



QUARTERLY REPORT

The background of the title text is a photograph of an industrial facility, likely a refinery or chemical plant. The image shows a complex network of pipes, towers, and structures under a clear sky. The colors are muted, with a blue tint over the entire scene.

FOR THIRD QUARTER OF 2022

The Quarterly Report for Third Quarter of 2022 presents a factual overview of NIS Group's activities, development and performance in third quarter of 2022, as well as for first nine 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 Third 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 Third 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.

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Foreword

In the period January-September 2022, NIS Group worked hard to successfully address its priorities. In the challenging environment and under the influence of factors out of NIS' control, NIS Group maintained reliable market supply and regular business operations. Additionally, better financial results were achieved, substantially supported by the growth of oil and petroleum product prices, but also by favourable operating indicators of NIS. In the forthcoming period, NIS will keep its focus on the same objectives, taking care of social welfare of its employees as the drive force of the company.

In the reporting period, the average value of Brent crude was 105.3 dollars per barrel, or 56 per cent higher on the same period in 2021. In addition, the improved performance results of the refining and sales and distribution lead to NIS Group's EBITDA indicator reaching 104.8 billion dinars in the period January-September of the current year, while the net profit was 69.4 billion dinars. At the same time, 12.1 billion dinars was invested in the development projects, while NIS Group's liabilities for public revenues amounted to 184.6 billion dinars, representing a 19 percent increase on the year before. The total bank debt at the closure of this period was 570.6 million euros, or three percent lower compared to the debt balance as at 30 September 2021.

In respect of operating indicators, oil and gas production was maintained at approximately the same level as opposed to the first nine months of the previous year and it amounted to 879.3 t.o.e. The output of crude oil and semi-finished products refining was 3.265 million tons with a 14 percent year-on-year increase. The petroleum product sales output also increased and was 3.222 million tons, i.e. 11 per cent higher than in the corresponding reporting period.

In addition, the Energy Block DWS was established with one of the tasks to step up the energy transition of NIS. The Energy Block will manage the fields of thermal energy and electric power in NIS Group, with a primary focus on expending the activity in the field of power and solar energy generation and trading, as well as managing energy resources in NIS, including TE-TO Pančevo and HIP Petrohemija. The Company continues working on its green agenda through the project of installation of solar panels on eight petrol stations in Serbia. In this manner, it is planned to make annual savings on power purchase of nearly 300 MWh with a delivery of around 40 MWh to the distribution network and annual decrease of carbon dioxide emissions of 375 tons.

In 2022, NIS continues actively supporting development of communities, committing itself to the matters of crucial interest for the future of the Company. In the contest "Together for the Community", the projects of 13 local communities were selected, which the Company support by a 118.5 million dinar investment, with an aim of contributing to the common goal - providing equipment for health facilities, supporting couples undergoing in vitro fertilisation and improving the birth rate in our country.

In addition, NIS received a new award for its human resources management practices. Specifically, the Company was awarded the certificate "Partner Employer" that the Selectio consulting firm awards to the organisations reaching the highest quality standards in the field of human resources management. NIS sees this award as an additional stimulus to work on its long-term goal - improving engagement of its employees and developing HR practices to create to best work experience for its employees.

Business report

Highlights

January - September

January

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

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

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

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

April

Mobilization of workover rigs and accompanying equipment. Workover works started on the well Ob-003

Seismic works on the 3D project in Turkey continued

The start of operation of all retail establishments in accordance with the new Law on Fiscalization and, accordingly, the redefinition of business processes related to retail operations

Start of operation of filling station Paraćin 2 in the NIS Petrol network

NIS won the first place in the competition for national awards in the field of occupational safety and health in the category of Charter "April 28", awarded by the Occupational Safety and Health Administration of the Ministry of Labour, Employment, Veterans' and Social Affairs of Serbia.

The "Dobročinitelj" (Benefactor) award for social responsibility in 2020 and 2021 was awarded to NIS as part of the "Best in Serbia" campaign.

May

Workover on Ob-003 and Ob-002 wells was completed

Workover on Teremia 1003 well was completed

In May 2022, the largest monthly volume of oil and semi-finished products refining (416 thousand tonnes) was realized since 2009

Expansion of the installation project of AdBlue bulk sales equipment

Gazprom Neft, which was the majority shareholder of NIS j.s.c. Novi Sad, reduced its share in the equity capital of NIS from 56.15% to 50% on 6 May. By the transaction at the Belgrade Stock Exchange, Gazprom acquired 6.15 % of the shares of NIS j.s.c. Novi Sad.

NIS started the installation of solar panels for the production of electricity at its petrol stations. On that occasion, the gas station "Stari Banovci" was visited by Zorana Mihajlović, Deputy Prime Minister of Serbia and Minister of Mining and Energy.

NIS was again named the most desirable employer in Serbia this year according to the results of the "TalentX" survey conducted by the group of employment websites Poslovi.Infostud.

June

Mobilization of workover rigs (and accompanying equipment) and commencement of workover works on the Teremia 1000 well

Seismic works on the 3D project in Turkey continued

Lease of the Veternik refuelling station and start of work in the NIS Petrol network

Completion of reconstruction of the Kučevo refuelling station and start of its operation

The XIV regular session of the Shareholders' Meeting of NIS j.s.c. Novi Sad was held and, among other things, it was decided on the payment of dividends to shareholders for 2021 and the appointment of the members of the Board of Directors for the next term of office.

The delegation of Equatorial Guinea visited the NIS Science and Technology Center in Novi Sad and talked with NIS representatives about possible cooperation with the oil and gas companies of Equatorial Guinea.

July

Reconstruction of Kostolac PS, commencement of work on 15 July 2022.

NIS received the "Employer Partner" certificate awarded by the "Selectio" consulting company, which presents the award to organizations that have reached the highest quality standards in the field of human resources management.

August

NIS started the sixth season of the "NIS Calling" program for 44 students who were given the opportunity to gain first work experience in various areas of the oil industry.

NIS paid shareholders more than RSD 5.78 billion as dividends for the year 2021, which is 25 percent of last year's net profit of the Company.

NIS conducted a competition of the "Together for the Community 2022" program, which will support with the amount of RSD 118.5 million, those projects the goal of which is to support families in the process of in vitro fertilization and the support to public health institutions.

September

In the first 9 months, 37 wells were drilled in Serbia (36 development and one exploratory), 1 development well in Romania and 1 exploratory well in Bosnia and Herzegovina.

In the first 9 months of this year, 35 wells in Serbia (34 development and one exploratory), 1 development well in Romania and 1 exploratory well in Bosnia and Herzegovina were put into operation.

The activities of the reconstruction of the FCC unit and construction of the new ETBE unit continue.

The recurring sales discount on major petroleum products with the SNNP card and promotion of benefits thereof on social networks and PSs

The construction permits for 3 PSs were issued, specifically Knjaževac, Srbobran 1 and Zemun 1, due to be implemented by the end of the year

NIS signed memorandums of cooperation in the field of education, research and knowledge transfer with the University of Novi Sad, the Faculty of Philosophy in Novi Sad and the Faculty of Transport and Traffic in Belgrade.

Group NIS

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

The headquarters and main assets of the NIS Group are located in the Republic of Serbia, but the Group also has subsidiaries and representative offices in several other countries, primarily in the 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 and
- MSSC.

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

Exploration and production Block

Exploration and production

NIS is the only company in Serbia engaged in oil and gas exploration and production. 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 Block 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 Block .

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

During the third quarter of this year, the DWS Energy Block was established with one of the tasks to step up the energy transition of NIS. The Energy Block will manage energy efficiency and reliability in the fields of thermal energy and electric power in NIS Group, with a primary focus on expending the activity in the field of power and solar energy generation and trading, as well as managing energy resources in NIS, including TE-TO Pančevo and HIP Petrohemija.

This activity includes the generation of electricity and thermal energy from conventional and renewable sources, centralized management of the natural gas portfolio for the entire NIS, 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.

As a key project in the field of energy, the construction of the Pancevo combined-cycle plant, which NIS is realizing in cooperation with the Russian company Gazprom energoholding, stands out. The commissioning phase began in the fourth quarter of 2021 with the testing of gas turbine facilities and continued until April 2022, when all approvals were obtained and the plant was put into trial operation. The main characteristic of combined-cycle plant, TE-TO Pancevo is that it will produce thermal energy for the needs of the Pančevo Oil Refinery, while the produced electricity will be placed in the power system of Serbia.

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.	With a view to protect its members of staff, equipment, facilities and environment, while meeting legal obligations, the Company continuously monitors its operations, workforce, assets, working and living conditions and promptly amends its normative and methodological documents to reflect the changes in the legislation of the Republic of Serbia and ensures compliance with them. The Company timely implements corrective measures introduced in the wake of HSE investigations of incidents, through a system of observations, corporate monitoring and external inspections. Training courses are being conducted with a view to condition employees in HSE disciplines.
<i>HR risks</i>	
Highly qualified personnel is a key prerequisite of efficient operations of the company.	The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. 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. 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.
<i>IT risks</i>	
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 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 the sale of oil derivatives with deferred payment.

Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad).

With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.

Liquidity risks

Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its due liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.

NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the maximum loan debt level is not exceeded (the parent company sets the limit) and that all its obligations under commercial bank arrangements (covenants) are met.

Commodity-price risks

Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil and petroleum products that affects the value of inventories and the oil refining margin, which in turn affects future cash flows.

These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices.

In addition, the following actions are undertaken to reduce a potentially negative effects of this risk on the financial result of the Company:

- annual planning based on multiple scenarios, planned follow-up and timely adjustment of operating plans for crude oil procurement;
- regular sessions of Company's Commission in charge of crude oil purchase/sale to discuss all major topics related to crude oil purchase and sale (sale of oil from Angola-Palanca crude oil);
- concluding annual contracts for the supply of crude oil under the most favorable commercial conditions, 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 environment

World

Energy security has become a priority issue for consumers and policymakers around the world. The cutback on imports of Russian gas into Europe and the tight electricity market pushed European gas prices to record heights in the third quarter of 2022 and to a decline in natural gas consumption in most regions. In Europe, gas consumption recorded the most dramatic drop of nearly 10% in the period from January to August compared to the same interval last year, with about a 15% drop in industrial consumption due to reduced production. North America was one of the very few regions where gas consumption recorded an increase (of more than 4% in the United States of America in the first eight months and 8% in Canada in the first half of the year). This situation brought about unplanned profit for some, among them, Chinese companies with long-term contracts for liquefied natural gas in the USA, which allowed them to sell their surplus to Europe and earn substantial profits from sales.

Unlike natural gas, whose transport is rather complex and specific, the sanctioning of Russian crude oil by introducing price caps in Europe is risky only in terms of price. According to analysts, they expect the limited supply of crude oil to play a key role in determining the prices. As soon as the eighth package of sanctions was introduced, OPEC announced it will cut oil production by two million barrels a day as of 1 November. The relations between the major oil-importing countries and OPEC+ have been under a lot of strain recently in the aftermath of the announcement from G7 that it will impose a price cap on Russian oil.

Another important factor in the oil market is the stocks of crude oil that are in the US strategic reserves. Over the past 12 months, these reserves were used to balance supply and demand in the global crude oil market.

The growth in global oil demand throughout 2022 has been at the usual level of 3.1 million barrels a day. The noticeable growing trend in oil demand is triggered by the use of fuels in electricity production. According to estimates, oil demand in OECD countries will grow by 1.6 million barrels a day in 2022 and, in non-OECD countries, it is expected to increase by 1.5 million barrels a day.

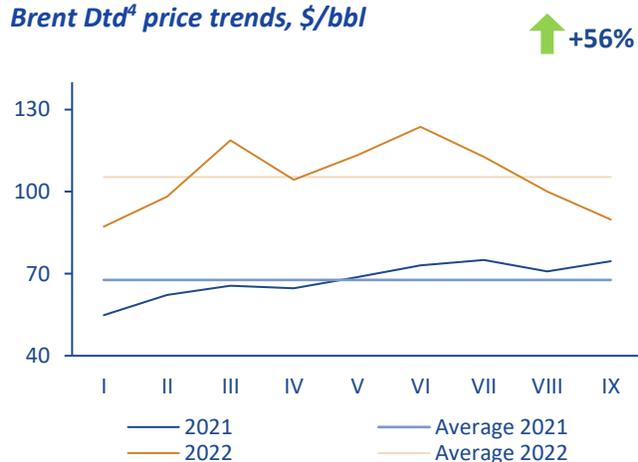
The main drivers of growth in oil supply in 2022 are expected to be the US, Canada, China, Brazil and Guyana, while the main drop in production is expected in Indonesia and Norway. The USA, Norway, Brazil, Canada and Guyana are expected to be the main drivers of growth in 2023, while the decline in oil production is predicted primarily in Russia and Azerbaijan.

Oil price

Despite the attempts to reduce oil prices by pressuring OPEC+ to increase production, the price of Brent oil in the third quarter averaged USD 100.9 per barrel and remains 37% higher than in the same period in 2021. The average price of 105.3 USD/barrel in the first nine months of this year is still 56% higher than the average price in the same period last year.

The latest monthly report of the EIA (Energy Information Administration) predicts that the average price of Brent oil to be 104.21 dollars per barrel in 2022 and 96.91 dollars per barrel in 2023. For the last quarter of this year, the EIA expects an average price of 97.98 dollars per barrel.

Brent Dtd⁴ price trends, \$/bbl



³Data 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.

⁴Source: Platts.

Macroeconomic trends

Once again, the IMF lowered its economic growth forecasts for 2023 and emphasized fears of recession amid persistent inflation and the Ukrainian situation. Now it is forecasting global economic growth of 2.7% (0.2% less than its forecast in July) while maintaining the economic growth forecast of 3.2% for 2022.

Large international institutions that used to be careful not to announce a downturn in economic activity now openly talk about the recession. They expect Germany and Italy to slip into recession next year just three years after the COVID-19 epidemic, which will also have an adverse impact on the outlook of the entire Eurozone. German GDP is expected to shrink by 0.3% and Italian by 0.2% because these countries are very vulnerable to "shocks" in the gas market as they face greater difficulties in ensuring supply diversification. The IMF has warned that the situation could deteriorate in the event of extremely low temperatures or insufficient cuts in gas demand. This could lead to saving energy during winter in Germany and severe consequences for German industry.

The European Central Bank also forecasts the economic growth of the eurozone will decline, and in case of major issues with the energy deliveries, then a recession is the most likely scenario.

In the course of the year, the benchmark index S&P 500 fell by about 24%, and they state that it could decline by a further 20% from its current level, with the next 20% decline likely to be "much more painful than the first".

To restrain inflation, the U.S. has adopted an Inflation Reduction Act with the aim of reducing costs for U.S. families and increasing investments in the climate and energy sector through diverse technologies and solutions.

Serbia

An increasingly volatile situation in the world economic scene and an unforeseeable future of not only global but also domestic economic environment push the National Bank of Serbia to continue tightening the monetary conditions in response to the mounting inflationary pressures, at the same time trying not to undermine the economic activity growth. The interest rate benchmark went up to 4% early in October, this being the seventh increase since April of this year.

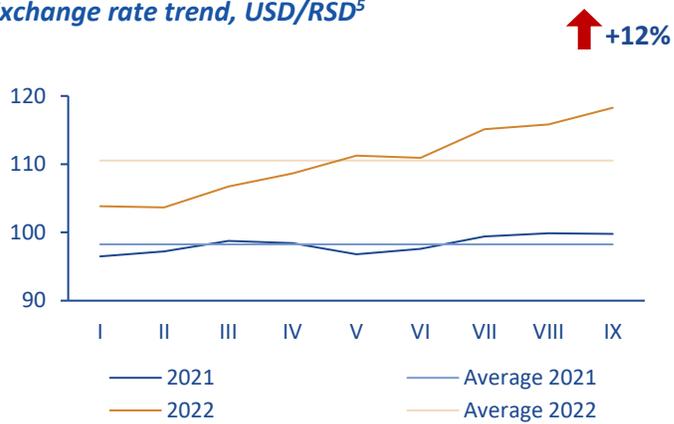
The share of the centralised state's public debt in the GDP was 53.5% in July 2022. The balance of Serbia's current account, according to the IMF October projections, will go into a 8.4% deficit of GDP in 2022, only to decrease to 7.0% in the following year.

A significant growth of energy prices in the global market and a relatively high imported inflation, including drought effects both in Europe and Serbia, resulted in a persistent rise of inflation in our country. The interannual inflation was 13.2% in August, 70% of which came as a consequence of rising food and energy prices. As opposed to December 2021, the consumer prices jumped 9.8% on the average. In August of the current year, the core inflation was lower compared to the total inflation, and it was 7.9%. The general situation affected the latest IMF projections, estimating that the inflation rate in our country would be 11.5% in the current year and 8.3% in the following year. The regression of inflation to target limits can be expected in the first half of 2024.

GDP recorded a growth of 4.1% in the first half of 2022. In the second quarter, according to the data of the Statistical Office of the Republic of Serbia, the GDP increase was 3.9%, headed by service sectors, net taxes and industry. In the second half of the year, the National Bank of Serbia expects a slower growth, due to a recession in leading world and European economies, primarily to impact industry and energy supply. For the current year, the IMF has kept the Serbia growth projection of 3.5% from June, and envisages growth slowing to 2.7% for 2023.

In August 2022, the industrial production in the Republic of Serbia was higher by 0.3% compared to August 2021, while it was year-on-year higher by 2.4% in the period January-August 2022. The mining sector achieved an interannual growth of 3.8% and processing industry of 1.3%, while power, gas, steam and air conditioning supply sector recorded a drop of 6.7%.

A nominal increase of gross and net wage in the period January-July 2022, compared to the same period last year, was 13.4%, while the real increase was 3.0%.

Exchange rate trend, USD/RSD⁵

- Average USD/RSD in first nine months of 2022 was higher by RSD 12.3, i.e. 12% higher compared to the average exchange rate in the same period of 2021.
- During the first nine months of 2022 USD/RSD exchange rate increased by RSD 15.6 or 15%.
- During first nine months of 2021 USD/RSD exchange rate increased by RSD 5.6 or 6%.

⁵Source: NBS.

Performance analyses

Market share⁶

Motor fuel consumption has been recovering as expected in the post-covid period, although the crisis in 2022 and the insecurity in supply contributed to additional growth of consumption in all countries in the region compared to 2021.

The main factors for the growth of consumption include the growth of the transport and construction industry, including infrastructure projects, the recovery of tourism, but also the increase in the supplies of end users who want to secure their supply in the climate of increased uncertainty.

