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**QUARTERLY REPORT
FOR SECOND
QUARTER OF
2023**

The Quarterly Report for Second Quarter of 2023 presents a factual overview of NIS Group's activities, development and performance in second quarter and the first six months of 2023.

The Report covers and presents data for NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to certain individual subsidiaries or only NIS j.s.c. Novi Sad, it is so noted in the Report. The terms: 'NIS j.s.c. Novi Sad' and 'the Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms 'NIS' and 'NIS Group' pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Quarterly Report for Second Quarter of 2023 is compiled in Serbian, English and Russian. In case of any discrepancy, the Serbian version shall be given precedence.

The Quarterly Report for Second Quarter of 2023 is also available online on the corporate website. For any additional information on NIS Group, visit the corporate website www.nis.rs.

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Foreword

In the first half of 2023, the priorities of the NIS Group were the continuation of the unhindered supply of all types of oil products to the market and the realization of the investments that have started, which will enable the further development and modernization of the NIS Company. RSD 5.1 billion were invested in capital projects in the reporting period, while total investments in the first half of the current year in the amount to RSD 11.6 billion. That is 52 percent more than the investments realized in the first six months of 2022. Most of the funds were invested in the field of exploration and production of oil and gas.

Significant investments were also made in the Downstream segment, primarily regarding the continuation of the modernization of the Pančevo Oil Refinery. Other than that, one of the priorities is the further development of the NIS retail network, so, work has begun on the “Sokolići 2” petrol station along the “Miloš Veliki” highway. Moreover, by implementing its green agenda and increasing the share of energy obtained from renewable sources, NIS continued the implementation of the project of installing photovoltaic power plants at its retail stores in Serbia. So far, solar panels have been installed at 15 petrol stations, and it is estimated that the total savings in electricity supply will amount to about 600 MWh on an annual basis, with a reduction in carbon dioxide emissions by more than 600 tons per year.

In addition, on June 9, in accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP Petrohemija, the transaction was closed. It is a step that is provided for in the Strategic Partnership Agreement signed in December 2021, and in this way the actions provided for in the aforementioned agreement were undertaken, which increases the authorized capital of the Company and creates the conditions for the next steps, which include the formation of new management bodies and the realization of NIS obligations as a strategic partner of HIP Petrohemija.

When it comes to financial and business results, the achievements are in line with the market circumstances - the drop in oil prices, the effect of more expensive stocks in processing and market restrictions. The combination of these factors influenced key indicators to be at a lower level compared to the comparative reporting period. In the first half of 2023, the average price of “Brent” oil was 79.8 USD per barrel, which is 26 percent less compared to the average price in the same period last year. The net profit of the NIS Group is RSD 13.7 billion, i.e. 69 percent less compared to the result achieved in the first six months of 2022. In the same period, the EBITDA indicator decreased by 57 percent compared to the previous year and amounted to RSD 28.5 billion.

NIS continued with socially responsible activities. At the meeting held on May 5, 2023 the board of directors approved EUR 60 million to support the projects of the Government of the Republic of Serbia in the field of education, social care and health care. NIS also announced a competition within the “Common Cause Community” programme for 2023, the focus of which is to support the development of science and education in partner cities and municipalities across Serbia. In this cycle, NIS will support the selected projects with RSD 144.5 million, which is the largest annual amount since the beginning of the implementation of the program in 2022.

Also, on June 29, 2023, the 15th regular session of the NIS Shareholders' Assembly was held, where, among other things, a decision was adopted to pay 23,364,924,716 dinars to the shareholders as a dividend for 2022.

In the rest of the year, NIS will remain committed to preserving stability on the market, as well as improving financial and operational indicators.

Management Business report

Highlights

January - June



Setting of the solar panels on three PSs

Extension of the PS network with TAG devices

Under the auspices of the “May New Hopes be Born” campaign, NIS Company handed out 225 gift packages for first-born babies in 2023 in 15 selected maternity hospitals in Serbia

With the support of the NIS Company, the first FIDE Chess Olympiad for people with disabilities was held



Signing of the contract on lease of PS Niš Istok

The mobile application of NIS Company – Drive.Go was awarded with a special - Top 50 prize, granted by the magazine PC Press to the best online contents in the category of Digital Innovation

Anton Cherepanov, Deputy CEO of NIS, presented the results of the NIS Group's operations for the year 2022 to the professional and expert public



The first scientific and technical conference was held in Refining Block, with the objective to recognise the potential of the employees of Refining Block and develop their competencies

The sale of jet fuel to a wholesale customer in Bulgaria started

Vadim Smirnov, Deputy CEO of NIS, participated in the panel “Education: Paths to Competencies” at the Kopaonik Business Forum and presented the efforts of NIS to support education in Serbia



The test mode of electronic work permits was completed in the Refining Block

Reconstruction of the Brus petrol station and Kosjeric petrol station started

Drive.Go and “On the Road with us” – advertising the Drive.Go application, as well as the “On the Road with us” programme, through digital channels, in order to attract new users

The NIS company received an award from the magazine “Diplomacy&Commerce” for the best socially responsible campaign in 2022, as well as a special plaque from “Večernje novosti” for many years of humanitarian activities

NIS Group presented the results of operations in the first quarter of 2023

The 7th season of student internship at NIS as part of the “NIS Calling” program has started

Quarterly report for second quarter of 2023



Obtained ISCC certificate¹ that enables the placement of fuel produced in the Refining Block, by blending mineral diesel and biodiesel

Participation of representatives of the Refining Block in the international conference: Petrochemical and Refining Congress 2023

Construction of the Sokolići 2 petrol station with a restaurant, Highway Miloš Veliki and the Lukavica petrol station in Bosnia started

Works on rebranding and partial reconstruction of Mali Požarevac petrol station started

The Board of Directors of NIS approved EUR 60 mln to support the projects of the Government of the Republic of Serbia in the field of education, social and health care

Photovoltaic power plants were installed at 7 more NIS petrol stations, making this project a total of 15 facilities

NIS received the award “Captain Miša Anastasijević” in the category “Leader of Social Responsibility” for 15 years of implementing the “Common Cause Community” program

The 2022 Sustainable Development Report, the 13th consecutive company-verified report on sustainable development, has been published

The Minister of Science, Technological Development and Innovation in the Government of the Republic of Serbia, Dr. Jelena Begović, visited the Science and Technology Center of NIS in Novi Sad



On June 9, in accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP Petrohemija, the transaction was closed

In the first six months of 2023, 26 development drills and 1 exploration well were drilled in Serbia. Also, 21 development wells were put into operation in Serbia

In the first half of year seismic data collection has been under way at the exploration area in Turkey

In the first six months, surface infrastructure facilities in Idoš oilfield are being equipped

Activities on the “FCC Reconstruction Project and construction of a new ETBE unit” according to plan

Employees from the Refining Block presented the project of reducing the CO₂ footprint and increasing the energy efficiency of the Vacuum Distillation at the final event of the Young Energy Europe 2.0 Project, held in Berlin

Expanding petrol station network outfitted with electric chargers for vehicles (Bački Vinogradi petrol station)

The NIS shareholders' assembly held the XV regular session where, among other things, it made a decision on the payment of dividends to shareholders for 2022

NIS has announced a competition within the “Common Cause Community” program for 2023, the focus of which is to support the development of science and education in partner cities and municipalities throughout Serbia

The NIS company and members of its volunteer club, led by CEO, Kirill Tyurdenev, participated in the cleaning operation of the “Fruška gora” National Park

¹ ISCC certificate is an internationally recognized standard for the sustainable control of biomass and biofuels

Group NIS

The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe. NIS' core activities include exploration, production and refining of crude oil and natural gas, sale and distribution of a wide range of petroleum and gas products and the implementation of energy and petrochemistry projects.

The headquarters and main assets of the NIS Group are located in the Republic of Serbia, but the Group also has subsidiaries and representative offices in several other countries, primarily in the neighbouring countries. The most valuable asset of the NIS Group is a team of almost 12,000 employees.

NIS aims to create new value for its shareholders, employees and the community in which it operates, despite the challenging macroeconomic environment, as well as to contribute to energy stability in the markets where it operates.

In addition to its business activities, NIS also runs a number of socially responsible projects aimed at improving the life of the community in which the company operates. NIS' efforts in this area are especially focused on young people, who are the bearers of future development.

The NIS Group is committed to improving environmental protection and allocates significant funds for the implementation of environmental projects and projects that contribute to environmental protection. In terms of occupational safety, the objective of NIS is work processes without injuries and harmful effects on the environment.

Business activities

Business activities of the NIS Group are organized within the parent company NIS j.s.c. Novi Sad, into the Exploration and Production Block and Downstream, which are supported by the nine Functions in the parent company and the MSSC:

- Finance, Economics, Planning and Accounting Function;
- Strategy and Investments Function;
- Procurement Function;
- Organizational Affairs Function;
- HSE Function;
- Legal and Corporate Affairs Function;
- Corporate Security Function;
- Government Relations and Corporate Communications Function;
- Internal Audit and Risk Management Function and
- MSSC.

One of the Deputy CEO's is in charge of petrochemicals operations.

On June 9, in accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP Petrohemija, the transaction was closed. . HIP Petrohemija is the largest producer of petrochemical products in the Republic of Serbia, and the strategy of further development of HIP Petrohemija will be based on the modernization of basic production capacities and the construction of new facilities, then on increasing energy efficiency and business efficiency, as well as on the implementation of projects in the field of environmental protection.

Exploration and production Block

Exploration and production

NIS is the only company in Serbia engaged in oil and gas exploration and production. NIS performs the activities of operational support to production, management of oil and gas reserves, management of oil and gas reservoir engineering, and implementation of large-scale projects in the field of exploration and production.

The majority of oil and gas fields owned by NIS are located in Serbia. The company is also involved in exploration works in Romania and Bosnia and Herzegovina. The oldest concession abroad is in Angola, where NIS has been operating since 1985.

The plant for the preparation of natural gas, production of LPG and gasoline, and CO₂ stripping, based in Elemir, near Zrenjanin operates as part of the Exploration and Production Block. An amine unit for processing of natural gas using the high pressure acidgas capture technology is also located in Elemir. This method of gas processing completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, creates significant environmental benefits.

NIS also has a modern training center in Elemir dedicated to, training workers in the oil industry. It is a unique complex equipped with modern equipment in which the training is performed in real conditions, with the possibility of simulating all the tasks that oil workers encounter in the process of production, preparation and shipment of oil and gas.

As for the exploration and production, the scientific and technological support of the NIS Group is provided by the subsidiary Scientific and Technological Center (NTC) NIS – Naftagas LLC Novi Sad.

Services

NIS has its own service capacities, which fully meet the needs of the Group and provide services to third parties. The Services provide services in the field of exploration and production of oil and gas through geophysical well testing, construction, completion and workover, as well as through conducting special operations and measurements in wells. As part of their portfolio, the Services also provide maintenance of equipment, construction and maintenance of oil and gas systems and facilities. In this business segment, the goal is to strengthen its presence in the international market. For this reason, the priority is to modernize the equipment, ensure the best possible quality of services provided, increase the technical and technological efficiency, and improve work efficiency in NIS and other companies.

Downstream

The Downstream business consists of the Refining Block, Sales and Distribution Block and the Energy Block.

Refining

Pančevo Oil Refinery is one of the most modern and environmentally most developed refining plants in the region, with a maximum designed capacity of 4.8 million tonnes per year. Since 2009, more than EUR 800 million have been invested in the modernization of the Refinery, with significant funds allocated for environmental protection projects. The Pančevo Oil Refinery produces: motor fuel in accordance with Euro-5 standard, aviation fuel, liquid petroleum gas, petroleum coke, fuel oil, bitumen, propylene, aromatics, primary pyrolysis gasoline and other petroleum products (sulphur, other hydrocarbons).

In 2020, a Bottom of the barrel unit with delayed coking technology was officially commissioned. The project worth EUR 300 mln enables NIS to increase the output of the most valuable fuels – diesel, gasoline and liquified petroleum gas and to start the domestic production of petroleum coke. It continues with the third phase of the refinery modernization, capital project being the reconstruction of the FCC (Fluid Catalytic Cracking) plant and the construction of a new plant for the production of ETBE (high-octane petroleum blending component), which started in 2021.

In 2023, the priority of Refining Block is the continuous production of petroleum products in order to contribute to the orderly supply of the market in challenging circumstances.

Numerous projects of digitalization and improvement of energy efficiency are being implemented in the Refinery.

Sales and distribution

NIS operates a network of more than 400 petrol stations in Serbia and the countries of the region, with more than 80 of them outside of Serbia. NIS operates the largest retail network in the country, while simultaneously developing its operations in the neighbouring countries: Bosnia and Herzegovina, Bulgaria and Romania.

NIS is present in the market under two retail brands: NIS Petrol and GAZPROM, with the latter being a premium brand in this segment. The petrol stations of the NIS Group are synonymous with the quality of fuel and non-fuel portfolio, as well as with modern services that meet the consumers' demands. NIS continually invests in the development of its retail network and in improving the quality of its goods and services. One of the priorities includes digital projects

that provide consumers with services in line with modern trends, such as fuel payments without going to the payment point, digitalization of loyalty programs, etc.

In addition to the retail sale of finished petroleum products, liquefied petroleum gas and a range of related products, the sales structure of NIS also includes the export and domestic wholesale deliveries of crude oil, gas and petroleum products, while the apply of aviation fuel, fuel for navigable vessels, and sales of lubricants and bitumen are developed as separate business directions.

All types of fuel undergo strict and regular laboratory control and meet the highest domestic and international standards.

Energy

This business segment includes the production of electricity and thermal energy from conventional and renewable energy sources, centralized management of the natural gas portfolio for the entire NIS (production and sale of compressed natural gas, sale of natural gas), electricity trade, development and introduction of strategically important energy projects, as well as development and implementation of projects to increase energy efficiency.

The main focus of the Energy Block is expanding the scope of work in the field of electricity production and trade, managing the Company's energy resources, including TE-TO Pančevo, as well as improving energy efficiency and reliability within the NIS Group. The task of the Energy Block, among other things, is to accelerate the company's energy transition.

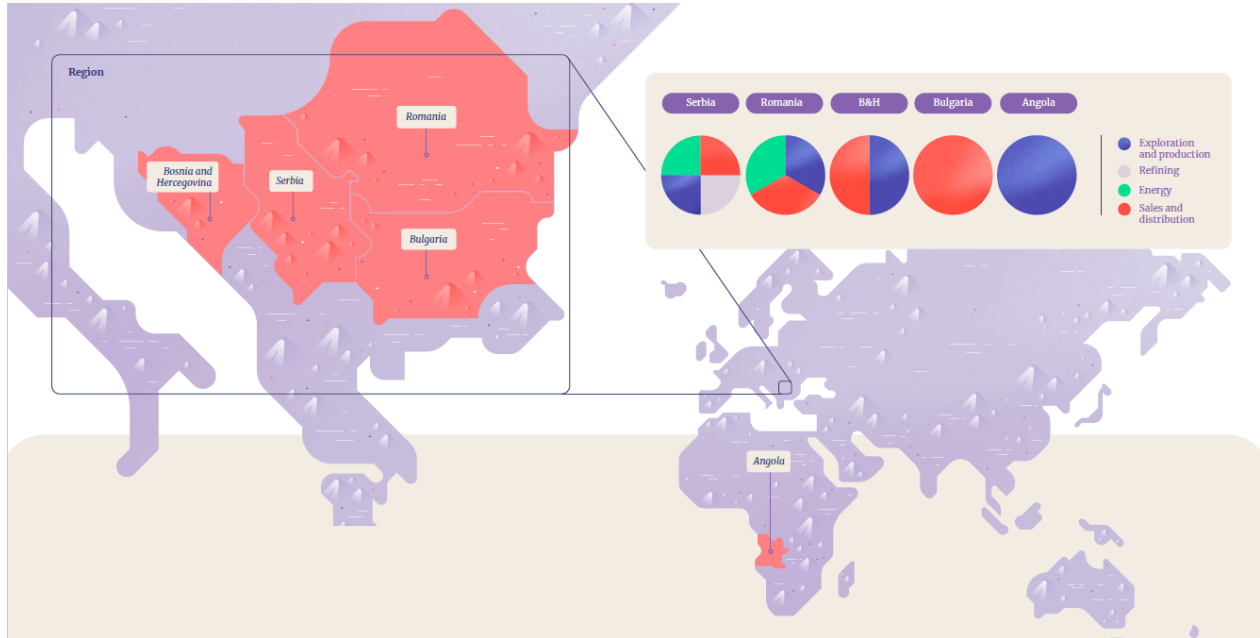
The construction of the modern combined gas-steam thermal power plant-heating plant Pančevo (TE-TO Pančevo) on natural gas was realized in 2022. The produced electricity is delivered to the transmission power system of Serbia, which contributes to the energy stability of the Republic of Serbia. The main advantage of TE-TO Pančevo is that natural gas as a fuel simultaneously produces thermal energy in the form of process steam for the needs of the Pančevo Refinery and electricity that is placed in the power system of Serbia.

Since 2013, in oil and gas fields at eight locations in Serbia, NIS has put into operation mini power plants with an installed electrical power of 14.5 MWe. The environmental advantage of these plants is in the production of electricity and thermal energy from gas that was previously not used due to poor quality, large amounts of carbon dioxide and nitrogen, or could not be valorized due to the lack of gas infrastructure. The heat and electricity produced are used for the needs of NIS, but the electricity is also sold on the market. Electricity is also produced at the Jimbolia gas field in Romania, where electricity is sold on the local market.

In 2022, the construction of solar photovoltaic power plants began and the construction of 8 SSG was completed. In 2023, the construction of solar photovoltaic power plants on other NIS facilities continue..

NIS worldwide

One of the strategic goals of NIS is the development of business and the strengthening of competitiveness in the regional market. Consequently, in addition to Serbia, NIS develops its business in neighboring countries, with its regional expansion taking place in two main directions – in Romania and Bosnia and Herzegovina, in the field of oil and gas exploration and production, and in Bosnia and Herzegovina, Bulgaria, and Romania, where it develops its retail network. Moreover, NIS is an active trader on the electricity market and it is also present on regional markets.



