

# QUARTERLY

*report*

**FOR SECOND QUARTER OF 2022**

The Quarterly Report for Second Quarter of 2022 presents a factual overview of NIS Group's activities, development and performance in second quarter of 2022, as well as for first six 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 Second 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 Second 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](http://www.nis.rs).

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## ***Foreword***

In the first half of 2022, NIS operations took place in very complex macroeconomic circumstances. In such an environment, the priority of NIS was to preserve a stable supply of the domestic market with petroleum products, as well as to continue further development of NIS Group. The reporting period is also characterized by an increase in oil prices, so an average price of a barrel of Brent oil amounted to \$107.59, which is by 66 percent more compared to the same period in 2021.

Higher crude oil prices, as well as good operating results, contributed to an increase in NIS financial indicators, so the EBITDA indicator amounted to RSD 66.24 billion, while the net profit amounted to RSD 43.71 billion, which is significantly better than the results achieved in the first half of last year. In the first six months of 2022, NIS realized RSD 7.6 billion of capital investments, while the calculated liabilities on the basis of the public revenues amounted to RSD 117.9 billion, or 24 percent more than in the first half of last year. Total bank indebtedness decreased by two percent and at the end of the second quarter amounted to EUR 590 million.

The first half of the year is also characterized by good operating results. A total of 583 thousand t.o.e. of oil and gas were produced, which was almost at the level of the result achieved in the same period last year.

Considering the need to ensure an orderly supply of the domestic market with petroleum products, the focus of the Refining Block was on the continuous production and formation of necessary supplies. 416 thousand tonnes of crude oil and semi-finished products were processed in the Pančevo Oil Refinery in May, which is the best monthly result since 2009. In the first half of 2022, totally 2.104 million tonnes of oil and semi-finished products were refined, which is an increase of 23 percent compared to the comparative reporting period.

Good results were also achieved in the field of sales and distribution of petroleum products. The total sales volume increased by 18 percent and amounted to 2.088 million tons, with increased retail in Serbia and foreign assets, as well as increased wholesale and export and transit volumes.

By implementing its green agenda and wishing to contribute to the cessation of climate change, as part of pilot projects the company installed solar panels at eight petrol stations in Serbia.

In the first half of 2022, NIS got a new recognition for good HR practices. Namely, for the second consecutive time, the company was named the most desirable employer in Serbia according to the results of the "TalentX" survey conducted by the group of employment website Poslovi.Infostud, in which more than 10,000 respondents participated. In addition, NIS continued to support the community in which it operates and announced the competition "Common Cause - Community 2022", dedicated to the topic of increasing the birth rate and preserving reproductive health. RSD 118.5 million was allocated for this purpose, and the projects will be implemented in 13 partner municipalities and cities in Serbia.

In May, the shareholder structure of NIS changed, too. Gazprom Neft, which was the majority shareholder of NIS j.s.c. Novi Sad, reduced its share in the equity capital from 56.15 percent to 50 percent on 6 May. By the transaction at the Belgrade Stock Exchange, Gazprom acquired 6.15 percent of the shares of NIS j.s.c. Novi Sad. The change of ownership structure provides the conditions for the smooth running of NIS operations on the market.

## Business report

### Highlights

#### January - June

##### January

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

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

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

##### February

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

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

##### 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

Marketing of new products from the private trade brand G-Drive and Drive Cafe, as well as the Jazak range on the Serbian market

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

In the first 6 months, 25 development wells were drilled in Serbia, 1 development well in Romania and 1 exploratory well in Bosnia and Herzegovina.

In the first 6 months of this year, 20 development wells in Serbia and one development well in Romania were put into operation

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

Continuation of activities on the project for the reconstruction of the FCC plant and the construction of the new ETBE plant

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.

NIS announced the competition "Common Cause - Community 2022", which is dedicated to the topic of increasing the birth rate and preserving reproductive health, and for this purpose it allocated RSD 118.5 million.

