



Naftna industrija Srbije A.D.

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

30 September 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

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NIS Group
Interim Condensed Consolidated Statement of Financial Position
(All amounts are in 000 RSD, unless otherwise stated)

Assets	Note	30 September 2023	31 December 2022
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	4	32,554,829	88,131,045
Short-term financial assets	5	32,130,757	6,104,619
Trade and other receivables	6	38,159,630	35,969,998
Inventories	7	51,583,224	58,234,614
Current income tax prepayments		4,715,926	-
Other current assets	8	14,296,095	12,031,734
Assets classified as held for sale		68,158	23,833
Total current assets		173,508,619	200,495,843
Non-current assets			
Property, plant and equipment	9	297,699,217	295,790,456
Right-of-use assets	10	4,382,063	3,695,826
Investment property		1,533,764	1,531,705
Goodwill and other intangible assets		5,298,345	5,228,587
Investments in associates and joint ventures		2,696,505	2,866,724
Trade and other non-current receivables		-	2,821
Long-term financial assets		263,006	323,702
Deferred tax assets		2,936,081	2,766,666
Other non-current assets	11	4,790,057	2,113,788
Total non-current assets		319,599,038	314,320,275
Total assets		493,107,657	514,816,118
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	10,871,921	7,260,508
Current lease liabilities	17	878,920	735,918
Trade and other payables	13	18,125,978	28,455,871
Other current liabilities	14	12,128,466	17,746,302
Current income tax payable		-	14,013,449
Other taxes payable	15	19,283,928	15,233,939
Provisions for liabilities and charges		2,219,380	2,013,474
Total current liabilities		63,508,593	85,459,461
Non-current liabilities			
Long-term debt	16	53,725,126	62,053,580
Non-current lease liabilities	17	2,944,393	2,413,671
Other non-current financial liabilities		839,122	840,001
Long-term trade and other payables		10,032	7,171
Provisions for liabilities and charges		14,355,189	14,814,651
Total non-current liabilities		71,873,862	80,129,074
Equity			
Share capital		81,530,200	81,530,200
Reserves		698,426	572,221
Retained earnings		275,751,284	267,125,162
Equity attributable to the Company's owners		357,979,910	349,227,583
Non-controlling interest		(254,708)	-
Total equity		357,725,202	349,227,583
Total liabilities and shareholder's equity		493,107,657	514,816,118

Kirill Tyurdenev
Chief Executive Officer
27 October 2023

Anton Cherepanov
Chief Financial Officer

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

NIS Group
Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income
(All amounts are in 000 RSD, unless otherwise stated)

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2023	2022	2023	2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		101,580,407	135,102,743	271,760,760	363,767,540
Other revenues		15,647,544	5,420,267	32,326,909	17,029,884
Total revenue from sales	3	117,227,951	140,523,010	304,087,669	380,797,424
Purchases of oil, gas and petroleum products		(64,316,893)	(81,834,143)	(172,859,159)	(219,642,497)
Production, manufacturing and cost of other sales	18	(14,636,082)	(8,871,042)	(38,216,582)	(27,353,505)
Selling, general and administrative expenses	19	(7,825,253)	(6,462,159)	(22,620,582)	(19,290,583)
Transportation expenses		(447,527)	(505,495)	(1,202,904)	(1,347,955)
Depreciation, depletion and amortization		(6,174,042)	(6,531,921)	(18,579,048)	(19,242,874)
Taxes other than income tax		(2,026,741)	(1,840,429)	(5,772,666)	(6,085,528)
Exploration expenses		(322)	-	(322)	(173)
Total operating expenses		(95,426,860)	(106,045,189)	(259,251,263)	(292,963,115)
Other expenses, net	20	(119,328)	(2,401,584)	(7,477,218)	(2,358,760)
Operating profit		21,681,763	32,076,237	37,359,188	85,475,549
Share of gain (loss) of associates and joint ventures		(67,880)	(92,264)	(170,220)	243,709
Net foreign exchange loss	21	(138,736)	(924,080)	(349,541)	(2,199,554)
Finance income	22	1,041,395	554,230	3,713,971	833,915
Finance expenses	23	(848,949)	(500,523)	(2,450,363)	(1,330,511)
Total other (expense) income		(14,170)	(962,637)	743,847	(2,452,441)
Profit before income tax		21,667,593	31,113,600	38,103,035	83,023,108
Current income tax expense		(3,783,809)	(5,462,743)	(6,893,010)	(13,854,660)
Deferred income tax income		163,352	87,101	560,160	279,142
Total income tax		(3,620,457)	(5,375,642)	(6,332,850)	(13,575,518)
Profit for the period		18,047,136	25,737,958	31,770,185	69,447,590
Other comprehensive income (loss):					
Items that will not be reclassified to profit (loss)					
Losses on remeasurements of defined benefit plans		-	-	-	(62,751)
Gain /(loss) from investments in equity instruments		8,431	-	8,276	(104)
Items that may be subsequently reclassified to profit					
Currency translation differences		22,009	55,772	84,083	85,223
Other comprehensive income for the period		30,440	55,772	92,359	22,368
Total comprehensive income for the period		18,077,576	25,793,730	31,862,544	69,469,958
Profit/(loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		18,301,844	25,737,958	32,024,893	69,447,590
- Non-controlling interest		(254,708)	-	(254,708)	-
Profit for the period		18,047,136	25,737,958	31,770,185	69,447,590
Total comprehensive income/(loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		18,332,284	25,793,730	32,117,252	69,469,958
- Non-controlling interest		(254,708)	-	(254,708)	-
Total comprehensive income for the period		18,077,576	25,793,730	31,862,544	69,469,958
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		112.24	157.84	196.40	425.90
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

