568	2,712,762
Total current liabilities		59,053,440	63,220,698
Non-current liabilities			
Long-term debt	16	53,154,506	54,612,097
Non-current lease liabilities	17	3,004,431	3,010,984
Other non-current financial liabilities		838,706	838,937
Deferred tax liabilities		3,402	-
Long-term trade and other payables		2,868	2,868
Provisions for liabilities and charges		14,254,718	13,937,343
Total non-current liabilities		71,258,631	72,402,229
Equity			
Share capital		81,530,200	81,530,200
Reserves		704,119	694,603
Retained earnings		290,215,209	288,345,242
Equity attributable to the Company's owners		372,449,528	370,570,045
Non-controlling interest		429,427	517,608
Total equity		372,878,955	371,087,653
Total liabilities and shareholder's equity		503,191,026	506,710,580

in 000 RSD

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

	Note	Three month period ended 31 March	
		2024	2023
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		81,508,509	86,360,739
Other revenues		4,883,319	9,514,433
Total revenue from sales	3	86,391,828	95,875,172
Purchases of oil, gas and petroleum products		(55,149,780)	(53,401,236)
Production, manufacturing and cost of other sales	18	(10,963,844)	(13,083,542)
Selling, general and administrative expenses	19	(8,200,303)	(7,318,520)
Transportation expenses		(390,407)	(380,573)
Depreciation, depletion and amortization		(6,525,399)	(6,276,495)
Taxes other than income tax		(2,062,509)	(1,852,756)
Exploration expenses		(187)	-
Total operating expenses		(83,292,429)	(82,313,122)
Other income/(expenses), net	20	181,290	(264,718)
Operating profit		3,280,689	13,297,332
Share of gain/(loss) of associates and joint ventures		(113,295)	121,135
Net foreign exchange loss	21	(213,915)	(46,908)
Finance income	22	610,622	1,389,115
Finance expenses	23	(923,019)	(771,012)
Total other (expense)/income		(639,607)	692,330
Profit before income tax		2,641,082	13,989,662
Current income tax expense		(1,018,912)	(2,530,007)
Deferred tax income		159,616	233,789
Total income tax		(859,296)	(2,296,218)
Profit for the period		1,781,786	11,693,444
Other comprehensive income:			
Items that will not be reclassified to profit			
Gain from investments in equity instruments		52	-
		52	-
Items that may be subsequently reclassified to profit			
Currency translation differences		9,464	15,429
		9,464	15,429
Other comprehensive income for the period		9,516	15,429
Total comprehensive income for the period		1,791,302	11,708,873
Profit/(loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		1,869,967	11,693,444
- Non-controlling interest		(88,181)	-
Profit for the period		1,781,786	11,693,444
Total comprehensive income/(loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		1,879,483	11,708,873
- Non-controlling interest		(88,181)	-
Total comprehensive income for the period		1,791,302	11,708,873
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		11.47	71.71
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2024 and 2023

(unaudited)	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
Balance as at 1 January 2023	81,530,200	572,237	267,125,162	349,227,599	-	349,227,599
Profit for the period	-	-	11,693,444	11,693,444	-	11,693,444
Other comprehensive income						
Currency translation differences	-	15,429	-	15,429	-	15,429
Total comprehensive income for the period	-	15,429	11,693,444	11,708,873	-	11,708,873
Balance as at 31 March 2023	81,530,200	587,666	278,818,606	360,936,472	-	360,936,472

(unaudited)	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
Balance as at 1 January 2024	81,530,200	694,603	288,345,242	370,570,045	517,608	371,087,653
Profit/(loss) for the period	-	-	1,869,967	1,869,967	(88,181)	1,781,786
Other comprehensive income						
Gain from investments in equity instruments	-	52	-	52	-	52
Currency translation differences	-	9,464	-	9,464	-	9,464
Total comprehensive income/(loss) for the period	-	9,516	1,869,967	1,879,483	(88,181)	1,791,302
Balance as at 31 March 2024	81,530,200	704,119	290,215,209	372,449,528	429,427	372,878,955

