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QUARTERLY REPORT FOR FIRST QUARTER OF 2023

NIS FUTURE AT WORK

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

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

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

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

Contents

Contents 2
Foreword 3

Management Business report 4

Highlights 4
Group NIS 6
NIS worldwide 9
Risk management 9
Business environment 15
Performance analyses 18
Key performance indicators 21
Securities 38
Corporate Governance 41
Related-Party Transactions 42
Human resources 43
Research and Development 46

Financial Statements 47

Standalone financial statements 47
Consolidated financial statements 67

Statement of individuals responsible for the preparation of report 85

Contacts 86
Glossary 87

Foreword

In 2023, NIS started a new ambitious investment cycle, and RSD 6.5 billion were invested in capital projects in the period January-March, which is 71 percent more than the investments in the first quarter of last year. Increased investments and further upgrade of the NIS Group at all business levels will remain a priority in the rest of the year. The investment portfolio of NIS is aimed at achieving the main strategic goals and ensuring the long-term stability of NIS Group.

As it was the case in previous years, most of the funds will be allocated for the segment of oil and gas exploration and production. One of the priorities will continue to be the field of oil refining, where it is of strategic importance to continue the preparation of the third phase of the modernization of the Oil Refinery in Pančevo, i.e., activities on the upcoming reconstruction of the catalytic cracking unit (FCC) and the construction of a new ETBE plant (high-octane gasoline component).

Regarding the area of Sales and Distribution, the upgrade and development of the retail network will continue, so the construction and reconstruction of nine petrol stations in Serbia is planned only in 2023. Also, the plan is to continue the implementation of the strategic project for the reconstruction and modernization of the petroleum products warehouse. In addition, a number of energy projects are planned, and the focus will be on the further development of electricity production and trade. Further synergy with Petrohemija, strengthening the energy efficiency, as well as the continuation of digitalization at all levels of the company remain among the priorities. NIS remains equally committed to projects for the improvement of environmental protection and occupational safety

In addition to the continuation of investments, the focus of NIS was also on further ensuring the orderly supply of all types of petroleum products to the market. The total volume of oil processing and semi-products in the Pančevo Oil Refinery in the reporting period is 956 thousand tons, which is 6 percent more than in the same period last year. The turnover of oil derivatives amounted to about 909 thousand tons, which is a 5 percent weaker result compared to last year. The total production of oil and gas is 282.8 thousand t.o.e, which is a drop of 3 percent compared to the first quarter of 2022.

The average price of Brent oil in this period was 81.3 dollars per barrel, which is 20 percent less than the average price from the beginning of last year. These changes in the market were also reflected in the results of NIS, so the EBITDA indicator is RSD 19.9 billion, which is 22 percent less compared to the result from the first three months of the previous year. Compared to the same period, the net profit was reduced by 25 percent and amounted to RSD 11.7 billion. In this reporting period, the calculated obligations based on public revenues of the NIS Group amount to RSD 50.3 billion. Indebtedness to banks was additionally reduced, which now amounts to slightly more than EUR 563 million and is 9 percent less compared to the first quarter of 2022.

In addition, NIS will continue to contribute to the development of the community in Serbia. Since 2009, more than RSD 4.9 billion and the implementation of these projects continued in the current year. NIS have been invested in socially responsible projects and sports support, and will remain a reliable partner to the citizens of Serbia.

Management Business report

Highlights

January - March

January | February | March

- Pursuant to the contract on implementation of 2D projects (Nusaybin, Bukat, Damlaca and Nizip) concluded with the Turkish National Company (TPAO), seismic data acquisition at the Bukat exploration area was ongoing
- Setting of the solar panels on three PSs
- Extension of the PS network with TAG devices
- G-Drive Auto glass – prize competition and image campaign on social networks, in order to promote this product
- Under the auspices of the “May New Hopes be Born” campaign, NIS Company handed out 225 gift packages for first-born babies in 2023 in 15 selected maternity hospitals in Serbia
- The traditional international mini basketball festival “Rajko Žižić” was held in Belgrade with the sponsorship of NIS
- With the support of the NIS Company, the first FIDE Chess Olympiad for people with disabilities was held

January | **February** | March

- Signing of the contract on lease of PS Niš Istok
- Online campaign in order to acquire new users of the “On the Road with Us” loyalty programme
- The mobile application of NIS Company – Drive.Go was awarded with a special - Top 50 prize, granted by the magazine PC Press to the best online contents in the category of Digital Innovation
- Anton Cherepanov, Deputy CEO of NIS, presented the results of the NIS Group's operations for the year 2022 to the professional and expert public

January | February | **March**

- In the first three months od 2023, 14 development drills and one exploration well were drilled in Serbia. Also, 10 development oil wells were put into operation in Serbia
- Construction of the GDS Iđoš is in process
- The first scientific and technical conference was held in Refining Block, with the objective to recognise the potential of the employees of Refining Block and develop their competencies
- The reconstruction of FCC and construction of a ETBE unit are going according to the term plan
- The sale of jet fuel to a wholesale customer in Bulgaria started
- Vadim Smirnov, Deputy CEO of NIS, participated in the panel “Education: Paths to Competencies” at the Kopaonik Business Forum and presented the efforts of NIS to support education in Serbia

Representatives of the Scientific and Technological Center (NTC) of NIS and the Joint-Stock Company for Oil Transportation by Oil Pipelines and Oil Transportation by Product Pipelines “Transnafta” signed the Memorandum on Business and Technical Cooperation.
With the support of NIS, the 20th Belgrade Dance Festival was held

Group NIS

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

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

NIS aims to create new value for its shareholders, employees and the community in which it operates, despite the challenging macroeconomic environment.

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

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

Business activities

Business activities of the NIS Group are organized within the parent company NIS j.s.c. Novi Sad, into the Exploration and Production Block[1] and Downstream[2] , which are supported by the nine Functions in the parent company and the MSSC:

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

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

Exploration and production Block

Exploration and production

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

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

The plant for the preparation of natural gas, production of LPG and gasoline, and CO_2 stripping, based in Elemir, near Zrenjanin operates as part of the Exploration and Production Block. An amine unit for processing of natural gas using the high pressure acidgas capture technology is also located in Elemir. This method of gas processing completely

[1] Exploration and Production and subsidiaries - NTC NIS – Naftagas LLC Novi Sad, Naftagas–Oil Services LLC Novi Sad, and Naftagas – Transport LLC Novi Sad

[2] Refining Block, Sales and Distribution Block, Energy Block and subsidiaries Naftagas–Technical Services LLC Zrenjanin

prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, creates significant environmental benefits.

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

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

Services

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

Downstream

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

Refining

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

In 2020, a Bottom of the barrel unit with delayed coking technology was officially commissioned. The project worth EUR 300 mln enables NIS to increase the output of the most valuable fuels – diesel, gasoline and liquified petroleum gas and to start the domestic production of petroleum coke. During 2022, NIS carried out the third phase of the refinery modernization, its capital project being the reconstruction of the FCC (Fluid Catalytic Cracking) plant and the construction of a new plant for the production of ETBE (high-octane petroleum blending component).

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

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

Sales and distribution

NIS operates a network of more than 400 petrol stations in Serbia and the countries of the region, with more than 90 of them outside of Serbia. NIS operates the largest retail network in the country, while simultaneously developing its operations in the neighbouring countries: Bosnia and Herzegovina, Bulgaria and Romania.

NIS is present in the market under two retail brands: NIS Petrol and GAZPROM, with the latter being a premium brand in this segment. The petrol stations of the NIS Group are synonymous with the quality of fuel and non-fuel portfolio, as well as with modern services that meet the consumers' demands. NIS continually invests in the development of its retail network and in improving the quality of its goods and services. One of the priorities includes digital projects that provide consumers with services in line with modern trends, such as fuel payments without going to the payment point, digitalization of loyalty programs, etc.

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

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

Energy

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

In the third quarter of 2022, NIS set up the Energy Block whose task, among other things, is to accelerate the company’s energy transition. The main focus of the Energy Block is expanding the scope of work in the field of electricity production and trade, managing the Company's energy resources, including TE-TO Pančevo, as well as improving energy efficiency and reliability within the NIS Group.

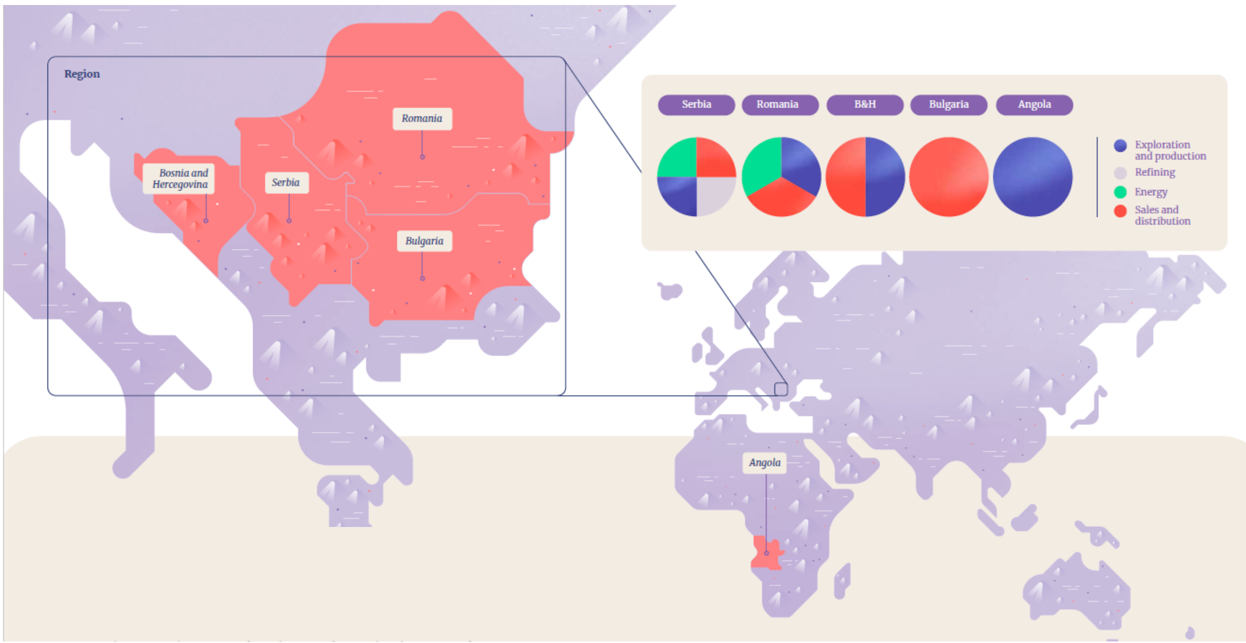
The construction of the modern combined gas-steam thermal power plant-heating plant Pančevo (TE-TO Pančevo) on natural gas was realized in cooperation with the company Gazprom Energoholding. The produced electricity is delivered to the transmission power system of Serbia, which contributes to the energy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

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

In 2022, as part of a pilot project, NIS built solar photovoltaic power plants with the total capacity of 290 kWp at eight of its petrol stations. The electricity with cover the stations’ own consumption and the excess will be placed in the distribution network. In 2023, activities on the construction of solar photovoltaic power plants at NIS facilities continued.

NIS worldwide

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



Risk management

Integrated Risk Management System

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

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

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

Nonfinancial risks

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

IT risks	
Due to the growing dependence of the Company's business processes on information technology, automation and telecommunications, the Company is exposed to risks of ensuring the expected availability of services and business continuity.	The Company manages these risks through a range of measures, which include IT standards, system monitoring tools, and performs the backup of data and tests the service recovery process. In addition, the Company strives to monitor and implement new technologies and renew equipment in order to increase quality and reduce the unavailability of services.
Information security risks	
The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.	Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks. The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.
Project risks	
A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (Project Management Institute) standards. Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives.	A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a "response strategy", that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register.
Political risks	
The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.	Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations. The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

Financial risks

RISK DESCRIPTION	*RISK MANAGEMENT MEASURES*
Credit risks	
It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.	Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad). With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.
Liquidity risks	
Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its due liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.	NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the maximum loan debt level is not exceeded (the parent company sets the limit) and that all its obligations under commercial bank arrangements (covenants) are met.
Commodity-price risks	
Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil and petroleum products that affects the value of inventories and the oil refining margin, which in turn affects future cash flows.	These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices. In addition, the following actions are undertaken to reduce a potentially negative effects of this risk on the financial result of the Company: • annual planning based on multiple scenarios, planned follow-up and timely adjustment of operating plans for crude oil procurement; • regular sessions of Company's Commission in charge of crude oil purchase/sale to discuss all major topics related to crude oil purchase and sale (sale of oil from Angola-Palanca crude oil); • concluding annual contracts for the supply of crude oil under the most favorable commercial conditions. Relating to the first quarter of 2023, the tendency to conclude contracts for the supply of crude oil under the most favourable commercial conditions, with, an exceptional emphasis, for the time being, on spot procedures / spot procurements, due to current events on the European market and beyond (in the third decade on March 2023, all deliveries of Kirkuk oil from the port of Ceyhan, where NIS has been continuously supplied, were suspended; Kirkuk oil was the base oil when it comes to procurement in 2022 and was, as such, planned for 2023 as well). • Constant, intensive check of new potential suppliers through their procedural verification and according to inquiries and letters of interest submitted to NIS

- Maximum effort to ensure a continuous supply of crude oil in restrictive conditions, which have been very evident since the end of the first quarter of 2022, both in the required quantities but also by the type of oil that would correspond to refining plans and planned production/basket of derivatives
- Additional optimization of the procurement process based on the Decision of the Government of the Republic of Serbia to exempt crude oil from customs duties from March 2022 until the end of the year (pro tempore), as well as in 2023.
- Continuous efforts to optimize processes and strive for the best possible economic effects and indicators;
- Monitoring market conditions throughout the calendar year and collecting information from foreign companies that are eminent, reliable traders in the European market and beyond, in order to better understand the potential conditions for the implementation and realization of spot purchases on the basis of which we are, for example, in 2021, they achieved very good financial results and indicators in that sense.