Risk management

Integrated Risk Management System

Risk management is a continuous and systematic business process which serves to support management decision-making and the achievement of a Company's objectives in a risk exposed environment. Risk represents a negative impact on the Company's objectives in the case of a risky event occurring. In business, the Company is exposed to certain risks which may affect the fulfilment of set objectives, if realised.

The Company has set up its Sector for Risk and Internal Control Monitoring which performs continuous monitoring and control of the risk management process and coordinates and improves this business process. The basic principle underpinning this system is that the responsibility for managing risks is assigned to risk owners; owners of business processes in the Company. Such an approach ensures that the responsibility for risk management and monitoring is identified for all processes of the Company, and that suitable solutions concerning risks and action plans are prepared in order to manage risks at the level of individual business processes and Company as a whole.

In its operations, company is exposed to the following the most important risks:

Nonfinancial risks

<i>RISK DESCRIPTION</i>	<i>RISK MANAGEMENT MEASURES</i>
Operational risks	
<i>HSE risks</i>	
Due to the nature of its activity, the Company is exposed to health, safety and environmental risks.	With a view to protect its members of staff, equipment, facilities and environment, while meeting legal obligations, the Company continuously monitors its operations, workforce, assets, working and living conditions and promptly amends its normative and methodological documents to reflect the changes in the legislation of the Republic of Serbia and ensures compliance with them. The Company timely implements corrective measures introduced in the wake of HSE investigations of incidents, through a system of observations, corporate monitoring and external inspections. Training courses are being conducted with a view to condition employees in HSE disciplines.
<i>HR risks</i>	
Highly qualified personnel is a key prerequisite of efficient operations of the company.	The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. Some of the measures to attract qualified personnel are: early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, NIS Energy, Serbia Repatriation. The programs implemented for the retention of employees are: Talent management program, Talent development program, professional training of employees, employee evaluation procedure based on performance and potential – identifying talents and defining the succession plan for key positions in the Company, training for management and introduction of a unique talent management system.

IT risks

Due to the growing dependence of the Company's business processes on information technology, automation and telecommunications, the Company is exposed to risks of ensuring the expected availability of services and business continuity.

The Company manages these risks through a range of measures, which include IT standards, system monitoring tools, and performs the backup of data and tests the service recovery process. In addition, the Company strives to monitor and implement new technologies and renew equipment in order to increase quality and continuity of service availability.

Information security risks

The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.

Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks.

The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.

Project risks

A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (*Project Management Institute*) standards.

Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives.

A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a "response strategy", that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register.

Political risks

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. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

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

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

Financial risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Credit risks	
<p>It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.</p>	<p>Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad).</p> <p>With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.</p>
Liquidity risks	
<p>Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its due liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.</p>	<p>NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the maximum loan debt level is not exceeded (the parent company sets the limit) and that all its obligations under commercial bank arrangements (covenants) are met.</p>
Commodity-price risks	
<p>Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil and petroleum products that affects the value of inventories and the oil refining margin, which in turn affects future cash flows.</p>	<p>These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices. In addition, the following actions are undertaken to reduce a potentially negative effects of this risk on the financial result of the Company:</p> <ul style="list-style-type: none"> • annual planning based on multiple scenarios, planned follow-up and timely adjustment of operating plans for crude oil procurement; • regular sessions of Company's Commission in charge of crude oil purchase/sale to discuss all major topics; • Constant, intensive check of new potential suppliers through their procedural verification and according to inquiries and letters of interest submitted to NIS; • Maximum effort to ensure a continuous supply of crude oil in restrictive conditions, which have been very evident since the end of the first quarter of 2022, both in the required quantities but also by the type of oil that would correspond to refining plans and planned production/basket of derivatives; • Additional optimization of the procurement process based on the Decision of the Government of the Republic of Serbia to exempt crude oil from customs duties from March 2022 until the end of the year (pro tempore), as well as in 2023. • Continuous efforts to optimize processes and strive for the best possible economic effects and indicators; • Monitoring market conditions throughout the calendar year and collecting information from foreign companies that are eminent, reliable traders in the European market and beyond,

in order to better understand the potential conditions for the implementation and realization of spot purchases.

Foreign Exchange Risks

Company operates in an international setting and is thus exposed to the risk of fluctuating foreign exchange rates arising from business transactions being made in different currencies, primarily EUR and USD. The risk involves future trade transactions and recognised assets and liabilities.

The risks relating to fluctuations in the national currency against the US dollar and the impact of this factor on the prices of petroleum products is partly neutralised through the natural hedging of petroleum product selling prices, which are adjusted to these fluctuations. Risk management instruments are also used, such as forward transactions on the foreign exchange market and successive purchases of foreign exchange, which help reduce the impact of foreign currency losses in the event of depreciation of the national currency against the EUR (following the imposition of sanction constraints Company pays the majority of its foreign currency liabilities in this currency). Other measures include the balancing of the foreign exchange equilibrium in terms of adjusting the currencies in which export transactions are denominated to the currencies of foreign exchange liabilities, managing the currency structure of the loan portfolio, etc.

Interest Rate Risks

The Company is exposed to the risk of interest rate volatility, both in terms of its bank loans and deposits.

The Company takes out loans with commercial banks at either floating or fixed interest rates, depending on the forecasts of base interest rates in the monetary market and the business banks' capability to offer fixed interest rates for loans. Funds in the form of intercompany loans to third parties are taken out at floating or fixed interest rates, whereas funds deposited as term or demand deposits are mostly placed at flat interest rates. Deposits are aligned with the credit limit methodologies of commercial banks (funds are reciprocally placed only with major commercial banks from which Company takes out loans and/or lines of credit/security instruments). In this respect, revenues and cash flows from bank deposits and a section of intercompany loans are predominantly independent of any changes in base interest rates. In this respect, income and cash flows from bank deposits and intercompany loans do not largely depend on changes in base interest rates, while liabilities towards the banks and intercompany liabilities contracted at variable interest rates depend on changes in base interest rates.

In order to reduce the uncertainties associated with interest rate risk, when collecting offers from banks for financing, the Company insists on collecting offers with fixed interest rates in order to compare interest rates with variable and fixed interest rates and make a selection in accordance with the current policy on interest rate related expenditure management. In addition, the analysis of interest rate movements in the financial market is continuously being carried out, as well as analysis of restrictions and possibilities of using interest rate hedging instruments (interest rate swaps, options, etc.).

Business environment

World³

Two draws of crude oil from US stockpiles in the second quarter raised fears that further interest rate hikes could slow economic growth and reduce global oil demand. The announcement by the President of the FED that he sees at least two more interest rate increases by the end of the year further increased the pressure on the markets and influenced the decrease in the price of oil, despite Saudi Arabia's decision made at the beginning of July to reduce its own production, as well as the promise of other OPEC+ members to continue with the policy of supply restrictions in 2024 as well.

Saudi Arabia and Russia will consider further production cuts in August. Saudi Arabia's state news agency announced that the kingdom will extend in August the 1 million barrels per day production cut announced for July, while Russia's deputy prime minister announced an additional 500,000 barrels per day production cut in August.

However, some analysts, including JP Morgan, believe that OPEC+ no longer manages to balance the oil market. According to them, even with OPEC's existing voluntary cuts of 1.16 million barrels per day extended until 2024, there will still be a surplus of 0.4 million barrels per day in the market. US oil producers lead supply rise, with non-OPEC supply tracking global demand growth from 2022.

JP Morgan reckons the world could consume a record 101.4 million barrels of oil this year, led by unprecedented demand in China, India and the Middle East. This consumption could be influenced only by the determination of the world's largest oil companies towards a "green transition", since the largest producers of fossil fuels clearly stated at the recent G7 conference that the transition to a "green" future will require much more natural gas. From Shell Plc to Chevron Corp., the world's biggest producers plan to accelerate investments in natural gas. And the biggest buyers, such as China, continue to sign contracts to purchase liquefied natural gas for the period after 2050. European importers act similarly. This "swing" marks a turning point for the throttle. Presenting the change in Shell's strategy, the company's chief executive officer stated that liquefied natural gas will play an even bigger role in the energy system of the future than it does today because it can be easily transported to the places where it is most needed. Natural gas emits about 50% less CO₂ than coal when used to generate electricity.

Although presented as the "cleanest fossil fuel" and seen as a short-term bridge to "greener" energy sources, environmental activists are still trying to limit the use of natural gas. Therefore, the energy "majors" must work to reduce methane emissions, so Shell, ExxonMobil and more than a dozen other producers intend to achieve almost zero methane emissions by 2030.

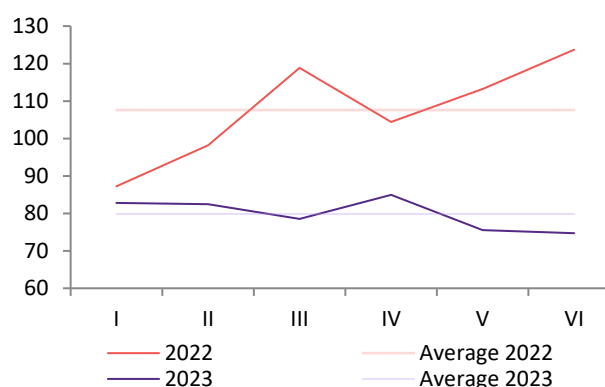
Oil

Throughout the first half of this year, the price of Brent oil was much more "balanced" than the price in the same period last year: in 2023, the price ranged from 71.7 to 88.2 \$/bbl (against the range of 79.0 to \$137.6/bbl recorded in the same period in 2022). A similar trend is observed when comparing oil prices in the second quarter of this year with the second quarter of the previous year.

The average price in the first half of 2023 of \$79.8/bbl was 26% lower than last year, while the average price recorded in the second quarter of \$78.4/bbl was 31% lower than the price recorded in the same period last year.

Brent Dtd⁴ price trends, \$/bbl

-26% ↓



² Data sources for the World, Oil price and Macroeconomic trends: reports by Wood Mackenzie, IHS, Bloomberg, Reuters, National Oil Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles.

³ Source: EIA, OPEC, Oil&Gas Journal, IHS, Wood Mackenzie.

⁴ Source: Platts.

During May and June, prices fluctuated very little around the average price of \$75/bbl, mostly due to signs of slowing Chinese economic recovery (the decline in the producer price index in China in June was the sharpest since 2015) but also due to unfavourable economic signals from the American market. These macroeconomic concerns have once again overwhelmed ongoing efforts by the OPEC+ alliance to raise prices by cutting oil production.

The supply and demand imbalance led most banks and consulting firms to revise their oil price projections downwards at the end of the second quarter. Goldman Sachs has cut its oil price forecast by almost 10%, and estimates that Brent crude will cost \$86/bbl and WTI \$81/bbl in December. JP Morgan also reduced the expected price to \$81/bbl for 2023. At the same time, the European bank Dutch bank expects the price of Brent oil to rise gradually towards the end of this year and forecast that the average price for 2023 will be at the level of \$90/bbl.

Macroeconomic trends

What will happen to inflation and interest rates by the end of the year is one of the main questions of citizens and industry and central banks around the world. Most analysts do not have positive forecasts for now. Many strategists also warned of a recession during the previous year, given that central banks raised interest rates several times in order to tame high inflation (the annual base inflation rate fell to 4.8% in June from 5.3% in May, which is at least from October 2021). High interest rates could easily push the economy into a downward spiral, especially when you consider that FED officials have indicated that rates will remain high for an extended period.

And the European Central Bank (ECB) will, by all accounts, increase interest rates further in the fight against strong inflation. The president of the Bundesbank recently stated that inflation is slowing down, but it is still too high and there must be no "relaxation" because the latest forecasts indicate that a quick stabilization of prices cannot be expected. After years with zero interest, or even negative interest, last summer, under the pressure of high prices, ESV started increasing the reference interest rate, which has been increased eight times since July 2022, to the current 4%.

However, since energy supplies have become more secure, energy prices have come down significantly, leading to cost reductions, especially in energy-intensive sectors, and the problem of bottlenecks in global supply chains has largely been resolved. It is expected that the rebalancing of the energy market will continue and that real income in the EU will increase. An increase in production growth is also expected from mid-2023, to which a strong labour market will contribute. Nevertheless, ESV measures will have a negative impact on the real economy, which, together with the progressive abolition of fiscal support measures and further concerns related to energy supply next winter, will adversely affect economic growth in the medium term. Therefore, for Eurozone countries, the annual average growth of real GDP is expected to slow down from 3.6% in 2022 to 1.0% in 2023, and then increase to 1.6% in 2024 and 2025. Total inflation should fall below 3.0% by the end of 2023 and stabilize at 2.9% in 2024.

At the same time, according to some indicators, China is sliding towards deflation and experts suggest that economic incentives be urgently introduced in order to avoid this. China's consumer price index was unchanged last month from a year earlier. The rate is the lowest since February 2021. The prices of industrial products decreased again, which further increases the risk of deflation.

Serbia⁵

The Republic of Serbia is most indebted in euros and this is one of the main elements of the connection between the economy of Serbia and the economy of Europe and all the decisions it makes. Some analysts believe that difficult times can be expected, because everything that happens in Europe will affect us as well.

At the beginning of July, after a one-month break, the National Bank of Serbia (hereinafter: NBS) raised the reference interest rate again by 0.25%, so it now stands at 6.5%. The reason for raising interest rates is to suppress inflation, but at the same time it leads to the suppression of economic growth, and it would be good if interest rates on loans stagnated. However, it is very difficult to raise interest rates and maintain economic growth at the same time, although banks are trying to maintain a balance.

It is encouraging that year-on-year inflation further slowed down in June 2023 and amounted to 13.7%, which is in line with NBS expectations. The contribution to the reduction of overall inflation in June came to the greatest extent

⁵ Source: National Bank of Serbia, Republican Bureau of Statistics, Chamber of Commerce Serbia, newspaper articles.

from the decline in the contribution of food and energy prices. The NBS expects that the decline in inflation will intensify in the second half of 2023, and a return to the target limits is expected in the middle of 2024. On the other hand, there are forecasts by independent experts that inflation will not decline at the pace announced by the NBS. Some prices "catch up" again and the situation gets complicated. Food prices are high, and this cannot be controlled. Increases in electricity and gas prices in the second half of 2023, which are part of the latest arrangement with the IMF, may influence inflation to remain in double digits until the end of the year.

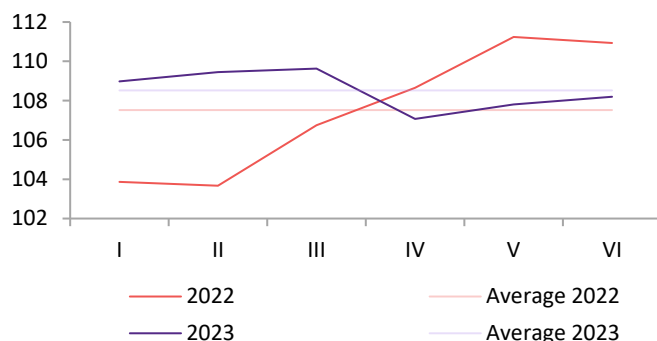
According to RZS (Statistical Office of the Republic of Serbia) data, in the first quarter of 2023, GDP recorded year-on-year real growth of 0.7% (0.4% seasonally adjusted), which is in line with the growth projection for 2023. Growth in manufacturing sectors was driven by growth in service sectors, industry and agriculture, while the negative contribution to growth came from net taxes and construction. The NBS kept the projected growth rate of Serbia's GDP for the level of 2023 in the range of 2.0-3.0%. Due to the change in the situation for the better, the NBS also revised the projection of the current deficit for 2023 and reduced it to 3.1 billion euros (4.5% of GDP).

The unemployment rate in 2022 has been revised according to the 2022 census and is at its lowest level so far at 9.6%, while in the first quarter of 2023 it was 10.1%. Formal employment continued to grow in 5 months of 2023 (2.8% year-on-year).

At the same time, wages were lower in April than in March. The average gross salary in Serbia, according to the calculation for April this year, amounted to RSD 115,631 (in March it was RSD 117,669), while the average salary without taxes and contributions (net) was RSD 83,812 (in March it was RSD 85,485). Median net salary in April was RSD 63,954, which means that 50% of employees earned less than that amount.

Exchange rate trend, USD/RSD⁶

↑ +1%



- Average USD/RSD in first six months of 2023 was higher by RSD 1, i.e. 1% higher compared to the average exchange rate in the same period of 2022.
- During the first six months of 2023 USD/RSD exchange rate decreased by RSD 2.3 or 2%.
- During first six months of 2022 USD/RSD exchange rate increased by RSD 8.3 or 8%.

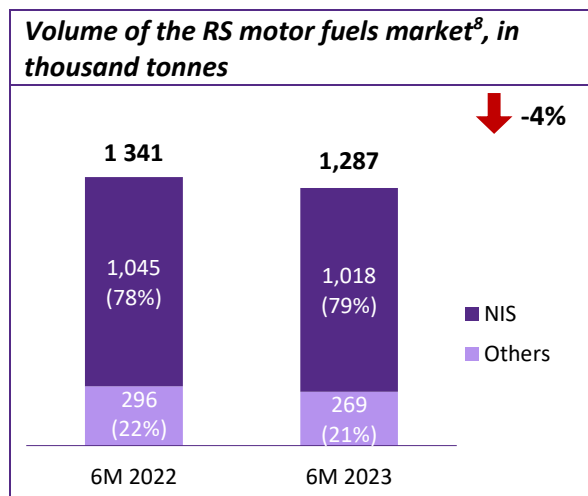
⁶Source: NBS.

Performance analyses

Market share⁷

The crisis that began in the second half of February 2022 and supply uncertainty led to an increase in consumption in all countries of the region and the creation of consumer stockpiling. Compared to this period, the first half of this year saw a decrease in consumption due to a high base period.

Market share in the Serbian market



In the first half of 2023, motor fuel consumption in Serbia decreased by 4% compared to the same period of the previous year.

