



Naftna industrija Srbije A.D.

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

30 June 2024

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

Contents

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Notes to the Interim Condensed Consolidated Financial Statements

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

Contact Information	21
---------------------	----

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

Assets	Note	30 June 2024	31 December 2023
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	4	35,495,119	21,484,271
Short-term financial assets	5	190,375	32,639,879
Trade and other receivables	6	38,350,637	33,432,827
Inventories	7	69,109,434	67,680,808
Current income tax prepayments		9,445,747	7,470,959
Other current assets	8	14,597,063	11,171,402
Assets classified as held for sale		20,400	56,605
Total current assets		167,208,775	173,936,751
Non-current assets			
Property, plant and equipment	9	328,266,051	308,217,345
Right-of-use assets	10	4,076,342	3,728,750
Investment property		1,508,408	1,514,920
Goodwill and other intangible assets		5,845,473	5,406,024
Investments in associates and joint ventures		2,171,114	2,729,005
Trade and other non-current receivables		813,425	669,618
Long-term financial assets		105,078	262,005
Deferred tax assets		3,560,158	3,245,067
Other non-current assets	11	3,690,228	7,001,095
Total non-current assets		350,036,277	332,773,829
Total assets		517,245,052	506,710,580
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	12,335,425	11,824,846
Current lease liabilities	17	1,017,252	924,031
Trade and other payables	13	33,546,629	20,703,916
Other current liabilities	14	12,310,812	14,093,357
Current income tax payable		8	-
Other taxes payable	15	16,265,013	12,961,786
Provisions for liabilities and charges		1,274,548	2,712,762
Total current liabilities		76,749,687	63,220,698
Non-current liabilities			
Long-term debt	16	55,881,588	54,612,097
Non-current lease liabilities	17	2,912,931	3,010,984
Other non-current financial liabilities		838,044	838,937
Deferred tax liabilities		3,400	-
Long-term trade and other payables		2,865	2,868
Provisions for liabilities and charges		14,860,506	13,937,343
Total non-current liabilities		74,499,334	72,402,229
Equity			
Share capital		81,530,200	81,530,200
Reserves		747,073	694,603
Retained earnings		283,522,636	288,345,242
Equity attributable to the Company's owners		365,799,909	370,570,045
Non-controlling interest		196,122	517,608
Total equity		365,996,031	371,087,653
Total liabilities and shareholder's equity		517,245,052	506,710,580

Kirill Tyurdenev
Chief Executive Officer
26 July 2024



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)

		Three month period ended 30 June		Six month period ended 30 June	
	Note	2024	2023	2024	2023
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		105,981,006	83,819,614	187,489,515	170,180,353
Other revenues		6,030,099	7,164,932	10,913,418	16,679,365
Total revenue from sales	3	112,011,105	90,984,546	198,402,933	186,859,718
Purchases of oil, gas and petroleum products		(77,226,078)	(55,141,030)	(132,375,858)	(108,542,266)
Production, manufacturing and cost of other sales	18	(10,773,608)	(10,496,958)	(21,737,452)	(23,580,500)
Selling, general and administrative expenses	19	(8,625,521)	(7,476,809)	(16,825,824)	(14,795,329)
Transportation expenses		(417,594)	(374,804)	(808,001)	(755,377)
Depreciation, depletion and amortization		(6,734,437)	(6,128,511)	(13,259,836)	(12,405,006)
Taxes other than income tax		(2,140,153)	(1,893,169)	(4,202,662)	(3,745,925)
Exploration expenses		-	-	(187)	-
Total operating expenses		(105,917,391)	(81,511,281)	(189,209,820)	(163,824,403)
Other income/(expenses), net	20	63,653	(7,093,172)	244,943	(7,357,890)
Operating profit		6,157,367	2,380,093	9,438,056	15,677,425
Share of loss of associates and joint ventures		(444,597)	(223,475)	(557,892)	(102,340)
Net foreign exchange loss	21	(242,092)	(163,897)	(456,007)	(210,805)
Finance income	22	351,739	1,283,461	962,361	2,672,576
Finance expenses	23	(889,676)	(830,402)	(1,812,695)	(1,601,414)
Total other (expense)/income		(1,224,626)	65,687	(1,864,233)	758,017
Profit before income tax		4,932,741	2,445,780	7,573,823	16,435,442
Current income tax expense		(1,532,430)	(579,194)	(2,551,342)	(3,109,201)
Deferred income tax income		152,072	163,019	311,688	396,808
Total income tax		(1,380,358)	(416,175)	(2,239,654)	(2,712,393)
Profit for the period		3,552,383	2,029,605	5,334,169	13,723,049
Other comprehensive income/(loss):					
Items that will not be reclassified to profit/(loss)					
Gain/(loss) from investments in equity instruments		-	(155)	52	(155)
Items that may be subsequently reclassified to profit					
Currency translation differences		42,954	46,645	52,418	62,074
Other comprehensive income for the period		42,954	46,490	52,470	61,919
Total comprehensive income for the period		3,595,337	2,076,095	5,386,639	13,784,968
Profit/(loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		3,785,688	2,029,605	5,655,655	13,723,049
- Non-controlling interest		(233,305)	-	(321,486)	-
Profit for the period		3,552,383	2,029,605	5,334,169	13,723,049
Total comprehensive income/(loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		3,828,642	2,076,095	5,708,125	13,784,968
- Non-controlling interest		(233,305)	-	(321,486)	-
Total comprehensive income for the period		3,595,337	2,076,095	5,386,639	13,784,968
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		23.22	12.45	34.68	84.16
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