Foreign Exchange Risks

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

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

Interest Rate Risks

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

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

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

Business environment[3]

World[4]

In early April, OPEC+ announced that it would reduce production by 1.16 million barrels a day from the next month, citing high levels of uncertainty in global markets and the growth of the global economy as the reason for that decision. It is also stated that such an attitude will be maintained throughout 2023. Many conflicting factors are currently at play in the oil market. The recovery of China is ongoing, but it is unclear how long the recovery will last. And the global economy will grow, but the pace of growth is also difficult to predict.

The United States has become the largest supplier of crude oil to the European Union, after 18% of crude oil was imported from the United States in December 2022. This represents a major turnaround, as Russia was the main oil supplier to the EU until recently. By the end of January last year, Russia was the largest oil supplier in the EU with 31% of total imports. At the same time, the US was in second place with a share of up to 13%.

The situation is similar with natural gas: Russia's share in European imports of natural gas fell from 31% in the first quarter to about 19% by the end of the year. This enabled Norway to take first place with 31%, and the US to become the second largest gas supplier in the EU with about 20% share.

Changes are also taking place on a global scale in the area of trading currencies. The Financial Times has announced that the status of the US dollar as the world's main reserve currency has been compromised. Although no currency is able to completely replace the dollar on the pedestal yet, the US currency quickly loses its competitive advantage over the Chinese yuan. The share of China's official currency – the renminbi – in trade financing has more than doubled compared to the same period last year. And this is an increase that analysts say also reflects the increased use of the Chinese currency to facilitate trade with Russia and the rising cost of dollar funding.

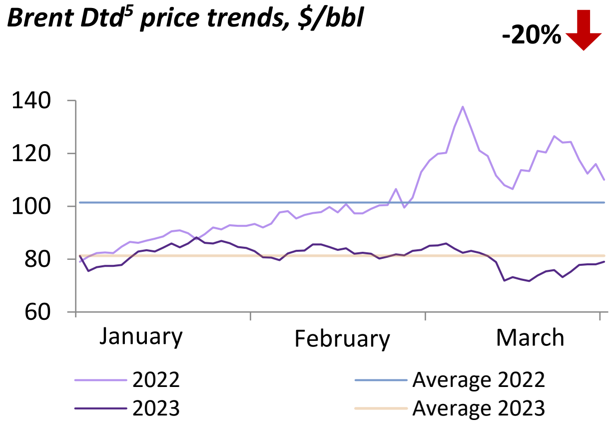
The energy transition while ensuring the security of supply is a constant topic of almost all globally important meetings. At the G7 Ministers' Meeting in April 2023, it was pointed out that the transition to a "clean" economy is increasingly important, and that progress has been made in many areas of work on the transition of clean energy and energy security – including critical minerals, energy efficiency, renewable energy sources, natural gas, hydrogen, emissions from road transport and coal, and the decarbonisation of heavy industry. Ministers of countries with advanced economies (G7) that deal with climate, energy, and the environment issued a statement in which they set goals to strengthen energy security and accelerate progress in the transition to clean energy. 92 goals were set, grouped into 3 areas: Climate, Energy, and Environment Joint Section; Environment; Climate and Energy.

Oil

During the first quarter of this year, the price of Brent oil was much more "balanced" than the price in the same period last year. And the average price of $81.27/bbl was lower than last year by 21%.

Although most of the short-term forecasts for the price of this oil were high, now things are starting to change. Weak supply, which almost all forecasters cite as the main reason for predicting a rise in oil prices, is now combined with fears of a slowing economy, which may reduce demand for oil and "push" prices down.

Brent Dtd[5] price trends, $/bbl



Bank of America reduced the Brent oil forecast for the second quarter of 2023 to $85/bbl (from $90/bbl

[3] Data sources for the World, Oil price and Macroeconomic trends: reports by Wood Mackenzie, IHS, Bloomberg, Reuters, National Oil Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles.
[4] Source: EIA, OPEC, Oil&Gas Journal, IHS, Wood Mackenzie.
[5] Source: Platts.

as previously expected). The forecast for the third quarter was also reduced by $5 per barrel - to 90 from $95/bbl, while the price estimate for the fourth quarter was reduced to 87.50 from $95/bbl.

Goldman Sachs revised its oil price forecast for the rest of the year. Brent was previously expected to reach $100/bbl in the second half of 2023, and now the investment bank expects the international benchmark to rise to just $94/bbl in the next 12 months. For 2024, Goldman Sachs analysts estimate Brent oil at $97/bbl. Morgan Stanley also cut its 2023 Brent average forecast to $85 from $95/bbl. Morgan Stanley is cutting its price forecasts for next year as well, seeing OPEC+'s latest move as a likely acknowledgment by the organization's biggest producers that demand may not be doing so well. OPEC+ also stated at the end of the quarter that it is necessary to prevent oil price fluctuations.

Macroeconomic trends

For the first time in recent "inflationary" times, the Fed and the ECB do not think alike when it comes to interest rates. In mid-March, the FED decided to raise the key interest rate less than before (by 0.25%) and that this decision ends the raising of the interest rate in the USA, which is now 5%, and the FED's position is that this will be enough to adequately influence the reduction of inflation in order to reduce inflationary pressure. At the same time, there were several signals from the European Central Bank in the first quarter that interest rate hikes in Europe will continue. The ECB still does not expect a foreseeable reduction of inflationary pressures in the Eurozone, and therefore continues in Europe with a strict monetary policy and further interest rate hikes, with the aim of returning Eurozone inflation to the level of 2%, from 8.5% in February (EU inflation is was 9.9%) . It is expected that in the area of the Eurozone, a serious calming down and reduction of inflation will occur only during the next year.

However, the Fed also believes that additional pressure could come from "stress" in the banking industry, which could cause a credit crisis with significant implications for the economy, which Fed officials predicted would slow down even more this year than previously thought. Banks (struck by or worried about a sudden outflow of deposits) may become reluctant to lend to businesses and households, a risk that has prompted the Fed to reconsider its expectations about monetary policy as it waits to see how far the loan reduction can extend and how long it can last. And the ECB is very cautious, it believes that the increased interest rates are just starting to affect the economy and their effect could increase due to the turmoil in the banking sector.

Serbia[6]

According to IMF information, the Serbia's macroeconomic indicators within the framework of the agreed program are at a good level. There is a smaller-than-expected level of monetary deficit, while foreign exchange reserves are on higher levels, as well as significant diversified flows of foreign direct investment.

However, the negative impact of the geopolitical situation and the reduction in demand from Serbia's main foreign economic partners led to a decrease in the volume of the processing industry in the second half of 2022 and early 2023. In early April, NBS raised the main interest rate to 6% with the rationale of strengthening fiscal discipline to prevent inflation growth and keep it within the planned limits. At the end of the quarter, the Euribor rate also increased, which will lead to an increase in the cost of euro loans. This is almost 1% more than in the previous quarter, i.e. the rate in effect since December 31, 2022. According to analysts, the European Central Bank is likely to continue raising key interest rates until at least the middle of this year, which will also lead to additional increase in loan expenses.

In January, February and March, the inflation rate was 15.8%, 16.1% and 16.2% respectively, which is in line with the official NBS forecast for the first quarter. Approximately two-thirds of the overall inflation rate is the result of higher food and energy prices.

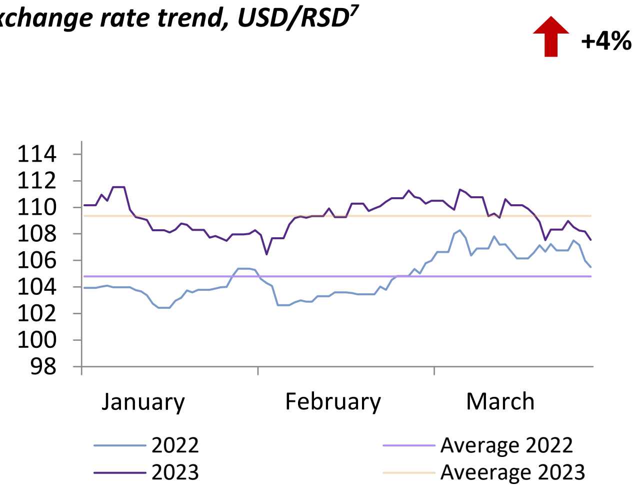
However, despite unfavorable macroeconomic conditions in the first two months of 2023, industrial production increased by 2% year-on-year, driven by a 30% increase in electricity, gas and steam supplies. In the processing industry, there is a decrease of 3.7% compared to last year, while foreign trade increased by 2.4%.

The average salary in Serbia before taxes in January 2023 was RSD 114,228, and the average salary after taxes and fees was RSD 82,769. Compared to January last year, this is a nominal growth of 16.7% and a real growth of 0.8%.

[6] Source: National Bank of Serbia, Republican Bureau of Statistics, Chamber of Commerce Serbia, newspaper articles.

The median salary in January 2023 before taxes was RSD 62,964, which means that 50% of all employed persons received no more than this amount.

Exchange rate trend, USD/RSD[7]



- Average USD/RSD in first three months of 2023 was higher by RSD 4.6, i.e. 4% higher compared to the average exchange rate in the same period of 2022.
- During the first three months of 2023 USD/RSD exchange rate decreased by RSD 2.59 or 2%.
- During first three months of 2022 USD/RSD exchange rate increased by RSD 1.58 or 2%.

[7]Source: NBS.

Performance analyses

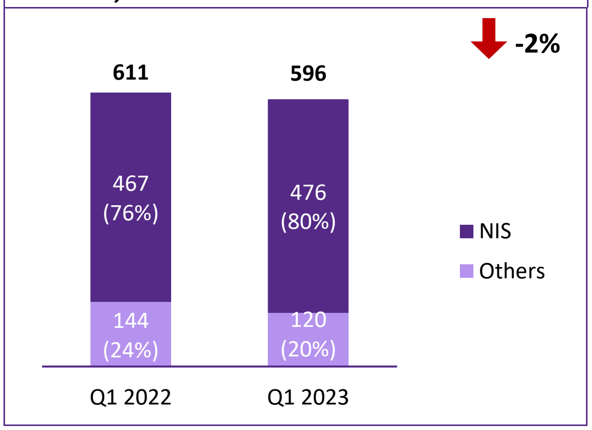
Market share[8]

The crisis arising in the second half of February 2022 and supply uncertainty brought forth a rise in consumption in all countries of the region and setting up safety stocks by customers. As opposed to this period, the first quarter of 2023 recorded a fall in consumption most of the time, due to the high levels in the referenced period.

In addition, a number of countries in the region introduced government-regulated prices, reduction of excises, or specific trade-offs with customers due to growing fuel prices. As a consequence, the consumption structure and petroleum product price structure underwent changes, given that customers would frequently switch from the usual supply channel to card purchases or cross-border fuel purchases, due to more attractive prices.

Market share in the Serbian market

Volume of the RS motor fuels market[9], in thousand tonnes



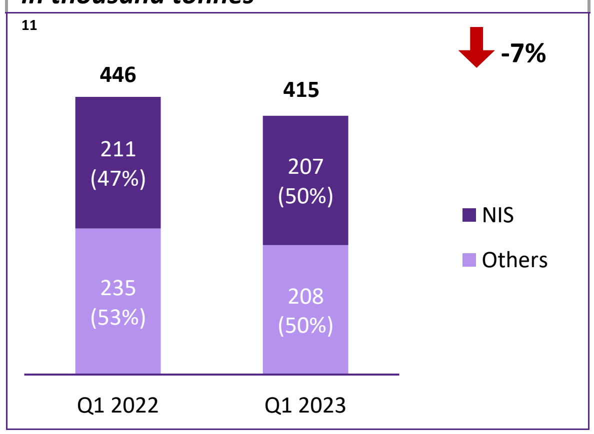
In the first quarter of 2023, motor fuel consumption in Serbia is lower by 2.5% on the year before. This period is characterised by stocks increase by final consumers due to potential shortage concerns, government measures to restrict prices, reduction of excise, introduction of regulated lower prices for farmers. As expected, with the reference period as it stands, the consumption in the first three months of the current year recorded a decrease.

The year-on-year growth of NIS' share in the motor fuel market in the first quarter is the effect of the regulated petroleum product price that was continuously in force over the entire first quarter of the current year, while, in 2022, market prices were in effect during one half of the quarter. Moreover, the regulated preferential price for supplying farmers on the NIS petrol station network led to an increase in sales volumes in NIS' agro retail segment.

Retail: In the first three months of 2023, the consumption recorded a fall as opposed to 2022 by 6.8%, while NIS' share is bigger on the year before.

In 2023, NIS provides Serbian market with steady supply of petroleum products in all sales channels.

Volume of the RS motor fuels retail market[10], in thousand tonnes



[8]Data sources for the projections: for Serbia – Sales and Distribution Block's internal analyzes and estimates; for consumption estimates for Bulgaria and Romania– Stratas Advisors; for Bosnia-Herzegovina – Stratas Advisors and internal estimates. Any deviations in percentages and aggregate values result from rounding.
[9]Data for three months of 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.
[10]The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.
[11]Other retail of other market participants is supplied from the wholesale of NIS and other participants of the Serbian wholesale market.

Market share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

The Law on Amendments to the Excise Law in Bosnia and Herzegovina is in the procedure, the adoption of which would facilitate fuel price reduction by 0.50 KM/l. The governments of the Republic of Srpska and Federation of Bosnia and Herzegovina spoke in favour of this law, as this legal solution facilitates the excise revenue loss to be compensated through higher VAT revenues, given the higher prices.

