



Naftna industrija Srbije A.D.

**Interim Condensed Consolidated Financial
Statements (Unaudited)**

30 June 2023

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

Contents

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim Condensed Consolidated Statement of Financial Position	3
Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	4
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity	5
Interim Condensed Consolidated Statement of Cash Flows	6

Notes to the Interim Condensed Consolidated Financial Statements

1. General Information	7
2. Summary of Material Accounting Policies	7
3. Segment Information	8
4. Cash and Cash Equivalents	10
5. Short-term Financial Assets	10
6. Trade and Other Receivables	10
7. Inventories	11
8. Other Current Assets	11
9. Property, Plant and Equipment	12
10. Right-of-use Assets	13
11. Other Non-Current Assets	13
12. Short-term Debt and Current Portion of Long-term Debt	13
13. Trade and Other Payables	14
14. Other Current Liabilities	14
15. Other Taxes Payable	14
16. Long-term Debt	15
17. Lease Liabilities	16
18. Production and Manufacturing Expenses	16
19. Selling, General and Administrative Expenses	17
20. Other income (expense), net	17
21. Net Foreign Exchange Gain (Loss)	17
22. Finance Income	17
23. Finance Expenses	18
24. Fair Value Measurement	18
25. Business Combination	18
26. Contingencies and Commitments	19
27. Related Party Transactions	19
28. Events After the Reporting Date	21

Contact Information	22
---------------------	----

(All amounts are in 000 RSD, unless otherwise stated)

Kirill Tyurdenev
Chief Executive Officer
27 July 2023

3

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

(All amounts are in 000 RSD, unless otherwise stated)

		Three month period ended 30 June		Six month period ended 30 June	
	Note	2023	2022	2023	2022
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		83,819,614	136,203,367	170,180,353	228,664,797
Other revenues		7,164,932	6,036,060	16,679,365	11,609,617
Total revenue from sales	3	90,984,546	142,239,427	186,859,718	240,274,414
Purchases of oil, gas and petroleum products		(55,141,030)	(82,977,490)	(108,542,266)	(137,808,354)
Production and manufacturing expenses	18	(10,496,958)	(9,368,291)	(23,580,500)	(18,482,463)
Selling, general and administrative expenses	19	(7,476,809)	(6,683,387)	(14,795,329)	(12,828,424)
Transportation expenses		(374,804)	(469,481)	(755,377)	(842,460)
Depreciation, depletion and amortization		(6,128,511)	(6,422,135)	(12,405,006)	(12,710,953)
Taxes other than income tax		(1,893,169)	(2,050,207)	(3,745,925)	(4,245,099)
Exploration expenses		-	(173)	-	(173)
Total operating expenses		(81,511,281)	(107,971,164)	(163,824,403)	(186,917,926)
Other income (expenses), net	20	(7,093,172)	115,518	(7,357,890)	42,824
Operating profit (loss)		2,380,093	34,383,781	15,677,425	53,399,312
Share of gain (loss) of associates and joint ventures		(223,475)	183,335	(102,340)	335,973
Net foreign exchange (loss)	21	(163,897)	(1,321,668)	(210,805)	(1,275,474)
Finance income	22	1,283,461	213,926	2,672,576	279,685
Finance expenses	23	(830,402)	(421,724)	(1,601,414)	(829,988)
Total other (expense) income		65,687	(1,346,131)	758,017	(1,489,804)
Profit (loss) before income tax		2,445,780	33,037,650	16,435,442	51,909,508
Current income tax expense		(579,194)	(5,138,159)	(3,109,201)	(8,391,917)
Deferred income tax income		163,019	169,996	396,808	192,041
Total income tax		(416,175)	(4,968,163)	(2,712,393)	(8,199,876)
Profit for the period		2,029,605	28,069,487	13,723,049	43,709,632
Other comprehensive income (loss):					
Items that will not be reclassified to profit (loss)					
Losses on remeasurements of defined benefit plans		-	-	-	(62,751)
Loss from investments in equity instruments		(155)	(104)	(155)	(104)
Items that may be subsequently reclassified to profit (loss)					
Currency translation differences		46,645	54,809	62,074	29,451
Other comprehensive income (loss) for the period		46,490	54,705	61,919	(33,404)
Total comprehensive income for the period		2,076,095	28,124,192	13,784,968	43,676,228
Profit attributable to:					
- Shareholders of Naftna Industrija Srbije		2,029,605	28,069,487	13,723,049	43,709,632
- Non-controlling interest		-	-	-	-
Profit for the period		2,029,605	28,069,487	13,723,049	43,709,632
Total comprehensive income attributable to:					
- Shareholders of Naftna Industrija Srbije		2,076,095	28,124,192	13,784,968	43,676,228
- Non-controlling interest		-	-	-	-
Total comprehensive income for the period		2,076,095	28,124,192	13,784,968	43,676,228
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		12.45	172.14	84.16	268.06
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