in 000 RSD

*Interim Condensed Consolidated Statement of Cash Flows*⁷²

	Note	Three month period ended	
		31 March 2024	2023
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Profit before income tax		2,641,082	13,989,662
Adjustments for:			
Share of (profit)/loss of associates and joint ventures		113,295	(121,135)
Finance expenses	23	923,019	771,012
Finance income	22	(610,622)	(1,389,115)
Unrealised foreign exchange (gain)/losses, net		147,915	(161,261)
Depreciation, depletion and amortization		6,525,399	6,276,495
Other non-cash items		(357,949)	169,842
Operating cash flow before changes in working capital		9,382,139	19,535,500
Changes in working capital:			
Trade and other receivables		2,975,397	5,245,251
Inventories		2,943,540	2,752,518
Other current assets		(4,025,578)	(201,829)
Trade payables and other current liabilities		(3,994,458)	(5,891,739)
Other taxes payable		(1,528,610)	(3,377,268)
Total effect on working capital changes		(3,629,709)	(1,473,067)
Income taxes paid		(4,425,622)	(1,070,475)
Interest paid		(705,041)	(565,244)
Interest received		2,062,424	1,238,661
Net cash generated by operating activities		2,684,191	17,665,375
Cash flows from investing activities			
Capital expenditures ⁷³		(11,789,080)	(7,051,438)
Proceeds from sale of property, plant and equipment		67,767	21,413
Bank deposits (proceeds)/repayment, net		31,000,001	(9,940,012)
Other inflow/(outflow)		(161,733)	11
Net cash generated/(used) in investing activities		19,116,955	(16,970,026)
Cash flows from financing activities			
Proceeds from borrowings	12,16	-	820,000
Repayment of borrowings	12,16	(1,065,548)	(2,498,022)
Repayment of lease liabilities	17	(293,815)	(269,827)
Net cash used in financing activities		(1,359,363)	(1,947,849)
Net increase/(decrease) in cash and cash equivalents		20,441,783	(1,252,500)
Effect of foreign exchange on cash and cash equivalents		(149,685)	(104,695)
Cash and cash equivalents as of the beginning of the period		21,484,271	88,131,045
Cash and cash equivalents as of the end of the period	4	41,776,369	86,773,850

*in 000 RSD*⁷² Group policy is to present cash flow inclusive of related VAT.⁷³ CF from investing activities includes VAT in the amount of 1.4 bln RSD (2023: 0.7 bln RSD)

Notes to the Consolidated Financial Statements⁷⁴

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the “Company”) and its subsidiaries (together refer to as the “Group”) is a vertically integrated oil company operating predominantly in Serbia. The Group’s principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading,
- Electricity generation and trading and
- Production and trading of petrochemical products.

Other activities primarily include sales of other goods, works and services.

The Company is a public joint stock company listed on the Belgrade Stock Exchange.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.3. Basis of preparation

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

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

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

The amendments to existing standards, which became effective on January 1, 2024, did not have a material impact on the Condensed Interim 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 Condensed Interim Consolidated Financial Statements, when they become effective. The Group does not expect the amendments to existing standards to have a material impact on the Condensed Interim 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.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2023, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group’s Consolidated Financial Statements for 2023.

In the 2024 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 25) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the first quarter 2024 the Group didn’t review the critical accounting estimates which are used by the Group in the Interim Condensed Consolidated Financial Statements preparation and which are

⁷⁴ All amounts are in 000 RSD, unless otherwise stated.

assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 31 March 2024 the Group didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing.

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

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

2.4. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2023.

3. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the three month period ended 31 March 2024 and 2023. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products. Corporate centre, Energy business activities and petrochemical production are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Group's EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Group's on-going operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the three month period ended 31 March 2024 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	13,696,891	86,965,385	(14,270,448)	86,391,828
Intersegment	13,507,266	763,182	(14,270,448)	-
External	189,625	86,202,203	-	86,391,828
Adjusted EBITDA (Segment results)	9,850,574	122,924	-	9,973,498
Depreciation, depletion and amortization	(3,745,198)	(2,780,201)	-	(6,525,399)
Share of loss in associates and joint ventures	-	(113,295)	-	(113,295)
Net foreign exchange loss	(160,295)	(53,620)	-	(213,915)
Finance expenses, net	(122,465)	(189,932)	-	(312,397)
Income tax	(58,550)	(800,746)	-	(859,296)
Segment profit/(loss)	5,642,097	(3,860,311)	-	1,781,786