Nine month period ended 30 September 2023 and 2022

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

(unaudited)

Balance as at 1 January 2022

Profit for the period

Other comprehensive income/(loss)

Loss from investments in equity instruments

Losses on remeasurements of defined benefit plans

Currency translation differences

Total comprehensive income for the period

Dividend distribution

Other

Balance as at 30 September 2022

Equity attributable to the Company's owners				Non-	Total
Share capital	Reserves	Retained earnings	Total	controlling interest	equity
81,530,200	488,736	180,797,597	262,816,533	19,678	262,836,211
-	-	69,447,590	69,447,590	-	69,447,590
-	(104)	-	(104)	-	(104)
-	-	(62,751)	(62,751)	-	(62,751)
-	79,441	5,782	85,223	-	85,223
-	79,337	69,390,621	69,469,958	-	69,469,958
-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
-	23,565	(89,882)	(66,317)	(19,678)	(85,995)
81,530,200	591,638	244,316,214	326,438,052	-	326,438,052

(unaudited)

Balance as at 1 January 2023

Profit for the period

Other comprehensive income

Gain from investments in equity instruments

Currency translation differences

Total comprehensive income/(loss) for the period

Dividend distribution

Disposal of investment in equity instruments

Balance as at 30 September 2023

Equity attributable to the Company's owners				Non-	Total
Share capital	Reserves	Retained earnings	Total	controlling interest	equity
81,530,200	572,221	267,125,162	349,227,583	-	349,227,583
-	-	32,024,893	32,024,893	(254,708)	31,770,185
-	8,276	-	8,276	-	8,276
-	84,083	-	84,083	-	84,083
-	92,359	32,024,893	32,117,252	(254,708)	31,862,544
-	-	(23,364,925)	(23,364,925)	-	(23,364,925)
-	33,846	(33,846)	-	-	-
81,530,200	698,426	275,751,284	357,979,910	(254,708)	357,725,202

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

NIS Group
Interim Condensed Consolidated Statement of Cash Flows¹

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

	Note	Nine month period ended 30 September	
		2023	2022
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		38,103,035	83,023,108
Adjustments for:			
Share of (profit)/loss of associates and joint ventures		170,220	(243,709)
Finance expenses	23	2,450,363	1,330,511
Finance income	22	(3,713,971)	(833,915)
Unrealised foreign exchange (gain)/losses, net		(854,449)	1,880,241
Depreciation, depletion and amortization		18,579,048	19,242,874
Other non-cash items		704,968	367,761
Operating cash flow before changes in working capital		55,439,214	104,766,871
Changes in working capital:			
Trade and other receivables		(1,126,619)	(9,943,233)
Inventories		6,558,562	(28,787,258)
Other current assets		(1,393,583)	(3,323,969)
Trade payables and other current liabilities		(17,407,335)	14,827,538
Other taxes payable		3,889,232	2,374,155
Total effect on working capital changes		(9,479,743)	(24,852,767)
Income taxes paid		(25,477,690)	(7,033,319)
Interest paid		(1,927,445)	(959,011)
Interest received		3,029,187	612,541
Net cash generated by operating activities		21,583,523	72,534,315
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiaries		568,307	-
Capital expenditures ²		(24,310,852)	(13,971,148)
Proceeds from sale of property, plant and equipment		69,483	338,945
Bank deposits repayment, net		(24,353,824)	(91,880)
Other outflow		(14,999)	(170,385)
Net cash used in investing activities		(48,041,885)	(13,894,468)
Cash flows from financing activities			
Proceeds from borrowings	12,16	820,000	5,811,336
Repayment of borrowings	12,16	(5,614,589)	(10,785,504)
Repayment of lease liabilities	17	(744,118)	(581,934)
Dividends paid		(23,364,925)	(5,782,122)
Net cash used in financing activities		(28,903,632)	(11,338,224)
Net increase/(decrease) in cash and cash equivalents		(55,361,994)	47,301,623
Effect of foreign exchange on cash and cash equivalents		(214,222)	(413,023)
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	32,554,829	68,171,874

