



**Naftna industrija Srbije A.D.**

**Interim Condensed 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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# Interim Condensed Statement of Financial Position

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

Assets	Note	30 September 2023	31 December 2022
<b>Current assets</b>		(unaudited)	
Cash and cash equivalents	4	26,275,910	83,083,255
Short-term financial assets	5	31,381,210	8,453,591
Trade and other receivables	6	47,372,423	43,037,247
Inventories	7	47,357,145	54,163,591
Current income tax prepayments		4,612,482	-
Other current assets	8	11,546,043	9,796,354
Assets classified as held for sale		71,642	27,318
<b>Total current assets</b>		<b>168,616,855</b>	<b>198,561,356</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	268,071,987	267,112,796
Right-of-use assets	10	2,642,295	2,826,525
Investment property		1,533,496	1,605,254
Intangible assets		3,742,594	3,861,377
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries	11	31,016,682	13,425,627
Trade and other non-current receivables		-	2,816
Long-term financial assets	12	28,578,178	29,588,852
Deferred tax assets		3,512,395	2,971,445
Other non-current assets	13	2,754,060	1,974,131
<b>Total non-current assets</b>		<b>342,890,487</b>	<b>324,407,623</b>
<b>Total assets</b>		<b>511,507,342</b>	<b>522,968,979</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	13,451,313	11,308,085
Current lease liabilities	19	464,062	498,203
Trade and other payables	15	20,289,447	29,783,850
Other current liabilities	16	7,629,364	15,818,895
Current income tax payable		-	13,992,693
Other taxes payable	17	17,689,977	14,126,253
Provisions for liabilities and charges		2,110,064	1,899,914
<b>Total current liabilities</b>		<b>61,634,227</b>	<b>87,427,893</b>
<b>Non-current liabilities</b>			
Long-term debt	18	53,584,618	61,930,558
Non-current lease liabilities	19	1,524,838	1,797,176
Other non-current financial liabilities	20	12,012,312	840,001
Long-term trade and other payables		10,032	7,171
Provisions for liabilities and charges		11,379,734	11,150,061
<b>Total non-current liabilities</b>		<b>78,511,534</b>	<b>75,724,967</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		41,342	93,904
Retained earnings		289,790,039	278,192,015
<b>Total equity</b>		<b>371,361,581</b>	<b>359,816,119</b>
<b>Total liabilities and shareholder's equity</b>		<b>511,507,342</b>	<b>522,968,979</b>