NIS Group

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Six month period ended 30 June 2023 and 2022

(All amounts are in 000 RSD, unless otherwise stated)

Equity attributable to the Company's owners						
	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
(unaudited)						
Balance as at 1 January 2022	81,530,200	488,736	180,797,597	262,816,533	19,678	262,836,211
Profit for the period	-	-	43,709,632	43,709,632	-	43,709,632
Other comprehensive income/(loss)						
Loss from investments in equity instruments	-	(104)	-	(104)	-	(104)
Losses on remeasurements of defined benefit plans	-	-	(62,751)	(62,751)	-	(62,751)
Currency translation differences	-	29,451	-	29,451	-	29,451
Total comprehensive income for the period	-	29,347	43,646,881	43,676,228	-	43,676,228
Dividend distribution	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other	-	23,580	(69,547)	(45,967)	(19,678)	(65,645)
Balance as at 30 June 2022	81,530,200	541,663	218,592,809	300,664,672	-	300,664,672

Equity attributable to the Company's owners						
	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
(unaudited)						
Balance as at 1 January 2023	81,530,200	572,221	267,125,162	349,227,583	-	349,227,583
Profit for the period	-	-	13,723,049	13,723,049	-	13,723,049
Other comprehensive income/(loss)						
Loss from investments in equity instruments	-	(155)	-	(155)	-	(155)
Currency translation differences	-	62,074	-	62,074	-	62,074
Total comprehensive income for the period	-	61,919	13,723,049	13,784,968	-	13,784,968
Dividend distribution	-	-	(23,364,925)	(23,364,925)	-	(23,364,925)
Balance as at 30 June 2023	81,530,200	634,140	257,483,286	339,647,626	-	339,647,626

NIS Group
Interim Condensed Consolidated Statement of Cash Flows¹

(All amounts are in 000 RSD, unless otherwise stated)

		Six month period ended 30 June	
		2023	2022
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		16,435,442	51,909,508
Adjustments for:			
Share of profit of associates and joint ventures		102,340	(335,973)
Finance expenses	23	1,601,414	829,988
Finance income	22	(2,672,576)	(279,685)
Unrealised foreign exchange (gain)/losses, net		(1,019,978)	145,446
Depreciation, depletion and amortization		12,405,006	12,710,953
Other non-cash items		366,614	321,821
Operating cash flow before changes in working capital		27,218,262	65,302,058
Changes in working capital:			
Trade and other receivables		6,407,737	(11,747,901)
Inventories		(2,284,833)	(30,546,351)
Other current assets		(1,706,363)	(4,420,062)
Trade payables and other current liabilities		(11,962,421)	7,407,769
Other taxes payable		(2,395,568)	7,584,998
Total effect on working capital changes		(11,941,448)	(31,721,547)
Income taxes paid		(21,085,859)	(5,991,482)
Interest paid		(1,260,054)	(659,719)
Interest received		2,287,462	247,376
		(20,058,451)	(6,403,825)
Net cash (used in)/generated by operating activities		(4,781,637)	27,176,686
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiaries	25	568,307	-
Capital expenditures ²		(12,788,981)	(8,635,564)
Proceeds from sale of property, plant and equipment		55,186	234,528
Bank deposits (proceeds)/repayment, net		(30,880,050)	(91,880)
Other outflow		10	(94,107)
Net cash used in investing activities		(43,045,528)	(8,587,023)
Cash flows from financing activities			
Proceeds from borrowings	12,16	820,000	5,811,336
Repayment of borrowings	12,16	(5,019,737)	(7,173,423)
Repayment of lease liabilities	17	(489,477)	(378,868)
Net cash used in financing activities		(4,689,214)	(1,740,955)
Net increase/(decrease) in cash and cash equivalents		(52,516,379)	16,848,708
Effect of foreign exchange on cash and cash equivalents		(170,769)	(213,603)
Cash and cash equivalents as of the beginning of the period		88,131,045	21,283,274
Cash and cash equivalents as of the end of the period	4	35,443,897	37,918,379

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

¹ Group policy is to present cash flow inclusive of related VAT.

