

QUARTLY

report

FOR FIRST QUARTER OF 2022

The Quarterly Report for First Quarter of 2022 presents a factual overview of NIS Group's activities, development and performance in first three months of 2022. 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 2022 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 2022 is also available online on the corporate website. For any additional information on NIS Group, visit the corporate website www.nis.rs.

Contents

Contents	3
Foreword	4
Business report.....	5
Highlights	5
NIS Group	7
NIS worldwide	10
NIS Group Business Structure	10
Risk management.....	11
Business environment.....	16
Performance analyses	20
Key Performance Indicators.....	24
Securities.....	40
Corporate Governance.....	42
Human resources	44
Research and Development	47
Financial Statements	48
Stand-Alone Financial Statements	48
Consolidated Financial Statements.....	68
Statement of individuals responsible for the preparation of financial statements	88
Contacts.....	89
Glossary	90

Foreword

Despite the complicated macroeconomic situation of the first quarter of 2022, NIS Group managed to achieve good financial and operating indicators. Our priority was maintaining stability in the domestic market and reliable fuel supply of oil derivatives.

The average Brent price from January to March of 2022 was 101.4 dollars per barrel, 67% more YoY. The growing oil price and fuel demand have affected the our business performance. The net profit in the first quarter was 15.6 billion dinars, ten times more than the same period last year. EBITDA reached 25.4 billion which is much better than last year's result for first quarter of 9.4 billion. Whereas in Q1 2021 the free cash flow was negative (-0.5 billion dinars), in 2022, NIS reached the level of 23.3 billion. NIS Group invested 3.8 billion dinars in development projects.

The amount of accrued liabilities for public revenues payable by the NIS Group in the first three months of 2022 totalled RSD 53.2 billion, which is 19% more YoY. Total bank debt was 621 million euro, 3% less YoY.

Good financial results were supported by further optimization of operating indicators. NIS assets in Serbia and region produced the total of 292.1 thousand t.o.e, which is slightly more than last year (291.8 thousand t.o.e.). The Pančevo Refinery processed 905 thousand tons of crude oil and semi-finished products, 20% more YoY. Total volume sales of petroleum products grew 23% and reached 958.6. NIS continued the development of its retail network. In January, the Zmaj 1 filling station in Belgrade, one of the city's symbols, opened its doors after a full-scale renovation.

Apart from its core activities, the company continued its social responsibility program. New environmental projects have been launched in 12 cities in villages of Serbia. These efforts will significantly improve the environmental situation in the partner communities. Supporting the local communities remained the company's priority.

Business report

Highlights

January - March

January

Drilling has been completed on 2 development wells in Serbia, 1 developmental well in Romania and 1 exploration well in Bosnia and Herzegovina

1 development well has been put into operation.

CW-2 workover rig has been relocated from the Teremia 1004 well to Teremia 1003 (Romania)

The reconstruction of FCC and construction of a ETBE unit are going according to plan.

The Saint Sava Award for 2021 has been bestowed to Kirill Turdenev, Director General of NIS, for outstanding contribution to strengthening the cooperation of educational and scientific institutions by supporting the most successful students and promoting science

February

Drilling has been completed on 3 developmental wells in Serbia

Operation has started on 3 oil wells, out of them 2 development and 1 exploration

Completion of the project of expansion of the filling station with electric charges and sales of AD Blue

Zorana Mihajlović, Deputy Prime Minister of the Government of Serbia and Minister of Mining and Energy, visited CCPP Pancevo

As part of the "Common Cause - Community" programme, NIS donated funds to "Atelje 212", Belgrade's famed theatre, for streamlining energy efficiency

NIS received a special award for the exceptional quality of business digital communications, within the Top50 selection of the best online locations, awarded by the specialized magazine "PC Press"

March

Drilling has been completed on 5 development wells in Serbia

Operation has started on 2 developmental wells, 1 crude oil and 1 gas

3D Project in Turkey has seen the continuation of seismic operations during the first quarter

CW-3 workover rig has been relocated from the base in the town of Zrenjanin to the Ob-003 well (Bosnia and Herzegovina)

In complex macroeconomic circumstances, NIS has provided a regular supply of the domestic market for petroleum products

New CNG filling unit at the Ledena Stena filling station

Reconstruction of the Kucevo filling station started

New healthcare and team building program. The goal is to engage as many employees as possible to improve the health condition of employees, promote team spirit, and improve the corporate image

Gradual transfer of filling stations to a new fiscalization model. As of March 31, the new model has been implemented at 183 filling stations

Project for reconstruction of the Niš oil depot approved by the NIS Investment Committee

NIS Group

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 Balkan region. The most valuable asset of the NIS Group is a team of more than 11,000 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's 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.

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 Block¹ and DOWNSTREAM², 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 and
- Internal Audit and Risk Management Function.
- 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. In addition, NIS continuously 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.

Aware of the importance of innovation in all business areas, NIS is committed to the continuous introduction of up-to-date technologies in the exploration and production segment, equipment modernization and the application of new scientific knowledge, with scientific and technological support coming from its subsidiary Scientific and Technological Centre (NTC) NIS Naftagas Ltd Novi Sad.

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

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

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

The plant for the preparation of natural gas, production of LPG and gasoline, and CO₂ stripping, based in Elemir, operates as part of the Exploration and Production. An amine unit for natural gas processing, which uses the HiPACT technology (High Pressure Acidgas Capture Technology), is also located in Elemir. The method of gas processing used completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, significant environmental benefits are derived. The Exploration and Production Block also engages in the production of electricity and thermal energy from conventional and renewable sources and the production of compressed natural gas.

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.

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 crude 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 consists of the Refining Block, Sales and Distribution Block, and the Energy.

Refining

Pančevo Oil Refinery is one of the leading state-of-the-art refineries in the region. More than 800 million EUR has been invested in its modernization since 2009, and a delayed coking unit was ceremonially commissioned in November 2020. This project, worth more than 300 million EUR, has enabled NIS to increase the output of the most valued fuels - diesel, gasoline, and liquified petroleum gas, and to start the domestic production of petroleum coke. In 2021, the third phase of the Refinery modernization was initiated, with the reconstruction of the FCC (catalytic cracking unit) and the construction of a new ETBE (high-octane gasoline components) unit as its capital project.

Another priority of the NIS Refining Block is the implementation of environmental improvement projects, which is why Pančevo Oil Refinery is the first energy plant in the Republic of Serbia that has been granted an integrated pollution prevention and control permit (IPPC permit) from the competent government authorities. In this way, NIS effectively confirms that the investments in environmental protection remain among its priorities in the process of modernization.

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 this area 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.

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 activity includes the generation of electricity and thermal energy from conventional and renewable sources, the production and sale of compressed natural gas, sale of natural gas, electricity trading, development and introduction of strategically important energy projects, including the development and implementation of energy efficiency improvement projects.

Since 2013, NIS has commissioned the mini power plants with a maximum power of 14.5 MWe on eight locations on its oil and gas fields throughout Serbia. The environmental advantage of these plants is the production of electrical and thermal energy using gas, which could not be previously utilised due to the high content of carbon dioxide and nitrogen or could not be valorized due to the absence of adequate gas infrastructure. The generated electricity is supplied to NIS for its own needs but is also put on sale in the market. In addition, the electricity is generated at the gas field Jimbolia in Romania, which is sold in the local market.

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.

The oldest NIS concession is in Angola, where oil exploitation began in 1985.



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

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

Nonfinancial risks

<i>RISK DESCRIPTION</i>	<i>RISK MANAGEMENT MEASURES</i>
Operational risks	
<i>HSE risks</i>	
Due to the nature of its activity, the Company is exposed to health, safety and environmental risks.	<p>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.</p> <p>During the first quarter of 2022, the Company streamlined and harmonized its measures according to changes in activities aimed at suppressing the spread of COVID-19 infection throughout the country. NIS Group invests significant resources and efforts in order to protect employees and mitigate coronavirus impact.</p>
<i>HR risks</i>	
Highly qualified personnel is a key prerequisite of efficient operations of the Company.	<p>The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. Early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, NIS Energy, Serbia Repatriation are just some of the examples of Company's recruitment effort.</p> <p>Talent management program, Talent development program, professional/professional training of employees, calibration program - identifying talents and defining a succession plan for key positions in the Company, management training and the introduction of a unified talent management system.</p>

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 in the first quarter 2022 as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. Oil prices increased to over US\$105 per barrel that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last.

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

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

the sale of oil derivatives with deferred payment.

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.

Since mid-September 2014, the Company has been exposed to the risk of limited external funding due to the sectoral sanctions imposed by the EU and the US on the largest Russian-owned energy companies and their subsidiaries incorporated outside the EU. Notwithstanding this restriction, for past 8 years, the Company has managed to successfully overcome this restriction by using permitted exceptions (financing is allowed if intended for imports from the EU).

In order to secure the necessary funds for future transactions, in 2021, Company negotiated/contracted over EUR 600 million in lines of credit. Credit lines have been agreed with Serbian banks for general purpose funding and with Serbia-based European banks for funding imports from the EU (financing for a period longer than 30 days is allowed if the funds are used to import goods or services from the EU), as well as changes in the conditions for existing loans (price and maturity). Thus, in order to improve its loan portfolio, NIS secured the necessary funds for timely repayment of loans in 2021 and 2022, as well as for early repayment in 2021 of expensive loans in order to improve the characteristics of the loan portfolio. By improving its portfolio and restructuring the loan portfolio, NIS has reduced the mandatory loan repayments for the next three and a half years, and redirected the cash flow towards the implementation of planned investments and the regular operation of the Company.

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, as well as the so-

- called spot contracts when there is a need and justified commercial conditions for the supply of oil and on that basis
- The widening of the circle of potential suppliers through their procedural verification and according to inquiries and letters of interest submitted to NIS, we noticed the noticeable increase or a higher number of participants in the regular, annual tender procedure for the procurement of crude oil and increasingly visible results of changes in the range of participants (bidders) and the opportunities / conditions that they offer.
 - 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).
 - 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 environment³

World

In early April the General Secretary of OPEC issued a statement for the European Union, claiming that the existing and future sanctions against Russia may create one of the deepest oil supply crisis in the history. The supply of over seven million barrels of Russian oil and gas condensate per say will be impossible to set off from other sources. He pointed out, that the current market volatility is caused by factors outside of OPEC's control, which signals or the organization to not increase its oil production. Another issue are the attacks on the oil production and energy infrastructure in Saudi Arabia. The country's leadership stated they can not be accountable for any interruptions in the oil supply. In the first quarter of the year the Gulf region of the country was subject to thirteen rocket and drone strikes, most of which were aimed at the oil production infrastructure of Saudi Arabia.

The representative of the United Arab Emirates in OPEC also warned that the issue of oil production is becoming overly political, stating that elimination of any member from the alliance would only cause further price increase and affect the market. He also reminded how during the COP26 Climate Change Conference petroleum producers were made to feel unwelcome and undesirable. Ironically, now that the demand exceeds the supply, they are suddenly treated as superheroes. He pointed that this is not the environment conducive to stability in the oil and gas market. OPEC countries will keep increasing oil production, as planned. They stay committed to maintaining the OPEC and OPEC+ coalition to ensure proper management of the market. He also pointed out that the policy towards sanctioned countries like Russia may not undermine the mission of the organization as a whole.

The executive director of the International Energy Agency is known as an avid supporter of the energy transition and ESG investing, and until now was calling on countries to stop new projects in the petroleum industry in order to achieve the UN climate change goals. However, now even he is calling on OPEC+ to produce more oil. Obviously, even the global climate protection lobby can not counter the laws of profit, supply and demand. As long as oil demand grows, companies will invest in new projects and large banks will be happy to offer financing. New report by ShareAction, an organization campaigning against investments in oil and gas, criticizes some of the largest global banks. Apparently, only several banks limit financing of petroleum projects. Even less banks restrict financing to projects aimed at expanding the existent oil and gas facilities.

Due to the new wave of COVID-19 and lockdowns in China in the first months of the year IEA has reduced its global demand forecast for the second quarter of 2022 and for the entire year. Furthermore, actual consumption of petroleum products in the first quarter, especially in the USA, was lower than planned. This also contributed to the forecast. As the result, IEA changed its daily consumption forecast by 260 thousand barrels. Average consumption in 2022 will be about 99.4 million barrels per day, which is 1.9 million more than last year.

³ Data sources for the World, Oil Price and Macroeconomics trends: Reports by Wood Mackenzie, IHS, Bloomberg, Reuters, National Petroleum Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles: Danas, Bizlife, Blic Biznis

Oil price

Brent Dtd⁴ price trends, \$/bbl



The price of crude oil at the Brent DTD quotation has been constantly rising since the beginning of the year. The lowest price of \$ 78.99 per barrel was recorded on the first business day of this year, while on 8 March 2022, the 14-year high amounting to \$ 137.64 per barrel was recorded. After that, the price of oil was reduced, but it remained at the level of more than 100 dollars per barrel until the end of the quarter.

As a result, the average price in the first quarter (\$ 101.4 / bbl) was by more than 67% higher than the average price recorded in the same period last year (61,12 \$/bbl).

In order to calm down the oil prices and stabilize the market, IEA members placed 60 million barrels of oil from strategic reserves on the market at the beginning of March (half of the amount was sold by the USA). The price of oil decreased after that, but it remained above 100 dollars per barrel until the end of the quarter. Therefore, in early April, it was agreed to release the additional 120 million barrels of oil from reserves (including 60 million barrels to be added by the United States as part of a broader plan of sales from Strategic Oil Reserves).

However, it should be taken into account that IEA members have reserves for three months and the amount of crude oil and petroleum products that will be released on the markets must be carefully estimated. Furthermore, this is a solution that cannot be sustainable in the long run. Strategic reserves are not unlimited so that they can be counted on indefinitely, and the question is how long the situation in Ukraine will last. Consequently, the only way to harness the skyrocketing prices on world stock exchanges is to increase crude oil output, especially in Saudi Arabia and the United States, as well as return to oil markets from countries such as Iran and Venezuela, all of which are questionable at this moment.

The drop in production by OPEC and its allies in March, for the first time in more than a year, contributed to the tightening of the oil market.

Morgan Stanley expects the price of Brent crude oil to remain at around \$ 100 per barrel throughout 2023. According to them, the upcoming period of 12 to 18 months it is "quite likely" to have higher prices. The basic forecast of this investment banking company is that Brent crude oil is to be constantly trading at \$ 120 a barrel until the third quarter of 2022, due to the effects of lower levels of Russian offer and supply. It has been emphasized that the prices could be even higher if Europe bans the import of Russian oil, and if Iranian nuclear agreement fails. Goldman Sachs expects even higher prices and it has raised its Brent spot price forecast for 2022 and 2023 to \$ 135 per barrel and \$ 115 per barrel, respectively.

Macroeconomic trends

Globally, policymakers are caught up in constantly high inflation. Rising prices were expected to subside as economies recover from the pandemic, but rising energy and food prices have continued to raise inflation around the world.

High inflation is widespread. The Bank for International Settlements (BIS, Central Bank Cooperation Bank) estimates that over 60% of countries have an annual inflation rate of over 5%. This is the largest share since the 1980s and a serious problem for central banks, which usually target inflation at 2%. In developing economies, more than half of the countries have inflation rates above 7%. At this juncture, China and Japan are significant exceptions.

⁴Source: NBS

The rise in consumer prices in the euro area and annual inflation reached 7.5% in March (from 5.9% in February and 5.1% in January). This is the fifth month in a row that inflation in the euro zone has set a record. Energy prices rose by 44.7% in March (compared to 32% in February and 27% in January). Rising inflation is increasing pressure on the European Central Bank (ECB) to raise key interest rates, which will affect the further rise in the cost of living and reduce hopes for recovery after the COVID-19 pandemic. March inflation of 6.7% is the highest recorded in the United Kingdom in the last 30 years, and interest rates have been raised three times since December last year. Moreover, the 8.5% jump in consumer prices recorded in March represents the highest inflation recorded in the last forty years in the United States. After several years of low or negative inflation, Japan estimates that in 2022 it will have the highest inflation in the last ten years.