Kirill Tyurdenev  
Chief Executive Officer  
27 October 2023



Anton Cherepanov  
Chief Financial Officer

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

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**Interim Condensed 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		104,241,644	127,324,216	266,062,577	346,620,892
Other revenues		8,002,183	4,186,481	23,024,993	14,135,102
<b>Total revenue from sales</b>	<b>3</b>	<b>112,243,827</b>	<b>131,510,697</b>	<b>289,087,570</b>	<b>360,755,994</b>
Purchases of oil, gas and petroleum products		(62,843,257)	(75,253,387)	(164,482,647)	(207,303,660)
Production, manufacturing and cost of other sales	21	(11,860,000)	(8,143,779)	(35,185,413)	(26,207,080)
Selling, general and administrative expenses	22	(7,237,248)	(5,916,813)	(20,989,484)	(17,577,152)
Transportation expenses		(426,864)	(450,935)	(1,147,761)	(1,237,655)
Depreciation, depletion and amortization		(5,579,558)	(5,891,139)	(16,919,777)	(17,426,245)
Taxes other than income tax		(1,373,701)	(1,312,160)	(4,093,609)	(3,874,188)
Exploration expenses		(322)	-	(322)	(173)
<b>Total operating expenses</b>		<b>(89,320,950)</b>	<b>(96,968,213)</b>	<b>(242,819,013)</b>	<b>(273,626,153)</b>
Other income (expenses), net	23	(16,964)	223,904	(7,160,347)	301,615
<b>Operating profit</b>		<b>22,905,913</b>	<b>34,766,388</b>	<b>39,108,210</b>	<b>87,431,456</b>
Net foreign exchange gain / (loss)	24	5,274	(731,445)	(104,478)	(2,024,590)
Finance income	25	1,017,657	699,595	4,576,942	1,325,847
Finance expenses	26	(848,514)	(479,594)	(2,451,676)	(1,256,088)
<b>Total other (expense) / income</b>		<b>174,417</b>	<b>(511,444)</b>	<b>2,020,788</b>	<b>(1,954,831)</b>
<b>Profit before income tax</b>		<b>23,080,330</b>	<b>34,254,944</b>	<b>41,128,998</b>	<b>85,476,625</b>
Current income tax expense		(3,717,059)	(5,403,162)	(6,767,837)	(13,674,850)
Deferred tax income		159,983	104,306	540,950	275,820
<b>Total income tax</b>		<b>(3,557,076)</b>	<b>(5,298,856)</b>	<b>(6,226,887)</b>	<b>(13,399,030)</b>
<b>Profit for the period</b>		<b>19,523,254</b>	<b>28,956,088</b>	<b>34,902,111</b>	<b>72,077,595</b>
<b>Other comprehensive income / (loss):</b>					
<b>Items that will not be reclassified to profit / (loss)</b>					
Losses on remeasurements of defined benefit plans		-	-	-	(33,528)
Gain / (loss) from investments in equity instruments		8,431	-	8,276	(104)
<b>Other comprehensive income / (loss) for the period</b>		<b>8,431</b>	<b>-</b>	<b>8,276</b>	<b>(33,632)</b>
<b>Total comprehensive income for the period</b>		<b>19,531,685</b>	<b>28,956,088</b>	<b>34,910,387</b>	<b>72,043,963</b>
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		119.73	177.58	214.04	442.03
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 Financial Statements.

**NIS a.d.****Interim Condensed 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 loss**

Loss from investments in equity instruments

Losses on remeasurements of defined benefit plans

**Total comprehensive income / (loss) for the period**

Dividend distribution

**Balance as at 30 September 2022**

Share capital	Reserves	Retained earnings	Total
<b>81,530,200</b>	<b>93,991</b>	<b>190,623,686</b>	<b>272,247,877</b>
-	-	72,077,595	72,077,595
-	(104)	-	(104)
-	-	(33,528)	(33,528)
-	<b>(104)</b>	<b>72,044,067</b>	<b>72,043,963</b>
-	-	(5,782,122)	(5,782,122)
<b>81,530,200</b>	<b>93,887</b>	<b>256,885,631</b>	<b>338,509,718</b>

*(unaudited)***Balance as at 1 January 2023**

Profit for the period

**Other comprehensive gain**

Gain from investments in equity instruments

**Total comprehensive income for the period**

Dividend distribution

Disposal of investment in equity instrument

Internal transfer

**Balance as at 30 September 2023**

Share capital	Reserves	Retained earnings	Total
<b>81,530,200</b>	<b>93,904</b>	<b>278,192,015</b>	<b>359,816,119</b>
-	-	34,902,111	34,902,111
-	8,276	-	8,276
-	<b>8,276</b>	<b>34,902,111</b>	<b>34,910,387</b>
-	-	(23,364,925)	(23,364,925)
-	33,877	(33,877)	-
-	(94,715)	94,715	-
<b>81,530,200</b>	<b>41,342</b>	<b>289,790,039</b>	<b>371,361,581</b>

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

**NIS a.d.****Interim Condensed Statement of Cash Flows<sup>1</sup>***(All amounts are in 000 RSD, unless otherwise stated)*