Market share in the Serbian market

Volume of the RS motor fuels market⁷, in thousand tonnes



During the 9 months of 2022, the consumption of motor fuels in Serbia increased by 9.0%, compared to the same period last year. Increased supplies held by end users for fear of possible shortages, state measures aimed to limit prices that curbed the grey economy and reduced the outflow through cross-border petrol tourism, and the supply of corporate clients in the region (Eurowag in Hungary) are the key drivers behind the higher fuel consumption in Serbia.

The reason for the increase in NIS share in the motor fuel market compared to the same period in 2021 can be found in the decrease in imports due to the fact that controlled prices of petroleum products remained at a level lower than import prices over a length of time. The regulation stipulating a preferential fuel price for supplying farmers at NIS stations led to a huge increase in the agricultural segment of retail sales.

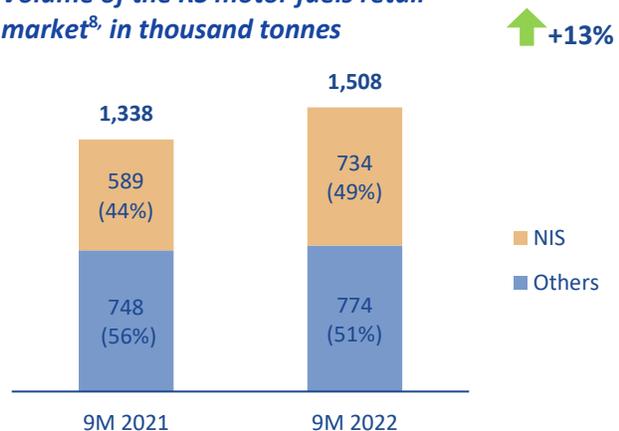
than import prices over a length of time. The regulation stipulating a preferential fuel price for supplying farmers at NIS stations led to a huge increase in the agricultural segment of retail sales.

Retail: for 9 months of 2022, the consumption has grown by 13% compared to the same period in 2021.

NIS has ensured the security of the supply of petroleum products to the Serbian market in all sales channels.

The growth of the NIS retail market share can be explained in the following manner: the preferential (and significantly lower) prices for farmers at NIS petrol stations, increased demand, the wholesale clients' shift to the retail channel due to periodic restrictions on wholesale quantities supplied from imports, the return of petrol tourism and international transport to the supply at domestic petrol stations.

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



9

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 9M 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 9M 2022 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

⁹Other retail of other market participants is supplied from the wholesale of NIS and other participants of the Serbian wholesale market.

Market share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

The House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina adopted the Bill on Amendments to the Law on Excise Duties in B&H, which abolishes excise duties on petroleum products for a period of six months. The decision abolished excise duties on diesel fuel and other gas oils, kerosene, unleaded motor fuel, gasoline, fuel oil, liquified petroleum gas for motor vehicles, biofuels, and bioliquids.

Bosnian Oil Refinery Brod intends to build a 100 MW gas-fired power plant in Republika Srpska, an investment worth EUR 150 million, according to the entity's government. The company is currently working on a feasibility study for the project and plans to apply for a concession once the study is completed, according to a statement from the Government of Republika Srpska. The entity government has approved an agreement on cooperation with the company on the project, the statement said.

In the Federation of Bosnia and Herzegovina, the reconstruction of the Blažuj liquid oil cargo terminal has officially started. On that occasion, the Federation is said to have at its disposal another 42 million litres of oil reserves. The value of these works stands at 25 million BAM. The President of the Management Board of the Operator-Terminali Federacije (OTF), Hermedin Zornić, pointed out that the works on the terminal in Bihać, with a capacity of about 20 million litres, are soon to begin.

For the period of nine months of 2022, Bosnia and Herzegovina recorded a recovery of the motor fuel market, including restored retail turnover compared to the same period last year.

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

The overall market share of NIS in the motor fuel market is 25.3%, with a retail market share of 11.1% in the first nine months of 2022.

Bulgaria

The price policy of Lukoil Bulgaria entailed a gradual change in the conditions of wholesale prices and cancelling quantity discounts, which in turn could affect the restriction of competition in the fuel market and affect consumers, was stated by the Commission for Protection of Competition. The Commission for Protection of Competition found that as part of the vertically integrated Lukoil group, the company operates throughout the chain from fuel production to final sale and has a highly developed storage and transport infrastructure, which represents a competitive advantage compared to other companies on the Bulgarian fuel market.

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

The Bulgarian fuel retailer Petrol announced that its shareholder Trans Express Oil has reduced its share in the business from 15.31% down to 9.82% in favour of Grifon Power Company. On 29th of March, the local transport company Trans Express Oil handed over 1.5 million voting shares in Petrol to Grifon Power Company, which is a 5.49% stake in the capital, the petrol station operator stated in a regulatory submission.

In August 2022, the number of newly registered vehicles in Bulgaria increased by 18.39% compared to August 2021. In August, 674 new commercial vehicles were sold, which is 11.2% less than in August 2021, and 2,480 new passenger cars, which is an increase of 30.18% compared to August 2021, the European Automobile Manufacturers Association (ACEA) said.

For the period of nine months of 2022, Bulgaria's motor fuel market recovered, along with its retail turnover, compared to the same period last year.

NIS has 34 petrol stations in Bulgaria and a petroleum products warehouse in the town of Kostin brod.

The overall market share of NIS in the motor fuel market is 3.5%, with a retail market share of 3.7% in the first nine months of 2022.

Romania

Romania has seen a historic record reached in petrol and diesel prices.

Rompetrol wants to refine 20% more oil in Petromidia and seeks to expand across the region. This year, Rompetrol Rafinare could process 5.6 million tonnes of oil at the Petromidia Refinery, the largest in the country, which is well above 4.6 million tonnes in 2021, the year in which the block's activity was suspended for three months due to the incident. In terms of investment, the group planned a budget of 75.7 million USD based on the investment program for 2022, where the largest amounts have already been allocated to the Petromidia Refinery, the only one with strategic access to the sea. The single most important project envisaged by Rompetrol Rafinare's investment plans for 2022 is the suspended operation of the refinery for a scheduled technological turnaround.

Romanian refineries have found alternative sources of supply of raw materials since December, when the ban on imports of Russian oil entered into force, said the Minister of Energy Virgil Popescu.

Russian oil giant Lukoil, which controls the Romanian Petrotel Ploiesti refinery through its Swiss trading division Litasco, decided to reduce Petrotel's share capital by 78% (more than RON 432 million), from around RON 554 million to less than RON 122 million, by reducing the nominal value of shares from RON 2.50 to RON 0.55 per share. The reduction of share capital is made in order to restore the value of net book assets to a value equal to at least half the value of share capital by 31 December 2022 using accumulated accounting losses.

By the end of 2023, all 400 of Petrom's petrol stations will have an integrated MyAuchan store, and the project shared by two giants – OMV Petrom and Auchan was launched five years ago. The total amount to be invested by both companies is 50 million EUR. Simultaneously with the partnership established with MyAuchan Petro, OMV Group launched its own modernisation of Petro stations. Currently, about 150 Petrom's stations across the country have MyAuchan stores.

The Romanian government announced it has approved the sale of a 1% stake in the oil and gas group - OMV Petrom to the company's former employees by the end of 2023. The government's regulation complies with the 2019 High Court ruling that requires the state to sell up to 8% of OMV Petrom shares to employees.

Lukoil announced that it has signed a letter of intent with Rusatom Overseas, part of the Rosatom Group, on the production of green hydrogen at the Petrotel Lukoil refinery in Ploiesti, southern Romania.

For the period of nine months of 2022, Romania's motor fuel market recovered, along with its retail turnover, compared to the same period last year.

NIS has 19 petrol stations in Romania. The market share of NIS in the total motor fuel market is 1.7%, while its share in the retail market is 0.9%.

Key Performance Indicators

Q3 2022	Q3 2021	Δ^{10}	Indicator	Unit of measure	9M 2022	9M 2021	Δ^{11}
100.9	73.5	+37%	Brent Dtd	<i>\$/bbl</i>	105.3	67.7	+56%
140.52	84.5	+68%	Sales revenue	RSD billion	380.8	200.2	+90%
25.7	7.2	growth	Net profit	RSD billion	69.4	13.3	growth
38.6	16.0	growth	EBITDA¹²	RSD billion	104.8	38.2	growth
45.4	5.8	growth	OCF	RSD billion	72.5	20.4	growth
4.5	4.4	+3%	CAPEX¹³	RSD billion	12.1	13.1	-7%
66.7	60.3	+10%	Accrued liabilities for taxes and other public revenue¹⁴	RSD billion	184.6	155.7	+19%
570.6	588.7	-3%	Total bank indebtedness¹⁵	EUR million	570.6	588.7	-3%
1.3	1.3	-1%	LTIF¹⁶	number	1.3	1.3	-1%

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

¹² 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.

¹³ CAPEX amounts are exclusive of VAT.

¹⁴ 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.

¹⁵ Total bank indebtedness = Total debt to banks + Letters of Credit. As at 30 September 2022, this was EUR 558.7 million of total debt to banks, while there was no debt based on the letter of credit.

¹⁶ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. The LTIF indicator calculated according to the previous methodology is 1.4. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of September 30 and consequently the difference does not exist between 9M and Q3.

Operational indicators

Exploration and production

Q3 2022	Q3 2021	Δ^{17}	Indicator	Unit of measure	9M 2022	9M 2021	Δ^{18}
296.3	301.1	-2%	Oil and gas output ¹⁹	Thousand t.o.e.	879.3	889.9	-1%
203.6	206.6	-1%	Domestic oil output ²⁰	Thousand tonnes	604.2	609.1	-1%
1.3	1.9	-33%	LTIF ²¹	number	1.3	1.9	-33%
9.3	8.9	+5%	EBITDA	RSD billion	34.8	22.3	+56%
3.6	3.3	+8%	CAPEX ²²	RSD billion	9.1	8.8	+3%

The main goal in the third quarter of 2022, as well as for the first nine months, in the Exploration and Production Block was to fulfill the hydrocarbon production plan and increase the efficiency of geological and technological activities.

In the third quarter of 2022, a total production volume of 283 thousand t.o.e. was achieved at deposits in Serbia. The total volume of production for the third quarter of this year, including concessions, amounts to 296.3 thousand t.o.e.

In the first nine months of 2022, a total of 841.2 thousand t.o.e. were produced in Serbia, and if concessions are included, a total of 879.3 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.

In the third quarter, 13 development oil wells were put into operation, and a mean average increase of 6.5 t/day was achieved, while in the first nine months, 32 development oil wells were put into operation with a mean increase of 6.6t/day. In September, a gas well was commissioned and an increase of 13,000 m³/day was achieved.

In the third quarter, 4 wells were put into operation after measure application with an increase of 4.7 ton/day.

In 2022, the successful application of RIR technology continues. In the third quarter, after the application of RIR technology, 16 wells were put into operation, average increase of 2.0 ton/day was achieved, and most of the operations were performed on Velebit exploitation field.

In addition, in the third quarter, 10 wells were put into operation upon transferring to a new productive layer, with an achieved average increase of 4.2 ton/day, and 10 intensification operations were performed, with an achieved increase of 1.4 ton/day.

In the third quarter, 3 wells from the inactive stock were prepared for production, while in the first 9 months this year, 11 wells were prepared for production from the inactive stock.

¹⁷ Any deviations in percentages and aggregate values result from rounding.

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

¹⁹ Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

²⁰ With natural gasoline.

²¹ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data for 9M 2022 refers for the Exploration and production Block. Due to the change in methodology, from May 2022 contractors will also be included in the calculation of HSE indicators. Data for 9M 2022 according to the previous methodology is 0.70. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of 30 September and consequently the difference does not exist between 9M and Q3.

²² Financing, exclusive of VAT.

In the third quarter, the study on hydrocarbon reserves of Velebit field was completed, whereas drafting the remaining design and technical documentation for hydrocarbons and groundwater is underway.

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 in the final phase.

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 fields Iđoš 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.

In accordance with the Law on Mining and Geological Research, following the completed geological research on Iđoš and Mokrin production fields, the final reports on completed geological research were submitted to the Provincial Secretariat for Energy, Construction and Transportation.

With a view to obtaining the requirements to continue drilling in the approved production fields Iđoš (period July 2022 - December 2023) and Martonoš West, geological research projects were developed and the start of geological research was reported to the Provincial Secretariat for Energy, Construction and Transportation.

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.

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

The following approvals were obtained from the Ministry of Mining and Energy:

- for the use and utilization of mining facilities built according to the Main Mining Project:
 1. for the development and exploitation of hydrocarbons of the Kasidol oil field.
 2. for the development and exploitation of oil and dissolved gas in the Bradarac exploitation field.

An approval was obtained from the Provincial Secretariat for Energy, Construction and Transportation for:

- the modification of the boundaries of the approved exploitation field Iđoš and the exploitation of gas from the gas deposits of the exploitation field Iđoš.

Projects abroad

The Company's upstream operations in Romania are carried out by NIS Petrol s.r.l. from Romania (a subsidiary whose sole owner is NIS a.d. Novi Sad) on six concession blocks. The operator of the blocks is NIS Petrol s.r.l.

Key event in Romania in the first nine months of 2022:

- EX-7 Block: In August 2022, the 12-month test production ended on BVS 1000 well. The business case is being updated based on the obtained data. A permit to continue experimental production on Beba Veche Sud 1000 for additional 6 months was obtained from Romanian government authorities.
- EX-7 Block: within the field development project "Teremia North" - production well Teremia 1003 was drilled. The tenders for construction of infrastructure facilities (construction of gathering stations), pipelines.
- EX-12 Block: The business case was updated, internal and external expert analyses performed.
- EX-2 Block and EX Block 3: The business case was updated, internal and external expert analyses performed.

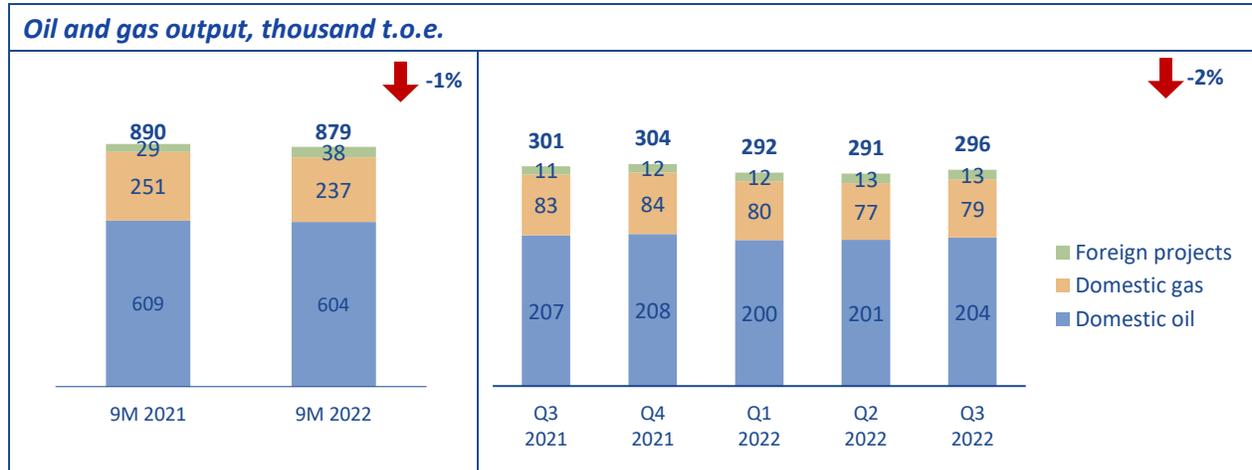
The Company's operations in the Upstream segment in Republika Srpska (Bosnia and Herzegovina) are conducted using the resources of Jadran Naftagas d.o.o. Banja Luka.

Key event in Bosnia and Herzegovina in the first nine months of 2022:

- Testing of the exploration well Ob-3, Obudovac, Republika Srpska was completed. The well completion is underway. The well is operating in different modes, provided continuous monitoring of production parameters and sampling for analysis purposes.

Operating indicators

In the first nine months of 2022 the total production was 879 thousand tonnes of oil and equivalent of oil and gas, which is 1% less than the first nine months of last year.



Downstream

Key indicators

Q3 2022	Q3 2021	Δ^{23}	Key Indicators	Unit of measures	9M 2022	9M 2021	Δ^{24}
1,161.0	1,153.3	+1%	Volume of refining of crude oil and semi-finished products	thous. tonnes	3,265.1	2,867.4	+14%
1,134.4	1,133.6	+0.1%	Total sales volume of petroleum products	thous. tonnes	3,222.3	2,901.2	+11%
276.9	216.0	+28%	Retail Serbia	thous. tonnes	729.4	585.4	+25%
432.0	373.4	+16%	Wholesale Serbia ²⁵	thous. tonnes	1,129.9	939.3	+20%
46.9	57.6	-19%	Retail Foreign Assets	thous. tonnes	143.9	149.8	-4%
22.4	94.0	-76%	Wholesale Foreign Assets	thous. tonnes	198.2	239.1	-17%
356.3	392.6	-9%	Transit, export and BU ²⁶	thous. tonnes	1,020.9	987.5	+3%
805.0	761.1	+6%	Motor fuels sales volumes ²⁷	thous. tonnes	2,234.0	1,930.4	+16%
29.8	8.8	+238%	EBITDA DWS ²⁸	bln RSD	76.3	22.1	+245%
24.2	4.2	+475%	EBITDA Refining ²⁹	bln RSD	72.7	11.3	+546%
5.1	5.0	+2%	EBITDA Sales and Distribution ³⁰	bln RSD	7.7	11.8	-35%
0.8	1.0	-16%	CAPEX DWS ³¹	bln RSD	2.8	4.0	-29%
0.4	0.5	-22%	CAPEX Refining	bln RSD	0.9	2.4	-61%
0.4	0.5	-29%	CAPEX Sales and distribution	bln RSD	1.6	1.5	+7%
1.3	1.2	+7%	LTIF DWS ³²	number	1.3	1.2	+7%
2.1	3.6	-42%	LTIF Refining	number	2.1	3.6	-42%
0.9	0.8	+13%	LTIF Sales and distribution	number	0.9	0.8	+13%

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

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

²⁵ Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.

²⁶ Business unit includes the sale of bitumen, bunkering and aviation fuel channels

²⁷ Total motor fuels sales volumes in Serbia and in foreign assets.