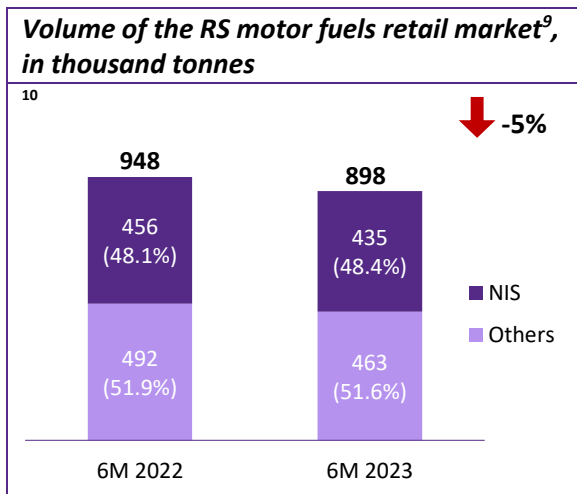
The increase in the share of NIS in the motor fuel market in the first half of the year compared to the same period in 2022 is connected with the controlled price of derivatives which is continuously in force for the entire period of the current year, while until second half of February 2022 the price was formed on the market.

Also, the prescribed preferential price for supplying farmers is in force. However, during the second quarter of this year, the attractiveness of the price of diesel for farmers decreases, which is related to the dynamics of price regulation, so the sale of agro diesel returned to other

participants.

Retail: In the first six months of 2023, consumption recorded a decrease compared to 2022 by 5%, while the share of NIS is higher than the share in the same period last year by 0.3%.

In 2023, the NIS company ensures the safe supply of oil derivatives to the Serbian market in all sales channels.



⁷Data sources for the projections: for Serbia – Sales and Distribution Block’s internal analyzes and estimates; for consumption estimates for Bulgaria and Romania– Stratas Advisors; for Bosnia and Herzegovina – Stratas Advisors and internal estimates.

⁸Data for 6M of 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

⁹The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 6M 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

¹⁰Other retail of other market participants is supplied from the wholesale of NIS and other participants of the Serbian wholesale market.

Market share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

In the legal procedure is the Law on Amendments to the Law on Excise Taxes in Bosnia and Herzegovina, the adoption of which would enable the reduction of the price of fuel by up to half of KM/liter. The governments of the Republic of Serbia and the Federation of Bosnia and Herzegovina have expressed a positive opinion on the law.

In Bosnia and Herzegovina, the sale of regressed fuel started on March 1 and will last until November 15 of this year.

The largest trader, Company "Bingo", is entering the wholesale market of oil derivatives by establishing Bingo Petrol-Tuzla, after opening the first gas station in October last year. It is expected to offer its clients supply through its own procurement of derivatives in wholesale and retail and announces attractive prices.

HIFA OIL opened its 53rd petrol station and thus continued the expansion of the retail network. The company is currently present in 40 cities in Bosnia and Herzegovina and announces the opening of new facilities.

HIFA OIL will supply airlines operating at Mostar airport. Today, HIFA OIL has the largest terminal for kerosene in Bosnia and Herzegovina, with a total capacity of 4 million liters. After two years of investment and development, HIFA OIL has become the leading supplier of kerosene to airports in Sarajevo, Tuzla and Mostar.

In the first half of 2023, Bosnia and Herzegovina recorded a decrease in motor fuel consumption, as well as a decrease in retail sales compared to the same period of the previous year.

During the first quarter of this year, the Regulation prohibiting the export of diesel from Serbia was in force, which significantly hampered the supply for the NIS retail network and prevented the supply of wholesale clients. In March, a quantity quota for exports to Bosnia and Herzegovina was approved, which restored the supply from the Pancevo refinery, and the regulation was formally abolished at the end of March, so that the supply was normalized during the second quarter.

NIS in Bosnia and Herzegovina has 40 gas stations (and 1 petrol station in the DODO mode).

The market share of NIS in the total motor fuel market in the first half of 2023 is 21.5%, while the share in the retail market is 9.5%.

Bulgaria

Bulgaria's interim government has approved the signing of a memorandum of understanding with Greece that will encourage cooperation in the safe import of crude oil via pipelines. Bulgaria and Greece will study the possibility of restarting the pipeline construction project from the Aegean port of Alexandroupolis to Burgas on the Black Sea. The country must secure enough oil from other sources to keep the Black Sea refinery processing 196,000 barrels a day after the exemption for Russian oil expires in 2024. The refinery provides over 75% of the fuel for the local market. The Bulgarian authorities stated that an agreement was reached with the Greek prime minister and president to proceed with the Burgas-Alexandropolis project as quickly as possible.

In June 2023, Bulgaria received a derogation from the EU-wide ban on the import of Russian oil. The exemption allows it to continue importing crude oil and oil derivatives from Russia by sea until the end of 2024.

The Bulgarian Antimonopoly Commission fined the oil company Lukoil for abusing its dominant position in that country. The Bulgarian state regulator explained its decision, stating that Lukoil Bulgaria used its dominant position by exerting pressure on wholesale fuel prices, thus hindering competition and harming the interests of consumers. By the way, at the end of last September, the Bulgarian Antimonopoly Commission accused Lukoil of exerting pressure on the energy market by gradually changing wholesale price conditions and canceling volume discounts.

In the first half of 2023, Bulgaria recorded a slight recovery in the turnover of motor fuels as well as turnover in retail sales compared to the comparative period of the previous year.

In Bulgaria, at the beginning of the year, NIS managed a network of 34 fuel supply stations and storage of oil derivatives in Kostin Brod. At the end of March, the number of stations was reduced by 4 and during April by 7

stations due to the expiration of the lease agreement, so that the total number of stations at the end of the period was 23.

The market share of NIS in the total motor fuel market in the first half of 2023 is 4.0%, while the share in the retail market is 2,9%.

Romania

At the end of last year, the Government of Romania adopted European regulations on the introduction of a joint tax on the oil and gas industry of 60% (the minimum European level was 33%). The tax applies to the difference between the 2022 profit and what exceeds the 2017-2021 average by 20%. It will be the same in 2024, for the profit from 2023.

The planned investment value of the company *KazMunayGas International (KMGI)* in Rompetrol Rafinare for 2023 is over USD 46 mln, of which about 40 million is directed to Petromidi, the largest refinery in Romania, which can provide about 40% of the national refining capacity. KMGI next year is planning a general overhaul of the Petromidija and Vega refineries, and because of this, from the total investments planned for this year, about 30 million dollars have been set aside for capital maintenance, while most of the projects implemented in 2023 are in the phase of preparation for the general overhaul in 2024.

In Romania, in the first half of 2023, compared to the same period of the previous year, a slight recovery of the motor fuel market, as well as retail sales, was recorded.

NIS has 19 petrol stations in Romania. The market share of NIS in the total motor fuel market is 0.5%, while the share in the retail market is 0.8%.

Key performance indicators

Q2 2023	Q2 2022	Δ^{11}	Indicator	Unit of measurement	6M 2023	6M 2022	Δ^{12}
78.4	113.8	-31%	Brent Dtd	\$/bbl	79.8	107.6	-26%
91.0	142.2	-36%	Sales revenue	RSD billion	186.9	240.3	-22%
2.0	28.1	-93%	Net profit (loss)	RSD billion	13.7	43.7	-69%
8.6	40.9	-79%	EBITDA¹³	RSD billion	28.5	66.2	-57%
-22.4	3.9	decrease	OCF	RSD billion	-4.8	27.2	decrease
5.1	3.8	+32%	CAPEX¹⁴	RSD billion	11.6	7.6	+52%
56.7	64.8	-12%	Accrued liabilities for taxes and other public revenues¹⁵	RSD billion	107.0	117.9	-9%
553.2	589.6	-6%	Total bank indebtedness¹⁶	EUR million	553.2	589.6	-6%
1.8	1.6	+18%	LTIF¹⁷	number	1.8	1.6	+18%

¹¹ Any deviations in percentages and aggregate values result from rounding.

¹² Any deviations in percentages and aggregate values result from rounding.

¹³ EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – Operating Expenses (OPEX) – other costs that may be controlled by the management.

¹⁴ CAPEX amounts are exclusive of VAT.

¹⁵ Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.

¹⁶ Total bank indebtedness = Total debt to banks + letters of credit. As at 30 June 2023, this was EUR 553 million of total debt to banks, while there was no debt based on letters of credit.

¹⁷ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of June 30, 2023.

Operational indicators

Exploration and production

Q2 2023	Q2 2022	Δ^{18}	Indicator	Unit of measurement	6M 2023	6M 2022	Δ^{19}
288	291	-1%	Oil and gas output²⁰	thousand t.o.e.	571	583	-2%
201	201	+0.4%	Domestic oil output²¹	thousand tonnes	400	401	-0.3%
0.9	1.9	-51%	LTIF²²	number	0.9	1.9	-51%
7.5	12.6	-40%	EBITDA	RSD billion	14.5	25.5	-43%
3.9	2.9	+34%	CAPEX²³	RSD billion	8.9	5.5	+62%

The main goal in the second quarter of 2023 in the Exploration and Production Block was to fulfil the hydrocarbon production plan and increase the efficiency of geological and technological activities.

In the second quarter of 2023, a total production volume of oil and gas 276.8 t.o.e. was achieved at reservoirs in Serbia, i.e., including concessions – 287.8 t.o.e.

In the first six months of 2023, a total production volume of 548.9 t.o.e. was achieved in Serbia, i.e., including concessions – 570.5 thousand t.o.e.

In the field of geology and deposit development, the emphasis is on maintaining the high quality of the performed geological and technological activities aimed at increasing oil and gas production.

Geological exploration and field engineering

In the field of development drilling, additional research and determination of oil saturation limits in active reservoirs and condensation of well network were actively conducted.

In the second quarter of 2023, 11 new oil wells were successfully drilled and commissioned, whereby the average increase of 7.5 t/day per well was achieved. In the first half of 2023, a total of 15.2 thousand tonnes of oil was obtained from drilling.

Also, in the period april–june of 2023, geological and technical activities were successfully carried out in 51 wells with the satisfactory average increase.

In 2023, the application of the repair and insulation works (RIW) technology continued. In the second quarter, after the application of the RIW technology, 17 wells were commissioned and the average increase of 1.2 t/day was achieved, and most of the operations were performed on the Velebit exploitation field.

Additionally, in the second quarter, 11 wells were commissioned after the transition to the new production layer with the mean realized increase of 5.6 t/day, totally 18 intensifications were made, with the increase of 3.2 t/day, while totally 5 wells from the idle well stock were enabled for operation, with the increase of 2.5 t/day.

When all geological and technological activities were taken into account, the additional oil production of 25 thousands tonnes was achieved.

License obligations

After the completion of geological research in the period 2020-2022 in the exploration area of Serbia southern of the Sava and the Danube, the final report on the results of geological research was submitted to the Ministry of Mining

¹⁸ Any deviations in percentages and aggregate values result from rounding.

¹⁹ Any deviations in percentages and aggregate values result from rounding.

²⁰ Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

²¹ With natural gasoline.

²² Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers for the Exploration and production Block. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of June 30, 2023.

²³ Financing, exclusive of VAT.

and Energy. The Ministry of Mining and Energy, as well, has issued a Decision approving the conduct of geological exploration of oil and gas in the exploration area of the Danube for the period 2023-2026.

To the Provincial Secretariat for Energy, Construction and Transport were submitted the Final Reports on the results of the geological surveys carried out in the exploitation fields Velebit and Martonoš Zapad, as well as the Annual Reports on the geological surveys carried out in 2022 in the research areas: Northern Banat, Middle Banat, Southern Banat, northern Bačka and southern Bačka. In order to continue conducting geological research in the exploration area of the northern Banat in 2023, the Provincial Secretariat for Energy, Construction and Transport in April issued permission to continue the research.

In order to continue the exploitation of oil and gas in the exploitation fields of NIS j.s.c. Novi Sad, in the beginning of June, 2023 approval was obtained for the expansion of the approved exploitation field of Kelebija.

Projects abroad

Key events in Romania in the second quarter of 2023:

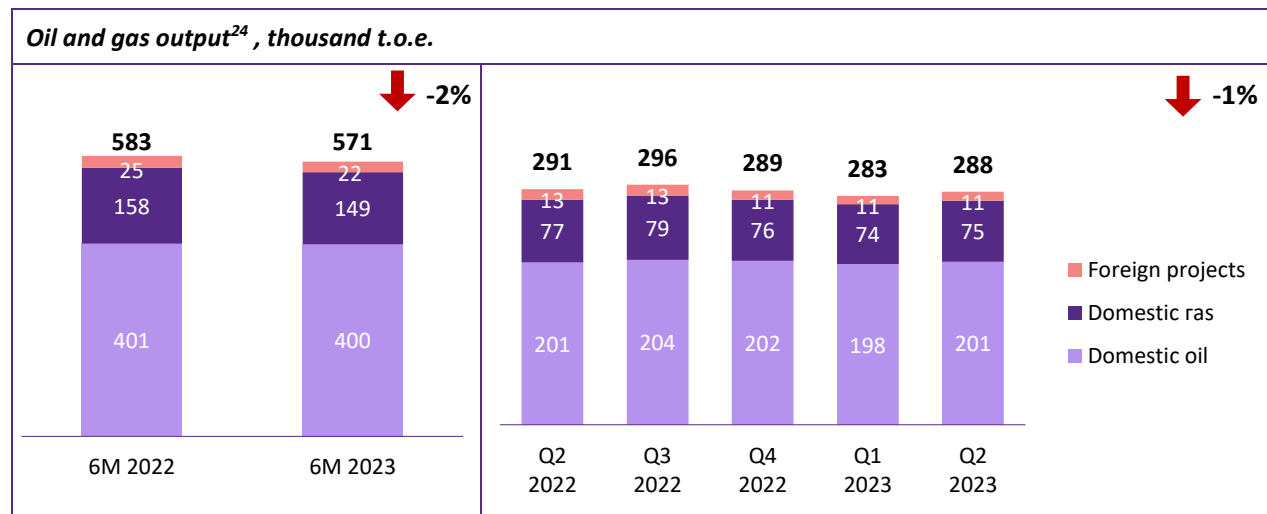
- Teremia North Project:
 - Oilfield infrastructure: adaptation of detailed infrastructure project is complete;
 - Gas infrastructure: certificates gained (for construction of system for preparation and compression of gas and pipeline manufacturing, designing pipeline project started (FEED));
 - Investment activities: following the meeting of NIS Board of Directors, a decision was made to start drilling 2 development wells, tenders were completed, the contractor is ready to commence operations.

Key events in Bosnia and Herzegovina in the second quarter of 2023:

- The wells are in the planned hydrodynamic measurement mode (pressure return measurement).

Operating indicators

In the first six months of 2023, the total of 571 thousand t.o.e. of oil and gas was produced, which is 2% lower than the same period last year.



²⁴ Any deviations in percentages and aggregate values result from rounding.

Downstream

Key indicators

Q2 2023	Q2 2022	Δ^{25}	Key indicators	Unit of measure	6M 2023	6M 2022	Δ^{26}
1,020	1,199	-15%	Volume of refining of crude oil and semi-finished products	thous. tonnes	1,976	2,104	-6%
960	1,129	-15%	Total sales volume of petroleum products	thous. tonnes	1,869	2,088	-10%
225.1	243.2	-7%	<i>Retail Serbia</i>	thous. tonnes	431.1	452.5	-5%
340.1	389.6	-13%	<i>Wholesale Serbia²⁷</i>	thous. tonnes	684.5	698.0	-2%
38.6	48.2	-20%	<i>Retail Foreign Assets</i>	thous. tonnes	74.8	97.0	-23%
59.8	85.8	-30%	<i>Wholesale Foreign Assets</i>	thous. tonnes	98.4	175.8	-44%
296.8	362.5	-18%	<i>Transit, export and BU²⁸</i>	thous. tonnes	580.6	664.6	-13%
707.2	783.6	-10%	Motor fuels sales volumes²⁹	thous. tonnes	1,322.2	1,429.1	-7%
9.7	30.7	-69%	EBITDA DWS³⁰	bln RSD	23.8	46.5	-49%
3.3	33.1	-90%	<i>EBITDA Refining³¹</i>	bln RSD	11.7	48.5	-76%
5.2	0.1	growth	<i>EBITDA Sales and Distribution³²</i>	bln RSD	9.7	2.6	growth
1.1	0.9	+23%	CAPEX DWS³³	bln RSD	2.4	2.0	+22%
0.4	0.3	+20%	<i>CAPEX Refining</i>	bln RSD	0.8	0.6	+39%
0.5	0.5	+11%	<i>CAPEX Sales and distribution</i>	bln RSD	1.4	1.2	+10%
1.7	1.5	+17%	LTIF DWS³⁴	number	1.7	1.5	+17%
1.1	2.6	-57%	<i>LTIF Refining</i>	number	1.1	2.6	-57%
2.2	0.8	+182%	<i>LTIF Sales and distribution</i>	number	2.2	0.8	+182%

²⁵Any deviations in percentages and aggregate values result from rounding.

²⁶Any deviations in percentages and aggregate values result from rounding.

²⁷Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.

²⁸Business unit includes the sale of bitumen, bunkering and aviation fuel channels.

²⁹Total motor fuels sales volumes in Serbia and in foreign assets.

³⁰EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution and the rest of Downstream.

³¹EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.

³²EBITDA of the Sales and Distribution Block.

³³Financing, excluding VAT. The shown CAPEX Of Downstream includes CAPEX of Refining Block, Sales and distribution Block and the rest of Downstream.