The global investment consulting company BlackRock estimates that in the event of a long-lasting conflict between Russia and the West, inflation in the United States will still have a smaller negative impact than in previous crisis situations. The first reason is American industrial production, which is much less energy-intensive than it was in the past, and the second is oil production, which has grown significantly, so the country imports only a part of its needs for crude oil. This consultant does not expect direct stagflation (zero or negative real growth over a long period of time) in the United States. On the other hand, Europe is in danger of stagflation. The "energy shock" would be more severe than implied by oil prices due to the sharp rise in European natural gas prices, and the share of GDP that would have to be spent on energy would be the highest since the 1980s, and inflation would increase by about 1- 1.5%. Such a blow to the Eurozone would affect the global economy, given Europe's significant international trade links (the "ripple effect").

An ECB study from January 2022 suggests that a 10% reduction in gas supplies could reduce GDP by 0.7%. In addition to that, if Russian gas would no longer be available to the EU in the winter of 2022/23, and at the same time, a replacement for that energy source would not be resolved, the direct impact on GDP could be just under 3% of GDP, which would push the Eurozone into recession.

Serbia

At the same time, thanks to the preserved stability of the exchange rate and overall macroeconomic stability, core inflation (excluding the effects of food and energy prices) remained stable at 4.4%. NBS inflation expectations for the two and three years ahead, range from 3.0% to 3.5%. The expected relative stability of the exchange rate, planned monetary and fiscal measures, the arrival of the new agricultural season, as well as government measures that limit the growth of fuel prices and enable companies to buy electricity in the first half of 2022 on much more favorable terms than market, will contribute to this.

The Fiscal Council of Serbia believes that the most important task in Serbia in 2022 will be to control and stop inflation, because it represents both an economic and a social problem. Although the current inflation was caused mainly by external influences, it depends on domestic policy whether inflation will remain under control and gradually decrease by the end of 2022. According to them, the basic way to slow down inflation permanently is to rationalize budget spending. In 2022, a budget deficit and government borrowing of around 1.7 billion euros are planned, while the Fiscal Council proposes to reduce the deficit to one billion euros, which would reduce both inflation and new government borrowing.

After falling by 2.2% in January, total industrial production fell by 0.7% inter-annually, and in February 2022, so that in the period January-February it fell by 1.4% year to year.

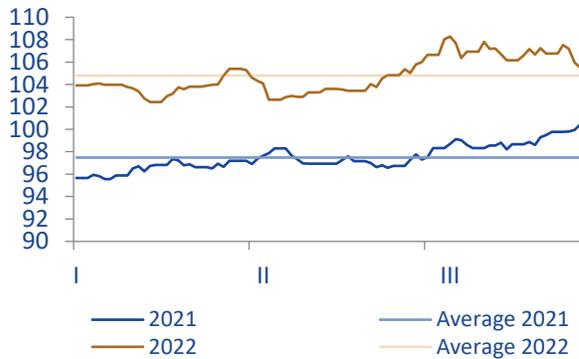
The stable movement of the dinar exchange rate against the euro continued in the first quarter of 2022, regardless of the short-term jump in the exchange rate at the end of February, since the jump was recorded only in exchange offices. However, in early April, the NBS raised the reference interest rate from 1.0% to 1.5%. The reason is that the System of the US Federal Reserve began a cycle of reference interest rate increases in March, and that the European Central Bank decided in March, in conditions of inflationary pressures stronger than expected, to reduce further the volume of quantitative facilitation during the second quarter, which requires prudence of the NBS monetary policy.

In February 2022, Fitch maintained Serbia's credit rating at the level of BB+, amid heightened geopolitical tensions, which further confirms the adequacy of Serbia's economic policies.

According to the National Institute for Statistics, the average salary in 2021 was nominally higher by 9.6%, and realistically by 5.4%, with some growth present in almost all activities (except energy). During 2021, about 100 thousand new employees were engaged. According to the Labor Force Survey, the unemployment rate in the fourth quarter of 2021 decreased by 0.7%, when compared to the third quarter of the same year, and amounted to 9.8%, so it went back to a single digit level for the first time in five quarters.

Exchange rate trend, USD/RSD⁵

↑ +7%



- Average USD/RSD in first quarter of 2022 was higher by RSD 7.3, i.e. 7% higher compared to the average exchange rate in the same period of 2021.
- During the first three months of 2022 USD/RSD exchange rate increased by RSD 1.58 or 2%.
- During first three months of 2021 USD/RSD exchange rate increased by RSD 4.76 or 5%.

⁵ Source: NBS.

Performance analyses

Market share⁶

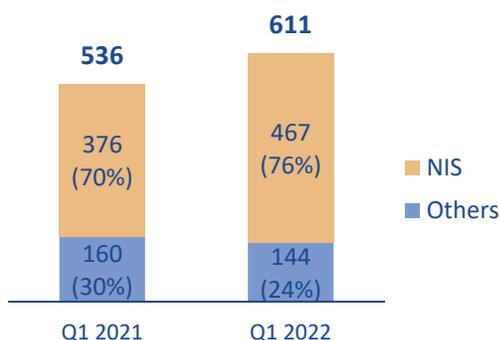
As expected, the consumption of motor fuels continued to recover, and in 2022 it is on the rise in all countries in the region compared to 2021.

The main factors in the recovery of consumption are the growth of transport, the growth of the construction industry and the recovery of tourism.

Market share in the Serbian market

Volume of the RS motor fuels market⁷, in thousand tonnes

↑ +14%



In Q1 2022, consumption of motor fuels in Serbia increased by 14% YoY.

The growing NIS' share in the motor fuels market compared to the first quarter of 2021 is related to the development of retail and active wholesale sales in the first half of the quarter, but also to increased speculative procurement of customers who bought fuel earlier and in larger quantities than usual.

NIS has provided the ensured permanence in the supply of the Serbian market with petroleum products, despite challenging circumstances.

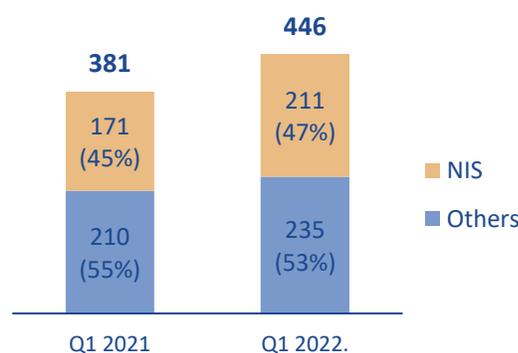
Retail: in the first quarter of 2022, consumption increased by 17% compared to the same period in 2021.

The growth of consumption in the retail market can be explained partly by the expected growth due to the growth of the vehicle fleet and economic activities, and partly by the extraordinary growth of demand caused by market volatility, especially at the beginning of the agricultural season. The government reacted by introducing restrictions on the retail prices of gasoline and diesel.

The growth of NIS of retail market share is a result of the modernization of refuelling stations, as well as an attractive loyalty program and new services on our network in the first half of this year, but also increased sales in the retail channel during periods of increased fuel supply by consumers, cancelling discounts for corporate clients, but also as a consequence of the Government Decree which prescribed a lower purchase price for agriculture, which was guaranteed only at NIS refuelling stations.

Volume of the RS motor fuels retail market⁸, in thousand tonnes

↑ +17%



⁶Data sources for the projections: for Serbia – Sales and Distribution Block's internal analyzes and estimates; for consumption estimates for Bulgaria and Romania – PFC and Eurostat; for Bosnia-Herzegovina – PFC and internal estimates. Any deviations in percentages and aggregate values result from rounding. The presented percentages of change were obtained on the basis of values that were not rounded to billions of RSD.

⁷Data for Q1 2022 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

⁸The 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 Q1 2022 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

⁹Others 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, Bulgarian and Romania

Bosnia and Herzegovina

According to local media, the government has reduced excise duties and fees to curb inflation. Specifically, according to the Law on excise duties the excise on diesel fuel is 0.3 CM/l, on motor lead-free gasoline 0.35 CM/l, on motor gasoline 0.4 CM/l, on fuel oil 0.45 CM/l, and 0.3 CM/l for biofuel and bioliquids. Apart for excise duty, fuel price also includes two types of road tax: 0.15 CM/l for road maintenance and 0.25 CM/l for construction of highways and road reconstruction.

The House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina adopted the Proposal of Amendments to the Law on Excise Duties, which abolished excise duties for six months. The amendments were put to vote as a matter of urgency. According to Romanian media, 31 members of Parliament voted for, no MPs voted against or abstained. This decision was made to curb the unprecedented fuel price growth and to prevent a chain-reaction growth of other prices. As the result the fuel will be 35 to 40 fenings cheaper. The decision abolished excise duties on diesel fuel and other gas oils, kerosene, motor gasoline-unleaded, motor gasoline, heating oil, liquefied petroleum gas for the propulsion of motor vehicles, biofuels, and bioliquids. After the expiration of six months, the possibility was left to the Council of Ministers of BiH to extend the defined amount of excise duty by three months. After this period, the excise duties will return to the level as defined by the Law on Excise Duties. In order for the amendments to enter into force, they need to be confirmed by the House of Peoples of the BiH Parliament also.

The Energy Ministry of Republika Srpska states that according to the Law on Urgent Procurement, the Government may purchase petroleum product in case of supply interruptions. "The law in question is imprecise and only partially harmonized with the EU Directive 119/09/E3, so the Government of Republika Srpska has not specified the institutional framework, location and process of reserve creation, storage, and replenishment, as well as other important issues", states the Energy Ministry. The responsible ministry of Bosnia and Herzegovina claims this issue has been mostly resolved. "The Zivnice terminal has been recently renovated. There will soon be a tender for the renovation of the Blazuj and Bihac terminals. There are also plans to renovate the terminal in Mostar. First batches of oil and petroleum products have already been delivered to Zivnice. We are working according to plan, as you can see in the recent report of the Energy Community Secretariat. The Federation of Bosnia and Herzegovina is meeting its part of the obligations, Hopefully, by late 2022 or early 2023 all expectations will be met.

The Modric Refinery has started pilot operation of a new boiler unit that uses compressed natural gas instead of oil fuel. The new boiler will fully replace the oil system. The new boiler will supply heat to all refinery facilities, including production units, product reservoirs, and administrative buildings. The commissioning of the new boiler units started in December 2021. The refinery invested over 280 thousand euro in this project. Technical staff of the Brod Refinery is also involved in the project, as it is producing the compressed natural gas for the boiler. General director of the Modric Refinery Kirill Tkachev points out that natural gas is an environmentally safe type of fuel, so the transition will greatly contribute to the reduction of harmful emissions. Compared to fuel oil it produces much less pollutants when combusted, and the boiler equipment is 15% more efficient. Emissions of carbon monoxide are 55% lower, and those of nitrogen oxide are 65% lower.

The motor fuel and the retail fuel market in Bosnia and Herzegovina demonstrated a recovery trend in the first quarter of 2022.

NIS owns 40 filling stations (and operated 2 DODO stations) in Bosnia and Herzegovina.

The company's share in the motor fuel market as of the first quarter of 2022 is 31.1%. The share in the retail market is 11.1%.

Bulgaria

Petrol, Bulgaria's fuel retailer, reports that its shareholder Trans Express Oil reduced its stake from 15.31% to 9.82%. On March 29, Trans Express Oil handed over 1.5 million voting Petrol shares (5.49% stake) to Grifon Power. The price of the transaction is not disclosed. Closing price of petrol shares on the Bulgarian stock exchange on March 28 was 0.182 BGN. Grifon Power now holds 5.49% of Petrol. According to Petrol's financial statement, at the end of 2021, its majority shareholder with 28.85% of shares was Alpha Capital, an investment company. In February Trans Express Oil purchased 5.45% of shares, thus increasing its stake to 15.31%.

Bulgaria's Sofia Airport has opened a procurement procedure for the delivery of 64 electric vehicles that would replace the obsolete ground handling service fleet it has been using, the airport operator said. "The new vehicles are for specific activities in the daily operation of the airport and are of different varieties - cars, cargo vans, van-types, etc.," the operator stated. The price of the procurement was not disclosed. The electric vehicles, envisaged in Sofia Airport's long-term carbon neutrality programme, will improve the efficiency of the airport's operations.

According to European Automobile Manufacturers' Association (ACEA), new passenger car registrations in Bulgaria increased by 17% year-on-year in February, reaching 1,943. In the first two months of 2022, registrations of new passenger cars in Bulgaria rose 16% on an annual comparison basis, to 3,977. The increase came against the background of a 6.7% annual drop in new passenger car registrations in the European Union in February, due to ongoing supply chain disruptions.

The motor fuel and the retail fuel market in Bulgaria demonstrated a recovery trend in the first quarter of 2022.

In Bulgaria NIS has 34 filling stations and an oil depot in Kostin Brod.

The company's share in the motor fuel market as of the first quarter of 2022 is 5.1%. The share in the retail market is 4.6%.

Romania

Gasoline and oil fuel prices in Romania have reached an all-time high.

Rompetro is planning to increase the volume of refining on the Petromidia Refinery by 20% and to expand its operations in the region. According to the company's published plans for this year, it also plans to increase production of the Vega Refinery and its petrochemical facilities. According to Ziarul Financiar, Rompetro Rafinare's Petromidia Refinery could process up to 5.6 million tons of oil this year. Last year the refinery processed only 4.6 million, as it was idle for three months due to an accident. According to the company's published plans for this year, it also plans to increase production of the Vega Refinery and its petrochemical facilities. According to the company's 2022 investment plan, it will spend 75.7 million dollars on development. The biggest share of this budget will go towards the reconstruction of the Petromedia Refinery, the only Rompetro's asset with access to the sea. Rompetro Rafinare, part of KMG International, reported earlier this week, that it has completed maintenance works worth around 30 million dollars in the Petromidia Novodari and Vega Ploiești refineries. The turnaround is the largest project Rompetro Rafinare planned for 2022. It lasted from March 11 to April 3 and was carried out by Rominers, KGMI's general contractor. Another 25 Romanian companies were involved as subcontractors. The turnaround involved the total of 2000 people. The plan to increase refinery production is part of the company's plan to strengthen its position in the region.

Petrom published plans to open MyAuchan stores on all 400 filling stations of its network by the end of 2023. Auchan has been OMV Petrom's partner for the last five years. Both companies will invest the total of 50 million euro in this project. At the same time, OMV Petrom has launched its own filling station modernization program. Currently about 150 Petrom stations across Romania have MyAuchan stores.

Russia's Lukoil reports it has signed a memorandum of intent with Rusatom Overseas with the intent to start producing green hydrogen at the Petrotel Lukoil Refinery in Ploiești. "Together with our technological partner, ROSATOM, we will evaluate prospects for our plant's switching to one of the most environmentally-friendly technology of hydrogen production, which enables refineries to greatly reduce their carbon footprint. In the future, this will allow us to replace all traditionally produced hydrogen, generated by methane steam reforming, with green

hydrogen, generated via electrolysis in symbiosis with renewable energy sources,” said Rustem Gimaletdinov, Vice President for Oil Refining, Petrochemicals and Gas Processing of Lukoil. Lukoil has been present in Romania since 1998. It operates in all segments of the energy sector, including geological exploration, refining, retail and wholesale of petroleum products, and renewables.

The motor fuel and the retail fuel market in Romania showed a recovery trend in the first quarter of 2022.

NIS has 19 filling stations in Romania. It’s share in the motor fuel market is 2.7%. The share in the retail market is 1.5%.

Key Performance Indicators

Indicator	Unit of measure	Q1 2022	Q1 2021	Δ^{10}
<i>Brent Dtd</i>	<i>\$/bbl</i>	101.40	60.9	+67%
Sales revenue	RSD billion	98.0	48.2	+103%
Net profit	RSD billion	15.6	1.5	+10.4x
EBITDA ¹¹	RSD billion	25.4	9.4	+2.7x
OCF	RSD billion	23.3	-0.5	growth
CAPEX ¹²	RSD billion	3.8	4.1	-8%
Accrued liabilities for taxes and other public revenue ¹³	RSD billion	53.2	44.6	+19%
Total bank indebtedness ¹⁴	EUR million	621	641	-3%
LTIF ¹⁵	%	1.25	1.25	-

¹⁰ Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

¹¹ 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.

¹² CAPEX amounts are exclusive of VAT.

¹³ 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.

¹⁴ Total bank indebtedness = Total debt to banks + Letters of Credit. As at 31 March 2022, this was EUR 621 million of total debt to banks, while there was no debt based on the letter of credit.