²⁸ EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution and the rest of Downstream.

²⁹ EBITDA of the Refining Block includes the Energy Plant in RNP.

³⁰ EBITDA of the Sales and Distribution Block.

³¹ Financing, excluding VAT.

³² *Lost Time Injury Frequency* – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. The data for 9M 2022 according to the previous methodology for the Sales and Distribution Block is 0.90, while for the Refining Block it is 2.82. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of September 30 and consequently the difference does not exist between 9M and Q3.

Refining

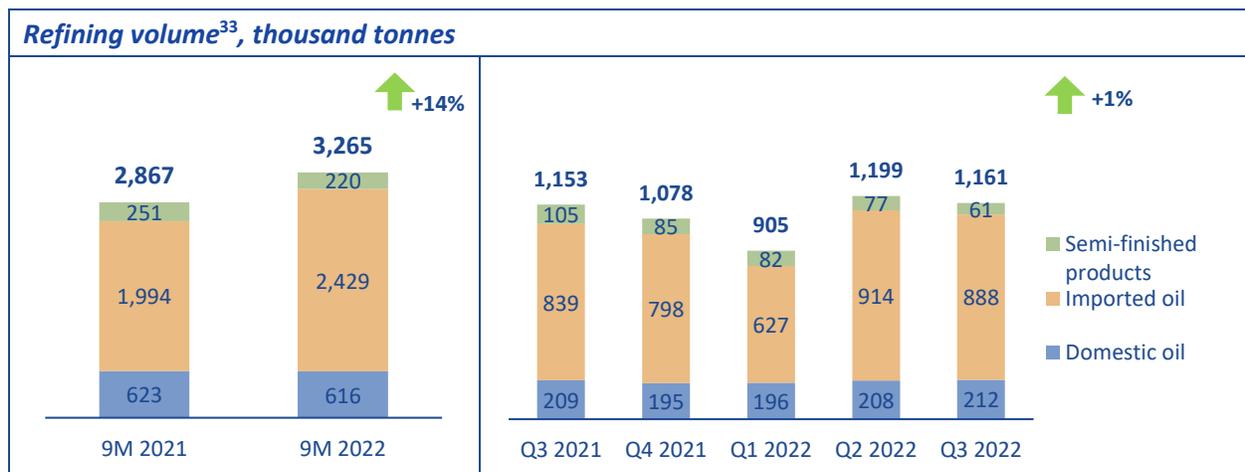
During the first nine months of 2022, the focus of the Refining Block was on the continuous production and provision of the necessary supplies, in order to supply the market with all types of products in accordance with the plans and requirements of the market, taking into account the current situation on the oil market.

As a result of such work, the largest monthly processing of oil and semi-finished products (416 thousand tonnes) since 2009 was recorded in May.

The volume of refining increased by 14% compared to first nine months 2021.

The realized EBITDA of the Refining Block for the first nine months of 2022 amounts to RSD 72.7 billion.

Refining activities and volume



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.

The operations of the Refining Block during the first nine months of 2022 took place in the conditions of limited procurement of natural gas, as well as large price fluctuations on the market of oil and petroleum products. The Refining Block adjusted its operations to market conditions in order to continuously supply the market with petroleum products, as well as to provide fuel for the current agricultural season. Despite major challenges in such business conditions, the largest monthly processing of oil and semi-finished products (since 2009) was recorded.

In addition, at the beginning of the year, the Pančevo Oil Refinery was able to provide support to the Electric Power Company of Serbia, thus affecting the preservation of the energy stability of the Republic of Serbia, primarily due to the fact that, in addition to the capacity for oil processing, it also has storage space, as well as elaborated logistics for the reception and dispatch of petroleum products.

The Refining Block continuously carries out activities for finding new and maximizing existing measures for increasing efficiency and reducing costs.

In the Refining Block, as in other parts of NIS, during the first nine months of 2022, an analysis of the results of the KARKAS inspection from June and December of the previous year was carried out, when the results of the inspection were excellent. The KARKAS inspection and the project improved and raised the segments to a higher level in all HSE areas in the Pančevo Refinery. Each subsequent inspection arrival represents an opportunity to improve the operation of all processes in the Refinery.

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

In late June, the HSE Council was held in Pančevo Oil Refinery, where all the key performance results for the previous period were presented and drills were conducted and demonstrated, following which the opportunities for HSE improvement, both in Refinery and in the company as a whole, were discussed. In addition, the approved action plan for improvement of the fire protection system and development of Company fire units, was considered. The icing on the cake of the HSE Council was the demonstrated drill, which included fire suppression on C-200 unit, evacuation and rescue of an injured person from a height, as well as transfer in an ambulance to the health-care facility.

Projects

In the first nine months of 2022 we realized all planned activities on the reconstruction of the FCC unit and construction of a ETBE unit.

The EPsCm qualification was conducted in line with the approved qualification strategy and criteria. Eleven companies have applied for the qualification. Five companies were qualified and they received an invitation to bid. On 26 August 2022, two companies, Kinetics Technology (Italy) and Petrofac International (UAE), filed their bids under the tendering procedure for selection of EPCM contractors. The technical evaluation of the received bids started on 29 August 2022.

Working group for overcoming the impact of 85 days long capital turnaround in year 2025 started case study analyses and preparation of solution.

The contract with the Contractor for the disassembly of S-620 and part of S-2750 is signed on July 6, 2022 and the works are progress and planned completion date is November 30, 2022.

The process for obtaining the building permit for the project for the reconstruction of the FCC plant and the construction of the new ETBE plant is underway. On July 15, 2022, Pančevo Municipality adopted the General Regulation Plan, setting the stage for filing for obtaining the location requirements for the project. The development of the Conceptual Design, in accordance with the location requirements under the General Regulation Plan, is underway.

This project is the most important investment of the third phase of the modernization of the Oil Refinery in Pančevo and is multifacetedly important not only for the Oil Refinery but also for our company as a whole.

Technological improvements will further increase the value of refinery products and EBITDA. After the reconstruction and application of new technologies, the FCC plant will operate both in the propylene and gasoline modes, depending on market needs. This will allow for greater flexibility and optimization of the technological process. This project also has a great impact in the area of improvement of environmental protection by reducing particulate matter emissions.

The Refining Block is continuously working on the implementation of a number of digital projects, which will enable a more efficient and reliable operation of the refinery. One of the most important digital projects in the implementation phase is the predictive maintenance of critical equipment. This is the application of best practices and state-of-the-art technology in the field of equipment maintenance, which implies the implementation of the concept of proactive maintenance. The efficiency of technological processes is also actively being improved through the improvement of the system of monitoring operational availability parameters, APC (Advance Process Control - Unit level) availability parameters, as well as remote monitoring of process performance of catalytic reforming plants.

Within the framework of OMS activities, the implementation of the plan for the implementation of best practices and the formation of reference plants on Atmospheric Distillation (S-2100), Vacuum Distillation (S-2200), and in the Manipulation Sector is in progress. The necessary services have been contracted and the implementation has begun for the arrangement and equipping of the plant with the necessary 5S equipment and the production of defined labels for the visual marking of the plant.

Sales and distribution

Points of sale³⁴ and logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 325 retail sites are located in the Republic of Serbia (with 26 of them under GAZPROM brand). In the countries of the region, NIS owns 41 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).

The reconstruction of Kostolac PS and construction of Bački Vinogradi PS started in the third quarter, i.e. on 15 July 2022 and on 28 August 2022 respectively. The 2 newly constructed PSs are due to start operating by the end of the year: Bački Vinogradi 1 (GAZPROM brand), Zemun 1 (NIS brand), as well as 5 reconstructed PSs (NIS brand): Kostolac, Kučevo, Knjaževac, Srbobran and Lajkovac, and the acquisition of 1 PS - Petrovaradin (NIS brand).

Loyalty program and marketing activities

The third quarter and the first nine months of 2022 were marked by active promotion of innovative services, with a focus on Drive.GO, as well as premium fuel G-Drive.

In the last nine months, we have been actively working on the promotion of Drive.GO application, with the aim of attracting new members and increasing the number of downloaded applications. In the first nine months the number of active users increased by 5,505 users. The total number of registered users in the first 3 quarters of 2022 increased by 23,715 users and now the user account in the Drive.Go application has 107,420 users. In addition to the aforementioned promotion of the Drive.GO application, we also had a promotion of the IPS "show bill" service, through which we promote the possibility for consumers to pay bills at our petrol stations. Within the scope of innovative services, Dina's card, with which the consumer can buy fuel on a deferred basis or in installments, took a place in advertising.

The online segment is the main communication channel. The following campaign results were achieved on online channels:

- Number of visits to the corporate website (www.nisgazprom.rs): 1.87 million page views, 698K website visitors.
- Number of ad views on Facebook and Instagram: 38.8 million, while "reach" is 2.6 million people.

In the third quarter, the promotion of Premium G-Drive petroleum product continues, mostly in the PR domain. The promotion continues in the online segment, i.e. on social networks, and by initiating special projects in the segment of digital/influencer advertising.

The promotion campaign for the SNNP loyalty programme, aimed at increasing the use of the SNNP application, carries on in the third quarter. In the 3-month period, the application was downloaded 61,542 times, out of that, 28,989 persons virtually subscribed. In addition to the application, we continued acquiring new members by offering an incentive - Join the SNNP program and get a gift (Jazak water). The active promotion continued after bringing back bonus points for standard petroleum products.

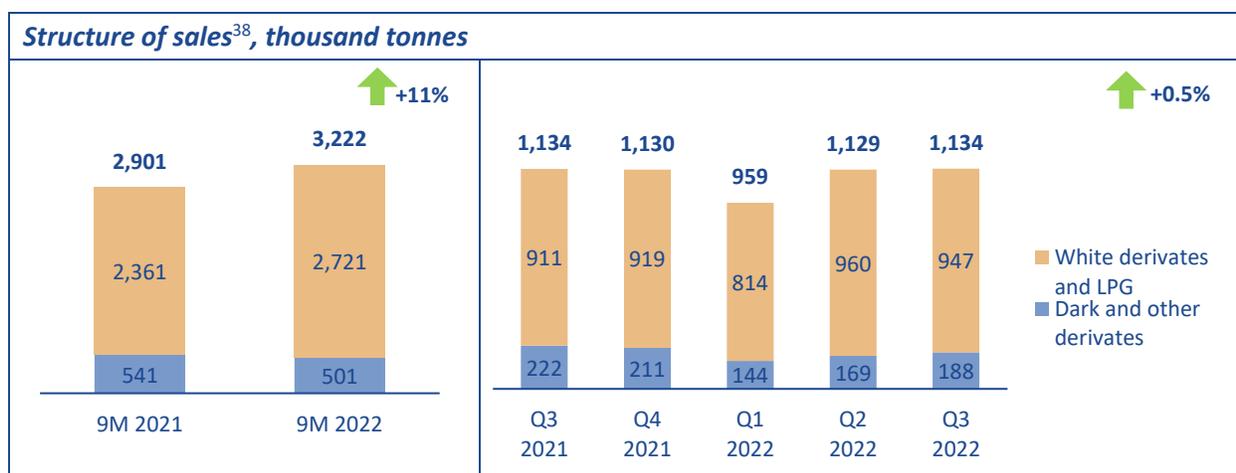
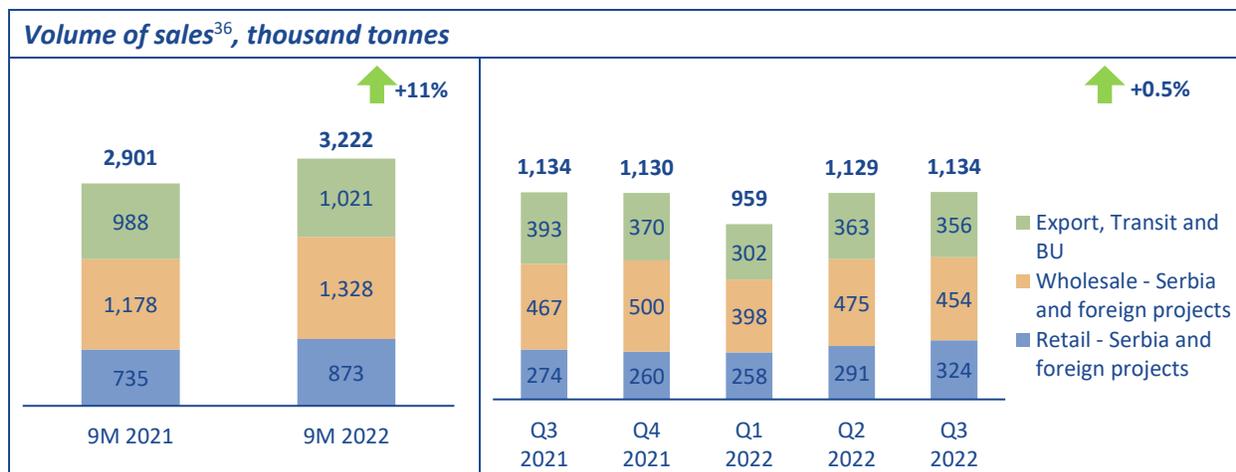
Operating indicators

The first nine months 2022 saw a sales growth of 11% comparing to the same period of previous period, with the total sales of 3,222 thousand tonnes.

- Retail sales in Serbia and the assets based abroad - growth by 19% in the first nine months of this year compared to 9M 2021, primarily in Serbia and Bosnia, due to the increase in demand during the period of rapid growth in world quotations of oil derivatives, the attraction of new corporate clients, as well as due to growth of NIS market share during the period of introduction of retail price restrictions in the Republic of Serbia, when NIS ensured uninterrupted supply in a period of sudden demand and was the only one on the market to guarantee a low price for agriculture.

³⁴ As at September 30, 2022.

- Wholesale in Serbia and the assets based abroad³⁵ – a year-on-year increase in the first nine months of the current year, mainly due to the increase in consumption in the period of soaring benchmark prices of petroleum products, with a simultaneous decline in exports due to unprofitable price limitations, where NIS warranted regular petroleum product supplies in the Serbian market by boosting production and controlling the entire supply chain.



³⁵It includes the sale of the Energy Department's CNG and the sale of oils, lubricants and technical fluids of Downstream lubricants production facilities.

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

³⁷ Business units include the sale of the bitumen, bunkering and aviation fuel channels

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

Energy

CCPP Pančevo Project

The production, delivery and installation of the power plant's equipment was completed by the end of 2021. During January and February, functional tests of individual plants were carried out. From 15 to 18 March 2022, the reliability test of the operation of the power plant was successfully performed for 72 hours. From 12 to 15 April 2022 warranty tests were successfully performed, which proved the guaranteed parameters of the power plant. The Combined-cycle Power Plant "Pančevo" accepted the report on warranty tests. The power plant received approval for trial operation for all individual plants, including the steam-turbine plant, on April 12 of this year. Since that date, the power plant is ready to operate at the installed capacity. On May 17, the use permit for the transmission line was obtained. Testing of the gas-turbine unit within the warranty period was completed on 21 May. The resolution of the Fire Police on compliance of the switchyard for utilisation was obtained. The preparation of the report of the committee for the technical inspection of the facility with a proposal for issuing a use permit for phase 4 - Interconnections is in progress. Handover of CDP to Serbia's Electricity Grid is expected in October of this year.

Natural gas

The organisation and balancing of the natural gas portfolio for NIS j.s.c. Novi Sad is carried out in accordance with the natural gas transportation agreement with the natural gas transmission system operator for the Gas Year 2022/2023, signed in the third quarter of 2022. CNG transport from Ostrovo gas field is proceeds smoothly. The negotiations on the annual Agreement on Full Supply with Energy from Natural Gas and Agreement on Sales of Energy from Natural Gas are underway.

Electricity trading

NIS currently holds an electricity trade license in Serbia, Montenegro, Romania, BiH, Slovenia, Hungary and Bulgaria.. 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 programme of measures for reduction of electricity consumption and increase of energy efficiency for the first nine months achieved energy savings of 2,995 t.o.e. The financial value of the savings amounts to RSD 277.09 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 98.5%.

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 6 measures to improve energy efficiency has commenced.

Activities of implementing four measures to boost energy efficiency are in progress, three of which has been completed, and the total expected effect of savings in annual terms for all four measures is almost - 33.2 million dinars.

Renewable energy sources

In January 2022, the construction of solar photovoltaic power plants at 8 petrol stations (PS) was contracted. The works on all petrol stations were completed and all power plants were commissioned.

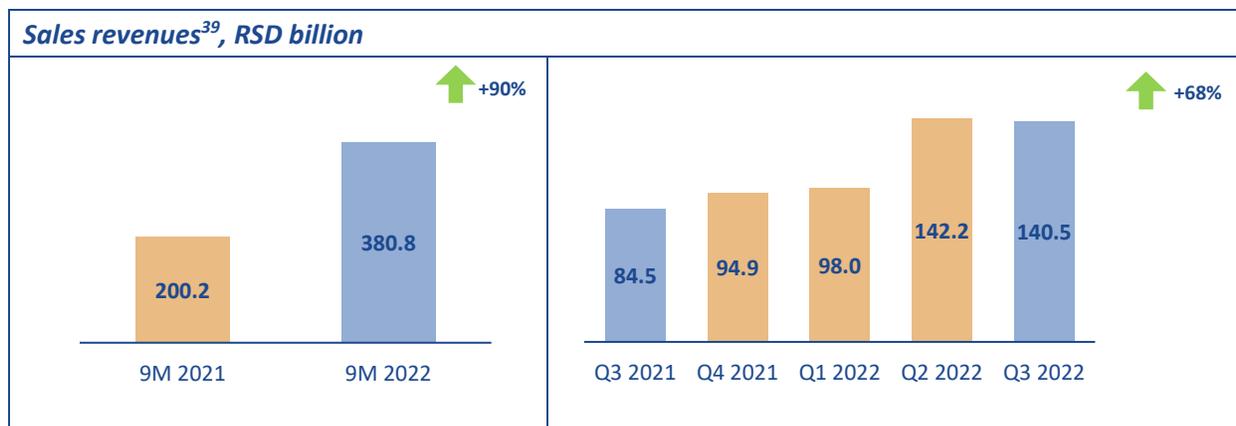
The individual power of the power plants is about 33 kWp on 7 PSs and 62 kWp on PS Dejton in Belgrade, and the total power of solar panels is about 290 kWp. The goal of the construction is the substitution of the procurement of electricity from the electric power distribution system (EPDS) with the placement of smaller periodic surpluses in the EPDS. The power plants have the status of a prosumer of electricity. The total annual production of all power plants at 8 PSs will amount to 341,000 kWh, which will reduce the emission of CO₂ by 375 tonnes per year. The total investments amount to about EUR 200,000.