In Bosnia and Herzegovina, the sale of subsidized fuel started on 1 March and will be in force until 15 November of the current year.

Bingo, the largest FMCG segment trader in Bosnia and Herzegovina, penetrated the petroleum product wholesale market by setting up Bingo Petrol - Tuzla, following opening of its first petrol station in the previous year. It is expected to offer to its clients petroleum products supply through its own retail and wholesale channels, while announcing attractive prices.

In Bosnia and Herzegovina, the same as in the major part of the region, a year-on-year fall in motor fuel consumption and retail sales volumes was recorded in the first quarter of 2023.

The decree banning Diesel export from Serbia was in force in the first quarter, thus making it difficult for NIS to provide for supplying its retail network and disabling supplying of wholesale clients. In March, a volume quota was approved for export to Bosnia and Herzegovina, hence deliveries from Pančevo Oil Refinery were resumed, and the decree was formally abolished by the end of March.

NIS owns 40 petrol stations in Bosnia-Herzegovina (and 1 DODO petrol station).

NIS' share in the motor fuel market in the first quarter of 2023 was 16.0%, and in the retail market 8.9%.

Bulgaria

Bulgarian transitional government approved the execution of the Memorandum of Understanding with Greece, to promote the cooperation in the field of safe crude oil import via pipeline. Bulgaria and Greece will contemplate the possibility of re-launching the project of oil pipeline construction from Aegean port Alexandroupolis to Black Sea port Burgas. However, the country must secure enough non-Russian oil to keep the Black Sea refinery processing 196,000 barrels a day, after the exemption for Russian oil expires in 2024 The refinery provides over 75 percent of fuel for the local market. The Bulgarian authorities say that they have reached an agreement with the Greek Prime Minister and Vice President to resume the Burgas-Alexandroupolis project as soon as practicable.

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

The Bulgarian anti-monopoly commission fined oil company Luoil for for abusing its dominant market position in that country. The Bulgarian regulator explained its decision saying that Lukoil Bulgaria had abused its dominant position by exerting pressure on the wholesale fuel prices, thus hindering competition and harming consumers' interests. Moreover, the Bulgaria's anti-monopoly commission accused Lukoil of putting pressure on fuel market by gradually changing wholesale price conditions and removing quantity discounts.

In first quarter of 2023, compared to the previous year, Bulgaria recorded a slight drop in the motor fuel market, as well as in retail sales.

At the beginning of the quarter, NIS was managing a network of 34 petrol stations and a petroleum product tank park in Kostin Brod in Bulgaria. End of March, the number of petrol stations dropped by 4 as a consequence of expiry of the lease agreement, whereupon the total number of petrol stations was 30 at the end of the period.

NIS' share in the motor fuel market in the first quarter of 2023 was 5.4%, and in the retail market 3.9%.

Romania

OMV Petrom risks being excluded from the Black Sea exploration project. The Romanian government authorities found irregularities due to which the company could lose its permit. OMV Petrom failed to submit complete documentation and feasibility study to the Romanian National Agency for Mineral Resources.

As a result of cutting excise on Diesel and gasoline as of 1 January 2023, retail prices of these petroleum products also went down, while increasing the LPG excise lead to increasing the retail LPG price. 2023 continues recording unsteady retail and wholesale prices trends.

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

In first quarter 2023 Romania recorded a year-on-year mild recovery in the motor fuel market, as well as in retail sales.

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

Key performance indicators

Indicator	Unit of measurement	Q1 2023	Q1 2022	Δ[12]
Brent Dtd	$/bbl	**81.3**	101.4	-20%
Sales revenue	RSD billion	**95.9**	98.0	-2%
Net profit (loss)	RSD billion	**11.7**	15.6	-25%
EBITDA[13]	RSD billion	**19.9**	25.4	-22%
OCF	RSD billion	**17.7**	23.3	-24%
CAPEX[14]	RSD billion	**6.5**	3.8	+71%
Accrued liabilities for taxes and other public revenues [15]	RSD billion	**50.3**	53.2	-5%
Total bank indebtedness[16]	EUR million	**563.1**	620.6	-9%
LTIF[17]	number	**1.1**	1.3	-11%

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

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

[14] CAPEX amounts are exclusive of VAT.

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

[16] Total bank indebtedness = Total debt to banks + letters of credit. As at 31 March 2023, this was EUR 563 million of total debt to banks, while there was no debt based on letters of credit.

[17] Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. The LTIF indicator calculated according to the previous methodology is 1.39. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of March 31.

Operational indicators

Exploration and production

Indicator	Unit of measurement	Q1 2023	Q1 2022	Δ[18]
Oil and gas output[19]	thousand t.o.e.	**282.8**	292.1	-3%
Domestic oil output[20]	thousand tonnes	**198.3**	200.1	-1%
LTIF[21]	number	**0.0**	2.0	-100%
EBITDA	RSD billion	**7.0**	12.9	-46%
CAPEX[22]	RSD billion	**5.0**	2.6	+94%

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

In the first three months of 2023, a total production volume of 272.2 t.o.e. was achieved in Serbia, i.e., including concessions – 282.8 thousand t.o.e.

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

Geological exploration and field engineering

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

In the first quarter of 2023, 10 new oil wells were successfully drilled and commissioned, whereby the average increase of 10.5 t/day per well was achieved.

Also, in the first three months of 2023, geological and technical activities were successfully carried out in 51 wells with the satisfactory average increase.

In 2023, the application of the repair and insulation works (RIW) technology continued. In the first quarter, after the application of the RIW technology, 18 wells were commissioned and the average increase of 1.5 t/day was achieved, and most of the operations were performed on the Velebit exploitation field.

Additionally, in the first quarter, 15 wells were commissioned after the transition to the new production layer with the mean realized increase of 5.4 t/day, totally 12 intensifications were made, with the increase of 2.2 t/day, while totally 6 wells from the idle well stock were enabled for operation.

When all geological and technological activities were taken into account, the additional oil production of 6,196 tonnes was achieved.

The project of forming the system for supporting the reservoir pressure at the Turija oil field was prepared. The PTD development stage and the internal technical control stage were completed.

Exloration drilling and well testing

In the first quarter of 2023, one gas exploration well was drilled, which was abandoned after drilling. As part of the implementation of the geological and exploration works in the Exploration and Production Block in Serbia and in accordance with the SIP for 2023-2025, it was planned to drill additional 5 exploration wells by the end of 2023 and test one well that was drilled in the previous period.

[18] Any deviations in percentages and aggregate values result from rounding.
[19] Domestic oil ouput includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.
[20] With natural gasoline.
[21] Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers for the Exploration and production Block. Due to the change in methodology, from May 2022 contractors will also be included in the calculation of HSE indicators. Data for the three months of 2023 according to the previous methodology is 0.0. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of March 31
[22] Financing, exclusive of VAT.

2D/3D seismics

A complex seismic and geological interpretation of data recorded in the exploration areas of the Middle and North Banat.

License obligations

Geological exploration projects were carried out, and the exploration works were reported to the competent state authorities, in order to establish conditions for drilling wells in the approved exploitation fields of Velebit Boka and Bradarac-Maljurevac. At the approved exploitation fields of Iđoš and Mokrin, drilling and testing of wells was carried out in accordance with geological exploration projects.

In accordance with the provisions of the Law on Mining and Geological Research, after the completion of geological research in the exploration area of Serbia southern of the Sava and the Danube, the Ministry of Mining and Energy received the final report on the results of the conducted geological research (for the period of 2020-2022), while the Provincial Secretariat for Energy, Construction and Transport received the final reports on the results of the performed geological research in the exploitation fields of Velebit and Martonoš zapad, as well the annual reports on the performed geological research in 2022 in the exploration areas of North Banat, Middle Banat, South Banat, North Bačka and South Bačka. For the purpose of realizing the planned geological research in the exploration area of Podunavlje, the Ministry of Mining and Energy received the request for obtaining approval, and for the purpose of continuing the performance of geological research in the exploration area of North Banat in 2023, the Provincial Secretariat for Energy, Construction and Transportation received the request for issuing approval.

The request for the permit issuance was submitted to the Provincial Secretariat for Energy, Construction and Transport with the aim of expanding the limits of the approved Kelebija exploitation field and continuing the exploitation of oil and gas.

The request for the approval issuance was submitted to the Provincial Secretariat for Energy, Construction and Transport for the purpose of the construction of mining facilities and for the execution of mining works at the expanded Janošik exploitation field.

Projects abroad

The Company's operations in Romania in the Upstream part were carried out with the resources of the company NIS Petrol SRL from Romania (the subsidiary company, whose sole owner is NIS j.s.c. Novi Sad) in six concession blocks. The operator on the blocks: the subsidiary company of NIS in Romania, *NIS Petrol SRL.*

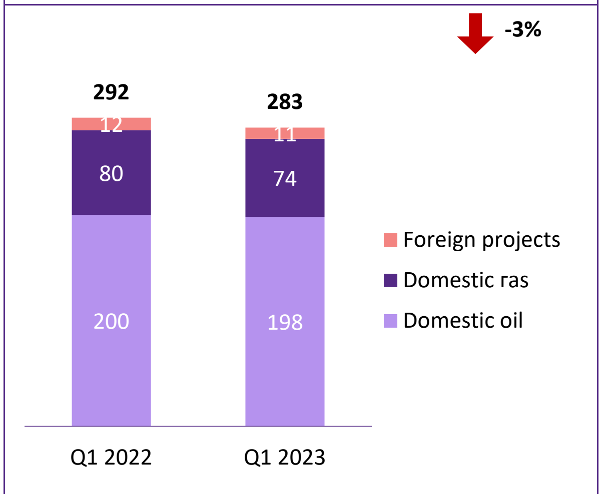
Key events in Bosnia and Herzegovina in Q1 2023:

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

Operating indicators

In the first quarter of 2023, the total of 283 thousand t.o.e. of oil and gas was produced, which is 3% lower than the same period last year.

Oil and gas output[23] , thousand t.o.e.



[23] Any deviations in percentages and aggregate values result from rounding.

Downstream

Key indicators

Key indicators	Unit of measure	Q1 2023	Q1 2022	Δ[24]
Volume of refining of crude oil and semi-finished products	thous. tonnes	**956.5**	904.9	+6%
Total sales volume of petroleum products	thous. tonnes	**908.9**	958.6	-5%
Retail Serbia	thous. tonnes	**206.1**	209.3	-2%
Wholesale Serbia[25]	thous. tonnes	**344.4**	308.4	+12%
Retail Foreign Assets	thous. tonnes	**36.1**	48.8	-26%
Wholesale Foreign Assets	thous. tonnes	**38.6**	90.0	-57%
Transit, export and BU[26]	thous. tonnes	**283.8**	302.1	-6%
Motor fuels sales volumes[27]	thous. tonnes	**615.1**	645.4	-5%
EBITDA DWS[28]	bln RSD	**14.1**	15.8	-11%
EBITDA Refining[29]	bln RSD	**8.4**	15.4	-45%
EBITDA Sales and Distribution[30]	bln RSD	**4.5**	2.5	+82%
CAPEX DWS[31]	bln RSD	**1.3**	1.1	+21%
CAPEX Refining	bln RSD	**0.4**	0.3	+60%
CAPEX Sales and distribution	bln RSD	**0.8**	0.7	+10%
LTIF DWS[32]	number	**0.9**	0.8	+21%
LTIF Refining	number	**1.1**	2.0	-46%
LTIF Sales and distribution	number	**1.0**	0.0	growth

[24] Any deviations in percentages and aggregate values result from rounding.
[25] Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.
[26] Business unit includes the sale of bitumen, bunkering and aviation fuel channels.
[27] Total motor fuels sales volumes in Serbia and in foreign assets.
[28] EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution and the rest of Downstream.
[29] EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.
[30] EBITDA of the Sales and Distribution Block.
[31] Financing, excluding VAT. The shown CAPEX Of Downstream includes CAPEX of Refining Block, Sales and distribution Block and the rest of Downstream.
[32] Lost Time Injury Frequency – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. The data for three months of 2023 according to the previous methodology for the Sales and Distribution Block is 1.05, while for the Refining Block it is 1.99. The indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of March 31.

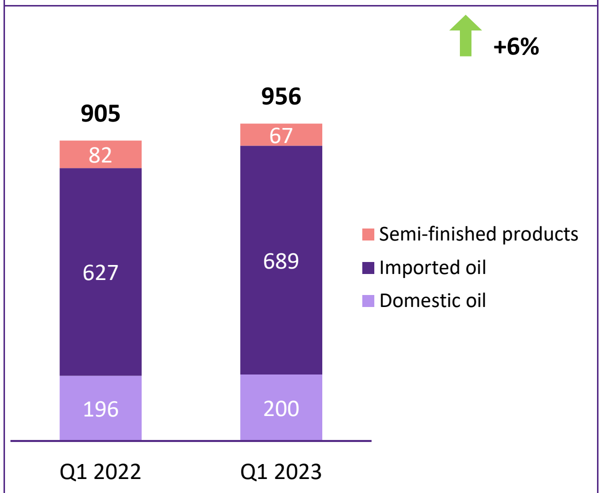
Refining

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

Despite the challenging market circumstances, Refining Block achieved a volume of processing that is about 5.7% higher than the same period of the previous one, which also affected the good financial result of EBITDA of RSD 8.4 billion.

Refining activities and volume

Refining volume[33], thousand tonnes



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

Refining Block continuously implements activities to find new and maximize existing measures to increase efficiency and reduce costs. During the first quarter of 2023, Refining Block developed the additional Quick Wins measures and achieved measures for the first quarter worth RSD 0.2 billion, which is more than the planned level.

