



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

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

31 December 2023

Novi Sad, 29 February 2024

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Opinion

We have audited the consolidated financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) and its subsidiaries (together hereinafter: the Group) which comprise the consolidated Balance sheet as at December 31, 2023, and the consolidated Income statement, consolidated Statement of other comprehensive income, consolidated Statement of cash flows and consolidated Statement of changes in equity for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with the Law on Audit of the Republic of Serbia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements that are relevant for auditing consolidated financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 20 to the consolidated financial statements. As described in the notes to the consolidated financial statements, the Group recognized provisions in the amount of RSD 11,841,243 thousand.

Provisions for decommissioning and environmental protection require significant management judgment due to numerous assumptions that are influenced by future activities, economic factors, and the legislator environment in which the Group operates. The most significant estimates include the estimate of future costs to settle the present obligation, inflation and discount rates, and exploitation period.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Key Audit Matters (Continued)

Auditing this area of the consolidated financial statements is a complex process as it requires us to evaluate assumptions for future cost estimates for which there is limited comparative data as decommission of gas and oil infrastructure is an emerging area. The assessment of the mentioned factors affects the determination of the exact amount of provisions, which represents a materially significant item in the consolidated financial statements.

The management performs an annual review of the provisions for the decommission and environmental protection, namely for funds for exploration and evaluation and funds for the production and processing of oil and oil derivatives. The review by the management includes an analysis of changes in legislation in the Republic of Serbia, cost estimates, inflation and discount rates, and maturity of obligations.

Audit approach:

Our audit procedures included an understanding of the legal obligations regarding the decommission and environmental protection, and in accordance with the provisions of the Law on Mining and Geological Research and the Law on Environmental Protection, to which the Group is obliged to, during and after the completion of works on exploitation, recultivation of the land and to prevention of the further spread of pollution caused by the accident, to take remedial measures according to the protection plans at its own expense.

We have also performed the following audit procedures:

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Acquisition of additional shares in HIP - Petrohemija d.o.o., Pančevo

As disclosed in Note 39 to the consolidated financial statements, in accordance with the Strategic Partnership Agreement signed on December 24, 2021, between the Ministry of Economy of the Republic of Serbia, NIS a.d. Novi Sad, and HIP Petrohemija d.o.o. Pančevo, the Group acquired control and registered the acquisition of additional shares in the capital of HIP Petrohemija d.o.o. from the previous 20.86% to 90% on June 9, 2023, with an obligation for a cash capital injection of RSD 17,591,055 (150 million EUR) and the construction of a polypropylene production facility with a capacity of at least 140,000 tons per year within six years.

The acquisition of additional interests is treated as a business combination in accordance with IFRS 3 Business Combinations, which involves recognizing and measuring acquired identifiable assets, assumed liabilities, each non-controlling interest in the acquired entity, and recognizing and measuring goodwill or gain from a bargain purchase. As disclosed in Note 39 to the consolidated financial statements, the fair value of the acquired net assets is RSD 9,909,172 thousand, the fair value of the non-controlling interest is RSD 990,917 thousand, and the gain from a bargain purchase is RSD 8,918,255 thousand

We have identified this as a key audit matter due to the significance of the business combination and its effects on the audit of the Group's financial statements, the complexity in the accounting treatment of business combinations, and the judgments management applied in identifying and determining the fair values of acquired assets and liabilities.

Auditor approach:

We have reviewed the Strategic Partnership Agreement concluded on December 24, 2021 between the Ministry of Economy of the Republic of Serbia and NIS a.d. Novi Sad and HIP Petrohemija d.o.o., Pančevo, to understand the business combination.