Reportable segment results for the three month period ended 31 March 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	10,893,642	96,059,355	(11,077,825)	95,875,172
Intersegment	10,755,317	322,508	(11,077,825)	-
External	138,325	95,736,847	-	95,875,172
Adjusted EBITDA (Segment results)	6,999,464	12,879,659	-	19,879,123
Depreciation, depletion and amortization	(3,491,738)	(2,784,757)	-	(6,276,495)
Share of gain in associates and joint ventures	-	121,135	-	121,135
Net foreign exchange loss	(18,330)	(28,578)	-	(46,908)
Finance income/(expenses), net	(83,479)	701,582	-	618,103
Income tax	(51,177)	(2,245,041)	-	(2,296,218)
Segment profit	3,287,311	8,406,133	-	11,693,444

Adjusted EBITDA for the three month period ended 31 March 2024 and 2023 is reconciled below:

	Three month period ended	
	2024	31 March 2023
Profit for the period	1,781,786	11,693,444
Income tax	859,296	2,296,218
Finance expenses	923,019	771,012
Finance income	(610,622)	(1,389,115)
Depreciation, depletion and amortization	6,525,399	6,276,495
Share of (profit)/loss of associates and joint ventures	113,295	(121,135)
Net foreign exchange loss	213,915	46,908
Other expenses/(income), net	(181,290)	264,718
Other non-operating expense, net	348,700	40,578
Adjusted EBITDA	9,973,498	19,879,123

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

	Three month period ended	
	2024	31 March 2023
Sale of crude oil	65,891	-
Sale of gas	54,512	49,572
<i>Wholesale activities</i>	54,512	49,572
Sale of petroleum products	76,316,028	86,311,167
<i>Through a retail network</i>	28,874,913	29,124,452
<i>Wholesale activities</i>	47,441,115	57,186,715
Sale of petrochemical products	5,072,078	-
Sale of electricity	244,062	5,268,692
Lease revenue	81,066	86,004
Other sales	4,558,191	4,159,737
Total sales	86,391,828	95,875,172

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 3,537,542 RSD (2023: 2,918,117 RSD).

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

4. CASH AND CASH EQUIVALENTS

	31 March 2024	31 December 2023
Cash in bank and in hand	11,555,756	11,739,845
Deposits with original maturity of less than three months	30,215,676	9,734,451
Cash held on escrow account	252	4,729
Cash equivalents	4,685	5,246
	41,776,369	21,484,271

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

5. SHORT-TERM FINANCIAL ASSETS

	31 March 2024	31 December 2023
Short-term loans	34,470	34,215
Deposits with original maturity more than 3 months less than 1 year	74,967	32,607,844
<i>Less impairment loss provision</i>	(2,180)	(2,180)
	107,257	32,639,879

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

6. TRADE AND OTHER RECEIVABLES

	31 March 2024	31 December 2023
Trade receivables	38,084,187	41,108,308
Other receivables	76,007	83,048
Accrued assets	14,363	3,029
<i>Less credit loss allowance for trade receivables</i>	(7,641,222)	(7,730,975)
<i>Less credit loss allowance for other receivables</i>	(29,665)	(30,583)
	30,503,670	33,432,827

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

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

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

7. INVENTORIES

	31 March 2024	31 December 2023
Crude oil	27,861,840	32,398,731
Petroleum products	29,250,924	29,073,971
Materials and supplies	11,769,247	10,338,729
Other	1,568,220	1,622,606
<i>Less impairment provision</i>	(5,336,752)	(5,753,229)
	65,113,479	67,680,808

8. OTHER CURRENT ASSETS

	31 March 2024	31 December 2023
Advances paid	5,358,054	1,801,551
VAT receivables	989,540	667,468
Deferred VAT	4,000,337	3,450,155
Prepaid expenses	858,736	334,025
Prepaid custom duties	78,098	68,247
Prepaid excise	3,507,607	4,305,367
Other current assets	8,017,829	8,074,069
<i>Less impairment provision</i>	<i>(7,529,599)</i>	<i>(7,529,480)</i>
	15,280,602	11,171,402