As part of the OMS activities, the implementation of best practices and the establishment of reference plants began in the oldest part of the refinery, in the Block 5 facilities, then on the MHC complex and Power Plant. The need for special arrangement and equipping of the plant with defined 5S equipment and the provision of new signs for visual marking of equipment and plant in accordance with the plan is underway. As a part of the process of continuous improvement, the analysis of projects and initiatives for increasing energy efficiency using Lean 6 Sigma tools is underway.

In March 2023, the first scientific and technical conference was held in Refining Block, with the objective to recognise the potential of the employees of Refining Block and develop their competencies.

The topic of the conference was the improvement of the process in the block, with the submission of 10 works and 15 participants. Some of the participants also have mentors. The concept of NTK implies that all employees of Refining Block can submit their ideas and projects for process improvement, either as business support or as an initiative in the field of mechanical engineering, technology, HSE, automation or digitalisation.

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

[33] Any deviations in percentages and aggregate values result from rounding.

Projects

The most important activities within the part of the project Reconstruction of the FCC plant and construction of the new ETBE plant:

It is planned to continue the process of obtaining the Building Permit in 2023 and to complete all works related to the demolition of the building S-620 and the parts of S-2750. This project is the most important investment of the third phase of the modernisation of the refinery in Pančevo and is multifold significant not only for the refinery, but also for our company as a whole. The modernisation will help increase the value of the refinery's products and EBITDA. After the reconstruction and introduction of advanced technologies, the FFC unit will be operating in both propylene and gasoline mode, relative to market demand. This will facilitate higher flexibility and optimisation of technological processes. This project also has a great impact in terms of improving environmental protection through the reduction of solid particle emissions. The further strategy for the implementation of the project is in progress, in accordance with the current conditions on the market and other dependent activities, without which this project cannot be realised.

Refining Block is continuously working on the implementation of a of new digital technologies to improve efficiency and reliability. One of the most significant digital projects that is in the implementation phase is predictive maintenance of critical assets. It is about the application of the best practice and the most modern technology in the field of asset maintenance, which implies the realisation of the concept of proactive maintenance. Active efforts are also being made to improve the efficiency of technological processes through the improvement of the monitoring system of operational availability parameters, APC (Advance Process Control - Unit level) availability parameters, as well as remote monitoring of process performance of catalytic reforming plants. In the segment of improved personnel efficiency, several data visualisation projects were implemented through the application of BI tools.

Sales and distribution

Points of Sale[34] and Logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 332 retail sites are located in the Republic of Serbia (with 27 of them under GAZPROM brand). As for the countries of the region, NIS owns 41 petrol stations in Bosnia and Herzegovina (31 under GAZPROM brand), 30 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

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

Implementation of the project of reconstruction and modernization of the PP Niš Warehouse continued.

Loyalty program and marketing activities

In the first quarter of 2023, 46 marketing activities were implemented in Serbia in order to develop consumer brands, loyalty programmes, improve the sales of fuel and non-fule products, as well as to introduce the new products.

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

- Drive.Go application – promoted in order to get new members and increase the number of downloaded applications with the promotion on digital channels and with PR advertising. Drive.Go application is available at all NIS Petrol and GAZPROM petrol stations, within which there is a functionality "My company" - which allows sending of a fiscal invoice with or without a TIN to the consumer's e-mail. During the first quarter, the total number of active users increased by 2,848, in the total number of 39,644, with a total sales through the application of around 2,5 million litres.
- "On the Road with Us" loyalty programme – an active campaign on the acquisition of the new virtual members, as well as on the reactivation of consumers through the digital and CRM channels continued. The total number of active users in the first quarter was 678,327, and of the new virtual members in the first quarter: 31,067.
- G-Drive – we continued to advertise on online channels in order to promote our premium G-Drive fuel. The number of followers rapidly increased by 1,000 (G-Drive Serbia IG), which is a total increase of 16.27%.
- Social networks/partners for creating online content/site: during the first quarter of 2023, 4 new episodes were created within the content "On the Road with Us through Serbia", whereby the readers of our site and our followers on social media could read detailed recommendations on locations in Serbia that they could visit.

Other activities

- Realization of the participation of employees in 8 business sports leagues in Belgrade, Novi Sad and Niš, then participation in the Memorial Masters Swimming Tournament in Belgrade and online chess tournament in Russia
- A survey of employees in 6 cities was organized and health form testing was carried out in order to create plans for improving health, where over 800 employees were hired in 6 days.

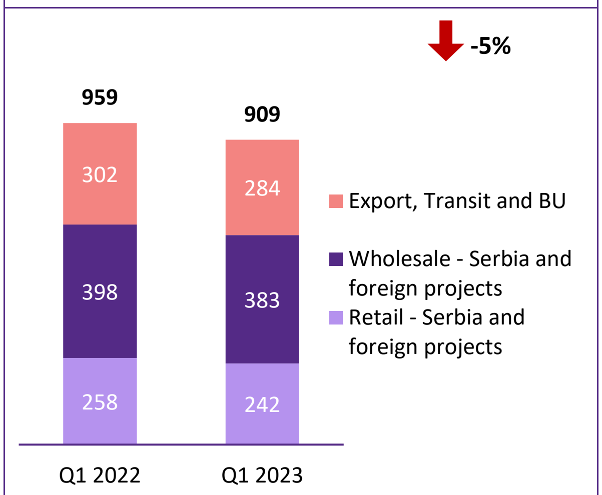
[34] As at 31 March 2023.

Operating indicators

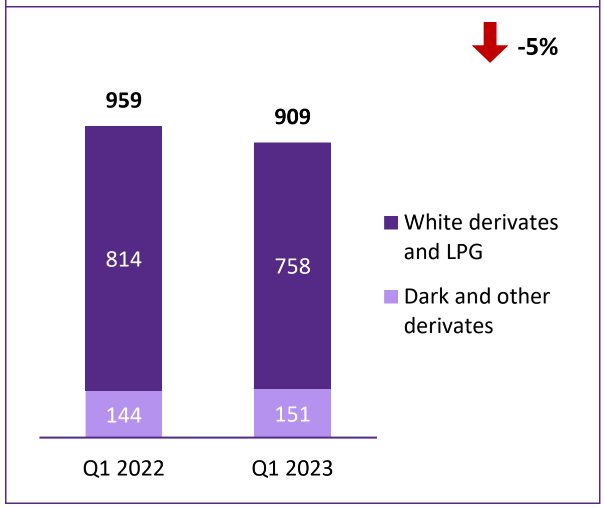
In the first quarter of 2023, the sales reduced by 5% compared to the same period in 2022, bringing the total sales to 909 thousand tonnes.

- Retail in Serbia and foreign assets – a decline by 6%, primarily in foreign countries, due to:
  - the geopolitical situation in the EU countries (especially in Romania) and
  - the change in schedule caused by the panic growth of consumption in March 2022
- Wholesale in Serbia and foreign assets[35] – there was a decline primarily because of the decrease in sales of petroleum products in foreign countries because of the ban on exports from Serbia
- Export, transit and BU[36] – The increase in sales of jet fuel by 42% compared to the first quarter of 2022 because of the expansion of the line of international air flights of Air Serbia and foreign airlines, as well as the increase in the exported quantities of jet fuel.

Volume of sales[37], thousand tonnes



Structure of sales[38], thousand tonnes



[35]It includes the sale of CNG of the Energy Block and the sale of oils, lubricants and technical fluids of the Downstream Lubricants Production Plant.
[36]Business unit includes the sale in petroleum products of bitumen, bunker and jet fuels
[37] Any deviations in percentages and aggregate values result from rounding.
[38] Any deviations in percentages and aggregate values result from rounding.

Energy

TE-TO Pančevo Project

Status of the CCPP Pančevo project as of March 31, 2023 is as follows:

- The production, delivery and installation of the power plant equipment has been fully realized.
- After the signing of Annex No. 5 of the EPC contract and the preliminary record of handover (Provisional Acceptance Certificate) on 24.10.2022. the plant was put into commercial operation.
- Operating permits were obtained for the connection and distribution plant PRP 220 kV (February 6, 2023), gas turbine and steam turbine plant (February 8, 2023) and connecting installations (February 27, 2023).

Natural gas

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

CNG transport from the Ostrovo gas remained stable. Negotiations are ongoing on the annual Agreement on the complete supply of energy from natural gas.

Electricity trading

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

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

In the first quarter of 2023, the programme of measures to reduce electricity consumption and increase energy efficiency achieved energy savings of 1,118 t.o.e. The financial value of the savings amounts to RSD 98.9 million.

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

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

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

Renewable energy sources

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

An economic model was developed for the construction of the photovoltaic power plant at 30 PSs. The savings in the purchase of electricity is 1,123 MWh (about 18% of the total consumption of all 30 PSs) with the savings in costs of about EUR 167 thousand annually. In the first quarter of 2023, the procurement and technical evaluation of bidders were completed. Following that, the negotions with the bidders were conducted in the first week of April.

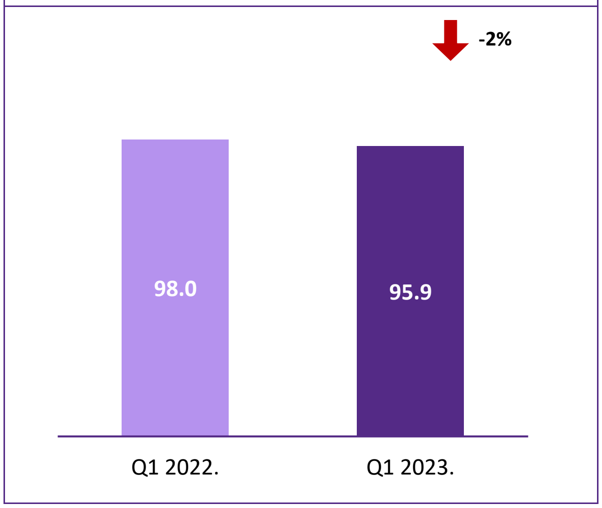
On the basis of the developed technological study, the project passport was prepared for the construction of the photovoltaic power plant in the Jazak Drinking Water Factory complex with a total panel power of 880 kWp (370 kWp on the roof and 510 kWp on the ground). At the end of the first quarter, a procurement tender was launched and published.

Financial indicators

Sales revenues

During the first three months of 2023 sales revenues are 2% lower compared to the previous year, and the total amount of sales revenues is RSD 95.9 billion.

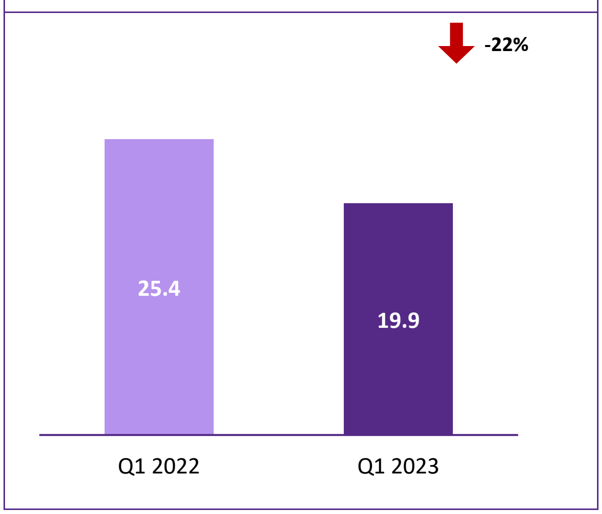
Sales revenue[40], RSD billion



EBITDA

The EBITDA indicator in the first three months of 2023 is 22% lower than the same perod last year and amounted to RSD 19.9 billion.

EBITDA[41], RSD billion



In Q1 2023 the decrease of the EBITDA indicator was influenced by the following factors:

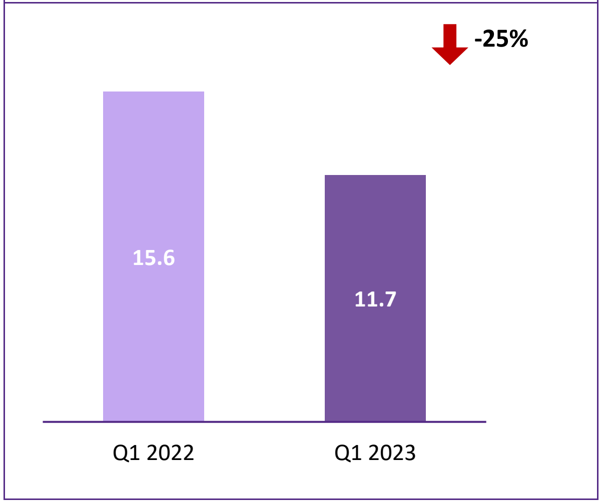
- The impact of the drop of oil and petroleum product prices in the global market and the effect of "expensive" inventories;
- Deterioration of the refining assortment of the oil and derivatives, which was partially compensated by the increase in the margin of oil derivatives;
- Cost increase compared to the reference period.

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

Net profit

The net profit in the first quarter of 2023 amounts to RSD 11.7 billion, which is lower 25% compared to the same period last year.

Net profit[42], RSD billion



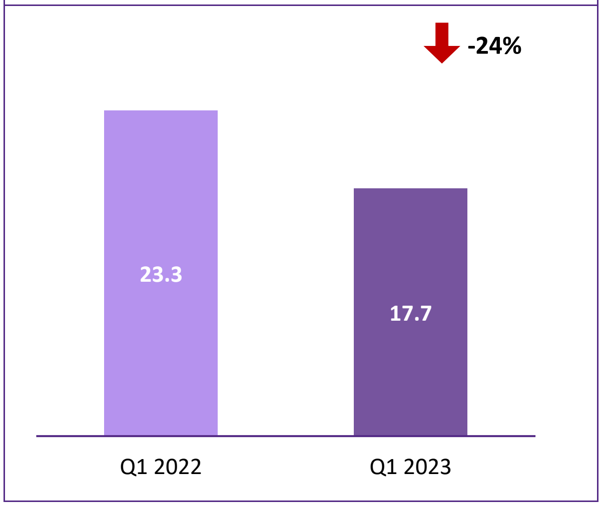
The decrease of net profit is conditioned by:

- The decrease of EBITDA;
- The growth of financial income.