We have performed the following audit procedures as well:

- We have assessed whether the transaction was identified as a business combination and accounted for in accordance with IFRS 3;
- We have evaluated the methodological approach in the identification and recognition of acquired assets and liabilities, as well as the participation without control rights, taken on the date of acquisition;
- We have assessed the integrity, independence, impartiality and the expertise of the external consultant engaged by the Company;
- We have engaged experts to evaluate the changed methodology in assessing the fair value of acquired assets;
- We have performed an accounting check of the recognised and measured profit from a favourable purchase;
- We have evaluated the justification of the discount rate applied to the financial model used for the purposes of calculating the economic write-off;
- We will assess the adequacy of the disclosures in the notes to the Group's financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2023.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In connection with the consolidated Annual business report, we have also carried out procedures in accordance with the Law on Accounting of the Republic of Serbia. These procedures include consideration of whether the consolidated Annual business report contains the disclosures required by the Law on Accounting of Serbia. Based on the procedures performed during the audit, in our opinion:

- ✓ the consolidated Annual business report was prepared in accordance with the requirements of the Law on Accounting of the Republic of Serbia and
- ✓ the information provided in the consolidated Annual business report for the financial year for which consolidated financial statements are prepared, are consistent with the consolidated financial statements.

Additionally, based on the understanding of the Group's operations and its business environment acquired during the audit, we are required to disclose in the report if we conclude that there is a material misstatement in the consolidated Annual business report. In that sense, there is nothing we need to say in the report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit of the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Audit of the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ✓ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ✓ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ✓ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ✓ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ✓ Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT (Continued)

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d.,
Novi Sad**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belgrade, February 29, 2024

Srđan Božović

The engagement partner on audit project

Licensed auditor

NIS Group
Consolidated Financial Statements for the year ended 31 December 2023
(All amounts are in RSD 000 unless otherwise stated)
CONSOLIDATED BALANCE SHEET

	OP	Note	31 December 2023	31 December 2022
A. SUBSCRIBED CAPITAL UNPAID	0001		-	-
B. NON-CURRENT ASSETS (0003+0009+0017+0018+0028)	0002		329,424,052	311,411,100
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008)	0003	7	21,873,058	22,449,242
1. Development investments	0004		11,707,933	12,792,453
2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		3,578,867	3,630,160
3. Goodwill	0006		1,260,808	1,263,760
4. Intangible assets in lease and under development	0007		5,325,450	4,762,869
5. Advances for intangible assets	0008		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)	0009		303,225,222	284,978,914
1. Land and buildings	0010	8a	180,697,284	175,876,807
2. Machinery and equipment	0011	8a	81,846,555	85,412,127
3. Investment property	0012	8b	1,514,920	1,531,705
4. Property, plant and equipment in lease and construction in progress	0013	8a, 8d	32,666,938	20,713,910
5. Other property, plant and equipment and investments in leased PP&E	0014	8a	268,147	262,778
6. Advances for PP&E - domestic	0015	8a	3,368,255	1,118,198
7. Advances for PP&E - foreign	0016	8a	2,863,123	63,389
III. BIOLOGICAL ASSETS	0017		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)	0018		4,325,772	3,982,944
1. Investments in legal entities (except those evaluated using the equity method)	0019		91,765	92,230
2. Investments in legal entities evaluated by equity method	0020	9	2,729,005	2,866,724
3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021		669,617	-
4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - foreign	0022		-	-
5. Long-term investments - domestic	0023		8,565	9,367
6. Long-term investments - foreign	0024		-	-
7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
8. Purchased own shares	0026		-	-
9. Other long-term financial investments and long-term receivables	0027	10	826,820	1,014,623
V. LONG - TERM ACCRUED AND DEFERRED INCOME	0028		-	-
C. DEFERRED TAX ASSETS	0029	11	3,245,067	2,766,666
G. CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	0030		174,041,470	200,638,341
I. INVENTORY (0032+0033+0034+0035+0036)	0031	12	69,307,394	59,145,435
1. Materials, spare parts and tools	0032		32,499,892	28,327,503
2. Work in progress and finished goods	0033		30,789,008	26,770,096
3. Merchandise	0034		4,392,043	3,137,015
4. Advances for inventory and services - domestic	0035		1,134,412	493,164
5. Advances for inventory and services - foreign	0036		492,039	417,657
II. FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	0037		56,605	23,833

(continued)
The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

NIS Group**Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in RSD 000 unless otherwise stated)***CONSOLIDATED BALANCE SHEET (continued)**

