



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

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

31 December 2023

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

Contents

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Consolidated Statement of Changes in Shareholders' Equity	3
Consolidated Statement of Cash Flows	4

Notes to the Consolidated Financial Statements

1. General information	5
2. Summary of material accounting policies	5
3. Critical accounting estimates, assumptions and judgments	18
4. Application of amendments to the existing standards	21
5. Financial risk management	21
6. Segment information	28
7. Cash and cash equivalents	32
8. Short-term financial assets	32
9. Trade and other receivables	32
10. Inventories	32
11. Other current assets	33
12. Property, plant and equipment	34
13. Right-of-use assets	36
14. Investment property	36
15. Goodwill and other intangible assets	38
16. Investments in associates and joint venture	40
17. Long-term financial assets	41
18. Deferred income tax	41
19. Other non-current assets	42
20. Short-term debt and current portion of long-term debt	42
21. Trade and other payables	43
22. Other current liabilities	43
23. Other taxes payable	43
24. Long-term debt	44
25. Lease liabilities	45
26. Other non-current financial liabilities	45
27. Provisions for liabilities and charges	46
28. Share capital	48
29. Production, Manufacturing and Cost of Other Sales	48
30. Selling, general and administrative expenses	48
31. Employee costs	49
32. Taxes other than income tax	49
33. Other income/(expenses), net	49
34. Net foreign exchange loss	49
35. Finance income	50
36. Finance expenses	50
37. Income taxes	50
38. Business combinations	51
39. Contingencies and commitments	52
40. Group entities	53
41. Related party transactions	53
42. Events after the reporting date	56
Contact information	57

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 27 to the consolidated financial statements. As described in the notes to the consolidated financial statements, the Group recognized provisions in the amount of RSD 11,841,243 thousand.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Key Audit Matters (Continued)

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

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

Audit approach:

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

We have also performed the following audit procedures:

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Key Audit Matters (Continued)

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

As disclosed in Note 38 to the consolidated financial statements, in accordance with the Strategic Partnership Agreement signed on December 24, 2021, between the Ministry of Economy of the Republic of Serbia, NIS a.d. Novi Sad, and HIP Petrohemija d.o.o. Pančevo, the Group acquired control and registered the acquisition of additional shares in the capital of HIP Petrohemija d.o.o. from the previous 20.86% to 90% on June 9, 2023, with an obligation for a cash capital injection of RSD 17,591,055 (150 million EUR) and the construction of a polypropylene production facility with a capacity of at least 140,000 tons per year within six years.

The acquisition of additional interests is treated as a business combination in accordance with IFRS 3 Business Combinations, which involves recognizing and measuring acquired identifiable assets, assumed liabilities, each non-controlling interest in the acquired entity, and recognizing and measuring goodwill or gain from a bargain purchase. As disclosed in Note 38 to the consolidated financial statements, the fair value of the acquired net assets is RSD 9,909,172 thousand, the fair value of the non-controlling interest is RSD 990,917 thousand, and the gain from a bargain purchase is RSD 8,918,255 thousand.

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

Auditor approach:

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

We have performed the following audit procedures as well:

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



INDEPENDENT AUDITOR'S REPORT (Continued)

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

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above, when they are available to us, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the consolidated Annual business report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

Belgrade, January 30, 2024

A circular blue stamp for INEXPERTIZA d.o.o. BEOGRAD is overlaid with a handwritten signature in blue ink. The signature appears to be 'Srđan Božović'. To the right of the stamp, the name 'Srđan Božović' is printed in a standard font. Below the name, the text 'The engagement partner on audit project' and 'Licensed auditor' are printed in a smaller font.

Srđan Božović

The engagement partner on audit project

Licensed auditor

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

Assets	Note	31 December 2023	31 December 2022
Current assets			
Cash and cash equivalents	7	21,484,271	88,131,045
Short-term financial assets	8	32,639,879	6,104,619
Trade and other receivables	9	33,432,827	35,969,998
Inventories	10	67,680,808	58,234,614
Current income tax prepayments		7,470,959	-
Other current assets	11	11,171,402	12,031,734
Assets classified as held for sale		56,605	23,833
Total current assets		173,936,751	200,495,843
Non-current assets			
Property, plant and equipment	12	308,217,345	295,790,456
Right-of-use assets	13	3,728,750	3,695,826
Investment property	14	1,514,920	1,531,705
Goodwill and other intangible assets	15	5,406,024	5,228,587
Investments in associates and joint venture	16	2,729,005	2,866,724
Trade and other non-current receivables		669,618	2,821
Long-term financial assets	17	262,005	323,702
Deferred tax assets, net	18	3,245,067	2,766,666
Other non-current assets	19	7,001,095	2,113,788
Total non-current assets		332,773,829	314,320,275
Total assets		506,710,580	514,816,118
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	20	11,824,846	7,260,508
Current lease liabilities	25	924,031	735,918
Trade and other payables	21	20,703,916	28,455,871
Other current liabilities	22	14,093,357	17,746,302
Current income tax payable		-	14,013,449
Other taxes payable	23	12,961,786	15,233,939
Provisions for liabilities and charges	27	2,712,762	2,013,474
Total current liabilities		63,220,698	85,459,461
Non-current liabilities			
Long-term debt	24	54,612,097	62,053,580
Non-current lease liabilities	25	3,010,984	2,413,671
Other non-current financial liabilities	26	838,937	840,001
Long-term trade and other payables		2,868	7,171
Provisions for liabilities and charges	27	13,937,343	14,814,651
Total non-current liabilities		72,402,229	80,129,074
Equity			
Share capital	28	81,530,200	81,530,200
Reserves		694,603	572,221
Retained earnings		288,345,242	267,125,162
Equity attributable to the Company's owners		370,570,045	349,227,583
Non-controlling interest		517,608	-
Total equity		371,087,653	349,227,583
Total liabilities and shareholder's equity		506,710,580	514,816,118

Kirill Tyurdenev
Chief Executive Officer
30 January 2024

Anton Onerepanov
Chief Financial Officer

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

NIS Group

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	Year ended 31 December	
		2023	2022
Sales of petroleum products and oil and gas sales		364,517,218	486,083,320
Other revenues		47,630,290	27,603,254
Total revenue from sales	6	412,147,508	513,686,574
Purchases of oil, gas and petroleum products		(240,327,970)	(295,956,329)
Production, manufacturing and cost of other sales	29	(55,101,217)	(42,276,617)
Selling, general and administrative expenses	30	(31,884,849)	(27,045,041)
Transportation expenses		(1,667,766)	(1,859,150)
Depreciation, depletion and amortization	12,13,15	(24,960,531)	(25,479,192)
Taxes other than income tax	32	(8,026,106)	(8,073,810)
Exploration expenses	12	(163,308)	(173)
Total operating expenses		(362,131,747)	(400,690,312)
Other income/(expenses), net	33	1,248,307	(2,274,338)
Operating profit		51,264,068	110,721,924
Share of profit/(loss) of associates and joint ventures		(137,719)	1,283,824
Net foreign exchange loss	34	(254,494)	(2,168,099)
Finance income	35	4,618,428	1,952,293
Finance expenses	36	(3,329,567)	(1,951,977)
Total other income/(expense)		896,648	(883,959)
Profit before income tax		52,160,716	109,837,965
Current income tax expense	37	(8,532,713)	(17,886,433)
Deferred income tax income	37,18	564,513	423,121
Total income tax expense		(7,968,200)	(17,463,312)
Profit for the period		44,192,516	92,374,653
Other comprehensive income/(loss):			
Items that will not be reclassified to profit			
Remeasurements of post-employment benefit obligations	27	(49,477)	(181,767)
Gains/(Losses) from investments in equity instruments		8,299	(104)
		(41,178)	(181,871)
Items that may be subsequently reclassified to profit			
Currency translation differences		80,237	65,496
		80,237	65,496
Other comprehensive income/(loss) for the period		39,059	(116,375)
Total comprehensive income for the period		44,231,575	92,258,278
Profit/(Loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		44,667,130	92,374,653
- Non-controlling interest		(474,614)	-
Profit for the period		44,192,516	92,374,653
Total comprehensive income/(loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		44,704,884	92,258,278
- Non-controlling interest		(473,309)	-
Total comprehensive income for the period		44,231,575	92,258,278
Earnings per share attributable to NIS shareholders			
Basic earnings (RSD per share)		273.93	566.51
Weighted average number of ordinary shares in issue (millions)		163	163

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

NIS Group

Consolidated Statement of Changes in Shareholders' Equity

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

		Equity attributable to the Company's owners				Non-	Total
	Note	Share capital	Reserves	Retained earnings	Total	controlling interest	equity
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		-	-	92,374,653	92,374,653	-	92,374,653
Other comprehensive income/(loss)							
Losses on remeasurements of defined benefit plans	27,18	-	-	(181,767)	(181,767)	-	(181,767)
Loss from investments in equity instruments		-	(104)	-	(104)	-	(104)
Currency translation differences		-	59,714	5,782	65,496	-	65,496
Total comprehensive income for the year		-	59,610	92,198,668	92,258,278	-	92,258,278
Dividend distribution	28	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other		-	23,875	(88,981)	(65,106)	(19,678)	(84,784)
Balance as at 31 December 2022		81,530,200	572,221	267,125,162	349,227,583	-	349,227,583

		Equity attributable to the Company's owners				Non-	Total
	Note	Share capital	Reserves	Retained earnings	Total	controlling interest	equity
Balance as at 1 January 2023		81,530,200	572,221	267,125,162	349,227,583	-	349,227,583
Profit for the period		-	-	44,667,130	44,667,130	(474,614)	44,192,516
Other comprehensive income/(loss)							
Gains/(Losses) on remeasurements of defined benefit plans	27,18	-	-	(50,782)	(50,782)	1,305	(49,477)
Gain from investments in equity instruments		-	8,299	-	8,299	-	8,299
Currency translation differences		-	80,237	-	80,237	-	80,237
Total comprehensive income/(loss) for the year		-	88,536	44,616,348	44,704,884	(473,309)	44,231,575
Acquisition of subsidiary	38	-	-	-	-	990,917	990,917
Dividend distribution	28	-	-	(23,364,925)	(23,364,925)	-	(23,364,925)
Disposal of investments in equity instruments		-	33,846	(33,846)	-	-	-
Other		-	-	2,503	2,503	-	2,503
Balance as at 31 December 2023		81,530,200	694,603	288,345,242	370,570,045	517,608	371,087,653