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

NIS Group

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Six month period ended 30 June 2024 and 2023

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

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

		Equity attributable to the Company's owners				Non-	Total
		Share capital	Reserves	Retained earnings	Total	controlling interest	equity
(unaudited)							
Balance as at 1 January 2024		81,530,200	694,603	288,345,242	370,570,045	517,608	371,087,653
Profit/(loss) for the period		-	-	5,655,655	5,655,655	(321,486)	5,334,169
Other comprehensive income							
Gain from investments in equity instruments		-	52	-	52	-	52
Currency translation differences		-	52,418	-	52,418	-	52,418
Total comprehensive income/(loss) for the period		-	52,470	5,655,655	5,708,125	(321,486)	5,386,639
Dividend distribution	13	-	-	(10,478,261)	(10,478,261)	-	(10,478,261)
Balance as at 30 June 2024		81,530,200	747,073	283,522,636	365,799,909	196,122	365,996,031

NIS Group
Interim Condensed Consolidated Statement of Cash Flows¹

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

		Six month period ended 30 June	
		2024	2023
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		7,573,823	16,435,442
Adjustments for:			
Share of profit of associates and joint ventures		557,892	102,340
Finance expenses	23	1,812,695	1,601,414
Finance income	22	(962,361)	(2,672,576)
Unrealised foreign exchange (gain)/losses, net		459,614	(1,019,978)
Depreciation, depletion and amortization		13,259,836	12,405,006
Other non-cash items		2,557	366,614
Operating cash flow before changes in working capital		22,704,056	27,218,262
Changes in working capital:			
Trade and other receivables		(4,843,794)	6,407,737
Inventories		(1,091,753)	(2,284,833)
Other current assets		(3,514,184)	(1,706,363)
Trade payables and other current liabilities		(3,095,068)	(11,962,421)
Other taxes payable		3,302,655	(2,395,568)
Total effect on working capital changes		(9,242,144)	(11,941,448)
Income taxes paid		(4,538,962)	(21,085,859)
Interest paid		(1,554,202)	(1,260,054)
Interest received		2,476,247	2,287,462
		(3,616,917)	(20,058,451)
Net cash (used in)/generated by operating activities		9,844,995	(4,781,637)
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiaries		-	568,307
Capital expenditures ²		(27,704,738)	(12,788,981)
Proceeds from sale of property, plant and equipment		104,589	55,186
Bank deposits (proceeds)/repayment, net		31,059,893	(30,880,050)
Other inflow/(outflow)		(161,733)	10
Net cash (used in)/generated by investing activities		3,298,011	(43,045,528)
Cash flows from financing activities			
Proceeds from borrowings	12,16	5,958,328	820,000
Repayment of borrowings	12,16	(4,136,116)	(5,019,737)
Repayment of lease liabilities	17	(616,397)	(489,477)
Net cash (used in)/generated financing activities		1,205,815	(4,689,214)
Net increase/(decrease) in cash and cash equivalents		14,348,821	(52,516,379)
Effect of foreign exchange on cash and cash equivalents		(337,973)	(170,769)
Cash and cash equivalents as of the beginning of the period		21,484,271	88,131,045
Cash and cash equivalents as of the end of the period	4	35,495,119	35,443,897

