



Naftna industrija Srbije A.D.

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

31 March 2023

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

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

Assets	Note	31 March 2023	31 December 2022
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	4	86,773,850	88,131,045
Short-term financial assets	5	16,241,949	6,104,619
Trade and other receivables	6	30,687,546	35,969,998
Inventories	7	55,455,372	58,234,614
Other current assets	8	12,365,241	12,031,734
Assets classified as held for sale		55,643	23,833
Total current assets		201,579,601	200,495,843
Non-current assets			
Property, plant and equipment	9	294,939,919	295,790,456
Right-of-use assets	10	3,678,124	3,695,826
Investment property		1,519,117	1,531,705
Goodwill and other intangible assets		5,191,774	5,228,587
Investments in associates and joint ventures		2,987,859	2,866,724
Trade and other non-current receivables		2,815	2,821
Long-term financial assets		323,493	323,702
Deferred tax assets		3,000,460	2,766,666
Other non-current assets	11	3,596,575	2,113,788
Total non-current assets		315,240,136	314,320,275
Total assets		516,819,737	514,816,118
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	6,261,901	7,260,508
Current lease liabilities	17	751,293	735,918
Trade and other payables	13	29,541,090	28,455,871
Other current liabilities	14	10,394,742	17,746,302
Current income tax payable		15,473,586	14,013,449
Other taxes payable	15	11,853,450	15,233,939
Provisions for liabilities and charges		2,097,952	2,013,474
Total current liabilities		76,374,014	85,459,461
Non-current liabilities			
Long-term debt	16	61,416,040	62,053,580
Non-current lease liabilities	17	2,311,673	2,413,671
Other non-current financial liabilities		839,793	840,001
Long-term trade and other payables		7,169	7,171
Provisions for liabilities and charges		14,934,576	14,814,651
Total non-current liabilities		79,509,251	80,129,074
Equity			
Share capital		81,530,200	81,530,200
Reserves		587,666	572,221
Retained earnings		278,818,606	267,125,162
Equity attributable to the Company's owners		360,936,472	349,227,583
Non-controlling interest		-	-
Total equity		360,936,472	349,227,583
Total liabilities and shareholder's equity		516,819,737	514,816,118

Kirill Tyurdenyev
Chief Executive Officer
27 April 2023

Anton Cherepanov
Chief Financial Officer

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

NIS Group**Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income***(All amounts are in 000 RSD, unless otherwise stated)*

	Note	Three month period ended 31 March	
		2023	2022
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		86,360,739	92,461,430
Other revenues		9,514,433	5,573,557
Total revenue from sales	3	95,875,172	98,034,987
Purchases of oil, gas and petroleum products		(53,401,236)	(54,830,864)
Production and manufacturing expenses	18	(13,083,542)	(9,114,172)
Selling, general and administrative expenses	19	(7,318,520)	(6,145,037)
Transportation expenses		(380,573)	(372,979)
Depreciation, depletion and amortization		(6,276,495)	(6,288,818)
Taxes other than income tax		(1,852,756)	(2,194,892)
Total operating expenses		(82,313,122)	(78,946,762)
Other expenses, net		(264,718)	(72,694)
Operating profit		13,297,332	19,015,531
Share of profit of associates and joint ventures		121,135	152,638
Net foreign exchange gain (loss)	20	(46,908)	46,194
Finance income	21	1,389,115	65,759
Finance expenses	22	(771,012)	(408,264)
Total other expense		692,330	(143,673)
Profit before income tax		13,989,662	18,871,858
Current income tax expense		(2,530,007)	(3,253,758)
Deferred tax income		233,789	22,045
Total income tax		(2,296,218)	(3,231,713)
Profit for the period		11,693,444	15,640,145
Other comprehensive loss:			
Items that will not be reclassified to profit (loss)			
Remeasurements of post-employment benefit obligations		-	(62,751)
		-	(62,751)
Items that may be subsequently reclassified to profit (loss)			
Currency translation differences		15,429	(25,358)
		15,429	(25,358)
Other comprehensive income for the period		15,429	(88,109)
Total comprehensive income for the period		11,708,873	15,552,036
Profit attributable to:			
- Shareholders of Naftna Industrija Srbije		11,693,444	15,640,145
- Non-controlling interest		-	-
Profit for the period		11,693,444	15,640,145
Total comprehensive income attributable to:			
- Shareholders of Naftna Industrija Srbije		11,708,873	15,552,036
- Non-controlling interest		-	-
Total comprehensive income for the period		11,708,873	15,552,036
Earnings per share attributable to NIS shareholders			
Basic earnings (RSD per share)		71.71	95.92
Weighted average number of ordinary shares in issue (in millions)		163	163