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

NIS Group

Consolidated Statement of Cash Flows¹

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

	Note	Year ended 31 December	
		2023	2022
Cash flows from operating activities			
Profit before income tax		52,160,716	109,837,965
Adjustments to reconcile profit before tax to net cash flows:			
Share of (profit)/loss of associates and joint ventures		137,719	(1,283,824)
Finance expenses	36	3,329,567	1,951,977
Finance income	35	(4,618,428)	(1,952,293)
Unrealised foreign exchange (gain) losses, net		(217,838)	1,725,407
Depreciation, depletion and amortization	12,13,15	24,960,531	25,479,192
Gain from bargain purchase	38	(8,918,255)	-
Impairment of non-current assets	33	135,289	115,167
Impairment of exploration works		163,308	173
Adjustments for other provisions		739,183	3,092,282
Payables write off		(62,678)	(41,715)
Other non-cash items		474,501	(513,561)
Operating cash flow before changes in working capital		68,283,615	138,410,770
Changes in working capital:			
Trade and other receivables		2,880,679	(6,783,443)
Inventories		(2,210,875)	(21,346,719)
Other current assets		2,023,025	(3,284,683)
Trade payables and other current liabilities		(11,354,555)	11,426,228
Other taxes payable		(2,436,945)	3,681,591
Total effect on working capital changes		(11,098,671)	(16,307,026)
Income taxes paid		(29,870,559)	(8,084,345)
Interest paid		(2,709,244)	(1,471,158)
Interest received		3,378,477	1,515,009
		(29,201,326)	(8,040,494)
Net cash generated by operating activities		27,983,618	114,063,250
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiaries	38	568,307	-
Capital expenditures ²		(43,363,331)	(25,437,566)
Proceeds from sale of property, plant and equipment		104,698	393,157
Dividends received		44,372	-
Bank deposits proceeds, net		(24,351,012)	(6,091,880)
Other outflow		(14,999)	(170,391)
Net cash used in investing activities		(67,011,965)	(31,306,680)
Cash flows from financing activities			
Proceeds from borrowings	20,24	4,200,401	5,811,336
Repayments of borrowings	20,24	(7,133,141)	(14,063,305)
Repayments of lease liabilities	25	(1,025,957)	(814,876)
Dividends paid to the Company's owners	28	(23,364,925)	(5,782,122)
Net cash used in financing activities		(27,323,622)	(14,848,967)
Net increase/(decrease) in cash and cash equivalents		(66,351,969)	67,907,603
Effect of foreign exchange on cash and cash equivalents		(294,805)	(1,059,832)
Cash and cash equivalents as of the beginning of the year		88,131,045	21,283,274
Cash and cash equivalents as of the end of the year	7	21,484,271	88,131,045

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

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

² CF from investing activities includes VAT in the amount of 4,6 bln RSD (2022: 3,4 bln RSD)

1. GENERAL INFORMATION

1.1. Description of business

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

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

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

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

Information on the Group's structure is provided in Note 40. Information on other related party relationships of the Group is provided in Note 41.

These 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

These Consolidated Financial Statements for the year ended 31 December 2023 were prepared in accordance with International Financial Reporting Standards (IFRS) and are not the statutory accounts of Group. 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 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 Consolidated Financial Statements have been prepared based on the going concern principle, which assumes that the Group will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Group will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these Consolidated Financial Statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The preparation of Consolidated Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 3.

At the date of signing Consolidated Financial Statements, crude oil price increased since 31 December 2023 from 77,585 \$/barrel to 83,985 \$/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. Basis of measurement

These Consolidated Financial Statements are prepared on the historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in RSD, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end of the period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Profit or Loss.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and other monetary assets and liabilities are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within "Net foreign exchange gain/loss".

(c) Group's Companies

The result and financial position of all group companies whose functional currency is different from the Group's presentation currency are calculated as follows:

- I. assets and liabilities are translated into the RSD using the exchange rate as at reporting date;
- II. income and expenses are translated at average exchange rates and all resulting foreign exchange differences are recognized in reserves as separate items in equity.

2.5. Principles of consolidation

The consolidated financial statements include the accounts of subsidiaries in which the Group has control. Control implies rights or exposure to variable returns from the involvement with the investee and the ability to affect those returns through the power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. An investor is exposed, or has the right to variable returns from its involvement with investee when the investor's return from its involvement has the potential to vary as a result of the investee's performance. The financial statements of subsidiaries are included in the Consolidated Financial Statements of the Group from the date when control commences until the date when control ceases.

In accessing control, Group takes into consideration potential voting rights that are substantive. Investments in entities that the Group does not control, but where it has the ability to exercise significant influence over operating and financial policies, are accounted for under equity method except for investments that meet criteria of joint operations, which are accounted for on the basis of the Group's interest in the assets, liabilities, expenses and revenue of the joint operation. All other investments are classified either as held-to-maturity or as available for sale.

(a) *Joint operations and joint ventures*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

With regards to joint arrangements, where the Group acts as a joint venturer, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) *Non-controlling interest*

Ownership interest in the Group's subsidiaries held by parties other than the Group entities are presented separately in equity in the Consolidated Statement of Financial Position. The amount of consolidated net income attributable to the parent and the non-controlling interest are both presented on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Non-controlling interest is measured at fair value or at its proportionate share in the acquiree's net identifiable assets. For each business combination a separate measurement principle is determined.

(d) *Investments in associates*

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associate are accounted for using equity method and are recognised initially at cost. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

2.6. Business combinations

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and recognised goodwill or a gain from a bargain purchase. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

2.7. Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, that the Group incurs in connection with a business combination are expensed as incur.

2.8. Financial instruments**(a) Key measurement terms**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Amortized cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL").

(b) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole change. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

At initial recognition, the Group measures a financial asset as its fair value plus, in case of a financial assets not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Factors considered by the Group in determining the business model include the purpose and composition of portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets’ performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest (“SPPI”), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(c) Write-off

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

(e) Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

(f) Financial assets impairment

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and recognises Net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

- General model of impairment of financial assets – three stage model

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”).

If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

When defining default for the purposes of determining the risk of a default occurring, Group applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately.

Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

- Simplified approach for impairment of receivables and lease receivables

Group applies simplified approach for trade receivables, contract assets and lease receivables and measure the loss allowance at an amount equal to lifetime expected credit losses (“Lifetime ECL”).

Group uses a provision matrix in the calculation of the expected credit losses on trade receivables. Group use historical credit loss experience (adjusted as appropriate on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within Selling, general and administrative expenses.

Impairment losses are reversed through profit or loss if the amount of the impairment loss decreases and the decrease can be attributed to an event occurring after the impairment was recognized.

2.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The impairment tests of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as production, manufacturing and cost of other sales (note 29).

2.10. Intangible assets

(a) *Goodwill*

Goodwill that arises from business combination is included in intangible assets. Subsequently goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (note 15).

(b) *Licenses and rights*

Separately acquired licenses are presented at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives (average useful life is 5 years).

(c) *Software*

These include primarily the costs of implementation the (SAP) computer software program. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not exceeding 8 years).

2.11. Property, plant and equipment

As of the date of establishment, the Group's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the Consolidated Profit or Loss during the financial period in which they are incurred.

Advances made on Property, plant and equipment and Construction in progress are accounted for within other non-current assets as a part of non-current non-financial accounts receivable.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Refining assets	
Buildings	10 - 50
Machinery and equipment	2 - 35
Marketing and distribution assets	
Buildings	10 - 50
Machinery and equipment	3 - 25
Other Assets	3 - 50

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other income/(expenses), net' in the Consolidated Profit or Loss (note 33).

2.12. Oil and Gas properties

(a) Exploration and evaluation expenditure

The Group follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

(b) Development costs of fixed and intangible assets

Development costs are incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within oil and gas assets according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortization are charged during development.

(c) Oil and gas production assets

Oil and gas production assets comprise exploration and evaluation tangible assets as well as development costs associated with the production of proved reserves.

(d) *Depreciation/amortization*

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) *Impairment – exploration and evaluation assets*

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

(f) *Impairment – proved oil and gas properties and intangible assets*

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.13. Capitalisation of Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

2.14. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value. Changes in fair values are recorded in the Consolidated Profit or Loss as part of other income/expense.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.15. Share capital

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.16. Earnings per share

The Group calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Group, by the weighted average number of ordinary shares issued during the period.

2.17. Provisions

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial expense and charged to Consolidated Profit or Loss.

2.18. Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Consolidated Profit or Loss, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Group operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.19. Employee benefits*(a) Pension obligations*

The Group operates a defined contribution pension plan. The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee benefits provided by Collective Labour Agreement

The Group provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on an individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

At the end of 2020 Group has made decision to introduce new three-year (2021-2023) incentive program for Group managers which will be settle based on the Key Performance Indicators ("KPI") reached during the program (note 27).

2.20. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the Group's shareholders.

2.21. Leases

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	<u>Useful lives in years</u>
Land	25
Buildings	2 - 22
Machinery	3 - 15
Motor vehicles	2 - 10

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.22. Revenue recognition from contracts with customers

The Group recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is shown net of value-added tax, excise duty, returns, rebates and discounts after eliminating sales within the Group.

(a) Sales - wholesale

The Group manufactures and sells oil, petrochemical products, liquefied natural gas and energy in the wholesale market. Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts entitled to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of less than one year and is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales – retail

The Group operates a chain of Petrol Stations. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. Group offers customer incentives mostly in the form of loyalty programs described under section d).

(c) Sales of electricity

The Group sells electricity on a short and long term basis with a contract terms generally accepted in the energy industry (via bilateral forward standardized general EFET agreements). Majority of sales are made on a wholesale market without structured trades.

In accordance with contract terms if Group expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis in consolidated financial statements. In general, delivery of electricity represent transfer of a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer over time. Accordingly, delivery of electricity is treated as a single performance

obligation to which transaction price is allocated. Revenue is recognized by applying a single measure of progress to the identified single performance obligation.

(d) *Customer loyalty program*

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 22.

(e) *Interest income*

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.23. Transportation expenses

Transportation expenses recognised in Consolidated Profit or Loss represent expenses incurred to transport crude oil and oil products through the pipeline network, costs incurred to transport crude oil and oil products by maritime vessel and railway and all other shipping and handling costs.

2.24. Maintenance and Repair

Costs for maintenance and repair that do not represent significant improvements are expensed when incurred.

Costs of turnarounds and preventive maintenance performed with respect to oil refining assets are expensed when incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Preparing these consolidated financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experiences and other factors that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Group's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Information on the effect of macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Consolidated Financial Statements is provided below.

3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Group estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Group estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the Consolidated Financial Statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the law of the Republic of Serbia are classified as a state secret.

3.2. Useful lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2023 would be to increase/decrease it by 2,362,331 RSD (2022: 2,407,524 RSD).

3.3. Impairment of goodwill

Goodwill is tested for impairment annually.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. The estimated future cash flows include estimation of future costs to produce reserves, future commodity prices, foreign exchange rate, discount rate etc. (note 15).

3.4. Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to

settle the employee benefits obligations. In determining the appropriate discount rate, the Group takes into consideration the interest rates of Serbian Treasury bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 8.78% (rather than 7.78%) per year, the past service liability (DBO) for the whole NIS Group would decrease by about 9.57% for retirement indemnity and 4.20% for jubilee benefit. If pay increased by 1.0% higher than assumed on an annual basis, then the past service liability (DBO) for the whole NIS Group would increase by amount 7.01% for the retirement indemnity. If employee fluctuation rate increase by 1.0% higher than assumed on an annual basis, then the past service liability (DBO) would decrease by about 9.14% for the retirement indemnity and 4.28% for the jubilee benefit.