¹⁵ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator shown refers to NIS j.s.c. Novi Sad with its subsidiaries: Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical services LLC Zrenjanin and Naftagas – Transport LLC Novi Sad.

Operating indicators

Exploration and production

Indicator	Unit of measure	Q1 2022	Q1 2021	Δ ¹⁶
Oil and gas output ¹⁷	Thousand t.o.e.	292.1	291.8	+0.1%
Domestic oil output ¹⁸	Thousand tonnes	200.1	198.2	+1%
LTIF ¹⁹	%	2.0	1.85	+10%
EBITDA	RSD billion	12.9	6.0	116%
CAPEX ²⁰	RSD billion	2.6	2.6	-0.2%

The main goal in the first quarter of 2022 in the Exploration and Production Block was to fulfill the hydrocarbon production plan and increase the efficiency of geological and technological activities.

In the first quarter of 2022, a total production volume of 280 thousand t.o.e. was achieved at deposits in Serbia. The total volume of production for the first quarter of this year, including concessions, amounts to 292 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 well engineering

As part of development drilling, additional research and determination of oil saturation limits on active deposits and well pattern thickening are being actively carried out.

The completed transition to a new hydrocarbon-bearing formation, otherwise known as the "NO2 Project", stands out prominently among the Geological and Technical Activities performed in the year's first quarter. The workover resulted in putting 8 wells on stream, with an average increment of 5.7 t/day.

In 2022, the successful application of the remedial cementing technology will continue. In the first quarter, after the application of the remedial cementing technology, 14 wells were put into operation, and most of the operations were performed at the Velebit oil field. In addition to the very successful application of the remedial cementing technology in the Velebit field, its application continues in the fields of Kikinda-Varoš, Iđoš, Kelebija.

Since the beginning of the year, 4 wells from the idling well stock have been conditioned for production, and an average increment of 3.7 t / day has been achieved.

2/3D seismics

Complex seismic geological interpretation of 3D seismic data from Mokrin-Kikinda-Phase 1 was completed, while the seismic and geological interpretation of the unified 3D polygons Majdan-Srpski Krstur, Martonoš-Velebit and Čoka is underway.

License obligations

In order to provide conditions for drilling wells on the approved Velebit exploitation field, a geological research project was done and exploration works were registered with the competent body.. At the approved exploitation

¹⁶ Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

¹⁷ Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

¹⁸ With natural gasoline.

¹⁹ *Lost Time Injury Frequency* – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The specified indicator is calculated cumulatively, from the beginning of the year, and the indicated data represent the current status as of 31 March 2022.

²⁰ Financing, exclusive of VAT.

fields Idoš and Mokrin, drilling and testing of wells is performed in accordance with the Geological Research Projects done in 2021, with the implementation period until the end of August 2022.

For the exploration areas of North Banat, Central Banat, South Banat, North Bačka and South Bačka decisions of the competent provincial secretariat were obtained, which approved the continuation of geological oil and gas exploration in these exploration areas until the end of 2023.

For the Srbobran exploitation field, the approval of the Provincial Secretariat for the exploitation field was obtained, in order to exploit gas and condensate from the Srbobran field deposit.

On the basis of the Main Mining Project for determining the status quo and continuing the exploitation of oil, condensate and gas in the Mokrin exploitation field, a request was submitted to the Provincial Secretariat for issuing approvals for the construction of mining facilities and mining works.

The Ministry of Mining and Energy has obtained approval for the use and utilization of mining facilities built according to the Main Mining Project for the development and exploitation of hydrocarbons in the Kasidol oil field.

The Ministry of Mining and Energy obtained approval for the use and utilization of mining facilities built according to the Main Mining Project for the development and exploitation of oil and dissolved gas in the Bradarac exploitation field - The Provincial Secretariat obtained approval for changing the boundaries of the approved deposits of the Idoš exploitation field.

Projects abroad

The Company's operations in Romania in Upstream is being carried out with assets belonging to NIS Petrol s.r.l, based in Romania (NIS j.s.c. Novi Sad being the sole owner of this subsidiary) in six concession blocks. NIS Petrol s.r.l, NIS' Romanian subsidiary, operates these blocks.

Key event in Romania in the first quarter of 2022:

- Block EX-7: The Beba Veche Sud 1000 exploratory well has been undergoing experimental production stage;
- Block EX-7: As part of the project to develop the "Teremija North" oilfield - The development well Teremija 1003 has been drilled through. There was no open well flowing in the aftermath of the well testing . In the aftermath of the chemical treatment of the well open well flowing has not been achieved. The hydraulic fracturing of formation has been planned. - Bids have been invited to build a booster pipeline pumping station;
- Block EX-12: business case has been updated, both internal and external analysis have been completed.
- Block EX-2: business case has been updated, following the internal analysis completion, external analysis has been under way.
- Block EX-3: business case has been updated, following the internal analysis completion, external analysis has been under way.

The Company's operations in the Upstream segment in Republika Srpska (Bosnia and Herzegovina) are conducted using the resources of Jadran Naftagas d.o.o. Banja Luka.

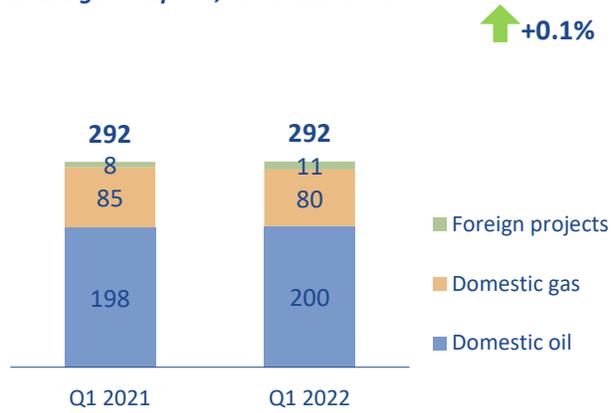
Key event in Bosnia and Herzegovina in the first quarter of 2022:

- Drilling has been completed at the "Ob-3, Obudovac" exploration well, in the Republic of Srpska. Based on the obtained data, the test intervals were determined. Preparations of the overhaul plant and the team for mobilization on the site and implementation of works on wells are in progress.

Operating indicators

In the first quarter of 2022 the total production was 292 thousand tonnes of oil and equivalent of oil and gas, which is at the level of the first quarter of last year.

Oil and gas output²¹, thousand t.o.e.



²¹Any deviations in percentages and aggregate values result from rounding.

Downstream

Key indicators

Indicator	Unit of measure	Q1 2022	Q1 2021	Δ ²²
Volume of refining of crude oil and semi-finished products	thousand tonnes	904.9	752.0	+20%
Total sales volume of petroleum products	thousand tonnes	958.6	781.8	+23%
<i>Retail Serbia</i>	thousand tonnes	209.3	169.7	+23%
<i>Wholesale Serbia</i> ²³	thousand tonnes	308.4	258.4	+19%
<i>Retail Foreign Assets</i>	thousand tonnes	48.8	43.4	+13%
<i>Wholesale Foreign Assets</i>	thousand tonnes	90.0	71.3	+26%
Transit, export and BU ²⁴	thousand tonnes	302.1	239.0	+26%
Motor fuels sales volumes ²⁵	thousand tonnes	645.4	528.4	+22%
EBITDA DWS ²⁶	RSD billion	15.8	6.53	+143%
<i>EBITDA Refining</i> ²⁷	RSD billion	15.4	3.5	+346%
<i>EBITDA Sales and Distribution</i>	RSD billion	2.5	3.5	-29%
CAPEX DWS ²⁸	RSD billion	1.1	1.4	-23%
<i>CAPEX Refining</i>	RSD billion	0.3	1.0	-17%
<i>CAPEX Sales and distribution</i>	RSD billion	0.7	0.4	+103%
LTIF DWS ²⁹	%	0.8	1.2	-36%
<i>LTIF Refining</i>	%	2.0	4.05	-50%
<i>LTIF Sales and distribution</i>	%	0.0	0.6	-

²² Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

²³ Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant

²⁴ Business unit includes the sale of bitumen, bunkering and aviation fuel channels

²⁵ Total motor fuels sales volumes in Serbia and in foreign assets.

²⁶ EBITDA of the Refining Block includes the power plant in RNP.

²⁷ EBITDA of the Block Sales and Distribution Block.

²⁸ Financing, excluding VAT.

²⁹ *Lost Time Injury Frequency* – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The specified indicator is calculated cumulatively, from the beginning of the year, and the indicated data represent the current status as of 31 March 2022.

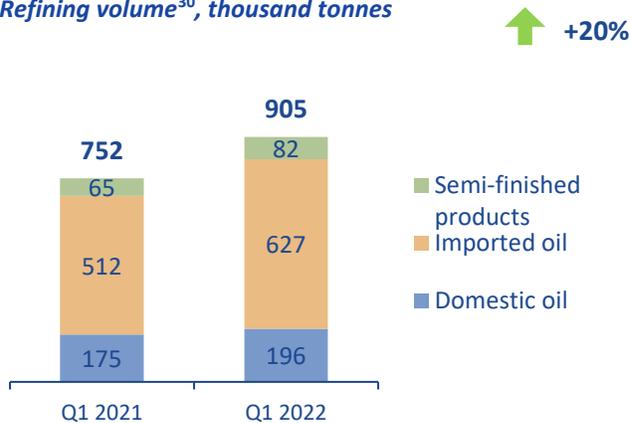
Refining

In the first quarter of 2022 NIS Refining Block was focused on maintaining stable production and creating the necessary reserves to ensure stable supply of petroleum products to the market according to plan and demand, taking into account the market situation and the COVID-19 pandemic.

The volume of refining in Q1 2022 increased by 20% YoY.

Refining activities and volume

Refining volume³⁰, thousand tonnes



NIS Refining Block entered the year with ambitious plans. The economy continued to recover from the consequences caused by the corona virus pandemic, which had a positive impact on the demand for petroleum products and the refining volume in the refinery.

In the first quarter of 2022, the Refining Block focused on supplying the market and producing enough fuel for the upcoming agricultural season.

Apart from production facilities the Pančevo Refinery operates extensive storage facilities and logistical network. Therefore, the Pančevo Refinery was able to provide support to Elektroprivreda and

thus affect the preservation of energy stability in the Republic of Serbia.

Projects

In Q1 2022 we continued the reconstruction of the FCC unit and construction of a ETBE unit.

We finalized the strategy and criteria for the selection of a EPsCm contractor. The tender for selection of a EPsCm contractor has been opened. Eleven companies have applied.

The Refining Block has set up a working group to plan how to mitigate the impact of the 85-day downtime during the 2025 turnaround. We have received permits to dismantle parts of units S-620 and S-2750 and selected the contractor.

On March 30, 2022, the Investment Committee of the Logistics, Refining, and Sales Block has approved the continuation of the project's FEED stage.

The reconstruction of the FCC unit and construction of a ETBE unit is the most important project in terms of the third stage of the refinery modernization. This project is of primary importance both for the refinery, and for NIS as a whole.

The modernization will help increase the value of the refinery's products and the EBITDA. After the reconstruction, the FCC unit will be able to produce either propylene, or gasoline, based on the market demand. This will make the refinery more flexible in optimizing its production process. This project has a significant environmental impact, as it will ensure the reduction of solid particle emissions.

The Refining Block is always working in implementation of new digital technologies to improve efficiency and reliability. Currently we are implementing a new predictive maintenance system. This is one of the best global practices that achieves multiple benefits through proactive rather than reactive maintenance. We are doing a lot to make our production processes as efficient as possible by improving the availability monitoring system at unit level.

³⁰ Any deviations in percentages and aggregate values result from rounding.

In Q1 2022 the Refinery Block worked on developing additional measures to increase energy efficiency and optimize production to be able to meet the ambitious goals set for the year.

As part of the OMS activities, we have adopted a detailed plan for introduction of best practices and developing the atmospheric distillation unit (S-2100) and vacuum distillation unit (S-2200) unto Model Assets. We are now choosing contractors to organize, equip, and mark the facilities according to the 5S methodology. We have completed a technical assignment for the project of speeding up the reliability improvement of the refining facilities.

Sales and distribution

Points of sale³¹ and logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 328 retail sites are located in the Republic of Serbia (with 26 of them under GAZPROM brand). In the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina (31 under GAZPROM brand), 34 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

So far in Q1 2022 NIS opened a new CNG filling unit at the Ledena Stena filling station. In April, the company will start rebranding of the Veternik filling station that is currently on lease. By the end of the year, NIS will put in operation three new filling stations, backi Vinogradi 1 (GAZPROM brand), Valjevo 5 (NIS brand), Zemun 1 (NIS brand) and five reconstructed ones: Kucevo (NIS brand), Kostolac (NIS brand), Blace (NIS brand), Kosjeric (NIS brand), and Lajkovac (NIS brand).

Loyalty program and marketing activities

In the first quarter of 2022 in Serbia, we would like to single out the most important marketing activities that marked this period:

- Promotion campaign for the **Drive.GO** pay at pump app. Throughout the entire year NIS will actively promote the app to increase sales, app downloads, and the overall attractiveness of the NIS Petrol and GAZPROM petrol stations
- A promotion campaign for the instant payment services available at out filling stations, IPS Pokazi and IPS Placanje racuna. The goal of the campaign is to remind clients that they can quickly and safely pay their monthly bills or pay for the purchases at out filling stations using the instant payment method via the banking app on their phones. Communication channels in Q1 2022 used in the promo campaigns are Facebook, Instagram and direct marketing through text messaging.
- New campaign within the Sa Nama na Putu loyalty program offering virtual membership. The goal of the campaign is to increase the number of users by promoting app downloads and registration and educating clients on the benefits of virtual loyalty cards.
- Continuous social media campaigns to expand brand communications and increase following of Jazak accounts. Activity in the Instagram and Facebook accounts of the Jazak water, including sponsored, interactive, and educational content. Apart from the official brand account, a lot of content promoting the Jazak brand is published on partner accounts, Izazovi avanturu, Polovni automobile, Putriota, and Nomadna.

³¹ As at March 31, 2022.

Operating indicators

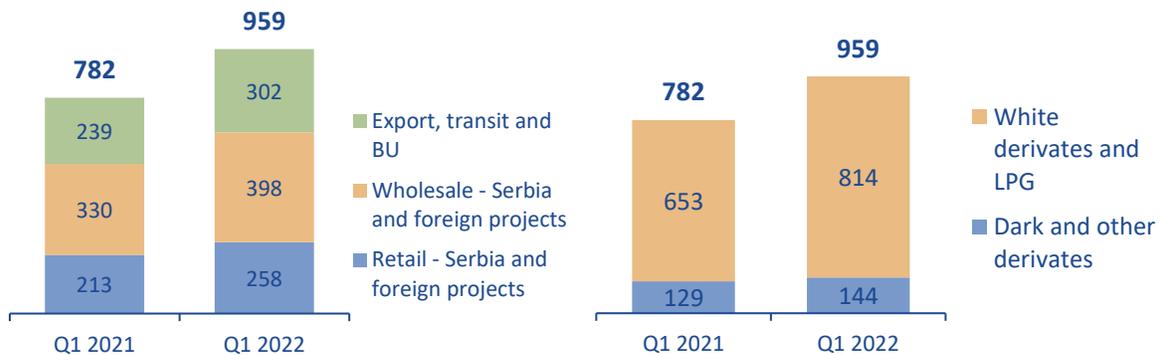
The first quarter of 2022 saw a sales growth of 23% comparing to the same period of previous period, with the total sales of 959 thousand tonnes.

- Retail in Serbia and foreign assets - the growth of 21% was brought about by the increase in diesel and gasoline consumption as a result of panic buying in all countries caused by the sudden increase in global prices of petroleum products, the attraction of new corporate clients and introduction of retail price limits in the Republic of Serbia;
- Wholesale volume in Serbia and foreign assets³² – growth as a result of increased sales of eurodiesel, due to increased demand in January and February, as well as increased demand for petroleum products due to the sharp rise in world quotations of petroleum products when NIS has provided the ensured permanence in the supply of the Serbian market with petroleum products;
- Exports, transit and Business Units³³ - a growth of the aviation fuel sales (related to lifting of the restrictions due to COVID-19) and a growth of the bitumen.