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

NIS Group

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2023 and 2022

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

(unaudited)

Balance as at 1 January 2022

Profit for the period

Other comprehensive loss

Loss from investments in equity instruments

Currency translation differences

Total comprehensive income/(loss) for the period

Balance as at 31 March 2022

Equity attributable to the Company's owners				Non-	Total
Share capital	Reserves	Retained earnings	Total	controlling interest	equity
81,530,200	488,736	180,797,597	262,816,533	19,678	262,836,211
-	-	15,640,145	15,640,145	-	15,640,145
-	-	(62,751)	(62,751)	-	(62,751)
-	(25,358)	-	(25,358)	-	(25,358)
-	(25,358)	15,577,394	15,552,036	-	15,552,036
81,530,200	463,378	196,374,991	278,368,569	19,678	278,388,247

(unaudited)

Balance as at 1 January 2023

Profit for the period

Other comprehensive income

Currency translation differences

Total comprehensive income for the period

Balance as at 31 March 2023

Equity attributable to the Company's owners				Non-	Total
Share capital	Reserves	Retained earnings	Total	controlling interest	equity
81,530,200	572,237	267,125,162	349,227,599	-	349,227,599
-	-	11,693,444	11,693,444	-	11,693,444
-	15,429	-	15,429	-	15,429
-	15,429	11,693,444	11,708,873	-	11,708,873
81,530,200	587,666	278,818,606	360,936,472	-	360,936,472

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

NIS Group
Interim Condensed Consolidated Statement of Cash Flows¹

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

		Three month period ended 31 March	
		2023	2022
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		13,989,662	18,871,858
Adjustments for:			
Share of profit of associates and joint ventures		(121,135)	(152,638)
Finance expenses	22	771,012	408,264
Finance income	21	(1,389,115)	(65,759)
Unrealised foreign exchange (gain) losses, net		(161,261)	119,911
Depreciation, depletion and amortization		6,276,495	6,288,818
Other non-cash items		169,842	169,695
Operating cash flow before changes in working capital		19,535,500	25,640,149
Changes in working capital:			
Trade and other receivables		5,245,251	(6,217,586)
Inventories		2,752,518	(25,848,811)
Other current assets		(201,829)	(1,669,202)
Trade payables and other current liabilities		(5,891,739)	32,224,664
Other taxes payable		(3,377,268)	(432,752)
Total effect on working capital changes		(1,473,067)	(1,943,687)
Income taxes paid		(1,070,475)	(202,577)
Interest paid		(565,244)	(290,604)
Interest received		1,238,661	51,246
Net cash generated by operating activities		17,665,375	23,254,527
Cash flows from investing activities			
Capital expenditures ²		(7,051,438)	(4,277,527)
Proceeds from sale of property, plant and equipment		21,413	118,758
Bank deposits (proceeds)/repayment, net		(9,940,012)	28,275
Other outflow		11	(94,118)
Net cash used in investing activities		(16,970,026)	(4,224,612)
Cash flows from financing activities			
Proceeds from borrowings	12,16	820,000	3,675,364
Repayment of borrowings	12,16	(2,498,022)	(55,579)
Repayment of lease liabilities	17	(269,827)	(183,109)
Net cash (used in)/generated by financing activities		(1,947,849)	3,436,676
Net increase (decrease) in cash and cash equivalents		(1,252,500)	22,466,591
Effect of foreign exchange on cash and cash equivalents		(104,695)	7,785
Cash and cash equivalents as of the beginning of the period		88,131,045	21,283,274
Cash and cash equivalents as of the end of the period	4	86,773,850	43,757,650

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

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

² CF from investing activities includes VAT in the amount of 0.7 bln RSD (2022: 0.5 bln RSD)

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023

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

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

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

In the first quarter 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 24) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the first quarter 2023 the Group didn't review the critical accounting estimates which are used by the Group in the Interim Condensed Consolidated Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 31 March 2023 the Group didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing. The Group continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The results in these Condensed Interim Consolidated Financial Statements for the three month period ended 31 March 2023 are not necessarily indicative of the Group's results expected for the full year.