3.5. Decommissioning and environmental protection provision

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision (note 27) is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 7.68% (rather than 6.68%) per year, the present liability would have decreased by approx. 835,469 RSD (31 December 2022: 7.80% (rather than 6.80%) per year the present liability would have decreased by approx. 1,163,584 RSD).

3.6. Contingencies

Certain conditions may exist as of the reporting date are issued that may result in a loss to the Group, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's Consolidated Financial Statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 39).

3.7. Recoverability of carrying amount of Property, Plant and Equipment

In the line with changes in the crude oil price on the world market, management of the Group performed stress sensitivity analysis of its impact on recoverability of the Group PPE and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Group's PPE exceed its carrying value.

The Group assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10\$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Group's PPE by 92.2 bln RSD (31 December 2022: 58.5 bln RSD).

Oil prices are based on the available forecasts from globally recognized research institutions.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact.

4. APPLICATION OF AMENDMENTS TO THE EXISTING STANDARDS

The new IFRS Insurance Contracts and the amendments to the existing standards which became effective on 1 January 2023 did not have any material impact on the Consolidated Financial Statements.

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

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Economics, Finance and Accounting (further "FEPA") which under the policies approved by the Group identifies and evaluates financial risks in close co-operation with the Group's operating units.

In the normal course of its operations the Group has exposure to the following financial risks:

- a) market risk (including currency risk, interest rate risk and commodity price risk);
- b) credit risk; and
- c) liquidity risk.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates (c) commodity price, all of which are exposed to general and specific market movements. Management analyse and monitoring risk that may be accepted, however, the use of this approach does not prevent losses in the event of more significant market movements.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to manage its foreign exchange risk against its functional currency. In order to manage its foreign exchange risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Foreign exchange risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group functional currency.

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

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

The Group has borrowings denominated in foreign currency mainly in EUR, which predominantly expose Group to the foreign currency translation risk.

The carrying values (net of allowance) of the Group's financial instruments by currencies are denominated are as follows:

As of 31 December 2023	RSD	EUR	USD	Other	Total
Financial assets					
<i>Current</i>					
Cash and cash equivalents	14,107,046	4,707,499	11,743	2,657,983	21,484,271
Short-term financial assets	32,504,765	43,009	-	92,105	32,639,879
Trade and other receivables	29,059,778	2,593,787	350,820	1,428,442	33,432,827
<i>Non-current</i>					
Trade and other non-current receivables	-	669,618	-	-	669,618
Long-term financial assets	101,722	155,319	4,964	-	262,005
Other non-current assets	331,050	334,101	-	-	665,151
Financial liabilities					
<i>Current</i>					
Short-term debt and current portion of long-term debt	(824,700)	(10,939,828)	(30,780)	(29,538)	(11,824,846)
Current lease liabilities	(18,167)	(703,190)	-	(202,674)	(924,031)
Trade and other payables	(16,568,520)	(1,830,509)	(1,000,523)	(1,304,364)	(20,703,916)
<i>Non-current</i>					
Long-term debt	(3,372)	(54,608,725)	-	-	(54,612,097)
Non-current lease liabilities	1	(2,533,404)	-	(477,581)	(3,010,984)
Other non-current financial liabilities	-	(838,937)	-	-	(838,937)
Long-term trade and other payables	3	(2,871)	-	-	(2,868)
Net exposure	58,689,606	(62,954,131)	(663,776)	2,164,373	(2,763,928)

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

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

As of 31 December 2022	RSD	EUR	USD	Other	Total
Financial assets					
<i>Current</i>					
Cash and cash equivalents	72,865,397	11,306,856	27,996	3,930,796	88,131,045
Short-term financial assets	6,003,536	-	-	101,083	6,104,619
Trade and other receivables	31,491,781	2,259,888	407,714	1,810,615	35,969,998
<i>Non-current</i>					
Trade and other non-current receivables	-	2,821	-	-	2,821
Long-term financial assets	101,591	155,516	6,609	59,986	323,702
Other non-current assets	296,442	493,256	-	-	789,698
Financial liabilities					
<i>Current</i>					
Short-term debt and current portion of long-term debt	-	(7,143,902)	(57,295)	(59,311)	(7,260,508)
Current lease liabilities	-	(477,824)	-	(258,094)	(735,918)
Trade and other payables	(10,685,948)	(11,295,791)	(3,810,842)	(2,663,290)	(28,455,871)
<i>Non-current</i>					
Long-term debt	(4,268)	(61,985,058)	(31,524)	(32,730)	(62,053,580)
Non-current lease liabilities	-	(1,075,567)	-	(1,338,104)	(2,413,671)
Other non-current financial liabilities	-	(840,001)	-	-	(840,001)
Long-term trade and other payables	-	(7,171)	-	-	(7,171)
Net exposure	100,068,531	(68,606,977)	(3,457,342)	1,550,951	29,555,163

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2023	31 December 2022
EUR	117.1737	117.3224
USD	105.8671	110.1515

Sensitivity analysis

The Group has chosen to provide information about market and potential exposure to hypothetical gain/(loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis below reflects the hypothetical effect on the Group's financial instruments and the resulting hypothetical gains/losses that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

As at 31 December 2023, if the currency had strengthened / weakened by 1% against the EUR with all other variables held constant, pre-tax profit and equity for the year would have been 629,541 RSD (2022: 686,070 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings and account payables.

As at 31 December 2023, if the currency had strengthened / weakened by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 13,276 RSD (2022: 69,147 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated borrowings and account payables.

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Group to cash flow interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR) has a proportionate impact on the Group's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2023 would have been 343,848 RSD (2022: 420,664 RSD) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

NIS Group**Notes to the Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in 000 RSD, unless otherwise stated)**Commodity price risk*

The Group's financial performance relates directly to prices for crude oil and petroleum products. The Group is unable to fully control the prices of its products, which depend on the balance of supply and demand on global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

The Group's planning system calculates different scenarios for key performance factors depending on global oil prices. This approach enables Management to adjust cost by reducing or rescheduling investment programs and other mechanisms. Such activities help to decrease risk to an acceptable level.

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position is as follows:

	Year end 31 December	
	2023	2022
Trade and other receivables (Note 9)	33,432,827	35,969,998
Trade and other non-current receivables	669,617	2,821
Cash and cash equivalents (Note 7)	21,484,271	88,131,045
Other financial asset at amortised cost (Note 8 and 17)	32,810,115	6,336,094
Other current assets	473,212	1,114,791
Other non-current assets (Note 19)	665,151	789,698
Financial assets at FVTOCI (Note 17)	91,769	92,227
Total maximum exposure to credit risk	89,626,962	132,436,674

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- scoring Serbian Business Register Agency, NIS and/or D&B reports;
- amount of registered pledges;
- data on customer's account blockade;
- history of relationships with the Group;
- planned sales volume;
- duration of relationship with the Group, including ageing profile, maturity and existence of any financial difficulties.

Trade and Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2023 and 1 January 2023 and the corresponding historical credit losses experienced within this

NIS Group**Notes to the Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in 000 RSD, unless otherwise stated)*

period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2023 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade and other receivables				
- current	0.02%	30,185,410	(5,463)	30,179,947
- less than 30 days overdue	0.06%	1,840,939	(1,060)	1,839,879
- 31 to 90 days overdue	0.64%	833,968	(5,337)	828,631
- 91 to 270 days overdue	2.43%	283,690	(6,906)	276,784
- over 271 days overdue	96.18%	8,050,378	(7,742,792)	307,586
Total trade and other receivables		41,194,385	(7,761,558)	33,432,827

At 31 December 2022 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade and other receivables				
- current	0.01%	33,459,093	(4,483)	33,454,610
- less than 30 days overdue	0.03%	1,702,683	(554)	1,702,129
- 31 to 90 days overdue	0.54%	272,778	(1,473)	271,305
- 91 to 270 days overdue	2.46%	203,248	(4,999)	198,249
- over 271 days overdue	95.56%	7,743,201	(7,399,496)	343,705
Total trade and other receivables		43,381,003	(7,411,005)	35,969,998

As a rule, an excess of receivables over approved credit limit is secured by either bank guarantee, advance payment or other security.

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.

Movements on the Group's provision for impairment of trade and other receivables are as follows:

	Trade receivables	Other receivables	Total
As at 1 January 2022	8,208,195	41,135	8,249,330
Increase of provision during the year (note 30)	112,946	7,219	120,165
Release of provision (note 30)	(643,370)	(4,538)	(647,908)
Receivables written off during the year as uncollectible	(332,000)	(9,389)	(341,389)
Other	30,808	(1)	30,807
As at 31 December 2022	7,376,579	34,426	7,411,005
As at 1 January 2023	7,376,579	34,426	7,411,005
Company incoming to consolidation	377,425	-	377,425
Increase of provision during the year (note 29 and 30)	155,954	159	156,113
Release of provision (note 29 and 30)	(84,376)	(3,528)	(87,904)
Receivables written off during the year as uncollectible	(99,016)	(474)	(99,490)
Other	4,409	-	4,409
As at 31 December 2023	7,730,975	30,583	7,761,558

NIS Group**Notes to the Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in 000 RSD, unless otherwise stated)*

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Consolidated Profit or Loss. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2023 and 2022, the ageing analysis of other current assets is as follows:

	31 December 2023			31 December 2022		
	Gross	Impaired	Net	Gross	Impaired	Net
Not past due	396,803	-	396,803	1,065,615	-	1,065,615
Past due:						
within 30 days	12,172	-	12,172	8,265	(501)	7,764
1 to 3 months	7,764	(500)	7,264	3,172	(1,408)	1,764
3 months to 1 year	13,315	(327)	12,988	29,539	(1,605)	27,934
over 1 year	7,397,539	(7,353,554)	43,985	7,360,720	(7,349,006)	11,714
Total	7,827,593	(7,354,381)	473,212	8,467,311	(7,352,520)	1,114,791

Net amount of other current assets shown in ageing analysis does not include non-financial assets like VAT, excise etc. in the amount of 10,698,190 RSD (2022: 10,916,943 RSD). Other current assets in net amount 473,212 RSD (2022: 1,114,791 RSD) mostly relates to receivables for other assets, receivables to employees and receivables from former Yugoslavian republics mostly impaired.