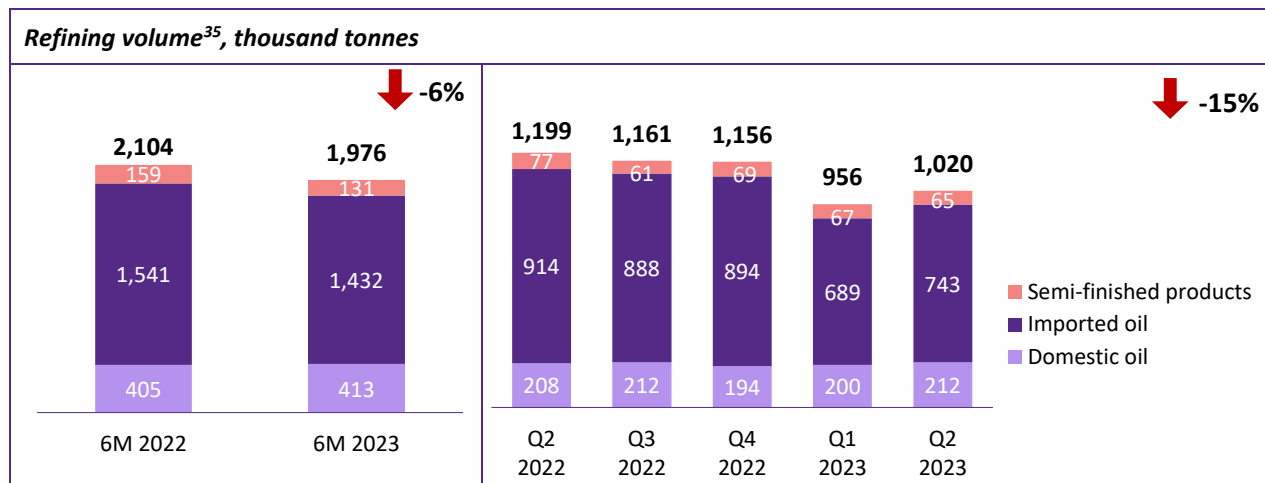
³⁴Lost Time Injury Frequency – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of June 30, 2023.

Refining

The focus of the Refining Block during the first half of 2023 was continuous production and provision of necessary stocks to properly supply the market with all types of petroleum products in accordance with the plans and the demand, taking into account the current situation on the oil market.

Due to the challenging market circumstances, in the first half of the year Refining Block refined almost 2 million tons of crude oil and achieved a financial result of EBITDA of RSD 11.7 billion.

Refining activities and volume



Refining Block continued with ambitious plans in 2023, although operations during the first half of 2023, as in previous periods, took place in conditions of limited supplies of natural gas, as well as price fluctuations on the market of oil and petroleum products. Refining Block adapted its operations to market conditions in order to continuously supply the market with petroleum products and provide fuel for the agricultural season.

Refining Block continuously implements activities to find new and maximize existing measures to increase efficiency and reduce costs. During the first half of 2023, Refining Block developed the additional Quick Wins measures and achieved measures for the first half worth RSD 0.3 billion.

Within the OMS, more than 60% of the planned activities for the implementation of best practices and the formation of Benchmarking Plants in the oldest part of the refinery, the plants of Block 5, were realized, as well as on the MHC Complex and the plants of the Power Plant. The implementation of the contract for the special arrangement and equipping of the plants with the defined 5S equipment is being carried out, as well as the provision of new marks for the visual marking of equipment and plants in accordance with the plan. Within the process of continuous improvement, 27 new projects and initiatives for increasing energy efficiency were processed with Lean 6 Sigma tools.

In March, on the occasion of marking the day of the Faculty of Occupational Safety in Niš, NIS experts, together with the participation of colleagues from Refining Block, held lectures for final-year students of the Occupational Safety major. The aim of the visit was to acquaint the students with the practical part of the safety culture, which is achieved by legal regulations and HSE activities, and represents the basis of corporate responsibility in the Company.

In the Refining Block during June 2023, the first Scientific and Technical Conference (STS) was completed, which aimed at recognizing the potentials of the employees of the Refining Block and developing their competencies, while encouraging the dialogue between colleagues and initiating new ideas. The finalists presented their projects, and the committee voted for the best, which were also awarded. The improvement of the process in the Refining Block was the main guideline for 16 registered participants who presented 10 works.

³⁵ Any deviations in percentages and aggregate values result from rounding.

The test mode of electronic work permits was completed in the Refining Block. Using electronic work permits, a number of advantages are expected, including increased safety and more efficient performance of work.

In May 2023, the HSE drill was successfully conducted at the Pančevo Oil Refinery, which demonstrated the readiness of the fire brigade and colleagues to respond to a potential accident in the most efficient manner. During the exercise, the reaction to two scenarios was shown: fire on one of the largest tanks in the Refinery and rescue of the injured worker from the height, i.e. platform, as well.

During May 2023, the ISCC certificate was obtained that enables the placement of fuel produced in the Refining Block, by blending mineral diesel and biodiesel. This certificate will also provide a guarantee on the credibility of the data in the regular annual report on the fulfillment of the criteria for biofuels sustainability.

During June, fire brigade managers successfully completed several days of theoretical and practical training in the field of responding to emergency events and situations.

Operators of the Pančevo Oil Refinery competed in knowledge, and for the first time in skills, in the “The Best in the Profession” competition. Out of approximately 50 colleagues from the Refining Block who showed a high level of knowledge, 16 of the best ones stood out.

At the final event of the Young Energy Europe 2.0 Project, the project of reducing the CO₂ footprint and increasing the energy efficiency of the Vacuum Distillation was successfully presented.

Projects

In the part of the project “The Reconstruction of the FCC Plant and the Construction of the new ETBE Plant”, the most important activities are:

- After obtaining the location conditions, the process for obtaining the construction permit during 2023 continues. The further project implementation strategy is defined, all in accordance with the current market conditions and other dependent activities.

Sales and distribution

Points of Sale³⁶ and Logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 330 retail sites are located in the Republic of Serbia (with 27 of them under GAZPROM brand). As for the countries of the region, NIS owns 41 petrol stations in Bosnia and Herzegovina (31 under GAZPROM brand), 23 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

By the end of the year, 11 PSs are expected to be commissioned after modernization in Serbia and Bosnia and Herzegovina (4 PSs construction, 6 PSs reconstructions, 1 long-term lease and rebranding of the PS).

Implementation of the project of reconstruction and modernization of the PP Niš Warehouse continued. Additionally, 3 new tanks will be erected at the Nis tank farm - 2 for diesel, 1 for petrol.

By the end of the year, it is expected that tanks G11 and G12 of the Novi Sad tank farm will be reconstructed for the needs of the aviation fuel sales channel.

Loyalty program and marketing activities

In the first half of 2023, 105 marketing activities were implemented in Serbia in order to develop consumer brands, loyalty programmes, improve the sales of fuel and non-fuel products, as well as to introduce the new products.

We would like to highlight the following most important marketing activities, which marked the first six months of 2023 in Serbia:

- Drive.Go application – promoted in order to get new members, increase the number of downloaded applications with the promotion on digital channels, as well as with the aim of gathering new members and activating registered users through CRM and digital channels and with PR advertising. Drive.Go application is available at all NIS Petrol and GAZPROM petrol stations, within which there is a functionality “My company” - which allows sending of a fiscal invoice with or without a TIN to the consumer's e-mail. In the first half of 2023, the total number of active users increased by 6,409, in the total number of 43,205, with a total sales through the application of around 5.5 million litres.
- “On the Road with Us” loyalty programme – an active campaign on the acquisition of the new virtual members, the acquisition of inactive users, as well as on the reactivation of consumers through the digital and CRM channels continued. Introduced new functionality “Coupons and Vouchers” in the application. In order to improve the user experience, a survey was introduced into the “On the Road with us” mobile application. The total number of active users in the first half of 2023 was 763,427, and of the new virtual members: 55,981.
- Social networks/partners for creating online content/site: in the first half of 2023, 6 new episodes were created within the content “On the Road with Us through Serbia”, whereby the readers of our site and our followers on social media could read detailed recommendations on locations in Serbia that they could visit.

Other activities

- Completion of the first stage of the health promotion programme in 8 cities, where over 1,400 employees were involved in 14 days. Support for employees through sports recreation is organized at 92 locations in 25 cities and 17 disciplines for more than 2,300 employees who voluntarily submitted a doctor's approval that they are capable of the desired activities, which is twice as many as last year at the same time.
- The NIS sports games were held with the participation of over 500 employees in 40 sports disciplines in Belgrade, with the participation of NIS sports teams in the Belgrade Marathon, the business race and the night marathon in Novi Sad, as well as the participation in the triathlon race on Silver Lake.

³⁶ As at 30 June 2023.

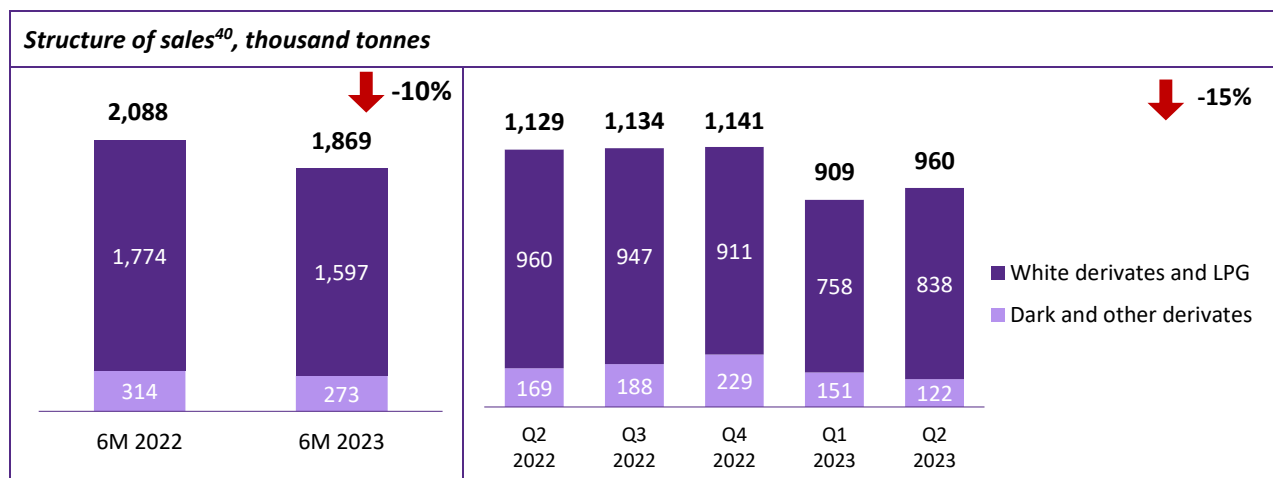
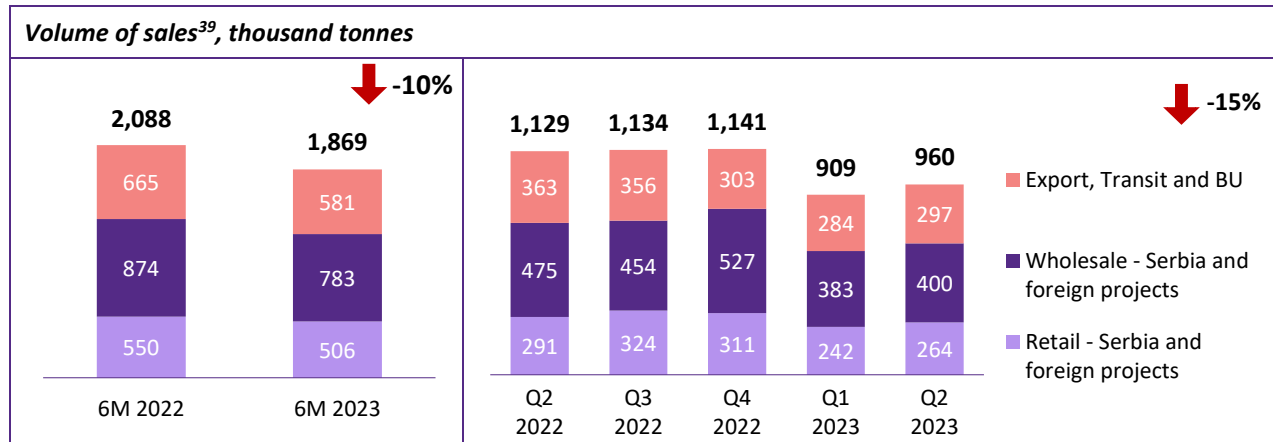
Operating indicators

In the first half of 2023, the sales reduced by 10% compared to the same period in 2022, bringing the total sales to 1,869 thousand tonnes.

- Retail in Serbia and foreign assets – a decline by 8%, primarily in foreign countries, due to:
 - the geopolitical situation in the EU countries (especially in Romania, and in Bulgaria, as a result of the shutdown of 11 petrol stations);
 - increased diesel sales in retail in 2022, as a consequence of the state regulation of prices at a low level, lower prices at the NIS petrol stations than the maximum established price, which is not the case this year.
- Wholesale in Serbia and foreign assets³⁷ – a decline by 11% primarily because of the decrease in sales of petroleum products in foreign countries Bosnia and Herzegovina and Romania because of the ban on exports from Serbia. Also, increased wholesale diesel sales in 2022 as a result of government regulation of prices at a low level, influenced the high demand last year compared to this year.
- Export, transit and BU³⁸:
 - decrease in the sales of fuel oil, bitumen and primary gasoline on the domestic market;
 - a decrease in consumption;
 - decrease of technological export and bitumen as a consequence of production optimization.
- The decrease in sales partially compensates for the increase in aviation fuel sales by 43% compared to the second quarter of 2022 due to the expansion of the international flight line of Air Serbia and foreign airlines, as well as the increase in the amount of aviation fuel exported compared to the same period last year.

³⁷It includes the sale of CNG of the Energy Block and the sale of oils, lubricants and technical fluids of the Downstream Lubricants Production Plant.

³⁸Business unit includes the sale in petroleum products of bitumen, bunker and jet fuels.



³⁹ Any deviations in percentages and aggregate values result from rounding.

⁴⁰ Any deviations in percentages and aggregate values result from rounding.

Energy

Natural gas

The organisation and balancing of the natural gas portfolio for NIS j.s.c. Novi Sad is carried out in accordance with the natural gas transportation agreement with the natural gas transmission system operator for the gas year 2022/2023, signed in the third quarter of 2022. Natural gas prices until the end of October 2023 are regulated by the Regulation of the Government of the Republic of Serbia on the temporary measure of limiting the price of gas and compensate for differences in the price of natural gas procured from imports and produced in the Republic of Serbia in the event of market disruptions.

The shipment of KPG from Gas field Ostrovo took place smoothly, with short delays. Negotiations are ongoing on the annual Agreement on the complete supply of energy from natural gas.

Electricity trading

NIS currently holds electricity trading licenses in Serbia, Montenegro, Romania, Bosnia and Hercegovina, Slovenia, Hungary and Bulgaria. NIS j.s.c. Novi Sad trades in the electricity exchange in Serbia (SEEPEx) and in Romania (OPCOM).

Implementation of the Program of Energy Efficiency Measures in NIS j.s.c.

In the first six months of 2023, the programme of measures to reduce electricity consumption and increase energy efficiency achieved energy savings of 3,683 t.o.e. The financial value of the savings amounts to RSD 134 million.

An internal energy supervision team was established and a regulatory and methodological framework was prepared. Adaptation and re-engineering of barriers to electrical safety in Blocks and subsidiaries was carried out.

Measures to improve energy efficiency have been developed and a pool of energy efficiency “quick wins” projects has been set up in 2023, and the implementation of measures to improve energy efficiency has commenced.

Activities of implementing seven measures to boost energy efficiency are in progress.

Renewable energy sources

In 2022, the pilot project of the construction of solar photovoltaic power plants at 8 PSs was successfully completed. On the basis of the obtained results, in the fourth quarter, the construction of solar photovoltaic power plants at additional 7 petrol stations with a total power of solar panels of about 240 kWp was approved, and the planned investment amounts to EUR 170,000. The individual power of the power plants is 30.4 kWp at 6 petrol stations and 60.7 kWp at one petrol station. In the first quarter of 2023 four photovoltaic power plants were put into operation, while in the second quarter, in April the remaining three are put into operation.

For the construction of the photovoltaic power plant at 30 PSs a project passport was adopted, a contractor was selected and the implementation activities began at the beginning of June. On yearly basis, the savings in the purchase of electricity are expected of 1,123 MWh (about 18% of the total consumption of all 30 PSs).

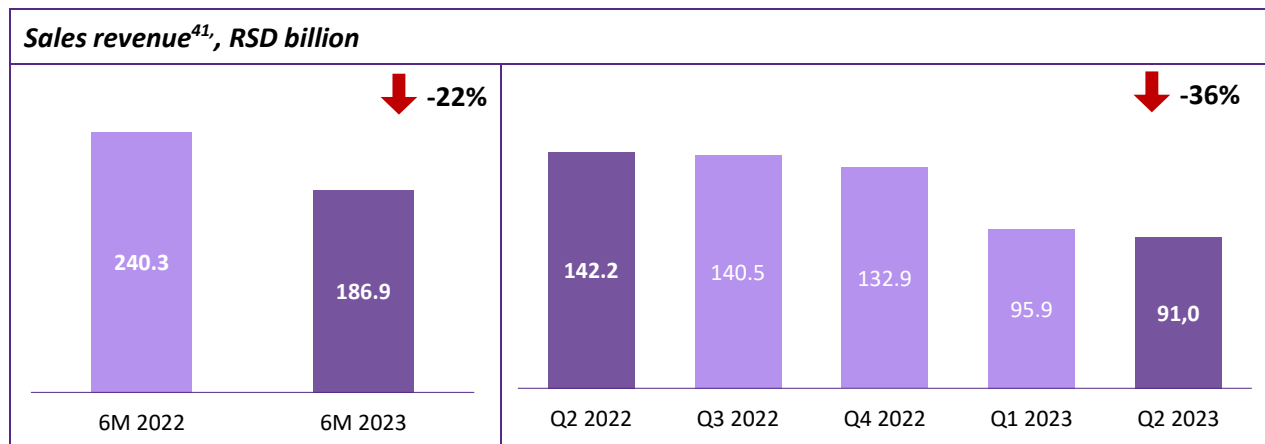
In the second quarter of this year, the following was realized:

- the procurement was carried out in order to confirm the investment, the project passport was prepared for the construction of the photovoltaic power plant in the Jazak Drinking Water Factory complex with a total panel power of 620 kWp (370 kWp on the roof and 250 kWp on the ground). The tender for the procurement has been completed, the bidder was selected and an economic model was created.
- An analysis of buildings and lots and an economic analysis for the construction of Photovoltaic Power Stations in Elemir and Mladenovac warehouses are carried out, as well as analysis of other buildings and lots that are potential locations for construction Photovoltaic Power Stations and 9 of them were selected for development.