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

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023

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

2.2. Changes in significant accounting policies

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

3. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the three month periods ended 31 March 2023 and 2022. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the three month period ended 31 March 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	10,893,642	96,059,355	(11,077,825)	95,875,172
Intersegment	10,755,317	322,508	(11,077,825)	-
External	138,325	95,736,847	-	95,875,172
Adjusted EBITDA (Segment results)	6,999,464	12,879,659	-	19,879,123
Depreciation, depletion and amortization	(3,491,738)	(2,784,757)	-	(6,276,495)
Share of profit of associates and joint ventures	-	121,135	-	121,135
Net foreign exchange loss	(18,330)	(28,578)	-	(46,908)
Finance income (expenses), net	(83,479)	701,582	-	618,103
Income tax	(51,177)	(2,245,041)	-	(2,296,218)
Segment profit	3,287,311	8,406,133	-	11,693,444

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)*

Reportable segment results for the three month period ended 31 March 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	17,609,582	95,998,353	(15,572,948)	98,034,987
Intersegment	15,429,132	143,816	(15,572,948)	-
External	2,180,450	95,854,537	-	98,034,987
Adjusted EBITDA (Segment results)	12,872,849	12,502,698	-	25,375,547
Depreciation, depletion and amortization	(3,369,011)	(2,919,807)	-	(6,288,818)
Share of profit of associates and joint ventures	-	152,638	-	152,638
Net foreign exchange gain	34,242	11,952	-	46,194
Finance expenses, net	(71,586)	(270,919)	-	(342,505)
Income tax	(192,522)	(3,039,191)	-	(3,231,713)
Segment profit	9,125,753	6,514,392	-	15,640,145

Adjusted EBITDA for the three month period ended 31 March 2023 and 2022 is reconciled below:

	Three month period ended 31 March	
	2023	2022
Profit for the period	11,693,444	15,640,145
Income tax	2,296,218	3,231,713
Finance expenses	771,012	408,264
Finance income	(1,389,115)	(65,759)
Depreciation, depletion and amortization	6,276,495	6,288,818
Share of profit of associates and joint ventures	(121,135)	(152,638)
Net foreign exchange (gain) loss	46,908	(46,194)
Other expense, net	264,718	72,694
Other non-operating income/(expense), net	40,578	(1,496)
Adjusted EBITDA	19,879,123	25,375,547

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)*

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

	Three month period ended 31 March	
	2023	2022
Sale of crude oil	-	2,042,794
Sale of gas	49,572	35,520
<i>Wholesale activities</i>	49,572	35,520
Sale of petroleum products	86,311,167	90,383,116
<i>Through a retail network</i>	29,124,452	28,252,374
<i>Wholesale activities</i>	57,186,715	62,130,742
Sale of electricity	5,268,692	2,240,462
Lease revenue	86,004	85,942
Other sales	4,159,737	3,247,153
Total sales	95,875,172	98,034,987

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 2,918,117 RSD (2022: 2,600,968 RSD).

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

4. CASH AND CASH EQUIVALENTS

	31 March 2023	31 December 2022
Cash in bank and in hand	24,081,571	18,958,001
Deposits with original maturity of less than three months	62,684,251	69,170,832
Cash held on escrow account	4,753	254
Cash equivalents	3,275	1,958
	86,773,850	88,131,045

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

5. SHORT-TERM FINANCIAL ASSETS

	31 March 2023	31 December 2022
Short-term loans	41,276	43,116
Deposits with original maturity more than 3 months less than 1 year	16,202,853	6,063,683
Less impairment loss provision	(2,180)	(2,180)
	16,241,949	6,104,619

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)***6. TRADE AND OTHER RECEIVABLES**

	31 March 2023	31 December 2022
Trade receivables	37,960,455	43,289,967
Other receivables	82,377	88,129
Accrued assets	10,048	2,907
<i>Less credit loss allowance for trade receivables</i>	<i>(7,331,499)</i>	<i>(7,376,579)</i>
<i>Less credit loss allowance for other receivables</i>	<i>(33,835)</i>	<i>(34,426)</i>
	30,687,546	35,969,998

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

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

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

7. INVENTORIES

	31 March 2023	31 December 2022
Crude oil	25,819,927	29,455,750
Petroleum products	25,848,633	25,216,800
Materials and supplies	6,903,040	6,557,773
Other	1,387,519	1,517,953
<i>Less impairment provision</i>	<i>(4,503,747)</i>	<i>(4,513,662)</i>
	55,455,372	58,234,614