The construction of solar photovoltaic power stations on another 7 petrol stations, with a total power of solar panels of around 240 Kwp and planned investment of EUR 170,000.

Financial indicators

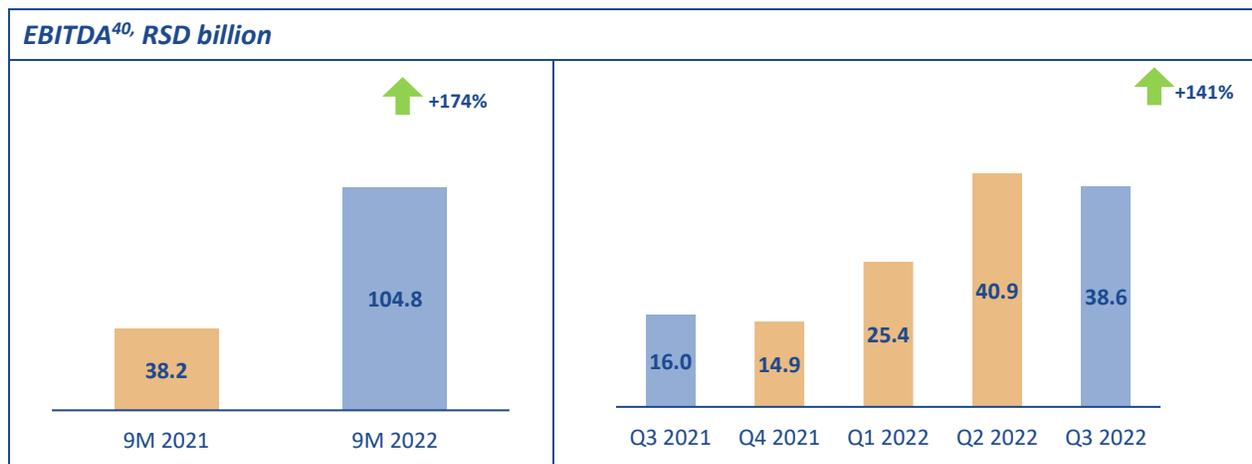
Sales revenue

In the first nine months of 2022, NIS achieved a 90% growth in sales revenues compared to the same period previous year, and the total amount of sales revenues is RSD 380.8 billion.



EBITDA

The EBITDA indicator in the first nine months 2022 is 174% higher than in the same period last year and amounted to RSD 104.8 billion.



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

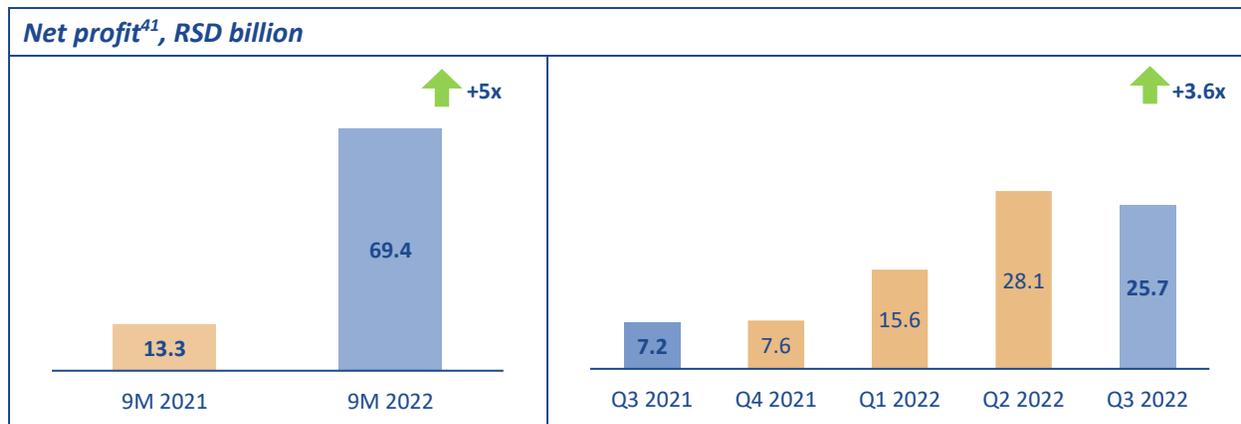
- The impact of the positive effect of oil price growth and derivatives on the world market, as well as cheaper stocks of previous periods in processing compared to 9M 2021
- Improvement in the scope of the refining assortment and implementation of oil derivatives, which was partially compensated by lower margins due to retail price restrictions
- Lower premiums when purchasing crude oil.

³⁹ Any deviations in percentages and aggregate values result from rounding. The percentages shown are based on values that are not rounded to billions of RSD.

⁴⁰ Any deviations in percentages and aggregate values result from rounding. The percentages shown are based on values that are not rounded to billions of RSD.

Net profit

The net profit in the first nine months of 2022 amounts to RSD 69.4 billion, which is almost 5x higher than in the previous year.

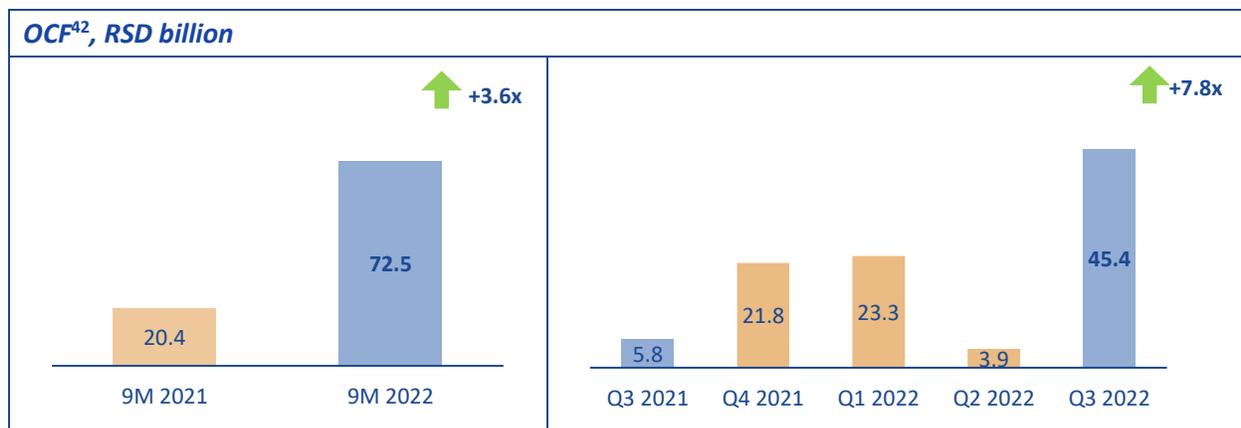


The growth of net profit is conditioned by the following factors:

- growth of EBITDA.

OCF

In the first nine months of 2022, the operating cash flow amounts to RSD 72.5 billion, and it is higher 256% compared to the same period last year.



The growth of the OCF indicator was influenced by:

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

⁴¹Any deviations in percentages and aggregate values result from rounding. The percentages shown are based on values that are not rounded to billions of RSD.

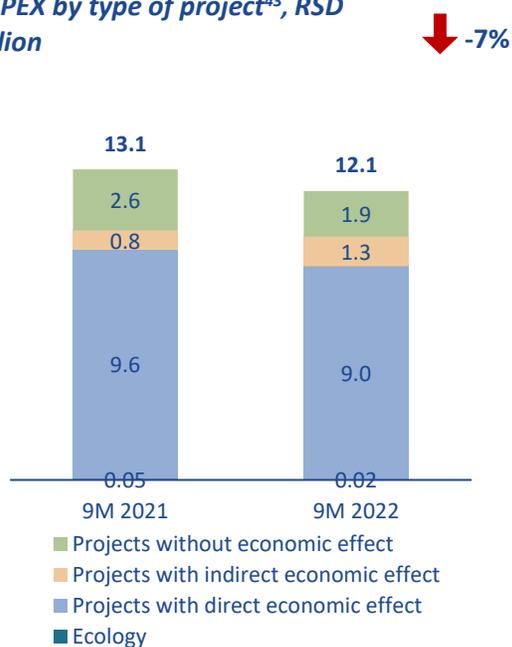
⁴² Any deviations in percentages and aggregate values result from rounding. The percentages shown are based on values that are not rounded to billions of RSD.

CAPEX

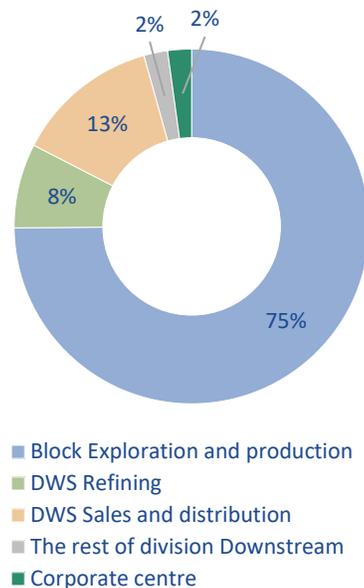
In the first nine months of 2022, the main investments were directed towards the realization of oil and gas production projects. A significant part of the investments consists of the investment in concessions (Romania, North Teremia), projects of warehouse of reconstruction of Sales and distribution block. 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 the first nine months of 2022, 12.1 billion dinars was earmarked to fund investments, which is 7% less than the amount earmarked in the same period in 2021.

CAPEX by type of project⁴³, RSD billion



Investments by segments



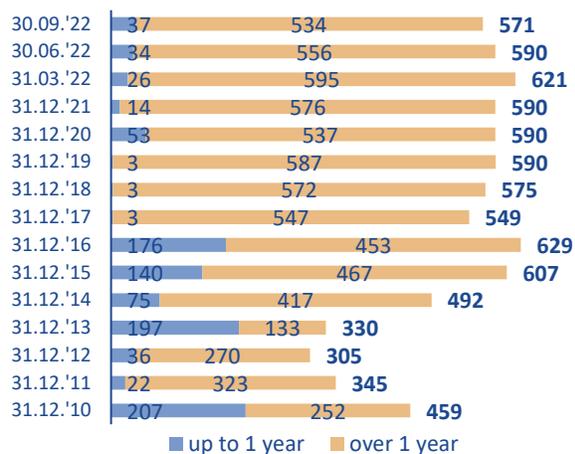
⁴³ All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The percentages shown are based on values that are not rounded to billions of RSD.

Organisational unit	Major projects
Exploration and production	<ul style="list-style-type: none"> • drilling of development wells • investing in geological and technical activities
Services	<ul style="list-style-type: none"> • general well workover, replacement and procurement of equipment for drilling rigs • instrumentation tools
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 • reconstruction of the corrosion prevention system on the S-2100
Sales and distribution	<ul style="list-style-type: none"> • retail network development in Serbia (petrol station construction and reconstruction) • other retail projects in Serbia and the region
Rest of Downstream projects (Energy, Technical services)	<ul style="list-style-type: none"> • windpark Plandište • development of automated material balance in Downstream
Corporate centre	<ul style="list-style-type: none"> • projects related to the maintenance of software solutions • projects with information technology component

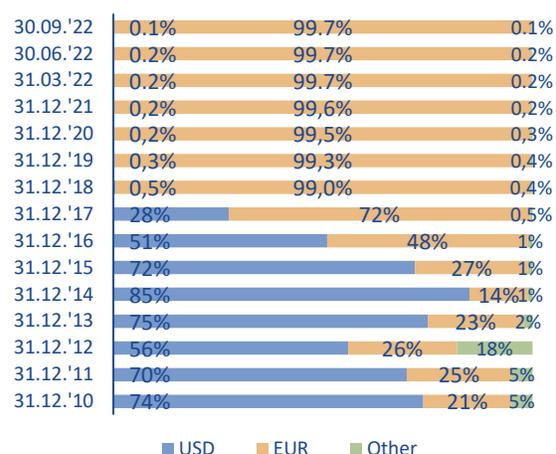
Indebtedness

At the end of the third quarter of 2022, the debt to banks was lower than the debt at the end of 2021 and amounted to EUR 570.6 million. Loans in the amount of EUR 49.4 million were withdrawn, and a total of EUR 68.7 million was repaid, out of which EUR 59.3 million was voluntary prepayment.

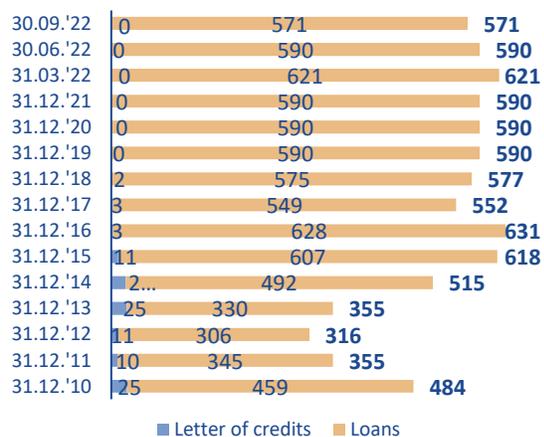
Total bank debt trends with maturity structure⁴⁴, EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness⁴⁵, EUR million



⁴⁴ Any deviations in percentages and aggregate values result from rounding.

⁴⁵ In addition to the bank debt and Letters of Credit as at 30 September 2022, NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of EUR 41.3 million, corporate guarantees in the amount of EUR 79.5 million and financial leasing in the amount of EUR 19.0 million.

Taxes and Other Public Revenue⁴⁶

NIS j.s.c. Novi Sad	9M 2022	9M 2021	% ⁴⁷
Social insurance contributions paid by employer	1.51	1.48	+2%
Energy efficiency fee ⁴⁸	0.34	0.28	+24%
Corporate tax	13.52	2.90	+366%
Value-added tax	29.34	20.14	+46%
Excise duties	111.99	100.52	+11%
Commodity reserves fee	5.96	4.79	+24%
Customs duties	0.34	0.79	-57%
Royalty	1.36	0.91	+50%
Other taxes	1.06	1.03	+3%
Total	165.43	132.85	+25%
NIS subsidiaries in Serbia⁴⁹			
Social insurance contributions paid by employer	1.06	1.00	+5%
Corporate tax	0.14	0.09	+63%
Value-added tax	1.72	1.82	-5%
Excise duties	0.00	0.00	n/a
Customs duties	0.01	0.03	-80%
Royalty	0.00	0.00	n/a
Other taxes	0.08	0.08	+6%
Total	3.01	3.01	0%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	168.44	135.86	+24%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.02	0.04	-57%
Energy efficiency fee	0.03	0.00	n/a
Corporate tax	0.19	0.01	growth
Value-added tax	0.68	0.91	-25%
Excise duties	9.88	11.77	-16%
Customs duties	5.38	7.07	-24%
Royalty	0.15	0.02	growth
Other taxes	0.08	0.06	+33%
Total	16.41	19.88	-17%
Deferred taxes (total for Group)	-0.28	0.00	n/a
Total NIS Group⁵⁰	184.58	155.74	+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 168.4 billion in the first nine months of 2022.

The amount of accrued liabilities for public revenues payable by the NIS Group in the first nine months of 2022 totalled RSD 184.6 billion, which is an increase of 19% on the same period in 2021.

⁴⁶In RSD billion.

⁴⁷Any deviations in percentages and aggregate values result from rounding.

⁴⁸Calculated from 1 July 2019.

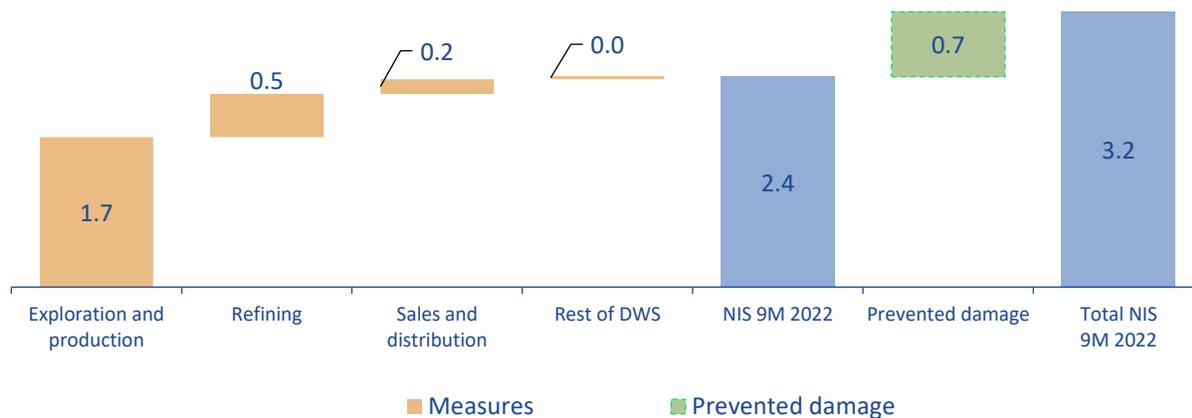
⁴⁹Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS Naftagas LLC Novi Sad and NIS Petrol a.d. Belgrade.

⁵⁰Including 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 nine months of 2022 on the EBITDA indicator amounts to RSD 2.4 billion.