	AOP	Note	31 December 2023	31 December 2022
III TRADE RECEIVABLES (0039+0040+0041+0042+0043)	0038	13	33,207,906	35,693,648
1. Trade receivables - domestic	0039		30,997,145	32,588,975
2. Trade receivables - foreign	0040		1,907,675	1,289,982
3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		111,515	1,642,732
4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		191,571	171,959
5. Other trade receivables	0043		-	-
IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	0044	14	8,847,384	2,047,402
1. Other receivables	0045		1,242,522	1,924,028
2. Receivables for overpaid income tax	0046		7,470,959	-
3. Receivables from overpaid other taxes and contributions	0047		133,903	123,374
V. SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	0048	15	32,697,380	6,174,911
1. Short-term loans and investments - parent and subsidiaries	0049		-	-
2. Short-term loans and investments - other related parties	0050		25,835	36,214
3. Short-term loans and investments - domestic	0051		63,701	75,066
4. Short-term loans and investments - foreign	0052		-	-
5. Securities evaluated at amortized cost	0053		-	-
6. Financial assets evaluated through profit or loss	0054		-	-
7. Purchased own shares	0055		-	-
8. Other short-term financial investments	0056		32,607,844	6,063,631
VI. CASH AND CASH EQUIVALENTS	0057	16	21,484,271	88,131,045
VII. PREPAYMENTS AND ACCRUED INCOME	0058	17	8,440,530	9,422,067
D TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	0059		506,710,589	514,816,107
E OFF-BALANCE SHEET ASSETS	0060	18	184,617,946	130,773,699
A. EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	0401	19	371,087,653	349,227,637
I. EQUITY	0402	19.1	81,530,200	81,530,200
II. SUBSCRIBED CAPITAL UNPAID	0403		-	-
III. SHARE PREMIUM	0404		-	-
IV. RESERVES	0405		-	-
V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	0406		753,946	675,575
VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	0407		177,975	171,150
VII. RETAINED EARNINGS (0409+0410)	0408		288,463,874	267,193,012
1. Retained earnings from previous years	0409		244,271,358	174,818,359
2. Retained earnings from current year	0410		44,192,516	92,374,653
VIII. NON-CONTROLLING INTEREST	0411		517,608	-
IX. LOSS (0413+0414)	0412		-	-
1. Loss from previous years	0413		-	-
2. Loss from current year	0414		-	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	0415		72,402,230	80,129,074
I. LONG-TERM PROVISIONS (0417+0418+0419)	0416	20	13,937,343	14,814,651
1. Provisions for employee benefits	0417		1,266,146	979,395
2. Provisions for warranty claims	0418		-	-
3. Other long term provisions	0419		12,671,197	13,835,256

*(continued)**The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.*

NIS Group

Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in RSD 000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET (continued)

	AOP Note	31 December 2023	31 December 2022
II. LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	0420 21	58,464,887	65,314,423
1. Liabilities convertible to equity	0421	-	-
2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422	-	-
3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423	-	-
4. Long-term loans and finance lease liabilities - domestic	0424	41,677,200	47,928,094
5. Long-term loans and finance lease liabilities - foreign	0425	15,795,870	16,412,357
6. Liabilities for issued securities	0426	-	-
7. Other long-term liabilities	0427	991,817	973,972
III. LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	0428	-	-
C. DEFERRED TAX LIABILITIES	0429 11	-	-
D. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	0430	-	-
E. SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	0431	63,220,706	85,459,396
I. SHORT-TERM PROVISIONS	0432 20	2,712,762	2,013,474
II. SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	0433 22	12,505,285	7,855,467
1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434	-	-
2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435	-	2,728,428
3. Short-term loans and borrowings from other parties	0436	924,202	735,918
4. Short-term loans from domestic banks	0437	10,519,898	3,582,756
5. Short-term loans, borrowings and liabilities - foreign	0438	1,061,185	808,365
6. Liabilities on short-term securities	0439	-	-
7. Liabilities based on financial derivatives	0440	-	-
III. ADVANCES RECEIVED	0441	5,206,173	11,399,343
IV. TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	0442 23	16,389,168	24,024,598
1. Trade payables - parent, subsidiaries and other related parties - domestic	0443	728,736	3,620,071
2. Trade payables - parent, subsidiaries and other related parties - foreign	0444	110,863	77,576
3. Trade payables - domestic	0445	12,228,611	8,278,322
4. Trade payables - foreign	0446	3,289,717	12,016,177
5. Liabilities on promissory notes	0447	-	-
6. Other operating liabilities	0448	31,241	32,452
V. OTHER SHORT-TERM LIABILITIES	0449 24	21,526,533	35,453,016
1. Other short-term liabilities	0450	9,814,397	7,193,194
2. Liabilities for VAT and other taxes	0451	11,712,136	14,246,373
3. Profit tax liabilities	0452	-	14,013,449
VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS	0453	-	-
VII. SHORT-TERM ACCRUED EXPENSES	0454 25	4,880,785	4,713,498
F. LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0	0455	-	-
G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)	0456	506,710,589	514,816,107
H. OFF-BALANCE SHEET LIABILITIES	0457 18	184,617,946	130,773,699