8. OTHER CURRENT ASSETS

	31 March 2023	31 December 2022
Advances paid	1,915,033	1,059,350
VAT receivables	541,599	601,319
Deferred VAT	3,160,176	4,405,141
Prepaid expenses	414,820	326,204
Prepaid custom duties	67,969	60,981
Prepaid excise	4,985,996	4,465,682
Other current assets	8,780,261	8,614,106
<i>Less impairment provision</i>	<i>(7,500,613)</i>	<i>(7,501,049)</i>
	12,365,241	12,031,734

Deferred VAT as at 31 March 2023 amounting to 3,160,176 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 March 2023 amounting to 4,985,996 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 Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023
(All amounts are in 000 RSD, unless otherwise stated)
9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
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
Period ended 31 March 2022						
Additions	3,168,489	220,958	1,916,946	5,031	(1,878,336)	3,433,088
Changes in decommissioning obligations	62,542	-	-	-	-	62,542
Depreciation	(3,290,973)	(1,951,698)	(590,766)	(140,397)	(1,172)	(5,975,006)
Disposals and write-off	(33,735)	(7,016)	(14,391)	(35,937)	(133)	(91,212)
Transfer from investment property	-	-	114,774	-	-	114,774
Other transfers	487,185	(76)	(39,075)	(457,271)	(24,478)	(33,715)
Translation differences	5,564	(1)	22,265	(862)	9,722	36,688
	137,666,111	96,281,419	36,054,998	7,741,739	20,873,475	298,617,742
As at 31 March 2022						
Cost	225,263,934	164,222,468	74,223,387	17,340,607	23,901,100	504,951,496
Depreciation and impairment	(87,597,823)	(67,941,049)	(38,168,389)	(9,598,868)	(3,027,625)	(206,333,754)
Net book value	137,666,111	96,281,419	36,054,998	7,741,739	20,873,475	298,617,742
As at 1 January 2023						
Cost	235,638,513	165,764,521	76,125,213	17,455,773	24,562,759	519,546,779
Depreciation and impairment	(97,472,486)	(73,525,826)	(39,768,592)	(9,891,917)	(3,097,502)	(223,756,323)
Net book value	138,166,027	92,238,695	36,356,621	7,563,856	21,465,257	295,790,456
Period ended 31 March 2023						
Additions	3,753,802	281,382	219,860	33,247	815,013	5,103,304
Changes in decommissioning obligations	36,520	-	-	-	-	36,520
Depreciation	(3,320,869)	(1,863,973)	(632,409)	(116,073)	-	(5,933,324)
Transfer from intangible assets	-	-	-	-	1,436	1,436
Transfer to investment property	-	-	(5,990)	-	-	(5,990)
Transfer to non-current assets held for sale	(6,497)	-	-	(14,038)	-	(20,535)
Disposals and write-off	(91)	(3,074)	(4,468)	(102)	-	(7,735)
Other transfers	(1,460)	134	36,438	(36,113)	(4,713)	(5,714)
Translation differences	(5,507)	-	(5,191)	(11)	(7,790)	(18,499)
	138,621,925	90,653,164	35,964,861	7,430,766	22,269,203	294,939,919
As at 31 March 2023						
Cost	239,216,452	165,957,067	76,417,587	17,418,041	25,365,007	524,374,154
Depreciation and impairment	(100,594,527)	(75,303,903)	(40,452,726)	(9,987,275)	(3,095,804)	(229,434,235)
Net book value	138,621,925	90,653,164	35,964,861	7,430,766	22,269,203	294,939,919

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023

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

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the three months ended 31 March 2023 and 2022 are as follows:

	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	-	76,000	27,350	36,741	-	140,091
Depreciation	(626)	(80,660)	(41,985)	(63,111)	-	(186,382)
Transfers	(1,760)	1,760	-	-	-	-
Effect of contract modifications and changes in estimates	-	-	-	(241)	-	(241)
Disposals	-	-	(1,067)	(826)	-	(1,893)
Foreign currency translation	204	1,138	61	13	-	1,416
As at 31 March 2022	122,702	1,554,521	253,862	605,870	-	2,536,955
As at 1 January 2023	115,093	1,459,371	276,644	1,844,718	-	3,695,826
Additions	2,542	116,229	66,640	4,976	-	190,387
Depreciation	(1,771)	(88,269)	(39,605)	(72,243)	-	(201,888)
Transfers	-	-	5,002	(6,996)	1,994	-
Disposals	-	-	(106)	(3,510)	-	(3,616)
Impairment	-	-	-	-	(1,994)	(1,994)
Foreign currency translation	(147)	(230)	(202)	(12)	-	(591)
As at 31 March 2023	115,717	1,487,101	308,373	1,766,933	-	3,678,124