Financial indicators

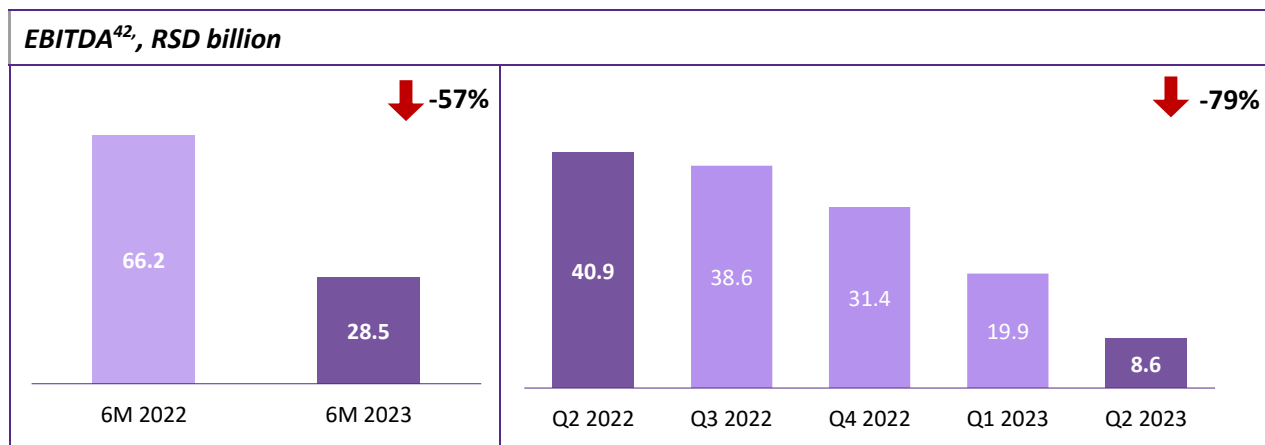
Sales revenues

During the first six months of 2023 sales revenues are 22% lower compared to the previous year, and the total amount of sales revenues is RSD 186.9 billion.



EBITDA

The EBITDA indicator in the first six months of 2023 is 57% lower than the same period last year and amounted to RSD 28.5 billion.



The decrease in the EBITDA indicator in the first six months of 2023 compared to the same period last year is due to:

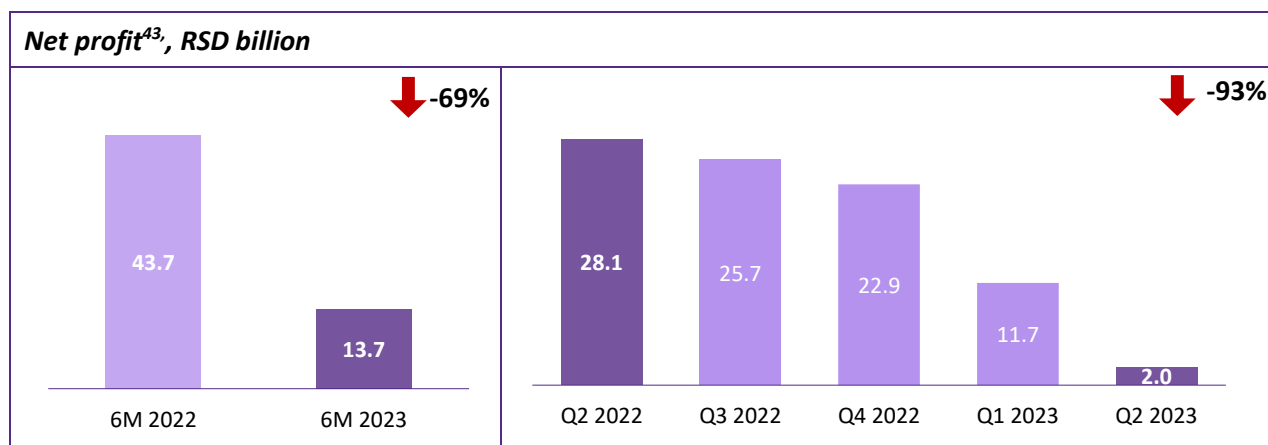
- Impact of decrease in oil and petroleum product prices in the world market, as well as the effect of “expensive” stocks;
- Deterioration of the scope of the refining of oil and petroleum products, which was partially compensated by the increase in the margin of petroleum products;
- Payment of the donation to the Government of Republic of Serbia;
- Increase in costs compared to the comparative period due to inflation and price increase.

⁴¹ Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

⁴² Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Net profit

The net profit in the first six months of 2023 amounts to RSD 13.7 billion, which is lower 69% compared to the same period last year.

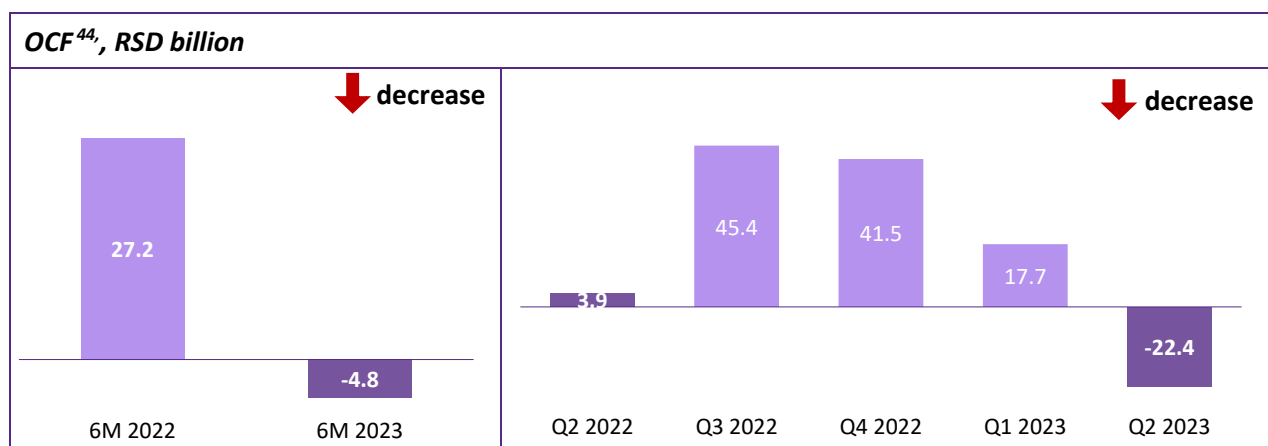


The decline in net profit in the first six months was influenced by:

- The decline in EBITDA, which was partially compensated by the higher growth of financial income then to the growth of financial expenses, as well as the decrease in expenses related to income tax as a consequence of lower profit before taxation.

OCF

In the first half of 2023, the operating cash flow amounts to RSD -4.8 billion, and it is lower compared to the same period last year.



The decline of the OCF indicator in the first six months was influenced by:

- Lower inflows;
- Payment of the donation to the Government of the Republic of Serbia;
- Higher taxes based on the profit tax from 2022.

⁴³ Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

⁴⁴ Any deviations aggregate values result from rounding.

CAPEX

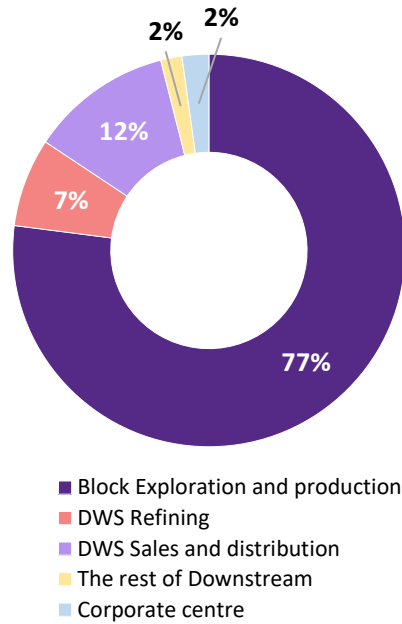
In the first six months of 2023, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling and concession projects, followed by oil refining projects, as well as reconstruction, construction and rebranding projects of petrol stations. In addition, NIS invested in projects in the field of energy and services, as well as in a certain number of projects in the corporate center.

In the first six months of 2023, RSD 11.6 billion was allocated for investment, which is 52% more compared to the same period last year.

CAPEX by type of project⁴⁵, RSD billion



Investments by segments



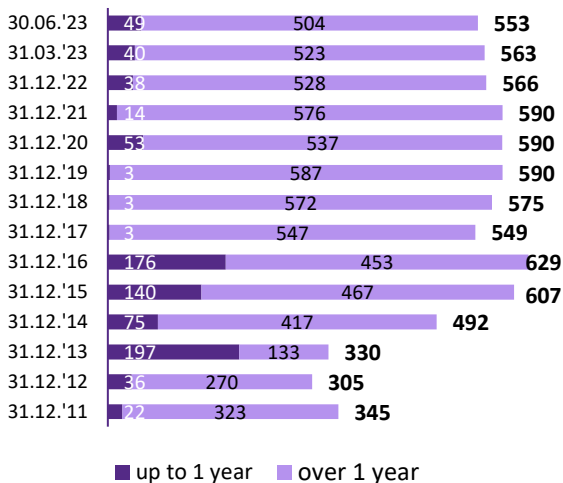
⁴⁵All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Organisation unit	Major projects
Exploration and production	<ul style="list-style-type: none"> • drilling of development wells • investing in geological and technical activities • infrastructure projects
Services	<ul style="list-style-type: none"> • replacement and procurement of tools and equipment for drilling rigs • transport projects
Refining	<ul style="list-style-type: none"> • projects aimed at ensuring compliance with legal norms and regulations • investment maintenance projects • environmental projects • reconstruction of the FCC unit and construction of new ETBE unit
Sales and distribution	<ul style="list-style-type: none"> • retail network development in Serbia (petrol station construction, reconstruction and rebranding) • other retail projects in Serbia and the region
Rest of Downstream projects (Energy and Technical services)	<ul style="list-style-type: none"> • Plandište wind park • technical services projects • energy projects
Corporate centre	<ul style="list-style-type: none"> • projects related to the maintenance of software solutions • projects related to the modernization of the business centers of Novi Sad and Belgrade • improvement of safety protection systems

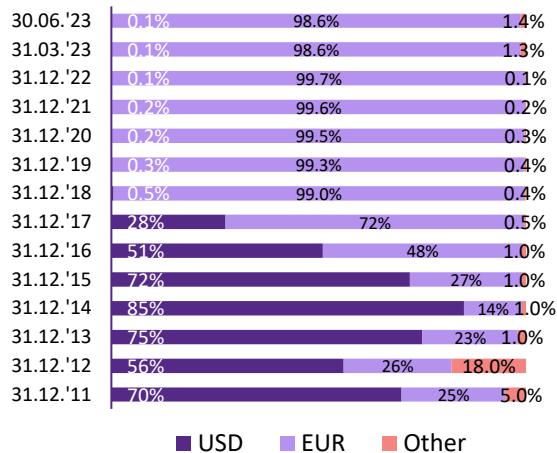
Indebtedness

At the end of second quarter of 2023, the debt to banks was lower than the debt at the end of 2022 and amounts to EUR 553.2 million. Loans in the amount of EUR 7.0 million were withdrawn, and a total of EUR 19.5 million was regularly repaid.

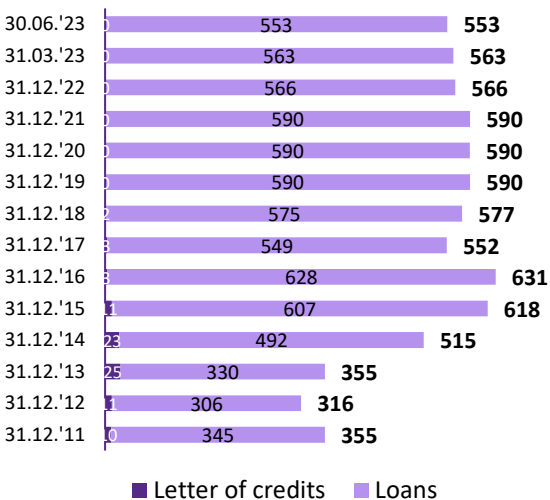
Total bank debt trends with maturity structure⁴⁶, EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness⁴⁷, EUR million



⁴⁶ Any deviations in aggregate values result from rounding.

⁴⁷ In addition to the bank debt and Letters of Credit as at 30 June 2023, NIS j.s.c. Novi Sad holds issued bank guarantees in the amount of EUR 25.4 million, corporate guarantees in the amount of EUR 129.6 million and financial leasing in the amount of EUR 32.4 million. Any deviations in aggregate values result from rounding.

Taxes and Other Public Revenue⁴⁸

NIS j.s.c. Novi Sad	6M 2023	6M 2022	%⁴⁹
Social insurance contributions paid by employer	1.10	0.99	+11%
Energy efficiency fee ⁵⁰	0.21	0.21	-2%
Corporate tax	3.05	8.12	-62%
Value-added tax	16.35	17.45	-6%
Excise duties	72.65	69.93	+4%
Commodity reserves fee	3.58	3.67	-2%
Customs duties	0.05	0.34	-85%
Royalty	0.88	0.91	-4%
Other taxes	0.81	0.70	+16%
Total	98.68	102.32	-4%
NIS subsidiaries in Serbia			
Social insurance contributions paid by employer	0.81	0.69	+17%
Corporate tax	0.05	0.09	-44%
Value-added tax	1.02	1.22	-17%
Excise duties	0.00	0.00	n/a
Customs duties	0.03	0.01	+120%
Royalty	0.00	0.00	n/a
Other taxes	0.06	0.05	+12%
Total	1.97	2.07	-5%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	100.65	104.39	-4%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.01	0.01	-31%
Energy efficiency fee	0.01	0.00	n/a
Corporate tax	0.01	0.19	-95%
Value-added tax	0.30	0.45	-33%
Excise duties	3.63	8.18	-56%
Customs duties	2.66	4.75	-44%
Royalty	0.03	0.07	-60%
Other taxes	0.07	0.07	-12%
Total	6.71	13.72	-51%
Deferred taxes (total for Group)	-0.40	-0.19	+107%
Total NIS Group⁵¹	106.97	117.92	-9%

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries deriving from its organisational structure in Serbia in the first six months of 2023 amounts RSD 100.65 billion.

The amount of accrued liabilities for public revenues for NIS Group in the first six months of 2023 totalled RSD 106.97 billion, which is a decrease of 9% on the same period in 2022.

⁴⁸In RSD billion.

⁴⁹Any deviations in percentages and aggregate values result from rounding.

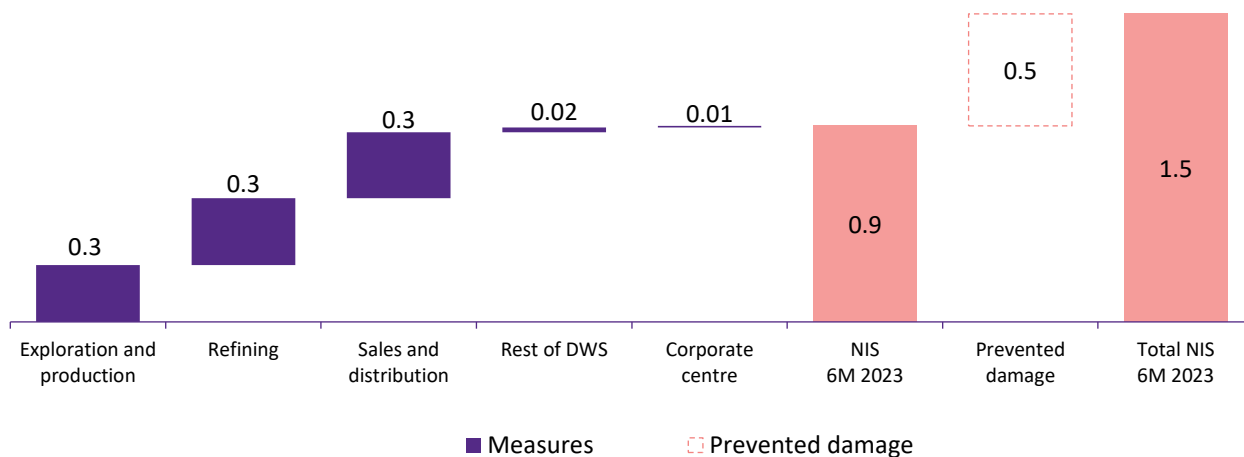
⁵⁰Calculated from 1 July 2019.

⁵¹Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

Achievable potential level on EBITDA

The total effect of reaching the target level of potential in the first six months of 2023 on EBITDA equals RSD 0.9 billion.