OCF

In the first quarter of 2023, the operating cash flow amounts to RSD 17.7 billion, and it is lower 24% compared to the same period last year.

OCF[43], RSD billion



The decrease of the OCF indicator was influenced by:

- Higher operating costs.

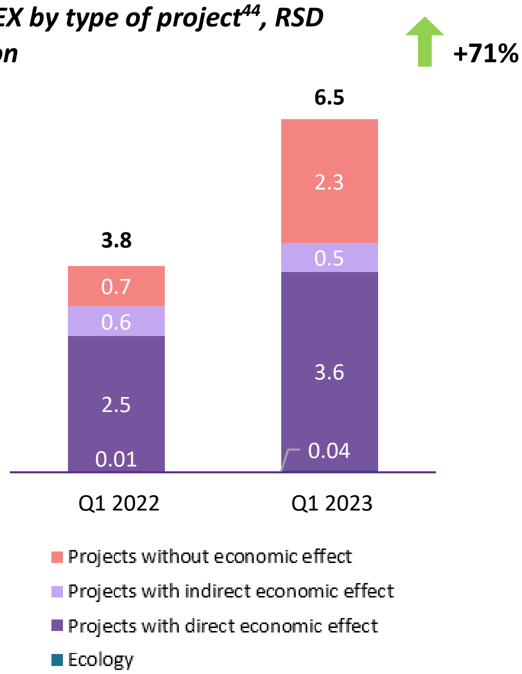
[42] Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.
[43] Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were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

CAPEX

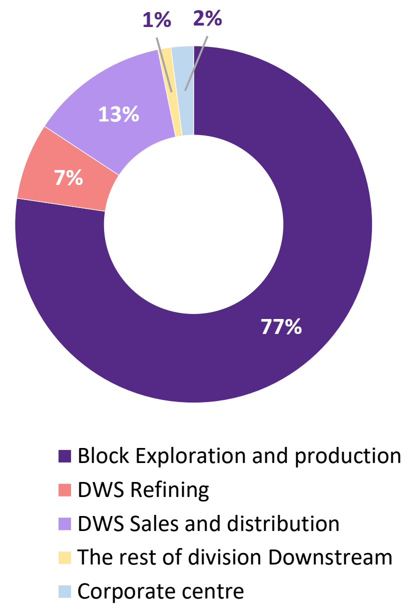
In the first quarter of 2023, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling and concession projects, followed by oil refining projects, as well as reconstruction, construction and rebranding projects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

In the first quarter of 2023, RSD 6.5 billion was allocated for investment, which is 71% more compared to the same period last year.

CAPEX by type of project[44], RSD billion



Investments by segments



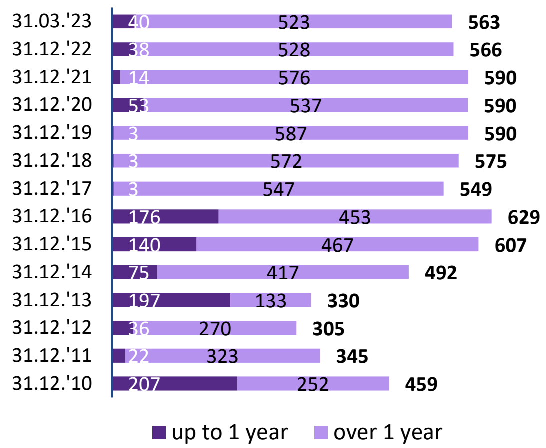
[44]All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Organisation unit	Major projects
Exploration and production	• drilling of development wells • investing in geological and technical activities • concessions
Services	• general well workover, replacement and procurement of equipment for drilling rigs • procurement of vacuum tank trucks
Refining	• projects aimed at ensuring compliance with legal norms and regulations • projects to increase production efficiency • capital investments related to environmental protection • reconstruction of the FCC unit and construction of new ETBE unit
Sales and distribution	• retail network development in Serbia (petrol station construction, reconstruction and rebranding) • other retail projects in Serbia and the region
Rest of Downstream projects (Energy and Technical services)	• Plandište wind park • technical services projects • energy projects
Corporate centre	• projects related to the maintenance of software solutions • projects related to the modernization of the business centers of Novi Sad and Belgrade

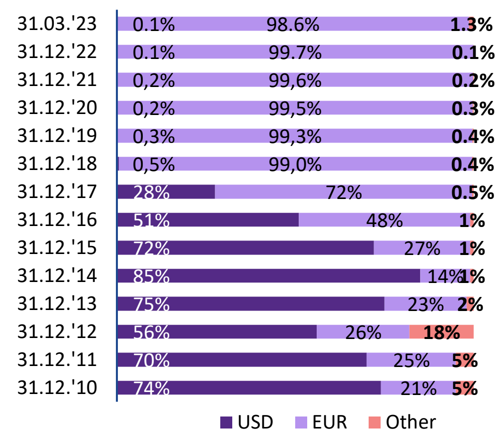
Indebtdness

At the end of first quarter of 2023, the debt to banks was lower than the debt at the end of 2022 and amounts to EUR 563.1 million. Loans in the amount of EUR 7.0 million were withdrawn, and a total of EUR 9.7 million was regulary repaid.

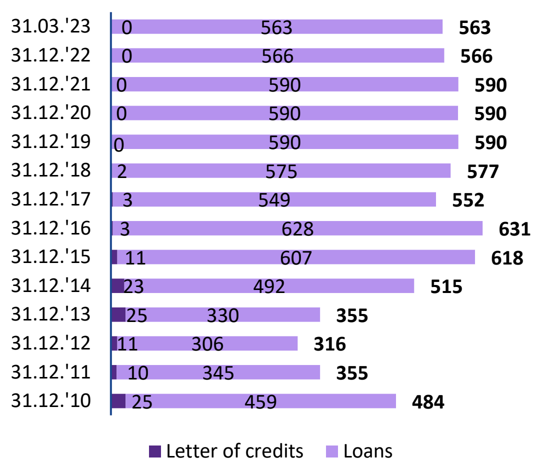
Total bank debt trends with maturity structure[45], EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness[46], EUR million



[45] Any deviations in percentages and aggregate values result from rounding.

[46] In addition to the bank debt and Letters of Credit as at 31 March 2023, NIS j.s.c. Novi Sad holds issued bank guarantees in the amount of EUR 32.1 million, corporate guarantees in the amount of EUR 129.6 million and financial leasing in the amount of EUR 26.1 million.

Taxes and Other Public Revenue[47]

NIS j.s.c. Novi Sad	Q1 2023	Q1 2022	%[48]
Social insurance contributions paid by employer	0.54	0.48	+11%
Energy efficiency fee[49]	0.10	0.09	+9%
Corporate tax	2.46	3.03	-19%
Value-added tax	7.71	5.96	+29%
Excise duties	33.51	32.96	+2%
Commodity reserves fee	1.78	1.64	+9%
Customs duties	0.03	0.28	-88%
Royalty	0.44	0.45	-3%
Other taxes	0.46	0.35	+33%
Total	**47.03**	**45.25**	**+4%**
NIS subsidiaries in Serbia[50]			
Social insurance contributions paid by employer	0.39	0.33	+18%
Corporate tax	0.06	0.05	+21%
Value-added tax	0.48	0.60	-21%
Excise duties	0.00	0.00	n/a
Customs duties	0.01	0.05	-74%
Royalty	0.00	0.00	n/a
Other taxes	0.03	0.03	+7%
Total	**0.98**	**1.06**	**-8%**
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	**48.00**	**46.31**	**+4%**
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.00	0.00	-10%
Energy efficiency fee	0.01	0.00	growth
Corporate tax	0.00	0.17	-97%
Value-added tax	0.17	0.21	-18%
Excise duties	1.45	4.10	-65%
Customs duties	0.82	2.33	-65%
Royalty	0.02	0.03	-47%
Other taxes	0.05	0.03	+51%
Total	**2.53**	**6.87**	**-63%**
Deferred taxes (total for Group)	-0.23	-0.02	+10x
Total NIS Group[51]	**50.30**	**53.16**	**-5%**

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries deriving from its organisational structure in Serbia in the first quarter of 2023 amounts RSD 48 billion.

The amount of accrued liabilities for public revenues for NIS Group in the first three months of 2023 totalled RSD 50.3 billion, which is an decrease of 5% on the same period in 2022.

[47] In RSD billion.

[48] Any deviations in percentages and aggregate values result from rounding.

[49] Calculated from 1 July 2019.

[50] Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS – Naftagas LLC Novi Sad and NIS Petrol a.d. Belgrade.

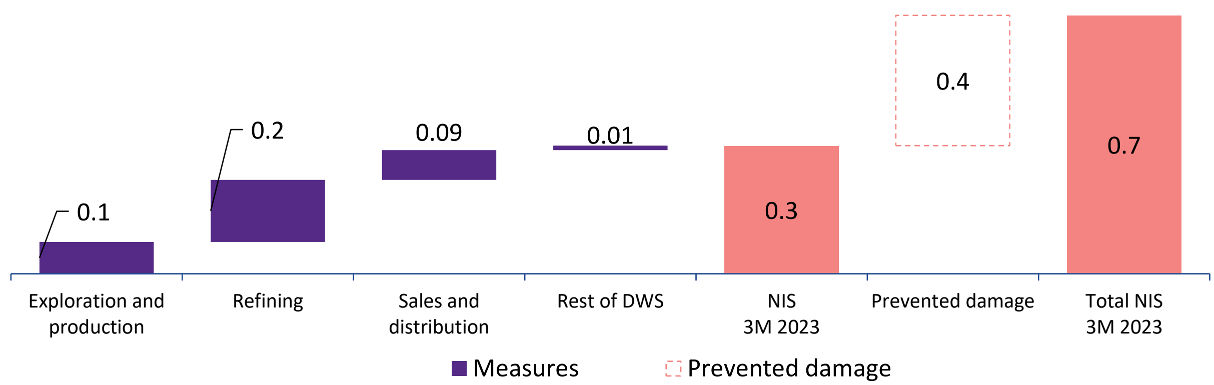
[51] Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

Operational efficiency improvement

In the first three months of 2023 the effects of operational efficiency improvement measures also had a positive impact on the achieved financial performance.

The total effect of reaching the target level of potential in the first three months of 2023 on EBITDA equals RSD 0.3 billion.

Effect of operational efficiency improvement measures on EBITDA, in RSD billion



Securities

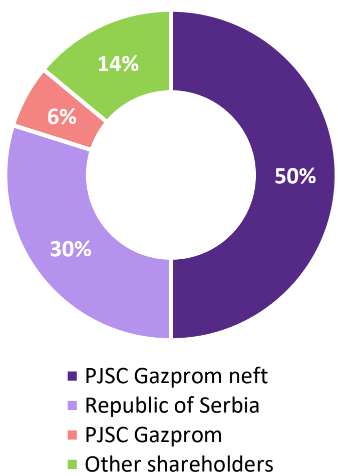
Share Capital Structure

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

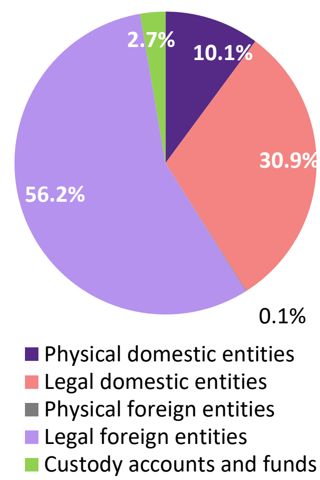
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance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

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

Share capital structure based on % in share capital



Share capital structure based on entity type



The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

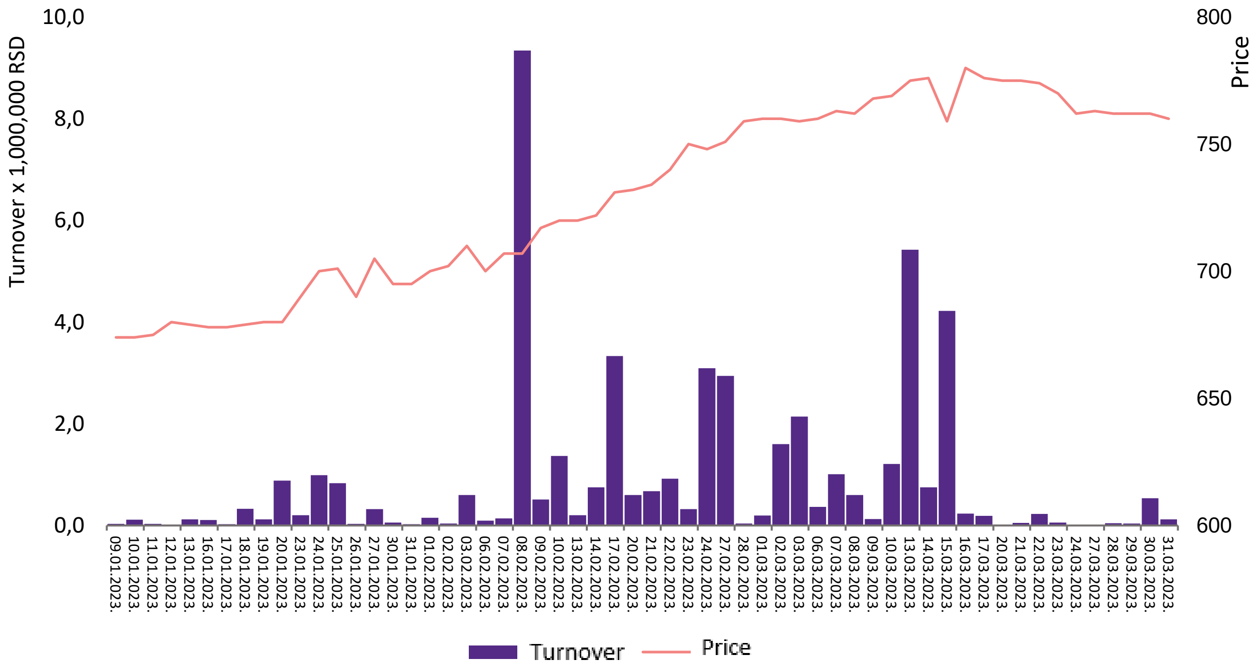
Shareholder	Number of shares	% in share capital
PJSC Gazprom Neft	81,530,200	50.00%
Republic of Serbia	48,712,572	29.87%
PJSC Gazprom	10,035,687	6.15%
OTP banka Srbija a.d.– custody account – fund	2,641,498	1.62%
OTP banka Srbija a.d.– custody account – fund	856,466	0.53%
Dunav osiguranje a.d.o.	394,229	0.24%
Convest a.d. Novi Sad – collective account	217,031	0.13%
Keramika Jovanović d.o.o.	173,269	0.11%
BDD M&V Investments a.d. Belgrade	165,985	0.10%
DDOR Novi Sad a.d.o.	152,075	0.09%
Other shareholders	18,181,388	11.15%
Total number of shareholders as at 31 March 2023:		**2,051,647**

On May 6, 2022, PJSC Gazprom purchased 6.15% of the Company's shares. In relation to the company PJSC Gazprom, NIS j.s.c. Novi Sad is part of the Gazprom Group.