11. OTHER NON-CURRENT ASSETS

	31 March 2023	31 December 2022
Advances paid for PPE	2,713,962	1,208,348
Prepaid expenses	164,303	142,503
Other assets	1,067,976	1,131,217
Less allowance of other assets	(322,905)	(341,519)
Less allowance for advances paid	(26,761)	(26,761)
	3,596,575	2,113,788

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

	31 March 2023	31 December 2022
Short-term loans	1,306,767	1,308,145
Interest payables	192,147	140,959
Current portion of long-term loans (note 16)	4,762,987	5,811,404
	6,261,901	7,260,508

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

	Three month period ended 31 March	
	2023	2022
Short-term loans at 1 January	1,308,145	-
Proceeds	820,000	824,256
Repayment	(821,100)	-
Foreign exchange difference (note 20)	(278)	-
Short-term loans at 31 March	1,306,767	824,256

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)***13. TRADE AND OTHER PAYABLES**

	31 March 2023	31 December 2022
Trade payables	25,649,190	24,568,481
Dividends payable	3,783,791	3,783,818
Other accounts payable	108,109	103,572
	29,541,090	28,455,871

As at 31 March 2023 trade payables amounting to 25,649,190 RSD (31 December 2022: 24,568,481 RSD) mainly relate to payables for crude oil in the amount of 12,455,453 RSD (31 December 2022: 9,040,667 RSD).

14. OTHER CURRENT LIABILITIES

	31 March 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
- Advances received	5,658,776	11,395,388
- Customer loyalty	817,794	774,596
Payables to employees	3,821,630	5,523,217
Deferred income	1,151	48
Other current non-financial liabilities	95,391	53,053
	10,394,742	17,746,302

Revenue in the amount of 5,454,769 RSD was recognized in the current reporting period (31 March 2022: 2,491,286 RSD) related to the contract liabilities as at 1 January 2023, of which 5,231,703 RSD (31 March 2022: 2,168,467 RSD) related to advances and 223,066 RSD (31 March 2022: 322,819 RSD) to customer loyalty programme.

15. OTHER TAXES PAYABLE

	31 March 2023	31 December 2022
Mineral extraction tax	455,182	441,244
VAT	2,825,378	4,314,755
Excise tax	6,684,178	7,996,666
Contribution for State commodity reserves	314,363	887,822
Custom duties	13,462	24,304
Energy efficiency fee	39,286	122,510
Other taxes	1,521,601	1,446,638
	11,853,450	15,233,939

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)***16. LONG-TERM DEBT**

	31 March 2023	31 December 2022
Long-term loan	1,363,876	2,728,428
Bank loans	64,682,843	65,009,756
Other long-term borrowings	132,308	126,800
Less Current portion (note 12)	(4,762,987)	(5,811,404)
	61,416,040	62,053,580

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

	Three month period ended 31 March	
	2023	2022
Long-term loans at 1 January	67,738,184	77,480,042
Proceeds	-	2,851,108
Repayment	(1,676,922)	(55,579)
Non-cash transactions	5,867	3,884
Foreign exchange difference (note 20)	(20,410)	111,472
Long-term loans at 31 March	66,046,719	80,390,927

(a) Bank loans

	31 March 2023	31 December 2022
Domestic	47,980,425	48,275,922
Foreign	16,702,418	16,733,834
	64,682,843	65,009,756
Current portion of long-term loans	(3,399,111)	(3,082,976)
	61,283,732	61,926,780

The maturity of bank loans was as follows:

	31 March 2023	31 December 2022
Between 1 and 2 years	11,402,982	9,707,939
Between 2 and 5 years	47,464,698	47,889,786
Over 5 years	2,416,052	4,329,055
	61,283,732	61,926,780

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

	31 March 2023	31 December 2022
USD	59,403	88,819
EUR	64,561,531	64,824,628
RSD	229	4,268
JPY	61,680	92,041
	64,682,843	65,009,756

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)*

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

17. LEASE LIABILITIES

	31 March 2023	31 December 2022
Non-current lease liabilities	2,311,673	2,413,671
Current lease liabilities	751,293	735,918
	3,062,966	3,149,589

Amounts recognized in profit and loss:

	Three month period ended 31 March	
	2023	2022
Interest expense (included in finance cost) (note 22)	36,906	23,244
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	13,945	151,194
Expense relating to leases of low value assets that are not shown above as short-term leases	18,840	12,366
Expense relating to variable lease payments not included in lease liabilities	560,760	429,358