Effect of reaching the target level of potential on EBITDA, in RSD billion



Securities

Share Capital Structure

NIS j.s.c. Novi Sad share capital is RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of RSD 500. All issued shares are ordinary shares, vesting their holders with the following rights:

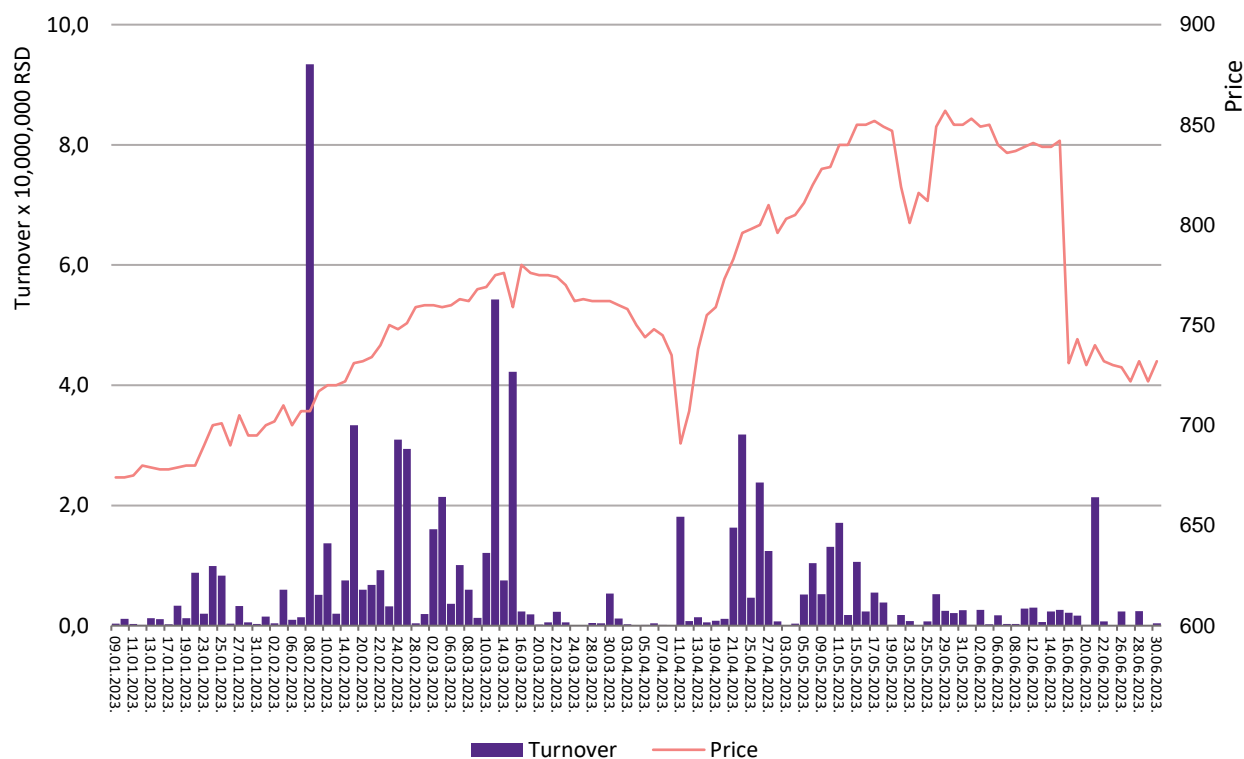
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance with the bankruptcy law;
- preemptive right to buy ordinary shares of a new issue and other financial instruments tradable for ordinary shares, of a new issue and
- other rights in accordance with the Company Law and corporate documents.

All securities issued by the Company are included in trading on a regulated market.

Share trading and indicators per share

NIS j.s.c. Novi Sad shares are listed in the Prime Listing of the Belgrade Stock Exchange.

Price and turnover trends in the first six months of 2023



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first six months of 2023	
Last price (June 30, 2023)	732 RSD
High (May 29, 2023)	870 RSD
Low (January 9, 2023)	671 RSD
Total turnover, RSD	738,537,123 RSD
Total turnover, number of shares	976,626
Total number of transactions, number of transactions	3,242
Market capitalization as at June 30, 2023, in RSD	119,360,212,800
<i>EPS</i>	94.31
Consolidated <i>EPS</i>	84.16
<i>P/E ratio</i>	7.76
Consolidated <i>P/E ratio</i>	8.70
Book value as at June 30, 2023	2,158
Consolidated book value as at June 30, 2023	2,083
<i>P/BV ratio</i>	0.34
Consolidated <i>P/BV ratio</i>	0.35

During the first six months of 2023 the Company did not acquire any treasury shares.

Dividends

NIS j.s.c. Novi Sad dividend policy is based on a balanced approach, which takes into account the necessity to retain earnings for the purposes of future investment, the rate of return on invested capital and the amount for dividend payment. The long-term dividend policy stipulates a minimum of 15% of net profit is to be paid to shareholders in dividends.

When deciding on profit distribution and dividend payment, the corporate management takes into consideration a number of factors, including the financial standing, investment plans, loan repayment obligations, the macroeconomic environment and legislation. Each of these factors, either individually or combined, if significant, may affect the proposed dividend payment.

On 29 June 2023, the Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit for 2022, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. This decision determines that the dividends will be paid to the shareholders in cash, in the gross amount of RSD 23,364,924,716, or RSD 143.29 per share. The shareholders registered in the Central Securities Depository and Clearing House as legal owners of NIS j.s.c. Novi Sad shares on the Record date (Dividend Day) i.e. on 19 June 2023 entitle to dividend payment.

	Net profit (loss), RSD bn ⁵²	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in % ⁵³
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5 ⁵⁴	0.0	-	101.1	0	475	-
2011	40.6 ⁵⁵	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7
2022	93.5	23.4	25%	573.14	143.29	675	21.2

⁵² Net profit of NIS j.s.c. Novi Sad.

⁵³ Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.

⁵⁴ Net profit used for coverage of accumulated losses.

⁵⁵ Net profit used for coverage of accumulated losses.

Corporate Governance

Corporate Governance System

The Company has established a one-tier governance system, where the Board of Directors has the central role in the corporate governance. The Board of Directors is responsible for the implementation of the objectives and the achievement of results, while the shareholders exercise their rights and control primarily through the Shareholders' Assembly.

The provisions of the Articles of Association fully and clearly differentiate between the scope of work of the Board of Directors and the scope of work of the Shareholders' Assembly, the CEO of the Company and the bodies set up by the corporate governance bodies.

Shareholders' Assembly and Shareholders' Rights

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders. All NIS j.s.c. Novi Sad shares are ordinary shares that give their owners the same rights, wherein one share carries one vote.

Board of directors

The Board of Directors has a central role in corporate governance. It is collectively responsible for the long-term success of the Company, for setting main business objectives and identifying the company's further courses of development, as well as for identifying and controlling the effectiveness of the corporate business strategy.

Total amount of fees paid to BoD members in the first six months of 2023, net in RSD	
Members od BoD	RSD 112,836,493

Board of Directors' Committees

In order to complete its obligations more efficiently, the Board of Directors founded 3 permanent committees as advisory and professional bodies, which support its work, especially in terms of consideration of the questions under its jurisdiction, preparation and supervision of implementation of the decisions and acts adopted by BoD, as well as conduction of certain expert activities necessary for the Board of Directors. The Board of Directors has formed the following Committees:

- Audit Committee,
- Remuneration Committee,
- Nomination Committee.

The Board of Directors will appoint new members of its Committees and, is necessary, establish new regular or ad hoc committees to support the activities of the Board.

Shareholders' Assembly Board

The Shareholders' Assembly Board for the Supervision of Operations and the Procedure for Reporting to Company Shareholders (hereinafter 'The Shareholders' Assembly Board') is a body of advisors and experts providing assistance to the Shareholder's Assembly with respect to its activities and consideration of issues within its scope of competence. Members of the Shareholders' Assembly Board report to the Shareholders' Assembly, which appoints them and relieves them of duty.

Chief executive officer

The Board of Directors appoints one of its executive members to act as the Chief Executive Officer. The CEO coordinates the activities of the executive members of the Board of Directors and organizes the Company's activities. In addition to this, the CEO performs daily management activities and is authorized to decide on matters which do not fall under the competence of the Shareholders' Assembly and the Board of Directors. The Chief Executive Officer is a legal representative of NIS j.s.c. Novi Sad.

Advisory Board of the CEO

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities. The members of the Advisory Board were determined by the Decision of CEO, and they include Deputy CEO - Director of the Exploration and Production Block, First Deputy CEO - Director of the Downstream, Directors of the Refining and the Energy Blocks, Directors of Functions, Deputy CEO for Petrochemical Affairs and Director of Naftagas-Oilfield Services LLC Novi Sad. In addition to the competencies related to the management of the Company's operations, the Advisory Board deals with the issues of strategy and development policy, the basis of which is set by the Shareholders' Assembly and the Board of Directors of the Company.

Related-Party Transactions

In the first six months of 2023 the Group entered into business transactions with its related parties. An outline of related-party transactions is part of the Notes to the Financial Statements⁵⁶.

⁵⁶ Information on related party transactions can be found on page 85 under note number 27 to the Consolidated Financial Statements.

Human resources

In the first six months of 2023, NIS sought to maintain its position as one of the best employers in Serbia, while constantly adapting to the labour market, employees' expectations and the needs of the business. The greatest effort was invested in the stability of the company as an employer, programs focused on the recruitment and development of the young, new models of motivation, learning, development and promotion of respectful corporate culture.

Our long-term goal is to strengthen employee engagement and improve HR practices to offer the best possible employee experience. For this reason, we have continued to invest in employee engagement in 2023 and have initiated the implementation of various activities based on the results of the latest employee engagement survey and our company's strategic plans. We continued with the implementation of and upgraded the Engagement Academy Program, which aims to develop highly dedicated and motivated teams through the active role of senior and middle management in our Company and from this year also lower management. We have restarted the "First-Time Managers" Programme, within which, through several education modules, we help colleagues who have just taken on managerial functions to be as better managers and leaders as possible. In May, the new academic year of the Drive Leadership Programme began, and the new generation of NIS "academics" includes 22 colleagues from almost all organizational units of the Company. The programme is implemented in cooperation with the "Cotrugli" Business School, and the lecturers are experienced European and global experts in various areas of leadership skills development. The Easter workshops that we organized for the children of our employees in the business premises of NIS in Belgrade, Pančevo, Novi Sad and Zrenjanin also contributed to the better atmosphere in our working environment. In addition, we have made a new decision regarding the entry of children of our employees into the business premises of NIS in Belgrade and Novi Sad, which gives parents more flexibility to bring their children to the workplace.

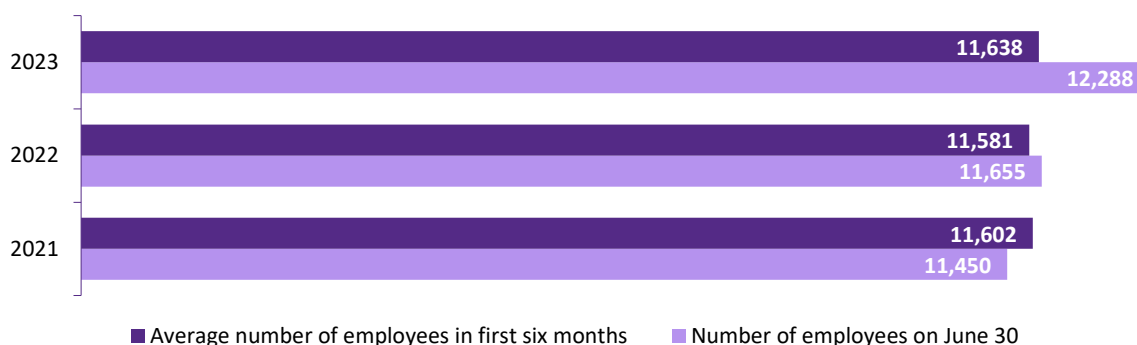
Our HR strategy, new company values, and employer value proposition (diversity and inclusion initiative, employer brand strategy and learning and development strategy) have produced a large number of HR projects and initiatives. They will improve the experience of both candidates and employees of NIS, starting from recruitment to rewarding, remuneration and benefits, development and promotion.

In 2023 as well, NIS has continued the tradition of implementing the programmes for the most talented students, graduate students and graduate pupils. In the second quarter, we welcomed 36 interns in the seventh season of the NIS Calling Programme, and the second season of the Practice for Young Operators – Graduates was launched, which will join us at the Pančevo Refinery. In the selection process, 20 interns were selected, and this practice begins on 1 August. The third season of the NIS Energy Graduates Programme for 27 young graduates is also ongoing. Also, the participants of the NIS Calling–Robotization Programme in the second quarter independently created and launched 3 robots.

Employee Number⁵⁷ and Structure

Organisational unit	Number of employees on:	
	6/30/2023	6/30/2022
NIS j.s.c. Novi Sad	5,278	5,095
Exploration and Production Block	1,081	1,085
Downstream	2,569	2,528
Refining Block	990	985
Sales and Distribution Block	1,389	1,357
Energy Block	46	38
The rest of Downstream ⁵⁸	144	148
Corporate Centre	1,191	990
Multifunctional Shared Service Center ⁵⁹	433	488
Representative and Branch Offices	4	4
Local subsidiaries	6,396	5,931
Subsidiaries abroad	132	134
Other subsidiaries included in consolidation	482	495
TOTAL⁶⁰:	12,288	11,655

Headcount trend⁶¹



⁵⁷ The number of employees does not include employees hired through the Contract of Services. On June 30, 2023 within the NIS a. d. In Novi Sad, we have 88 employees hired through the Contract of Services.

⁵⁸ The rest of the Downstream includes: Office of Downstream Director, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.

⁵⁹ At the end of 2019, setting up the Multifunctional Share Service Center started, which is, due to its specificity, established as a separate unit.

⁶⁰ Employees with shared working hours are shown as whole units in the associated Company. The total number of NIS Group employees shown does not include employees of HIP-Petrohemija d.o.o. Pančevo. The number of employees in the company HIP-Petrohemija d.o.o. on June 30, 2023 is 1,287, including agency employees.

⁶¹ The average number of employees does not include employees who are on maternity leave, employees who have been on sick leave for more than 30 days, and employees who have inactive status of employment, but it includes employees who left the company in the observed period and new employees proportionately to the number of days spent at the position.

Employment terminations

In first six months of 2023, a total of 505 employees left NIS j.s.c.: 46 employees retired, 26 employees left NIS after termination of employment by mutual consent, while the employment of 433 people was terminated on other grounds (cancellation of employment contract, employment termination by the employee, redundancy, etc.).

Basis of employment termination in the first six months of 2023	NIS j.s.c Novi Sad⁶²	Subsidiaries
Retirement	30	16
Termination by mutual consent	3	23
Other	85	348
Total	118	387

⁶² Including representative offices and branches. Of the total number of terminations, there is no terminations account for the representative offices and branches.

Research and Development

In all business segments, NIS represents constant technological development and the introduction of innovations in business.

NTC NIS-Naftagas d.o.o. Novi Sad, as a subsidiary company in which NIS a.d. Novi Sad has 100% participation, providing the parent company with scientific-technical and innovation support in the field of research and production of oil and gas. Research and development activity within NTC has a dual role: coordinator and executor of scientific research works.

The implementation and development of new technologies, scientific research activity and increasing the efficiency of research, production and refining of oil and gas are the constant focus of NTC's management and employees.

During the first half of 2023 in the field of geological research, geology, deposit development and production:

- Work continued on the interpretation project "Middle Banat". Currently, the first iteration of the structural interpretation has been completed and a detailed analysis of the mentioned geological complex is underway;
- The work with the operational support of geological research was started;
- Continued work on geological analysis and deposit development projects for the fields;
- In the area of integrated modeling on the Kikinda field project, the modeling of well operations has been completed, the formation of the infrastructure model is underway;
- Established work with operational technological projects within which completed models - operational monitoring of the Kikinda field and gas wells, analyzed wells (more than 200) were given recommendations for optimization.

Within the business segment for new technologies and expertise, NTC together with NIS continues to actively develop the technology management system, introducing the best practices of technological development management into the company's processes. NTC employees present relevant technological and digital initiatives at conferences they attend.

Regarding geothermal potential, NTC continues to evaluate prospects, analyzing potential facilities, both in terms of high temperatures and high flow rates, in order to maximize the effectiveness of the pilot project.

In accordance with the investment plan, the laboratory "Downstream" conducted the procedure of receiving offers for the purchase of laboratory equipment at the locations of the laboratories in Pančevo and Novi Sad. With these purchases, the laboratory test and auxiliary equipment will be modernized and a high level of quality control of process samples and finished oil products intended for market placement will be ensured.

A project for the execution and implementation of works on the reconstruction and extension of the laboratory facility in Pancevo was drawn up and approved. With the implementation of this project, a modernly equipped and functional facility will be provided in Pančevo for conducting laboratory tests of oil and oil derivatives, in accordance with HSE requirements and interiorly aligned with world trends in the field of laboratory design.

In the first half of 2023, the "Downstream" laboratory carried out over 106,000 tests of the quality of petroleum products.

In the past quarter, the FPC (Factory Production Control) external supervision of the bitumen production plant was successfully carried out, in order to confirm the SE mark for this product.