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 2.77 bln RSD (2022: 1.8 bln RSD)

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 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 nine months of 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 26) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the third quarter 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 September 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 nine month period ended 30 September 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 nine months period ended 30 September 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 nine month periods ended 30 September 2023 and 2022. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the nine month period ended 30 September 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	36,411,547	304,506,054	(36,829,932)	304,087,669
Intersegment	35,857,296	972,636	(36,829,932)	-
External	554,251	303,533,418	-	304,087,669
Adjusted EBITDA (Segment results)	24,718,622	31,796,544	-	56,515,166
Depreciation, depletion and amortization	(10,608,328)	(7,970,720)	-	(18,579,048)
Share of loss of associates and joint ventures	-	(170,220)	-	(170,220)
Net foreign exchange loss	(241,971)	(107,570)	-	(349,541)
Finance income (expenses), net	(303,613)	1,567,221	-	1,263,608
Income tax	(70,516)	(6,262,334)	-	(6,332,850)
Segment profit	13,289,437	18,480,748	-	31,770,185

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2023

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

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	48,326,662	378,569,392	(46,098,630)	380,797,424
Intersegment	45,660,444	438,186	(46,098,630)	-
External	2,666,218	378,131,206	-	380,797,424
Adjusted EBITDA (Segment results)	34,759,713	70,039,805	-	104,799,518
Depreciation, depletion and amortization	(10,726,790)	(8,516,084)	-	(19,242,874)
Share of profit of associates and joint ventures	-	243,709	-	243,709
Net foreign exchange loss	(189,278)	(2,010,276)	-	(2,199,554)
Finance expenses, net	(220,896)	(275,700)	-	(496,596)
Income tax	(284,534)	(13,290,984)	-	(13,575,518)
Segment profit	23,208,828	46,238,762	-	69,447,590

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Profit for the period	18,047,136	25,737,958	31,770,185	69,447,590
Income tax	3,620,457	5,375,642	6,332,850	13,575,518
Finance expenses	848,949	500,523	2,450,363	1,330,511
Finance income	(1,041,395)	(554,230)	(3,713,971)	(833,915)
Depreciation, depletion and amortization	6,174,042	6,531,921	18,579,048	19,242,874
Share of (profit)/loss of associates and joint ventures	67,880	92,264	170,220	(243,709)
Net foreign exchange loss	138,736	924,080	349,541	2,199,554
Other expenses, net	119,328	2,401,584	7,477,218	2,358,760
Other non-operating expense/(income), net*	76,205	(2,446,716)	(6,900,288)	(2,277,665)
Adjusted EBITDA	28,051,338	38,563,026	56,515,166	104,799,518

*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:

	Nine month period ended 30 September	
	2023	2022
Sale of crude oil	-	4,602,952
Sale of gas	129,916	101,564
<i>Wholesale activities</i>	129,916	101,564
Sale of petroleum products	271,630,844	359,063,024
<i>Through a retail network</i>	93,726,358	114,879,096
<i>Wholesale activities</i>	177,904,486	244,183,928
Sale of electricity	11,187,834	4,158,248
Lease revenue	282,327	269,906
Other sales	20,856,748	12,601,730
Total sales	304,087,669	380,797,424

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

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 17,054,344 RSD (2022: 9,400,678 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

	30 September 2023	31 December 2022
Cash in bank and in hand	12,509,645	18,958,001
Deposits with original maturity of less than three months	20,035,185	69,170,832
Cash held on escrow account	4,727	254
Cash equivalents	5,272	1,958
	32,554,829	88,131,045