**Volume of sales³⁴,
thousand tonnes**

 **+23%**

**Structure of sales³⁵,
thousand tonnes**



³² Includes the sale of CNG of the Energy Block and the sale of oils and lubricants of the Lubricant Production Plant.

³³ Business units include the sale of the bitumen, bunkering and aviation fuel channels.

³⁴ Any deviations in percentages and aggregate values result from rounding.

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

Energy

CCPP Pančevo Project

Manufacturing, delivery and putting in place the power plant equipment has been fully completed. Activities on putting the power plant into operation are under way. On April 11, 2022, the permit to enter the trial operation was obtained. In the period between 15th and 18th March 2022, the 72-hour reliability test of the power plant was successfully performed. The tests of the power plant prescribed by the Electricity Grid of Serbia are coming to an end. Within their framework, the isolated mode of the power plant operation was completed as well. Warranty tests were performed during the period April 11 - April 15, 2022. The work continues with a view to eliminate the objections given by the expert supervision and investors.

Natural gas

The sale and purchase of natural gas is carried out at regulated prices in accordance with the Decree of the Government of the Republic of Serbia on temporary measure to limit the price of gas and compensate differences in the price of natural gas procured from imports or produced in the Republic of Serbia in case of disturbances in the natural gas market.

Organization and balancing the natural gas portfolio for NIS j.s.c. Novi Sad, is implemented in accordance with the contracts on natural gas transport with the Natural Gas Transmission System Operator for the Gas Year 2021/2022, as well as in accordance with the annual agreements on the sale of natural gas with the subsidiaries of NIS. In the first quarter of 2022, an annual contract on natural gas distribution was signed with the natural gas distribution system operator for 2022.

Electricity trading

NIS currently holds an electricity trade license in Serbia, Montenegro, Romania, BiH, Slovenia, Hungary and Bulgaria. Due to the sanctions, NIS j.s.c. Novi Sad works only in Serbia with a limited number of partners in Serbian companies. NIS Petrol Romania works smoothly. NIS j.s.c. Novi Sad trades on the electricity exchange in Serbia (SEPEX) and in Romania (OPCOM).

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

The program of measures to reduce energy consumption and increase energy efficiency in NIS in Q1 2022 is expected to achieve energy savings of 865 toe. The financial value of the savings is RSD 43.5 million

An internal energy audit team has been established, as well as the regulatory and methodological framework. The barrier success rates in the Blocks and subsidiaries was 98 and 95.7% respectively.

Measures to improve energy efficiency have been developed and a pool of EE "quick wins" projects has been set up in 2022, and the implementation of 7 measures to improve energy efficiency has commenced.

Activities of implementing three measures to boost energy efficiency are in progress, one of which has been completed, and the total expected effect of savings in annual terms for all three measures is almost - 26.4 million dinars.

Renewable energy sources

Contract has been concluded with the aim to build solar photovoltaic power plants at 8 fuel supply stations, with the planned completion of the last planned power plant by the end of May 2022. The individual power of the power plant is about 30 kWp at 7 fuel supply stations and 65 kWp at the 'Dayton' fuel supply station in Belgrade, and the total power of the solar panels is 290 kWp. The objective of the construction is to substitute the supply of electricity from the electricity distribution system with the placement of smaller periodic surpluses in the electricity distribution system. Power plants will have the status of a buyer-producer of electricity. The total annual production of all power plants at 8 fuel supply stations will amount to 341,000 kWh, which will reduce CO₂ emissions by 375 tons per year. The total investment is about 200,000 Euros.

Financial indicators

Sales revenue

In the first three months of 2022, NIS achieved a 103% growth in sales revenues compared to the same period previous year, and the total amount of sales revenues is RSD 98 billion.

Sales revenues³⁶,
RSD billion



EBITDA

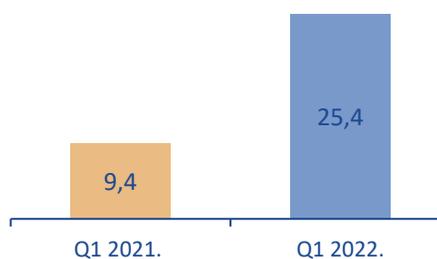
The EBITDA indicator in the first quarter 2022 is 2.7 times higher than in the same period last year and amounted to RSD 25.4 billion.

The growth of the EBITDA indicator was influenced by the following factors:

- The impact of the positive effect of the rise in oil prices, as well as of cheaper stocks of previous periods in refining compared to the first quarter of 2021
- The improvement of the refining range, partially offset by lower margins due to retail price caps and
- Lower premiums for crude oil procurement.

EBITDA, RSD billion

↑ +2,7x



³⁶ Any deviations in percentages and aggregate values result from rounding.

Net profit

The net profit in the first quarter of 2022 amounts to RSD 15.6 billion, which is almost 10 times higher than in the previous business year.

Net profit³⁷, RSD billion

↑ +10.3x



The growth of net profit is conditioned by the following factors:

- growth of EBITDA

OCF

In the first quarter of 2022, the operating cash flow amounts to RSD 23.3 billion, and it is higher compared to Q1 2021.

OCF³⁸, RSD billion

- Higher inflows from customers, but also higher operating costs.



³⁷Any deviations in percentages and aggregate values result from rounding.

³⁸ Any deviations in percentages and aggregate values result from rounding.

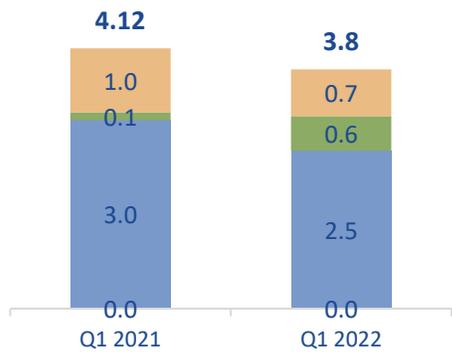
CAPEX

In the first quarter of 2022, the main investments were directed towards the realization of oil and gas production projects. A significant part of the investments consists of the investment in concessions (Romania, North Teremia). In addition, NIS invested in refining, sales and distribution, energy, and services projects, as well as a number of projects in the corporate center.

In Q1 2022, 3.8 billion dinars was earmarked to fund investments, which is 8% less than the amount earmarked in the same period in 2021.

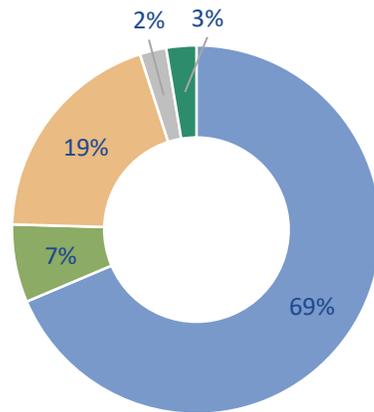
CAPEX by type of project³⁹, RSD billion

↓ -8%



- Projects without economic effect
- Projects with indirect economic effect
- Projects with direct economic effect
- Ecology

Investments by segment



- Block Exploration and production
- DWS Refining
- DWS Sales and distribution
- The rest of division Downstream
- Corporate centre

³⁹ All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding.

Organisational unit	Major projects
Exploration and production	<ul style="list-style-type: none"> ● drilling of development wells ● investing in geological and technical activities ● investing in concession rights
Services	<ul style="list-style-type: none"> ● general overhaul, replacement and procurement of equipment for drilling rigs ● construction of mud pits for excess mud
Refining	<ul style="list-style-type: none"> ● projects of modernisation ● projects aimed at ensuring compliance with legal norms and regulations ● projects to increase production efficiency ● capital investments related to environmental protection ● energy projects ● investment in reconstruction of the FCC unit with construction of a new ETBE unit
Sales and distribution	<ul style="list-style-type: none"> ● retail network development in Serbia (petrol station construction and reconstruction) ● logistics projects (reconstruction of warehouse ND Niš) ● other retail projects in Serbia and the region
Rest of Downstream projects (Energy, Technical services)	<ul style="list-style-type: none"> ● windpark Plandište ● projects related to the maintenance of software solutions
Corporate centre	<ul style="list-style-type: none"> ● projects with information technology component (SAP Success Factors, Karkas projects for Matica) ● warehouse maintenance projects

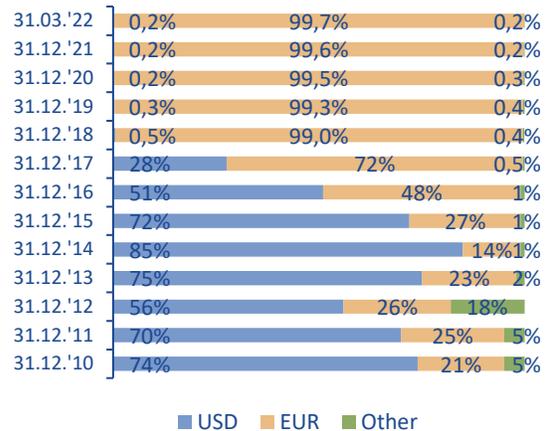
Indebtedness

At the end of the first quarter of 2022, the bank debt raised compared to that at the end of 2021, and it amounts to EUR 620.6 mn. The debt increase comes as a consequence of drawing a credit of EUR 31.2 million, for the purpose of providing funds to maintain liquidity in the conditions of stepped up sanctions and repayment in the total amount of EUR 0.5 million (current obligations accrued in the first quarter).

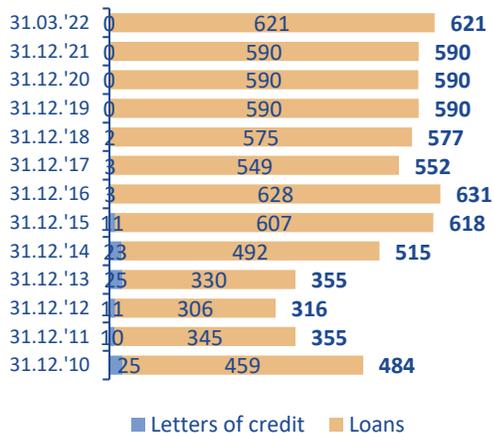
Total bank debt trends with maturity structure⁴⁰, EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness⁴¹, EUR million



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

⁴¹ In addition to the bank debt and Letters of Credit as at 31 March 2022, NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of EUR 46.0 million, corporate guarantees in the amount of EUR 72.9 million, Letters of Intent signed with banks in the amount of EUR 0.1 million and financial leasing in the amount of EUR 19.7 million.

Taxes and Other Public Revenue⁴²

NIS j.s.c. Novi Sad	Q1 2022	Q1 2021	% ⁴³
Social insurance contributions paid by employer	0.48	0.47	+4%
Energy efficiency fee ⁴⁴	0.09	0.08	+24%
Corporate tax	3.03	0.72	+320%
Value-added tax	5.96	7.10	-16%
Excise duties	32.96	27.20	+21%
Commodity reserves fee	1.64	1.31	+24%
Customs duties	0.28	0.17	+70%
Royalty	0.45	0.26	+72%
Other taxes	0.35	0.34	+0.4%
Total	45.25	37.65	+20%
NIS subsidiaries in Serbia⁴⁵			
Social insurance contributions paid by employer	0.33	0.33	+2%
Corporate tax	0.05	0.09	-44%
Value-added tax	0.60	0.64	-5%
Excise duties	0.00	0.00	-
Customs duties	0.05	0.01	+440%
Royalty	0.00	0.00	-
Other taxes	0.03	0.03	+10%
Total	1.06	1.09	-2%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	46.31	38.74	+20%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.00	0.01	-82%
Corporate tax	0.17	0.00	n/a
Value-added tax	0.21	0.19	+7%
Excise duties	4.10	3.54	+16%
Customs duties	2.33	2.07	+12%
Royalty	0.03	0.00	+670%
Other taxes	0.03	0.02	+63%
Total	6.87	5.85	+17%
Deferred taxes (total for Group)	-0.02	0.0	-
Total NIS Group⁴⁶	53.16	44.59	+19%

Accrued liabilities for public revenues payable by NIS j.s.c. Novi Sad along with its subsidiaries deriving from its organisational structure in Serbia totalled RSD 46.3 billion in the first three months of 2022.

The amount of accrued liabilities for public revenues payable by the NIS Group in the first three months of 2022 totalled RSD 46.3 billion, which is an increase of 19% on the same period in 2021.

⁴²In RSD billion.

⁴³ Any deviations in percentages and aggregate values result from rounding.

⁴⁴ Calculated from 1 July 2019.

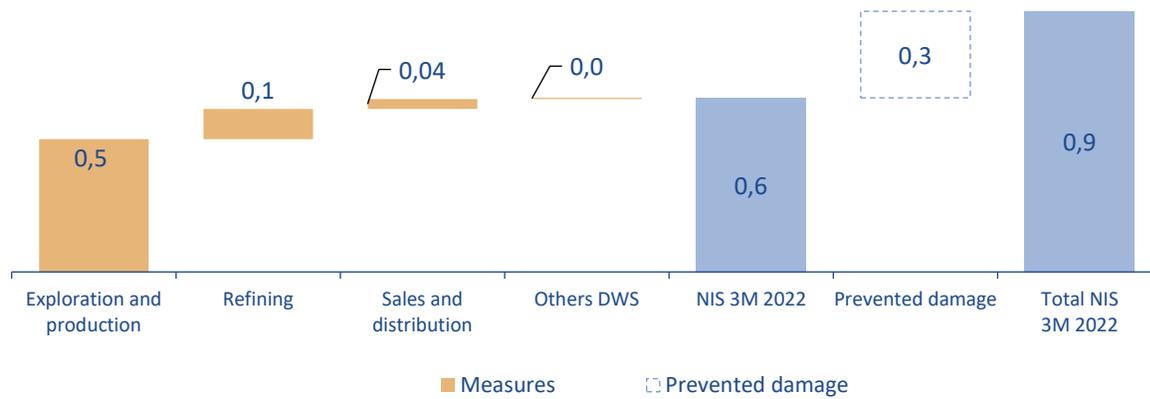
⁴⁵ Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS Naftagas LLC Novi Sad and NIS Petrol a.d. Belgrade.

⁴⁶ Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

Operational efficiency improvement

The total effect of the realization of the achievable level of potential in the first quarter of 2022 on the EBITDA indicator amounts to RSD 0.6 billion.

Effect of operational efficiency improvement measures on EBITDA, RSD billion

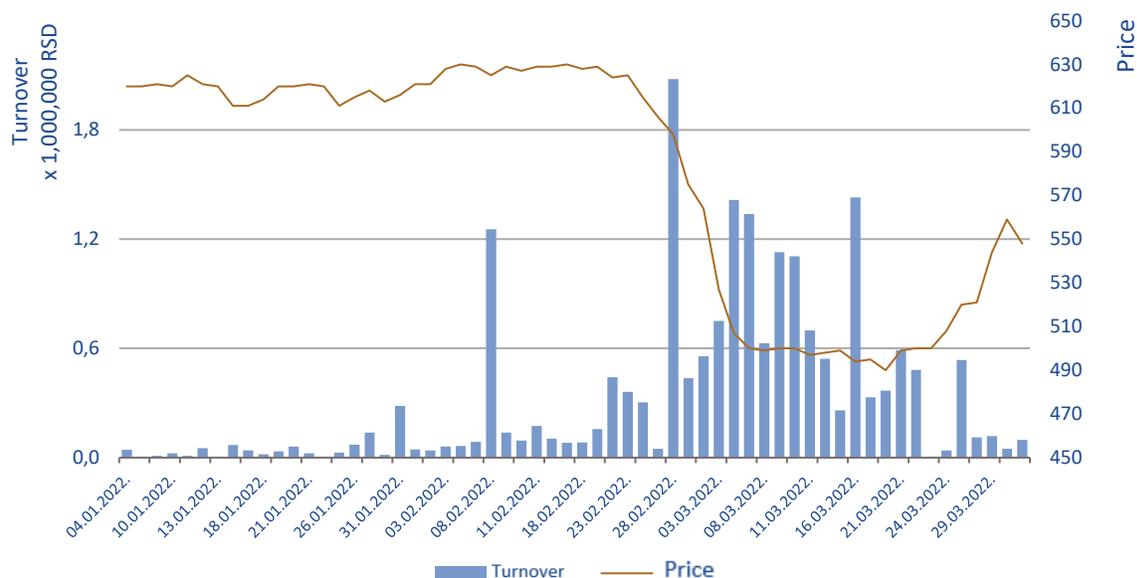


Securities

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 quarter of 2022



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first quarter of 2022	
Last price (31 March 2022)	548
High (4 th February 2022)	633
Low (16 th March 2022)	482
Total turnover, RSD	195,606,397
Total turnover, number of shares	362,913
Total number of transactions, number of transactions	1,635
Market capitalization as at 31 March 2022, in RSD	89,357,099.200
EPS	94.68
Consolidated EPS	95.92
P/E ratio	6.55
Consolidated P/E ratio	6.46
Book value as at 31 March 2022	1,764.09
Consolidated book value as at 31 March 2022	1,707.27
P/BV ratio	0.35
Consolidated P/BV ratio	0.36

In the first quarter of 2022 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 that 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 2021 Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit from previous years, coverage of loss of NIS j.s.c. Novi Sad for 2020, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. This decision determines that the dividend will be paid to NIS j.s.c. Novi Sad shareholders in cash, in the gross amount of RSD 1,001,190,856.