## ***NIS Group***

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

The headquarters and main assets of the NIS Group are located in the Republic of Serbia, but the Group also has subsidiaries and representative offices in several other countries, primarily in the Balkan region. The most valuable asset of the NIS Group is a team of more than 11,000 employees.

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

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

The NIS Group is committed to improving environmental protection and allocates significant funds for the implementation of environmental projects and projects that contribute to environmental protection.

### ***Business activities***

Business activities of the NIS Group are organized within the parent company NIS j.s.c. Novi Sad, into the Exploration and Production Block<sup>1</sup> and DOWNSTREAM<sup>2</sup>, 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.

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

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

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

The plant for the preparation of natural gas, production of LPG and gasoline, and CO<sub>2</sub> stripping, based in Elemir, operates as part of the Exploration and Production. An amine unit for natural gas processing, which uses the HiPACT technology (High Pressure Acidgas Capture Technology), is also located in Elemir. The method of gas processing used completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, significant environmental benefits are derived. The Exploration and Production Block also engages in the production of electricity and thermal energy from conventional and renewable sources and the production of compressed natural gas.

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

### **Services**

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

### **Downstream**

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

#### **Refining**

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

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

#### **Sales and distribution**

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

NIS is present in the market under two retail brands: NIS Petrol and GAZPROM, with the latter being a premium brand in this segment. The petrol stations of the NIS Group are synonymous with the quality of fuel and non-fuel portfolio, as well as with modern services that meet the consumers' demands. NIS continually invests in the development of its retail network and in improving the quality of its goods and services.



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

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

### ***Energy***

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

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***

<b><i>RISK DESCRIPTION</i></b>	<b><i>RISK MANAGEMENT MEASURES</i></b>
<b><i>Operational risks</i></b>	
<b><i>HSE risks</i></b>	
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.
<b><i>HR risks</i></b>	
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.
<b><i>IT risks</i></b>	
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.

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### 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.).

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## Business environment<sup>3</sup>

### World

The concern over the economic slowdown overshadowed the limitation of the physically available supply of crude oil. OPEC's first forecast of the market prospects for 2023 suggests that the price pressure on consumers will not weaken, as this requires greater supplies by this group, and the production of most its members has already reached its maximum.

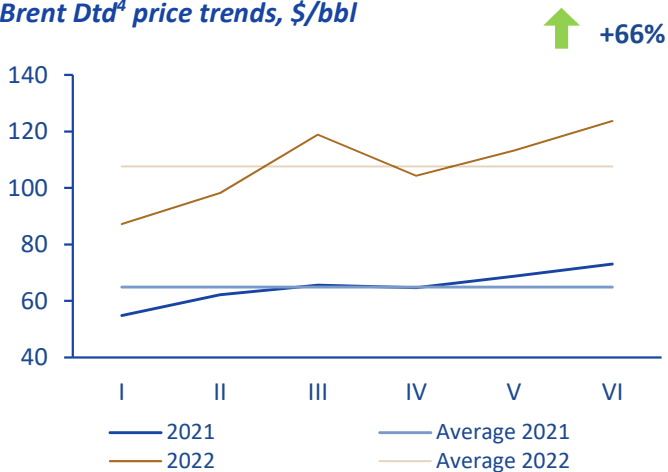
The high price of oil and the record earnings have led Saudi Aramco to the position of the most valuable company in the world, with an increase in profits in the first quarter of 82% on an annual basis (up to \$39.5 billion), which is the highest increase since the Initial Public Offering of the company in 2019. Even the phasing-out of the OPEC+ production did not bring down the price of oil significantly. This year the record profits were recorded in the refinery business as well. Shell's refinery segment earned \$1 billion more in the first quarter than in the same period last year. Oil and gas production generates the record tax revenues also for the State of Texas, where the tax on oil production in June generated \$679 million – 87% more than in June 2021. In the same month, the tax on natural gas production generated \$439 million – 176% more than in June 2021.