Novi Sad, 29 February 2024

Kirill Tyurdenov
Chief Executive Officer

M.P.

Anton Cherepanov
Chief Financial Officer

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

NIS Group
Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in RSD 000 unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	OP	Note	Year ended 31 December	
			2023	2022
			-1010+1011+1012)	
I. INCOME FROM THE SALE OF GOODS (1003+1004)	1001		433,722,189	536,302,367
1. Income from sale of goods on domestic market	1002	6	70,403,187	91,430,596
2. Income from sale of goods on foreign market	1003		31,884,664	37,389,802
	1004		38,518,523	54,040,794
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	1005	6	341,238,036	421,840,081
1. Income from sales of products and services on domestic market	1006		304,534,507	378,416,227
2. Income from sales of products and services on foreign market	1007		36,703,529	43,423,854
III. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1008		14,307,357	11,953,116
IV. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1009		-	10,171,384
V. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1010		2,011,908	-
VI. OTHER OPERATING INCOME	1011	6	394,457	732,845
VII. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1012	26	9,391,060	174,345
B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		375,290,577	425,960,931
I. COST OF GOODS SOLD	1014		43,485,683	52,757,124
II. COST OF MATERIAL, FUEL AND ENERGY	1015	27	239,879,654	287,255,980
III. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1016	28	38,486,743	32,190,314
1. Cost of salaries and fringe benefits	1017		32,111,745	26,853,527
2. Cost of tax and contributions on wages and salaries	1018		4,385,978	3,731,825
3. Other personal expenses	1019		1,989,020	1,604,962
IV. DEPRECIATION, DEPLETION AND AMORTIZATION	1020		24,960,531	25,479,192
V. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1021	29	809,170	236,008
VI. COST OF PRODUCTION SERVICES	1022	30	16,294,412	15,448,344
VII. COST OF PROVISION	1023		1,319,055	3,461,613
VIII. NON-PRODUCTION COSTS	1024	31	10,055,329	9,132,356
C. OPERATING GAIN (1001-1013)\geq0	1025		58,431,612	110,341,436
D. OPERATING LOSS (1013-1001)\geq0	1026		-	-
E. FINANCE INCOME (1028+1029+1030+1031)	1027	32	6,290,653	6,403,142
I. FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1028		950,947	2,142,450
II. INTEREST INCOME	1029		4,698,292	2,138,970
III. FOREIGN EXCHANGE GAIN	1030		594,210	757,386
IV. OTHER FINANCIAL INCOME	1031		47,204	1,364,336
F. FINANCE EXPENSES (1033+1034+1035+1036)	1032	33	5,298,169	7,128,152
I. FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		1,259,768	3,659,804
II. INTEREST EXPENSE	1034		3,243,087	1,799,768
III. FOREIGN EXCHANGE LOSS	1035		647,631	1,559,618
IV. OTHER FINANCIAL EXPENSE	1036		147,683	108,962
I. PROFIT FROM FINANCING OPERATIONS (1027-1032)\geq0	1037		992,484	-
J. LOSS FROM FINANCING OPERATIONS (1032-1027)\geq0	1038		-	725,010

(continued)

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT (continued)