Share trading and indicators per share

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

Price and turnover trends in the first three months of 2023



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first three months of 2023	
Last price (March 31, 2023)	760 RSD
High (March 15, 2023)	785 RSD
Low (January 9, 2023)	671 RSD
Total turnover, RSD	485,662,145 RSD
Total turnover, number of shares	658,728
Total number of transactions, number of transactions	1,611
Market capitalization as at March 31, 2023, in RSD	123,925,904,000
EPS	75.68
Consolidated *EPS*	71.71
P/E ratio	10.04
Consolidated P/E ratio	10.60
Book value as at March 31, 2023	2,282
Consolidated book value as at March 31, 2023	2,214
P/BV ratio	0.33
Consolidated P/BV ratio	0.34

In the first three months of 2023 the Company did not acquire any treasury shares.

Dividends

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

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

On 29 June 2022, the Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit for 2021, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. This decision determines that the dividends will be paid to the shareholders in cash, in the gross amount of RSD 5,782,121,784, or RSD 35.46 per share. The shareholders registered in the Central Securities Depository and Clearing House as legal owners of NIS j.s.c. Novi Sad shares on the Record date (Dividend Day) i.e. on 19 June 2022 are entitled to dividend payment. Dividends for 2021 was paid to shareholders on 22 August 2022.

	Net profit (loss), RSD bn[52]	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in %[53]
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5[54]	0.0	-	101.1	0	475	-
2011	40.6[55]	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159. 86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7

[52] Net profit of NIS j.s.c. Novi Sad.
[53] Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.
[54] Net profit used for coverage of accumulated losses.
[55] Net profit used for coverage of accumulated losses.

Corporate Governance

Corporate Governance System

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

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

Shareholders' Assembly and Shareholders' Rights

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

Board of directors

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

Total amount of fees paid to BoD members in the first quarter of 2023, net in RSD	
Members od BoD	107,164,322 RSD

Board of Directors' Committees

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

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

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

Shareholders' Assembly Board

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

Chief executive officer

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

Advisory Board of the CEO

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

Related-Party Transactions

In the first three months of 2023 the Group entered into business transactions with its related parties. An outline of related-party transactions is part of the Notes to the Financial Statements[56].

[56] Information on related party transactions can be found on page 83 under note number 25 to the Consolidated Financial Statements.

Human resources

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

Our long-term goal is to strengthen employee engagement and improve HR practices to offer the best possible employee experience. For this reason, we have continued to invest in employee engagement in 2023 and have initiated the implementation of various activities based on the results of the latest employee engagement survey and our company's strategic plans. We continued with the implementation of and upgraded the Engagement Academy Program, which aims to develop highly dedicated and motivated teams through the active role of senior and middle management in our Company and from this year also lower management.

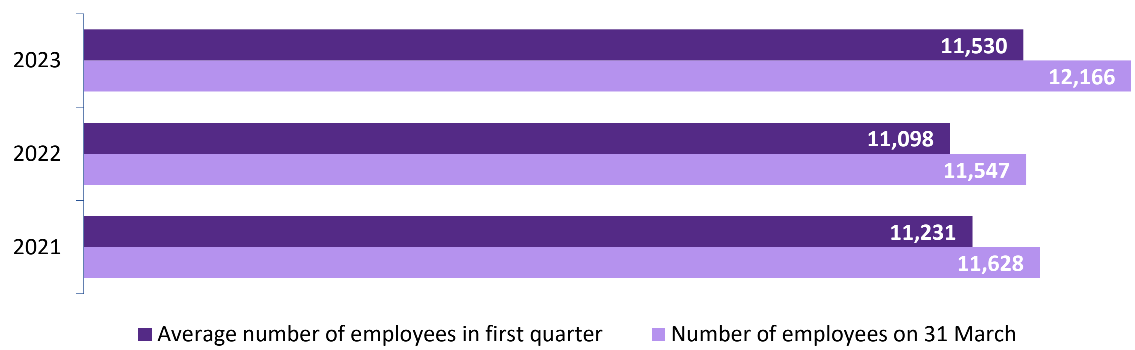
Our HR strategy, new company values, and employer value proposition (diversity and inclusion initiative, employer brand strategy and learning and development strategy) have produced a large number of HR projects and initiatives. They will improve the experience of both candidates and employees of NIS,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

This year as well, NIS has continued the tradition of implementing the programmes for the most talented and ambitious students, graduate students and graduate pupils. In the first quarter, the second season of the NIS Energy programme for graduates ended, and all the programme participants remained to work in the Company after the completed programme. We have launched also the third season of this programme, and additional 27 young graduates have joined us since March. Also, have we created and launched the NIS Calling Robotisation programme, where the RPA Programming Service has welcomed six students from the IT field who will acquire knowledge in the field of the business process robotisation and work on real projects in the next six months.

Employee Number[57] and Structure

Organisational unit	Number of employees on: 3/31/2023	3/31/2022
NIS j.s.c. Novi Sad	**5,255**	**5,057**
Exploration and Production Block	1,078	1,080
Downstream	2,558	2,502
Refining Block	986	968
Sales and Distribution Block	1,382	1,345
Energy Block	45	37
The rest of Downstream[58]	145	152
Corporate Centre	1,176	985
Multifunctional Shared Service Center[59]	439	486
Representative and Branch Offices[60]	4	4
Local subsidaries	**6,276**	**5,859**
Subsidaries abroad	**136**	**134**
Other subsidiaries included in consolidation	**499**	**497**
TOTAL[61]:	**12,166**	**11,547**

Headcount trend[62]



[57] The number of employees does not include employees hired through the Contract of Services. In the first quarter within the NIS a. d. In Novi Sad, we have 24 employees hired through the Contract of Services.
[58] The rest of the Downstream includes: Office of Downstream Director, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.
[59] At the end of 2019, setting up the Multifunctional Share Service Center started, which is, due to its specificity, established as a separate unit.
[60] The headcount indicated for the Representative Offices and branches refers to the employees in the Representative Office in Russian Federation. In addition to the Representative Office in Russian Federation, the Representative Office in Angola and the Balakanabat Branch in Turkmenistan are also active.
[61] Employees with shared working hours are shown as whole units in the associated Company.
[62] The average number of employees does not include employees who are on maternity leave, employees who have been on sick leave for more than 30 days, and employees who have inactive status of employment, but it includes employees who left the company in the observed period and new employees proportionately to the number of days spent at the position.

Employment terminations

In first quarter of 2023, a total of 263 employees left NIS j.s.c.[63]: 22 employees retired, 8 employees left NIS after termination of employment by mutual consent, while the employment of 233 people was terminated on other grounds (cancellation of employment contract, employment termination by the employee, redundancy, etc.).

Basis of employment termination in first quarter of 2023	NIS j.s.c Novi Sad[64]	Subsidiaries[65]
Retirement	14	8
Termination by mutual consent	1	7
Other	43	190
Total	**58**	**205**

[63] NIS j.s.c. Novi Sad with the subsidiaries Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS – Naftagas LLC Novi Sad, and NIS Petrol j.s.c. Belgrade

[64] Including representative offices and branches. Of the total number of terminations, 14 terminations account for the representative offices and branches.

[65] Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad, NTC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

Research and Development

In all segments of its business, NIS is dedicated to continuous technological development and introducing innovations into business.

NTC NIS – Naftagas LLC Novi Sad, as a subsidiary in which NIS j.s.c. has a 100% share, provides scientific, technical, and innovation support to the parent company in the field of oil and gas exploration and production. The research and development activities within NTC have a dual role – coordinating and performing scientific and research work.

Implementation and development of new technologies, scientific and research activities, as well as increasing the efficiency of exploration, production and refining of oil and gas, remain in the focus of attention for the NTC NIS – Naftagas LLC Novi Sad management and employees.

In the first quarter of 2023, with respect to geological research, geology, reservoir engineering and production:

- Seismic reprocessing started in the area of Drmljanska depression
- Work on Srednji Banat interpretation project continues, with a total seismic survey area of 3,303 km^2, which is the maximum scope in NTC history;
- The project of geological analysis and reservoir engineering has been initiated for the following fields: Kikinda, Velebit, Mokrin, Palić;
- As part of integrated modelling, a project was launched on field Kikinda;
- 5 studies on reserves, 2 feasibility studies and 4 main/supplementary mining designs, and 6 permanent shutdown projects were launched;

New methods for the business improvement are being developed within the Business segment for new technologies and expertise.

In relation to the geothermal potential, the most promising facilities for the implementation of the pilot project are being assessed. The contact has been established with the international technology companies experienced in the implementation of geothermal projects – EFES (Turkey), Power China (China). Also, an agreement on cooperation has been reached with the largest energy operator in Serbia - EPS.

In accordance with the investment plan, the Downstream Laboratory has provided for the preparation of all the necessary technical bases for the procurement of the laboratory equipment at the locations of laboratories in Pančevo and Novi Sad. Investment projects will include the procurement of the laboratory test equipment and auxiliary equipment, which will provide a high level of quality control of the process samples and finished petroleum products intended for being placed on the market.

In order to improve the HSE working conditions, for the purpose of providing the space for the temporary disposal of samples of petroleum products in the laboratory in Surčin has made it possible to provide the adequate space in accordance with the legal regulation and standards related to environmental protection and safe sample handling.

The procurement procedure has been carried out on a "turnkey" basis for the project of the "Reconstruction and Upgrading of the Laboratory Building in the RNP with Accompanying Infrastructure. By the implementation of this project, a modernly equipped and functional facility for the performance of the laboratory testing of oil and petroleum products will be provided in Pančevo, in accordance with the HSE requirements and in terms of interior, it will be in accordance with the global trends in the field of laboratory arrangement.

The Downstream Laboratory conducted over 56 thousands tests of quality of petroleum products in the first quarter of 2023.

The cooperation has been established and a memorandum on business and technical cooperation has been signed between the STC and the Joint Stock Company for Oil Transport by Oil Pipelines and Oil Transport by Product Pipelines Transnafta.