	Note	Nine month period ended 30 September	
		2023	2022
		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>41,128,998</b>	<b>85,476,625</b>
<b>Adjustments for:</b>			
Finance expenses	26	2,451,676	1,256,088
Finance income	25	(4,576,942)	(1,325,847)
Unrealised foreign exchange/(gain) losses, net		(384,013)	2,293,394
Depreciation, depletion and amortization		16,919,777	17,426,245
Other non-cash items		322,816	344,598
<b>Operating cash flow before changes in working capital</b>		<b>55,862,312</b>	<b>105,471,103</b>
<b>Changes in working capital:</b>			
Trade and other receivables		(4,418,976)	(14,708,887)
Inventories		6,739,874	(28,600,574)
Other current assets		(1,577,234)	(2,979,670)
Trade payables and other current liabilities		(16,366,879)	11,667,423
Other taxes payable		3,563,726	2,531,667
<b>Total effect on working capital changes</b>		<b>(12,059,489)</b>	<b>(32,090,041)</b>
Income taxes paid		(25,373,621)	(6,843,340)
Interest paid		(2,031,143)	(981,938)
Interest received		3,022,600	668,274
<b>Net cash generated by operating activities</b>		<b>19,420,659</b>	<b>66,224,058</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of subsidiaries	11,20	(5,863,685)	-
Loans issued		(9,346,067)	(3,410,579)
Loan proceeds received		7,760,912	3,340,219
Capital expenditures <sup>2</sup>		(19,623,043)	(12,731,474)
Proceeds from sale of property, plant and equipment		110,568	331,090
Bank deposits repayment, net		(19,000,000)	-
Other inflows		8,430	-
<b>Net cash used in investing activities</b>		<b>(45,952,885)</b>	<b>(12,470,744)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,18	7,611,892	16,429,595
Repayment of borrowings	14,18	(13,874,926)	(21,699,724)
Repayment of lease liabilities	19	(477,098)	(289,322)
Dividends paid		(23,364,925)	(5,782,122)
<b>Net cash used in financing activities</b>		<b>(30,105,057)</b>	<b>(11,341,573)</b>
Net increase/(decrease) in cash and cash equivalents		(56,637,283)	42,411,741
Effect of foreign exchange on cash and cash equivalents		(170,062)	(410,833)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>83,083,255</b>	<b>20,336,901</b>
<b>Cash and cash equivalents as of the end of the period</b>	<b>4</b>	<b>26,275,910</b>	<b>62,337,809</b>

<sup>1</sup> Company's policy is to present cash flow inclusive of related VAT.<sup>2</sup> CF from investing activities includes VAT in the amount of 2.5 bln RSD (2022: 1.7 bln RSD)*The accompanying notes are an integral part of these Interim Condensed Financial Statements.*

## **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.

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 Financial Statements.

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

The Company does not disclose information, which would substantially duplicate the disclosures contained in its audited 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 Company believes that the disclosures in these Interim Condensed Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Financial Statements are read in conjunction with the Company's Financial Statements for 2022.

In the first nine months 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 28) 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 of 2023 the Company didn't review the critical accounting estimates which are used by the Company in the Interim Condensed 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 Company didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing.

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

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

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 and nine month period ended 30 September 2023 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 2022.

## **3. SEGMENT INFORMATION**

Presented below is information about the Company's operating segments for the nine month period 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 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 nine-month period ended 30 September 2023 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	35,329,357	289,844,475	(36,086,262)	289,087,570
Intersegment	35,289,019	797,243	(36,086,262)	-
External	40,338	289,047,232	-	289,087,570
<b>Adjusted EBITDA (Segment results)</b>	<b>23,615,318</b>	<b>32,726,418</b>	<b>-</b>	<b>56,341,736</b>
Depreciation, depletion and amortization	(9,261,463)	(7,658,314)	-	(16,919,777)
Net foreign exchange loss	(69,882)	(34,596)	-	(104,478)
Finance income (expenses), net	(123,521)	2,248,787	-	2,125,266
Income tax	-	(6,226,887)	-	(6,226,887)
Segment profit	14,159,436	20,742,675	-	34,902,111



**NIS a.d.****Notes to the Interim Condensed 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:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	47,742,374	359,112,250	(46,098,630)	360,755,994
Intersegment	45,660,444	438,186	(46,098,630)	-
External	2,081,930	358,674,064	-	360,755,994
<b>Adjusted EBITDA (Segment results)</b>	<b>35,965,318</b>	<b>68,857,740</b>	<b>-</b>	<b>104,823,058</b>
Depreciation, depletion and amortization	(9,263,752)	(8,162,493)	-	(17,426,245)
Net foreign exchange loss	(189,278)	(1,835,312)	-	(2,024,590)
Finance income (expenses), net	(41,048)	110,807	-	69,759
Income tax	(155,950)	(13,243,080)	-	(13,399,030)
Segment profit	26,413,754	45,663,841	-	72,077,595