	OP	Note	Year ended 31 December	
			2023	2022
K. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	34	161,390	699,716
L. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	35	156,316	477,301
M. OTHER INCOME	1041	36	1,392,778	1,419,176
N. OTHER EXPENSE	1042	37	8,661,232	1,420,052
O. TOTAL INCOME (1001+1027+1039+1041)	1043		441,567,010	544,824,401
P. TOTAL EXPENSE (1013+1032+1040+1042)	1044		389,406,294	434,986,436
Q. OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		52,160,716	109,837,965
R. OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		-	-
S. POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1047		-	-
T. NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1048		-	-
U. PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	1049		52,160,716	109,837,965
V. LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		-	-
W. INCOME TAX				
I. CURRENT INCOME TAX	1051	38	8,532,713	17,886,433
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	38	284	230,702
III. DEFERRED TAX INCOME FOR THE PERIOD	1053	38	564,797	653,823
X. PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y. NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		44,192,516	92,374,653
Z. NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	-
I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST	1057		-	-
II. NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		44,667,130	92,374,653
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	1059		474,614	-
IV. NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		-	-
V. EARNINGS PER SHARE				
1. Basic earnings per share	1061		0.27	0.57
2. Diluted earnings per share	1062		-	-

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	P	Note	Year ended 31 December	
			2023	2022
. NET PROFIT				
	2001		44,192,516	92,374,653
II.	2002		-	-
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
<i>) Items that will not be reclassified to profit or loss</i>				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
reserves	2003		-	-
b) decrease in revaluation reserves	2004		-	-
2. Actuarial gains/(losses) of post employment benefit obligations				
	2005		-	-
b) losses	2006		49,477	181,751
comprehensive profit or loss				
	2007		-	-
b) losses	2008		-	-
<i>b) Items that may be subsequently reclassified to profit or loss</i>				
1. Gains/(losses) arising from equity investments				
	2009		-	-
b) losses	2010		-	-
2. Gains/(losses) from currency translation differences				
	2011		80,237	65,497
b) losses	2012		-	-
3. Gains/(losses) on investment hedging instruments in foreign business				
	2013		-	-
b) losses	2014		-	-
4. Gains/(losses) on cash flow hedges				
	2015		-	-
b) losses	2016		-	-
5. Gains/(losses) from change in value of available-for-sale financial assets				
	2017		8,299	-
b) losses	2018		-	104
I OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)- (2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019		39,059	-
II OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)- (2003+2005+2007+2009+2011+2013+2015+2017)>=0	2020		-	116,358
III DEFERRED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT/ (LOSS)	2021		-	-
IV DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT/ (LOSS)	2022		-	-
V. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0	2023		39,059	-
VI. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0	2024		-	116,358
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0	2025		44,231,575	92,258,295
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	2026		-	-
D. TOTAL NET COMPREHENSIVE PROFIT (2028+2029)=AOP 2025>=0 or AOP 2026>0	2027		44,231,575	92,258,295
1. Attributable to shareholders	2028		44,231,575	92,258,295
2. Attributable to non-controlling interest	2029		-	-