Financial Statements

Standalone financial statements

Interim Condensed Statement of Financial Position

Assets	Note	30 June 2023 <i>(unaudited)</i>	31 December 2022
Current assets			
Cash and cash equivalents	4	30,611,737	83,083,255
Short-term financial assets	5	36,657,614	8,453,591
Trade and other receivables	6	37,109,020	43,037,247
Inventories	7	56,173,722	54,163,591
Current income tax prepayments		3,946,190	-
Other current assets	8	10,567,067	9,796,354
Assets classified as held for sale		56,300	27,318
Total current assets		175,121,650	198,561,356
Non-current assets			
Property, plant and equipment	9	266,313,481	267,112,796
Right-of-use assets	10	2,675,089	2,826,525
Investment property		1,595,308	1,605,254
Intangible assets		3,750,463	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		2,813	2,816
Long-term financial assets	12	28,895,438	29,588,852
Deferred tax assets		3,352,409	2,971,445
Other non-current assets	13	2,442,764	1,974,131
Total non-current assets		341,083,247	324,407,623
Total assets		516,204,897	522,968,979
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	8,612,255	11,308,085
Current lease liabilities	19	471,031	498,203
Trade and other payables	15	49,190,867	29,783,850
Other current liabilities	16	8,786,649	15,818,895
Current income tax payable		-	13,992,693
Other taxes payable	17	11,371,166	14,126,253
Provisions for liabilities and charges		2,043,258	1,899,914
Total current liabilities		80,475,226	87,427,893
Non-current liabilities			
Long-term debt	18	59,033,591	61,930,558
Non-current lease liabilities	19	1,563,747	1,797,176
Other non-current financial liabilities	20	11,986,282	840,001
Long-term trade and other payables		7,164	7,171
Provisions for liabilities and charges		11,308,991	11,150,061
Total non-current liabilities		83,899,775	75,724,967
Equity			
Share capital		81,530,200	81,530,200
Reserves		93,749	93,904
Retained earnings		270,205,947	278,192,015
Total equity		351,829,896	359,816,119
Total liabilities and shareholder's equity		516,204,897	522,968,979

In 000 RSD

Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Sales of petroleum products, oil and gas		80,071,285	131,698,369	161,820,933	219,296,676
Other revenues		6,239,358	5,093,483	15,022,810	9,948,621
Total revenue from sales	3	86,310,643	136,791,852	176,843,743	229,245,297
Purchases of oil, gas and petroleum products		(52,224,056)	(80,239,926)	(101,639,390)	(132,050,273)
Production and manufacturing expenses	21	(10,344,461)	(9,081,922)	(23,325,413)	(18,063,301)
Selling, general and administrative expenses	22	(7,049,462)	(6,083,140)	(13,752,236)	(11,660,339)
Transportation expenses		(360,542)	(439,618)	(720,897)	(786,720)
Depreciation, depletion and amortization		(5,635,523)	(5,812,745)	(11,340,219)	(11,535,106)
Taxes other than income tax		(1,376,510)	(1,307,126)	(2,719,908)	(2,562,028)
Exploration expenses		-	(173)	-	(173)
Total operating expenses		(76,990,554)	(102,964,650)	(153,498,063)	(176,657,940)
Other income (expenses), net	23	(6,987,717)	115,787	(7,143,383)	77,711
Operating profit		2,332,372	33,942,989	16,202,297	52,665,068
Net foreign exchange loss	24	(61,355)	(1,325,491)	(109,752)	(1,293,145)
Finance income	25	2,025,785	384,095	3,559,285	626,252
Finance expenses	26	(826,336)	(396,291)	(1,603,162)	(776,494)
Total other (expense) / income		1,138,094	(1,337,687)	1,846,371	(1,443,387)
Profit before income tax		3,470,466	32,605,302	18,048,668	51,221,681
Current income tax expense		(587,718)	(5,081,117)	(3,050,778)	(8,271,688)
Deferred tax income		154,912	159,136	380,967	171,514
Total income tax		(432,806)	(4,921,981)	(2,669,811)	(8,100,174)
Profit for the period		3,037,660	27,683,321	15,378,857	43,121,507
Other comprehensive (loss):					
Items that will not be reclassified to profit					
Losses on remeasurements of defined benefit plans					(33,528)
Loss from investments in equity instruments		(155)	(104)	(155)	(104)
Other comprehensive (loss) for the period		(155)	(104)	(155)	(33,632)
Total comprehensive income for the period		3,037,505	27,683,217	15,378,702	43,087,875
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		18.63	169.77	94.31	264.45
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

In 000 RSD

Interim Condensed Statement of Changes in Shareholders' Equity

Six month period ended 30 June 2023 and 2022

(unaudited)	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2022		81,530,200	93,991	190,623,686	272,247,877
Profit for the period		-	-	43,121,507	43,121,507
Other comprehensive loss					
Loss from investments in equity instruments		-	(104)	-	(104)
Losses on remeasurements of defined benefit plans		-	-	(33,528)	(33,528)
Total comprehensive income (loss) for the period		-	(104)	43,087,979	43,087,875
Dividend distribution	15	-	-	(5,782,122)	(5,782,122)
Balance as at 30 June 2022		81,530,200	93,887	227,929,543	309,553,630

(unaudited)		Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2023		81,530,200	93,904	278,192,015	359,816,119
Profit for the period		-	-	15,378,857	15,378,857
Other comprehensive loss					
Loss from investments in equity instruments		-	(155)	-	(155)
Total comprehensive income (loss) for the period		-	(155)	15,378,857	15,378,702
Dividend distribution	15	-	-	(23,364,925)	(23,364,925)
Balance as at 30 June 2023		81,530,200	93,749	270,205,947	351,829,896

In 000 RSD

Interim Condensed Statement of Cash Flows⁶³

	Note	Six month period ended	
		2023	30 June 2022
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		18,048,668	51,221,681
Adjustments for:			
Finance expenses	26	1,603,162	776,494
Finance income	25	(3,559,285)	(626,252)
Unrealised foreign exchange (gain)/losses, net		303,128	427,040
Depreciation, depletion and amortization		11,340,219	11,535,106
Other non-cash items		223,181	295,414
Operating cash flow before changes in working capital		27,959,073	63,629,483
Changes in working capital:			
Trade and other receivables		5,854,814	(16,450,783)
Inventories		(2,049,335)	(29,681,559)
Other current assets		(1,293,694)	(4,475,997)
Trade payables and other current liabilities		(11,286,920)	7,850,602
Other taxes payable		(2,755,170)	7,785,540
Total effect on working capital changes		(11,530,305)	(34,972,197)
Income taxes paid		(20,987,300)	(5,828,308)
Interest paid		(1,329,828)	(671,109)
Interest received		2,293,429	336,321
Net cash (used in)/generated by operating activities		(3,594,931)	22,494,190
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries	11,20	(5,863,685)	-
Loans issued		(5,005,459)	(2,111,616)
Loan proceeds received		3,456,823	2,163,671
Capital expenditures ⁶⁴		(10,448,691)	(7,694,707)
Proceeds from sale of property, plant and equipment		40,351	232,160
Bank deposits (proceeds)/repayment, net		(25,000,000)	-
Net cash used in investing activities		(42,820,661)	(7,410,492)
Cash flows from financing activities			
Proceeds from borrowings	14,18	5,957,951	13,186,883
Repayment of borrowings	14,18	(11,552,312)	(14,817,117)
Repayment of lease liabilities	19	(328,333)	(187,875)
Net cash used in financing activities		(5,922,694)	(1,818,109)
Net increase/(decrease) in cash and cash equivalents		(52,338,286)	13,265,589
Effect of foreign exchange on cash and cash equivalents		(133,232)	(209,282)
Cash and cash equivalents as of the beginning of the period		83,083,255	20,336,901
Cash and cash equivalents as of the end of the period	4	30,611,737	33,393,208

In 000 RSD

⁶³ Company's policy is to present cash flow inclusive of related VAT.⁶⁴ CF from investing activities includes VAT in the amount of 1.33 bln RSD (2022: 1 bln RSD)

Notes to Standalone Financial Statements⁶⁵

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 half 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 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 first half 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 June 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.

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

⁶⁵ All amounts are in 000 RSD, unless otherwise stated

The results in these Interim Condensed Financial Statements for the three and six month period ended 30 June 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 six month period ended 30 June 2023 and 2022. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The 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 six month period ended 30 June 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	21,731,181	177,339,379	(22,226,817)	176,843,743
Intersegment	21,702,774	524,043	(22,226,817)	-
External	28,407	176,815,336	-	176,843,743
Adjusted EBITDA (Segment results)	13,926,836	13,832,259	-	27,759,095
Depreciation, depletion and amortization	(6,155,634)	(5,184,585)	-	(11,340,219)
Net foreign exchange loss	(39,946)	(69,806)	-	(109,752)
Finance income (expenses), net	(83,837)	2,039,960	-	1,956,123
Income tax	-	(2,669,811)	-	(2,669,811)
Segment profit	17,980,646	7,727,467	-	15,378,857

Quarterly report for second quarter of 2023

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	45,308,852	227,686,381	(43,749,936)	229,245,297
Intersegment	43,239,667	510,269	(43,749,936)	-
External	2,069,185	227,176,112	-	229,245,297
Adjusted EBITDA (Segment results)	24,389,813	39,879,102	-	64,268,915
Depreciation, depletion and amortization	(6,183,347)	(5,351,759)	-	(11,535,106)
Net foreign exchange loss	(2,064)	(1,291,081)	-	(1,293,145)
Finance expenses, net	(15,488)	(134,754)	-	(150,242)
Income tax	(155,950)	(7,944,224)	-	(8,100,174)
Segment profit	17,980,646	25,140,861	-	43,121,507

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

	Three month period ended		Six month period ended	
	2023	30 June 2022	2023	30 June 2022
Profit for the period	3,037,660	27,683,321	15,378,857	43,121,507
Income tax	432,806	4,921,981	2,669,811	8,100,174
Finance expenses	826,336	396,291	1,603,162	776,494
Finance income	(2,025,785)	(384,095)	(3,559,285)	(626,252)
Depreciation, depletion and amortization	5,635,523	5,812,745	11,340,219	11,535,106
Net foreign exchange loss	61,355	1,325,491	109,752	1,293,145
Other expenses/(income), net	6,987,717	(115,787)	7,143,383	(77,711)
Other non-operating expense/(income), net*	(6,988,456)	148,583	(6,926,804)	146,452
Adjusted EBITDA	7,967,156	39,788,530	27,759,095	64,268,915

*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:

	Six month period ended	
	2023	30 June 2022
Sale of crude oil	-	3,825,484
Sale of gas	103,724	73,514
<i>Wholesale activities</i>	103,724	73,514
Sale of petroleum products	161,717,209	215,397,678
<i>Through a retail network</i>	49,797,952	56,301,571
<i>Wholesale activities</i>	111,919,257	159,096,107
Sale of electricity	7,461,044	3,636,470
Lease revenue	182,415	179,022
Other sales	7,379,351	6,133,129
Total sales	176,843,743	229,245,297

Other sales mainly relate to sales of non-fuel products at petrol stations for 4,984,623 RSD (2022: 4,423,326 RSD).

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

4. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Cash in bank and in hand	9,926,465	16,861,298
Deposits with original maturity of less than three months	20,679,998	66,219,999
Cash equivalents	5,274	1,958
	30,611,737	83,083,255

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

5. SHORT-TERM FINANCIAL ASSETS

	30 June 2023	31 December 2022
Short-term loans	1,876,846	204,604
Deposits with original maturity more than 3 months less than 1 year	31,676,922	6,003,699
Current portion of long-term investments (note 12)	5,082,726	4,225,725
Less impairment loss provision	(1,978,880)	(1,980,437)
	36,657,614	8,453,591

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

6. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
Trade receivables	44,491,498	50,420,797
Other receivables	84,993	88,717
<i>Less credit loss allowance for trade receivables</i>	(7,433,933)	(7,437,841)
<i>Less credit loss allowance for other receivables</i>	(33,538)	(34,426)
	37,109,020	43,037,247

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

	30 June 2023	31 December 2022
Crude oil	29,302,642	29,409,389
Petroleum products	25,020,046	23,314,075
Materials and supplies	5,148,542	4,771,464
Other	1,138,021	1,124,692
<i>Less impairment provision</i>	(4,435,529)	(4,456,029)
	56,173,722	54,163,591

8. OTHER CURRENT ASSETS

	30 June 2023	31 December 2022
Advances paid	817,423	729,280
Deferred VAT	3,168,080	4,198,144
Prepaid expenses	590,783	251,155
Prepaid custom duties	72,274	60,157
Prepaid excise	5,559,131	4,415,877
Other current assets	7,845,276	7,628,408
<i>Less impairment provision</i>	<i>(7,485,900)</i>	<i>(7,486,667)</i>
	10,567,067	9,796,354

Deferred VAT as at 30 June 2023 amounting to 3,168,080 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 June 2023 amounting to 5,559,131 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2023						
Cost	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)
Net book value	129,489,833	92,238,695	25,009,212	7,070,834	13,304,222	267,112,796
Period ended 30 June 2023						
Additions	7,062,420	336,513	329,539	96,761	2,246,562	10,071,795
Changes in decommissioning obligations	78,676	-	-	-	-	78,676
Impairment	-	-	-	-	(11,007)	(11,007)
Depreciation	(6,085,584)	(3,640,618)	(935,835)	(222,037)	-	(10,884,074)
Disposals and write-off	(797)	(8,813)	(15,761)	(11)	-	(25,382)
Transfer to investment property	-	-	(8,631)	-	-	(8,631)
Transfer to non-current assets held for sale	-	-	-	(14,038)	-	(14,038)
Other transfers	(186)	193	38,726	(38,467)	(6,920)	(6,654)
	130,544,362	88,925,970	24,417,250	6,893,042	15,532,857	266,313,481
As at 30 June 2023						
Cost	222,555,773	164,651,666	57,851,835	16,700,811	18,636,438	480,396,523
Depreciation and impairment	(92,011,411)	(75,725,696)	(33,434,585)	(9,807,769)	(3,103,581)	(214,083,042)
Net book value	130,544,362	88,925,970	24,417,250	6,893,042	15,532,857	266,313,481

10. RIGHT-OF-USE ASSETS

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

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2023	-	842,723	224,722	1,759,080	-	2,826,525
Additions	2,542	11,572	43,011	2,619	-	59,744
Depreciation	(838)	(48,320)	(43,320)	(115,664)	-	(208,142)
Transfers	-	-	4,998	(6,992)	1,994	-
Disposals	-	(927)	(117)	-	-	(1,044)
Impairment	-	-	-	-	(1,994)	(1,994)
As at 30 June 2023	1,704	805,048	229,294	1,639,043	-	2,675,089

11. INVESTMENTS IN SUBSIDIARY

	30 June 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)
	31,016,682	13,425,627

Investments in subsidiaries as at 30 June 2023 relate to the following companies:

Company	Share %	Investment	Impairment	Net book value
NIS Petrol a.d., Belgrade, Serbia	100%	3,457,576	(1,172,263)	2,285,313
NIS Petrol e.o.o. Sofija, Bulgaria	100%	28,938	-	28,938
NIS Petrol SRL, Bucharest, Romania	100%	997	-	997
NIS Petrol doo, Banja Luka, BiH	100%	1,030	-	1,030
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	100%	905,000	-	905,000
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	100%	1,177,032	-	1,177,032
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	100%	7,300,000	-	7,300,000
Naftagas-Transport d.o.o. Novi Sad, Serbia	100%	1,717,349	-	1,717,349
HIP Petrohemija doo Pančevo, Serbia	90%	29,163,252	(11,572,197)	17,591,055
NIS Oversiz, Russia	100%	9,856	-	9,856
Jadran-Naftagas d.o.o. Banja Luka, BiH	100%	112	-	112
		43,761,142	(12,744,460)	31,016,682

Movements on the account were as follows:

	2023
As at 1 January	13,425,627
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)
As at 30 June	31,016,682

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.

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

	30 June 2023	31 December 2022
LT loans issued	41,116,635	40,958,458
Financial assets at FVTPL	839,340	840,001
Other LT placements	30,465	30,605
Available for sale financial assets	175,830	176,206
<i>Less Current portion of LT loans issued (note 5)</i>	(5,082,726)	(4,225,725)
<i>Less provision of other LT placements</i>	(8,184,106)	(8,190,693)
	28,895,438	29,588,852

13. OTHER NON-CURRENT ASSETS

	30 June 2023	31 December 2022
Advances paid for PPE	1,576,368	1,063,325
Prepaid expenses	180,786	142,503
Other assets	1,007,403	1,131,217
<i>Less allowance for Other assets</i>	(300,398)	(341,519)
<i>Less allowance for advances paid</i>	(21,395)	(21,395)
	2,442,764	1,974,131

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

	30 June 2023	31 December 2022
Short-term loans	3,462,330	5,345,097
Interest liabilities	202,606	151,584
Current portion of long-term loans (note 18)	4,947,319	5,811,404
	8,612,255	11,308,085

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

	Six month period ended	
	30 June 2023	30 June 2022
Short-term loans at 1 January	5,345,097	2,188,401
Proceeds	5,957,951	8,687,130
Repayment	(7,841,002)	(7,643,693)
Foreign exchange difference (note 24)	284	(2,512)
Short-term loans at 30 June	3,462,330	3,229,326

15. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
Trade payables	22,023,683	25,943,650
Dividends payable	27,148,657	3,783,818
Other accounts payable	18,527	56,382
	49,190,867	29,783,850

As at 30 June 2023 trade payables amounting to 22,023,683 RSD (31 December 2022: 25,943,650 RSD) mainly relate to payables for crude oil in the amount of 5,114,951 RSD (31 December 2022: 9,047,330 RSD).

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

16. OTHER CURRENT LIABILITIES

	30 June 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
– Advances received	5,345,479	11,294,740
– Customer loyalty	813,338	686,933
Payables to employees	2,557,881	3,790,114
Accruals and deferred income	42,777	-
Other current non-financial liabilities	27,174	47,108
	8,786,649	15,818,895

Revenue in the amount of 6,738,869 RSD (30 June 2022: 2,842,160 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2023, of which 6,434,962 RSD (30 June 2022: 2,392,047 RSD) related to advances and 303,907 RSD (30 June 2022: 450,113 RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	30 June 2023	31 December 2022
Mineral extraction tax	445,298	393,085
VAT	2,445,207	3,955,956
Excise tax	7,157,056	7,814,476
Contribution for State commodity reserves	327,833	887,822
Custom duties	5,091	5,007
Energy efficiency fee	37,509	92,638
Other taxes	953,172	977,269
	11,371,166	14,126,253

18. LONG-TERM DEBT

	30 June 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	63,977,353	65,009,756
Other Long-term borrowings	3,557	3,778
Less Current portion (note 14)	(4,947,319)	(5,811,404)
	59,033,591	61,930,558

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

	Six month period ended	
	2023	30 June 2022
Long-term loans at 1 January	67,738,184	77,480,027
Proceeds	-	4,499,753
Repayment	(3,711,310)	(7,173,424)
Non-cash transactions	39,871	(18,096)
Foreign exchange difference (note 24)	(89,392)	(122,156)
Long-term loans at 30 June	63,977,353	74,666,104

(a) Bank loans

	30 June 2023	31 December 2022
Domestic	47,422,854	48,275,895
Foreign	16,554,499	16,733,861
	63,977,353	65,009,756
Current portion of long-term loans	(4,947,319)	(3,082,976)
	59,030,034	61,926,780

The maturity of bank loans was as follows:

	30 June 2023	31 December 2022
Between 1 and 2 years	10,621,938	9,708,140
Between 2 and 5 years	46,413,360	47,889,786
Over 5 years	1,994,736	4,328,854
	59,030,034	61,926,780

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

	30 June 2023	31 December 2022
USD	59,708	88,819
EUR	63,860,819	64,824,628
RSD	38	4,268
JPY	56,788	92,041
	63,977,353	65,009,756

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 June 2023 and 31 December 2022, respectively.