² CF from investing activities includes VAT in the amount of 1.46 bln RSD (2022: 1.1 bln RSD)

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023

(All amounts are in 000 RSD, unless otherwise stated)

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 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 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

2.1. 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.

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

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

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

In the first half 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 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 half 2023 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 assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 30 June 2023 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.

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023

(All amounts are in 000 RSD, unless otherwise stated)

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

The results in these Condensed Interim Consolidated Financial Statements for the three and six month period ended 30 June 2023 are not necessarily indicative of the Group's results expected for the full year.

The Group 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 Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2022.

3. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the six month periods ended 30 June 2023 and 2022. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products. Corporate centre 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 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 six month period ended 30 June 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	22,494,877	187,109,468	(22,744,627)	186,859,718
Intersegment	22,104,293	640,334	(22,744,627)	-
External	390,584	186,469,134	-	186,859,718
Adjusted EBITDA (Segment results)	14,535,122	13,928,706	-	28,463,828
Depreciation, depletion and amortization	(6,996,059)	(5,408,947)	-	(12,405,006)
Share of profit of associates and joint ventures	-	(102,340)	-	(102,340)
Net foreign exchange loss	(92,527)	(118,278)	-	(210,805)
Finance income (expenses), net	(190,869)	1,262,031	-	1,071,162
Income tax	(21,749)	(2,690,644)	-	(2,712,393)
Segment profit	7,103,062	6,619,987	-	13,723,049

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023

(All amounts are in 000 RSD, unless otherwise stated)

Reportable segment results for the six month period ended 30 June 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	45,639,710	238,384,640	(43,749,936)	240,274,414
Intersegment	43,239,667	510,269	(43,749,936)	-
External	2,400,043	237,874,371	-	240,274,414
Adjusted EBITDA (Segment results)	25,457,979	40,778,513	-	66,236,492
Depreciation, depletion and amortization	(6,898,197)	(5,812,756)	-	(12,710,953)
Share of profit of associates and joint ventures	-	335,973	-	335,973
Net foreign exchange gain/(loss)	27,660	(1,303,134)	-	(1,275,474)
Finance expenses, net	(23,217)	(527,086)	-	(550,303)
Income tax	(214,123)	(7,985,753)	-	(8,199,876)
Segment profit	17,946,416	25,763,216	-	43,709,632

Adjusted EBITDA for the three and six month period ended 30 June 2023 and 2022 is reconciled below:

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Profit for the period	2,029,605	28,069,487	13,723,049	43,709,632
Income tax	416,175	4,968,163	2,712,393	8,199,876
Finance expenses	830,402	421,724	1,601,414	829,988
Finance income	(1,283,461)	(213,926)	(2,672,576)	(279,685)
Depreciation, depletion and amortization	6,128,511	6,422,135	12,405,006	12,710,953
Share of (profit)/loss of associates and joint ventures	223,475	(183,335)	102,340	(335,973)
Net foreign exchange loss	163,897	1,321,668	210,805	1,275,474
Other expenses/(income), net	7,093,172	(115,518)	7,357,890	(42,824)
Other non-operating expense/(income), net*	(7,017,071)	170,547	(6,976,493)	169,051
Adjusted EBITDA	8,584,705	40,860,945	28,463,828	66,236,492

*Other non-operating expense/(income), net mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and other (note 20).

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

	Six month period ended 30 June	
	2023	2022
Sale of crude oil	-	3,825,485
Sale of gas	91,087	70,515
<i>Wholesale activities</i>	91,087	70,515
Sale of petroleum products	170,089,266	224,768,798
<i>Through a retail network</i>	58,070,647	68,567,513
<i>Wholesale activities</i>	112,018,619	156,201,285
Sale of electricity	7,527,339	3,779,337
Lease revenue	177,595	176,657
Other sales	8,974,431	7,653,622
Total sales	186,859,718	240,274,414

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 6,395,016 RSD (2022: 5,810,524 RSD).