Deferred VAT as at 31 March 2024 amounting to 4,000,337 RSD (31 December 2023: 3,450,155 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2024 amounting to 3,507,607 RSD (31 December 2023: 4,305,367 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2024						
Cost	252,630,090	175,629,205	78,033,327	18,056,185	36,977,722	561,326,529
Depreciation and impairment	(110,571,668)	(87,506,665)	(41,309,913)	(10,475,958)	(3,244,980)	(253,109,184)
Net book value	142,058,422	88,122,540	36,723,414	7,580,227	33,732,742	308,217,345
Period ended 31 March 2024						
Additions	4,154,455	1,154,007	1,432,239	229,616	5,130,311	12,100,628
Changes in decommissioning obligations	34,606	-	-	-	-	34,606
Impairment	-	-	-	-	(33)	(33)
Depreciation	(3,570,093)	(1,857,428)	(624,835)	(122,759)	-	(6,175,115)
Disposals and write-off	(15,797)	(2,195)	(24,312)	(69)	(187)	(42,560)
Other transfers	(50)	(6,826)	6,297	(1,033)	251,444	249,832
Translation differences	(2,130)	-	(3,526)	-	(4,299)	(9,955)
As at 31 March 2024						
Cost	256,786,379	177,032,511	79,290,830	18,264,535	42,049,225	573,423,480
Depreciation and impairment	(114,126,966)	(89,622,413)	(41,781,553)	(10,578,553)	(2,939,247)	(259,048,732)
Net book value	142,659,413	87,410,098	37,509,277	7,685,982	39,109,978	314,374,748

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets the three months ended 31 March 2024 are as follows:

	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	-	140,084	86,950	309,780	536,814
Depreciation	(2,587)	(60,371)	(36,963)	(89,853)	(189,774)
Transfers	-	(5,963)	-	-	(5,963)
Disposals	-	-	-	(826)	(826)
Foreign currency translation	(59)	(154)	9	(8)	(212)
As at 31 March 2024	106,134	1,418,242	279,284	2,265,129	4,068,789

11. OTHER NON-CURRENT ASSETS

	31 March 2024	31 December 2023
Advances paid for PPE	6,399,310	6,749,277
Prepaid expenses	92,046	104,566
Other assets	945,582	952,700
<i>Less allowance of other assets</i>	(295,685)	(287,549)
<i>Less allowance for advances paid</i>	(517,310)	(517,899)
	6,623,943	7,001,095

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

	31 March 2024	31 December 2023
Short-term loans	820,000	820,000
Interest liabilities	333,397	243,592
Other Short-term financial liabilities	-	171
Current portion of long-term loans (note 16)	11,144,850	10,761,083
	12,298,247	11,824,846

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

	Three month period ended 31 March	
	2024	2023
Short-term loans at 1 January	820,000	1,308,145
Proceeds	-	820,000
Repayment	-	(821,100)
Foreign exchange difference (note 21)	-	(278)
Short-term loans at 31 March	820,000	1,306,767

13. TRADE AND OTHER PAYABLES

	31 March 2024	31 December 2023
Trade payables	16,994,396	16,880,398
Dividends payable	3,783,491	3,783,595
Other accounts payable	53,029	39,923
	20,830,916	20,703,916

14. OTHER CURRENT LIABILITIES

	31 March 2024	31 December 2023
Contract liabilities arising from contracts with customers:		
- Advances received	3,372,374	5,136,000
- Customer loyalty	964,133	926,279
- Deferred income	83,490	88,916
Payables to employees	5,716,834	6,008,721
Other current non-financial liabilities	1,975,894	1,933,441
	12,112,725	14,093,357

Revenue in the amount of 4,489,572 RSD was recognized in the current reporting period (31 March 2023: 5,454,769 RSD) related to the contract liabilities as at 1 January 2024, of which 4,241,400 RSD (31 March 2023: 5,231,703 RSD) related to advances and 248,172 RSD (31 March 2023: 223,066 RSD) to customer loyalty programme.

Other current non-financial liabilities mainly relate to compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects in amount of 1,838,110 RSD.