19. LEASE LIABILITIES

	30 June 2023	31 December 2022
Non-current lease liabilities	1,563,747	1,797,176
Current lease liabilities	471,031	498,203
	2,034,778	2,295,379

Amounts recognized in profit and loss:

	Six month period ended 30 June	
	2023	2022
Interest expense (included in finance cost) (note 26)	46,238	16,460
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	1,290	43,497
Expense relating to leases of low value assets that are not shown above as short-term leases	4,790	10,078
Expense relating to variable lease payments not included in lease liabilities	576,058	542,475

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

	Six month period ended	
	2023	2022
As at 1 January	2,295,379	1,338,381
Repayment	(328,333)	(187,875)
Non-cash transactions	73,062	199,389
Foreign exchange difference (note 24)	(5,330)	6,918
As at 30 June	2,034,778	1,356,813

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in the amount of 11,986,282 RSD (2022: 840,001 RSD) represents deferred consideration in the amount of 841,861 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 576,068 RSD – note 25, and forex exchange gain of 4.360 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 AND MANUFACTURING EXPENSES

	Three month period ended		Six month period ended	
	2023	2022	2023	2022
Employee costs	1,019,020	986,849	1,979,990	1,935,135
Materials and supplies (other than O&G and petroleum products)	302,755	254,906	593,232	482,371
Repair and maintenance services	1,345,900	1,300,530	2,628,661	2,501,090
Electricity for resale	1,899,908	1,208,280	6,805,167	3,039,603
Electricity and utilities	1,936,024	1,633,755	4,212,364	3,058,170
Safety and security expense	134,233	191,222	276,101	278,176
Transportation services for production	343,795	471,068	664,790	964,178
Other	3,362,826	3,035,312	6,165,108	5,804,578
	10,344,461	9,081,922	23,325,413	18,063,301

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended		Six month period ended	
	2023	2022	2023	2022
Employee costs	3,277,126	2,911,209	6,480,809	5,632,329
Commission and agency fees	1,251,809	994,084	2,431,534	1,932,179
Legal, audit and consulting services	379,007	309,846	747,617	585,832
Current repair cost	311,130	279,747	590,176	458,719
Costs on advertising and marketing	110,251	71,092	151,989	111,757
Rent expense	5,587	21,896	8,453	49,195
Business trips expense	61,431	37,058	91,738	55,733
Safety and security expense	208,797	159,736	423,814	289,934
Insurance expense	20,500	21,183	46,159	43,324
Transportation and storage	50,274	38,467	98,213	86,628
Allowance for doubtful accounts	9,858	9,491	8,475	17,090
Other	1,363,692	1,229,331	2,673,259	2,397,619
	7,049,462	6,083,140	13,752,236	11,660,339

23. OTHER INCOME (EXPENSES), NET

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Penalties	43,163	61,625	95,255	97,397
Provisions	(11,367)	(371)	(31,768)	(5,142)
Impairment (reversal) of non financial assets	(10,322)	(8,144)	(13,001)	(8,144)
Charity and social payments	(7,047,204)	(10,431)	(7,066,740)	(10,955)
Others	38,013	73,108	(127,129)	4,555
	(6,987,717)	115,787	(7,143,383)	77,711

Charity and social payments amounting to 7,066,740 RSD mainly relate to donations for support projects in the field of education, social and health care.

24. NET FOREIGN EXCHANGE LOSS

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Foreign exchange gain (loss) on financing activities including:				
– foreign exchange gain (note 14,18,19,20)	101,221	335,627	141,194	508,902
– foreign exchange loss (note 14,18,19,20)	(29,587)	(108,408)	(46,756)	(391,152)
Net foreign exchange loss on operating activities	(132,989)	(1,552,710)	(204,109)	(1,410,895)
	(61,355)	(1,325,491)	(109,752)	(1,293,145)

25. FINANCE INCOME

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Interest on bank deposits	1,254,479	203,858	2,608,517	267,159
Gains on restructuring of borrowings	5,780	5,793	11,563	11,593
Revaluation of equity investment at fair value - income	576,068	-	576,068	-
Interest income on loans issued	189,458	174,444	363,137	347,500
	2,025,785	384,095	3,559,285	626,252

26. FINANCE EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2023	2022	2023	2022
Interest expense	771,992	391,141	1,480,022	760,741
Losses on restructuring of borrowings	5,315	6,094	11,211	12,100
Decommissioning provision: unwinding of the present value discount	35,937	9,093	71,453	18,117
Provision of trade and other non-current receivables: discount	28,950	(6,577)	68,961	(7,422)
Less: amounts capitalised on qualifying assets	(15,858)	(3,460)	(28,485)	(7,042)
	826,336	396,291	1,603,162	776,494

Interest expense includes expenses on lease liabilities in amount of 46,238 RSD for the six months ended 30 June 2023 (16,460 RSD for the six months ended 30 June 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 June 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 June 2023.

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the 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 472,191 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 June 2023 the Company has entered into contracts to purchase property, plant and equipment for 360,144 RSD (31 December 2022: 391,270 RSD).

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

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 six month period ended 30 June 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 June 2023 and 31 December 2022 the outstanding balances, net of impairment, with related parties were as follows:

As at 30 June 2023	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	4,980,689	-	-
Trade and other receivables	10,792,193	-	63,759
Other current assets	4,313	-	18,973
Right of use assets	39,811	-	61
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	31,016,681	-	-
Long-term financial assets	28,787,535	-	-
Other non-current assets	2,192	-	73,235
Trade and other payables	(7,643,606)	(1,439,739)	(12,407,360)
Other current liabilities	(93,239)	-	(675)
Short-term debt	(2,653,135)	-	(25)
Current lease liabilities	(2,713)	-	(22)
Non-current lease liabilities	(40,815)	-	-
Other non-current financial liabilities	(11,146,942)	-	-
	54,042,964	(1,439,739)	(11,213,254)

As at 31 December 2022	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
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)
	45,545,225	(1,762)	(3,709,573)

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

	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Six month period ended 30 June 2023			
Revenues from sales of products and services	11,261,939	-	15,764,153
Expenses based on procurement of products and services	(6,423,129)	(3,446)	(7,708,283)
Other income (expenses), net	307,193	-	536,291
	5,146,003	(3,446)	8,592,161
Six month period ended 30 June 2022			
Revenues from sales of products and services	26,829,034	-	24,784,625
Expenses based on procurement of products and services	(5,432,503)	(3,616)	(71,595,706)
Other income (expenses), net	339,420	-	(63,978)
	21,735,951	(3,616)	(46,875,059)

30. EVENTS AFTER THE REPORTING DATE

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

Consolidated financial statements

Interim Condensed Consolidated Statement of Financial Position

Assets	Note	30 June 2023	31 December 2022
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	4	35,443,897	88,131,045
Short-term financial assets	5	38,305,050	6,104,619
Trade and other receivables	6	29,481,566	35,969,998
Inventories	7	60,467,472	58,234,614
Current income tax prepayments		4,110,496	-
Other current assets	8	13,443,385	12,031,734
Assets classified as held for sale		53,392	23,833
Total current assets		181,305,258	200,495,843
Non-current assets			
Property, plant and equipment	9	294,754,439	295,790,456
Right-of-use assets	10	4,386,404	3,695,826
Investment property		1,521,757	1,531,705
Goodwill and other intangible assets		5,297,832	5,228,587
Investments in associates and joint ventures		2,764,384	2,866,724
Trade and other non-current receivables		2,814	2,821
Long-term financial assets		263,300	323,702
Deferred tax assets		2,772,726	2,766,666
Other non-current assets	11	3,766,225	2,113,788
Total non-current assets		315,529,881	314,320,275
Total assets		496,835,139	514,816,118
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	5,959,159	7,260,508
Current lease liabilities	17	696,284	735,918
Trade and other payables	13	45,827,472	28,455,871
Other current liabilities	14	12,745,627	17,746,302
Current income tax payable		-	14,013,449
Other taxes payable	15	12,592,640	15,233,939
Provisions for liabilities and charges		2,156,670	2,013,474
Total current liabilities		79,977,852	85,459,461
Non-current liabilities			
Long-term debt	16	59,168,038	62,053,580
Non-current lease liabilities	17	3,099,185	2,413,671
Other non-current financial liabilities		839,341	840,001
Long-term trade and other payables		7,165	7,171
Provisions for liabilities and charges		14,095,932	14,814,651
Total non-current liabilities		77,209,661	80,129,074
Equity			
Share capital		81,530,200	81,530,200
Reserves		634,140	572,221
Retained earnings		257,483,286	267,125,162
Equity attributable to the Company's owners		339,647,626	349,227,583
Non-controlling interest		-	-
Total equity		339,647,626	349,227,583
Total liabilities and shareholder's equity		496,835,139	514,816,118

in 000 RSD

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

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

in 000 RSD

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Six month period ended 30 June 2023 and 2022

<i>(unaudited)</i>	Note	Equity attributable to the Company's owners			Non-controlling interest	Total equity	
		Share capital	Reserves	Retained earnings			Total
Balance as at 1 January 2022		81,530,200	488,736	180,797,597	262,816,533	19,678	262,836,211
Profit for the period		-	-	43,709,632	43,709,632	-	43,709,632
Other comprehensive income/(loss)							
Loss from investments in equity instruments		-	(104)	-	(104)	-	(104)
Losses on remeasurements of defined benefit plans		-	-	(62,751)	(62,751)	-	(62,751)
Currency translation differences		-	29,451	-	29,451	-	29,451
Total comprehensive income for the period		-	29,347	43,646,881	43,676,228	-	43,676,228
Dividend distribution	13	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other		-	23,580	(69,547)	(45,967)	(19,678)	(65,645)
Balance as at 30 June 2022		81,530,200	541,663	218,592,809	300,664,672	-	300,664,672

<i>(unaudited)</i>	Note	Equity attributable to the Company's owners			Non-controlling interest	Total equity	
		Share capital	Reserves	Retained earnings			Total
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

in 000 RSD

Interim Condensed Consolidated Statement of Cash Flows⁶⁶

	Note	Six month period ended 30 June	
		2023	2022
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Profit before income tax		16,435,442	51,909,508
Adjustments for:			
Share of profit of associates and joint ventures		102,340	(335,973)
Finance expenses	23	1,601,414	829,988
Finance income	22	(2,672,576)	(279,685)
Unrealised foreign exchange (gain)/losses, net		(1,019,978)	145,446
Depreciation, depletion and amortization		12,405,006	12,710,953
Other non-cash items		366,614	321,821
Operating cash flow before changes in working capital		27,218,262	65,302,058
Changes in working capital:			
Trade and other receivables		6,407,737	(11,747,901)
Inventories		(2,284,833)	(30,546,351)
Other current assets		(1,706,363)	(4,420,062)
Trade payables and other current liabilities		(11,962,421)	7,407,769
Other taxes payable		(2,395,568)	7,584,998
Total effect on working capital changes		(11,941,448)	(31,721,547)
Income taxes paid		(21,085,859)	(5,991,482)
Interest paid		(1,260,054)	(659,719)
Interest received		2,287,462	247,376
		(20,058,451)	(6,403,825)
Net cash (used in)/generated by operating activities		(4,781,637)	27,176,686
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiaries	25	568,307	-
Capital expenditures ⁶⁷		(12,788,981)	(8,635,564)
Proceeds from sale of property, plant and equipment		55,186	234,528
Bank deposits (proceeds)/repayment, net		(30,880,050)	(91,880)
Other outflow		10	(94,107)
Net cash used in investing activities		(43,045,528)	(8,587,023)
Cash flows from financing activities			
Proceeds from borrowings	12,16	820,000	5,811,336
Repayment of borrowings	12,16	(5,019,737)	(7,173,423)
Repayment of lease liabilities	17	(489,477)	(378,868)
Net cash used in financing activities		(4,689,214)	(1,740,955)
Net increase/(decrease) in cash and cash equivalents		(52,516,379)	16,848,708
Effect of foreign exchange on cash and cash equivalents		(170,769)	(213,603)
Cash and cash equivalents as of the beginning of the period		88,131,045	21,283,274
Cash and cash equivalents as of the end of the period	4	35,443,897	37,918,379

in 000 RSD

⁶⁶ Group policy is to present cash flow inclusive of related VAT.⁶⁷ CF from investing activities includes VAT in the amount of 1.46 bln RSD (2022: 1.1 bln RSD)

Notes to Consolidated Financial Statements⁶⁸

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily Serbian). The accompanying Interim Condensed Consolidated Financial Statements were primarily derived from the Group’s statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS).

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard **IAS 34 Interim Financial Reporting**. IAS 34 for interim financial reporting does not require all disclosures that would be necessarily required by IFRS.

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

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

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

In the first half 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 25) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the first half 2023 the Group didn’t review the critical accounting estimates which are used by the Group in the Interim Condensed Consolidated Financial Statements preparation and which are assessed based on oil prices

⁶⁸ All amounts are in 000 RSD, unless otherwise stated

forecasts, inflation and market borrowing rate. In particular as of 30 June 2023 the Group didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing.

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

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

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2022.

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

4. CASH AND CASH EQUIVALENTS

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

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

5. SHORT-TERM FINANCIAL ASSETS

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

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

6. TRADE AND OTHER RECEIVABLES

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

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

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

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

7. INVENTORIES

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

8. OTHER CURRENT ASSETS

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

10. RIGHT-OF-USE ASSETS

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

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

11. OTHER NON-CURRENT ASSETS

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

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

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

14. OTHER CURRENT LIABILITIES

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

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

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

15. OTHER TAXES PAYABLE

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

16. LONG-TERM DEBT

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

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

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

(a) Bank loans

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

The maturity of bank loans was as follows:

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

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

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

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 30 June 2023 and 31 December 2022, respectively.

17. LEASE LIABILITIES

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

Amounts recognized in profit and loss:

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

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

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

18. PRODUCTION AND MANUFACTURING EXPENSES

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

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

20. OTHER INCOME (EXPENSE), NET

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

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

21. NET FOREIGN EXCHANGE LOSS

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

22. FINANCE INCOME

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

23. FINANCE EXPENSES

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

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

24. FAIR VALUE MEASUREMENT

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

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

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

In accordance with the Agreement on Strategic Partnership signed on 24 December 2021 between Government of Republic of Serbia, NIS a.d. Novi Sad and HIP Petrohemija doo Pančevo, on June 9, 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous

20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result, the Group expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacities. For the purposes of consolidating the Group's financial statements, June 30 2023 is considered the acquisition date.

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

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

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

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

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

26. CONTINGENCIES AND COMMITMENTS

Taxes

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

Economic environment in the Republic of Serbia

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

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

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

Environmental protection

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

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

Capital commitments

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

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

27. RELATED PARTY TRANSACTIONS

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

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

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

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 30 June 2023			
Trade and other receivables	-	142,824	25,341
Investments in joint venture and associates	-	-	2,764,384
Short-term financial assets	-	34,888	-
Other non-current assets	-	73,235	-
Other current assets	-	19,312	708,854
Right of use assets	-	276	-
Trade and other payables	(1,439,739)	(11,747,388)	(674,221)
Other current liabilities	-	(157)	(636)
Short-term debt and current portion of long-term debt	-	(24)	-
Current lease liabilities	-	(124)	-
	(1,439,739)	(11,477,158)	2,823,722
As at 31 December 2022			
Trade and other receivables	-	368,216	1,446,747
Investments in joint venture and associates	-	-	2,866,724
Other current assets	-	22,258	709,412
Right of use assets	-	197	-
Trade and other payables	(1,762)	(641,933)	(3,053,876)
Other current liabilities	-	(195)	(3,101)
Short-term debt and current portion of long-term debt	-	(2,728,428)	-
Current lease liabilities	-	(124)	-
Non-current lease liabilities	-	(50)	-
	(1,762)	(2,980,059)	1,965,906

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

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

28. EVENTS AFTER THE REPORTING DATE

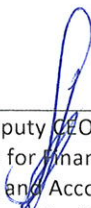
There are no material events after the reporting date.

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

Statement of individuals responsible for the preparation of report

We hereby declare that, to the best of our knowledge, the quarterly report has been prepared in accordance with applicable accounting standards and that it provides a true and objective overview of data on assets, liabilities, profits and losses, revenues and expenditures, the financial position of the Company, including all companies included in the group with which it forms an economic entity, and that the quarterly management report contains an objective overview of the information required in accordance with the Law on the Capital Market.

Anton Cherepanov



Deputy CEO,
Head of Function for Finance, Economics,
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Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
B&H	Bosnia and Herzegovina
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CNG	Compressed natural gas
CO ₂	Carbon Dioxide
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
ETBE	Ethyl tertiary-butyl ether
EU	European Union
EUR	Euro
FED	The Federal Reserve System
HiPACT	High Pressure Acid Gas Capture Technology
HR	Human Resources
HSE	Health, Safety and the Environment
IRMS	Integrated Risk Management System
ISCC	International Sustainability & Carbon Certification
IT	Information Technology
j.s.c. or JSC	Joint Stock Company
km	kilometre
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTIF	Lost Time Injury Frequency
m ²	Square meter
m ³	Cubic meter
MW	Megawatt, SI unit of electricity
OECD	The Organization for Economic Cooperation and Development
OCF	Operating Cash Flow
OPEC	Organization of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RSD	Serbian Dinar
SNNP	Sa nama na putu cart (On the road with us card)
s.r.l.	Limited liability company (in Romania)
STC	Scientific and Technological Centre
t.o.e.	Tonnes of oil equivalent
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax

The Report contains statements on uncertain future events. Statements on uncertain future events involve statements which are not historical facts, statements with regard to the NIS Group's intentions, beliefs or current expectations related to, inter alia, the NIS Group's business results, financial standing and liquidity, prospects, growth, strategies and industrial sectors in which the NIS Group does business. For the reason that they relate to the events and depend on the circumstances which may or may not realize in the future, statements on uncertain future events by their nature involve risks and uncertainty, including, but without limitation to risks and uncertainties that the NIS Group has identified in other publicly available documents. NIS Group hereby warns that there are no guarantees that the statements on uncertain future events will be realized in the future and that actual business results, financial standing and liquidity, as well as the development of the industrial sector in which the NIS Group does business, may considerably differ from the ones represented or assumed by statements on uncertain future events. In addition, even if the NIS Group's business results, its financial standing and liquidity, and the development of the industrial sector in which the NIS Group does business happen to comply with the statements on uncertain future events contained herein, the results and development are not indicative of the results and development in upcoming periods. The information contained herein has been presented on the date of the Report and may be changed without prior announcement.