Effect of operational efficiency improvement measures on EBITDA, RSD billion



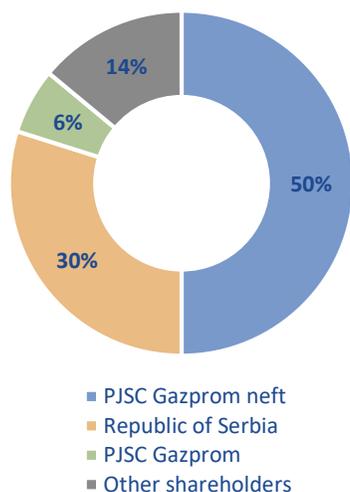
Securities

Share Capital Structure

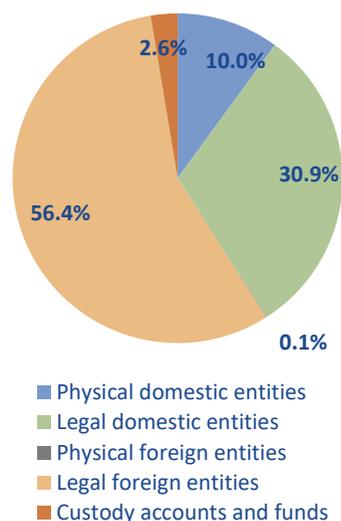
NIS j.s.c. Novi Sad share capital is RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of RSD 500. All issued shares are ordinary shares, vesting their holders with the following rights:

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

Share capital structure based on % in share capital



Share capital structure based on entity type



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

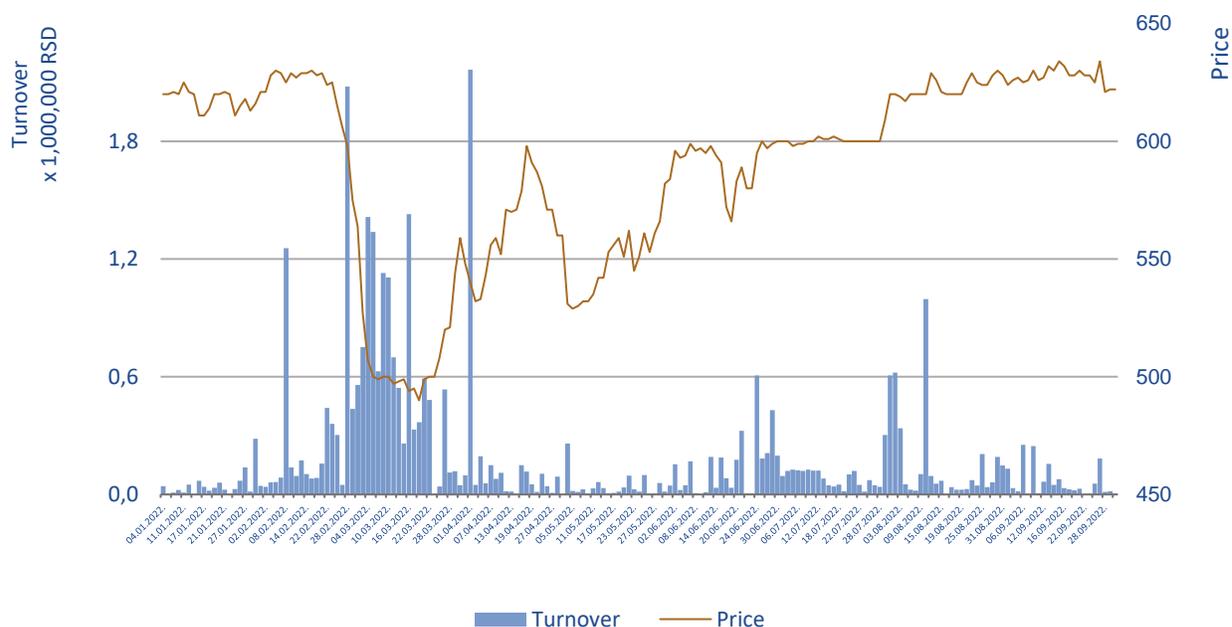
Shareholder	Number of shares	% in share capital
PJSC Gazprom Neft	81,530,200	50.00%
Republic of Serbia	48,712,547	29.87%
PJSC Gazprom	10,035,687	6.15%
OTP banka Srbija a.d.– custody account – fund	2,900,838	1.78%
OTP banka Srbija a.d.– custody account – fund	997,915	0.61%
Dunav osiguranje a.d.o.	394,229	0.24%
Convst a.d. Novi Sad – collective account	217,031	0.13%
DDOR Novi Sad a.d.o.	182,335	0.11%
Raiffeisen banka a.d. – custody account	140,638	0.09%
BDD M&V Investments a.d. Belgrade	129,666	0.08%
Other shareholders	17,819,314	10.93%
Total number of shareholders as at 30 September 2022:		2,055,385

On 6 May 2022, PJSC Gazprom acquired 6.15% of the Company's shares. In relation to the company PJSC Gazprom, NIS j.s.c. Novi Sad is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company (PJSC Gazprom - 6.15% of the authorized capital of Company, PJSC Gazprom Neft - 50% of the authorized capital of NIS).

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 nine months of 2022



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first nine months of 2022

Last price (30 September 2022)	622
High (27 th September 2022)	640
Low (16 th March 2022)	482
Total turnover, RSD	341,543,081
Total turnover, number of shares	610,099
Total number of transactions, number of transactions	4,320
Market capitalization as at 30 September 2022, in RSD	101,423,568,800
EPS	442.03
Consolidated EPS	425.90
P/E ratio	1.41
Consolidated P/E ratio	1.46
Book value as at 30 September 2022	2,075.98
Consolidated book value as at 30 September 2022	2,001.95
P/BV ratio	0.30
Consolidated P/BV ratio	0.31

In the first nine months 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 2022 Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit for 2021., dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. This decision determines that the dividend will be paid to NIS j.s.c. Novi Sad shareholders in cash, in the gross amount of RSD 5,782,121,784, i.e. in the gross amount of RSD 35.46 per share. The shareholders who owned shares as at 19 June (Dividend Day) were entitled to the dividend. The dividend for 2021 was paid to shareholders on 22 August 2022.

	<i>Net profit (loss), RSD bn⁵¹</i>	<i>Total amount of dividend, RSD bn</i>	<i>Payment ratio</i>	<i>Earnings per share, RSD</i>	<i>Dividend per share, gross, RSD</i>	<i>Share price as at 31 December, RSD</i>	<i>Shareholders' dividend yield, in %⁵²</i>
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5 ⁵³	0.0	-	101.1	0	475	-
2011	40.6 ⁵⁴	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7

⁵¹ Net profit of NIS j.s.c. Novi Sad.

⁵² Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.

⁵³ Net profit used for coverage of accumulated losses.

⁵⁴ 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 nine months of 2022, net in RSD	
Members of BoD	174,703,318 RSD

Board of Directors' Committees

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

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

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

Shareholders' Assembly Board

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

Chief executive officer

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

Advisory Board of the CEO

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

Related-Party Transactions

In the period ended 30 September 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 Statements⁵⁵.

⁵⁵ Information on related party transactions can be found on page 88 under note number 25 to the Consolidated Financial Statements.

Human resources

The focus of the third quarter was on the revision of HR strategic initiatives, created upon reviewing the results of the employee engagement survey in the company and TalentX survey - the greatest labour market survey, as well as considering the business needs and also the revision of the HR processes by an external HR consultant. Based on voice of employee, labour market trends, and business requirements, we defined 20 HR initiatives, the ultimate goal of which is to make NIS a better employer for its employees, more attractive for potential candidates, and a strategic partner to the business in achieving long-term plans.

In order to increase employees' awareness of what NIS as an employer provides to its employees, an internal and external campaign continued in the third quarter, which aims to promote the overall offer of NIS as an employer to both employees and job candidates.

In order to improve the leadership skills of managers and increase the employees engagement, the major part of the second season "Dedicated Leader Academy" was held, which was attended by the managers from all organizational units of the company.

The arrival of each new young colleague for NIS means fresh energy and ideas that will contribute to the further development of the company. In the third quarter, our focus was on this topic, therefore we initiated a new programme of practice for operating positions for the young people completing their secondary education, continued implementing the "NIS Energy" programme, and launched a new season of the "NIS Calling" programme.

The first season of the "NIS Energy" programme, which started in February 2021, was successfully accomplished by 15 participants and all of them stayed to work and develop their professional careers at NIS. The selected participants are accompanied by NIS mentors for the entire duration of the programme. Young experts, motivated to learn and gain work experience, represent new energy for NIS that will contribute to the further development of the company.

In the third quarter, for 23 attendees of the second season, 4 soft skill workshops were set up, touring all organisational units was organised, and evaluations of programme attendees and mentors were provided. In third quarter, we also prepared the campaign for the third season, for which the contest will be open as of 15 October. We invite 25 young people to join us in the new season under this programme, which will be launched on 15 February 2023.

In the third quarter, the sixth season of the NIS Calling programme of flexible practice was initiated for as far as 44 trainees – students of the third, fourth year, and master studies.

In addition, a new programme was launched for the young people who accomplished secondary education, focusing on training future operators in Pančevo Oil Refinery. The programme is an initiative of strategic employment and long-term workforce planning. Also, this programme targets the community and young people, given that we offer an opportunity for young people to get their first job immediately after finishing secondary school.

The program is intended for students who finished the following secondary schools: Pančevo Secondary School of Mechanical Engineering (course: Mechatronics Technician), 23 maj Secondary Technical School (course: Oil and Gas Refining Technician), Nikola Tesla Secondary School of Electrical Engineering (course: Process Control Electrician), and Zrenjanin Secondary Technical School (course: Oil and Gas Producing Unit Operator), with whom we have strategic cooperation under the "Energy of Knowledge" program.

The traditional contest "Best in Profession" of the Refining Block showcased the most skilled operators. Around 60 colleagues from the Refining Block took part in a knowledge competition, and the best 16 were singled out. All the participants demonstrated a high level of knowledge. Once again, we will participate in the "My First Salary" programme, organised by the National Employment Agency in cooperation with the Serbian Government.

NIS also continues reinforcing its position of an attractive employer through its successful participation in over 30 conferences, workshops, and forums in the course of the year, such as "KONSEK", Yard Sale, Career Booster, HR Xcel, Empple, AmCHamps, Autumn Vivaldi Forum, strategic partnership and workshops with COC children's villages, cooperation with the Youth with Disabilities Forum, etc. In addition, we have continued the annual strategic cooperation with BEST and Eestec organisations, in order to provide for long-term strengthening of cooperation with

the students of technical and IT faculties, but also start a new strategic cooperation with the Council of Students of the Faculty of Organisational Sciences student organisation, aimed at attracting IT and management experts.

Employee Number and Structure

Organisational unit	9/30/2022			9/30/2021		
	Direct	Leasing	Total	Direct	Leasing	Total
NIS j.s.c. Novi Sad⁵⁶	5,152	0	5,152	5,064	0	5,064
Exploration and Production Block	1,085	0	1,085	1,086	0	1,086
Downstream Division	2,528	0	2,528	2,523	0	2,523
Refining Block	979	0	979	971	0	971
Sales and Distribution Block	1,360	0	1,360	1,333	0	1,333
Energy Directorate	42	0	42	36	0	36
the rest of Downstream Division ⁵⁷	147	0	147	183	0	183
Corporate Centre	1,045	0	1,045	956	0	956
Multifunctional Shared Service Center ⁵⁸	490	0	490	495	0	495
Representative and Branch Offices ⁵⁹	4	0	4	4	0	4
Local subsidiaries	6,009	0	6,009	5,801	0	5,801
Subsidiaries abroad	133	0	133	138	0	138
Other subsidiaries included in consolidation	493	0	493	509	0	509
TOTAL⁶⁰:	11,787	0	11,787	11,512	0	11,512

⁵⁶ In September, NIS j.s.c. has 23 employees hired through the Contract of Services.

⁵⁷ 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, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.

⁵⁸ At the end of 2019, setting up the Multifunctional Share Service Center started, which is, due to its specificity, established as a separate unit.

⁵⁹ 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.

⁶⁰ Employees with shared working hours are shown as whole units in the associated company.

Causes of Employment Termination

In the third quarter of 2022, a total of 316 employees left NIS⁶¹: 33 employees retired, 7 employees left NIS after termination of employment by mutual agreement, while the employment of 276 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy), while in the first nine months of 2022, a total of 954 employees left NIS⁶²: 103 employees retired, 24 employees left NIS after termination of employment by mutual agreement, while the employment of 827 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy).

Basis of employment termination in the first nine months of 2022	NIS j.s.c. ⁶³	Subsidiaries ⁶⁴
Retirement	57	46
Termination by mutual consent	14	10
Other	170	657
Total	241	713

⁶¹ 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.

⁶² 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.

⁶³ Including representative offices and branches. Of the total number of terminations, 14 terminations account for the representative offices and branches.

⁶⁴ 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.

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

The implementation and development of new technologies, scientific research activity and increasing the efficiency of research, production and refining of oil and gas are the constant focus of NTC's management and employees. The work is organized in several directions. In the business segment of integrated solutions, within the activities of external projects, and during the third quarter NTC participates in projects of geological structure and geological models. In this kind of projects, our experts use thus gained knowledge in their research and directly apply it to geological explorations in Serbia and the entire Balkans.

The study of the Kikinda Varoš oil and gas field resolved many geological doubts, considering that it is a very complex field with larger numbers of deposits of different sizes and complex geological structure. A new geological model was made for the purpose of preparing the study of the Mokrin oil and gas field, and there was also a correction of the historical data on the production of reservoir fluids on the basis of a new interpretation of the geological model and the historical data on the hydrodynamic measurements.

In this quarter, a large number of activities were also carried out in the Obudovac field in the Republic of Srpska. A new geological conceptual model was developed, and potential strategies for the development of this field were defined, for which the future production profiles were also calculated.

In accordance with the strategic plans of NIS, the Downstream Laboratory harmonized the needs for the procurement of critical laboratory equipment with the clients of laboratory tests, during the third quarter of 2022, and after the elaboration of the Laboratory Equipment Classifiers according to criticality. The laboratory continued its successful participation in international comparisons of test results and confirmed its competence for testing liquid butane, gasoline and gas oil. The number of tests of the quality of petroleum products increased in comparison to the plan, due to the increase in storage capacity at Požega PP Warehouse of the Sales and Distribution Block. The revision was done for the normatives for 10 tests that have the largest share in the revenue, in order to prepare a proposal for a new price list for laboratory services. The quality control and the assessment of gasoline compliance was contracted with the new user of testing services, OMV Serbia. The internal check was completed, i.e. the factory testing of the road bitumen production in accordance with the requirements of EN 12591 standard. During this check, no non-conformities were identified. For the engineering personnel, a new Job Shadowing programme cycle is ongoing.

The implementation of the DRP Turija Project was completed in the previous quarter as part of the infrastructure designing activities. The first stage of the PPD Velebit conceptual design was completed and the second stage started, and the technical solution of the gas compression plant at the exploration gas wells was also implemented. Additionally, activities on the preparation of the investment PTD for the needs of the Exploration and Production Block were implemented, for the projects of connecting new wells. The implementation of projects for the needs of investment maintenance in Pančevo Oil Refinery (RNP) will follow.

In addition to the aforementioned activities, NTC has also been actively engaged in the development of digital technologies, as well as the application of information and communication technologies in the main business activity within the Business segment of new technologies and expertise. In the third quarter of 2022, the following digital projects were actively worked on within this department:

a) GIR Platform – optimized the existing architecture of the geological and technological database and facilitating access to them;

b) Evaluation of borehole profitability – a business application for the integration of data from existing information systems, more efficient qualitative and quantitative analysis of operational data, making operational decisions in a

timely manner, reducing manual entry, increasing the degree of automation of reporting. The project was completed this quarter;

c) Virtual flow measurement of ESP and downhole pumps – Automatic calculation of production of boreholes equipped with ESP pumps and DP based on physical and statistical modeling. This quarter, within this project, the phase of the so-called "proof of concept" was implemented and the next phase of the project continued.

d) Intellectual seismic restoration – restoration of seismic data in the zones of low overlapping and insufficient recording quality using InPainting and EdgeConnecting technologies.

e) DiSKo Platform – a cross-functional platform for designing, monitoring, and analyzing the functioning of Gravel Pack – in-well equipment that involves sand production.

Financial Statements

Stand-Alone Financial Statements

Interim Condensed Statement of Financial Position

Assets	Note	30 September 2022	31 December 2021
Current assets		<i>(unaudited)</i>	
Cash and cash equivalents	5	62,337,809	20,336,901
Short-term financial assets	6	1,761,673	3,149,270
Trade and other receivables	7	45,949,164	31,240,745
Inventories	8	61,762,481	33,162,843
Other current assets	9	9,161,642	6,242,769
Non-current assets held for sale		35,023	47,493
Total current assets		181,007,792	94,180,021
Non-current assets			
Property, plant and equipment	10	266,584,965	271,927,718
Right-of-use assets	11	1,484,412	1,537,758
Investment property		1,652,134	1,778,608
Intangible assets		3,739,892	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		2,816	2,822
Long-term financial assets	12	29,990,088	28,161,293
Deferred tax assets		2,840,637	2,564,817
Other non-current assets	13	1,234,162	1,328,637
Total non-current assets		321,993,533	325,160,153
Total assets		503,001,325	419,340,174
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	11,829,566	9,318,491
Current lease liabilities	19	313,932	330,579
Trade and other payables	15	42,155,235	30,094,846
Other current liabilities	16	7,957,406	7,167,178
Current income tax payable		10,995,903	4,144,615
Other taxes payable	17	12,677,804	10,146,057
Provisions for liabilities and charges		1,522,923	1,575,245
Total current liabilities		87,452,769	62,777,011
Non-current liabilities			
Long-term debt	18	62,586,683	70,431,511
Non-current lease liabilities	19	989,393	1,007,802
Other non-current financial liabilities		839,969	846,083
Provisions for liabilities and charges		12,622,793	12,029,890
Total non-current liabilities		77,038,838	84,315,286
Equity			
Share capital		81,530,200	81,530,200
Reserves		93,887	93,991
Retained earnings		256,885,631	190,623,686
Total equity		338,509,718	272,247,877
Total liabilities and shareholder's equity		503,001,325	419,340,174

in 000 RSD

Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended		Nine month period ended	
		2022	2021	2022	2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		127,324,216	74,808,137	346,620,892	175,433,462
Other revenues		4,186,481	3,572,684	14,135,102	10,011,727
Total revenue from sales	4	131,510,697	78,380,821	360,755,994	185,445,189
Purchases of oil, gas and petroleum products		(75,253,387)	(50,044,987)	(207,303,660)	(109,487,284)
Production and manufacturing expenses	20	(8,143,779)	(6,607,977)	(26,207,080)	(19,038,695)
Selling, general and administrative expenses	21	(5,916,813)	(5,106,915)	(17,577,152)	(16,275,469)
Transportation expenses		(450,935)	(338,796)	(1,237,655)	(884,481)
Depreciation, depletion and amortization		(5,891,139)	(5,638,848)	(17,426,245)	(17,006,419)
Taxes other than income tax		(1,312,160)	(1,163,693)	(3,874,188)	(3,352,886)
Exploration expenses		-	(4,413)	(173)	(11,001)
Total operating expenses		(96,968,213)	(68,905,629)	(273,626,153)	(166,056,235)
Other income (expenses), net		223,904	2,984	301,615	(61,136)
Operating profit		34,766,388	9,478,176	87,431,456	19,327,818
Net foreign exchange loss	22	(731,445)	(372,818)	(2,024,590)	(622,580)
Finance income	23	699,595	218,919	1,325,847	651,594
Finance expenses	24	(479,594)	(467,176)	(1,256,088)	(1,275,774)
Total other expense		(511,444)	(621,075)	(1,954,831)	(1,246,760)
Profit before income tax		34,254,944	8,857,101	85,476,625	18,081,058
Current income tax expense		(5,403,162)	(1,539,570)	(13,674,850)	(3,060,509)
Deferred tax income (expense)		104,306	(79,211)	275,820	(592,173)
Total income tax		(5,298,856)	(1,618,781)	(13,399,030)	(3,652,682)
Profit for the period		28,956,088	7,238,320	72,077,595	14,428,376
Other comprehensive income/(loss):					
Items that will not be reclassified to profit					
Losses on remeasurements of defined benefit plans		-	-	(33,528)	-
Gains (losses) from investments in equity instruments		-	(570)	(104)	841
Other comprehensive income (loss) for the period		-	(570)	(33,632)	841
Total comprehensive income for the period		28,956,088	7,237,750	72,043,963	14,429,217
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		177.58	44.39	88.48	88.48
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