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

² CF from investing activities includes VAT in the amount of 3.53 bln RSD (2023: 1.46 bln RSD)

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

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**2.1. 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.

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

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

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

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

In the 2024 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and USD (the information on economic environment in the Republic Serbia is detailed in Note 25) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024

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

to that during the first half 2024 the Group didn't review the critical accounting estimates which are used by the Group in the Interim Condensed Consolidated Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 30 June 2024 the Group didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing.

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

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

2.2. 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 2023.

3. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the six month period ended 30 June 2024 and 2023. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the six month period ended 30 June 2024 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	28,579,616	199,372,286	(29,548,969)	198,402,933
Intersegment	28,017,332	1,531,637	(29,548,969)	-
External	562,284	197,840,649	-	198,402,933
Adjusted EBITDA (Segment results)	20,351,206	2,429,353	-	22,780,559
Depreciation, depletion and amortization	(7,426,763)	(5,833,073)	-	(13,259,836)
Share of loss in associates and joint ventures	-	(557,892)	-	(557,892)
Net foreign exchange loss	(219,293)	(236,714)	-	(456,007)
Finance expenses, net	(270,523)	(579,811)	-	(850,334)
Income tax	(112,972)	(2,126,682)	-	(2,239,654)
Segment profit/(loss)	12,102,048	(6,767,879)	-	5,334,169

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024

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

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

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

Adjusted EBITDA for the three and six month period ended 30 June 2024 and 2023 is reconciled below:

	Three month period ended 30 June		Six month period ended 30 June	
	2024	2023	2024	2023
Profit for the period	3,552,383	2,029,605	5,334,169	13,723,049
Income tax	1,380,358	416,175	2,239,654	2,712,393
Finance expenses	889,676	830,402	1,812,695	1,601,414
Finance income	(351,739)	(1,283,461)	(962,361)	(2,672,576)
Depreciation, depletion and amortization	6,734,437	6,128,511	13,259,836	12,405,006
Share of loss of associates and joint ventures	444,597	223,475	557,892	102,340
Net foreign exchange loss	242,092	163,897	456,007	210,805
Other expenses/(income), net	(63,653)	7,093,172	(244,943)	7,357,890
Other non-operating expense/(income), net*	(21,090)	(7,017,071)	327,610	(6,976,493)
Adjusted EBITDA	12,807,061	8,584,705	22,780,559	28,463,828

*Other non-operating expense/(income), net mainly relates to penalties and excess and deficiencies of assets revealed, (for 2023 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, petroleum and petrochemical products sales, sales of electricity, lease revenue and other sales comprise the following:

	Six month period ended 30 June	
	2024	2023
Sale of crude oil	265,671	-
Sale of gas	133,701	91,087
<i>Wholesale activities</i>	133,701	91,087
Sale of petroleum products	177,779,980	170,089,266
<i>Through a retail network</i>	61,331,112	58,070,647
<i>Wholesale activities</i>	116,448,868	112,018,619
Sale of petrochemical products	9,310,163	-
Sale of electricity	485,528	7,527,339
Lease revenue	172,970	177,595
Other sales	10,254,920	8,974,431
Total sales	198,402,933	186,859,718

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 7,534,290 RSD (2023: 6,395,016 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.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024***(All amounts are in 000 RSD, unless otherwise stated)***4. CASH AND CASH EQUIVALENTS**

	30 June 2024	31 December 2023
Cash in bank and in hand	12,116,450	11,739,845
Deposits with original maturity of less than three months	23,372,686	9,734,451
Cash held on escrow account	252	4,729
Cash equivalents	5,731	5,246
	35,495,119	21,484,271