15. OTHER TAXES PAYABLE

	31 March 2024	31 December 2023
Mineral extraction tax	456,075	483,058
VAT	4,520,708	1,771,559
Excise tax	4,169,763	8,264,105
Contribution for State commodity reserves	343,132	625,507
Custom duties	70,302	61,075
Energy efficiency fee	50,706	73,968
Other taxes	1,819,984	1,682,514
	11,430,670	12,961,786

16. LONG-TERM DEBT

	31 March 2024	31 December 2023
Bank loans	64,143,667	65,223,168
Other long-term borrowings	155,689	150,012
Less Current portion (note 12)	(11,144,850)	(10,761,083)
	53,154,506	54,612,097

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

	Three month period ended	
	2024	31 March 2023
Long-term loans at 1 January	65,223,168	67,738,184
Repayment	(1,065,548)	(1,676,922)
Non-cash transactions	4,075	5,867
Foreign exchange difference (note 21)	(18,028)	(20,410)
Long-term loans at 31 March	64,143,667	66,046,719

(b) Bank loans

	31 March 2024	31 December 2023
Domestic	47,757,992	48,366,114
Foreign	16,385,675	16,857,054
	64,143,667	65,223,168
Current portion of long-term loans	(11,144,850)	(10,761,083)
	52,998,817	54,462,085

The maturity of bank loans was as follows:

	31 March 2024	31 December 2023
Between 1 and 2 years	10,291,373	7,632,523
Between 2 and 5 years	41,373,225	45,494,977
Over 5 years	1,334,219	1,334,585
	52,998,817	54,462,085

The carrying amounts of bank and other long-term loans are denominated in the following currencies:

	31 March 2024	31 December 2023
USD	-	30,298
EUR	64,115,386	65,163,377
JPY	28,281	29,493
	64,143,667	65,223,168

The Group repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has both fixed and floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Group will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 31 March 2024 and 31 December 2023, respectively.

17. LEASE LIABILITIES

	31 March 2024	31 December 2023
Non-current lease liabilities	3,004,431	3,010,984
Current lease liabilities	1,063,296	924,031
	4,067,727	3,935,015

Amounts recognized in profit and loss:

	Three month period ended	
	2024	31 March 2023
Interest expense (included in finance cost) (note 23)	43,190	36,906
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	49,871	13,945
Expense relating to leases of low value assets that are not shown above as short-term leases	24,487	18,840
Expense relating to variable lease payments not included in lease liabilities	602,215	560,760

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

	Three month period ended	
	2024	31 March 2023
As at 1 January	3,935,015	3,149,589
Repayment	(293,815)	(269,827)
Non-cash transactions	428,124	186,094
Foreign exchange difference (note 21)	(1,597)	(2,890)
As at 31 March	4,067,727	3,062,966

18. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended	
	2024	31 March 2023
Employee costs	3,182,259	2,504,597
Materials and supplies (other than O&G and petroleum products)	932,439	768,366
Repair and maintenance services	1,067,942	720,736
Electricity for resale	25,398	4,906,463
Electricity and utilities	4,570,396	2,650,360
Safety and security expense	24,862	142,888
Transportation services for production	168,343	155,763
Other	992,205	1,234,369
	10,963,844	13,083,542

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

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	2024	31 March 2023
Employee costs	5,459,681	4,768,582
Commission and agency fees	180,871	207,908
Legal, audit and consulting services	176,164	215,752
Current repair cost	323,457	312,216
Costs on advertising and marketing	77,765	51,201
Rent expense	39,250	15,980
Business trips expense	71,336	36,884
Safety and security expense	254,308	234,010
Insurance expense	36,705	26,964
Transportation and storage	83,420	54,511
Allowance for doubtful accounts	(15,406)	5,394
Other	1,512,752	1,389,118
	8,200,303	7,318,520

20. OTHER INCOME/(EXPENSES), NET

	Three month period ended	
	2024	31 March 2023
Penalties	127,516	54,605
Provisions (legal, environmental, etc.)	(122,267)	(101,060)
Impairment of non-financial assets	(33)	(7,518)
Gain from write-off of accounts payable	149,237	1,329
Charity and social payments	(6,411)	(19,536)
Other	33,248	(192,538)
	181,290	(264,718)