Interim Condensed Statement of Changes in Shareholders' Equity

(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	-	-	14,428,376	14,428,376
Other comprehensive income				
Loss from investments in equity instruments	-	841	-	841
Total comprehensive income for the period	-	841	14,428,376	14,429,217
Dividend distribution	-	-	(1,001,191)	(1,001,191)
Other	-	(456)	456	-
Balance as at 30 September 2021	81,530,200	94,049	181,912,391	263,536,640

(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	-	-	72,077,595	72,077,595
Other comprehensive income (loss)				
Loss from investments in equity instruments	-	(104)	-	(104)
Loss on remeasurements of defined benefit plans	-	-	(33,528)	(33,528)
Total comprehensive income (loss) for the period	-	(104)	72,044,067	72,043,963
Dividend distribution	-	-	(5,782,122)	(5,782,122)
Balance as at 30 September 2022	81,530,200	93,887	256,885,631	338,509,718

in 000 RSD

Interim Condensed Statement of Cash Flows⁶⁵*(All amounts are in 000 RSD, unless otherwise stated)*

	Note	Nine month period ended 30 September	
		2022	2021
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Profit before income tax		85,476,625	18,081,058
Adjustments for:			
Finance expenses	24	1,256,088	1,275,774
Finance income	23	(1,325,847)	(651,594)
Net unrealised foreign exchange loss		2,293,394	414,641
Depreciation, depletion and amortization		17,426,245	17,006,419
Other non-cash items		344,598	166,331
Operating cash flow before changes in working capital		105,471,103	36,292,629
Changes in working capital:			
Accounts receivables		(14,708,887)	(11,204,026)
Inventories		(28,600,574)	(18,308,264)
Other assets		(2,979,670)	(1,113,730)
Accounts payables and other current liabilities		11,667,423	10,602,301
Taxes payable		2,531,667	2,237,608
Total effect on working capital changes		(32,090,041)	(17,786,111)
Income taxes paid		(6,843,340)	(134,759)
Interest paid		(981,938)	(1,073,159)
Interest received		668,274	373,064
Net cash generated from operating activities		66,224,058	17,671,664
Cash flows from investing activities			
Loans issued		(3,410,579)	(3,442,104)
Loan proceeds received		3,340,219	3,152,469
Capital expenditures ⁶⁶		(12,731,474)	(13,454,728)
Proceeds from sale of property, plant and equipment		331,090	228,283
Net cash used in investing activities		(12,470,744)	(13,516,080)
Cash flows from financing activities			
Proceeds from borrowings	14,18	16,429,595	24,010,298
Repayment of borrowings	14,18	(21,699,724)	(28,121,111)
Repayment of lease liabilities	19	(289,322)	(285,848)
Dividends paid		(5,782,122)	(1,001,191)
Net cash used in financing activities		(11,341,573)	(5,397,852)
Net increase (decrease) in cash and cash equivalents		42,411,741	(1,242,268)
Effect of foreign exchange on cash and cash equivalents		(410,833)	29,440
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		62,337,809	6,736,957

*in 000 RSD*⁶⁵ Company's policy is to present cash flow inclusive of related VAT⁶⁶ CF from investing activities includes VAT in the amount of 1.7 bln RSD (2021: 1,6 bln RSD)

Notes to Standalone Financial Statements⁶⁷

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.

On 6 May 2022, PJSC Gazprom acquired 6.15% of the Company's shares. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company (PJSC Gazprom - 6.15% of the authorized capital of NIS, PJSC Gazprom Neft - 50% of the authorized capital of NIS).

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 during 2022 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to Euro and weakening against the USD (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 third quarter of 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 30 September 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 in these Interim Condensed Financial Statements for the three and nine months ended 30 September 2022 are not necessarily indicative of the Company's results expected for the full year.

⁶⁷ All amounts are in 000 RSD, unless otherwise stated. The accompanying notes are an integral part of these Interim Condensed Standalone Financial Statements.

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 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 nine month period ended 30 September 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.

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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 nine month period ended 30 September 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	47,742,374	359,112,250	(46,098,630)	360,755,994
Intersegment	45,660,444	438,186	(46,098,630)	-
External	2,081,930	358,674,064	-	360,755,994
EBITDA (Segment results)	35,965,318	68,857,740	-	104,823,058
Depreciation, depletion and amortization	(9,263,752)	(8,162,493)	-	(17,426,245)
Net foreign exchange loss	(189,278)	(1,835,312)	-	(2,024,590)
Finance expenses, net	(41,048)	110,807	-	69,759
Income tax	(155,950)	(13,243,080)	-	(13,399,030)
Segment profit	26,413,754	45,663,841	-	72,077,595

Reportable segment results for the nine month period ended 30 September 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	31,603,222	184,564,465	(30,722,498)	185,445,189
Intersegment	30,359,065	363,433	(30,722,498)	-
External	1,244,157	184,201,032	-	185,445,189
EBITDA (Segment results)	21,464,877	14,975,190	-	36,440,067
Depreciation, depletion and amortization	(8,918,571)	(8,087,848)	-	(17,006,419)
Net foreign exchange loss	(35,933)	(586,647)	-	(622,580)
Finance expenses, net	(56,654)	(567,526)	-	(624,180)
Income tax	(135,898)	(3,516,784)	-	(3,652,682)
Segment profit	12,287,512	2,140,864	-	14,428,376

EBITDA for the three and nine month period ended 30 September 2022 and 2021 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Profit for the period	28,956,088	7,238,320	72,077,595	14,428,376
Income tax	5,298,856	1,618,781	13,399,030	3,652,682
Finance expenses	479,594	467,176	1,256,088	1,275,774
Finance income	(699,595)	(218,919)	(1,325,847)	(651,594)
Depreciation, depletion and amortization	5,891,139	5,638,848	17,426,245	17,006,419
Net foreign exchange loss	731,445	372,818	2,024,590	622,580
Other expense (income), net	(223,904)	(2,984)	(301,615)	61,136
Other non-operating expense (income), net	266,972	48,908	266,972	44,694
EBITDA	40,700,595	15,162,948	104,823,058	36,440,067

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

	Nine month period ended 30 September 2022		
	Domestic market	Export and International sales	Total
Sale of crude oil	2,560,156	2,042,795	4,602,951
Sale of gas	100,104	-	100,104
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	100,104	-	100,104
Sale of petroleum products	287,564,737	54,353,100	341,917,837
<i>Through a retail network</i>	95,721,017	-	95,721,017
<i>Wholesale activities</i>	191,843,720	54,353,100	246,196,820
Sale of electricity	3,491,452	378,875	3,870,327
Lease revenue	264,145	4,094	268,239
Other sales	9,593,686	402,850	9,996,536
Total sales	303,574,280	57,181,714	360,755,994

	Nine month period ended 30 September 2021		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	1,212,510	1,212,510
Sale of gas	221,054	-	221,054
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	221,054	-	221,054
Sale of petroleum products	135,596,302	38,403,596	173,999,898
<i>Through a retail network</i>	47,741,008	-	47,741,008
<i>Wholesale activities</i>	87,855,294	38,403,596	126,258,890
Sale of electricity	1,298,061	323,667	1,621,728
Lease revenue	246,634	3,943	250,577
Other sales	7,863,741	275,681	8,139,422
Total sales	145,225,792	40,219,397	185,445,189

Out of the amount of 246,196,820 thousand RSD (2021: 126,258,890 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 31,886,294 thousand RSD (2021: 18,524,299 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 7,198,682 thousand RSD (2021: 5,983,948 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 303,574,280 thousand RSD (2021: 145,225,792 thousand RSD), and the total revenue from external customer from other countries is 57,181,714 thousand RSD (2021: 40,219,397 thousand RSD).

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

	Nine month period ended	
	2022	30 September 2021
Sale of crude oil	2,042,795	1,212,510
Sale of petroleum products (retail and wholesale)		
Bulgaria	4,400,180	4,825,867
Romania	6,867,251	5,357,395
Bosnia and Herzegovina	23,462,222	16,377,639
Great Britain	4,651,226	3,138,391
Croatia	1,832,045	1,845,548
Switzerland	368,141	1,381,466
Hungary	1,553,450	577,509
Northern Macedonia	471,743	412,734
All other markets	10,746,842	4,487,047
	54,353,100	38,403,596
Sale of electricity	378,875	323,667
Lease revenue	4,094	3,943
Other sales	402,850	275,681
	57,181,714	40,219,397

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

5. CASH AND CASH EQUIVALENTS

	30 September 2022	31 December 2021
Cash in bank and in hand	7,686,543	12,809,718
Deposits with original maturity of less than three months	54,650,001	7,500,000
Cash equivalents	1,265	27,183
	62,337,809	20,336,901

6. SHORT-TERM FINANCIAL ASSETS

	30 September 2022	31 December 2021
Short-term loans	2,290	150,401
Current portion of long-term investments (note 12)	3,739,745	4,999,379
<i>Less impairment loss provision</i>	(1,980,362)	(2,000,510)
	1,761,673	3,149,270

7. TRADE AND OTHER RECEIVABLES

	30 September 2022	31 December 2021
Trade receivables	53,966,615	39,477,187
Other receivables	91,720	96,309
<i>Less credit loss allowance for trade receivables</i>	(8,072,660)	(8,291,616)
<i>Less credit loss allowance for other receivables</i>	(36,511)	(41,135)
Total trade and other receivables	45,949,164	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:

	30 September 2022	31 December 2021
RSD	35,513,327	23,464,406
EUR	10,248,397	7,456,256
USD	187,400	320,043
Other	40	40
	45,949,164	31,240,745

8. INVENTORIES

	30 September 2022	31 December 2021
Crude oil	35,395,460	18,623,843
Petroleum products	25,140,736	13,825,457
Materials and supplies	4,644,129	4,311,200
Other	1,039,429	938,122
<i>Less impairment provision</i>	<i>(4,457,273)</i>	<i>(4,535,779)</i>
	61,762,481	33,162,843

9. OTHER CURRENT ASSETS

	30 September 2022	31 December 2021
Advances paid	1,011,259	459,979
Deferred VAT	3,847,668	3,126,172
Prepaid expenses	324,324	327,305
Prepaid custom duties	58,954	65,346
Prepaid excise	3,577,819	1,974,381
Other current assets	7,825,497	7,771,845
<i>Less impairment provision</i>	<i>(7,483,879)</i>	<i>(7,482,259)</i>
	9,161,642	6,242,769

Deferred VAT as at 30 September 2022 amounting to 3,847,668 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 30 September 2022 amounting to 3,577,819 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	16,588,366	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 30 September 2021						
Additions	11,453,813	1,562,624	909,036	110,847	(2,249,692)	11,786,628
Changes in decommissioning obligations	147,697	-	-	-	-	147,697
Impairment	-	-	-	-	(11,864)	(11,864)
Depreciation	(8,821,522)	(5,921,774)	(1,292,657)	(372,915)	-	(16,408,868)
Disposals and write-off	(25,426)	(17,306)	(98,483)	-	(12,922)	(154,137)
Transfer to investment property	-	-	-	-	(7,149)	(7,149)
Transfer to non-current assets held for sale	-	-	-	(16,366)	-	(16,366)
Transfer to Right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,913)	496,291	(471,888)	(21,489)	(177,500)	(177,499)
	128,586,080	99,220,102	22,883,197	7,444,331	13,363,129	271,496,839
As at 30 September 2021						
Cost	200,513,412	163,300,269	53,446,747	16,588,211	15,884,607	449,733,246
Depreciation and impairment	(71,927,332)	(64,080,167)	(30,563,550)	(9,143,880)	(2,521,478)	(178,236,407)
Net book value	128,586,080	99,220,102	22,883,197	7,444,331	13,363,129	271,496,839
As at 1 January 2022						
Cost	204,856,329	164,080,833	53,637,916	16,584,994	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 30 September 2022						
Additions	8,940,882	1,346,575	2,402,180	139,715	(1,553,242)	11,276,110
Changes in decommissioning obligations	170,357	-	-	-	-	170,357
Impairment	-	-	-	-	(8,148)	(8,148)
Depreciation	(9,179,832)	(5,832,522)	(1,345,991)	(349,578)	-	(16,707,923)
Transfer to non-current assets held for sale	-	-	(1,793)	(12,161)	-	(13,954)
Transfer to investment property	-	-	121,364	-	-	121,364
Other transfers	10,627	(130)	(39,028)	28,017	(27,098)	(27,612)
Disposals and write-off	(68,627)	(17,413)	(19,922)	(35,474)	(11,511)	(152,947)
	129,907,608	93,515,762	23,881,401	7,143,719	12,136,475	266,584,965
As at 30 September 2022						
Cost	213,399,151	165,290,744	55,860,421	16,675,409	15,122,208	466,347,933
Depreciation and impairment	(83,491,543)	(71,774,982)	(31,979,020)	(9,531,690)	(2,985,733)	(199,762,968)
Net book value	129,907,608	93,515,762	23,881,401	7,143,719	12,136,475	266,584,965

11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the nine months ended 30 September 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	-	183,611	21,166	9,467	214,244
Depreciation	(1,877)	(51,909)	(63,680)	(154,645)	(272,111)
Transfer from PPE	-	153,427	-	-	153,427
Effect of contract modifications and changes in estimates	-	(15,114)	(53)	-	(15,167)
Disposals	-	-	-	(1,811)	(1,811)
As at 30 September 2021	3,129	789,696	124,959	583,675	1,501,459
As at 1 January 2022	2,503	771,743	220,157	543,355	1,537,758
Additions	-	156,065	51,334	15,615	223,014
Depreciation	(1,877)	(61,374)	(63,800)	(149,101)	(276,152)
Transfer from PPE	-	-	-	2	2
Disposals	-	-	(210)	-	(210)
As at 30 September 2022	626	866,434	207,481	409,871	1,484,412

12. LONG-TERM FINANCIAL ASSETS

	30 September 2022	31 December 2021
LT loans issued	40,872,723	40,305,461
Other LT placements	31,488	30,551
Financial assets at FV through profit or loss	839,969	841,861
Available for sale financial assets	176,206	177,459
<i>Less current portion of LT loans issued (note 6)</i>	<i>(3,739,745)</i>	<i>(4,999,379)</i>
<i>Less provision of other LT placements</i>	<i>(8,190,553)</i>	<i>(8,194,660)</i>
	29,990,088	28,161,293

13. OTHER NON-CURRENT ASSETS

	30 September 2022	31 December 2021
Advances paid for PPE	294,527	294,923
Prepaid expenses	117,729	107,278
Other assets	1,231,180	1,340,285
<i>Less allowance for Other assets</i>	<i>(387,911)</i>	<i>(392,486)</i>
<i>Less allowance for advances paid</i>	<i>(21,363)</i>	<i>(21,363)</i>
	1,234,162	1,328,637

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

	30 September 2022	31 December 2021
Short-term loans	3,200,533	2,188,401
Interest liabilities	197,675	81,574
Current portion of long-term loans (note 18)	8,431,358	7,048,516
	11,829,566	9,318,491

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

	Nine month period ended	
	2022	30 September 2021
Short-term loans at 1 January	2,188,401	1,756,035
Proceeds	11,929,843	10,808,181
Repayment	(10,914,221)	(10,722,027)
Foreign exchange difference (note 22)	(3,490)	-
Short-term loans at 30 September	3,200,533	1,842,189

15. TRADE AND OTHER PAYABLES

	30 September 2022	31 December 2021
Trade payables	38,334,631	26,255,796
Dividends payable	3,783,954	3,784,105
Other accounts payable	36,650	54,945
	42,155,235	30,094,846

As at 30 September 2022 trade payables amounting to 38,334,631 thousand RSD (31 December 2021: 26,255,796 thousand RSD) mainly relate to payables for crude oil in the amount of 24,043,351 thousand RSD (31 December 2021: 9,860,326 thousand RSD).

16. OTHER CURRENT LIABILITIES

	30 September 2022	31 December 2021
Contract liabilities arising from contracts with customers:		
Advances received	4,564,249	3,009,493
Customer loyalty	648,591	776,791
Payables to employees	2,694,000	3,361,824
Other current non-financial liabilities	50,566	19,070
	7,957,406	7,167,178

As at 30 September 2022 revenue in the amount of 3,133,467 thousand RSD (30 September 2021: 4,239,463 thousand RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2022, of which 2,630,650 thousand RSD (30 September 2021: 3,767,610 thousand RSD) related to advances and 502,817 thousand RSD (30 September 2021: 471,853 thousand RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	30 September 2022	31 December 2021
Mineral extraction tax	446,488	379,789
VAT	4,141,874	2,181,792
Excise tax	6,819,241	6,303,828
Contribution for buffer stocks	336,525	302,940
Custom duties	9,695	74,057
Energy efficiency fee	40,513	34,585
Other taxes	883,468	869,066
	12,677,804	10,146,057

18. LONG-TERM DEBT

	30 September 2022	31 December 2021
Long-term loan - Gazprom Neft	5,444,915	8,203,403
Bank loans	65,569,236	69,276,624
Other Long-term borrowings	3,890	-
<i>Less Current portion (note 14)</i>	<i>(8,431,358)</i>	<i>(7,048,516)</i>
	62,586,683	70,431,511

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

	Nine month period ended 30 September	
	2022	2021
Long-term loans at 1 January	77,480,027	82,781,970
Proceeds	4,499,752	13,202,117
Repayment	(10,785,504)	(17,399,084)
Non-cash transactions	(19,209)	59,423
Foreign exchange difference (note 22)	(160,915)	(10,865)
Long-term loans at 30 September	71,014,151	78,633,561

a) Long-term loan - Gazprom Neft

As at 30 September 2022 long-term loan - Gazprom Neft amounting to 5,444,915 thousand RSD (31 December 2021: 8,203,403 thousand RSD), with current portion of 5,444,915 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 and other long-term loans

	30 September 2022	31 December 2021
Domestic	48,606,348	47,362,765
Foreign	16,962,888	21,913,859
	65,569,236	69,276,624
Current portion of long-term loans	(2,986,443)	(1,579,581)
	62,582,793	67,697,043

The maturity of bank and other long-term loans was as follows:

	30 September 2022	31 December 2021
Between 1 and 2 years	10,913,318	3,004,092
Between 2 and 5 years	50,535,223	63,430,071
Over 5 years	1,134,252	1,262,880
	62,582,793	67,697,043

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

	30 September 2022	31 December 2021
USD	96,070	130,480
EUR	65,381,593	68,989,968
RSD	124	210
JPY	91,449	155,966
	65,569,236	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 30 September 2022 and 31 December 2021, respectively.