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)*

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

	30 June 2023	31 December 2022
Cash in bank and in hand	11,511,193	18,958,001
Deposits with original maturity of less than three months	23,922,694	69,170,832
Cash held on escrow account	4,735	254
Cash equivalents	5,275	1,958
	35,443,897	88,131,045

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

5. SHORT-TERM FINANCIAL ASSETS

	30 June 2023	31 December 2022
Short-term loans	36,907	43,116
Deposits with original maturity more than 3 months less than 1 year	38,270,323	6,063,683
Less impairment loss provision	(2,180)	(2,180)
	38,305,050	6,104,619

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

6. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
Trade receivables	37,144,352	43,289,967
Other receivables	86,560	88,129
Accrued assets	30,167	2,907
Less credit loss allowance for trade receivables	(7,745,974)	(7,376,579)
Less credit loss allowance for other receivables	(33,539)	(34,426)
	29,481,566	35,969,998

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

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

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)***7. INVENTORIES**

	30 June 2023	31 December 2022
Crude oil	29,375,169	29,455,750
Petroleum products	26,925,166	25,216,800
Materials and supplies	7,180,971	6,557,773
Other	1,469,960	1,517,953
Less impairment provision	(4,483,794)	(4,513,662)
	60,467,472	58,234,614

8. OTHER CURRENT ASSETS

	30 June 2023	31 December 2022
Advances paid	2,254,362	1,059,350
VAT receivables	122,671	601,319
Deferred VAT	3,474,581	4,405,141
Prepaid expenses	663,186	326,204
Prepaid custom duties	72,908	60,981
Prepaid excise	5,593,294	4,465,682
Other current assets	8,762,635	8,614,106
Less impairment provision	(7,500,252)	(7,501,049)
	13,443,385	12,031,734

Deferred VAT as at 30 June 2023 amounting to 3,474,581 RSD (31 December 2022: 4,405,141 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 June 2023 amounting to 5,593,294 RSD (31 December 2022: 4,465,682 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2023						
Cost	235,638,513	165,764,521	76,125,213	17,455,773	24,562,759	519,546,779
Depreciation and impairment	(97,472,486)	(73,525,826)	(39,768,592)	(9,891,917)	(3,097,502)	(223,756,323)
Net book value	138,166,027	92,238,695	36,356,621	7,563,856	21,465,257	295,790,456
Period ended 30 June 2023						
Additions	7,461,705	336,513	363,102	108,700	2,552,959	10,822,979
Changes in decommissioning obligations	78,676	-	-	-	-	78,676
Impairment	-	-	-	-	(11,007)	(11,007)
Depreciation	(6,658,280)	(3,640,618)	(1,219,608)	(230,249)	-	(11,748,755)
Transfer from intangible assets	-	-	-	-	865	865
Transfer to investment property	-	-	(8,631)	-	-	(8,631)
Transfer to non-current assets held for sale	(6,497)	-	-	(14,038)	-	(20,535)
Disposals and write-off	(888)	(8,813)	(30,243)	(6,585)	(25,549)	(72,078)
Other transfers	(1,454)	193	38,753	(38,466)	(6,925)	(7,899)
Translation differences	(21,802)	-	(18,710)	(21)	(29,099)	(69,632)
	139,017,487	88,925,970	35,481,284	7,383,197	23,946,501	294,754,439
As at 30 June 2023						
Cost	242,920,400	164,651,666	76,391,871	17,462,217	27,053,310	528,479,464
Depreciation and impairment	(103,902,913)	(75,725,696)	(40,910,587)	(10,079,020)	(3,106,809)	(233,725,025)
Net book value	139,017,487	88,925,970	35,481,284	7,383,197	23,946,501	294,754,439

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)***10. RIGHT-OF-USE ASSETS**

Movements in right-of-use assets for the six months ended 30 June 2023 are as follows:

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2023	115,093	1,459,371	276,644	1,844,718	-	3,695,826
Additions	2,542	117,536	99,351	5,365	-	224,794
Acquisitions through business combinations	-	-	-	850,673	-	850,673
Depreciation	(4,368)	(150,659)	(79,551)	(142,759)	-	(377,337)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	-	(126)	(3,736)	-	(3,862)
Impairment	-	-	-	-	(1,994)	(1,994)
Foreign currency translation	(572)	(754)	(315)	(55)	-	(1,696)
As at 30 June 2023	112,695	1,425,494	301,003	2,547,212	-	4,386,404

11. OTHER NON-CURRENT ASSETS

	30 June 2023	31 December 2022
Advances paid for PPE	2,905,190	1,208,348
Prepaid expenses	180,786	142,503
Other assets	1,007,403	1,131,217
<i>Less allowance of other assets</i>	(300,396)	(341,519)
<i>Less allowance for advances paid</i>	(26,758)	(26,761)
	3,766,225	2,113,788