US natural gas production is expected to reach the record value of more than 2.8 trillion m<sup>3</sup> by the end of the year, Rystad Energy analysis shows. On the other hand, the lack of gas supply in Europe boosts prices on the continent, and given the big difference in prices in the US and Europe, the supply of US gas across the Atlantic is economically advantageous even if the expensive process of “liquefaction” is taken into account. Gas is currently the most critical energy source and its producers are doing their best to increase production. Iran, the world's third biggest gas producer, is doubling its investments in exploration and production in which it favours gas.

The intensification of the energy crisis “brings back into play” energy sources which were planned to be abandoned. Thus, Japan is accelerating the restart of nuclear plants as a part of improving the quality of energy supply. Additional four nuclear reactors are being restarted before the start of the 2022/2023 winter season, so Japan will have the most energy plants involved since the Fukushima accident. Germany has started reusing coal-fired power plants, but it is facing logistical problems with the supply of this energy product due to extremely low water levels of rivers and insufficient rail transport capacities.

### Oil price

**Brent Dtd<sup>4</sup> price trends, \$/bbl**



In the second quarter, the average price of crude oil according to the Brent DTD quotation was 114 dollars per barrel, while the average price during the first half of the year was 108 dollars per barrel. In both cases, this is 2/3 higher than the corresponding average prices in 2021. At the same time, the highest price in the second quarter of \$132 per barrel did not surpass the 14-year high reached in early March 2022, although the June average price was the highest in the last few years. Most forecasters expect the price of oil to “calm down” due to the rising dollar and the increasing number of COVID-19 cases in China putting additional pressure on the oil market.

The US agency EIA in its report published at the beginning of July forecasts that the average price of oil according to the Brent DTD quotation will be around 104 dollars per barrel in second half of year and 94 dollars per barrel in 2023. At the same time, they emphasized that the uncertainty in the oil market is growing as a result of several factors: the

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

<sup>4</sup>Source: NBS

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impact of sanctions on production in Russia, the OPEC+ decision on oil production and the rate of growth of gas production in the United States of America.

At the same time, JPMorgan bank analysts estimate that the price of oil could reach \$190 per barrel if Russian production were to decrease by three million barrels per day. In an even worse scenario, if Russia were to cut its production by five million barrels, the price of oil could reach \$380 a barrel, which would be disastrous for a global economy that is already struggling with the highest inflation in four decades even at current prices of oil.

### **Macroeconomic trends**

Last year, policymakers, economists and other participants in the financial market considered the causes of increased inflation. Based on trends in 2022, it is expected that inflation rates this year and next year will remain well above the approximately 2% expected and targeted by central banks.

Following established inflation management practices, central banks all around the world are raising interest rates to mitigate the demand and keep consumer and business user expectations of future inflation under control. As it stands, in the next five years inflation in the USA, UK and Germany is expected to be from 1.5% to 2.0% higher than the average in these countries in the period of 2010–2019.

Currently, almost 60% of the developed economies struggle with annual inflation above 5%. The prices of fuel and food have increased significantly and hit hardest the vulnerable population in low-income countries. Inflation in the EU reached its highest level in May since Eurostat started publishing the data in 2001, and the similar situation was recorded in June – 8.6%. The largest share in inflation comes from energy (almost 4%), food (~2%) and services (~1.5%).

The International Monetary Fund expects inflation to remain high for a longer period, driven by the rise in commodity prices caused by global disruptions and bigger and bigger price pressures. Forecasting inflation of 5.7% in the developed economies and 8.7% in the emerging markets and the developing economies for 2022.

The IMF has also lowered its estimates of the global growth and expects it to decrease from 6.1% in 2021 to 3.6% in 2022 and 2023. The highest growth is still expected in the Asian countries.