Movements on the Group's provision for impairment of other current assets are as follows:

	Advances paid	Other current assets	Total
As at 1 January 2022	147,570	7,352,428	7,499,998
Increase of provision during the year (note 30)	1,264	3,455	4,719
Release of provision (note 30)	(304)	(438)	(742)
Receivables written off during the year as uncollectible	-	(2,896)	(2,896)
Other	(1)	(29)	(30)
As at 31 December 2022	148,529	7,352,520	7,501,049
Company incoming to consolidation	26,989	426	27,415
Increase of provision during the year (note 29 and 30)	13,766	3,388	17,154
Release of provision (note 29 and 30)	(14,185)	(1,659)	(15,844)
Receivables written off during the year as uncollectible	-	(278)	(278)
Other	-	(16)	(16)
As at 31 December 2023	175,099	7,354,381	7,529,480

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	BBB and higher	Less than BBB	Without rating	Total
As at December 2023				
Cash and cash equivalents	8,674,679	4,188,851	8,620,741	21,484,271
Deposits with original maturity more than 3 months less than 1 year	9,385,677	5,243,556	17,978,611	32,607,844
Deposits with original maturity more than 1 year	-	-	155,319	155,319
As at December 2022				
Cash and cash equivalents	55,910,405	8,696,595	23,524,045	88,131,045
Deposits with original maturity more than 3 months less than 1 year	-	6,003,699	59,984	6,063,683
Deposits with original maturity more than 1 year	-	155,516	59,984	215,500

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

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

The Group uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2023 and 2022 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Group's level. The Group's finance function monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Group over and above balance required for working capital management are invested as surplus cash in time deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
As at 31 December 2023					
Borrowings (note 20 and 24)	66,436,943	74,848,054	13,567,111	59,799,275	1,481,668
Lease liabilities (note 25)	3,935,015	4,633,739	904,088	2,646,707	1,082,944
Trade and other payables (note 21)	20,703,916	20,703,916	20,703,916	-	-
	91,075,874	100,185,709	35,175,115	62,445,982	2,564,612
As at 31 December 2022					
Borrowings (note 20 and 24)	69,314,088	76,303,209	9,428,267	62,390,833	4,484,109
Lease liabilities (note 25)	3,149,589	3,905,258	791,942	2,149,059	964,257
Trade and other payables (note 21)	28,455,871	28,455,871	28,455,871	-	-
	100,919,548	108,664,338	38,676,080	64,539,892	5,448,366

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net, other non-operating income (expenses).

The Group's net debt to adjusted EBITDA ratios at the end of the reporting periods were as follows:

	Year ended 31 December	
	2023	2022
Long-term debt	54,612,097	62,053,580
Short-term debt and current portion of long-term debt	11,824,846	7,260,508
Less: cash and cash equivalents	(21,484,271)	(88,131,045)
Net debt	44,952,672	(18,816,957)
Adjusted EBITDA	68,051,492	136,192,257
Net debt to adjusted EBITDA ratio at the end of the year	0.66	(0.14)

NIS Group

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

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

The Group has committed to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 4.0 during the terms of long-term borrowings agreements with most of its commercial banks. Group is constantly monitoring the established commitments to maintain the height of debt cover ration and there has been no breach of these obligation.

There were no changes in the Group's approach to capital management during the year.

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying amount of trade and other receivables, other current assets and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current receivables and non-current payables the fair values are also not significantly different to their carrying amounts.

6. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the years ended 31 December 2023 and 2022. Operating segments are components that engaged 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 (refining and marketing) and production and sales of petrochemical products. Corporate centre and Energy business activities expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized 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 year ended 31 December 2023 are shown in the table below:

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	51,106,744	414,200,532	(53,159,768)	412,147,508
Intersegment	50,179,631	2,980,137	(53,159,768)	-
External	927,113	411,220,395	-	412,147,508
Adjusted EBITDA (Segment results)	34,150,299	33,901,193	-	68,051,492
Depreciation, depletion and amortization	(14,345,495)	(10,615,036)	-	(24,960,531)
Share of loss in associates and joint ventures	-	(137,719)	-	(137,719)
Gain from bargain purchase	-	8,918,255	-	8,918,255
Net foreign exchange loss	(86,755)	(167,739)	-	(254,494)
Finance (expenses) income, net	(414,697)	1,703,558	-	1,288,861
Income tax	(13,304)	(7,954,896)	-	(7,968,200)
Segment profit	18,946,894	25,245,622	-	44,192,516

NIS Group**Notes to the Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in 000 RSD, unless otherwise stated)*

Reportable segment results for the year ended 31 December 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	63,484,308	511,451,670	(61,249,404)	513,686,574
Intersegment	60,524,458	724,946	(61,249,404)	-
External	2,959,850	510,726,724	-	513,686,574
Adjusted EBITDA (Segment results)	44,787,199	91,405,058	-	136,192,257
Depreciation, depletion and amortization	(14,174,382)	(11,304,810)	-	(25,479,192)
Impairment of non-financial assets	(23,193)	(91,974)	-	(115,167)
Share of gain in associates and joint ventures	-	1,283,824	-	1,283,824
Net foreign exchange loss	83,049	(2,251,148)	-	(2,168,099)
Finance (expenses) income, net	(292,409)	292,725	-	316
Income tax	(270,711)	(17,192,601)	-	(17,463,312)
Segment profit	30,138,877	62,235,776	-	92,374,653

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 15,604,457 RSD for the year ended 31 December 2023 (31 December 2022: negative EBITDA in the amount of 7,207,900 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December	
	2023	2022
Adjusted EBITDA for Downstream segment after allocation of Corporate centre	33,901,193	91,405,058
Corporate centre EBITDA	(15,604,457)	(7,207,900)
Adjusted EBITDA prior allocation of Corporate centre	49,505,650	98,612,958

Adjusted EBITDA for the year ended 31 December 2023 and 2022 is reconciled below:

	Year ended 31 December	
	2023	2022
Profit for the period	44,192,516	92,374,653
Income tax	7,968,200	17,463,312
Finance expenses	3,329,567	1,951,977
Finance income	(4,618,428)	(1,952,293)
Depreciation, depletion and amortization	24,960,531	25,479,192
Share of (profit)/loss of associates and joint ventures	137,719	(1,283,824)
Net foreign exchange loss	254,494	2,168,099
Other (income)/ expenses, net	(1,248,307)	2,274,338
Other non-operating income, net*	(6,924,800)	(2,283,197)
Adjusted EBITDA	68,051,492	136,192,257

*Other non-operating income, net in 2023 mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and other (note 33).

NIS Group**Notes to the Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in 000 RSD, unless otherwise stated)*

Oil, gas, petroleum and petrochemical products sales, sales of electricity, lease revenue and other sales comprise the following (based on the country of customer incorporation):

	Year ended 31 December 2023		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	-	-
Sale of gas	159,320	12,560	171,880
<i>Wholesale activities</i>	159,320	12,560	171,880
Sale of petroleum products	302,188,777	62,156,561	364,345,338
<i>Through a retail network</i>	110,382,013	18,089,678	128,471,691
<i>Wholesale activities</i>	191,806,764	44,066,883	235,873,647
Sales of petrochemical products	3,605,123	8,329,402	11,934,525
Sales of electricity	15,406,533	122,485	15,529,018
Lease revenue	310,654	57,841	368,495
Other sales	15,006,264	4,791,988	19,798,252
Total sales	336,676,671	75,470,837	412,147,508

	Year ended 31 December 2022		
	Domestic market	Export and international sales	Total
Sale of crude oil	2,560,156	2,042,795	4,602,951
Sale of gas	147,142	-	147,142
<i>Wholesale activities</i>	147,142	-	147,142
Sale of petroleum products	391,164,016	90,169,211	481,333,227
<i>Through a retail network</i>	131,285,607	24,913,098	156,198,705
<i>Wholesale activities</i>	259,878,409	65,256,113	325,134,522
Sales of electricity	9,462,697	836,187	10,298,884
Lease revenue	318,619	34,193	352,812
Other sales	12,532,569	4,418,989	16,951,558
Total sales	416,185,199	97,501,375	513,686,574

Revenue from one customer amounted to 25,983,119 RSD (2022: 39,105,621 RSD), arise from sale of petroleum products attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 14,077,617 RSD (2022: 12,510,750 RSD).

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

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

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

The breakdown of the major component of the total revenue from export and international sales is disclosed below:

	Year ended	
	31 December	
	2023	2022
Sale of crude oil	-	2,042,795
Sale of gas	12,560	-
Sale of petroleum products (retail and wholesale):		
Bosnia and Herzegovina	28,939,958	35,957,855
Bulgaria	8,552,855	13,428,226
Romania	5,377,527	15,437,292
All other markets	19,286,221	25,345,838
	<u>62,156,561</u>	<u>90,169,211</u>
Sales of petrochemical products	8,329,402	-
Sales of electricity	122,485	836,187
Lease revenue	57,841	34,193
Other sales	4,791,988	4,418,989
	<u>75,470,837</u>	<u>97,501,375</u>

Revenues from the individual countries included in line all other markets are not material.

Presentation of excise duties

The following table presents sales revenue earned and related calculated excise duties for 2023 and 2022:

	2023	2022
Sales revenue	587,408,932	676,886,258
Excise duties	(175,261,424)	(163,199,684)
Net sales revenue	<u>412,147,508</u>	<u>513,686,574</u>

In the Republic of Serbia excise duties become payable when products subject of excise duties exit from excise warehouse. This incurs when the goods are loaded for transport either for direct sales to customers (wholesale) or for transport to own retail network. Calculated excise duties are payable in 15 days. The Group assessed that for excise duties levied in wholesale it bears no inventory risk nor significant credit risk. In retail sales, the Group estimates that average turnover of inventories approximates payment period for excise duties, and that there are no significant inventory or credit risk. Accordingly, since the Group bears no significant risks in both cases, excise duties are collected on behalf of tax authority and consequently deducted from revenue.

Non-current assets, other than financial instruments, deferred income tax assets, investments in joint venture and other non-current assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	31 December	31 December
	2023	2022
Serbia	292,669,732	279,704,928
Romania	13,049,599	12,365,241
Bosnia and Herzegovina	7,455,480	8,374,408
Bulgaria	5,692,212	5,801,293
Other	16	704
	<u>318,867,039</u>	<u>306,246,574</u>

7. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in bank and in hand	11,739,845	18,958,001
Deposits with original maturity of less than three months	9,734,451	69,170,832
Cash held on escrow account	4,729	254
Cash equivalents	5,246	1,958
	21,484,271	88,131,045

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits with original maturity of less than three months are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates their carrying value.

8. SHORT-TERM FINANCIAL ASSETS

	31 December 2023	31 December 2022
Short-term loans	34,215	43,116
Deposits with original maturity more than 3 months less than 1 year	32,607,844	6,063,683
<i>Less impairment loss provision</i>	<i>(2,180)</i>	<i>(2,180)</i>
	32,639,879	6,104,619

Deposits with original maturity more than 3 months less than 1 year earn interest at the respective short-term deposit rates. The fair value of short-term financial assets approximates their carrying value.