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

	30 June 2023	31 December 2022
Short-term loans	820,000	1,308,145
Interest payables	191,803	140,959
Other short-term financial liabilities	36	-
Current portion of long-term loans (note 16)	4,947,320	5,811,404
	5,959,159	7,260,508

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

	Six month period ended 30 June	
	2023	2022
Short-term loans at 1 January	1,308,145	-
Proceeds	820,000	1,311,583
Repayment	(1,308,428)	-
Foreign exchange difference (note 21)	282	(2,512)
Short-term loans at 30 June	820,000	1,309,071

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)***13. TRADE AND OTHER PAYABLES**

	30 June 2023	31 December 2022
Trade payables	18,651,965	24,568,481
Dividends payable	27,148,743	3,783,818
Other accounts payable	26,764	103,572
	45,827,472	28,455,871

As at 30 June 2023 trade payables amounting to 18,651,965 RSD (31 December 2022: 24,568,481 RSD) mainly relate to payables for crude oil in the amount of 5,114,591 RSD (31 December 2022: 9,040,667 RSD).

Dividend payable declared for the year ended 31 December 2022, amounted to 23,364,925 RSD or 143.29 RSD per share (31 December 2021: 5,782,122 RSD or 35.46 RSD per share) were approved on the General Assembly Meeting held on 29 June 2023.

14. OTHER CURRENT LIABILITIES

	30 June 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
- Advances received	5,601,605	11,395,388
- Customer loyalty	906,535	774,596
Payables to employees	4,222,030	5,523,217
Deferred income	153,228	48
Other current non-financial liabilities	1,862,229	53,053
	12,745,627	17,746,302

Revenue in the amount of 6,853,640 RSD was recognized in the current reporting period (30 June 2022: 2,936,297 RSD) related to the contract liabilities as at 1 January 2023, of which 6,500,666 RSD (30 June 2022: 2,486,184 RSD) related to advances and 352,974 RSD (30 June 2022: 450,113 RSD) to customer loyalty programme.

Other current non-financial liabilities in amount of 1,828,202 RSD relates to compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects. This obligation was previously recognized as a provisions for liabilities and charges.

15. OTHER TAXES PAYABLE

	30 June 2023	31 December 2022
Mineral extraction tax	455,429	441,244
VAT	2,778,963	4,314,755
Excise tax	7,304,402	7,996,666
Contribution for State commodity reserves	327,833	887,822
Custom duties	56,052	24,304
Energy efficiency fee	37,510	122,510
Other taxes	1,632,451	1,446,638
	12,592,640	15,233,939

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)***16. LONG-TERM DEBT**

	30 June 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	63,977,357	65,009,756
Other long-term borrowings	138,001	126,800
Less Current portion (note 12)	(4,947,320)	(5,811,404)
	59,168,038	62,053,580

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

	Six month period ended 30 June	
	2023	2022
Long-term loans at 1 January	67,738,184	77,480,042
Proceeds	-	4,499,753
Repayment	(3,711,309)	(7,173,423)
Non-cash transactions	39,873	(25,209)
Foreign exchange difference (note 21)	(89,391)	(115,060)
Long-term loans at 30 June	63,977,357	74,666,103

(a) Bank loans

	30 June 2023	31 December 2022
Domestic	47,422,857	48,275,922
Foreign	16,554,500	16,733,834
	63,977,357	65,009,756
Current portion of long-term loans	(4,947,320)	(3,082,976)
	59,030,037	61,926,780

The maturity of bank loans was as follows:

	30 June 2023	31 December 2022
Between 1 and 2 years	10,621,938	9,707,939
Between 2 and 5 years	46,413,360	47,889,786
Over 5 years	1,994,739	4,329,055
	59,030,037	61,926,780

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

	30 June 2023	31 December 2022
USD	59,708	88,819
EUR	63,860,823	64,824,628
RSD	38	4,268
JPY	56,788	92,041
	63,977,357	65,009,756

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)*

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 30 June 2023 and 31 December 2022, respectively.