### **Serbia**

The economic and financial implications of the recession in Europe on the economy of Serbia are mostly reflected in the market of stock products (primarily energy and food), logistics and transport, supply chains, foreign direct investments and tourism. Bearing in mind the uncertainty surrounding the further course and duration of the crisis, the economic effects of rising prices of energy, food and primary products on the world market, as well as the speed of normalization of the monetary policies of the leading central banks, the National Bank of Serbia has revised the GDP projection for 2022 from a range of 4% to 5%, to a range of 3.5% to 4.5%. At the beginning of July, the National Bank of Serbia increased the reference interest rate to 2.75%, which is the fourth increase since April.

Inflation is driven by food and energy prices, factors that monetary policy cannot influence to a large extent, and in May it amounted to 10.4%, with base inflation remaining stable (6.3%), exchange rate stability and preserved business and consumer confidence. The latest inflation projection by the National Bank of Serbia is at the level of 9.2% in 2022, and after peaking in the second quarter, inflation is expected to decline, returning to the target range in the second half of 2023.

An increase in the price of energy products, already announced for August can be a problem for calming inflation. The Fiscal Council of Serbia in the "Analysis of the Structural Problems of Serbian Energy in the Light of the Global Crisis" states that it is necessary for household electricity to become more expensive by 15-20%, which is a necessary but not sufficient condition for the "healing" of the Electricity Grid of Serbia, or "EPS". The current price for households is not at an economically appropriate level, and it also encourages irrational consumption. Even with such an increase, the price for households in Serbia would remain among the lowest in Europe. The Council believes that it is necessary to increase the price of gas for households by 65% to 70%, while the price of gas for the economy would have to increase by about 75%, as much as it jumped in other countries of Central and Eastern Europe in the second half of 2021, while the price in Serbia remained practically frozen.

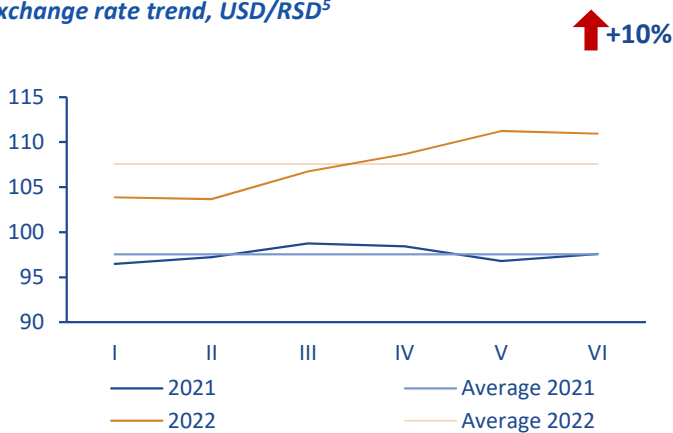


## Quarterly report for second quarter of 2022

Industrial production in the period January-May 2022 compared to the same period in 2021 is higher by 3.3%. At the same time, the current seasonally adjusted index for May 2022, compared to April 2022, for industry as a whole shows a decrease of 1.7%. Observed by sector, growth was achieved in the Mining and Manufacturing industry sectors, while the Electricity, Gas, Steam and Air Conditioning sector recorded a decline.

According to the estimate published by RZS, the country's Statistics Bureau, wage growth in the period January-April 2022, compared to the same period last year, amounted to 13.2% in nominal terms, or 3.9% in real terms. Compared to the same month of the previous year, the average gross and net earnings for April 2022 are nominally higher by 12.4%, and in real terms by 2.6%. According to the Labour Force Survey, the unemployment rate in the first quarter of 2022 decreased by 2.2% compared to the same quarter of 2021 and amounted to 10.6%, which is lower than the average for the whole of 2021 of 11.0%.

### Exchange rate trend, USD/RSD<sup>5</sup>



- Average USD/RSD in first six months of 2022 was higher by RSD 10.02, i.e. 10% higher compared to the average exchange rate in the same period of 2021.
- During the first six months of 2022 USD/RSD exchange rate increased by RSD 8.3 or 8%.
- During first six months of 2021 USD/RSD exchange rate increased by RSD 3.1 or 3.2%.