9. TRADE AND OTHER RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables	41,108,308	43,289,967
Other receivables	83,048	88,129
Accrued assets	3,029	2,907
<i>Less impairment provision for trade receivables (note 5)</i>	<i>(7,730,975)</i>	<i>(7,376,579)</i>
<i>Less impairment provision for other receivables (note 5)</i>	<i>(30,583)</i>	<i>(34,426)</i>
	33,432,827	35,969,998

10. INVENTORIES

	31 December 2023	31 December 2022
Crude oil	32,398,731	29,455,750
Petroleum products	29,073,971	25,216,800
Materials and supplies	10,338,729	6,557,773
Other	1,622,606	1,517,953
<i>Less impairment provision</i>	<i>(5,753,229)</i>	<i>(4,513,662)</i>
	67,680,808	58,234,614

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

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

Movement on inventory provision is as follows:

	2023	2022
As at 1 January	4,513,662	4,619,266
Company incoming to consolidation	1,080,053	-
Provision for inventory impairment (note 29 and 30)	646,688	31,295
Unused amounts reversed (note 29 and 30)	(472,753)	(85,867)
Other	(14,421)	(51,032)
As at 31 December	5,753,229	4,513,662

11. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid	1,801,551	1,059,350
VAT receivables	667,468	601,319
Deferred VAT	3,450,155	4,405,141
Prepaid expenses	334,025	326,204
Prepaid custom duties	68,247	60,981
Prepaid excise	4,305,367	4,465,682
Other current assets	8,074,069	8,614,106
<i>Less impairment provision</i>	<i>(7,529,480)</i>	<i>(7,501,049)</i>
	11,171,402	12,031,734

Deferred VAT as at 31 December 2023 amounting to 3,450,155 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 31 December 2023 amounting to 4,305,367 RSD (31 December 2022: 4,465,682 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

NIS Group

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2022						
Cost	220,374,273	164,080,833	72,292,457	19,219,674	25,794,251	501,761,488
Depreciation and impairment	(83,107,234)	(66,061,581)	(37,647,212)	(10,848,499)	(3,026,379)	(200,690,905)
Net book value	137,267,039	98,019,252	34,645,245	8,371,175	22,767,872	301,070,583
Year ended 31 December 2022						
Additions	14,811,779	2,035,263	3,935,208	217,944	(1,117,269)	19,882,925
Changes in decommissioning obligations	(675,629)	-	-	11	-	(675,618)
Impairment (note 33)	-	-	-	-	(120,513)	(120,513)
Depreciation	(13,459,311)	(7,756,162)	(2,364,161)	(495,600)	-	(24,075,234)
Transfer from intangible assets (note 15)	-	-	-	-	22,346	22,346
Transfer from/(to) investment property (note 14)	-	-	253,896	(134)	-	253,762
Transfer to non-current assets held for sale	-	-	(1,793)	(38,420)	-	(40,213)
Disposals and write-off	(143,375)	(61,187)	(43,073)	(36,436)	(45,575)	(329,646)
Other transfers	373,129	1,529	(43,717)	(454,635)	(24,189)	(147,883)
Translation differences	(7,605)	-	(24,984)	(49)	(17,415)	(50,053)
	138,166,027	92,238,695	36,356,621	7,563,856	21,465,257	295,790,456
As at 31 December 2022						
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
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
Year ended 31 December 2023						
Additions	17,216,199	1,247,890	2,726,222	549,131	13,003,498	34,742,940
Acquisitions through business combinations	-	1,860,920	-	-	37,592	1,898,512
Changes in decommissioning obligations	290,237	-	-	114	-	290,351
Impairment (note 33)	-	-	-	-	(133,295)	(133,295)
Depreciation	(13,616,185)	(7,122,503)	(2,405,427)	(479,199)	-	(23,623,314)
Transfer from intangible assets (note 15)	-	-	-	-	767	767
Transfer (to)/from investment property (note 14)	136	-	(8,631)	14,296	-	5,801
Transfer to non-current assets held for sale	(6,497)	-	-	(31,539)	-	(38,036)
Disposals and write-off	(37,696)	(12,673)	(50,862)	(6,922)	(188,776)	(296,929)
Other transfers	72,553	(89,789)	130,885	(29,485)	(412,661)	(328,497)
Translation differences	(26,352)	-	(25,394)	(25)	(39,640)	(91,411)
	142,058,422	88,122,540	36,723,414	7,580,227	33,732,742	308,217,345
As at 31 December 2023						
Cost	252,630,090	175,629,205	78,033,327	18,056,185	36,977,722	561,326,529
Depreciation and impairment	(110,571,668)	(87,506,665)	(41,309,913)	(10,475,958)	(3,244,980)	(253,109,184)
Net book value	142,058,422	88,122,540	36,723,414	7,580,227	33,732,742	308,217,345

In 2023, The Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost amounting to 66,158 RSD (2022: capitalised borrowing costs in the amount of 20,974 RSD), note 36.

Of the total amount of activations in 2023 in the amount of 21,739,442 RSD, the most significant part refers to activation on oil&gas properties in the amount of 17,216,199 RSD. In 2022 the amount of 21,000,194 RSD, the most significant part refers to activation on oil&gas properties in the amount of 14,811,779 RSD.

The management of the Group assesses at each reporting date whether there is an indication if the recoverable amount of property, plant and equipment is below its book value.

NIS Group

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

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

As at 31 December 2023, the Group assessed impairment indicators of cash generating units (“CGU”) – refer to note 3.7 for details. In addition, Group has assessed and recognized impairment losses in amount 133,295 RSD (2022: 120,513 RSD) for the asset which has disposed due to obsolete, physically damage or for assets under constructions for which exist indication that expected recoverable amounts would not recover carrying value of the assets.

The management of the Group assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

Oil and gas production assets

Oil and gas production assets comprise aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves. The information regarding Group’s O&G assets is presented below:

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total asset under construction	Production assets	Other business and corporate assets	Total
As at 1 January 2022						
Cost	16,957,599	547,513	17,505,112	220,374,273	56,567	237,935,952
Depreciation and impairment	(45,208)	(36)	(45,244)	(83,107,234)	(26,455)	(83,178,933)
Net book amount	16,912,391	547,477	17,459,868	137,267,039	30,112	154,757,019
Year ended 31 December 2022						
Additions	(1,137,456)	1,425,443	287,987	14,811,779	-	15,099,766
Changes in decommissioning obligations	-	-	-	(675,629)	-	(675,629)
Impairment (note 33)	(77,594)	(34,738)	(112,332)	-	-	(112,332)
Depreciation and depletion	-	-	-	(13,459,311)	(5,861)	(13,465,172)
Transfer to intangible assets	13,015	(13,150)	(135)	-	-	(135)
Disposals and write-off	-	(39,781)	(39,781)	(143,375)	(1)	(183,157)
Other transfers	(5,090,156)	4,248,946	(841,210)	373,129	4,250	(463,831)
Translation differences	(15,993)	(1,073)	(17,066)	(7,605)	-	(24,671)
	10,604,207	6,133,124	16,737,331	138,166,027	28,500	154,931,858
As at 31 December 2022						
Cost	10,724,715	6,167,892	16,892,607	235,638,513	57,889	252,589,009
Depreciation and impairment	(120,508)	(34,768)	(155,276)	(97,472,486)	(29,389)	(97,657,151)
Net book amount	10,604,207	6,133,124	16,737,331	138,166,027	28,500	154,931,858
Year ended 31 December 2023						
Additions	2,525,111	1,511,664	4,036,775	17,216,199	5,463	21,258,437
Changes in decommissioning obligations	-	-	-	290,237	-	290,237
Impairment (note 33)	(74,169)	(47,986)	(122,155)	-	-	(122,155)
Depreciation and depletion	-	-	-	(13,616,185)	(3,826)	(13,620,011)
Transfer from investment property	-	-	-	136	-	136
Transfer to non-current assets held for sale	-	-	-	(6,497)	-	(6,497)
Disposals and write-off	-	(163,308)	(163,308)	(37,696)	(48)	(201,052)
Other transfers	(9,103)	48,472	39,369	72,553	(46)	111,876
Translation differences	(36,893)	(2,216)	(39,109)	(26,352)	-	(65,461)
	13,009,153	7,479,750	20,488,903	142,058,422	30,043	162,577,368
As at 31 December 2023						
Cost	13,205,102	7,512,827	20,717,929	252,630,090	63,258	273,411,277
Depreciation and impairment	(195,949)	(33,077)	(229,026)	(110,571,668)	(33,215)	(110,833,909)
Net book amount	13,009,153	7,479,750	20,488,903	142,058,422	30,043	162,577,368

Exploration investment in amount of 1,797,039 RSD is currently in the phase of Evaluation of research results and confirmation of these results by the National Agency for Mineral Resources was not received until the end of 2023, but was transferred to 2024. When assessing the status of this investment as at 31 December 2023 impairment indicators were analysed by observing this whole exploration area allowed in accordance with IFRS 6. Based on the analysis performed as at 31 December 2023 the Group assessed that there were no indicators of impairment and is continuing to assess the possibility of commercial production on the field. Once National Agency for Mineral Resources confirms results impairment indicators will be reassessed.

13. RIGHT-OF-USE ASSETS

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2022	124,884	1,556,283	269,503	633,294	-	2,583,964
Additions	-	231,352	194,247	1,487,124	-	1,912,723
Depreciation	(9,581)	(326,576)	(166,452)	(258,762)	-	(761,371)
Disposals	-	(152)	(20,141)	(16,811)	-	(37,104)
Effect of contract modifications and changes in estimates	-	(28)	(656)	-	-	(684)
Translation differences	(210)	(1,508)	143	(127)	-	(1,702)
As at 31 December 2022	115,093	1,459,371	276,644	1,844,718	-	3,695,826
As at 1 January 2023	115,093	1,459,371	276,644	1,844,718	-	3,695,826
Additions	2,542	154,343	213,308	549,768	-	919,961
Depreciation	(8,577)	(268,002)	(155,144)	(332,233)	-	(763,956)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	3	(110,235)	(9,153)	-	(119,385)
Impairment (note 33)	-	-	-	-	(1,994)	(1,994)
Translation differences	(278)	(1,069)	(285)	(70)	-	(1,702)
As at 31 December 2023	108,780	1,344,646	229,288	2,046,036	-	3,728,750

14. INVESTMENT PROPERTY

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

	2023	2022
As at 1 January	1,531,705	1,728,395
Fair value gains (note 33)	-	62,430
Transfer to PPE (note 12)	(5,801)	(253,762)
Other transfer	(10,984)	856
Disposals	-	(6,214)
As at 31 December	1,514,920	1,531,705

As at 31 December 2023, investment properties amounting to 1,514,920 RSD (31 December 2022: 1,531,705 RSD) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Group's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2023 and 2022. The revaluation gain (loss) was debited to Other income/(expenses), net (note 33).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

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

Fair value measurements at 31 December 2023 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Recurring fair value measurements</i>			
<i>Land and buildings</i>			
- Shops and other facilities for rents	-	921,151	-
- Gas stations	-	-	593,769
Total	-	921,151	593,769

Fair value measurements at 31 December 2022 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Recurring fair value measurements</i>			
<i>Land and buildings</i>			
- Shops and other facilities for rents	-	946,567	-
- Gas stations	-	-	585,138
Total	-	946,567	585,138

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Fair value measurements using significant unobservable inputs (Level 3)

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Group based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

	2023	2022
Long term growth rate	0%	0%
Discount rate	10.65%	10.98%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2023	2022
Assets as at 1 January	585,138	809,664
Transfer from/to PPE	8,631	(248,162)
Changes in fair value measurement:		
Gains recognised in profit or loss, fair value measurement	-	29,370
Other	-	(5,734)
Total increase in fair value measurement, assets	-	23,636
Assets as at 31 December	593,769	585,138

15. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Licenses, other than related to O&G activity	Software	IA under development	Other IA	Total
As at 1 January 2022						
Cost	1,293,132	2,648,612	9,134,329	433,021	672,980	14,182,074
Amortization and impairment	-	(1,102,379)	(7,759,238)	(83,288)	(415,384)	(9,360,289)
Net book value	1,293,132	1,546,233	1,375,091	349,733	257,596	4,821,785
Year ended 31 December 2022						
Additions	-	552,655	431,925	80,656	18,328	1,083,564
Impairment (note 33)	(26,537)	-	(4,724)	-	-	(31,261)
Amortization	-	(272,950)	(321,768)	-	(47,869)	(642,587)
Transfer to PPE (note 12)	-	-	-	(22,346)	-	(22,346)
Disposals and write-of	-	(1,090)	(1,454)	-	(293)	(2,837)
Other transfers	-	9,246	17,950	25,182	(27,158)	25,220
Translation differences	(2,837)	(47)	-	(22)	(45)	(2,951)
	1,263,758	1,834,047	1,497,020	433,203	200,559	5,228,587
As at 31 December 2022						
Cost	1,263,758	3,196,707	9,517,534	492,144	667,737	15,137,880
Amortization and impairment	-	(1,362,660)	(8,020,514)	(58,941)	(467,178)	(9,909,293)
Net book value	1,263,758	1,834,047	1,497,020	433,203	200,559	5,228,587
As at 1 January 2023						
Cost	1,263,758	3,196,707	9,517,534	492,144	667,737	15,137,880
Amortization and impairment	-	(1,362,660)	(8,020,514)	(58,941)	(467,178)	(9,909,293)
Net book value	1,263,758	1,834,047	1,497,020	433,203	200,559	5,228,587
Year ended 31 December 2023						
Additions	-	246,107	256,311	211,134	41,713	755,265
Amortization	-	(188,993)	(339,104)	-	(45,164)	(573,261)
Transfer to PPE (note 12)	-	-	-	(767)	-	(767)
Disposals and write-of	-	(31)	(964)	-	-	(995)
Other transfers	-	-	1,646	(1)	(1,429)	216
Translation differences	(2,950)	(88)	9	(2)	10	(3,021)
	1,260,808	1,891,042	1,414,918	643,567	195,689	5,406,024
As at 31 December 2022						
Cost	1,260,808	3,439,658	9,761,173	643,567	707,678	15,812,884
Amortization and impairment	-	(1,548,616)	(8,346,255)	-	(511,989)	(10,406,860)
Net book value	1,260,808	1,891,042	1,414,918	643,567	195,689	5,406,024

Impairment test for goodwill

Goodwill is monitored by the management on an individual CGU basis and geographic location. The recoverable amount of each CGUs has been determined based on higher of value-in-use and fair value less cost to disposed calculations. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The average key assumptions used in value-in use calculations:

	2023	2022
Average gross margin	15.6%	16.0%
Growth rate	1%	1%
Price/sales ratio	0.77	0.77
Discount rate		
- Romania market	9.70%	10.52%
- Bulgaria market	8.90%	9.80%
- Bosnia and Herzegovina market	13.60%	11.15%

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relation to the relevant CGU.

The following is a summary of goodwill allocation:

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

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

	Opening balance	Addition	Impairment	Translation differences	Closing balance
2023					
Bosnia and Herzegovina	481,266	-	-	(597)	480,669
Romania	268,484	-	-	(1,715)	266,769
Bulgaria	514,008	-	-	(638)	513,370
	1,263,758	-	-	(2,950)	1,260,808
2022					
Bosnia and Herzegovina	482,344	-	-	(1,078)	481,266
Romania	269,030	-	-	(546)	268,484
Bulgaria	541,758	-	(26,537)	(1,213)	514,008
	1,293,132	-	(26,537)	(2,837)	1,263,758

Impairment test in Bosnia, Romania and Bulgaria shows that the recoverable amount calculated based on higher of value-in-use and fair value less cost to disposed exceeds carrying value.

The value-in-use impairment test using the method based on after-tax cash flow projections showed that all countries with the current level of the discount rate are sensitive to asset impairment, which is why the determination of fair value less cost to disposed was used to determine the recoverable amount.

For calculation of fair value less cost to disposed, a P/S ratio of 0.77 was used based on publicly available data and the internal database of renowned external consultants. The impairment test for the market of Bosnia and Herzegovina is the least sensitive to the change of the P/S indicator, where the value in use is below the current value of the corresponding asset when this indicator is lower than 0.45, for the market of Romania below 0.77 and for the market of Bulgaria below 0.54.

The management considers the average fuel gross margin as a part of the overall average gross margin to be the key assumption which affects the sensitivity of value in use calculation. The following table shows sensitivity of this calculation against the change in this assumption by showing how much the average fuel gross margin should decrease in order for value in use to be equal to the carrying amount of tested assets:

	2023		2022	
	Used assumption on average gross fuel margin	Change in pp	Used assumption on average gross fuel margin	Change in pp
Romania market	15.5%	-1.1pp	16.5%	-7pp
Bulgaria market	16.2%	-0.4pp	16.5%	-5.4pp
Bosnia and Herzegovina market	15.2%	+0.1pp	15.1%	-4.8pp

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of the investments in associates and joint ventures as of 31 December, 2023 and 2022 are summarised below:

		Ownership percentage	31 December 2023	31 December 2022
NIS MET Energowind d.o.o. Belgrade	Joint venture	50%	797,238	847,018
Gazprom Energoholding Serbia d.o.o. Belgrade	Joint venture	49%	1,931,767	2,019,706
HIP Petrohemija d.o.o. Pančevo			-	11,572,197
<i>Less Impairment provision</i>			-	(11,572,197)
Total investments			2,729,005	2,866,724

The principal place of business of joint ventures disclosed above is Republic of Serbia.

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

NIS MET Energowind d.o.o. Belgrade

In 2013 the Group acquired 50% of interest in a joint venture Energowind d.o.o. which was intended to be used as a vehicle for operation of future wind farm "Plandište" with total capacity of 102 MW. During March 2019 project has been renamed to NIS MET Energowind d.o.o. Beograd. Request for the extension of the preliminary privileged power producer (4P) status for additional 3 years has been submitted to the relevant authority in 2021. On the date of the issuance of these Consolidated Financial Statements the project is in the development and project optimization phase. NIS MET Energowind d.o.o. is a private company and there is no available quoted market price.

Gazprom Energoholding Serbia d.o.o. Belgrade

In 2015 holding company has been established to operate Thermal and Heating Power Plant "TE-TO" Pančevo with a projected capacity of 208 MW. In October 2017 the contract for development was signed on a "turnkey" basis. At this moment provides thermal energy – technological steam to the Oil Refinery in Pančevo, while electricity is sold to Elektroprivreda Srbije JSC Belgrade and transferred into electricity transmission system of Serbia.

HIP Petrohemija d.o.o. Pančevo

On 9 June 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija from the previous 20.86% to 90% (note 38).

The summarised financial information for the joint ventures and associate is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia	HIP Petrohemija a.d. Pančevo
31 December 2023			
Current assets	120,106	2,612,304	-
Non-current assets	3,725,436	22,614,890	-
Current liabilities	1,845,831	5,047,973	-
Non-current liabilities	-	16,220,251	-
Revenue	9,623	14,604,254	-
Loss for the year	(99,561)	(179,466)	-
31 December 2022			
Current assets	212,773	2,846,397	19,448,667
Non-current assets	3,353,426	22,570,357	11,696,836
Current liabilities	1,466,962	2,947,801	3,483,177
Non-current liabilities	-	18,327,837	1,700,400
Revenue	13,475	8,488,261	57,493,404
Profit (Loss) for the year	(82,852)	2,704,593	397,040

17. LONG-TERM FINANCIAL ASSETS

	31 December 2023	31 December 2022
Deposits with original maturity more than 1 year	155,319	215,500
Financial assets at FVTOCI	128,810	176,207
Other LT placements	28,655	30,605
<i>Less provision of financial assets at FVTOCI</i>	(37,041)	(83,980)
<i>Less provision of other LT placements</i>	(13,738)	(14,630)
	262,005	323,702

18. DEFERRED INCOME TAX

Recognised deferred tax assets and liabilities in the Consolidated Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31, 2023			
Provisions	834,113	-	834,113
Property, plant and equipment	2,628,687	(282,373)	2,346,314
Impairment losses	72,236	-	72,236
Fair value gains	4,005	-	4,005
Revaluation reserve	-	(11,601)	(11,601)
	3,539,041	(293,974)	3,245,067
As at December 31, 2022			
Provisions	704,723	-	704,723
Property, plant and equipment	1,916,117	(217,555)	1,698,562
Impairment losses	367,129	-	367,129
Fair value gains	10,327	-	10,327
Revaluation reserve	-	(14,075)	(14,075)
	2,998,296	(231,630)	2,766,666

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

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

Movements in temporary differences during the period:

	As at December 31, 2022	Recognised in profit or loss	Recognised in other comprehensive income	Effects of subsidiary acquisition	Other	As at December 31, 2023
Provisions	704,723	119,989	9,398	-	3	834,113
Property, plant and equipment	1,698,562	743,295	-	(95,548)	5	2,346,314
Impairment losses	367,129	(294,893)	-	-	-	72,236
Fair value gains	10,327	(6,353)	31	-	-	4,005
Revaluation reserve	(14,075)	2,475	-	-	(1)	(11,601)
Total	2,766,666	564,513	9,429	(95,548)	7	3,245,067

	As at December 31, 2021	Recognised in profit or loss	Recognised in other comprehensive income	Effects of subsidiary acquisition	Other	As at December 31, 2022
Provisions	664,773	39,576	374	-	-	704,723
Property, plant and equipment	987,560	711,066	-	-	(64)	1,698,562
Impairment losses	694,650	(327,521)	-	-	-	367,129
Fair value gains	10,311	-	16	-	-	10,327
Revaluation reserve	(14,075)	-	-	-	-	(14,075)
Total	2,343,219	423,121	390	-	(64)	2,766,666

The recognition of deferred tax assets was based on a five-year business plan of the Group and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

Deferred tax liabilities increased for 95,548 RSD due to the acquisition of HIP Petrohemija d.o.o. Pančevo (note 38).

19. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid for PPE	6,749,277	1,208,348
Prepaid expenses	104,566	142,503
Other assets	952,700	1,131,217
<i>Less allowance of other assets</i>	(287,549)	(341,519)
<i>Less allowance for advances paid</i>	(517,899)	(26,761)
	7,001,095	2,113,788

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

	31 December 2023	31 December 2022
Short-term loans	820,000	1,308,145
Interest payables	243,592	140,959
Other Short-term financial liabilities	171	-
Current portion of long-term loans (note 24)	10,761,083	5,811,404
	11,824,846	7,260,508

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

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

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

	2023	2022
Short-term loans at 1 January	1,308,145	-
Proceeds	820,000	1,311,584
Repayment	(1,307,509)	-
Foreign exchange difference (note 34)	(636)	(3,439)
Short-term loans at 31 December	820,000	1,308,145

21. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	16,880,398	24,568,481
Dividends payable	3,783,595	3,783,818
Other accounts payable	39,923	103,572
	20,703,916	28,455,871

22. OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
- Advances received	5,136,000	11,395,388
- Customer loyalty	926,279	774,596
- Deferred income	88,916	48
Payables to employees	6,008,721	5,523,217
Other current non-financial liabilities	1,933,441	53,053
	14,093,357	17,746,302

Revenue in the amount of 8,004,503 RSD was recognized in the current reporting period (31 December 2022: 3,444,759 RSD) related to the contract liabilities as at 1 January 2023, of which 7,473,198 RSD (31 December 2022: 2,817,697 RSD) related to advances and 531,305 RSD (31 December 2022: 630,062 RSD) to customer loyalty programme.