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

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Profit for the period	19,523,254	28,956,088	34,902,111	72,077,595
Income tax	3,557,076	5,298,856	6,226,887	13,399,030
Finance expenses	848,514	479,594	2,451,676	1,256,088
Finance income	(1,017,657)	(699,595)	(4,576,942)	(1,325,847)
Depreciation, depletion and amortization	5,579,558	5,891,139	16,919,777	17,426,245
Net foreign exchange (gain) / loss	(5,274)	731,445	104,478	2,024,590
Other expenses/(income), net	16,964	(223,904)	7,160,347	(301,615)
Other non-operating expense/(income), net*	80,206	120,520	(6,846,598)	266,972
<b>Adjusted EBITDA</b>	<b>28,582,641</b>	<b>40,554,143</b>	<b>56,341,736</b>	<b>104,823,058</b>

\*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 23)

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

	<b>Nine month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
Sale of crude oil	-	4,602,951
Sale of gas	139,165	100,104
<i>Wholesale activities</i>	139,165	100,104
Sale of petroleum products	265,923,412	341,917,837
<i>Through a retail network</i>	80,410,567	95,721,017
<i>Wholesale activities</i>	185,512,845	246,196,820
Sale of electricity	11,091,913	3,870,327
Lease revenue	274,936	268,239
Other sales	11,658,144	9,996,536
<b>Total sales</b>	<b>289,087,570</b>	<b>360,755,994</b>

Other sales mainly relate to sales of non-fuel products at petrol stations for 8,156,028 RSD (2022: 7,198,682 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.

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

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

**4. CASH AND CASH EQUIVALENTS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Cash in bank and in hand	8,970,637	16,861,298
Deposits with original maturity of less than three months	17,299,999	66,219,999
Cash equivalents	5,274	1,958
	<b>26,275,910</b>	<b>83,083,255</b>

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

**5. SHORT-TERM FINANCIAL ASSETS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Short-term loans	2,027,129	204,604
Deposits with original maturity more than 3 months less than 1 year	25,873,752	6,003,699
Current portion of long-term investments (note 12)	5,458,695	4,225,725
Less impairment loss provision	(1,978,366)	(1,980,437)
	<b>31,381,210</b>	<b>8,453,591</b>

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

**6. TRADE AND OTHER RECEIVABLES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Trade receivables	54,736,857	50,420,797
Other receivables	90,188	88,717
Less credit loss allowance for trade receivables	(7,422,663)	(7,437,841)
Less credit loss allowance for other receivables	(31,959)	(34,426)
	<b>47,372,423</b>	<b>43,037,247</b>

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**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Crude oil	26,286,784	29,409,389
Petroleum products	19,407,775	23,314,075
Materials and supplies	4,843,455	4,771,464
Other	1,242,646	1,124,692
Less impairment provision	(4,423,515)	(4,456,029)
	<b>47,357,145</b>	<b>54,163,591</b>

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

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

**8. OTHER CURRENT ASSETS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Advances paid	677,557	729,280
Deferred VAT	4,450,151	4,198,144
Prepaid expenses	446,272	251,155
Prepaid custom duties	67,975	60,157
Prepaid excise	5,567,563	4,415,877
Other current assets	7,822,249	7,628,408
Less impairment provision	(7,485,724)	(7,486,667)
	<b>11,546,043</b>	<b>9,796,354</b>

Deferred VAT as at 30 September 2023 amounting to 4,450,151 RSD (31 December 2022: 4,198,144 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 5,567,563 RSD (31 December 2022: 4,415,877 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.