17. LEASE LIABILITIES

	30 June 2023	31 December 2022
Non-current lease liabilities	3,099,185	2,413,671
Current lease liabilities	696,284	735,918
	3,795,469	3,149,589

Amounts recognized in profit and loss:

	Six month period ended 30 June	
	2023	2022
Interest expense (included in finance cost) (note 22)	36,906	46,056
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	45,332	304,512
Expense relating to leases of low value assets that are not shown above as short-term leases	35,019	20,655
Expense relating to variable lease payments not included in lease liabilities	1,153,267	884,605

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

	Six month period ended 30 June	
	2023	2022
As at 1 January	3,149,589	2,335,974
Repayment	(489,477)	(378,868)
Company incoming to consolidation	883,328	-
Non-cash transactions	261,990	393,328
Foreign exchange difference (note 21)	(9,961)	5,593
As at 30 June	3,795,469	2,356,027

18. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Employee costs	2,682,092	2,417,022	5,186,689	4,708,130
Materials and supplies (other than O&G and petroleum products)	780,900	655,513	1,549,266	1,160,941
Repair and maintenance services	819,907	786,373	1,540,643	1,434,300
Electricity for resale	1,900,526	1,210,790	6,806,989	3,044,041
Electricity and utilities	2,281,833	1,960,422	4,932,193	3,715,879
Safety and security expense	134,444	191,346	277,332	278,495
Transportation services for production	150,802	360,890	306,565	737,004
Other	1,746,454	1,785,935	2,980,823	3,403,673
	10,496,958	9,368,291	23,580,500	18,482,463

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)***19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Employee costs	4,878,178	4,239,208	9,646,760	8,141,411
Commission and agency fees	178,737	212,085	386,645	410,682
Legal, audit and consulting services	173,450	149,292	389,202	314,417
Current repair cost	312,614	286,114	624,830	495,374
Costs on advertising and marketing	121,177	83,812	172,378	133,247
Rent expense	19,775	30,502	35,755	62,128
Business trips expense	68,412	41,631	105,296	62,995
Safety and security expense	225,903	179,765	459,913	323,893
Insurance expense	21,669	22,836	48,633	48,380
Transportation and storage	58,796	53,146	113,307	110,961
Allowance for doubtful accounts	(792)	12,168	4,602	21,664
Other	1,418,890	1,372,828	2,808,008	2,703,272
	7,476,809	6,683,387	14,795,329	12,828,424

20. OTHER INCOME (EXPENSE), NET

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Penalties	44,969	86,405	99,574	120,043
Provisions (legal, environmental, etc.)	(101,218)	(2,585)	(202,278)	(9,056)
Impairment (reversal) of non-financial assets	(5,484)	(8,144)	(13,002)	(8,144)
Gain from write-off of accounts payable	3,428	2,537	4,757	2,875
Charity and social payments	(7,066,860)	(10,792)	(7,066,980)	(11,316)
Other	31,993	48,097	(179,961)	(51,578)
	(7,093,172)	115,518	(7,357,890)	42,824

Charity and social payments amounting to 7,066,980 RSD mainly relate to donations for support projects in the field of education, social and health care.

21. NET FOREIGN EXCHANGE LOSS

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Foreign exchange loss on financing activities including:				
- foreign exchange gain (note 12, 16 and 17)	159,436	347,152	212,316	532,980
- foreign exchange loss (note 12, 16 and 17)	(83,944)	(125,665)	(113,246)	(421,001)
Net foreign exchange loss on operating activities	(239,389)	(1,543,155)	(309,875)	(1,387,453)
	(163,897)	(1,321,668)	(210,805)	(1,275,474)

22. FINANCE INCOME

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Interest on bank deposits	1,281,100	209,311	2,667,536	273,054
Interest income on loans issued	2,361	4,615	5,040	6,631
	1,283,461	213,926	2,672,576	279,685

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)***23. FINANCE EXPENSES**

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Interest expense	776,445	415,313	1,479,086	813,000
Losses on restructuring of borrowings	5,315	6,094	11,211	12,100
Decommissioning provision: unwinding of the present value discount	36,772	9,781	73,127	19,352
Provision of trade and other non-current receivables: discount	28,949	(6,577)	68,960	(7,422)
Less: amounts capitalised on qualifying assets	(17,079)	(2,887)	(30,970)	(7,042)
	830,402	421,724	1,601,414	829,988

Interest expense includes expenses on lease liabilities in the amount of 36,906 RSD for the six months ended 30 June 2023 (46,056 RSD for the six months ended 30 June 2022 accordingly) (Note 17).

24. FAIR VALUE MEASUREMENT

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

As of 30 June 2023 the carrying value of financial assets approximates their fair value.