<sup>5</sup> Source: NBS.

## Performance analyses

### Market share<sup>6</sup>

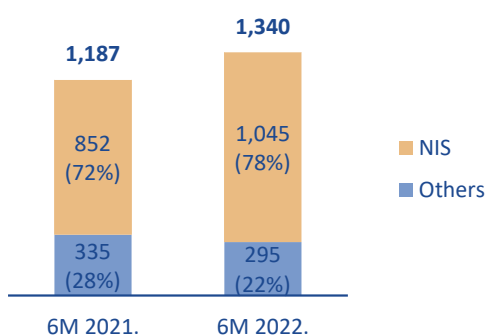
The motor fuel consumption has been recovering as expected, although the crisis of 2022 and the insecurity in supply contributed to additional growth of consumption in all countries in the region compared to figures from 2021.

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 market<sup>7</sup>, in thousand tonnes

↑ +13%



In the first half of 2022, the motor fuel consumption in Serbia was 12.8% higher than in the same period last year. The increase in stock held by end users for fear of possible shortages, government price limiting measures that curbed the grey economy, the outflow of revenues through cross-border fuel tourism and the supply of corporate clients in the region (Eurovag in Hungary) are the key drivers behind 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 because controlled prices of petroleum products remained at a level lower

than the import prices over a length of time. The regulation stipulating privileged fuel prices for supplying farmers on NIS stations led to a huge increase in retail sales to the farmers.

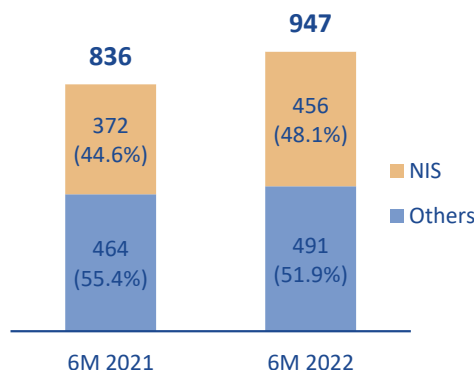
Retail: in the first half of 2022, the consumption grew by 13.2% compared to the same period in 2021.

NIS has maintained the security of the fuel supply in the Serbian market even in times of crisis when the supply by independent networks of petrol stations was limited.

The NIS market share has grown as a result of the preferential (and significantly lower) fuel prices for farmers at the most visited NIS petrol stations, the wholesale clients' shift to retail due to limits imposed on quantities in wholesale which relies on imports. A large number of private stations experienced sales disruptions.

#### Volume of the RS motor fuels retail market<sup>8</sup>, in thousand tonnes

↑ +13%



<sup>6</sup>Data 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.

<sup>7</sup>Data for 6M 2022 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

<sup>8</sup>The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 6M 2022 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

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

## **Market share in Bosnia and Herzegovina, Bulgaria and Romania**

### **Bosnia and Herzegovina**

The 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, abolishing excise duties on petroleum products for six months. The decision abolished excise duties on diesel fuel and other gas oils, petrol, kerosene, unleaded motor fuel, gasoline, fuel oil, liquified petroleum gas for motor vehicles, biofuels and bioliquids.

The Modriča Oil Refinery has put into trial operation a new boiler room that uses compressed natural gas instead of mazut. The new boiler room will completely replace the old system. The commissioning of the new boiler room has been underway since December 2021, and the total investment value of this project amounts to more than 280 thousand EUR. The commissioning of the boiler room was carried out together with the technical staff of the Brod Oil Refinery, which started producing compressed natural gas as part of the gasification project. Compared to mazut, its combustion is significantly cleaner, the boiler utilisation rate is about 15% more efficient, while the carbon monoxide emission is about 55% lower, with nitrogen oxides emissions down by as much as 65%.

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 B&H Federation Terminal Operators, Hermedin Zornić, pointed out that the works on the terminal in Bihać having a capacity of about 20 million litres are soon to begin.