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

5. SHORT-TERM FINANCIAL ASSETS

	30 September 2023	31 December 2022
Short-term loans	34,327	43,116
Deposits with original maturity more than 3 months less than 1 year	32,098,610	6,063,683
<i>Less impairment loss provision</i>	(2,180)	(2,180)
	32,130,757	6,104,619

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

6. TRADE AND OTHER RECEIVABLES

	30 September 2023	31 December 2022
Trade receivables	45,848,926	43,289,967
Other receivables	84,412	88,129
Accrued assets	14,844	2,907
<i>Less credit loss allowance for trade receivables</i>	(7,756,593)	(7,376,579)
<i>Less credit loss allowance for other receivables</i>	(31,959)	(34,426)
	38,159,630	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 nine month period ended 30 September 2023***(All amounts are in 000 RSD, unless otherwise stated)***7. INVENTORIES**

	30 September 2023	31 December 2022
Crude oil	26,407,601	29,455,750
Petroleum products	21,300,722	25,216,800
Materials and supplies	6,786,268	6,557,773
Other	1,557,439	1,517,953
<i>Less impairment provision</i>	<i>(4,468,806)</i>	<i>(4,513,662)</i>
	51,583,224	58,234,614

8. OTHER CURRENT ASSETS

	30 September 2023	31 December 2022
Advances paid	2,016,455	1,059,350
VAT receivables	107,413	601,319
Deferred VAT	4,727,093	4,405,141
Prepaid expenses	486,872	326,204
Prepaid custom duties	68,503	60,981
Prepaid excise	5,601,195	4,465,682
Other current assets	8,782,351	8,614,106
<i>Less impairment provision</i>	<i>(7,493,787)</i>	<i>(7,501,049)</i>
	14,296,095	12,031,734

Deferred VAT as at 30 September 2023 amounting to 4,727,093 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 September 2023 amounting to 5,601,195 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.

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2023
(All amounts are in 000 RSD, unless otherwise stated)
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 September 2023						
Additions	12,219,137	1,067,360	931,660	385,015	5,000,470	19,603,642
Changes in decommissioning obligations	117,837	-	-	-	-	117,837
Impairment	-	-	-	-	(24,057)	(24,057)
Depreciation	(10,061,489)	(5,326,513)	(1,805,474)	(356,932)	-	(17,550,408)
Transfer from intangible assets	-	-	-	-	767	767
Transfer to investment property	-	-	(8,631)	-	-	(8,631)
Transfer to non-current assets held for sale	(6,497)	-	-	(29,379)	-	(35,876)
Disposals and write-off	(888)	(11,016)	(37,807)	(6,667)	(25,732)	(82,110)
Other transfers	97,412	1,411	38,824	(39,833)	(114,875)	(17,061)
Translation differences	(28,629)	-	(24,655)	(26)	(42,032)	(95,342)
	140,502,910	87,969,937	35,450,538	7,516,034	26,259,798	297,699,217
As at 30 September 2023						
Cost	247,631,257	164,944,759	76,770,202	17,717,847	29,371,783	536,435,848
Depreciation and impairment	(107,128,347)	(76,974,822)	(41,319,664)	(10,201,813)	(3,111,985)	(238,736,631)
Net book value	140,502,910	87,969,937	35,450,538	7,516,034	26,259,798	297,699,217

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

Movements in right-of-use assets for the nine months ended 30 September 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	117,538	131,550	200,141	-	451,771
Acquisitions through business combinations	-	-	-	850,673	-	850,673
Depreciation	(5,567)	(208,048)	(119,351)	(275,273)	-	(608,239)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	(514)	(214)	(3,739)	-	(4,467)
Impairment	-	565	-	-	(1,994)	(1,429)
Foreign currency translation	(757)	(955)	(294)	(66)	-	(2,072)
As at 30 September 2023	111,311	1,367,957	293,335	2,609,460	-	4,382,063

11. OTHER NON-CURRENT ASSETS

	30 September 2023	31 December 2022
Advances paid for PPE	4,060,946	1,208,348
Prepaid expenses	126,320	142,503
Other assets	921,713	1,131,217
Less allowance of other assets	(292,198)	(341,519)
Less allowance for advances paid	(26,724)	(26,761)
	4,790,057	2,113,788

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

	30 September 2023	31 December 2022
Short-term loans	820,000	1,308,145
Interest payables	261,272	140,959
Current portion of long-term loans (note 16)	9,790,649	5,811,404
	10,871,921	7,260,508