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

	Three month period ended 31 March	
	2023	2022
As at 1 January	3,149,589	2,335,974
Repayment	(269,827)	(183,109)
Non-cash transactions	186,094	164,360
Foreign exchange difference (note 20)	(2,890)	(1,964)
As at 31 March	3,062,966	2,315,261

18. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2023	2022
Employee costs	2,504,597	2,291,108
Materials and supplies (other than O&G and petroleum products)	768,366	505,428
Repair and maintenance services	720,736	647,927
Electricity for resale	4,906,463	1,833,251
Electricity and utilities	2,650,360	1,755,457
Safety and security expense	142,888	87,149
Transportation services for production	155,763	376,114
Other	1,234,369	1,617,738
	13,083,542	9,114,172

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)***19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 31 March	
	2023	2022
Employee costs	4,768,582	3,902,203
Commission and agency fees	207,908	198,597
Legal, audit and consulting services	215,752	165,125
Current repair cost	312,216	209,260
Costs on advertising and marketing	51,201	49,435
Rent expense	15,980	31,626
Business trips expense	36,884	21,364
Safety and security expense	234,010	144,128
Insurance expense	26,964	25,544
Transportation and storage	54,511	57,815
Allowance for doubtful accounts	5,394	9,496
Other	1,389,118	1,330,444
	7,318,520	6,145,037

20. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 31 March	
	2023	2022
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain (note 12, 16 and 17)	52,880	185,828
- foreign exchange loss (note 12, 16 and 17)	(29,302)	(295,336)
Net foreign exchange gain (loss) on operating activities	(70,486)	155,702
	(46,908)	46,194

21. FINANCE INCOME

	Three month period ended 31 March	
	2023	2022
Interest on bank deposits	1,386,436	63,743
Interest income on loans issued	2,679	2,016
	1,389,115	65,759

22. FINANCE EXPENSES

	Three month period ended 31 March	
	2023	2022
Interest expense	701,377	397,687
Losses on restructuring of borrowings	5,896	6,006
Decommissioning provision: unwinding of the present value discount	36,355	9,571
Provision of trade and other non-current receivables: discount	40,011	(845)
Less: amounts capitalised on qualifying assets	(12,627)	(4,155)
	771,012	408,264

Interest expense includes expenses on lease liabilities in the amount of 36,906 RSD for the three months ended 31 March 2023 (23,244 RSD for the three months ended 31 March 2022 accordingly) (Note 17).

23. FAIR VALUE MEASUREMENT

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

As of 31 March 2023 the carrying value of financial assets approximates their fair value.

24. 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 March 2023.

Economic environment in the Republic of Serbia

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

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 505,951 RSD (31 December 2022: 508,332 RSD).

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

Capital commitments

As of 31 March 2023 the Group has entered into contracts to purchase property, plant and equipment 209,320 RSD (31 December 2022: 311,970 RSD) and drilling and exploration works estimated to 96.4 USD million (31 December 2022: 101.44 USD million).

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)***25. RELATED PARTY TRANSACTIONS**

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

In the three month period ended 31 March 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 March 2023 and 31 December 2022 the outstanding balances, presented net of impairment, with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 31 March 2023			
Trade and other receivables	-	56,615	1,613,981
Investments in joint venture and associates	-	-	2,987,859
Short-term financial assets	-	39,257	-
Other current assets	-	18,989	709,236
Right of use assets	-	467	-
Trade and other payables	(1,721)	(74,470)	(2,967,006)
Other current liabilities	-	-	(5,726)
Short-term debt and current portion of long-term debt	-	(1,363,876)	-
Current lease liabilities	-	(354)	-
	(1,721)	(1,323,372)	2,338,344

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023***(All amounts are in 000 RSD, unless otherwise stated)*

For the three month period ended 31 March 2023 and 2022 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
Three month period ended 31 March 2023			
Revenues from sales of products and services	-	156,387	8,359,431
Expenses based on procurement of products and services	(1,721)	(303,402)	(5,000,667)
Other expenses	-	(35,753)	(699)
	(1,721)	(182,768)	3,358,065
Three month period ended 31 March 2022			
Revenues from sales of products and services	-	360,491	10,563,397
Expenses based on procurement of products and services	(24,677,450)	(1,182,497)	(1,405,709)
Other expenses	(30,383)	(46)	-
	(24,707,833)	(822,052)	9,157,688

26. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 March 2023 were evaluated through 27 April 2023, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2023**

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

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