In the first half 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 operates 40 petrol stations in Bosnia and Herzegovina (and 2 petrol stations in the DODO regime).

NIS's overall market share in the motor fuel market is 31.2%, with a retail market share of 11.5% in the first half of 2022.

### **Bulgaria**

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 the 29<sup>th</sup> 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.

Bulgaria's Airport in Sofia has launched a procurement procedure seeking to buy 64 electric vehicles to replace the obsolete fleet currently in use, the airport operator said. The electric vehicles, stipulated in Sofia Airport's long-term carbon dioxide neutrality program, will help improve the airport's efficiency.

The number of newly registered passenger vehicles in Bulgaria is 17% higher in February compared to the same month last year, reaching 1,943 vehicles, the European Automobile Manufacturers Association (ACEA) said. In the first two months of 2022, the number of newly registered passenger vehicles increased by 16% compared to the first two months of the previous year, reaching the number of 3,977 vehicles. In the European Union, new passenger vehicle registrations dropped by 6.7% in February due to supply chain disruptions.

In the first half of 2022, Bulgaria's motor fuel market recovered, along with its retail turnover, compared to the same period last year.

NIS operates 34 petrol stations in Bulgaria and a petroleum products warehouse in the town of Kostinbrod.

NIS's overall market share in the motor fuel market is 3.9%, with a retail market share of 3.9% in the first half of 2022.

### **Romania**

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

Rompetro wants to refine 20% more oil in Petromidia Refinery and seeks to expand across the region. Namely, according to the documents related to its business activity this year, the increased volume was foreseen for the Vega

Refinery, but also in the petrochemical segment, according to the media. This year, Rompetrol Rafinare could process 5.6 million tonnes of oil at the Petromidia Refinery, the largest in the country, whose refining output 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.

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 the revamping of Petrom's petrol stations. Currently, about 150 Petrom's petrol 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 i.e. 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, government spokesman Dan Carbutaru said during a press briefing.

Lukoil announced that he has signed a memorandum 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.

In the first half of 2022, Romania's motor fuel market recovered, along with its retail turnover, compared to the same period last year.

NIS operates 19 petrol stations in Romania. NIS's market share in the total motor fuel market is 2.5%, with a retail market share of 1.2%.

## Key Performance Indicators

Q2 2022	Q2 2021	Δ <sup>10</sup>	Indicator	Unit of measure	6M 2022	6M 2021	Δ <sup>11</sup>
113.8	68.8	+65%	<i>Brent Dtd</i>	\$/bbl	107.6	64.9	+66%
142.2	67.5	+111%	Sales revenue	RSD billion	240.3	115.7	+108%
28.1	4.5	growth	Net profit	RSD billion	43.7	6.1	growth
40.9	12.9	growth	EBITDA <sup>12</sup>	RSD billion	66.2	22.2	growth
3.9	15.0	-74%	OCF	RSD billion	27.2	14.5	+87%
3.8	4.5	-15%	CAPEX <sup>13</sup>	RSD billion	7.6	8.6	-12%
64.8	50.8	+27%	Accrued liabilities for taxes and other public revenue <sup>14</sup>	RSD billion	117.9	95.4	+24%
589.6	604	-2%	Total bank indebtedness <sup>15</sup>	EUR million	589.6	604	-2%
1.6	0.9	+82%	LTIF <sup>16</sup>	number	1.6	0.9	+82%

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

<sup>11</sup> Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

<sup>12</sup> 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.

<sup>13</sup> CAPEX amounts are exclusive of VAT.

<sup>14</sup> 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.

<sup>15</sup> Total bank indebtedness = Total debt to banks + Letters of Credit. As at 30 June 2022, this was EUR 589.6 million of total debt to banks, while there was no debt based on the letter of credit.

<sup>16</sup> 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 1.59. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of June 30. and consequently the difference does not exist between 6M and Q2.