	Net profit (loss), RSD bn ⁴⁷	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 % ⁴⁸
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5 ⁴⁹	0.0	-	101.1	0	475	-
2011	40.6 ⁵⁰	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

⁴⁷ Net profit of NIS j.s.c. Novi Sad.

⁴⁸ Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.

⁴⁹ Net profit used for coverage of accumulated losses.

⁵⁰ 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 three months of 2022, net in RSD	
Members of BoD	62,621,688 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.

Related-Party Transactions

In the period ended 31 March 2022, 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.

Human resources

The first quarter of 2022 was marked by the creation of strategic and action plans aimed at strengthening NIS' position as the employer and adopting to the labour market trends.

The results of the employee engagement survey for 2021 were carefully analysed and the plans to improve the engagement, both at the Company level and at the level of organisational units, were developed.

A set of HR strategic initiatives was created to enable NIS to improve its HR practices and tools for attracting and retaining employees.

Each new young colleague brings fresh energy and ideas to NIS, which help burst the Company's development. For that reason, February is an especially important month in NIS, because that is when one cycle of the programme "NIS Energy" ends and the participants selected in the contest for the new season of this unique corporate programme for young people come to NIS.

The first season of "NIS Energy", which lasted from February 2021, was successfully completed by 15 attendants and all of them will stay to work and build their professional careers in NIS.

In addition, as of 17 February, 27 candidates selected in the contest for the second season of "NIS Energy" programme are undergoing one-year internship in NIS. They will be given an opportunity to take their first professional steps in the business units of NIS. All the attendants signed a fixed-term Employment Agreement for a period of one year, and after the programme is completed, they will be offered a possibility to take up employment with the Company, just like the colleagues from the first cycle.

The selected candidates are supervised by NIS mentors over the entire period of the programme. In addition to working in the Company, they will be provided with different training sessions, professional lectures and courses, and the opportunity to work on individual projects. The young specialists, motivated to learn and acquire professional experience, embody the new energy in NIS that will drive the Company development.

NIS continues strengthening its position of an attractive employer through successful attendance of over 10 conferences, workshops, and forums during the year, such as "ESTIEM Case Study Show", "Eestech hakaton", "Belgrade Engineers' Day of BEST Belgrade Organisation", "HR Starter", "Practice Days of the Centre for Career Development of the Faculty of Organisational Sciences", "Interviewing week", "KONSEK" and more. In addition, we have started the annual strategic cooperation with the organisations BEST and Eastec, in order to ensure a long-term reinforcement of cooperation with the students of technical and IT faculties.

Employee Number and Structure

Organisational unit	3/31/2022			3/31/2021		
	Direct	Leasing	Total	Direct	Leasing	Total
NIS j.s.c. Novi Sad⁵¹	5,057	0	5,057	5,186	0	5,186
Exploration and Production Block	1,080	0	1,080	1,107	0	1,107
Downstream Division	2,502	0	2,502	2,563	0	2,563
Refining Block	968	0	968	997	0	997
Sales and Distribution Block	1,345	0	1,345	1,341	0	1,341
Energy Directorate	37	0	37	39	0	39
the rest of Downstream Division ⁵²	152	0	152	186	0	186
Corporate Centre	985	0	985	995	0	995
Multifunctional Shared Service Center ⁵³	486	0	486	516	0	516
Representative and Branch Offices ⁵⁴	4	0	4	5	0	5
Local subsidiaries	5,859	0	5,859	5,812	0	5,812
Subsidiaries abroad	134	0	134	137	0	137
Other subsidiaries included in consolidation	497	0	497	493	0	493
TOTAL⁵⁵:	11,547	0	11,547	11,628	0	11,628

⁵¹ In December, NIS j.s.c. has 41 employees hired through the Contract of Services

⁵² The rest of the Downstream Division includes: Office of Division Director, Crude Oil Sector, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, and DWS Procurement Department, and Project Office for Implementation of New Projects in DWS

⁵³ At the end of 2019, setting up the Multifunctional Share Service Center started, which is, due to its specificity, established as a separate unit.

⁵⁴ The headcount indicated for the Representative Offices and branches refers to the employees in the Representative Office in Russia. In addition to the Representative Office in Russia, the Representative Office in Angola and the Balakanabat Branch in Turkmenistan are also active.

⁵⁵ Employees with shared working hours are shown as whole units in the associated company.

Causes of Employment Termination

In Q1 2022, a total of 362 employees left NIS⁵⁶: 35 employees retired, 11 employees left NIS after termination of employment by mutual agreement, while the employment of 316 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy)

Basis of employment termination	NIS j.s.c. ⁵⁷	Subsidiaries ⁵⁸
Retirement	25	10
Termination by mutual consent	8	3
Other	54	262
Total	87	275

⁵⁶ 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 STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

⁵⁷ Including representative offices and branches. Of the total number of terminations, 14 terminations account for the representative offices and branches.

⁵⁸ 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

NIS is committed to continuous technological development and innovation in all areas of its business.

STC NIS Naftagas Novi Sad is the NIS subsidiary dedicated to research and development in the area of hydrocarbon exploration and production. STC NIS Naftagas coordinates and provides the research and development support to the NIS business.

The management of the Scientific Technical Center prioritizes development and implementation of new technologies and improvement of efficiency in hydrocarbon exploration, production, and processing. The STC does research and development in various areas. In the area of geological exploration, during the first quarter of 2022 the center was working on completing the interpretation of the large consolidated seismic cube representing 1,500 square meters in the Martonos, Majdan, and Coka blocks. These blocks are located in the North of Serbia close to the Romanian and Hungarian Border. Specialist of the STC created a unique sequence of processing tests and then tested the resulting indicators to confirm presence of hydrocarbons in complex unresearched traps of the existing oil fields. This will let NIS expand its resource base.

In the area of exploration, in the first quarter of 2022 the STC started working on the project of feasibility evaluation of chemical treatments for recovery enhancement in the Velebit oil and gas field. In terms of the project, the center shall evaluate how the chemicals may affect the current process of oil and water treatment and analyse the engineering changes that need to be made on the Velebit gathering station and other infrastructure facilities. This chemical recovery enhancement project will help slow down production decline and efficiently utilize mature fields. In the area of technical documentation, the STC now offers a new service of developing mothballing plans. This year the center will produce such plans for six fields that are out of operation.

In the area of hydrocarbon production technologies, the center is working on integrated asset modelling. The STC has completed modelling the wells and infrastructure of the Idjos oil field and is now considering the possibility of integrating the equipment model with the field flow model to create a digital twin. The STC has completed acceptance testing of a new set of wellbore equipment.

According to the strategic development plans of NIS, in the first quarter of the year the STC has purchased and installed two new pieces of lab equipment in its downstream laboratories in Novi Sad and Surcin. The STC also successfully passed proficiency testing by the Institute for Interlayering Studies in Holland regarding testing of jet fuel, benzene and refinery gas. The STC underwent an internal audit of QMS compliance with SRPS ISO/IEC 17025:2017 General requirements for the competence of testing and calibration laboratories and an external audit of the process of polymer modified bitumen production that confirmed compliance with standard EN 14023:2010 in terms of product quality control and testing.

In terms of infrastructure design, last quarter the STC started designing frac jobs for the Palic field based on the concept approved last year, completed technical design documentation for the transfer of pumps to the Kikinda Polje treatment station, and started additional exploration project for the Turija field. The center also developed a set of investment projects for the Upstream Block, prepared recommendation for standard connection solutions for new wells and is now working on the project of the refinery maintenance for 2022.

The STC is also actively working on developing new digital technologies and implementing new IT solutions in the company's business processes. In Q1 2022, the center focused on the following digital projects:

- a) Geological exploration platform: optimization of the existing geological database for better access and management,
- b) Advanced petrochemistry: new digital tools for petrophysical analysis,
- c) DiSCo platform: cross-functional platform for design, monitoring, and performance analysis of gravel pack equipment in sandy wells,
- d) Well feasibility analysis: development of an app integrating data from existing applications to evaluate well performance and improve decision-making, and
- e) Virtual ESP flow measurement - automatic flow calculation for wells with ESP based on physical and statistic modelling.

Financial Statements

Stand-Alone Financial Statements

Statement of Financial Position

Assets	Note	31 March 2022	31 December 2021
Current assets		(unaudited)	
Cash and cash equivalents	5	42,368,541	20,336,901
Short-term financial assets	6	1,378,277	3,149,270
Trade and other receivables	7	38,304,503	31,240,745
Inventories	8	58,721,235	33,162,843
Other current assets	9	7,768,193	6,242,769
Non-current assets held for sale		30,546	47,493
Total current assets		148,571,295	94,180,021
Non-current assets			
Property, plant and equipment	10	269,576,686	271,927,718
Right-of-use assets	11	1,497,534	1,537,758
Investment property		1,657,868	1,778,608
Intangible assets		3,396,933	3,394,073
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		2,826	2,822
Long-term financial assets	12	30,047,395	28,161,293
Deferred tax assets		2,577,195	2,564,817
Other non-current assets	13	1,291,678	1,328,637
Total non-current assets		324,512,542	325,160,153
Total assets		473,083,837	419,340,174
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	11,751,761	9,318,491
Current lease liabilities	19	328,772	330,579
Trade and other payables	15	63,983,465	30,094,846
Other current liabilities	16	5,374,894	7,167,178
Current income tax payable		7,180,068	4,144,615
Other taxes payable	17	9,756,873	10,146,057
Provisions for liabilities and charges		1,544,506	1,575,245
Total current liabilities		99,920,339	62,777,011
Non-current liabilities			
Long-term debt	18	71,382,748	70,431,511
Non-current lease liabilities	19	982,479	1,007,802
Other non-current financial liabilities		847,180	846,083
Provisions for liabilities and charges		12,298,556	12,029,890
Total non-current liabilities		85,510,963	84,315,286
Equity			
Share capital		81,530,200	81,530,200
Reserves		93,991	93,991
Retained earnings		206,028,344	190,623,686
Total equity		287,652,535	272,247,877
Total liabilities and shareholder's equity		473,083,837	419,340,174

in 000 RSD

Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended	
		2022	31 March 2021
		(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		87,598,307	40,805,843
Other revenues		4,855,138	3,063,761
Total revenue from sales	4	92,453,445	43,869,604
Purchases of oil, gas and petroleum products		(51,810,347)	(22,309,269)
Production and manufacturing expenses	20	(8,981,379)	(6,019,605)
Selling, general and administrative expenses	21	(5,577,199)	(5,158,952)
Transportation expenses		(347,102)	(244,223)
Depreciation, depletion and amortization		(5,722,361)	(5,693,103)
Taxes other than income tax		(1,254,902)	(1,066,125)
Total operating expenses		(73,693,290)	(40,491,277)
Other income (expenses), net		(38,076)	(85,835)
Operating profit		18,722,079	3,292,492
Net foreign exchange gain (loss)	22	32,346	(19,568)
Finance income	23	242,157	221,364
Finance expenses	24	(380,203)	(392,175)
Total other expense		(105,700)	(190,379)
Profit before income tax		18,616,379	3,102,113
Current income tax expense		(3,190,571)	(713,663)
Deferred tax income (expense)		12,378	(79,211)
Total income tax		(3,178,193)	(792,874)
Profit for the period		15,438,186	2,309,239
Other comprehensive income (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		-	(22)
Other comprehensive loss for the period		(33,528)	(22)
Total comprehensive income for the period		15,404,658	2,309,217
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		94.68	14.16
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2022 and 2021

(unaudited)	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2021	81,530,200	93,664	168,484,750	250,108,614
Profit for the period	-	-	2,309,239	2,309,239
Other comprehensive income (loss)				
Loss from investments in equity instruments	-	(22)	-	(22)
Total comprehensive income (loss) for the period	-	(22)	2,309,239	2,309,217
Balance as at 31 March 2021	81,530,200	93,642	170,793,989	252,417,831

(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 income (loss)				
Losses on remeasurements of defined benefit plans	-	-	(33,528)	(33,528)
Total comprehensive income (loss) 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

in 000 RSD

Statement of Cash Flows⁵⁹

	Note	Three month period ended	
		2022	31 March 2021
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit (loss) before income tax		18,616,379	3,102,113
Adjustments for:			
Finance expenses	24	380,203	392,175
Finance income	23	(242,157)	(221,364)
Net unrealised foreign exchange differences		243,069	47,131
Depreciation, depletion and amortization		5,722,361	5,693,103
Other non-cash items		155,978	126,530
Operating cash flow before changes in working capital		24,875,833	9,139,688
Changes in working capital:			
Accounts receivables		(7,054,482)	(1,818,447)
Inventories		(25,536,047)	(1,957,327)
Other assets		(1,649,793)	(127,237)
Accounts payables and other current liabilities		32,455,601	(6,763,622)
Taxes payable		(389,263)	(317,999)
Total effect on working capital changes		(2,173,984)	(10,984,632)
Income taxes paid		(160,684)	-
Interest paid		(295,321)	(331,879)
Interest received		97,636	75,123
Net cash used in operating activities		22,343,480	(2,101,700)
Cash flows from investing activities			
Loans issued		(1,006,771)	(602,648)
Loan proceeds received		1,066,609	782,707
Capital expenditures ⁶⁰		(3,636,634)	(4,342,005)
Proceeds from sale of property, plant and equipment		116,390	117,204
Net cash used in investing activities		(3,460,406)	(4,044,742)
Cash flows from financing activities			
Proceeds from borrowings	14,18	6,917,311	11,406,060
Repayment of borrowings	14,18	(3,693,149)	(6,472,879)
Repayment of lease liabilities	19	(87,956)	(97,760)
Net cash generated from financing activities		3,136,206	4,835,421
Net increase (decrease) in cash and cash equivalents		22,019,280	(1,311,021)
Effect of foreign exchange on cash and cash equivalents		12,360	(1,945)
Cash and cash equivalents as of the beginning of the period		20,336,901	7,949,785
Cash and cash equivalents as of the end of the period		42,368,541	6,636,819

in 000 RSD

⁵⁹ Company's policy is to present cash flow inclusive of related VAT.

⁶⁰ CF from investing activities includes VAT in the amount of 0.5 bln RSD (2021: 0.5 bln RSD)

Notes to Standalone Financial Statements⁶¹

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 SIGNIFICANT 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 Company does not disclose information which would substantially duplicate the disclosures contained in its audited Financial Statements for 2021, 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 2021.

Because of exacerbation of geopolitical situation in the first quarter 2022 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to US Dollar and Euro (the information on economic environment in the Republic Serbia is detailed in Note 26). 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 2022 the Company didn't review the critical accounting estimates which are used by the Company in the Condensed Interim Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 31 March 2022 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 for the three month period ended 31 March 2022 are not necessarily indicative of the results expected for the full year.

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

⁶¹ All amounts are in 000 RSD, unless otherwise stated

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2021, except for those described in the Application of new IFRS paragraph.

3. NEW ACCOUNTING STANDARDS

Application of amendments to the existing standards

The following amendments to the existing standards which became effective did not have any material impact on the Interim Condensed Financial Statements:

- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
 - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities – Amendments to IFRS 9;
 - Subsidiary as a First-time Adopter – Amendment to IFRS 1;
 - Taxation in Fair Value Measurements – Amendment to IAS 41.