21. NET FOREIGN EXCHANGE LOSS

	Three month period ended	
	2024	31 March 2023
Foreign exchange gain/(loss) on financing activities including:		
foreign exchange gain (note 12, 16 and 17)	51,274	52,880
foreign exchange loss (note 12, 16 and 17)	(31,649)	(29,302)
Net foreign exchange loss on operating activities	(233,540)	(70,486)
	(213,915)	(46,908)

22. FINANCE INCOME

	Three month period ended	
	2024	31 March 2023
Interest on bank deposits	608,311	1,386,436
Interest income on loans issued	2,311	2,679
	610,622	1,389,115

23. FINANCE EXPENSES

	Three month period ended	
	2024	31 March 2023
Interest expense	901,581	701,377
Losses on restructuring of borrowings	4,075	5,896
Decommissioning provision: unwinding of the present value discount	35,255	36,355
Provision of trade and other non-current receivables: discount	1,304	40,011
<i>Less: amounts capitalised on qualifying assets</i>	(19,196)	(12,627)
	923,019	771,012

Interest expense includes expenses on lease liabilities in the amount of 43,190 RSD for the three months ended 31 March 2024 (36,906 RSD for the three months ended 31 March 2023 accordingly) (Note 17).

24. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties, financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2023. There were no transfers between the levels of the fair value hierarchy during 2024.

As of 31 March 2024 the carrying value of financial assets approximates their fair value.

25. CONTINGENCIES AND COMMITMENTS

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 March 2024.

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. Frequent changes and tightening of sanctions may have and additional impact on the Group's operations.

Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations.

The Group has established internal procedures to ensure compliance with the sanctions requirements in the course of its business activities. The purpose is to eliminate risks and potential negative consequences for the Company that could result from a violation of requirements and restrictions imposed by international sanctions.

The management is taking necessary measures to ensure sustainability of the 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 461,031 RSD (31 December 2023: 466,555 RSD).

The Group's Management believes that cash outflows related to provision will not be significantly higher than the ones already provided for. However, it is possible that these costs will increase significantly in the future, should the legislation become more restrictive.

Capital commitments

As of 31 March 2024 the Group has entered into contracts to purchase property, plant and equipment 2,378,512 RSD (31 December 2023: 2,861,058 RSD) and drilling and exploration works estimated to 90,05 USD million (31 December 2022: 89.78 USD million).

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

26. RELATED PARTY TRANSACTIONS

For the purpose of these Consolidated Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the three month period ended 31 March 2024 and in the same period in 2023, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to sale of petroleum products and energy.

As at 31 March 2024 and 31 December 2023 the outstanding balances, presented net of impairment, with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint venture
As at 31 March 2024			
Short-term financial assets	-	32,452	-
Trade and other receivables	-	194,197	16,868
Investments in joint venture and associates	-	-	2,615,711
Trade and other non-current receivables	-	-	814,068
Other current assets	-	27,615	-
Trade and other payables	-	(170,187)	(89,480)
Other current liabilities	-	(117)	(439)
	-	83,960	3,356,728
As at 31 December 2023			
Short-term financial assets	-	32,196	-
Trade and other receivables	-	231,618	84,568
Investments in joint venture and associates	-	-	2,729,005
Trade and other non-current receivables	-	-	669,618
Other current assets	-	16,917	-
Other non-current assets	-	72,113	-
Trade and other payables	-	(172,009)	(667,586)
Other current liabilities	-	(127)	(433)
	-	180,708	2,815,172

For the three month period ended 31 March 2024 and 2023 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
Three month period ended 31 March 2024			
Revenues from sales of products and services	-	470	76,503
Expenses based on procurement of products and services	-	(148,621)	(1,035,820)
Other income/(expenses), net	-	926	(17,231)
	-	(147,225)	(976,548)
Three month period ended 31 March 2023			
Revenues from sales of products and services	-	156,387	8,359,431
Expenses based on procurement of products and services	(1,721)	(303,402)	(5,000,667)
Other expenses, net	-	(35,753)	(699)
	(1,721)	(182,768)	3,358,065

27. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 March 2024 were evaluated through 26 April 2024, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

Statement of individuals responsible for the preparation of report

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

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

Anton Cherepanov



Deputy CEO,
Head of Function for Finance, Economics,
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Glossary

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

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