Other current non-financial liabilities mainly relate to compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects in amount of 1,794,373 RSD. This obligation was previously recognized as a provisions for liabilities and charges. (Note 27)

23. OTHER TAXES PAYABLE

	31 December 2023	31 December 2022
Mineral extraction tax	483,058	441,244
VAT	1,771,559	4,314,755
Excise tax	8,264,105	7,996,666
Contribution for State commodity reserves	625,507	887,822
Custom duties	61,075	24,304
Energy efficiency fee	73,968	122,510
Other taxes	1,682,514	1,446,638
	12,961,786	15,233,939

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

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

24. LONG-TERM DEBT

	31 December 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	65,223,168	65,009,756
Other long-term borrowings	150,012	126,800
Less Current portion (note 20)	(10,761,083)	(5,811,404)
	54,612,097	62,053,580

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

	2023	2022
As at 1 January	67,738,184	77,480,042
Proceeds	3,380,401	4,499,752
Repayment	(5,825,632)	(14,063,305)
Non-cash transactions	20,343	(12,974)
Foreign exchange difference (note 34)	(90,128)	(165,331)
As at 31 December	65,223,168	67,738,184

(a) *Bank loans*

	31 December 2023	31 December 2022
Domestic	48,366,114	48,275,922
Foreign	16,857,054	16,733,834
	65,223,168	65,009,756
Current portion of long-term loans	(10,761,083)	(3,082,976)
	54,462,085	61,926,780

The maturity of bank loans was as follows:

	31 December 2023	31 December 2022
Between 1 and 2 years	7,632,523	9,707,939
Between 2 and 5 years	45,494,977	47,889,786
Over 5 years	1,334,585	4,329,055
	54,462,085	61,926,780

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

	31 December 2023	31 December 2022
USD	30,298	88,819
EUR	65,163,377	64,824,628
RSD	-	4,268
JPY	29,493	92,041
	65,223,168	65,009,756

The Group repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has 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 (note 5). Management believes the Group is in compliance with these covenants as of 31 December 2023 and 31 December 2022 respectively.

25. LEASE LIABILITIES

	31 December 2023	31 December 2022
Non-current lease liabilities	3,010,984	2,413,671
Current lease liabilities	924,031	735,918
	3,935,015	3,149,589

Amounts recognized in profit or loss:

	2023	2022
Interest expense (included in finance cost) (note 36)	160,516	98,355
Expense relating to short-term leases	103,413	401,482
Expense relating to leases of low value assets that are not shown above as short-term leases	51,477	118,858
Expense relating to variable lease payments not included in lease liabilities	2,304,661	1,940,663

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

	2023	2022
As at 1 January	3,149,589	2,335,974
Repayment	(1,025,957)	(814,876)
Company incoming to consolidation	883,328	-
Non-cash transactions	938,612	1,630,618
Foreign exchange difference (note 34)	(10,557)	(2,127)
As at 31 December	3,935,015	3,149,589

26. OTHER NON-CURRENT FINANCIAL LIABILITIES

As at 31 December 2023 other non-current financial liabilities in the amount of 838,937 RSD (2022: 840,001 RSD) represents deferred consideration for O&G exploration.

27. PROVISIONS FOR LIABILITIES AND CHARGES

Movements on the long-term provisions were as follow:

	Decommissioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims and other provisions	Total
As at 1 January 2022	11,914,111	397,764	933,282	427,124	405,205	14,077,486
Charged to profit or loss (note 31, 33 and 36)	189,128	145,407	67,396	247,701	2,851,815	3,501,447
New obligation incurred and change in estimates	(675,618)	-	-	-	-	(675,618)
Release of provision (note 31, 33 and 36)	(368,473)	-	-	(652)	(205)	(369,330)
Actuarial loss charged to other comprehensive income	-	-	181,767	-	-	181,767
Settlement	(26,936)	(34,839)	(97,646)	-	(56,188)	(215,609)
Other	(539)	-	(212)	-	328,733	327,982
As at 31 December 2022	11,031,673	508,332	1,084,587	674,173	3,529,360	16,828,125
As at 1 January 2023	11,031,673	508,332	1,084,587	674,173	3,529,360	16,828,125
Company incoming to consolidation	-	-	715,833	-	111,937	827,770
Charged to profit or loss (note 31, 33 and 36)	169,154	7,268	61,381	852,375	383,005	1,473,183
New obligation incurred and change in estimates	290,351	-	-	-	-	290,351
Release of provision (note 31, 33 and 36)	(62,404)	(12,603)	(379,749)	(30,015)	(95,101)	(579,872)
Actuarial loss charged to other comprehensive income	-	-	56,338	-	-	56,338
Settlement	(52,503)	(36,441)	(171,840)	-	(134,289)	(395,073)
Other	(1,583)	(1)	(10)	-	(1,849,123)	(1,850,717)
As at 31 December 2023	11,374,688	466,555	1,366,540	1,496,533	1,945,789	16,650,105

Analysis of total provisions:

	31 December 2023	31 December 2022
Non-current	13,937,343	14,814,651
Current	2,712,762	2,013,474
	16,650,105	16,828,125

(a) Decommissioning

The Group's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects. In 2023 the Group released provision in amount of 62,404 RSD for ARO decommissioning for objects where the consequences of historical pollution have been remediated and for which there is no longer an additional obligation (note 33).

(b) Environmental protection

The Group has to comply with environmental protection regulations. At the reporting date Group recorded provision for environmental protection of 466,555 RSD (31 December 2022: 508,332 RSD) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

(c) Long-term incentive program

In 2011, the Group started setting-up a long-term incentive program for Group managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2023 the management made an assessment of present value of liabilities related to new three-year employee incentives (2021-2023) in amount of 1,496,533 RSD (2022: 674,173 RSD).

NIS Group**Notes to the Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in 000 RSD, unless otherwise stated)***(d) Legal claims and other provisions**

As at 31 December 2023, the Group assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Group charged provision for litigation and other provisions amounting to 383,005 RSD (2022: 2,851,815 RSD) for proceedings which were assessed to have negative outcome. The most significant amount of decrease of provision relates to the reservation based on the potential compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects (note 22). The Group estimated that the outcome of all legal and other proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2023.

(e) Provision for employee benefits

Employee benefits:

	31 December 2023	31 December 2022
Retirement allowances	938,794	768,865
Jubilee awards	427,746	315,722
	1,366,540	1,084,587

The principal actuarial assumptions used were as follows:

	31 December 2023	31 December 2022
Discount rate	7.78%	6.8%
Future salary increases	6.46%	4.72%
Future average years of service	18.42	18.44

In 2023, new Collective Agreements were signed in the Group, according to which the basis for the calculation of future compensation upon retirement depends on the moment of the employee's retirement in relation to the fulfillment of the conditions for retirement.

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2022	557,326	375,956	933,282
Benefits paid directly	(57,649)	(39,997)	(97,646)
Actuarial loss charged to other comprehensive income	181,767	-	181,767
Debited to profit or loss	87,530	(20,134)	67,396
Translation reserves	(109)	(103)	(212)
Balances as at 31 December 2022	768,865	315,722	1,084,587
Benefits paid directly	(124,376)	(47,464)	(171,840)
Company incoming to consolidation	260,361	455,472	715,833
Actuarial loss charged to other comprehensive income	56,338	-	56,338
Debited to profit or loss	(22,384)	(295,984)	(318,368)
Translation reserves	(10)	-	(10)
Balances as at 31 December 2023	938,794	427,746	1,366,540

The amounts recognized in the Consolidated Profit or Loss are as follows:

	Year ended 31 December 2023	2022
Current service cost	46,379	76,807
Interest cost	85,156	7,727
Curtailement gain	85,333	22,951
Actuarial loss (jubilee awards)	(104,856)	(70,914)
Past service cost	(430,380)	30,825
	(318,368)	67,396

28. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is 500 RSD. Share capital as of 31 December 2023 and 31 December 2022 comprise of 163,060,400 ordinary shares.

Dividend 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 and paid on 24 August 2023.

Calculation of basic earnings per share is disclosed in the following table:

	Year ended 31 December	
	2023	2022
Profit attributable to the ordinary equity holder of the parent entity	44,667,130	92,374,653
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	274	567

The Group does not have any convertible instruments, options or warrants accordingly, diluted earnings per share is equal to the basic earnings per share as stated in the table above.

29. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Year ended 31 December	
	2023	2022
Employee costs (note 31)	12,373,188	10,230,914
Materials and supplies (other than oil and gas)	3,479,421	2,637,915
Repair and maintenance services	4,084,089	3,400,779
Electricity for resale	14,121,674	9,058,463
Electricity and utilities	13,224,738	8,030,233
Safety and security expense	532,093	701,712
Insurance services	435,780	294,240
Transportation services for production	769,863	1,437,219
Inventory (release)/charge (note 10)	179,147	(54,572)
Other	5,901,224	6,539,714
	55,101,217	42,276,617

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

30. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2023	2022
Employee costs (note 31)	20,709,654	17,627,462
Commission and agency fees	741,677	849,079
Legal, audit and consulting services	944,291	814,298
Current repair cost	1,351,598	1,233,726
Costs on advertising and marketing	373,572	339,866
Rent expense	60,157	118,631
Business trips expense	309,100	201,643
Safety and security expense	986,916	751,205
Insurance expense	101,102	93,706
Transportation and storage	247,642	215,137
Release of provision for doubtful accounts (note 5)	39,582	(523,766)
Other	6,019,558	5,324,054
	31,884,849	27,045,041

31. EMPLOYEE COSTS

	Year ended	
	31 December	
	2023	2022
Wages and salaries	32,042,460	26,800,427
Employee benefits (note 27)	516,125	421,177
Other costs	524,257	636,772
Total employee costs (note 29 and 30)	33,082,842	27,858,376
Social security contributions (social taxes)	4,380,990	3,627,386
	37,463,832	31,485,762

32. TAXES OTHER THAN INCOME TAX

	Year ended	
	31 December	
	2023	2022
Mineral extraction tax	1,833,103	1,950,839
Property tax	987,302	947,334
Social security contributions (social taxes)	4,380,990	3,627,386
Other	824,711	1,548,251
	8,026,106	8,073,810

33. OTHER INCOME/(EXPENSES), NET

	Year ended	
	31 December	
	2023	2022
Penalties	176,798	282,851
Provisions (legal, environmental, etc.) (note 27)	(282,569)	(2,997,017)
Impairment of non-financial assets (note 12, 14 and 15)	(135,289)	(115,167)
Gain from write-off of accounts payable	59,344	17,126
ARO - Change in estimate (income) (note 27)	47,378	219,161
Charity and social payments	(7,248,576)	(162,030)
Gain from bargain purchase (note 38)	8,918,255	-
Other	(287,034)	480,738
	1,248,307	(2,274,338)

Charity and social payments amounting to 7,248,576 RSD mainly relate to donations for support projects in the field of education, social and health care.