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

	Nine month period ended 30 September	
	2023	2022
Short-term loans at 1 January	1,308,145	-
Proceeds	820,000	1,311,584
Repayment	(1,307,680)	-
Foreign exchange difference (note 21)	(465)	(3,489)
Short-term loans at 30 September	820,000	1,308,095

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

	30 September 2023	31 December 2022
Trade payables	14,325,397	24,568,481
Dividends payable	3,783,641	3,783,818
Other accounts payable	16,940	103,572
	18,125,978	28,455,871

14. OTHER CURRENT LIABILITIES

	30 September 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
- Advances received	4,269,651	11,395,388
- Customer loyalty	978,662	774,596
- Deferred income	95,155	48
Payables to employees	4,772,150	5,523,217
Other current non-financial liabilities	2,012,848	53,053
	12,128,466	17,746,302

Revenue in the amount of 7,904,932 RSD was recognized in the current reporting period (30 September 2022: 3,273,262 RSD) related to the contract liabilities as at 1 January 2023, of which 7,438,994 RSD (30 September 2022: 2,720,518 RSD) related to advances and 465,938 RSD (30 September 2022: 552,744 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 1,869,455 RSD. This obligation was previously recognized as a provisions for liabilities and charges.

15. OTHER TAXES PAYABLE

	30 September 2023	31 December 2022
Mineral extraction tax	435,088	441,244
VAT	7,685,967	4,314,755
Excise tax	8,575,055	7,996,666
Contribution for State commodity reserves	739,662	887,822
Custom duties	71,108	24,304
Energy efficiency fee	83,988	122,510
Other taxes	1,693,060	1,446,638
	19,283,928	15,233,939

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

	30 September 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	63,371,821	65,009,756
Other long-term borrowings	143,954	126,800
Less Current portion (note 12)	(9,790,649)	(5,811,404)
	53,725,126	62,053,580

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

	Nine month period ended 30 September	
	2023	2022
Long-term loans at 1 January	67,738,184	77,480,042
Proceeds	-	4,499,752
Repayment	(4,306,909)	(10,785,504)
Non-cash transactions	15,946	(19,224)
Foreign exchange difference (note 21)	(75,400)	(160,915)
Long-term loans at 30 September	63,371,821	71,014,151

(a) Bank loans

	30 September 2023	31 December 2022
Domestic	46,818,875	48,275,922
Foreign	16,552,946	16,733,834
	63,371,821	65,009,756
Current portion of long-term loans	(9,790,649)	(3,082,976)
	53,581,172	61,926,780

The maturity of bank loans was as follows:

	30 September 2023	31 December 2022
Between 1 and 2 years	9,887,839	9,707,939
Between 2 and 5 years	42,521,033	47,889,786
Over 5 years	1,172,300	4,329,055
	53,581,172	61,926,780

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

	30 September 2023	31 December 2022
USD	31,696	88,819
EUR	63,283,615	64,824,628
RSD	10	4,268
JPY	56,500	92,041
	63,371,821	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 nine month period ended 30 September 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 September 2023 and 31 December 2022, respectively.

17. LEASE LIABILITIES

	30 September 2023	31 December 2022
Non-current lease liabilities	2,944,393	2,413,671
Current lease liabilities	878,920	735,918
	3,823,313	3,149,589

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2023	2022
Interest expense (included in finance cost) (note 23)	113,878	68,835
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	84,917	342,565
Expense relating to leases of low value assets that are not shown above as short-term leases	39,060	64,077
Expense relating to variable lease payments not included in lease liabilities	1,708,361	1,459,684

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

	Nine month period ended 30 September	
	2023	2022
As at 1 January	3,149,589	2,335,974
Repayment	(744,118)	(581,934)
Company incoming to consolidation	883,328	-
Non-cash transactions	547,374	469,003
Foreign exchange difference (note 21)	(12,860)	4,083
As at 30 September	3,823,313	2,227,126

18. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Employee costs	3,205,304	2,478,693	8,391,993	7,186,823
Materials and supplies (other than O&G and petroleum products)	960,505	716,093	2,509,771	1,877,034
Repair and maintenance services	1,117,788	865,502	2,658,431	2,299,802
Electricity for resale	3,310,747	59,233	10,117,736	3,103,275
Electricity and utilities	3,816,672	2,043,316	8,748,865	5,759,194
Safety and security expense	96,254	179,893	373,586	458,388
Transportation services for production	250,795	326,454	557,360	1,063,458
Other	1,878,017	2,201,858	4,858,840	5,605,531
	14,636,082	8,871,042	38,216,582	27,353,505