Financial Statements

Standalone financial statements

Interim Condensed Statement of Financial Position

Assets	Note	31 March 2023 *(unaudited)*	31 December 2022
Current assets			
Cash and cash equivalents	4	82,613,981	83,083,255
Short-term financial assets	5	19,680,852	8,453,591
Trade and other receivables	6	38,158,009	43,037,247
Inventories	7	51,588,897	54,163,591
Other current assets	8	9,341,645	9,796,354
Assets classified as held for sale		57,470	27,318
Total current assets		201,440,854	198,561,356
Non-current assets			
Property, plant and equipment	9	266,479,163	267,112,796
Right-of-use assets	10	2,757,851	2,826,525
Investment property		1,592,666	1,605,254
Intangible assets		3,804,587	3,861,377
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		13,425,627	13,425,627
Trade and other non-current receivables		2,815	2,816
Long-term financial assets	11	29,311,300	29,588,852
Deferred tax assets		3,197,500	2,971,445
Other non-current assets	12	2,333,622	1,974,131
Total non-current assets		323,943,931	324,407,623
Total assets		**525,384,785**	**522,968,979**
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	13	9,057,712	11,308,085
Current lease liabilities	18	501,672	498,203
Trade and other payables	14	31,760,394	29,783,850
Other current liabilities	15	8,650,850	15,818,895
Current income tax payable		15,438,098	13,992,693
Other taxes payable	16	10,813,788	14,126,253
Provisions for liabilities and charges		1,988,537	1,899,914
Total current liabilities		**78,211,051**	**87,427,893**
Non-current liabilities			
Long-term debt	17	61,287,400	61,930,558
Non-current lease liabilities	18	1,641,506	1,797,176
Other non-current financial liabilities		839,793	840,001
Long-term trade and other payables		7,169	7,171
Provisions for liabilities and charges		11,240,550	11,150,061
Total non-current liabilities		**75,016,418**	**75,724,967**

	Note	31 March 2023 *(unaudited)*	31 December 2022
Equity			
Share capital		81,530,200	81,530,200
Reserves		93,904	93,904
Retained earnings		290,533,212	278,192,015
Total equity		**372,157,316**	**359,816,119**
Total liabilities and shareholder’s equity		**525,384,785**	**522,968,979**

in 000 RSD

Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 March 2023	31 March 2022
		(unaudited)	*(unaudited)*
Sales of petroleum products, oil and gas		81,749,648	87,598,307
Other revenues		8,783,452	4,855,138
Total revenue from sales	3	**90,533,100**	**92,453,445**
Purchases of oil, gas and petroleum products		(49,415,334)	(51,810,347)
Production and manufacturing expenses	19	(12,980,952)	(8,981,379)
Selling, general and administrative expenses	20	(6,702,774)	(5,577,199)
Transportation expenses		(360,355)	(347,102)
Depreciation, depletion and amortization		(5,704,696)	(5,722,361)
Taxes other than income tax		(1,343,398)	(1,254,902)
Total operating expenses		**(76,507,509)**	**(73,693,290)**
Other expenses, net		(155,666)	(38,076)
Operating profit		**13,869,925**	**18,722,079**
Net foreign exchange gain (loss)	21	(48,397)	32,346
Finance income	22	1,533,500	242,157
Finance expenses	23	(776,826)	(380,203)
Total other expense		**708,277**	**(105,700)**
Profit before income tax		**14,578,202**	**18,616,379**
Current income tax expense		(2,463,060)	(3,190,571)
Deferred tax income		226,055	12,378
Total income tax		**(2,237,005)**	**(3,178,193)**
Profit for the period		**12,341,197**	**15,438,186**
Other comprehensive loss:			
Items that will not be reclassified to profit (loss)			
Losses on remeasurements of defined benefit plans		-	(33,528)
Losses from investments in equity instruments		-	-
Other comprehensive loss for the period		-	**(33,528)**
Total comprehensive income for the period		**12,341,197**	**15,404,658**
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		75.68	94.68
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Interim Condensed Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2023 and 2022

(unaudited)	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2022	**81,530,200**	**93,991**	**190,623,686**	**272,247,877**
Profit for the period	-	-	15,438,186	15,438,186
Other comprehensive loss				
Losses on remeasurements of defined benefit plans	-	-	(33,528)	(33,528)
Total comprehensive income for the period	**-**	**-**	**15,404,658**	**15,404,658**
Balance as at 31 March 2022	**81,530,200**	**93,991**	**206,028,344**	**287,652,535**

(unaudited)	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2023	**81,530,200**	**93,904**	**278,192,015**	**359,816,119**
Profit for the period	-	-	12,341,197	12,341,197
Other comprehensive income				
Losses on remeasurements of defined benefit plans	-	-	-	-
Total comprehensive income for the period	-	-	**12,341,197**	**12,341,197**
Balance as at 31 March 2023	**81,530,200**	**93,904**	**290,533,212**	**372,157,316**

in 000 RSD

Interim Condensed Statement of Cash Flows[66]

	Note	Three month period ended 31 March 2023 *(unaudited)*	31 March 2022 *(unaudited)*
Cash flows from operating activities			
Profit before income tax		**14,578,202**	**18,616,379**
Adjustments for:			
Finance expenses	23	776,826	380,203
Finance income	22	(1,533,500)	(242,157)
Unrealised foreign exchange (gain) losses, net		(273,142)	243,069
Depreciation, depletion and amortization		5,704,696	5,722,361
Other non-cash items		94,103	155,978
Operating cash flow before changes in working capital		**19,347,185**	**24,875,833**
Changes in working capital:			
Trade and other receivables		4,850,464	(7,054,482)
Inventories		2,556,284	(25,536,047)
Other current assets		690,385	(1,649,793)
Trade payables and other current liabilities		(5,131,369)	32,455,601
Other taxes payable		(3,312,463)	(389,263)
Total effect on working capital changes		**(346,699)**	**(2,173,984)**
Income taxes paid		(1,015,032)	(160,684)
Interest paid		(602,363)	(295,321)
Interest received		1,212,701	97,636
Net cash generated by operating activities		**18,595,792**	**22,343,480**
Cash flows from investing activities			
Loans issued		(1,650,052)	(1,006,771)
Loan proceeds received		1,067,344	1,066,609
Capital expenditures[67]		(5,319,661)	(3,636,634)
Proceeds from sale of property, plant and equipment		24,069	116,390
Bank deposits (proceeds)/repayment, net		(10,000,000)	-
Net cash used in investing activities		**(15,878,300)**	**(3,460,406)**
Cash flows from financing activities			
Proceeds from borrowings	13,17	4,458,394	6,917,311
Repayment of borrowings	13,17	(7,390,556)	(3,693,149)
Repayment of lease liabilities	18	(174,130)	(87,956)
Net cash (used in)/generated by financing activities		**(3,106,292)**	**3,136,206**
Net increase (decrease) in cash and cash equivalents		(388,800)	22,019,280
Effect of foreign exchange on cash and cash equivalents		(80,474)	12,360
Cash and cash equivalents as of the beginning of the period		**83,083,255**	**20,336,901**
Cash and cash equivalents as of the end of the period	**4**	**82,613,981**	**42,368,541**

In 000 RSD

[66] Company's policy is to present cash flow inclusive of related VAT.
[67] CF from investing activities includes VAT in the amount of 0.7 bln RSD (2022: 0.5 bln RSD)

Notes to Standalone Financial Statements[68]

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije, Novi Sad (the "Company") is a vertically integrated oil company operating predominantly in the Republic of Serbia. The Company's principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading and
- Electricity generation and trading.
- Other activities primarily include sales of other goods, works and services.

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

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

In the first 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 25) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the first quarter 2023 the Company didn't review the critical accounting estimates which are used by the Company 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 Company didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing. The Company continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

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

[68] All amounts are in 000 RSD, unless otherwise stated

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed 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 Company's operating segments for the three month period 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 Company manages its operations in 2 operating segments: Upstream and Downstream.

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

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

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

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	10,610,708	90,780,228	(10,857,836)	90,533,100
Intersegment	10,593,339	264,497	(10,857,836)	-
External	17,369	90,515,731	-	90,533,100
Adjusted EBITDA (Segment results)	**6,814,218**	**12,977,721**	**-**	**19,791,939**
Depreciation, depletion and amortization	(3,062,787)	(2,641,909)	-	(5,704,696)
Net foreign (loss)	(27,088)	(21,309)	-	(48,397)
Finance income (expenses), net	(41,471)	798,145	-	756,674
Income tax	-	(2,237,005)	-	(2,237,005)
Segment profit	3,686,366	8,654,831	-	12,341,197

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	17,191,776	90,532,302	(15,270,633)	92,453,445
Intersegment	15,133,695	136,938	(15,270,633)	-
External	2,058,081	90,395,364	-	92,453,445
Adjusted EBITDA (Segment results)	**12,397,908**	**12,082,477**	**-**	**24,480,385**
Depreciation, depletion and amortization	(3,036,556)	(2,685,805)	-	(5,722,361)
Net foreign exchange gain (loss)	32,559	(213)	-	32,346
Finance expenses, net	(9,914)	(128,132)	-	(138,046)
Income tax	-	(3,178,193)	-	(3,178,193)
Segment profit	9,204,466	6,233,720	-	15,438,186

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

	Three month period ended	
	31 March 2023	31 March 2022
Profit for the period	12,341,197	15,438,186
Income tax	2,237,005	3,178,193
Finance expenses	776,826	380,203
Finance income	(1,533,500)	(242,157)
Depreciation, depletion and amortization	5,704,696	5,722,361
Net foreign exchange loss (gain)	48,397	(32,346)
Other expense, net	155,666	38,076
Other non-operating income (expenses), net	61,652	(2,131)
Adjusted EBITDA	**19,791,939**	**24,480,385**

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

	Three month period ended	
	31 March 2023	31 March 2022
Sale of crude oil	-	2,042,795
Sale of gas	60,696	43,645
Wholesale activities	60,696	43,645
Sale of petroleum products	81,688,952	85,511,867
Through a retail network	24,833,529	22,960,076
Wholesale activities	56,855,423	62,551,791
Sale of electricity	5,228,055	2,165,657
Lease revenue	89,730	88,204
Other sales	3,465,667	2,601,277
Total sales	**90,533,100**	**92,453,445**

Other sales mainly relate to sales of non-fuel products at petrol stations for 2,260,202 RSD (2022: 1,976,623 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	22,840,706	16,861,298
Deposits with original maturity of less than three months	59,770,000	66,219,999
Cash equivalents	3,275	1,958
	82,613,981	**83,083,255**

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	862,085	204,604
Deposits with original maturity more than 3 months less than 1 year	16,202,853	6,003,699
Current portion of long-term investments (note 11)	4,595,860	4,225,725
Less impairment loss provision	(1,979,946)	(1,980,437)
	19,680,852	**8,453,591**

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

6. TRADE AND OTHER RECEIVABLES

	31 March 2023	31 December 2022
Trade receivables	45,494,041	50,420,797
Other receivables	83,888	88,717
Less credit loss allowance for trade receivables	(7,386,085)	(7,437,841)
Less credit loss allowance for other receivables	(33,835)	(34,426)
	38,158,009	**43,037,247**

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

Management believes that not impaired trade, specific and other receivables are fully recoverable.

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

7. INVENTORIES

	31 March 2023	31 December 2022
Crude oil	25,719,797	29,409,389
Petroleum products	24,273,933	23,314,075
Materials and supplies	4,997,231	4,771,464
Other	1,046,013	1,124,692
Less impairment provision	(4,448,077)	(4,456,029)
	51,588,897	**54,163,591**

8. OTHER CURRENT ASSETS

	31 March 2023	31 December 2022
Advances paid	723,700	729,280
Deferred VAT	2,958,879	4,198,144
Prepaid expenses	322,315	251,155
Prepaid custom duties	67,236	60,157
Prepaid excise	4,942,892	4,415,877
Other current assets	7,812,857	7,628,408
Less impairment provision	(7,486,234)	(7,486,667)
	9,341,645	**9,796,354**

Deferred VAT as at 31 March 2023 amounting to 2,958,879 RSD (31 December 2022: 4,198,144 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2023 amounting to 4,942,892 RSD (31 December 2022: 4,415,877 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

Other current assets mainly relate to claims in dispute which are impaired.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2022						
Cost	204,856,329	164,080,833	53,637,916	16,588,994	16,714,425	455,878,497
Depreciation and impairment	(74,822,128)	(66,061,581)	(30,873,325)	(9,215,794)	(2,977,951)	(183,950,779)
Net book value	**130,034,201**	**98,019,252**	**22,764,591**	**7,373,200**	**13,736,474**	**271,927,718**
Period ended 31 March 2022						
Additions	2,382,167	220,958	1,902,775	3,207	(1,370,141)	3,138,966
Changes in decommissioning obligations	28,895	-	-	-	-	28,895
Depreciation	(3,008,117)	(1,951,698)	(443,232)	(122,450)	-	(5,525,497)
Disposals and write-off	(18,786)	(7,016)	(13,670)	(35,473)	(4)	(74,949)
Transfer from investment property	-	-	119,722	-	(4,197)	115,525
Transfer to non-current assets held for sale	-	-	-	(4,285)	-	(4,285)
Other transfers	10,558	(76)	(39,075)	27,733	(28,827)	(29,687)
	129,428,918	**96,281,420**	**24,291,111**	**7,241,932**	**12,333,305**	**269,576,686**
As at 31 March 2022						
Cost	206,994,950	164,222,469	55,533,991	16,589,122	15,311,256	458,651,788
Depreciation and impairment	(77,566,032)	(67,941,049)	(31,242,880)	(9,347,190)	(2,977,951)	(189,075,102)
Net book value	**129,428,918**	**96,281,420**	**24,291,111**	**7,241,932**	**12,333,305**	**269,576,686**
As at 1 January 2023						
Cost	215,586,310	165,764,521	57,566,537	16,696,746	16,398,494	472,012,608
Depreciation and impairment	(86,096,477)	(73,525,826)	(32,557,325)	(9,625,912)	(3,094,272)	(204,899,812)
Net book value	**129,489,833**	**92,238,695**	**25,009,212**	**7,070,834**	**13,304,222**	**267,112,796**
Period ended 31 March 2023						
Additions	3,705,633	281,382	191,077	27,784	629,429	4,835,305
Changes in decommissioning obligations	36,520	-	-	-	-	36,520
Depreciation	(3,027,053)	(1,863,973)	(471,443)	(112,048)	-	(5,474,517)
Disposals and write-off	-	(3,074)	(3,523)	-	-	(6,597)
Transfer from investment property	-	-	(5,990)	-	-	(5,990)
Transfer to non-current assets held for sale	-	-	-	(14,038)	-	(14,038)
Other transfers	(192)	134	36,439	(36,114)	(4,583)	(4,316)
	130,204,741	**90,653,164**	**24,755,772**	**6,936,418**	**13,929,068**	**266,479,163**
As at 31 March 2023						
Cost	219,282,755	165,957,067	57,845,279	16,654,305	17,021,642	476,761,048
Depreciation and impairment	(89,078,014)	(75,303,903)	(33,089,507)	(9,717,887)	(3,092,574)	(210,281,885)
Net book value	**130,204,741**	**90,653,164**	**24,755,772**	**6,936,418**	**13,929,068**	**266,479,163**