19. LEASE LIABILITIES

	30 September 2022	31 December 2021
Non-current lease liabilities	989,393	1,007,802
Current lease liabilities	313,932	330,579
	1,303,325	1,338,381

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

	Nine month period ended 30 September	
	2022	2021
As at 1 January	1,338,381	1,358,795
Repayment	(289,322)	(285,848)
Non-cash transactions	248,396	223,163
Foreign exchange difference (note 22)	5,870	1,173
As at 30 September	1,303,325	1,297,283

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2022	2021
Interest expense (included in finance cost)	24,788	25,844
Expense relating to short-term leases	52,725	59,452
Expense relating to leases of low value assets that are not shown above as short-term leases	12,487	16,555
Expense relating to variable lease payments not included in lease liabilities	839,157	815,303

20. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Employee costs	1,041,362	916,702	2,976,497	2,829,404
Materials and supplies (other than oil and gas and petroleum products)	272,547	199,704	754,918	513,241
Repair and maintenance services	1,190,708	1,115,415	3,691,798	3,271,548
Electricity and utilities	1,721,026	892,579	7,818,799	3,071,823
Safety and security expense	179,228	178,812	457,404	351,578
Transportation services for production	421,684	422,787	1,385,862	1,341,774
Other	3,317,224	2,881,978	9,121,802	7,659,327
	8,143,779	6,607,977	26,207,080	19,038,695

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Employee costs	2,856,728	2,604,859	8,489,057	8,370,750
Commission and agency fees	1,083,388	878,559	3,015,567	2,887,171
Legal, audit and consulting services	336,435	341,269	922,267	898,767
Current repair cost	312,245	221,314	770,964	618,954
Costs on advertising and marketing	75,821	62,608	187,578	174,960
Rent expense	25,476	29,253	74,671	71,946
Business trips expense	35,974	31,261	91,707	71,195
Safety and security expense	150,592	157,768	440,526	419,263
Insurance expense	23,538	19,280	66,862	51,718
Transportation and storage	47,077	38,622	133,705	96,937
Allowance for doubtful accounts	(5,267)	(317,294)	11,823	(382,773)
Other	974,806	1,039,416	3,372,425	2,996,581
	5,916,813	5,106,915	17,577,152	16,275,469

22. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain (note 14,18,19)	70,689	245,865	579,591	653,397
- foreign exchange loss (note 14,18 and 19)	(29,904)	(248,115)	(421,056)	(643,705)
Net foreign exchange loss on operating activities	(772,230)	(370,568)	(2,183,125)	(632,272)
	(731,445)	(372,818)	(2,024,590)	(622,580)

23. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Interest on bank deposits	516,990	24,316	784,149	53,230
Interest income on loans issued	176,822	175,414	524,322	518,293
Gains on restructuring borrowings	5,783	19,189	17,376	80,071
	699,595	218,919	1,325,847	651,594

24. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Interest expense	418,363	402,176	1,172,062	1,173,939
Decommissioning provision: unwinding of the present value discount	6,180	20,671	18,280	59,690
Losses on restructuring of borrowings	9,569	18,902	27,686	59,423
Financial assets: unwinding of discount	45,482	25,427	38,060	(17,278)
	479,594	467,176	1,256,088	1,275,774

Interest expense includes expenses on lease liabilities in amount of 24,788 thousand RSD for the nine months ended 30 September 2022 (25,844 thousand RSD for the nine months ended 30 September 2021, accordingly).

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 30 September 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 as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices in the first nine months was US\$105.3 per barrel which is more than 56% from the same period in 2021 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 454,432 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 30 September 2022.

Capital commitments

As of 30 September 2022 the Company has entered into contracts to purchase property, plant and equipment for 391,270 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 nine month period ended 30 September 2022 and in the same period in 2021, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 30 September 2022 and 31 December 2021 the outstanding balances, net of impairment, with related parties were as follows:

As at 30 September 2022	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	1,761,673	-	-
Trade and other receivables	8,970,392	-	2,076,892
Other current assets	4,540	-	12,754
Right of use assets	41,701	-	279
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,881,174	-	-
Other non-current assets	3,041	-	-
Trade and other payables	(4,819,137)	(1,913)	(18,060,264)
Other current liabilities	(23,576)	-	(2,519)
Short-term debt and current portion of long-term debt	(1,897,201)	-	(5,485,773)
Current lease liabilities	(2,373)	-	(208)
Non-current lease liabilities	(42,412)	-	(137)
	47,303,449	(1,913)	(20,420,176)

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 nine month period ended 30 September 2022 and 30 September 2021 the following transaction occurred with related parties:

Nine month period ended 30 September 2022	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Revenues from sales of products and services	30,019,647	-	33,272,399
Expenses based on procurement of products and services	(8,420,500)	(5,529)	(100,124,966)
Other income (expenses), net	488,033	-	(104,871)
	22,087,180	(5,529)	(66,957,438)

Nine month period ended 30 September 2021	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Revenues from sales of products and services	17,832,766	1,455	19,441,695
Expenses based on procurement of products and services	(6,697,420)	(18,085,188)	(7,591,484)
Other income (expenses), net	571,503	(131,087)	(115)
	11,706,849	(18,214,820)	11,850,096

Transactions with Key Management Personnel

For the nine month period ended on 30 September 2022 and 2021 the Company recognized 743,550 thousand RSD and 717,175 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

There are no material events after the reporting date.

Subsequent events occurring after 30 September 2022 were evaluated through 27 October 2022, the date these Interim Condensed Financial Statements were authorised for issue.

Consolidated Financial Statements

Interim Condensed Consolidated Statement of Financial Position

Assets	Note	30 September 2022 <i>(unaudited)</i>	31 December 2021
Current assets			
Cash and cash equivalents	5	68,171,874	21,283,274
Short-term financial assets		118,232	28,275
Trade and other receivables	6	38,578,434	28,644,507
Inventories	7	65,733,951	36,951,122
Other current assets	8	11,862,311	8,276,720
Non-current assets held for sale		31,538	44,008
Total current assets		184,496,340	95,227,906
Non-current assets			
Property, plant and equipment	9	294,849,864	301,070,583
Right-of-use assets	10	2,417,538	2,583,964
Investment property		1,601,920	1,728,395
Goodwill and other intangible assets		5,115,577	4,821,785
Investments in associates and joint ventures		1,826,608	1,582,900
Trade and other non-current receivables		2,816	2,824
Long-term financial assets		324,407	263,511
Deferred tax assets		2,622,283	2,343,219
Other non-current assets	11	1,284,200	1,371,243
Total non-current assets		310,045,213	315,768,424
Total assets		494,541,553	410,996,330
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	9,932,366	7,128,896
Current lease liabilities	17	588,407	640,656
Trade and other payables	13	43,239,317	28,887,841
Other current liabilities	14	9,525,804	8,665,153
Current income tax payable		11,046,033	4,209,379
Other taxes payable	15	13,846,829	11,477,877
Provisions for liabilities and charges		1,581,742	1,646,631
Total current liabilities		89,760,498	62,656,433
Non-current liabilities			
Long-term debt	16	62,703,816	70,535,652
Non-current lease liabilities	17	1,638,719	1,695,318
Other non-current financial liabilities		839,969	841,861
Provisions for liabilities and charges		13,160,499	12,430,855
Total non-current liabilities		78,343,003	85,503,686
Equity			
Share capital		81,530,200	81,530,200
Reserves		591,638	488,736
Retained earnings		244,316,214	180,797,597
Equity attributable to the Company's owners		326,438,052	262,816,533
Non-controlling interest		-	19,678
Total equity		326,438,052	262,836,211
Total liabilities and shareholder's equity		494,541,553	410,996,330

in 000 RSD

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

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2022	2021	2022	2021
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		135,102,743	79,580,776	363,767,540	187,450,200
Other revenues		5,420,267	4,924,745	17,029,884	12,764,131
Total revenue from sales	4	140,523,010	84,505,521	380,797,424	200,214,331
Purchases of oil, gas and petroleum products		(81,834,143)	(53,673,260)	(219,642,497)	(118,686,965)
Production and manufacturing expenses	18	(8,871,042)	(7,201,000)	(27,353,505)	(19,909,028)
Selling, general and administrative expenses	19	(6,462,159)	(5,729,530)	(19,290,583)	(17,944,040)
Transportation expenses		(505,495)	(370,155)	(1,347,955)	(967,093)
Depreciation, depletion and amortization		(6,531,921)	(6,255,513)	(19,242,874)	(18,752,682)
Taxes other than income tax		(1,840,429)	(1,567,349)	(6,085,528)	(4,540,314)
Exploration expenses		-	(4,413)	(173)	(11,001)
Total operating expenses		(106,045,189)	(74,801,220)	(292,963,115)	(180,811,123)
Other expenses, net		(2,401,584)	(27,354)	(2,358,760)	(40,698)
Operating profit		32,076,237	9,676,947	85,475,549	19,362,510
Share of gain (loss) of associates and joint ventures		(92,264)	13,857	243,709	(73,034)
Net foreign exchange loss	20	(924,080)	(455,511)	(2,199,554)	(924,329)
Finance income	21	554,230	27,325	833,915	62,800
Finance expenses	22	(500,523)	(495,506)	(1,330,511)	(1,359,588)
Total other expense		(962,637)	(909,835)	(2,452,441)	(2,294,151)
Profit before income tax		31,113,600	8,767,112	83,023,108	17,068,359
Current income tax (expense)		(5,462,743)	(1,450,150)	(13,854,660)	(3,154,913)
Deferred tax income (expense)		87,101	(72,905)	279,142	(594,087)
Total income tax		(5,375,642)	(1,523,055)	(13,575,518)	(3,749,000)
Profit for the period		25,737,958	7,244,057	69,447,590	13,319,359
Other comprehensive income:					
Items that will not be reclassified to profit (loss)					
Losses on remeasurements of defined benefit plans		-	-	(62,751)	-
Gains (loss) from investments in equity instruments		-	(571)	(104)	840
Items that may be subsequently reclassified to profit					
Currency translation differences		55,772	29,170	85,223	106,874
Other comprehensive income for the period		55,772	28,599	22,368	107,714
Total comprehensive income for the period		25,793,730	7,272,656	69,469,958	13,427,073
Profit attributable to:					
- Shareholders of Naftna Industrija Srbije		25,737,958	7,244,057	69,447,590	13,319,359
- Non-controlling interest		-	-	-	-
Profit for the period		25,737,958	7,244,057	69,447,590	13,319,359

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2022	2021	2022	2021
Total comprehensive income attributable to:					
- Shareholders of Naftna Industrija Srbije		25,793,730	7,272,656	69,469,958	13,427,073
- Non-controlling interest		-	-	-	-
Total comprehensive income for the period		25,793,730	7,272,656	69,469,958	13,427,073
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		157.84	44.43	425.90	81.68
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Nine month period ended 30 September 2022 and 2021

(unaudited)	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	-	-	13,319,359	13,319,359	-	13,319,359
Other comprehensive income						
Gain from investments in equity instruments	-	840	-	840	-	840
Currency translation differences	-	106,874	-	106,874	-	106,874
Total comprehensive income for the period	-	107,714	13,319,359	13,427,073	-	13,427,073
Dividend distribution	-	-	(1,001,191)	(1,001,191)	-	(1,001,191)
Other	-	(456)	456	-	-	-
Balance as at 30 September 2021	81,530,200	490,444	173,147,867	255,168,511	19,678	255,188,189

in 000 RSD

(unaudited)	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	-	-	69,447,590	69,447,590	-	69,447,590
Other comprehensive income (loss)						
Gain from investments in equity instruments	-	(104)	-	(104)	-	(104)
Losses on remeasurements of defined benefit plans	-	-	(62,751)	(62,751)	-	(62,751)
Currency translation differences	-	79,441	5,782	85,223	-	85,223
Total comprehensive income for the period	-	79,337	69,390,621	69,469,958	-	69,469,958
Dividend distribution	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other	-	23,565	(89,882)	(66,317)	(19,678)	(85,995)
Balance as at 30 September 2022	81,530,200	591,638	244,316,214	326,438,052	-	326,438,052

in 000 RSD

Interim Condensed Consolidated Statement of Cash Flows⁶⁸

	Note	Nine month period ended 30 September	
		2022 (unaudited)	2021 (unaudited)
Cash flows from operating activities			
Profit before income tax		83,023,108	17,068,359
Adjustments for:			
Share of (gain) loss of associates and joint ventures		(243,709)	73,034
Finance expenses	22	1,330,511	1,359,588
Finance income	21	(833,915)	(62,800)
Net unrealised foreign exchange loss (gain), net		1,880,241	(262,308)
Depreciation, depletion and amortization		19,242,874	18,752,682
Other non-cash items		367,761	172,094
Operating cash flow before changes in working capital		104,766,871	37,100,649
Changes in working capital:			
Accounts receivable		(9,943,233)	(10,002,900)
Inventories		(28,787,258)	(18,129,580)
Other assets		(3,323,969)	(883,979)
Accounts payables and other current liabilities		14,827,538	11,088,584
Taxes payable		2,374,155	2,450,720
Total effect on working capital changes		(24,852,767)	(15,477,155)
Income taxes paid		(7,033,319)	(257,719)
Interest paid		(959,011)	(1,059,838)
Interest received		612,541	60,954
Net cash generated from operating activities		72,534,315	20,366,891
Cash flows from investing activities			
Capital expenditures ⁶⁹		(13,971,148)	(14,698,692)
Proceeds from sale of property, plant and equipment		338,945	292,606
Bank deposits repayment, net		(91,880)	76,231
Other outflow		(170,385)	(76,422)
Net cash used in investing activities		(13,894,468)	(14,406,277)
Cash flows from financing activities			
Proceeds from borrowings	12,16	5,811,336	13,702,117
Repayment of borrowings	12,16	(10,785,504)	(17,899,082)
Repayment of lease liabilities	17	(581,934)	(522,946)
Dividends paid		(5,782,122)	(1,001,191)
Net cash used in from financing activities		(11,338,224)	(5,721,102)
Net increase in cash and cash equivalents		47,301,623	239,512
Effect of foreign exchange on cash and cash equivalents		(413,023)	26,826
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		68,171,874	8,754,640

in 000 RSD

⁶⁸ Group policy is to present cash flow inclusive of related VAT.

⁶⁹ CF from investing activities includes VAT in the amount of 1,8 bln RSD (2021: 1,7 bln RSD)

Notes to Consolidated Financial Statements⁷⁰

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.

On 6 May 2022, PJSC Gazprom acquired 6.15% of the Company's shares. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company (PJSC Gazprom - 6.15% of the authorized capital of NIS, PJSC Gazprom Neft - 50% of the authorized capital of NIS).

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 during 2022 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to Euro and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 24). 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 third quarter of 2022 the Group didn't review the critical accounting estimates which are used by the Group in the Interim Condensed Consolidated Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 30 September 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.

⁷⁰ All amounts are in 000 RSD, unless otherwise stated. The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

The results in these Condensed Interim Consolidated Financial Statements for the three and nine months ended 30 September 2022 are not necessarily indicative of the Group's results expected for the full year.

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 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 nine month periods ended 30 September 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 nine month period ended 30 September 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	48,326,662	378,569,392	(46,098,630)	380,797,424
Intersegment	45,660,444	438,186	(46,098,630)	-
External	2,666,218	378,131,206	-	380,797,424
EBITDA (Segment results)	34,759,713	70,039,805	-	104,799,518
Depreciation, depletion and amortization	(10,726,790)	(8,516,084)	-	(19,242,874)
Share of gain of associates and joint ventures	-	243,709	-	243,709
Net foreign exchange loss	(189,278)	(2,010,276)	-	(2,199,554)
Finance expenses, net	(220,896)	(275,700)	-	(496,596)
Income tax	(284,534)	(13,290,984)	-	(13,575,518)
Segment profit	23,208,828	46,238,762	-	69,447,590

Reportable segment results for the nine month period ended 30 September 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	32,549,594	198,667,202	(31,002,465)	200,214,331
Intersegment	30,632,140	370,325	(31,002,465)	-
External	1,917,454	198,296,877	-	200,214,331
EBITDA (Segment results)	22,328,259	15,898,848	-	38,227,107
Depreciation, depletion and amortization	(10,238,235)	(8,514,447)	-	(18,752,682)
Share of loss of associates and joint ventures	-	(73,034)	-	(73,034)
Net foreign exchange loss	(214,438)	(709,891)	-	(924,329)
Finance expenses, net	(242,211)	(1,054,577)	-	(1,296,788)
Income tax	(214,390)	(3,534,610)	-	(3,749,000)
Segment profit	11,399,901	1,919,458	-	13,319,359

EBITDA for the three and nine month period ended 30 September 2022 and 2021 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Profit for the period	25,737,958	7,244,057	69,447,590	13,319,359
Income tax	5,375,642	1,523,055	13,575,518	3,749,000
Finance expenses	500,523	495,506	1,330,511	1,359,588
Finance income	(554,230)	(27,325)	(833,915)	(62,800)
Depreciation, depletion and amortization	6,531,921	6,255,513	19,242,874	18,752,682
Share of loss (gain) of associates and joint ventures	92,264	(13,857)	(243,709)	73,034
Net foreign exchange loss	924,080	455,511	2,199,554	924,329
Other expense, net	2,401,584	27,354	2,358,760	40,698
Other non-operating (income) expense, net	(2,446,716)	45,734	(2,277,665)	71,217
EBITDA	38,563,026	16,005,548	104,799,518	38,227,107

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

	Nine month period ended 30 September 2022		
	Domestic market	Export and international sales	Total
Sale of crude oil	2,560,157	2,042,795	4,602,952
Sale of gas	101,564	-	101,564
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	101,564	-	101,564
Sale of petroleum products	286,866,804	72,196,220	359,063,024
<i>Through a retail network</i>	95,721,017	19,158,079	114,879,096
<i>Wholesale activities</i>	191,145,787	53,038,141	244,183,928
Sale of electricity	3,491,451	666,797	4,158,248
Lease revenue	241,320	28,586	269,906
Other sales	9,309,262	3,292,468	12,601,730
Total sales	302,570,558	78,226,866	380,797,424

	Nine month period ended 30 September 2021		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,212,510	1,212,510
Sale of gas	225,472	-	225,472
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	225,472	-	225,472
Sale of petroleum products	135,229,021	50,783,197	186,012,218
<i>Through a retail network</i>	47,741,008	11,456,819	59,197,827
<i>Wholesale activities</i>	87,488,013	39,326,378	126,814,391
Sale of electricity	1,298,061	465,243	1,763,304
Lease revenue	225,976	14,517	240,493
Other sales	7,811,870	2,948,464	10,760,334
Total sales	144,790,400	55,423,931	200,214,331

Out of the amount of 244,183,928 thousand RSD (2021: 126,814,391 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 31,886,294 thousand RSD (2021: 18,524,299 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 9,400,678 thousand RSD (2021: 8,128,620 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 302,570,558 thousand RSD (2021: 144,790,400 thousand RSD), and the total revenue from external customer from other countries is 78,226,866 thousand RSD (2021: 55,423,931 thousand RSD).