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

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Employee costs	5,091,244	4,190,133	14,738,004	12,331,544
Commission and agency fees	178,369	221,358	565,014	632,040
Legal, audit and consulting services	189,244	174,467	578,446	488,884
Current repair cost	333,934	341,143	958,764	836,517
Costs on advertising and marketing	104,394	87,935	276,772	221,182
Rent expense	12,925	38,272	48,680	100,400
Business trips expense	93,171	39,920	198,467	102,915
Safety and security expense	229,662	168,544	689,575	492,437
Insurance expense	29,539	24,450	78,172	72,830
Transportation and storage	67,182	56,448	180,489	167,409
Allowance for doubtful accounts	17,235	(1,102)	21,837	20,562
Other	1,478,354	1,120,591	4,286,362	3,823,863
	7,825,253	6,462,159	22,620,582	19,290,583

20. OTHER EXPENSE, NET

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Penalties	(37,168)	(84,818)	(136,742)	(204,861)
Provisions (legal, environmental, etc.)	90,668	32,847	292,946	41,903
Impairment of non-financial assets	12,955	676	25,957	8,820
Gain from write-off of accounts payable	(761)	(1,263)	(5,518)	(4,138)
ARO - Change in estimate	(5,193)	-	(5,193)	-
Charity and social payments	3,845	4,586	7,070,825	15,902
Other	54,982	2,449,556	234,943	2,501,134
	119,328	2,401,584	7,477,218	2,358,760

Charity and social payments amounting to 7,070,825 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 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Foreign exchange gain/(loss) on financing activities including:				
- foreign exchange gain (note 12, 16 and 17)	71,737	61,904	284,053	594,884
- foreign exchange loss (note 12, 16 and 17)	(82,082)	(13,562)	(195,328)	(434,563)
Net foreign exchange loss on operating activities	(128,391)	(972,422)	(438,266)	(2,359,875)
	(138,736)	(924,080)	(349,541)	(2,199,554)

22. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest on bank deposits	1,037,799	550,887	3,705,335	823,941
Interest income on loans issued	3,596	3,343	8,636	9,974
	1,041,395	554,230	3,713,971	833,915

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest expense	820,544	445,454	2,299,629	1,258,454
Losses on restructuring of borrowings	4,821	6,180	16,032	18,280
Decommissioning provision: unwinding of the present value discount	38,705	10,357	111,832	29,709
Provision of trade and other non-current receivables: discount	1,584	45,482	70,544	38,060
Less: amounts capitalised on qualifying assets	(16,705)	(6,950)	(47,674)	(13,992)
	848,949	500,523	2,450,363	1,330,511

Interest expense includes expenses on lease liabilities in the amount of 113,878 RSD for the nine months ended 30 September 2023 (68,835 RSD for the nine months ended 30 September 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 September 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 9 June 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous 20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result, the Group expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacities. For the purposes of consolidating the Group's financial statements, 30 June 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 nine month period ended 30 September 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 additional 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 September 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 481,110 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 September 2023 the Group has entered into contracts to purchase property, plant and equipment 2,947,445 RSD (31 December 2022: 311,970 RSD) and drilling and exploration works estimated to 94.6 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.

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

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

As at 30 September 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 September 2023			
Trade and other receivables	-	51,744	20,124
Investments in joint venture and associates	-	-	2,696,504
Short-term financial assets	-	32,307	-
Other non-current assets	-	43,870	-
Other current assets	-	19,989	732,109
Trade and other payables	(1,772)	(54,516)	(807,593)
Other current liabilities	-	(118)	(615)
Short-term debt and current portion of long-term debt	-	(24)	-
	(1,772)	93,252	2,640,529

	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 nine month period ended 30 September 2023 and 2022 the following transaction occurred with related parties:

	Parent company	Parent's subsidiaries and associates	Associates and joint venture
Nine month period ended 30 September 2023			
Revenues from sales of products and services	-	565,890	15,522,746
Expenses based on procurement of products and services	(5,218)	(1,252,694)	(10,232,798)
Other income/(expenses), net	-	(44,647)	1,575
	(5,218)	(731,451)	5,291,523
Nine month period ended 30 September 2022			
Revenues from sales of products and services	-	1,388,522	32,105,381
Expenses based on procurement of products and services	(5,529)	(97,433,010)	(2,727,260)
Other income/(expenses), net	-	(102,050)	-
	(5,529)	(96,146,538)	29,378,121

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 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 September 2023 were evaluated through 27 October 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 nine month period ended 30 September 2023**

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

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