New standards and amendments to the existing standards that are not yet effective

The following new standards and amendments to the existing standards are not expected to have any material impact on the Interim Condensed Financial Statements when adopted:

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

4. SEGMENT INFORMATION

Presented below is information about the Company’s operating segments for the three month period ended 31 March 2022 and 2021. 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 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
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

Reportable segment results for the three month period ended 31 March 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	8,776,310	43,985,492	(8,892,198)	43,869,604
Intersegment	8,765,118	127,080	(8,892,198)	-
External	11,192	43,858,412	-	43,869,604
EBITDA (Segment results)	5,785,748	3,254,407	-	9,040,155
Depreciation, depletion and amortization	(2,980,329)	(2,712,774)	-	(5,693,103)
Net foreign exchange loss	(12,258)	(7,310)	-	(19,568)
Finance expenses, net	(7,359)	(163,452)	-	(170,811)
Income tax	-	(792,874)	-	(792,874)
Segment profit /(loss)	2,758,394	(449,155)	-	2,309,239

EBITDA for the three month period ended 31 March 2022 and 2021 is reconciled below:

	Three month period ended	
	2022	2021
Profit for the period	15,438,186	2,309,239
Income tax	3,178,193	792,874
Finance expenses	380,203	392,175
Finance income	(242,157)	(221,364)
Depreciation, depletion and amortization	5,722,361	5,693,103
Net foreign exchange loss (gain)	(32,346)	19,568
Other expense, net	38,076	85,835
Other non-operating income, net	(2,131)	(31,275)
EBITDA	24,480,385	9,040,155

Oil, gas and petroleum products sales comprise the following (based on the country of customer incorporation):

	Three month period ended 31 March 2022		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	2,042,795	2,042,795
Sale of gas	43,645	-	43,645
<i>Wholesale activities</i>	43,645	-	43,645
Sale of petroleum products	68,209,537	17,302,330	85,511,867
<i>Through a retail network</i>	22,960,076	-	22,960,076
<i>Wholesale activities</i>	45,249,461	17,302,330	62,551,791
Sale of electricity	2,066,656	99,001	2,165,657
Lease revenue	86,850	1,354	88,204
Other sales	2,438,801	162,476	2,601,277
Total sales	72,845,489	19,607,956	92,453,445

	Three month period ended 31 March 2021		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	-	-
Sale of gas	115,897	-	115,897
<i>Wholesale activities</i>	115,897	-	115,897
Sale of petroleum products	33,055,662	7,634,284	40,689,946
<i>Through a retail network</i>	12,491,685	-	12,491,685
<i>Wholesale activities</i>	20,563,977	7,634,284	28,198,261
Sale of electricity	516,528	46,631	563,159
Lease revenue	81,664	1,212	82,876
Other sales	2,349,097	68,629	2,417,726
Total sales	36,118,848	7,750,756	43,869,604

Out of the amount of 62,551,791 thousand RSD (2021: 28,198,261 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 10,431,191 thousand RSD (2021: 4,869,587 thousand RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations for 1,976,623 thousand RSD (2021: 1,705,652 thousand 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.

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 72,845,489 thousand RSD (2021: 36,118,848 thousand RSD), and the total revenue from external customer from other countries is 19,607,956 thousand RSD (2021: 7,750,756 thousand RSD).

The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Three month period ended	
	2022	31 March 2021
Sale of crude oil	2,042,795	-
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	5,852,641	3,790,520
Bulgaria	2,144,449	1,107,728
Great Britain	1,561,133	449,071
Romania	2,564,912	367,802
Croatia	379,383	317,253
Switzerland	44,221	289,249
Northern Macedonia	89,542	121,343
Hungary	490,677	73,056
Germany	573,730	83,609
All other markets	3,601,642	1,034,653
	17,302,330	7,634,284
Sale of electricity	99,001	46,631
Lease revenue	1,354	1,212
Other sales	162,476	68,629
	19,607,956	7,750,756

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

5. CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Cash in bank and in hand	28,258,679	12,809,718
Deposits with original maturity of less than three months	14,109,000	7,500,000
Cash equivalents	862	27,183
	42,368,541	20,336,901

6. SHORT-TERM FINANCIAL ASSETS

	31 March 2022	31 December 2021
Short-term loans	2,107	150,401
Current portion of long-term investments (note 12)	3,363,831	4,999,379
Less impairment loss provision	(1,987,661)	(2,000,510)
	1,378,277	3,149,270

7. TRADE AND OTHER RECEIVABLES

	31 March 2022	31 December 2021
Trade receivables	46,551,427	39,477,187
Other receivables	90,648	96,309
Less credit loss allowance for trade receivables	(8,297,485)	(8,291,616)
Less credit loss allowance for other receivables	(40,087)	(41,135)
Total trade and other receivables	38,304,503	31,240,745

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 denominated in the following currencies:

	31 March 2022	31 December 2021
RSD	28,935,720	23,464,406
EUR	9,203,394	7,456,256
USD	165,349	320,043
Other	40	40
	38,304,503	31,240,745

8. INVENTORIES

	31 March 2022	31 December 2021
Crude oil	42,879,829	18,623,843
Petroleum products	15,089,740	13,825,457
Materials and supplies	4,377,776	4,311,200
Other	863,763	938,122
Less impairment provision	(4,489,873)	(4,535,779)
	58,721,235	33,162,843

9. OTHER CURRENT ASSETS

	31 March 2022	31 December 2021
Advances paid	3,069,623	459,979
Deferred VAT	2,554,062	3,126,172
Prepaid expenses	333,865	327,305
Prepaid custom duties	62,258	65,346
Prepaid excise	1,552,840	1,974,381
Other current assets	7,679,024	7,771,845
Less impairment provision	(7,483,479)	(7,482,259)
	7,768,193	6,242,769

Advances paid as at 31 March 2022 amounting to 3,069,623 thousand RSD (31 December 2021: 459,979 thousand RSD) mostly relate to advances for petroleum products in the amount of 1,936,069 thousand RSD (31 December 2021: 0 thousand RSD).

Deferred VAT as at 31 March 2022 amounting to 2,554,062 thousand RSD (31 December 2021: 3,126,172 thousand 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 2022 amounting to 1,552,840 thousand RSD (31 December 2021: 1,974,381 thousand 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2021						
Cost	189,297,949	160,908,071	54,118,866	16,582,366	18,329,919	439,237,171
Depreciation and impairment	(63,463,518)	(57,807,804)	(30,128,250)	(8,838,112)	(2,507,663)	(162,745,347)
Net book value	125,834,431	103,100,267	23,990,616	7,744,254	15,822,256	276,491,824
Period ended 31 March 2021						
Additions	-	-	-	-	3,866,940	3,866,940
Changes in decommissioning obligations	30,173	-	-	-	-	30,173
Transfer from assets under construction	4,388,166	1,006,911	124,849	85,215	(5,605,141)	-
Impairment	-	-	-	-	(717)	(717)
Depreciation	(2,940,160)	(1,979,661)	(434,244)	(124,865)	-	(5,478,930)
Disposals and write-off	(868)	(4,902)	(19,509)	(285)	-	(25,564)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Transfer to investment property	(7,150)	-	7	-	-	(7,143)
Transfer to non-current assets held for sale	-	-	-	(6,489)	-	(6,489)
Other transfers	(2,492)	496,015	(361,998)	(131,525)	(150,167)	(150,167)
	127,302,100	102,618,630	23,146,294	7,566,305	13,933,171	274,566,500
As at 31 March 2021						
Cost	193,583,501	162,786,136	53,176,036	16,478,087	16,441,550	442,465,310
Depreciation and impairment	(66,281,401)	(60,167,506)	(30,029,742)	(8,911,782)	(2,508,379)	(167,898,810)
Net book value	127,302,100	102,618,630	23,146,294	7,566,305	13,933,171	274,566,500
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	-	-	-	-	3,138,966	3,138,966
Changes in decommissioning obligations	28,895	-	-	-	-	28,895
Transfer from assets under construction	2,382,167	220,958	1,902,775	3,207	(4,509,107)	-
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

11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the three months ended 31 March 2022 and 2021 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2021	5,006	519,681	167,526	730,664	1,422,877
Additions	-	18,751	2,540	29	21,320
Depreciation	(626)	(11,967)	(20,656)	(59,484)	(92,733)
Transfers from property, plant and equipment	-	153,427	-	-	153,427
Disposals	-	-	-	(650)	(650)
As at 31 March 2021	4,380	679,892	149,410	670,559	1,504,241
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)
Disposals	-	-	-	-	-
As at 31 March 2022	1,877	780,061	219,858	495,738	1,497,534

12. LONG-TERM FINANCIAL ASSETS

	31 March 2022	31 December 2021
LT loans issued	40,581,901	40,305,461
Financial assets at FVTPL	30,645	30,551
Financial assets at FVTOCI	843,069	841,861
Available for sale financial assets	177,601	177,459
<i>Less Current portion of LT loans issued (note 6)</i>	<i>(3,363,831)</i>	<i>(4,999,379)</i>
<i>Less provision of other LT placements</i>	<i>(8,221,990)</i>	<i>(8,194,660)</i>
	30,047,395	28,161,293

13. OTHER NON-CURRENT ASSETS

	31 March 2022	31 December 2021
Advances paid for PPE	272,705	294,923
Prepaid expenses	102,654	107,278
Other assets	1,331,198	1,340,285
<i>Less allowance for Other assets</i>	<i>(393,516)</i>	<i>(392,486)</i>
<i>Less allowance for advances paid</i>	<i>(21,363)</i>	<i>(21,363)</i>
	1,291,678	1,328,637

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

	31 March 2022	31 December 2021
Short-term loans	2,617,032	2,188,401
Interest liabilities	126,576	81,574
Current portion of long-term loans (note 18)	9,008,153	7,048,516
	11,751,761	9,318,491

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

	Three month period ended	
	2022	2021
Short-term loans at 1 January	2,188,401	1,756,035
Proceeds	4,066,202	3,897,159
Repayment	(3,637,571)	(3,647,373)
Short-term loans at 31 March	2,617,032	2,005,821

15. TRADE AND OTHER PAYABLES

	31 March 2022	31 December 2021
Trade payables	60,150,410	26,255,796
Dividends payable	3,784,090	3,784,105
Other accounts payable	48,965	54,945
	63,983,465	30,094,846

As at 31 March 2022 trade payables amounting to 60,150,410 thousand RSD (31 December 2021: 26,255,796 thousand RSD) mainly relate to payables for crude oil in the amount of 42,598,929 thousand RSD (31 December 2021: 9,860,326 thousand RSD).

16. OTHER CURRENT LIABILITIES

	31 March 2022	31 December 2021
Contract liabilities arising from contracts with customers:		
Advances received	2,545,657	3,009,493
Customer loyalty	644,835	776,791
Payables to employees	2,158,731	3,361,824
Accruals and deferred income	12,120	-
Other current non-financial liabilities	13,551	19,070
	5,374,894	7,167,178

Revenue in the amount of 2,499,237 thousand RSD (31 March 2021: 3,590,326 thousand RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2022, of which 2,176,418 thousand RSD (31 March 2021: 3,354,997 thousand RSD) related to advances and 322,819 thousand RSD (31 March 2021: 235,329 thousand RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	31 March 2022	31 December 2021
Mineral extraction tax	452,850	379,789
VAT	2,453,776	2,181,792
Excise tax	5,676,726	6,303,828
Contribution for buffer stocks	313,000	302,940
Custom duties	13,686	74,057
Energy efficiency fee	38,371	34,585
Other taxes	808,464	869,066
	9,756,873	10,146,057

18. LONG-TERM DEBT

	31 March 2022	31 December 2021
Long-term loan - Gazprom Neft	8,215,173	8,203,403
Bank loans	72,175,728	69,276,624
Less Current portion (note 14)	(9,008,153)	(7,048,516)
	71,382,748	70,431,511

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

	Three month period ended 31 March	
	2022	2021
Long-term loans at 1 January	77,480,027	82,781,970
Proceeds	2,851,109	7,508,901
Repayment	(55,578)	(2,825,506)
Non-cash transactions	3,871	22,247
Foreign exchange difference (note 22)	111,472	2,418
Long-term loans at 31 March	80,390,901	87,490,030

a) Long-term loan - Gazprom Neft

As at 31 March 2022 long-term loan - Gazprom Neft amounting to 8,215,173 thousand RSD (31 December 2021: 8,203,403 thousand RSD), with current portion of 6,845,976 thousand RSD (2021: 5,468,935 thousand RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

b) Bank loans

	31 March 2022	31 December 2021
Domestic	49,706,158	47,362,765
Foreign	22,469,570	21,913,859
	72,175,728	69,276,624
Current portion of long-term loans	(2,162,176)	(1,579,581)
	70,013,552	67,697,043

The maturity of bank loans was as follows:

	31 March 2022	31 December 2021
Between 1 and 2 years	10,743,849	3,004,092
Between 2 and 5 years	58,004,956	63,430,071
Over 5 years	1,264,747	1,262,880
	70,013,552	67,697,043

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

	31 March 2022	31 December 2021
USD	109,415	130,480
EUR	71,942,913	68,989,968
RSD	180	210
JPY	123,220	155,966
	72,175,728	69,276,624

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 2022 and 31 December 2021, respectively.

19. LEASE LIABILITIES

	31 March 2022	31 December 2021
Non-current lease liabilities	982,479	1,007,802
Current lease liabilities	328,772	330,579
	1,311,251	1,338,381

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

	Three month period ended 31 March	
	2022	2021
As at 1 January	1,338,381	1,358,795
Repayment	(87,956)	(97,760)
Non-cash transactions	62,829	30,903
Foreign exchange difference (note 22)	(2,003)	271
As at 31 March	1,311,251	1,292,209

Amounts recognized in profit and loss:

	Three month period ended 31 March	
	2022	2021
Interest expense (included in finance cost) (note 24)	8,896	8,531
Expense relating to short-term leases	23,698	23,056
Expense relating to leases of low value assets that are not shown above as short-term leases	6,312	5,932
Expense relating to variable lease payments not included in lease liabilities	268,026	274,072

20. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended	
	2022	2021
Employee costs	948,286	927,205
Materials and supplies (other than purchased oil, petroleum products and gas)	227,465	156,426
Repair and maintenance services	1,200,560	1,169,309
Electricity for resale	1,831,323	429,766
Electricity and utilities	1,424,415	600,276
Safety and security expense	86,954	82,209
Insurance services	87,716	84,596
Transportation services for production	493,110	459,872
Other	2,681,550	2,109,946
	8,981,379	6,019,605

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	2022	2021
Employee costs	2,721,120	2,691,371
Commission and agency fees	938,095	875,357
Legal, audit and consulting services	275,986	232,938
Current repair cost	178,972	172,128
Costs on advertising and marketing	40,665	45,681
Rent expense	27,299	26,116
Business trips expense	18,675	14,391
<i>Safety and security expense</i>	<i>130,198</i>	<i>120,946</i>
<i>Insurance expense</i>	<i>22,141</i>	<i>15,540</i>
<i>Transportation and storage</i>	<i>48,161</i>	<i>24,454</i>
<i>Allowance for doubtful accounts</i>	<i>7,599</i>	<i>(135)</i>
<i>Other</i>	<i>1,168,288</i>	<i>940,165</i>
	5,577,199	5,158,952

22. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended	
	2022	2021
Foreign exchange gain (loss) on financing activities including:		
foreign exchange gain	173,275	190,323
foreign exchange loss	(282,744)	(193,012)
Net foreign exchange gain (loss) on operating activities	141,815	(16,879)
	32,346	(19,568)

23. FINANCE INCOME

	Three month period ended	
	2022	2021
Interest on bank deposits	63,301	11,784
Interest income on loans issued	173,056	170,371
Gains on restructuring of loans issued	5,800	39,209
	242,157	221,364

24. FINANCE EXPENSES

	Three month period ended	
	2022	31 March 2021
Interest expense	366,018	381,232
Losses on restructuring of borrowings	6,006	22,037
Decommissioning provision: unwinding of the present value discount	9,024	19,419
Financial assets: unwinding of discount	(845)	(30,513)
	380,203	392,175

Interest expense includes expenses on lease liabilities in amount of 8,896 thousand RSD for the three months ended 31 March 2022 (8,531 thousand RSD for the three months ended 31 March 2021, accordingly)(note 19).

25. 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 2021. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2022 the carrying value of financial assets approximates their fair value.