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**Notes to the Interim Condensed 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
<b>As at 1 January 2023</b>						
Cost	215,586,310	165,764,521	57,566,537	16,696,746	16,398,494	472,012,608
Depreciation and impairment	(86,096,477)	(73,525,826)	(32,557,325)	(9,625,912)	(3,094,272)	(204,899,812)
<b>Net book value</b>	<b>129,489,833</b>	<b>92,238,695</b>	<b>25,009,212</b>	<b>7,070,834</b>	<b>13,304,222</b>	<b>267,112,796</b>
<b>Period ended 30 September 2023</b>						
Additions	11,534,770	562,736	811,978	375,830	3,885,113	17,170,427
Changes in decommissioning obligations	117,837	-	-	-	-	117,837
Impairment	-	-	-	-	(23,952)	(23,952)
Depreciation	(9,156,910)	(5,326,513)	(1,402,927)	(344,661)	-	(16,231,011)
Disposals and write-off	(797)	(11,016)	(19,679)	(89)	(191)	(31,772)
Transfer to investment property	-	-	(8,631)	-	-	(8,631)
Transfer to non-current assets held for sale	-	-	-	(29,379)	-	(29,379)
Other transfers	(139)	1,410	38,829	(39,834)	(4,594)	(4,328)
	<b>131,984,594</b>	<b>87,465,312</b>	<b>24,428,782</b>	<b>7,032,701</b>	<b>17,160,598</b>	<b>268,071,987</b>
<b>As at 30 September 2023</b>						
Cost	226,875,749	164,440,134	58,218,405	16,959,581	20,277,124	486,770,993
Depreciation and impairment	(94,891,155)	(76,974,822)	(33,789,623)	(9,926,880)	(3,116,526)	(218,699,006)
<b>Net book value</b>	<b>131,984,594</b>	<b>87,465,312</b>	<b>24,428,782</b>	<b>7,032,701</b>	<b>17,160,598</b>	<b>268,071,987</b>

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**Notes to the Interim Condensed 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
<b>As at 1 January 2023</b>	-	<b>842,723</b>	<b>224,722</b>	<b>1,759,080</b>	-	<b>2,826,525</b>
Additions	2,542	48,784	62,826	21,718	-	135,870
Depreciation	(279)	(74,089)	(64,678)	(178,012)	-	(317,058)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	(927)	(121)	-	-	(1,048)
Impairment	-	-	-	-	(1,994)	(1,994)
<b>As at 30 September 2023</b>	<b>2,263</b>	<b>816,491</b>	<b>227,749</b>	<b>1,595,792</b>	-	<b>2,642,295</b>

**11. INVESTMENTS IN SUBSIDIARY**

	30 September 2023	31 December 2022
Investments in subsidiaries:		
- In shares	3,457,576	3,457,576
- In stakes	40,303,566	11,140,314
	43,761,142	14,597,890
Less: Provision	(12,744,460)	(1,172,263)
	<b>31,016,682</b>	<b>13,425,627</b>

Movements on the account were as follows:

	2023
<b>As at 1 January</b>	<b>13,425,627</b>
Additional contribution (capital increase in HIP Petrohemija)	17,591,055
Transfer from investment in JV and associates – HIP Petrohemija	11,572,197
Less: transfer of provision	(11,572,197)
<b>As at 30 September</b>	<b>31,016,682</b>

*Acquisition of HIP Petrohemija doo Pančevo*

At the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija d.o.o. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds directly 20.86% of the voting power of the HIP Petrohemija and has representatives on the BoD and Supervisory boards. On 9 September 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model. The Company participated in the tender and was chosen as a strategic partner.

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, Company 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 Company 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 capacity. The Company made the first payment of 5,863,685 RSD (50 million EUR) by the date of acquisition whereby the rest of the obligation of 11,727,370 RSD (note 20) will be paid in accordance with the Agreement. 30 June, 2023 is considered as the acquisition date.

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

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

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

**12. LONG-TERM FINANCIAL ASSETS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
LT loans issued	41,173,710	40,958,458
Financial assets at FVTPL	839,122	840,001
Other LT placements	30,642	30,605
Available for sale financial assets	128,683	176,206
Less Current portion of LT loans issued (note 5)	(5,458,695)	(4,225,725)
Less provision of other LT placements	(8,135,284)	(8,190,693)
	<b>28,578,178</b>	<b>29,588,852</b>

**13. OTHER NON-CURRENT ASSETS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Advances paid for PPE	2,019,043	1,063,325
Prepaid expenses	126,320	142,503
Other assets	922,258	1,131,217
Less allowance for Other assets	(292,198)	(341,519)
Less allowance for advances paid	(21,363)	(21,395)
	<b>2,754,060</b>	<b>1,974,131</b>