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

	Nine month period ended 30 September	
	2022	2021
Sale of crude oil	2,042,795	1,212,510
Sale of petroleum products (retail and wholesale)		
Bulgaria	10,390,008	9,454,340
Bosnia and Herzegovina	27,865,685	17,534,553
Romania	14,020,368	11,671,314
Croatia	1,832,045	1,845,548
Switzerland	368,141	1,381,466
Northern Macedonia	471,743	412,734
Great Britain	4,651,226	3,138,391
Germany	-	933,433
Hungary	1,553,450	577,509
All other markets	11,043,554	3,833,909
	72,196,220	50,783,197
Sale of electricity	666,797	465,243
Lease revenue	28,586	14,517
Other sales	3,292,468	2,948,464
	78,226,866	55,423,931

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:

	30 September 2022	31 December 2021
Serbia	277,399,883	283,450,792
Romania	12,344,678	12,330,207
Bosnia and Herzegovina	8,399,497	8,342,150
Bulgaria	5,840,537	6,081,578
Other	304	-
	303,984,899	310,204,727

5. CASH AND CASH EQUIVALENTS

	30 September 2022	31 December 2021
Cash in bank and in hand	9,916,689	13,473,782
Deposits with original maturity of less than three months	58,253,666	7,782,056
Cash held on escrow account	254	254
Cash equivalents	1,265	27,182
	68,171,874	21,283,274

6. TRADE AND OTHER RECEIVABLES

	30 September 2022	31 December 2021
Trade receivables	46,496,182	36,800,958
Other receivables	92,348	92,879
Accrued assets	7,286	-
<i>Less credit loss allowance for trade receivables</i>	(7,980,871)	(8,208,195)
<i>Less credit loss allowance for other receivables</i>	(36,511)	(41,135)
Total trade and other receivables	38,578,434	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:

	30 September 2022	31 December 2021
RSD	35,076,147	23,063,601
EUR	1,859,863	2,065,922
USD	369,442	489,040
Other	1,272,982	3,025,944
	38,578,434	28,644,507

7. INVENTORIES

	30 September 2022	31 December 2021
Crude oil	35,426,022	18,745,046
Petroleum products	26,797,514	15,450,591
Materials and supplies	6,613,031	6,051,592
Other	1,416,182	1,323,159
<i>Less impairment provision</i>	(4,518,798)	(4,619,266)
	65,733,951	36,951,122

8. OTHER CURRENT ASSETS

	30 September 2022	31 December 2021
Advances paid	1,604,530	699,828
VAT receivables	419,577	375,725
Deferred VAT	4,475,773	3,611,624
Prepaid expenses	369,721	454,437
Prepaid custom duties	59,867	66,453
Prepaid excise	3,639,567	2,043,419
Other current assets	8,791,513	8,525,232
<i>Less impairment provision</i>	<i>(7,498,237)</i>	<i>(7,499,998)</i>
	11,862,311	8,276,720

Deferred VAT as at 30 September 2022 amounting to 4,475,773 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 30 September 2022 amounting to 3,639,567 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 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 30 September 2021						
Additions	14,950,596	1,562,624	1,089,936	128,062	(4,546,107)	13,185,111
Changes in decommissioning obligations	279,807	-	-	-	-	279,807
Impairment	-	-	-	-	(11,874)	(11,874)
Depreciation	(9,658,892)	(5,921,774)	(1,749,506)	(500,929)	(3,523)	(17,834,624)
Disposals and write-off	(26,163)	(17,306)	(100,329)	42	(12,952)	(156,708)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,913)	496,291	(471,889)	(38,186)	(184,953)	(201,650)
Translation differences	(23,394)	(1)	(43,352)	(1)	(127,510)	(194,258)
	136,230,537	99,220,101	34,921,115	8,487,457	22,532,245	301,391,455
As at 30 September 2021						
Cost	216,218,419	163,300,268	72,092,380	19,293,886	25,101,262	496,006,215
Depreciation and impairment	(79,987,882)	(64,080,167)	(37,171,265)	(10,806,429)	(2,569,017)	(194,614,760)
Net book value	136,230,537	99,220,101	34,921,115	8,487,457	22,532,245	301,391,455
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 30 September 2022						
Additions	10,842,619	1,346,575	2,474,593	141,527	(2,885,401)	11,919,913
Changes in decommissioning obligations	237,783	-	-	-	-	237,783
Impairment	-	-	-	-	(8,148)	(8,148)
Depreciation	(10,202,206)	(5,832,522)	(1,770,447)	(375,349)	-	(18,180,524)
Transfer to non-current assets held for sale	-	-	(1,793)	(12,161)	-	(13,954)
Transfer from investment property	-	-	121,364	-	-	121,364
Disposals and write-off	(83,827)	(17,416)	(29,651)	(35,940)	(11,528)	(178,362)
Other transfers	467,022	(127)	(71,158)	(453,086)	(7,527)	(64,876)
Translation differences	(9,802)	-	(26,024)	21	(18,110)	(53,915)
	138,518,628	93,515,762	35,342,129	7,636,187	19,837,158	294,849,864
As at 30 September 2022						
Cost	233,094,926	165,290,744	74,486,005	17,432,114	22,826,092	513,129,881
Depreciation and impairment	(94,576,298)	(71,774,982)	(39,143,876)	(9,795,927)	(2,988,934)	(218,280,017)
Net book value	138,518,628	93,515,762	35,342,129	7,636,187	19,837,158	294,849,864

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the nine months ended 30 September 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	-	287,007	23,661	12,052	322,720
Depreciation	(7,216)	(211,400)	(103,018)	(196,917)	(518,551)
Transfer from PPE	-	153,427	-	-	153,427
Disposals and write-off	-	-	-	(5,497)	(5,497)
Effect of contract modifications and changes in estimates	-	(16,256)	(78,457)	-	(94,713)
Translation differences	(2,166)	(784)	(1,397)	(49)	(4,396)
As at 30 September 2021	134,350	1,511,964	179,113	688,357	2,513,784
As at 1 January 2022	124,884	1,556,283	269,503	633,294	2,583,964
Additions	-	207,092	144,140	52,486	403,718
Depreciation	(7,184)	(242,704)	(123,976)	(191,917)	(565,781)
Transfer to PPE	-	(179)	(30)	2	(207)
Disposals and write-off	-	(1,046)	(1,248)	(1,093)	(3,387)
Translation differences	(271)	(389)	(58)	(51)	(769)
As at 30 September 2022	117,429	1,519,057	288,331	492,721	2,417,538

11. OTHER NON-CURRENT ASSETS

	30 September 2022	31 December 2021
Advances paid for PPE	349,932	342,907
Prepaid expenses	117,729	107,278
Other assets	1,231,179	1,340,285
<i>Less allowance of other assets</i>	(387,911)	(392,486)
<i>Less allowance for advances paid</i>	(26,729)	(26,741)
	1,284,200	1,371,243

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

	30 September 2022	31 December 2021
Short-term loans	1,308,095	-
Interest liabilities	192,913	80,380
Current portion of long-term loans (note 16)	8,431,358	7,048,516
	9,932,366	7,128,896

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

	Nine month period ended 30 September	
	2022	2021
Short-term loans at 1 January	-	-
Proceeds	1,311,584	500,000
Repayment	-	(500,000)
Foreign exchange difference (note 20)	(3,489)	-
Short-term loans at 30 September	1,308,095	-

13. TRADE AND OTHER PAYABLES

	30 September 2022	31 December 2021
Trade payables	39,390,826	25,023,780
Dividends payable	3,783,954	3,784,105
Other accounts payable	64,537	79,956
	43,239,317	28,887,841

As at 30 September 2022 trade payables amounting to 39,390,826 thousand RSD (31 December 2021: 25,023,780 thousand RSD) mainly relate to payables for crude oil in the amount of 23,936,642 thousand RSD (31 December 2021: 9,855,088 thousand RSD).

14. OTHER CURRENT LIABILITIES

	30 September 2022	31 December 2021
Contract liabilities arising from contracts with customers:		
Advances received	4,668,787	3,148,195
Customer loyalty	770,265	853,461
Payables to employees	4,033,597	4,629,156
Deferred income	1,847	2,465
Other current non-financial liabilities	51,308	31,876
	9,525,804	8,665,153

Revenue in the amount of 3,273,262 thousand RSD was recognized in the current reporting period (30 September 2021: 4,225,505 thousand RSD) related to the contract liabilities as at 1 January 2022, of which of 2,720,518 thousand RSD (30 September 2021: 3,753,652 thousand RSD) related to advances and 552,744 thousand RSD (30 September 2021: 471,853 thousand RSD) to customer loyalty programme.

15. OTHER TAXES PAYABLE

	30 September 2022	31 December 2021
Mineral extraction tax	518,733	400,101
VAT	4,313,386	2,687,432
Excise tax	7,072,224	6,702,076
Contribution for buffer stocks	336,525	302,940
Custom duties	117,270	92,672
Energy efficiency fee	72,094	34,585
Other taxes	1,416,597	1,258,071
	13,846,829	11,477,877

16. LONG-TERM DEBT

	30 September 2022	31 December 2021
Long-term loan - Gazprom Neft	5,444,915	8,203,418
Bank loans	65,569,236	69,276,624
Other long-term borrowings	121,023	104,126
<i>Less current portion (note 12)</i>	(8,431,358)	(7,048,516)
	62,703,816	70,535,652

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

	Nine month period ended	
	2022	30 September 2021
Long-term loans at 1 January	77,480,042	82,782,004
Proceeds	4,499,752	13,202,117
Repayment	(10,785,504)	(17,399,082)
Non-cash transactions	(19,224)	59,276
Foreign exchange difference (note 20)	(160,915)	(10,765)
Long-term loans at 30 September	71,014,151	78,633,550

Long-term loan - Gazprom Neft

As at 30 September 2022 long-term loan - Gazprom Neft amounting to 5,444,915 thousand RSD (31 December 2021: 8,203,418 thousand RSD), with current portion of 5,444,915 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.

Bank and other long-term loans

	30 September 2022	31 December 2021
Domestic	48,606,348	47,362,765
Foreign	16,962,888	21,913,859
	65,569,236	69,276,624
Current portion of long-term loans	(2,986,443)	(1,579,581)
	62,582,793	67,697,043

The maturity of bank and other long-term loans was as follows:

	30 September 2022	31 December 2021
Between 1 and 2 years	10,913,318	3,004,092
Between 2 and 5 years	50,535,223	63,430,071
Over 5 years	1,134,252	1,262,880
	62,582,793	67,697,043

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

	30 September 2022	31 December 2021
USD	96,070	130,480
EUR	65,381,593	68,989,968
RSD	124	210
JPY	91,449	155,966
	65,569,236	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 30 September 2022 and 31 December 2021, respectively.

17. LEASE LIABILITIES

	30 September 2022	31 December 2021
Non-current lease liabilities	1,638,719	1,695,318
Current lease liabilities	588,407	640,656
	2,227,126	2,335,974

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2022	2021
Interest expense (included in finance cost) (note 22)	68,835	68,656
Expense relating to short-term leases	342,565	402,370
Expense relating to leases of low value assets that are not shown above as short-term leases	64,077	41,205
Expense relating to variable lease payments not included in lease liabilities	1,459,684	1,186,387

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

	Nine month period ended 30 September	
	2022	2021
As at 1 January	2,335,974	2,479,391
Repayment	(581,934)	(522,946)
Non-cash transactions	469,003	295,434
Foreign exchange difference (note 20)	4,083	1,312
As at 30 September	2,227,126	2,253,191

18. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Employee costs	2,478,693	2,183,483	7,186,823	6,618,757
Materials and supplies (other than oil and gas and petroleum products)	716,093	498,809	1,877,034	1,367,732
Repair and maintenance services	865,502	760,692	2,299,802	2,203,469
Electricity and utilities	2,102,549	1,222,937	8,862,469	4,016,369
Safety and security expense	179,893	178,567	458,388	351,629
Transportation services for production	326,454	294,500	1,063,458	966,155
Other	2,201,858	2,062,012	5,605,531	4,384,917
	8,871,042	7,201,000	27,353,505	19,909,028

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Employee costs	4,190,133	3,801,085	12,331,544	12,171,332
Commission and agency fees	221,358	217,040	632,040	609,446
Legal, audit and consulting services	174,467	209,473	488,884	486,904
Current repair cost	341,143	235,439	836,517	647,071
Costs on advertising and marketing	87,935	80,119	221,182	206,063
Rent expense	38,272	39,602	100,400	121,938
Business trips expense	39,920	35,294	102,915	80,984
Safety and security expense	168,544	170,155	492,437	463,581
Insurance expense	24,450	23,559	72,830	61,874
Transportation and storage	56,448	52,298	167,409	128,468
Allowance for doubtful accounts	(1,102)	(314,887)	20,562	(383,726)
Other	1,120,591	1,180,353	3,823,863	3,350,105
	6,462,159	5,729,530	19,290,583	17,944,040

20. NET FOREIGN EXCHANGE LOSS

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Foreign exchange loss on financing activities including:				
foreign exchange gain (note 12, 16 and 17)	61,904	250,669	594,884	725,630
foreign exchange loss (note 16 and 17)	(13,562)	(253,617)	(434,563)	(716,177)
Net foreign exchange loss on operating activities	(972,422)	(452,563)	(2,359,875)	(933,782)
	(924,080)	(455,511)	(2,199,554)	(924,329)

21. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Interest on bank deposits	550,887	25,056	823,941	56,059
Interest income on loans issued	3,343	2,269	9,974	6,741
	554,230	27,325	833,915	62,800

22. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
Interest expense	445,454	429,963	1,258,454	1,256,667
Losses on restructuring of borrowings	6,180	18,902	18,280	59,423
Decommissioning provision: unwinding of the present value discount	10,357	21,214	29,709	60,776
Financial assets: unwinding of discount	45,482	25,427	38,060	(17,278)
<i>Less: interest expense capitalised on qualifying assets</i>	(6,950)	-	(13,992)	-
	500,523	495,506	1,330,511	1,359,588

Interest expense includes expenses on lease liabilities in the amount of 68,835 thousand RSD for the nine month period ended 30 September 2022 (68,656 thousand RSD for the nine month period ended 30 September 2021 accordingly).

23. FAIR VALUE MEASUREMENT

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

As of 30 September 2022 the carrying value of financial assets approximates their fair value.

24. CONTINGENCIES AND COMMITMENTS

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 30 September 2022.

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices in the first nine months was US\$105.3 per barrel which is more than 56% from the same period in 2021 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 474,704 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 30 September 2022 the Group has entered into contracts to purchase property, plant and equipment 391,270 thousand RSD (31 December 2021: 383,637 thousand RSD) and drilling and exploration works estimated to 99.25 USD million (31 December 2021: 101.44 USD million).

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

25. RELATED PARTY TRANSACTIONS

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

In the nine month period ended 30 September 2022 and in the same period in 2021, the Group entered into business transactions with its related parties.

As at 30 September 2022 and 31 December 2021 the outstanding balances, presented net of impairment, with related parties were as follows:

As at 30 September 2022	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	-	414,734	1,863,597
Investments in joint venture and associates	-	-	1,826,608
Short-term financial assets	-	58,248	-
Other current assets	-	13,735	709,385
Right of use assets	-	279	-
Trade and other payables	(1,913)	(16,605,378)	(1,456,477)
Other current liabilities	-	(353)	(2,711)
Short-term debt and current portion of long-term debt	-	(5,485,773)	-
Current lease liabilities	-	(208)	-
Non-current lease liabilities	-	(136)	-
	(1,913)	(21,604,852)	2,940,402

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 nine month period ended 30 September 2022 and 2021 the following transaction occurred with related parties:

Nine month period ended 30 September 2022	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Revenues from sales of products and services	-	1,388,522	32,105,381
Expenses based on procurement of products and services	(5,529)	(97,433,010)	(2,727,260)
Other expenses	-	(102,050)	-
	(5,529)	(96,146,538)	29,378,121

Nine month period ended 30 September 2021	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Revenues from sales of products and services	1,455	1,029,352	18,556,854
Expenses based on procurement of products and services	(18,085,306)	(1,434,319)	(156,612)
Other expenses	(131,087)	(6,470)	(1,299)
	(18,214,938)	(411,437)	18,398,943

Transactions with Key Management Personnel

For the nine month period ended on 30 September 2022 and 2021 the Group recognized 743,550 thousand RSD and 717,175 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.

26. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 30 September 2022 were evaluated through 27 October 2022, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

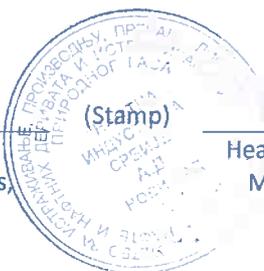
Statement of individuals responsible for the preparation of financial statements

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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Head of Function for Finance, Economics,
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Glossary

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

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