25. BUSINESS COMBINATIONS*Acquisition of HIP Petrohemija d.o.o. Pančevo*

In accordance with the Agreement on Strategic Partnership signed on 24 December 2021 between Government of Republic of Serbia, NIS a.d. Novi Sad and HIP Petrohemija doo Pančevo, on June 9, 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous 20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result, the Group expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacities. For the purposes of consolidating the Group's financial statements, June 30 2023 is considered the acquisition date.

The Group currently estimates that the provisional fair value of the acquired assets is equal to the amount of the assumed obligations at the date of acquisition.

The fair value of the acquired identifiable net assets is provisional pending receipt of the final valuations for those assets (one year after the transaction). The provisory fair value was estimated applying discounted cash flow projections method. The fair value measurements are based on significant inputs that are not observable in the market and thus represent a fair value measurement categorised within Level 3 of the fair value hierarchy as described in IFRS 13. Key assumptions include the following:

- a) a discount rate 13.7 per cent
- b) a f/x RSD/EUR 117.30

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023

(All amounts are in 000 RSD, unless otherwise stated)

The Group has no obligation to make other payments based on this transaction except for the fulfillment of the obligation under the strategic partnership agreement.

If the acquisition had taken place at the beginning of the year consolidated statement of Profit and Loss and Other Comprehensive Income of the Group would have included revenue of 14,581,831 RSD and loss before tax of 4,528,315 RSD from continuing operation of HIP Petrohemija.

26. CONTINGENCIES AND COMMITMENTS

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 30 June 2023.

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 492,464 RSD (31 December 2022: 508,332 RSD).

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

Capital commitments

As of 30 June 2023 the Group has entered into contracts to purchase property, plant and equipment 360,144 RSD (31 December 2022: 311,970 RSD) and drilling and exploration works estimated to 99.5 USD million (31 December 2022: 96.93 USD million).

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

27. RELATED PARTY TRANSACTIONS

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

In the six month period ended 30 June 2023 and in the same period in 2022, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023***(All amounts are in 000 RSD, unless otherwise stated)*

As at 30 June 2023 and 31 December 2022 the outstanding balances, presented net of impairment, with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 30 June 2023			
Trade and other receivables	-	142,824	25,341
Investments in joint venture and associates	-	-	2,764,384
Short-term financial assets	-	34,888	-
Other non-current assets	-	73,235	-
Other current assets	-	19,312	708,854
Right of use assets	-	276	-
Trade and other payables	(1,439,739)	(11,747,388)	(674,221)
Other current liabilities	-	(157)	(636)
Short-term debt and current portion of long-term debt	-	(24)	-
Current lease liabilities	-	(124)	-
	(1,439,739)	(11,477,158)	2,823,722

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 31 December 2022			
Trade and other receivables	-	368,216	1,446,747
Investments in joint venture and associates	-	-	2,866,724
Other current assets	-	22,258	709,412
Right of use assets	-	197	-
Trade and other payables	(1,762)	(641,933)	(3,053,876)
Other current liabilities	-	(195)	(3,101)
Short-term debt and current portion of long-term debt	-	(2,728,428)	-
Current lease liabilities	-	(124)	-
Non-current lease liabilities	-	(50)	-
	(1,762)	(2,980,059)	1,965,906

For the six month period ended 30 June 2023 and 2022 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
Six month period ended 30 June 2023			
Revenues from sales of products and services	-	436,060	15,435,349
Expenses based on procurement of products and services	(3,446)	(789,076)	(6,935,625)
Other expenses	-	(45,026)	1,333
	(3,446)	(398,042)	8,501,057
Six month period ended 30 June 2022			
Revenues from sales of products and services	-	1,109,721	24,251,505
Expenses based on procurement of products and services	(3,616)	(71,678,033)	(2,653,699)
Other expenses	-	(61,736)	-
	(3,616)	(70,630,048)	21,597,806

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023**

(All amounts are in 000 RSD, unless otherwise stated)

28. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 30 June 2023 were evaluated through 27 July 2023, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2023**

(All amounts are in 000 RSD, unless otherwise stated)

NIS Group**Contact Information**

The Group's office is:

Narodnog Fronta 12,
21000 Novi Sad,
Republic of Serbia

Telephone: (+ 381 21) 481 1111
e-mail: office@nis.rs

www.nis.rs

Investor relations
e-mail: investor.relations@nis.rs