**14. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Short-term loans	3,388,507	5,345,097
Interest liabilities	272,157	151,584
Current portion of long-term loans (note 18)	9,790,649	5,811,404
	<b>13,451,313</b>	<b>11,308,085</b>

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

	<b>Nine month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
<b>Short-term loans at 1 January</b>	<b>5,345,097</b>	<b>2,188,401</b>
Proceeds	7,611,892	11,929,843
Repayment	(9,568,018)	(10,914,221)
Foreign exchange difference (note 24)	(464)	(3,490)
<b>Short-term loans at 30 September</b>	<b>3,388,507</b>	<b>3,200,533</b>

**15. TRADE AND OTHER PAYABLES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Trade payables	16,497,666	25,943,650
Dividends payable	3,783,641	3,783,818
Other accounts payable	8,140	56,382
	<b>20,289,447</b>	<b>29,783,850</b>

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

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

**16. OTHER CURRENT LIABILITIES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Contract liabilities arising from contracts with customers:		
- Advances received	3,616,240	11,294,740
- Customer loyalty	877,037	686,933
- Deferred income	41,909	-
Payables to employees	3,007,085	3,790,114
Other current non-financial liabilities	87,093	47,108
	<b>7,629,364</b>	<b>15,818,895</b>

Revenue in the amount of 7,763,911 RSD (30 September 2022: 3,133,467 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2023, of which 7,356,947 RSD (30 September 2022: 2,630,650 RSD) related to advances and 406,964 RSD (30 September 2022: 502,817 RSD) to customer loyalty programme.

**17. OTHER TAXES PAYABLE**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Mineral extraction tax	424,414	393,085
VAT	7,148,169	3,955,956
Excise tax	8,302,757	7,814,476
Contribution for State commodity reserves	739,662	887,822
Custom duties	7,204	5,007
Energy efficiency fee	82,645	92,638
Other taxes	985,126	977,269
	<b>17,689,977</b>	<b>14,126,253</b>

**18. LONG-TERM DEBT**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Long-term loan	-	2,728,428
Bank loans	63,371,821	65,009,756
Other Long-term borrowings	3,446	3,778
Less Current portion (note 14)	(9,790,649)	(5,811,404)
	<b>53,584,618</b>	<b>61,930,558</b>

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

	<b>Nine month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
Long-term loans at 1 January	<b>67,738,184</b>	<b>77,480,027</b>
Proceeds	-	4,499,752
Repayment	(4,306,908)	(10,785,503)
Non-cash transactions	15,945	(19,210)
Foreign exchange difference (note 24)	(75,400)	(160,915)
Long-term loans at 30 September	<b>63,371,821</b>	<b>71,014,151</b>

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

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

**(a) Bank loans**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Domestic	46,818,875	48,275,895
Foreign	16,552,946	16,733,861
	63,371,821	65,009,756
Current portion of long-term loans	(9,790,649)	(3,082,976)
	<b>53,581,172</b>	<b>61,926,780</b>

The maturity of bank loans was as follows:

	<b>30 September 2023</b>	<b>31 December 2022</b>
Between 1 and 2 years	9,887,839	9,708,140
Between 2 and 5 years	42,521,033	47,889,786
Over 5 years	1,172,300	4,328,854
	<b>53,581,172</b>	<b>61,926,780</b>

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

	<b>30 September 2023</b>	<b>31 December 2022</b>
USD	31,696	88,819
EUR	63,283,615	64,824,628
RSD	10	4,268
JPY	56,500	92,041
	<b>63,371,821</b>	<b>65,009,756</b>

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 30 September 2023 and 31 December 2022, respectively.