34. NET FOREIGN EXCHANGE LOSS

	Year ended	
	31 December	
	2023	2022
Foreign exchange gain/(loss) on financing activities including:		
- foreign exchange gain (note 20, 24 and 25)	365,233	643,850
- foreign exchange loss (note 20, 24 and 25)	(263,912)	(472,953)
Net foreign exchange loss on operating activities	(355,815)	(2,338,996)
	(254,494)	(2,168,099)

35. FINANCE INCOME

	Year ended	
	31 December	
	2023	2022
Interest on bank deposits	4,563,096	1,938,537
Interest income on loans issued	10,960	13,756
Dividend income	44,372	-
	4,618,428	1,952,293

36. FINANCE EXPENSES

	Year ended	
	31 December	
	2023	2022
Interest expense	3,213,860	1,818,414
Losses on restructuring of borrowings	20,438	24,732
Decommissioning provision: unwinding of the present value discount (note 27)	154,128	39,816
Provision of trade and other non-current receivables: discount	7,299	89,989
Less: amounts capitalised on qualifying assets (note 12)	(66,158)	(20,974)
	3,329,567	1,951,977

Interest expense includes expenses on lease liabilities in the amount of 160,516 RSD for the year ended 31 December 2023 (98,355 RSD for the year ended 31 December 2022 accordingly). (Note 25)

37. INCOME TAXES

Components of income tax expense:

	Year ended	
	31 December	
	2023	2022
Current income tax expense	8,532,713	17,886,433
Deferred income tax		
Origination and reversal of temporary differences (note 18)	(564,513)	(423,121)
Total income tax expense	7,968,200	17,463,312

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

	Year ended	
	31 December	
	2023	2022
Profit before income tax	52,160,716	109,837,965
Tax expense at applicable domestic tax rate (15%)	7,824,107	16,475,695
Effect of unrecognized tax losses and tax rates in foreign jurisdictions	322,860	78,602
Tax effects of:		
- Revenues exempt from taxation	(1,398,172)	(66,887)
- Tax paid abroad	-	155,950
- Other expenses not deductible	558,610	(44,257)
- Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	679,338	(235,484)
- Other tax effects for reconciliation between accounting profit and tax expense	(18,543)	1,099,693
	7,968,200	17,463,312

The weighted average effective tax rate was 15.28% (2022: 15.90%).

38. 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 (HIPP), on 9 June 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous 20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result, the Group expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacities. For the purposes of consolidating the Group's financial statements, 30 June 2023 is considered the acquisition date.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The Group engaged independent appraiser to determine the fair value of the acquired assets and liabilities at the date of acquisition. In December 2023, the valuation was completed.

The fair values of the identifiable assets and liabilities of HIPP as at the date of acquisition were:

	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	568,307
Trade and other receivables	2,707,063
Inventories	7,580,758
Short-term financial assets	588,292
Other current assets	1,257,277
Property, plant and equipment (note 12)	1,898,512
Other non-current assets	34,314
Total assets acquired	14,634,523
Liabilities	
Current provisions for liabilities and charges (note 27)	(7,312)
Other current liabilities	(2,914,880)
Lease liabilities (note 25)	(883,328)
Non-current provisions for liabilities and charges (note 27)	(820,458)
Deferred tax liabilities (note 18)	(95,548)
Other non-current liabilities	(3,825)
Total liabilities assumed	(4,725,351)
Total identifiable net assets at fair value	9,909,172
Purchase consideration transferred	-
Non-controlling interest based on proportional interest in the recognized amounts of the net assets of HIPP (10%)	990,917
Fair value of pre-existing interest of HIPP	-
Bargain purchase arising on acquisition (note 33)	8,918,255
	Cash flow on acquisition
Cash consideration	-
Less: Balances acquired	568,307
Cash and cash equivalents	-
Net cash inflow – investing activities	568,307

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.

Bargain purchase has been recognized in profit and loss as Gain from bargain purchase within Other income/(expense), net line. The gain from the bargain purchase arose as the result of privatization of the Company based on a public bidding for a strategic partner taking into account unfavourable conditions in the industry in which the acquired entity operates at the time of acquisition, the state of equipment and facilities and the necessity of significant investment in the development of production capacities primarily polypropylene facilities, as well as the necessity of significant investment in ongoing maintenance of existing capacities, environmental protection and ensuring the long-term sustainability of the operations.

The acquisition date fair value of the trade receivables amounts to 2,707,063 RSD. The gross contractual amount of trade receivables is 3,084,488 RSD with a loss allowance of 377,425 RSD recognised on acquisition (note 5).

For the purposes of fair value estimation, HIP Petrohemija is viewed as a single cash-generating unit (CGU), which includes facilities for cracker ethylene, HDPE, LDPE and synthetic rubber.

Fair value of property, plant and equipment is determined comparing the value of operating assets estimated using the cost and market approach normalized for the net working capital (NWC) with the value of CGU estimated applying discounted cash flow projections method. Key assumptions used are :

- a) a discount rate 10.9 per cent
- b) terminal growth rate 0 per cent
- c) a f/x RSD/EUR 117.30

From the date of acquisition, HIP Petrohemija contributed 9,707,659 RSD of revenue and 4,746,143 RSD to loss before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the year Consolidated Statement of Profit and Loss and Other Comprehensive Income of the Group would have included additional revenue of 19,203,848 RSD and loss before tax of 13,562,647 RSD from continuing operation of HIP Petrohemija.

There were no acquisitions in the year ending 31 December 2022.

39. 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 31 December 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. The average cost of Oil prices during 2023 was US \$ 82.62 per barrel which is 18% less from the same period in 2022 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. 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.

NIS Group**Notes to the Consolidated Financial Statements for the year ended 31 December 2023***(All amounts are in 000 RSD, unless otherwise stated)**Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 466,555 RSD (31 December 2022: 508,332 RSD) (note 27).

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 31 December 2023 the Group has entered into contracts to purchase property, plant and equipment for 2,861,058 RSD (31 December 2022: 311,970 RSD) and drilling and exploration works estimated to 89.78 USD million (31 December 2022: 96.93 USD million).

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

40. GROUP ENTITIES

The consolidated financial statements of below listed subsidiaries are consolidated as at 31 December 2023 and 31 December 2022:

Subsidiary	Country of incorporation	Nature of Business	Share %	
			31-Dec 2023	31-Dec 2022
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	Trade	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	Trade	100	100
NIS Petrol SRL, Bucharest	Romania	Trade	100	100
NIS Oversiz, St Petersburg	Russia	Other	100	100
NIS Petrol a.d., Belgrade	Serbia	Other	100	100
Naftagas-Naftni servisi d.o.o., Novi Sad	Serbia	O&G activity	100	100
NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	O&G activity	100	100
Naftagas-Tehnicki servisi d.o.o., Zrenjanin	Serbia	O&G activity	100	100
Naftagas-Transport d.o.o., Novi Sad	Serbia	Transport	100	100
G Petrol d.o.o. Sarajevo	Bosnia and Herzegovina	Trade	100	100
Jadran - Naftagas d.o.o., Banja Luka	Bosnia and Herzegovina	O&G activity	100	100
HIP Petrohemija d.o.o., Pančevo	Serbia	Petrochemical	90	20.86

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The immediate and ultimate holding company of the Group is PJSC Gazprom. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company.

41. RELATED PARTY TRANSACTIONS

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

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

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

In the year ended 31 December 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 31 December 2023 and 31 December 2022 the outstanding balances with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint venture
As at 31 December 2023			
Short-term financial assets	-	32,196	-
Trade and other receivables	-	231,618	84,568
Investments in joint venture and associates	-	-	2,729,005
Trade and other non-current receivables	-	-	669,618
Other current assets	-	16,917	-
Other non-current assets	-	72,113	-
Trade and other payables	-	(172,009)	(667,586)
Other current liabilities	-	(127)	(433)
	-	180,708	2,815,172
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 year ended 31 December 2023 and 2022 the following transactions occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
Year ended 31 December 2023			
Revenues from sales of products and services	-	753,874	15,627,031
Expenses based on procurement of products and services	(5,218)	(1,493,155)	(14,611,811)
Other expenses	-	(43,650)	(61,936)
	(5,218)	(782,931)	953,284
Year ended 31 December 2022			
Revenues from sales of products and services	-	1,964,551	39,357,392
Expenses based on procurement of products and services	(7,292)	(116,893,430)	(8,696,807)
Other income/(expenses)	-	(147,867)	663
	(7,292)	(115,076,746)	30,661,248

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

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

Main balances and transactions with state and state owned companies are shown below:

	Associates and joint venture	Other
As at 31 December 2023		
Trade and other receivables (gross)		
• <i>Srbijagas</i>	-	20,826
• <i>AIR Serbia</i>	-	947,016
Other current assets		
• <i>Srbijagas</i>	-	445
Trade and other payables		
• <i>Srbijagas</i>	-	(517,071)
Other current liabilities		
• <i>Srbijagas</i>	-	24
	-	451,240
As at 31 December 2022		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	1,433,784	-
• <i>Srbijagas</i>	-	24,831
• <i>AIR Serbia</i>	-	762,548
Other current assets		
• <i>Srbijagas</i>	-	445
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,259,596)	-
• <i>Srbijagas</i>	-	(725,804)
Other current liabilities		
• <i>HIP Petrohemija</i>	(2,506)	-
• <i>Srbijagas</i>	-	(24)
	171,682	61,996
	Associates and joint venture	Other
Year ended 31 December 2023		
Operating income		
• <i>HIP Petrohemija</i>	15,329,411	-
• <i>Srbijagas</i>	-	247,259
• <i>AIR Serbia</i>	-	11,141,556
Operating expenses		
• <i>HIP Petrohemija</i>	(172,776)	-
• <i>Srbijagas</i>	-	(256,434)
	15,156,635	11,132,381
Year ended 31 December 2022		
Operating income		
• <i>HIP Petrohemija</i>	39,107,255	-
• <i>Srbijagas</i>	-	219,746
• <i>AIR Serbia</i>	-	9,592,537
Operating expenses		
• <i>HIP Petrohemija</i>	(279,921)	-
• <i>Srbijagas</i>	-	(340,454)
	38,827,334	9,471,829

Transactions with state and state owned companies controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties. For the period of first six months transaction with HIP Petrohemija are included in Associates and joint venture in related party transactions.

Transactions with Key Management Personnel

In the year ended 31 December 2023 and 2022 the Group recognized 1,063,808 RSD and 1,024,263 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

42. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2023 were evaluated through 30 January 2024, the date these Consolidated Financial Statements were authorised for issue.

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