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

5. SHORT-TERM FINANCIAL ASSETS

	30 June 2024	31 December 2023
Short-term loans	37,303	34,215
Deposits with original maturity more than 3 months less than 1 year	155,252	32,607,844
<i>Less impairment loss provision</i>	(2,180)	(2,180)
	190,375	32,639,879

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

6. TRADE AND OTHER RECEIVABLES

	30 June 2024	31 December 2023
Trade receivables	45,873,830	41,111,337
Other receivables	86,476	83,048
<i>Less credit loss allowance for trade receivables</i>	(7,579,917)	(7,730,975)
<i>Less credit loss allowance for other receivables</i>	(29,752)	(30,583)
	38,350,637	33,432,827

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

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

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

7. INVENTORIES

	30 June 2024	31 December 2023
Crude oil	33,849,851	32,398,731
Gas	195,642	-
Petroleum products	28,814,329	29,073,971
Materials and supplies	10,064,851	10,338,729
Other	1,500,237	1,622,606
<i>Less impairment provision</i>	(5,315,476)	(5,753,229)
	69,109,434	67,680,808

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024**

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

8. OTHER CURRENT ASSETS

	30 June 2024	31 December 2023
Advances paid	3,376,576	1,801,551
VAT receivables	662,557	667,468
Deferred VAT	5,332,958	3,450,155
Prepaid expenses	706,895	334,025
Prepaid custom duties	78,780	68,247
Prepaid excise	3,911,511	4,305,367
Other current assets	8,054,971	8,074,069
<i>Less impairment provision</i>	<i>(7,527,185)</i>	<i>(7,529,480)</i>
	14,597,063	11,171,402

Deferred VAT as at 30 June 2024 amounting to 5,332,958 RSD (31 December 2023: 3,450,155 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 June 2024 amounting to 3,911,511 RSD (31 December 2023: 4,305,367 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024

(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 2024						
Cost	252,630,090	175,629,205	78,033,327	18,056,185	36,977,722	561,326,529
Depreciation and impairment	(110,571,668)	(87,506,665)	(41,309,913)	(10,475,958)	(3,244,980)	(253,109,184)
Net book value	142,058,422	88,122,540	36,723,414	7,580,227	33,732,742	308,217,345
Period ended 30 June 2024						
Additions	9,651,410	16,043,330	1,616,279	374,783	4,502,247	32,188,049
Changes in decommissioning obligations	337,359	-	-	-	-	337,359
Impairment	-	-	-	-	(5,021)	(5,021)
Depreciation	(7,090,794)	(3,979,249)	(1,245,384)	(243,980)	-	(12,559,407)
Transfer from investment property	-	-	6,565	-	-	6,565
Transfer from non-current assets held for sale	-	-	-	11,935	-	11,935
Disposals and write-off	(15,811)	(3,489)	(52,907)	(15,865)	(187)	(88,259)
Other transfers	6,372	(4,746)	9,392	(11,017)	206,414	206,415
Translation differences	(11,803)	-	(15,919)	-	(21,208)	(48,930)
	144,935,155	100,178,386	37,041,440	7,696,083	38,414,987	328,266,051
As at 30 June 2024						
Cost	262,563,934	192,139,944	79,248,109	17,970,228	41,117,009	593,039,224
Depreciation and impairment	(117,628,779)	(91,961,558)	(42,206,669)	(10,274,145)	(2,702,022)	(264,773,173)
Net book value	144,935,155	100,178,386	37,041,440	7,696,083	38,414,987	328,266,051

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024

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

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets the six months ended 30 June 2024 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2024	108,780	1,344,646	229,288	2,046,036	3,728,750
Additions	13,794	140,232	127,840	670,476	952,342
Depreciation	(4,673)	(122,139)	(73,414)	(179,395)	(379,621)
Transfers	-	(5,963)	-	-	(5,963)
Disposals	-	-	(1,549)	(216,581)	(218,130)
Foreign currency translation	(308)	(635)	(64)	(29)	(1,036)
As at 30 June 2024	117,593	1,356,141	282,101	2,320,507	4,076,342