**19. LEASE LIABILITIES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Non-current lease liabilities	1,524,838	1,797,176
Current lease liabilities	464,062	498,203
	<b>1,988,900</b>	<b>2,295,379</b>

Amounts recognized in profit and loss:

	<b>Nine month period ended 30 September 2023</b>	<b>2022</b>
Interest expense (included in finance cost) (note 26)	70,252	24,788
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	2,700	52,725
Expense relating to leases of low value assets that are not shown above as short-term leases	7,912	12,487
Expense relating to variable lease payments not included in lease liabilities	885,540	839,157



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

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

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

	<b>Nine month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
<b>As at 1 January</b>	<b>2,295,379</b>	<b>1,338,381</b>
Repayment	(477,098)	(289,322)
Non-cash transactions	177,427	248,396
Foreign exchange difference (note 24)	(6,808)	5,870
<b>As at 30 September</b>	<b>1,988,900</b>	<b>1,303,325</b>

**20. OTHER NON-CURRENT FINANCIAL LIABILITIES**

Other non-current financial liabilities in the amount of 12,012,312 RSD (2022: 840,001 RSD) represents deferred consideration in the amount of 839,122 RSD for O&G exploration project that is ongoing through subsidiary Jadran Naftagas and additional capital contribution liabilities in the amount of 11,727,370 RSD (amount before reduction for the effect of revaluation of 546,770 RSD – note 25, and foreign exchange gain of 7,410 RSD – note 24). In accordance with the Agreement on Strategic Partnership Company has obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) associated with the new plant construction program. The Company made a first payment of 5,863,685 RSD (50 million EUR) by the date of acquisition whereby the rest of the obligation of 11,727,370 RSD will be paid in accordance with the Agreement.

**21. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES**

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Employee costs	1,024,717	1,041,362	3,004,707	2,976,497
Materials and supplies (other than O&G and petroleum products)	317,630	272,547	910,862	754,918
Repair and maintenance services	1,267,852	1,190,708	3,896,513	3,691,798
Electricity for resale	3,309,935	58,756	10,115,102	3,098,359
Electricity and utilities	1,798,288	1,662,270	6,010,652	4,720,440
Safety and security expense	163,898	179,228	439,999	457,404
Transportation services for production	340,744	421,684	1,005,534	1,385,862
Other	3,636,936	3,317,224	9,802,044	9,121,802
	<b>11,860,000</b>	<b>8,143,779</b>	<b>35,185,413</b>	<b>26,207,080</b>

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

**22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Employee costs	3,326,735	2,856,728	9,807,544	8,489,057
Commission and agency fees	1,306,743	1,083,388	3,738,277	3,015,567
Legal, audit and consulting services	374,335	336,435	1,121,952	922,267
Current repair cost	323,862	312,245	914,038	770,964
Costs on advertising and marketing	93,544	75,821	245,533	187,578
Rent expense	5,814	25,476	14,267	74,671
Business trips expense	83,193	35,974	174,931	91,707
Safety and security expense	212,691	150,592	636,505	440,526
Insurance expense	28,520	23,538	74,679	66,862
Transportation and storage	55,200	47,077	153,413	133,705
Allowance for doubtful accounts	1,752	(5,267)	10,227	11,823
Other	1,424,859	974,806	4,098,118	3,372,425
	<b>7,237,248</b>	<b>5,916,813</b>	<b>20,989,484</b>	<b>17,577,152</b>

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

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

**23. OTHER INCOME (EXPENSES), NET**

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Penalties	34,958	78,891	130,213	176,288
Provisions	461	(28,547)	(31,307)	(33,689)
Impairment (reversal) of non financial assets	(13,105)	(676)	(26,106)	(8,820)
Charity and social payments	(3,665)	(4,436)	(7,070,405)	(15,391)
Other	(35,613)	178,672	(162,742)	183,227
	<b>(16,964)</b>	<b>223,904</b>	<b>(7,160,347)</b>	<b>301,615</b>

Charity and social payments amounting to 7,070,405 RSD mainly relate to donations for support projects in the field of education, social and health care.