26. CONTINGENCIES AND COMMITMENTS

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation in the first quarter 2022 as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. Oil prices increased to over US\$105 per barrel that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the 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 473,593 thousand RSD (31 December 2021: 376,734 thousand 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.

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 2022.

Capital commitments

As of 31 March 2022 the Company has entered into contracts to purchase property, plant and equipment for 138,355 thousand RSD (31 December 2021: 383,637 thousand RSD).

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

27. 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 2022 and in the same period in 2021, the Company entered into business transactions with its related parties.

As at 31 March 2022 and 31 December 2021 the outstanding balances, net of impairment, with related parties were as follows:

As at 31 March 2022	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	1,378,277	-	-
Trade and other receivables	7,785,105	-	3,119,761
Other current assets	3,731	-	11,943
Right of use assets	43,042	-	369
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,939,566	-	-
Other non-current assets	17,366	-	-
Trade and other payables	(4,969,285)	(26,547,925)	(3,682,614)
Other current liabilities	(65,968)	-	(2,142)
Short-term debt and current portion of long-term debt	(1,794,559)	(6,876,395)	-
Current lease liabilities	(2,497)	-	(152)
Long-term debt	-	(1,369,196)	-
Non-current lease liabilities	(43,615)	-	(142)
	45,716,790	(34,793,516)	485,823

As at 31 December 2021	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	3,149,217	-	-
Trade and other receivables	5,877,272	601	2,097,586
Other current assets	3,393	-	29,788
Right of use assets	43,712	-	414
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	28,053,639	-	-
Other non-current assets	2,192	-	-
Trade and other payables	(4,919,496)	(3,000)	(2,448,423)
Other current liabilities	(31,504)	-	(944)
Short-term debt and current portion of long-term debt	(2,189,595)	(5,468,948)	-
Current lease liabilities	(2,322)	-	(142)
Long-term debt	-	(2,734,468)	-
Non-current lease liabilities	(44,068)	-	(209)
	43,368,067	(8,205,815)	716,870

For the three month period ended 31 March 2022 and 31 March 2021 the following transaction occurred with related parties:

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	(1,367,612)	(24,677,450)	(2,585,188)
Other expenses	(984,438)	(30,383)	(3,135)
	8,611,222	(24,707,833)	8,335,565

Three month period ended 31 March 2021	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Revenues from sales of products and services	4,344,837	1,455	5,115,030
Expenses based on procurement of products and services	(1,174,313)	-	(192,085)
Other expenses	(836,695)	(50,773)	(91)
	2,333,829	(49,318)	4,922,854

Transactions with Key Management Personnel

For the three month period ended on 31 March 2022 and 2021 the Company recognized 255,696 thousand RSD and 232,072 thousand RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

28. EVENTS AFTER THE REPORTING DATE

Subsequent events occurring after 31 March 2022 were evaluated through 29 April 2022, the date these Interim Condensed Financial Statements were authorised for issue.

Consolidated Financial Statements**Consolidated Statement of Financial Position**

Assets	Note	31 March 2022	31 December 2021
		(unaudited)	
Current assets			
Cash and cash equivalents	5	43,757,650	21,283,274
Short-term financial assets	6	-	28,275
Trade and other receivables	7	34,869,240	28,644,507
Inventories	8	62,821,618	36,951,122
Other current assets	9	9,956,419	8,276,720
Non-current assets held for sale		27,061	44,008
Total current assets		151,431,988	95,227,906
Non-current assets			
Property, plant and equipment	10	298,617,742	301,070,583
Right-of-use assets	11	2,536,955	2,583,964
Investment property		1,607,654	1,728,395
Goodwill and other intangible assets		4,805,804	4,821,785
Investments in associates and joint ventures		1,735,538	1,582,900
Trade and other non-current receivables		3,051	2,824
Long-term financial assets		263,686	263,511
Deferred tax assets		2,365,254	2,343,219
Other non-current assets	12	1,293,124	1,371,243
Total non-current assets		313,228,808	315,768,424
Total assets		464,660,796	410,996,330
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	13	9,957,203	7,128,896
Current lease liabilities	18	635,399	640,656
Trade and other payables	14	62,223,510	28,887,841
Other current liabilities	15	6,741,415	8,665,153
Current income tax payable		7,266,115	4,209,379
Other taxes payable	16	11,045,205	11,477,877
Provisions for liabilities and charges		1,612,952	1,646,631
Total current liabilities		99,481,799	62,656,433
Non-current liabilities			
Long-term debt	17	71,492,697	70,535,652
Non-current lease liabilities	18	1,679,862	1,695,318
Other non-current financial liabilities		843,069	841,861
Provisions for liabilities and charges		12,775,122	12,430,855
Total non-current liabilities		86,790,750	85,503,686
Equity			
Share capital		81,530,200	81,530,200
Reserves		463,378	488,736
Retained earnings		196,374,991	180,797,597
Equity attributable to the Company's owners		278,368,569	262,816,533
Non-controlling interest		19,678	19,678
Total equity		278,388,247	262,836,211
Total liabilities and shareholder's equity		464,660,796	410,996,330

in 000 RSD

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 March	
		2022	2021
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		92,461,430	44,470,701
Other revenues		5,573,557	3,707,584
Total revenue from sales	4	98,034,987	48,178,285
Purchases of oil, gas and petroleum products		(54,830,864)	(25,180,998)
Production and manufacturing expenses	19	(9,114,172)	(6,051,488)
Selling, general and administrative expenses	20	(6,145,037)	(5,857,760)
Transportation expenses		(372,979)	(267,645)
Depreciation, depletion and amortization		(6,288,818)	(6,224,670)
Taxes other than income tax		(2,194,892)	(1,453,094)
Total operating expenses		(78,946,762)	(45,035,655)
Other expenses, net		(72,694)	(57,771)
Operating profit		19,015,531	3,084,859
Share of profit (loss) of associates and joint ventures		152,638	(36,823)
Net foreign exchange gain (loss)	21	46,194	(230,708)
Finance income	22	65,759	15,048
Finance expenses	23	(408,264)	(420,055)
Total other expense		(143,673)	(672,538)
Profit before income tax		18,871,858	2,412,321
Current income tax expense		(3,253,758)	(807,681)
Deferred tax income (expense)		22,045	(79,211)
Total income tax		(3,231,713)	(886,892)
Profit for the period		15,640,145	1,525,429
Other comprehensive income (loss):			
Items that will not be reclassified to profit (loss)			
Remeasurements of post-employment benefit obligations		(62,751)	-
Losses from investments in equity instruments		-	(22)
		(62,751)	(22)
Items that may be subsequently reclassified to profit (loss)			
Currency translation differences		(25,358)	73,649
		(25,358)	73,649
Other comprehensive income for the period		(88,109)	73,627
Total comprehensive income for the period		15,552,036	1,599,056
Profit attributable to:			
- Shareholders of Naftna Industrija Srbije		15,640,145	1,525,429
- Non-controlling interest		-	-
Profit for the period		15,640,145	1,525,429
Total comprehensive income attributable to:			
- Shareholders of Naftna Industrija Srbije		15,552,036	1,599,056
- Non-controlling interest		-	-
Total comprehensive income for the period		15,552,036	1,599,056
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		95.92	9.35
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Consolidated Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2022 and 2021

<i>(unaudited)</i>	Equity attributable to the Company's owners					Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total			
Balance as at 1 January 2021	81,530,200	383,186	160,829,243	242,742,629	19,678	242,762,307	
Profit for the period	-	-	1,525,429	1,525,429	-	1,525,429	
Other comprehensive income (loss)							
Loss from investments in equity instruments	-	(22)	-	(22)	-	(22)	
Currency translation differences	-	73,649	-	73,649	-	73,649	
Total comprehensive income (loss) for the period	-	73,627	1,525,429	1,599,056	-	1,599,056	
Balance as at 31 March 2021	81,530,200	456,813	162,354,672	244,341,685	19,678	244,361,363	

in 000 RSD

<i>(unaudited)</i>	Equity attributable to the Company's owners					Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total			
Balance as at 1 January 2022	81,530,200	488,736	180,797,597	262,816,533	19,678	262,836,211	
Profit for the period	-	-	15,640,145	15,640,145	-	15,640,145	
Other comprehensive income (loss)							
Remeasurements of post-employment benefit obligations	-	-	(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	

in 000 RSD

Consolidated Statement of Cash Flows⁶²

	Note	Three month period ended	
		2022	31 March 2021
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		18,871,858	2,412,321
Adjustments for:			
Share of (profit) loss of associates and joint ventures		(152,638)	36,823
Finance expenses	23	408,264	420,055
Finance income	22	(65,759)	(15,048)
Net unrealised foreign exchange loss (gain), net		119,911	(55,984)
Depreciation, depletion and amortization		6,288,818	6,224,670
Other non-cash items		169,695	96,693
Operating cash flow before changes in working capital		25,640,149	9,119,530
Changes in working capital:			
Accounts receivable		(6,217,586)	(1,227,687)
Inventories		(25,848,811)	(2,011,779)
Other assets		(1,669,202)	(118,434)
Accounts payables and other current liabilities		32,224,664	(5,830,067)
Taxes payable		(432,752)	(21,683)
Total effect on working capital changes		(1,943,687)	(9,209,650)
Income taxes paid		(202,577)	(50,055)
Interest paid		(290,604)	(327,278)
Interest received		51,246	12,764
Net cash (used in)/generated from operating activities		23,254,527	(454,689)
Cash flows from investing activities			
Capital expenditures ⁶³		(4,277,527)	(4,674,543)
Proceeds from sale of property, plant and equipment		118,758	159,801
Bank deposits repayment, net		28,275	17,449
Other outflow		(94,118)	(17,638)
Net cash used in investing activities		(4,224,612)	(4,514,931)
Cash flows from financing activities			
Proceeds from borrowings	13,17	3,675,364	8,008,901
Repayment of borrowings	13,17	(55,579)	(3,325,505)
Repayment of lease liabilities	18	(183,109)	(166,514)
Net cash generated from financing activities		3,436,676	4,516,882
Net increase (decrease) in cash and cash equivalents		22,466,591	(452,738)
Effect of foreign exchange on cash and cash equivalents		7,785	(2,164)
Cash and cash equivalents as of the beginning of the period		21,283,274	8,488,302
Cash and cash equivalents as of the end of the period		43,757,650	8,033,400

in 000 RSD

⁶² Group policy is to present cash flow inclusive of related VAT.

⁶³ CF from investing activities includes VAT in the amount of 0.5 bln RSD (2021: 0.5 bln RSD)

Notes to Consolidated Financial Statements⁶⁴

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 SIGNIFICANT 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 Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2021, 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 2021.

Because of exacerbation of geopolitical situation in the first quarter 2022 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to US Dollar and Euro (the information on economic environment in the Republic Serbia is detailed in Note 25). 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 2022 the Group didn’t review the critical accounting estimates which are used by the Group in the Condensed Interim Consolidated Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 31 March 2022 the Group didn’t review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing. The Group continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The results for the three month period ended 31 March 2022 are not necessarily indicative of the results expected for the full year.

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

⁶⁴ All amounts are in 000 RSD, unless otherwise stated

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2021, except for those described in the Application of new IFRS paragraph.

3. NEW ACCOUNTING STANDARDS

Application of amendments to the existing standards

- The following amendments to the existing standards which became effective did not have any material impact on the Condensed Interim Consolidated Financial Statements:
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
 - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities – Amendments to IFRS 9;
 - Subsidiary as a First-time Adopter – Amendment to IFRS 1;
 - Taxation in Fair Value Measurements – Amendment to IAS 41.

New standards and amendments to the existing standards that are not yet effective

- The following new standards and amendments to the existing standards are not expected to have any material impact on the Condensed Interim Consolidated Financial Statements when adopted:
- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

4. SEGMENT INFORMATION

Presented below is information about the Group’s operating segments for the three month periods ended 31 March 2022 and 2021. 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 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
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 income (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

Reportable segment results for the three month period ended 31 March 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	8,994,949	48,179,098	(8,995,762)	48,178,285
Intersegment	8,866,806	128,956	(8,995,762)	-
External	128,143	48,050,142	-	48,178,285
EBITDA (Segment results)	5,957,374	3,401,101	-	9,358,475
Depreciation, depletion and amortization	(3,368,638)	(2,856,032)	-	(6,224,670)
Share of loss of associates and joint ventures	-	(36,823)	-	(36,823)
Net foreign exchange loss	(138,489)	(92,219)	-	(230,708)
Finance income (expenses), net	722	(405,729)	-	(405,007)
Income tax	(92,089)	(794,803)	-	(886,892)
Segment profit (loss)	2,265,620	(740,191)	-	1,525,429

EBITDA for the three month period ended 31 March 2022 and 2021 is reconciled below:

	Three month period ended	
	2022	31 March 2021
Profit for the period	15,640,145	1,525,429
Income tax	3,231,713	886,892
Finance expenses	408,264	420,055
Finance income	(65,759)	(15,048)
Depreciation, depletion and amortization	6,288,818	6,224,670
Share of (profit) loss of associates and joint ventures	(152,638)	36,823
Net foreign exchange (gain) loss	(46,194)	230,708
Other expense, net	72,694	57,771
Other non-operating expense, net	(1,496)	(8,825)
EBITDA	25,375,547	9,358,475

Oil, gas and petroleum products sales comprise the following (based on the country of customer incorporation):

	Three month period ended 31 March 2022		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	2,042,794	2,042,794
Sale of gas	31,740	3,780	35,520
<i>Wholesale activities</i>	31,740	3,780	35,520
Sale of petroleum products	68,018,560	22,364,556	90,383,116
<i>Through a retail network</i>	22,960,076	5,292,298	28,252,374
<i>Wholesale activities</i>	45,058,484	17,072,258	62,130,742
Sale of electricity	2,066,656	173,806	2,240,462
Lease revenue	79,815	6,127	85,942
Other sales	2,331,990	915,163	3,247,153
Total sales	72,528,761	25,506,226	98,034,987

	Three month period ended 31 March 2021		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	-	-
Sale of gas	113,927	-	113,927
<i>Wholesale activities</i>	113,927	-	113,927
Sale of petroleum products	32,931,361	11,425,413	44,356,774
<i>Through a retail network</i>	12,323,514	2,912,764	15,236,278
<i>Wholesale activities</i>	20,607,847	8,512,649	29,120,496
Sale of electricity	516,527	93,707	610,234
Lease revenue	78,369	2,927	81,296
Other sales	2,230,470	785,584	3,016,054
Total sales	35,870,654	12,307,631	48,178,285

Out of the amount of 62,130,742 thousand RSD (2021: 29,120,496 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 10,431,185 thousand RSD (2021: 4,869,587 thousand RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 2,600,968 thousand RSD (2021: 2,272,640 thousand 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.

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 72,528,761 thousand RSD (2021: 35,870,654 thousand RSD), and the total revenue from external customer from other countries is 25,506,226 thousand RSD (2021: 12,307,631 thousand RSD).