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	OP	Note	Year ended 31 December	
			2023	2022
I. Cash inflow from operating activities (1 to 4)	3001		708,894,927	825,174,454
1. Sales and advances received - domestic	3002		600,703,088	689,656,564
2. Sales and advances received - foreign	3003		104,418,905	131,095,432
3. Interest from operating activities	3004		3,378,477	1,515,009
4. Other inflow from operating activities	3005		394,457	2,907,449
	3006		680,911,308	711,111,204
1. Payments and prepayments to suppliers - domestic	3007		84,440,360	67,864,84
2. Payments and prepayments to suppliers - foreign	3008		248,643,442	315,935,84
3. Salaries, benefits and other personal expenses	3009		36,290,997	29,973,944
4. Interest paid - domestic	3010		2,137,901	987,741
5. Interest paid - foreign	3011		571,343	483,418
6. Income tax paid	3012		29,870,557	8,084,345
7. Payments for other public revenues	3013		278,956,708	287,781,069
8. Other payments from operating activities	3014		-	-
III. Net cash inflow from operating activities (I - II)	3015		27,983,619	114,063,250
IV. Net cash outflow from operating activities (II - I)	3016		-	-
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	3017		7,426,296	421,432
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		104,698	393,157
3. Other financial investments	3020		7,277,226	28,275
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		44,372	-
II. Cash outflow from investing activities (1 to 3)	3023		74,438,261	31,728,112
1. Acquisition of subsidiaries or other business	3024		-	-
2. Purchase of intangible assets, property, plant and equipment	3025		43,363,331	25,437,566
3. Other financial investments	3026		31,074,930	6,290,546
III. Net cash inflow from investing activities (I - II)	3027		-	-
IV. Net cash outflow from investing activities (II - I)	3028		67,011,965	31,306,680
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	3029		4,200,401	5,811,336
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	21	3,380,401	3,905,907
3. Proceeds from long-term borrowings - foreign	3032	21	-	593,845
4. Proceeds from short-term borrowings - domestic	3033	21	820,000	824,256
5. Proceeds from short-term borrowings - foreign	3034	21	-	487,328
6. Other long-term liabilities	3035		-	-
7. Other short-term liabilities	3036		-	-
II. Cash outflow from financing activities (1 to 8)	3037		31,524,024	20,660,303
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	21	2,767,509	2,957,319
3. Repayment of long-term borrowings - foreign	3040	21	3,057,206	11,105,986
4. Repayment of short-term borrowings - domestic	3041	21	821,099	-
5. Repayment of short-term borrowings - foreign	3042	21	487,328	-
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	21	1,025,957	814,876
8. Dividend distribution	3045	19.1	23,364,925	5,782,122
III. Net cash inflow from financing activities (I - II)	3046		-	-
IV. Net cash outflow from financing activities (II - I)	3047		27,323,623	14,848,967
D. TOTAL CASH INFLOW (3001+3017+3029)	3048		720,521,624	831,407,222
E. TOTAL CASH OUTFLOW (3006+3023+3037)	3049		786,873,593	763,499,619
F. NET CASH INFLOW (3048-3049)>=0	3050		-	67,907,603
G. NET CASH OUTFLOW (3049-3048)>=0	3051		66,351,969	-
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3052		88,131,045	21,283,274
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	3053		30,798	126,877
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	3054		325,603	1,186,709
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	3055	16	21,484,271	88,131,045

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

NIS Group
Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in RSD 000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity components										Total
		Share capital	Rev. reserves and unr. gains and losses	Retained earnings	Loss	Non-controlling interest						
1. Balance as at 1 January 2022	4001	81,530,200	4037	600,647	4046	180,705,364	4055	-	4064	-	4073	262,836,211
2. Adjustments of material errors and changes in accounting policies	4002	-	4038	-	4047	-	4056	-	4065	-	4074	-
3. Restated opening balance as at 1 January 2022	4003	81,530,200	4039	600,647	4048	180,705,364	4057	-	4066	-	4075	262,836,211
4. Net changes in 2022	4004	-	4040	(96,222)	4049	86,487,648	4058	-	4067	-	4076	86,391,426
5. Balance as at 31 December 2022	4005	81,530,200	4041	504,425	4050	267,193,012	4059	-	4068	-	4077	349,227,637
6. Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4069	-	4078	-
7. Restated opening balance as at 1 January 2023	4007	81,530,200	4043	504,425	4052	267,193,012	4061	-	4070	-	4079	349,227,637
8. Net changes in 2023	4008	-	4044	71,546	4053	21,270,862	4062	-	4071	517,608	4080	21,860,016
9. Balance as at 31 December 2023	4009	81,530,200	4045	575,971	4054	288,463,874	4063	-	4072	517,608	4081	371,087,653

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

NIS Group

Notes to Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in RSD 000 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 principal activities include:

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

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

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

structure is provided in Note 41. Information on other related party relationships of the Group is provided in Note 42.

These consolidated financial statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Shareholders' Assembly for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements for the year ended 31 December 2023 were prepared in accordance with the Law on Accounting of the Republic of Serbia which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition, the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,

- items do not meet the definition of either an asset or a liability under IFRS.

As a result, the accompanying consolidated financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise

degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.