**24. NET FOREIGN EXCHANGE GAIN / (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 14,18,19)	10,677	70,689	151,871	579,591
- foreign exchange loss (note 14,18,19)	(22,443)	(29,904)	(69,199)	(421,056)
Net foreign exchange loss on operating activities	17,040	(772,230)	(187,150)	(2,183,125)
	<b>5,274</b>	<b>(731,445)</b>	<b>(104,478)</b>	<b>(2,024,590)</b>

**25. FINANCE INCOME**

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest on bank deposits	838,335	516,990	3,446,852	784,149
Gains on restructuring of borrowings	5,777	5,783	17,340	17,376
Revaluation of equity investment at fair value – income / (loss)	(29,298)	-	546,770	-
Interest income on loans issued	202,843	176,822	565,980	524,322
	<b>1,017,657</b>	<b>699,595</b>	<b>4,576,942</b>	<b>1,325,847</b>

**26. FINANCE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest expense	819,742	425,313	2,299,764	1,186,054
Losses on restructuring of borrowings	4,821	6,180	16,032	18,280
Decommissioning provision: unwinding of the present value discount	37,865	9,569	109,318	27,686
Provision of trade and other non-current receivables: discount	1,583	45,482	70,544	38,060
Less: amounts capitalised on qualifying assets	(15,497)	(6,950)	(43,982)	(13,992)
	<b>848,514</b>	<b>479,594</b>	<b>2,451,676</b>	<b>1,256,088</b>

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

Interest expense includes expenses on lease liabilities in amount of 70,252 RSD for the nine months ended 30 September 2023 (24,788 RSD for the nine months ended 30 September 2022, accordingly) (note 19).

## **27. 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 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.

## **28. 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 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 Company operations.

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

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 457,842 RSD (31 December 2022: 488,060 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 30 September 2023 the Company has entered into contracts to purchase property, plant and equipment for 2,947,445 RSD (31 December 2022: 391,270 RSD).

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

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

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

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

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

			<b>Joint ventures, associates and parent's subsidiaries and associates</b>
<b>As at 30 September 2023</b>	<b>Subsidiaries</b>	<b>Parent company</b>	
Short-term financial assets	5,507,457	-	-
Trade and other receivables	12,342,951	-	19,383
Other current assets	4,158	-	18,842
Right of use assets	75,061	-	-
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	17,287,637	-	-
Long-term financial assets	28,470,524	-	-
Other non-current assets	2,192	-	43,870
Trade and other payables	(6,889,084)	(1,772)	(855,178)
Other current liabilities	(48,189)	-	(615)
Short-term debt	(2,579,392)	-	(24)
Current lease liabilities	(7,098)	-	-
Non-current lease liabilities	(73,861)	-	-
Other non-current financial liabilities	(11,173,190)	-	-
	<b>42,919,166</b>	<b>(1,772)</b>	<b>265,078</b>
<b>As at 31 December 2022</b>	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries and associates</b>
Short-term financial assets	2,449,892	-	-
Trade and other receivables	8,490,014	-	1,637,009
Other current assets	1,360	-	22,259
Right of use assets	41,030	-	197
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,480,650	-	-
Other non-current assets	2,192	-	-
Trade and other payables	(4,186,297)	(1,762)	(3,676,115)
Other current liabilities	(67,543)	-	(3,121)
Short-term debt and current portion of long-term debt	(4,047,577)	-	(2,728,428)
Current lease liabilities	(2,240)	-	(124)
Non-current lease liabilities	(41,883)	-	(50)
	<b>45,545,225</b>	<b>(1,762)</b>	<b>(3,709,573)</b>

**NIS a.d.**

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

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

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

	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries, and associates</b>
<b>Nine month period ended 30 September 2023</b>			
Revenues from sales of products and services	26,273,534	-	15,946,053
Expenses based on procurement of products and services	(11,479,320)	(5,218)	(11,452,093)
Other income (expenses), net	1,038,676	-	(39,599)
	<b>15,832,890</b>	<b>(5,218)</b>	<b>4,454,361</b>
	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries, and associates</b>
<b>Nine month period ended 30 September 2022</b>			
Revenues from sales of products and services	30,019,647	-	33,272,399
Expenses based on procurement of products and services	(8,420,500)	(5,529)	(100,124,966)
Other income (expenses), net	488,033	-	(104,871)
	<b>22,087,180</b>	<b>(5,529)</b>	<b>(66,957,438)</b>

**30. EVENTS AFTER THE REPORTING DATE**

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

**NIS a.d.**

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

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

**NIS a.d.**

**Contact information**

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