The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Three month period ended	
	2022	31 March 2021
Sale of crude oil	2,042,794	-
Sale of gas	3,780	-
Sale of petroleum products (retail and wholesale)		
Bulgaria	3,841,425	2,643,145
Bosnia and Herzegovina	8,107,768	4,455,227
Romania	5,366,637	2,217,032
Switzerland	44,221	289,249
Croatia	379,383	317,253
Northern Macedonia	89,542	121,343
Hungary	490,677	73,056
Great Britain	1,561,133	449,071
Germany	573,730	83,609
All other markets	1,910,040	776,428
	22,364,556	11,425,413
Sale of electricity	173,806	93,707
Lease revenue	6,127	2,927
Other sales	915,163	785,584
	25,506,226	12,307,631

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

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

	31 March 2022	31 December 2021
Serbia	280,698,714	283,450,792
Romania	12,410,863	12,330,207
Bosnia and Herzegovina	8,447,041	8,342,150
Bulgaria	6,011,537	6,081,578
	307,568,155	310,204,727

5. CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Cash in bank and in hand	28,902,478	13,473,782
Deposits with original maturity of less than three months	14,854,055	7,782,056
Cash held on escrow account	255	254
Cash equivalents	862	27,182
	43,757,650	21,283,274

6. SHORT-TERM FINANCIAL ASSETS

	31 March 2022	31 December 2021
Short-term loans	2,019	2,019
Deposits with original maturity more than 3 months less than 1 year	-	28,275
Less impairment loss provision	(2,019)	(2,019)
	-	28,275

7. TRADE AND OTHER RECEIVABLES

	31 March 2022	31 December 2021
Trade receivables	43,035,583	36,800,958
Other receivables	89,915	92,879
<i>Less credit loss allowance for trade receivables</i>	(8,216,171)	(8,208,195)
<i>Less credit loss allowance for other receivables</i>	(40,087)	(41,135)
Total trade and other receivables	34,869,240	28,644,507

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 denominated in the following currencies:

	31 March 2022	31 December 2021
RSD	28,423,247	23,063,601
EUR	2,032,288	2,065,922
USD	209,705	489,040
Other	4,204,000	3,025,944
	34,869,240	28,644,507

8. INVENTORIES

	31 March 2022	31 December 2021
Crude oil	43,044,092	18,745,046
Petroleum products	16,986,848	15,450,591
Materials and supplies	6,132,415	6,051,592
Other	1,221,811	1,323,159
Less impairment provision	(4,563,548)	(4,619,266)
	62,821,618	36,951,122

9. OTHER CURRENT ASSETS

	31 March 2022	31 December 2021
Advances paid	3,266,445	699,828
VAT receivables	466,674	375,725
Deferred VAT	3,104,009	3,611,624
Prepaid expenses	427,394	454,437
Prepaid custom duties	63,248	66,453
Prepaid excise	1,613,864	2,043,419
Other current assets	8,516,021	8,525,232
Less impairment provision	(7,501,236)	(7,499,998)
	9,956,419	8,276,720

Advances paid as at 31 March 2022 amounting to 3,266,445 thousand RSD (31 December 2021: 699,828 thousand RSD) mostly relate to advances for petroleum products in the amount of 1,936,069 thousand RSD (31 December 2021: 0 thousand RSD)

Deferred VAT as at 31 March 2022 amounting to 3,104,009 thousand RSD (31 December 2021: 3,611,624 thousand 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 2022 amounting to 1,613,864 thousand RSD (31 December 2021: 2,043,419 thousand 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2021						
Cost	201,221,015	160,908,071	72,666,132	19,440,677	29,971,204	484,207,099
Depreciation and impairment	(70,509,519)	(57,807,804)	(36,316,450)	(10,542,208)	(2,552,040)	(177,728,021)
Net book value	130,711,496	103,100,267	36,349,682	8,898,469	27,419,164	306,479,078
Period ended 31 March 2021						
Additions	-	-	-	-	4,188,142	4,188,142
Changes in decommissioning obligations	163,183	-	-	-	-	163,183
Transfer from assets under construction	7,782,273	1,006,911	227,704	101,691	(9,118,579)	-
Impairment	-	-	-	-	(717)	(717)
Depreciation	(3,174,191)	(1,979,661)	(589,796)	(167,467)	(1,171)	(5,912,286)
Disposals and write-off	(867)	(4,902)	(19,684)	(285)	-	(25,738)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,492)	496,015	(361,992)	(138,302)	(148,229)	(155,000)
Translation differences	(31,590)	-	(29,916)	1	(119,477)	(180,982)
	135,447,812	102,618,630	35,422,571	8,694,107	22,219,133	304,402,253
As at 31 March 2021						
Cost	209,074,969	162,786,136	71,778,266	19,230,076	24,765,328	487,634,775
Depreciation and impairment	(73,627,157)	(60,167,506)	(36,355,695)	(10,535,969)	(2,553,613)	(183,239,940)
Net book value	135,447,812	102,618,630	35,422,571	8,694,107	22,211,715	304,394,835
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	-	-	-	-	3,433,088	3,433,088
Changes in decommissioning obligations	62,542	-	-	-	-	62,542
Transfer from assets under construction	3,168,489	220,958	1,916,946	5,031	(5,311,424)	-
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

11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the three months ended 31 March 2022 and 2021 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2021	143,732	1,299,970	338,324	878,768	2,660,794
Additions	-	29,632	2,900	684	33,216
Depreciation	(2,410)	(65,862)	(23,490)	(73,711)	(165,473)
Transfer from PPE	-	153,427	-	-	153,427
Disposals	-	(361)	-	(1,933)	(2,294)
Foreign currency translation	1,127	(574)	(4,376)	(50)	(3,873)
As at 31 March 2021	142,449	1,416,232	313,358	803,758	2,675,797
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

12. OTHER NON-CURRENT ASSETS

	31 March 2022	31 December 2021
Advances paid for PPE	279,537	342,907
Prepaid expenses	102,654	107,278
Other assets	1,331,197	1,340,285
<i>Less allowance of other assets</i>	(393,515)	(392,486)
<i>Less allowance for advances paid</i>	(26,749)	(26,741)
	1,293,124	1,371,243

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

	31 March 2022	31 December 2021
Interest liabilities	124,795	80,380
Short-term loans	824,256	-
Current portion of long-term loans (note 17)	9,008,152	7,048,516
	9,957,203	7,128,896

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

	Three month period ended	
	2022	31 March 2021
Short-term loans at 1 January	-	-
Proceeds	824,256	500,000
Repayment	-	(500,000)
Short-term loans at 31 March	824,256	-

14. TRADE AND OTHER PAYABLES

	31 March 2022	31 December 2021
Trade payables	58,363,821	25,023,780
Dividends payable	3,784,090	3,784,105
Other accounts payable	75,599	79,956
	62,223,510	28,887,841

As at 31 March 2022 trade payables amounting to 58,363,821 thousand RSD (31 December 2021: 25,023,780 thousand RSD) mainly relate to payables for crude oil in the amount of 42,598,929 thousand RSD (31 December 2021: 9,413,234 thousand RSD).

15. OTHER CURRENT LIABILITIES

	31 March 2022	31 December 2021
Contract liabilities arising from contracts with customers:		
Advances received	2,650,810	3,148,195
Customer loyalty	729,539	853,461
Payables to employees	3,331,312	4,629,156
Deferred income	14,593	2,465
Other current non-financial liabilities	15,161	31,876
	6,741,415	8,665,153

Revenue in the amount of 2,491,286 thousand RSD was recognized in the current reporting period (31 March 2021: 3,672,598 thousand RSD) related to the contract liabilities as at 1 January 2022, of which of 2,168,467 thousand RSD (31 March 2021: 3,437,269 thousand RSD) related to advances and 322,819 thousand RSD (31 March 2021: and 235,329 thousand RSD) to customer loyalty programme.

16. OTHER TAXES PAYABLE

	31 March 2022	31 December 2021
Mineral extraction tax	485,262	400,101
VAT	2,766,408	2,687,432
Excise tax	6,085,144	6,702,076
Contribution for buffer stocks	313,000	302,940
Custom duties	37,189	92,672
Energy efficiency fee	38,371	34,585
Other taxes	1,319,831	1,258,071
	11,045,205	11,477,877

17. LONG-TERM DEBT

	31 March 2022	31 December 2021
Long-term loan - Gazprom Neft	8,215,199	8,203,418
Bank loans	72,175,728	69,276,624
Other long-term borrowings	109,922	104,126
Less Current portion (note 13)	(9,008,152)	(7,048,516)
	71,492,697	70,535,652

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

	Three month period ended	
	2022	31 March 2021
Long-term loans at 1 January	77,480,042	82,782,004
Proceeds	2,851,108	7,508,901
Repayment	(55,579)	(2,825,505)
Non-cash transactions	3,884	21,627
Foreign exchange difference (note 21)	111,472	3,003
Long-term loans at 31 March	80,390,927	87,490,030

(a) *Long-term loan - Gazprom Neft*

As at 31 March 2022 long-term loan - Gazprom Neft amounting to 8,215,199 thousand RSD (31 December 2021: 8,203,418 thousand RSD), with current portion of 6,845,977 thousand RSD (31 December 2021: 5,468,935 thousand RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

	31 March 2022	31 December 2021
Domestic	49,706,158	47,362,765
Foreign	22,469,570	21,913,859
	72,175,728	69,276,624
Current portion of long-term loans	(2,162,175)	(1,579,581)
	70,013,553	67,697,043

The maturity of bank loans was as follows:

	31 March 2022	31 December 2021
Between 1 and 2 years	10,743,849	3,004,092
Between 2 and 5 years	58,004,956	63,430,071
Over 5 years	1,264,748	1,262,880
	70,013,553	67,697,043

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

	31 March 2022	31 December 2021
USD	109,415	130,480
EUR	71,942,913	68,989,968
RSD	180	210
JPY	123,220	155,966
	72,175,728	69,276,624

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 2022 and 31 December 2021, respectively.

18. LEASE LIABILITIES

	31 March 2022	31 December 2021
Non-current lease liabilities	1,679,862	1,695,318
Current lease liabilities	635,399	640,656
	2,315,261	2,335,974

Amounts recognized in profit and loss:

	Three month period ended 31 March	
	2022	2021
Interest expense (included in finance cost) (note 23)	23,244	23,710
Expense relating to short-term leases	151,194	130,837
Expense relating to leases of low value assets that are not shown above as short-term leases	12,366	13,385
Expense relating to variable lease payments not included in lease liabilities	429,358	383,707

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

	Three month period ended 31 March	
	2022	2021
As at 1 January	2,335,974	2,479,391
Repayment	(183,109)	(166,514)
Non-cash transactions	164,360	49,038
Foreign exchange difference (note 21)	(1,964)	(731)
As at 31 March	2,315,261	2,361,184

19. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2022	2021
Employee costs	2,291,108	2,150,800
Materials and supplies (other than oil and gas and petroleum products)	505,428	411,980
Repair and maintenance services	647,927	780,851
Electricity and utilities	3,588,708	1,327,550
Safety and security expense	87,149	82,352
Transportation services for production	376,114	345,713
Other	1,617,738	952,242
	9,114,172	6,051,488

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	31 March	
	2022	2021
Employee costs	3,902,203	3,961,949
Commission and agency fees	198,597	189,119
Legal, audit and consulting services	165,125	163,541
Current repair cost	209,260	180,818
Costs on advertising and marketing	49,435	53,280
Rent expense	31,626	46,017
Business trips expense	21,364	16,572
Safety and security expense	144,128	136,535
Insurance expense	25,544	18,253
Transportation and storage	57,815	34,823
Allowance for doubtful accounts	9,496	(4,484)
Other	1,330,444	1,061,337
	6,145,037	5,857,760

21. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended	
	31 March	
	2022	2021
Foreign exchange gain (loss) on financing activities including:		
foreign exchange gain (note 17 and 18)	185,828	205,946
foreign exchange loss (note 17 and 18)	(295,336)	(208,218)
Net foreign exchange gain (loss) on operating activities	155,702	(228,436)
	46,194	(230,708)

22. FINANCE INCOME

	Three month period ended	
	31 March	
	2022	2021
Interest on bank deposits	63,743	12,836
Interest income on loans issued	2,016	2,212
	65,759	15,048

23. FINANCE EXPENSES

	Three month period ended	
	31 March	
	2022	2021
Interest expense	397,687	409,112
Losses on restructuring of borrowings	6,006	22,037
Decommissioning provision: unwinding of the present value discount	9,571	19,419
Financial assets: unwinding of discount	(845)	(30,513)
Less: interest expense capitalised on qualifying assets	(4,155)	-
	408,264	420,055

Interest expense includes expenses on lease liabilities in the amount of 23,244 thousand RSD for the three months ended 31 March 2022 (23,710 thousand RSD for the three months ended 31 March 2021 accordingly) (Note 18).

24. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties, financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2021. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2022 the carrying value of financial assets approximates their fair value.

25. CONTINGENCIES AND COMMITMENTS

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 March 2022.

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation in the first quarter 2022 as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. Oil prices increased to over US\$105 per barrel that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

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

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

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 493,865 thousand RSD (31 December 2021: 397,764 thousand 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 2022 the Group has entered into contracts to purchase property, plant and equipment 138,355 thousand RSD (31 December 2021: 383,637 thousand RSD) and drilling and exploration works estimated to 101.74 USD million (31 December 2021: 101.44 USD million).

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

26. RELATED PARTY TRANSACTIONS

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

In the three month period ended 31 March 2022 and in the same period in 2021, the Group entered into business transactions with its related parties.

As at 31 March 2022 and 31 December 2021 the outstanding balances, presented net of impairment, with related parties were as follows:

As at 31 March 2022	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	-	264,087	2,892,682
Investments in joint venture and associates	-	-	1,735,538
Other current assets	-	11,944	635,464
Right of use assets	-	369	-
Trade and other payables	(26,547,925)	(536,124)	(3,157,217)
Other current liabilities	-	(317)	(2,324)
Short-term debt and current portion of long-term debt	(6,876,395)	-	-
Current lease liabilities	-	(152)	-
Long-term debt	(1,369,196)	-	-
Non-current lease liabilities	-	(142)	-
	(34,793,516)	(260,335)	2,415,626

As at 31 December 2021	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	601	233,076	1,961,268
Investments in joint venture and associates	-	-	1,582,900
Other current assets	-	29,788	540,488
Right of use assets	-	414	-
Trade and other payables	(3,000)	(929,883)	(1,551,586)
Other current liabilities	-	(388)	(935)
Short-term debt and current portion of long-term debt	(5,468,948)	-	-
Current lease liabilities	-	(142)	-
Long-term debt	(2,734,468)	-	-
Non-current lease liabilities	-	(209)	-
	(8,205,815)	(667,344)	2,532,135

For the three month period ended 31 March 2022 and 2021 the following transaction occurred with related parties:

Three month period ended 31 March 2022	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Revenues from sales of products and services	-	360,491	10,563,397
Expenses based on procurement of products and services	(24,677,450)	(1,179,935)	(1,405,182)
Other expenses	(30,383)	(2,608)	(527)
	(24,707,833)	(822,052)	9,157,688

Three month period ended 31 March 2021	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Revenues from sales of products and services	1,455	243,525	4,877,780
Expenses based on procurement of products and services	-	(146,975)	(55,023)
Other expenses	(50,773)	(47)	(44)
	(49,318)	96,503	4,822,713

Transactions with Key Management Personnel

For the three month period ended on 31 March 2022 and 2021 the Group recognized 255,696 thousand RSD and 232,072 thousand RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

27. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 March 2022 were evaluated through 29 April 2022, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

Statement of individuals responsible for the preparation of financial statements

We hereby state that, to our best knowledge, the interim financial reports have been prepared in compliance with the international financial reporting standards and that they show true and objective information on the assets, liabilities, profit and loss, financial position and operations of the Company, including subsidiaries encompassed by the consolidated statements.

Anton Cherepanov



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Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
ALARP	As low as reasonably possible
B&H	Bosnia and Herzegovina
BC	Business Centre
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CMMS	Computerized maintenance management system
CNG	Compressed natural gas
CO	Carbon Oxide
CO ₂	Carbon Dioxide
DCU	Delayed Coking Unit
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
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offer Rate
GDP	Gross Domestic Product
GTA	Geological-technical activities
GU	Gasoline unleaded
GWh	Gigawatt hours
HiPACT	High Pressure Acid Gas Capture Technology
HR	Human Resources
HSE	Health, Safety and the Environment
IMF	International Monetary Fund
IRMS	Integrated Risk Management System
IT	Information Technology
j.s.c. or JSC	Joint Stock Company
k.f.t.	Limited liability company (in Hungary)
km	kilometre
LIBOR	London Interbanking Offer Rate
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTIF	Lost Time Injury Frequency
m ²	Square meter
m ³	Cubic meter
MHC/DHT	Mild hydrocracking and hydro treating unit
mn	million
MW	Megawatt, SI unit of electricity
MWh	Megawatt hour, unit of electricity
MSSC	Multifunctional Shared Services Centre
N ₂	Nitrogen
NBS	National Bank of Serbia
NMD	Regulatory methodology document
OCF	Operating Cash Flow
OPEC	Organisation of the Petroleum Exporting Countries

Abbreviation	Meaning
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RNP	Pančevo Oil Refinery
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
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
ALARP	As low as reasonably possible
B&H	Bosnia and Herzegovina
BC	Business Centre
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CMMS	Computerized maintenance management system
CNG	Compressed natural gas
CO	Carbon Oxide
CO ₂	Carbon Dioxide
DCU	Delayed Coking Unit
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)

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.