11. OTHER NON-CURRENT ASSETS

	30 June 2024	31 December 2023
Advances paid for PPE	3,394,895	6,749,277
Prepaid expenses	90,046	104,566
Other assets	909,444	952,700
Less allowance of other assets	(288,018)	(287,549)
Less allowance for advances paid	(416,139)	(517,899)
	3,690,228	7,001,095

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

	30 June 2024	31 December 2023
Short-term loans	-	820,000
Interest liabilities	250,727	243,592
Other short-term financial liabilities	-	171
Current portion of long-term loans (note 16)	12,084,698	10,761,083
	12,335,425	11,824,846

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

	Six month period ended 30 June	
	2024	2023
Short-term loans at 1 January	820,000	1,308,145
Proceeds	-	820,000
Repayment	(820,000)	(1,308,427)
Foreign exchange difference (note 21)	-	282
Short-term loans at 30 June	-	820,000

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024***(All amounts are in 000 RSD, unless otherwise stated)***13. TRADE AND OTHER PAYABLES**

	30 June 2024	31 December 2023
Trade payables	19,233,485	16,880,398
Dividends payable	14,261,722	3,783,595
Other accounts payable	51,422	39,923
	33,546,629	20,703,916

Dividend payable declared for the year ended 31 December 2023, amounted to 10,478,261 RSD or 64.26 RSD per share (31 December 2022: 23,364,925 RSD or 143.29 RSD per share) were approved on the General Assembly Meeting held on 27 June 2024.

14. OTHER CURRENT LIABILITIES

	30 June 2024	31 December 2023
Contract liabilities arising from contracts with customers:		
- Advances received	4,092,777	5,136,000
- Customer loyalty	1,029,781	926,279
- Deferred income	106,510	88,916
Payables to employees	4,961,221	6,008,721
Other current non-financial liabilities	2,120,523	1,933,441
	12,310,812	14,093,357

Revenue in the amount of 4,961,300 RSD was recognized in the current reporting period (30 June 2023: 6,853,640 RSD) related to the contract liabilities as at 1 January 2024, of which 4,554,107 RSD (30 June 2023: 6,500,666 RSD) related to advances and 407,193 RSD (30 June 2023: 352,974 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 1,850,047 RSD (31 December 2023: 1,828,202 RSD) .

15. OTHER TAXES PAYABLE

	30 June 2024	31 December 2023
Mineral extraction tax	471,553	483,058
VAT	4,326,620	1,771,559
Excise tax	8,792,699	8,264,105
Contribution for State commodity reserves	615,026	625,507
Custom duties	147,528	61,075
Energy efficiency fee	65,628	73,968
Other taxes	1,845,959	1,682,514
	16,265,013	12,961,786

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024***(All amounts are in 000 RSD, unless otherwise stated)***16. LONG-TERM DEBT**

	30 June 2024	31 December 2023
Bank loans	67,804,934	65,223,168
Other long-term borrowings	161,352	150,012
Less Current portion (note 12)	(12,084,698)	(10,761,083)
	55,881,588	54,612,097

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

	Six month period ended 30 June	
	2024	2023
Long-term loans at 1 January	65,223,168	67,738,184
Proceeds	5,958,328	-
Repayment	(3,316,116)	(3,711,310)
Non-cash transactions	7,930	39,874
Foreign exchange difference (note 21)	(68,376)	(89,391)
Long-term loans at 30 June	67,804,934	63,977,357

(a) Bank loans

	30 June 2024	31 December 2023
Domestic	51,594,249	48,366,114
Foreign	16,210,685	16,857,054
	67,804,934	65,223,168
Current portion of long-term loans	(12,084,698)	(10,761,083)
	55,720,236	54,462,085

The maturity of bank loans was as follows:

	30 June 2024	31 December 2023
Between 1 and 2 years	21,538,540	7,632,523
Between 2 and 5 years	33,266,137	45,494,977
Over 5 years	915,559	1,334,585
	55,720,236	54,462,085