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	2,503	771,743	220,157	543,355	-	1,537,758
Additions	-	27,178	22,727	1,688	-	51,593
Depreciation	(626)	(18,860)	(23,026)	(49,305)	-	(91,817)
As at 31 March 2022	**1,877**	**780,061**	**219,858**	**495,738**	**-**	**1,497,534**
As at 1 January 2023	-	842,723	224,722	1,759,080	-	2,826,525
Additions	2,542	10,509	21,177	2,622	-	36,850
Depreciation	-	(23,857)	(21,704)	(57,875)	-	(103,436)
Transfers	-	-	5,002	(6,996)	1,994	-
Disposals	-	-	(94)	-	-	(94)
Impairment	-	-	-	-	(1,994)	(1,994)
As at 31 March 2023	**2,542**	**829,375**	**229,103**	**1,696,831**	**-**	**2,757,851**

11. LONG-TERM FINANCIAL ASSETS

	31 March 2023	31 December 2022
LT loans issued	41,049,397	40,958,458
Financial assets at FVTPL	839,793	840,001
Other LT placements	30,450	30,605
Available for sale financial assets	176,206	176,206
Less Current portion of LT loans issued (note 5)	(4,595,860)	(4,225,725)
Less provision of other LT placements	(8,188,686)	(8,190,693)
	29,311,300	**29,588,852**

12. OTHER NON-CURRENT ASSETS

	31 March 2023	31 December 2022
Advances paid for PPE	1,445,644	1,063,325
Prepaid expenses	164,303	142,503
Other assets	1,067,976	1,131,217
Less allowance for Other assets	(322,906)	(341,519)
Less allowance for advances paid	(21,395)	(21,395)
	2,333,622	**1,974,131**

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

	31 March 2023	31 December 2022
Short-term loans	4,089,581	5,345,097
Interest liabilities	205,144	151,584
Current portion of long-term loans (note 17)	4,762,987	5,811,404
	9,057,712	**11,308,085**

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

	Three month period ended 31 March 2023	31 March 2022
Short-term loans at 1 January	**5,345,097**	**2,188,401**
Proceeds	4,458,394	4,066,202
Repayment	(5,713,632)	(3,637,571)
Foreign exchange difference (note 21)	(278)	-
Short-term loans at 31 March	**4,089,581**	**2,617,032**

14. TRADE AND OTHER PAYABLES

	31 March 2023	31 December 2022
Trade payables	27,928,237	25,943,650
Dividends payable	3,783,791	3,783,818
Other accounts payable	48,366	56,382
	31,760,394	**29,783,850**

As at 31 March 2023 trade payables amounting to 27,928,237 RSD (31 December 2022: 25,943,650 RSD) mainly relate to payables for crude oil in the amount of 12,455,453 RSD (31 December 2022: 9,047,330 RSD).

15. OTHER CURRENT LIABILITIES

	31 March 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
- Advances received	5,443,305	11,294,740
- Customer loyalty	728,052	686,933
Payables to employees	2,390,671	3,790,114
Other current non-financial liabilities	88,822	47,108
	8,650,850	**15,818,895**

Revenue in the amount of 5,354,941 RSD (31 March 2022: 2,499,237 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2023, of which 5,167,752 RSD (31 March 2022: 2,176,418 RSD) related to advances and 187,189 RSD (31 March 2022: 322,819 RSD) to customer loyalty programme.

16. OTHER TAXES PAYABLE

	31 March 2023	31 December 2022
Mineral extraction tax	438,653	393,085
VAT	2,596,774	3,955,956
Excise tax	6,509,957	7,814,476
Contribution for State commodity reserves	314,363	887,822
Custom duties	9,056	5,007
Energy efficiency fee	37,504	92,638
Other taxes	907,481	977,269
	10,813,788	**14,126,253**

17. 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 borowings	3,668	3,778
Less Current portion (note 13)	(4,762,987)	(5,811,404)
	61,287,400	**61,930,558**

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

	Three month period ended	
	31 March 2023	31 March 2022
Long-term loans at 1 January	**67,738,184**	**77,480,027**
Proceeds	-	2,851,109
Repayment	(1,676,924)	(55,578)
Non-cash transactions	5,869	3,871
Foreign exchange difference (note 21)	(20,410)	111,472
Long-term loans at 31 March	**66,046,719**	**80,390,901**

(a) Bank loans

	31 March 2023	31 December 2022
Domestic	47,980,425	48,275,895
Foreign	16,702,418	16,733,861
	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	9,708,140
Between 2 and 5 years	47,464,698	47,889,786
Over 5 years	2,416,052	4,328,854
	61,283,732	**61,926,780**

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

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

18. LEASE LIABILITIES

	31 March 2023	31 December 2022
Non-current lease liabilities	1,641,506	1,797,176
Current lease liabilities	501,672	498,203
	2,143,178	**2,295,379**

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

	Three month period ended	
	31 March 2023	31 March 2022
As at 1 January	**2,295,379**	**1,338,381**
Repayment	(174,130)	(87,956)
Non-cash transactions	24,045	62,829
Foreign exchange difference (note 21)	(2,116)	(2,003)
As at 31 March	**2,143,178**	**1,311,251**

Amounts recognized in profit and loss:

	Three month period ended	
	31 March 2023	31 March 2022
Interest expense (included in finance cost) (note 23)	22,541	8,896
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	1,401	23,698
Expense relating to leases of low value assets that are not shown above as short-term leases	443	6,312
Expense relating to variable lease payments not included in lease liabilities	266,181	268,026

19. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended	
	31 March 2023	31 March 2022
Employee costs	960,970	948,286
Materials and supplies (other than O&G and petroleum products)	290,477	227,465
Repair and maintenance services	1,282,761	1,200,560
Electricity for resale	4,905,259	1,831,323
Electricity and utilities	2,276,340	1,424,415
Safety and security expense	141,868	86,954
Transportation services for production	320,995	493,110
Other	2,802,282	2,769,266
	12,980,952	**8,981,379**

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	31 March 2023	31 March 2022
Employee costs	3,203,683	2,721,120
Commission and agency fees	1,179,725	938,095
Legal, audit and consulting services	368,610	275,986
Current repair cost	279,046	178,972
Costs on advertising and marketing	41,738	40,665
Rent expense	2,866	27,299
Business trips expense	30,307	18,675
Safety and security expense	215,017	130,198
Insurance expense	25,659	22,141
Transportation and storage	47,939	48,161
Allowance for doubtful accounts	(1,383)	7,599
Other	1,309,567	1,168,288
	6,702,774	**5,577,199**

21. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 31 March 2023	31 March 2022
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain (note 13,17,18)	39,973	173,275
- foreign exchange loss (note 13,17,18)	(17,169)	(282,744)
Net foreign exchange gain (loss) on operating activities	(71,201)	141,815
	(48,397)	**32,346**

22. FINANCE INCOME

	Three month period ended 31 March 2023	31 March 2022
Interest on bank deposits	1,354,038	63,301
Interest income on loans issued	173,679	173,056
Gains on restructuring of loans issued	5,783	5,800
	1,533,500	**242,157**

23. FINANCE EXPENSES

	Three month period ended 31 March 2023	31 March 2022
Interest expense	708,030	369,600
Losses on restructuring of borrowings	5,896	6,006
Decommissioning provision: unwinding of the present value discount	35,516	9,024
Provision of trade and other non-current receivables: discount	40,011	(845)
Less: amounts capitalised on qualifying assets	(12,627)	(3,582)
	776,826	**380,203**

Interest expense includes expenses on lease liabilities in amount of 22,541 RSD for the three months ended 31 March 2023 (8,896 RSD for the three months ended 31 March 2022, accordingly)(note 18).

24. FAIR VALUE MEASUREMENT

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

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

25. CONTINGENCIES AND COMMITMENTS

Taxes

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

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 485,679 RSD (31 December 2022: 488,060 RSD).

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

Capital commitments

As of 31 March 2023 the Company has entered into contracts to purchase property, plant and equipment for 209,320 RSD (31 December 2022: 391,270 RSD).

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

26. RELATED PARTY TRANSACTIONS

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

In the three month period ended 31 March 2023 and in the same period in 2022, the Company entered into business transactions with its related parties.

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

As at 31 March 2023	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	3,477,999	-	-
Trade and other receivables	8,757,822	-	1,674,000
Other current assets	2,799	-	18,858
Right of use assets	40,359	-	99
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,203,254	-	-
Other non-current assets	2,192	-	64,357
Trade and other payables	(4,674,142)	(1,721)	(3,038,880)
Other current liabilities	(75,778)	-	(5,608)
Short-term debt and current portion of long-term debt	(2,795,811)	-	(1,363,876)
Current lease liabilities	(2,435)	-	(61)
Non-current lease liabilities	(41,338)	-	-
	47,320,548	**(1,721)**	**(1,612,311)**

As at 31 December 2022	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	2,449,892	-	-
Trade and other receivables	8,490,014	-	1,637,009
Other current assets	1,360	-	22,259
Right of use assets	41,030	-	197
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,480,650	-	-
Other non-current assets	2,192	-	-
Trade and other payables	(4,186,297)	(1,762)	(3,676,115)
Other current liabilities	(67,543)	-	(3,121)
Short-term debt and current portion of long-term debt	(4,047,577)	-	(2,728,428)
Current lease liabilities	(2,240)	-	(124)
Long-term debt	-	-	-
Non-current lease liabilities	(41,883)	-	(50)
	45,545,225	**(1,762)**	**(3,709,574)**

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

Three month period ended 31 March 2023	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Revenues from sales of products and services	4,428,382	-	8,511,961
Expenses based on procurement of products and services	(3,052,574)	(1,721)	(5,301,049)
Other income (expenses), net	139,255	-	(36,627)
	1,515,063	**(1,721)**	**3,174,285**

Three month period ended 31 March 2022	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Revenues from sales of products and services	10,963,272	-	10,923,888
Expenses based on procurement of products and services	(2,519,005)	(24,677,450)	(2,588,277)
Other income (expenses), net	166,955	(30,383)	(46)
	8,611,222	**(24,707,833)**	**8,335,565**

27. EVENTS AFTER THE REPORTING DATE

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

Consolidated financial statements

Interim Condensed Consolidated Statement of Financial Position

Assets	Note	31 March 2023 *(unaudited)*	31 December 2022
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**

in 000 RSD

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

	Note	Three month period ended 31 March 2023 *(unaudited)*	31 March 2022 *(unaudited)*
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

in 000 RSD

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2023 and 2022

	Equity attributable to the Company's owners					
(unaudited)	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total 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	-	-	15,640,145	15,640,145	-	15,640,145
Other comprehensive loss						
Loss from investments in equity instruments	-	-	(62,751)	(62,751)	-	(62,751)
Currency translation differences	-	(25,358)	-	(25,358)	-	(25,358)
Total comprehensive income/(loss) for the period	-	**(25,358)**	**15,577,394**	**15,552,036**	**-**	**15,552,036**
Balance as at 31 March 2022	**81,530,200**	**463,378**	**196,374,991**	**278,368,569**	**19,678**	**278,388,247**

	Equity attributable to the Company's owners					
(unaudited)	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2023	**81,530,200**	**572,237**	**267,125,162**	**349,227,599**	**-**	**349,227,599**
Profit for the period	-	-	11,693,444	11,693,444	-	11,693,444
Other comprehensive income						
Currency translation differences	-	15,429	-	15,429	-	15,429
Total comprehensive income for the period	**-**	**15,429**	**11,693,444**	**11,708,873**	**-**	**11,708,873**
Balance as at 31 March 2023	**81,530,200**	**587,666**	**278,818,606**	**360,936,472**	**-**	**360,936,472**

in 000 RSD

Interim Condensed Consolidated Statement of Cash Flows[69]

	Note	Three month period ended 31 March 2023	31 March 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[70]		(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**

in 000 RSD

[69] Group policy is to present cash flow inclusive of related VAT.
[70] CF from investing activities includes VAT in the amount of 0.7 bln RSD (2022: 0.5 bln RSD)

Notes to Consolidated Financial Statements[71]

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.

[71] All amounts are in 000 RSD, unless otherwise stated

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.

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

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	31 March 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**

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

	Three month period ended	
	31 March 2023	31 March 2022
Sale of crude oil	-	2,042,794
Sale of gas	49,572	35,520
Wholesale activities	49,572	35,520
Sale of petroleum products	86,311,167	90,383,116
Through a retail network	29,124,452	28,252,374
Wholesale activities	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.

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
Less credit loss allowance for trade receivables	(7,331,499)	(7,376,579)
Less credit loss allowance for other receivables	(33,835)	(34,426)
	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
Less impairment provision	(4,503,747)	(4,513,662)
	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
Less impairment provision	(7,500,613)	(7,501,049)
	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.

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**

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	31 March 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**

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**

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	31 March 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.

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	31 March 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	31 March 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	31 March 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**

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	31 March 2023	31 March 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	31 March 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	31 March 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	31 March 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.

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:

As at 31 March 2023	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
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**

As at 31 December 2022	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
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 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.

Statement of individuals responsible for the preparation of report

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

Anton Cherepanov

Deputy General Director,
Head of Function for Finance, Economics,
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(Stamp)

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Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensioal
a.d.o.	Insurance joint stock company
B&H	Bosnia and Herzegovina
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CNG	Compressed natural gas
CO2	Carbon Dioxide
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
ETBE	Ethyl tertiary-butyl ether
EU	European Union
EUR	Euro
HiPACT	High Pressure Acid Gas Capture Technology
HR	Human Resources
HSE	Health, Safety and the Environment
IRMS	Integrated Risk Management System
IT	Information Technology
j.s.c. or JSC	Joint Stock Company
km	kilometre
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTIF	Lost Time Injury Frequency
m2	Square meter
m3	Cubic meter
MW	Megawatt, SI unit of electricity
OECD	The Organization for Economic Cooperation and Development
OCF	Operating Cash Flow
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RSD	Serbian Dinar
SNNP	Sa nama na putu cart (On the road with us card)
s.r.l.	Limited liability company (in Romania)
STC	Scientific and Technological Centre
t.o.e.	Tonnes of oil equivalent
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax

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