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

	30 June 2024	31 December 2023
USD	-	30,298
EUR	67,804,934	65,163,377
JPY	-	29,493
	67,804,934	65,223,168

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 30 June 2024 and 31 December 2023, respectively.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024***(All amounts are in 000 RSD, unless otherwise stated)***17. LEASE LIABILITIES**

	30 June 2024	31 December 2023
Non-current lease liabilities	2,912,931	3,010,984
Current lease liabilities	1,017,252	924,031
	3,930,183	3,935,015

Amounts recognized in profit and loss:

	Six month period ended 30 June	
	2024	2023
Interest expense (included in finance cost) (note 23)	85,603	61,766
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	92,332	45,332
Expense relating to leases of low value assets that are not shown above as short-term leases	52,190	35,019
Expense relating to variable lease payments not included in lease liabilities	1,267,213	1,153,267

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

	Six month period ended 30 June	
	2024	2023
As at 1 January	3,935,015	3,149,589
Repayment	(616,397)	(489,477)
Company incoming to consolidation	-	883,328
Non-cash transactions	615,520	261,990
Foreign exchange difference (note 21)	(3,955)	(9,961)
As at 30 June	3,930,183	3,795,469

18. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended 30 June		Six month period ended 30 June	
	2024	2023	2024	2023
Employee costs	3,626,627	2,682,092	6,808,886	5,186,689
Materials and supplies (other than O&G and petroleum products)	844,542	780,900	1,776,981	1,549,266
Repair and maintenance services	2,124,783	819,907	3,192,725	1,540,643
Electricity for resale	11,663	1,900,526	37,061	6,806,989
Electricity and utilities	3,572,016	2,281,833	8,142,412	4,932,193
Safety and security expense	63,130	134,444	87,992	277,332
Transportation services for production	173,787	150,802	342,130	306,565
Other	357,060	1,746,454	1,349,265	2,980,823
	10,773,608	10,496,958	21,737,452	23,580,500

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024***(All amounts are in 000 RSD, unless otherwise stated)***19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 June		Six month period ended 30 June	
	2024	2023	2024	2023
Employee costs	5,782,070	4,878,178	11,241,751	9,646,760
Commission and agency fees	180,362	178,737	361,233	386,645
Legal, audit and consulting services	210,337	173,450	386,501	389,202
Current repair cost	365,352	312,614	688,809	624,830
Costs on advertising and marketing	113,081	121,177	190,846	172,378
Rent expense	34,042	19,775	73,292	35,755
Business trips expense	101,368	68,412	172,704	105,296
Safety and security expense	293,520	225,903	547,828	459,913
Insurance expense	35,794	21,669	72,499	48,633
Transportation and storage	80,946	58,796	164,366	113,307
Allowance for doubtful accounts	(114,995)	(792)	(130,401)	4,602
Other	1,543,644	1,418,890	3,056,396	2,808,008
	8,625,521	7,476,809	16,825,824	14,795,329

20. OTHER INCOME/(EXPENSES), NET

	Three month period ended 30 June		Six month period ended 30 June	
	2024	2023	2024	2023
Penalties	149,709	44,969	277,225	99,574
Provisions (legal, environmental, etc.)	(131,922)	(101,218)	(254,189)	(202,278)
Impairment (reversal) of non-financial assets	(6,588)	(5,484)	(6,621)	(13,002)
Gain from write-off of accounts payable	60,307	3,428	209,544	4,757
Charity and social payments	(11,839)	(7,047,444)	(18,250)	(7,066,980)
Other	3,986	12,577	37,234	(179,961)
	63,653	(7,093,172)	244,943	(7,357,890)

Charity and social payments amounting to 18,250 RSD (2023: 7,066,980 RSD) mainly relate to donations for support projects in the field of education, social and health care.

21. NET FOREIGN EXCHANGE LOSS

	Three month period ended 30 June		Six month period ended 30 June	
	2024	2023	2024	2023
Foreign exchange gain/(loss) on financing activities including:				
- foreign exchange gain (note 12, 16 and 17)	55,975	159,436	107,249	212,316
- foreign exchange loss (note 12, 16 and 17)	(3,269)	(83,944)	(34,918)	(113,246)
Net foreign exchange loss on operating activities	(294,798)	(239,389)	(528,338)	(309,875)
	(242,092)	(163,897)	(456,007)	(210,805)

22. FINANCE INCOME

	Three month period ended 30 June		Six month period ended 30 June	
	2024	2023	2024	2023
Interest on bank deposits	349,033	1,281,100	957,344	2,667,536
Interest income on loans issued	2,706	2,361	5,017	5,040
	351,739	1,283,461	962,361	2,672,576

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024***(All amounts are in 000 RSD, unless otherwise stated)***23. FINANCE EXPENSES**

	Three month period ended 30 June		Six month period ended 30 June	
	2024	2023	2024	2023
Interest expense	853,064	777,709	1,754,645	1,479,086
Losses on restructuring of borrowings	3,855	5,315	7,930	11,211
Decommissioning provision: unwinding of the present value discount	39,660	36,772	74,915	73,127
Provision of trade and other non-current receivables: discount	14,393	28,949	15,697	68,960
Less: amounts capitalised on qualifying assets	(21,296)	(18,343)	(40,492)	(30,970)
	889,676	830,402	1,812,695	1,601,414

Interest expense includes expenses on lease liabilities in the amount of 85,603 RSD for the six months ended 30 June 2024 (61,766 RSD for the six months ended 30 June 2023 accordingly) (Note 17).

24. FAIR VALUE MEASUREMENT

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

As of 30 June 2024 the carrying value of financial assets approximates their fair value.

25. CONTINGENCIES AND COMMITMENTS*Taxes*

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 30 June 2024.

Economic environment in the Republic of Serbia

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

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

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

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024***(All amounts are in 000 RSD, unless otherwise stated)**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 451,844 RSD (31 December 2023: 466,555 RSD).

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

Capital commitments

As of 30 June 2024 the Group has entered into contracts to purchase property, plant and equipment 2,353,686 RSD (31 December 2023: 2,861,058 RSD) and drilling and exploration works estimated to 89.94 USD million (31 December 2022: 89.78 USD million).

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

26. RELATED PARTY TRANSACTIONS

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

In the six month period ended 30 June 2024 and in the same period in 2023, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to sale of petroleum products and energy.

As at 30 June 2024 and 31 December 2023 the outstanding balances, presented net of impairment, with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint venture
As at 30 June 2024			
Short-term financial assets	-	35,284	-
Trade and other receivables	-	282,484	52,619
Investments in joint venture and associates	-	-	2,171,113
Trade and other non-current receivables	-	-	813,425
Other current assets	-	31,110	805,356
Trade and other payables	(644,893)	(5,353,047)	(309,016)
Other current liabilities	-	(117)	(388)
	(644,893)	(5,004,286)	3,533,109
As at 31 December 2023			
Short-term financial assets	-	32,196	-
Trade and other receivables	-	231,618	84,568
Investments in joint venture and associates	-	-	2,729,005
Trade and other non-current receivables	-	-	669,618
Other current assets	-	16,917	-
Other non-current assets	-	72,113	-
Trade and other payables	-	(172,009)	(667,586)
Other current liabilities	-	(127)	(433)
	-	180,708	2,815,172

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024**

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

For the six month period ended 30 June 2024 and 2023 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
Six month period ended 30 June 2024			
Revenues from sales of products and services	-	72,107	121,941
Expenses based on procurement of products and services	-	(381,621)	(1,608,803)
Other income/(expenses), net	-	1,827	(17,249)
	-	(307,687)	(1,504,111)
Six month period ended 30 June 2023			
Revenues from sales of products and services	-	436,060	15,435,349
Expenses based on procurement of products and services	(3,446)	(789,076)	(6,935,625)
Other income/(expenses), net	-	(45,026)	1,333
	(3,446)	(398,042)	8,501,057

27. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 30 June 2024 were evaluated through 26 July 2024, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2024

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

NIS Group

Contact Information

The Group's office is:

Narodnog Fronta 12,
21000 Novi Sad,
Republic of Serbia

Telephone: (+ 381 21) 481 1111

e-mail: office@nis.rs

www.nis.rs

Investor relations

e-mail: investor.relations@nis.rs