## Operational indicators

### Exploration and production

Q2 2022	Q2 2021	$\Delta^{17}$	Indicator	Unit of measure	6M 2022	6M 2021	$\Delta^{18}$
291	297	-2%	Oil and gas output <sup>19</sup>	Thousand t.o.e.	583	589	-1%
201	204	-2%	Domestic oil output <sup>20</sup>	Thousand tonnes	401	402	-0.5%
1.9	1.3	+51%	LTIF <sup>21</sup>	%	1.9	1.3	+51%
12.6	7.5	+68%	EBITDA	RSD billion	25.5	13.5	+89%
2.9	2.9	0%	CAPEX <sup>22</sup>	RSD billion	5.5	5.5	-0.1%

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

In the second quarter of 2022, a total production volume of 277.8 thousand t.o.e. was achieved at deposits in Serbia. The total volume of production for the second quarter of this year, including concessions, amounts to 290.8 thousand t.o.e.

In the first six months of 2022, a total of 558.2 thousand tonnes of oil equivalent were produced in Serbia, and if concessions are included, a total of 582.9 thousand tonnes of oil equivalent.

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 second quarter, 15 development oil wells were put into operation, and a mean average increase of 7.2 t/day was achieved, while in the first six months, 20 oil wells were put into operation with a mean increase of 6.5t /day.

In 2022, the successful application of RIR technology continues. In the second quarter, after the application of RIR technology, 12 wells were put into operation, and most of the operations were performed on Velebit exploitation field.

The realization of the GRP project began in May 2022 with the commissioning of the well Bra-Malj-015.

Also, in the second quarter, 7 wells were put into operation after the transition to the new production layer, and a total of 15 intensifications were made, and the realized increments are at the level of the plan.

In the second quarter, 4 wells from the non-working fund were equipped for production, while in the first 6 months of this year 6 wells were equipped for production from the non-working fund

In the second quarter, the reserves for the Kikinda deposits northwest of the Kikinda field and the Maljurevac-Bubušinac deposits of the Bradarac-Maljurevac field were certified on the basis of the study on reserves, while the preparation of other planned project and technical documentation for hydrocarbons and groundwater is in progress.

<sup>17</sup> Any deviations in percentages and aggregate values result from rounding.

<sup>18</sup> Any deviations in percentages and aggregate values result from rounding.

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

<sup>20</sup> With natural gasoline.

<sup>21</sup> 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 6M 2022 refers to 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 6M 2022 according to the previous methodology is 1.05. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of 30 June and consequently the difference does not exist between 6M and Q2.

<sup>22</sup> Financing, exclusive of VAT.

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

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

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, while for the exploitation field Srpska Crnja, a request was submitted for the modification of the boundaries of the exploitation field (expansion) and approval for the exploitation of condensate and the continuation of gas exploitation.

The following requests were submitted to the Provincial Secretariat on the basis of the Main Mining Project:

- for the issuance of approvals for the construction of mining facilities and the execution of mining works:
  1. for determining the as-built state and continuing the exploitation of oil, condensate, and gas in the Mokrin exploitation field,
  2. for determining the as-built state and continuing the exploitation of gas in the Begejci exploitation field,
  3. for determining the as-built state and continuing the exploitation of oil and gas in the Jermenovci exploitation field.

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 elaboration 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 and
- for the modification of the boundaries of the approved exploitation field Idoš and the exploitation of gas from the gas deposits of the exploitation field Idoš.

### **Projects abroad**

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

Key event in Romania in the second quarter of 2022:

- Block EX-7: The Beba Veche Sud 1000 exploratory well has been undergoing experimental production stage;
- Block EX-7: The development well Teremia 1003 was drilled within the Teremia North field development project. The result of the well completion – the absence of the open well flowing. The chemical treatment of the well was performed - no open well flowing was obtained. Hydraulic fracturing (GRP) was performed, open well flowing was achieved. The tender procedure for the construction of gathering stations is in progress;
- Block EX-12: business case has been updated, both internal and external analysis have been completed.
- Block EX-2 and Block EX-3: business case has been updated, internal analyse have been completed.

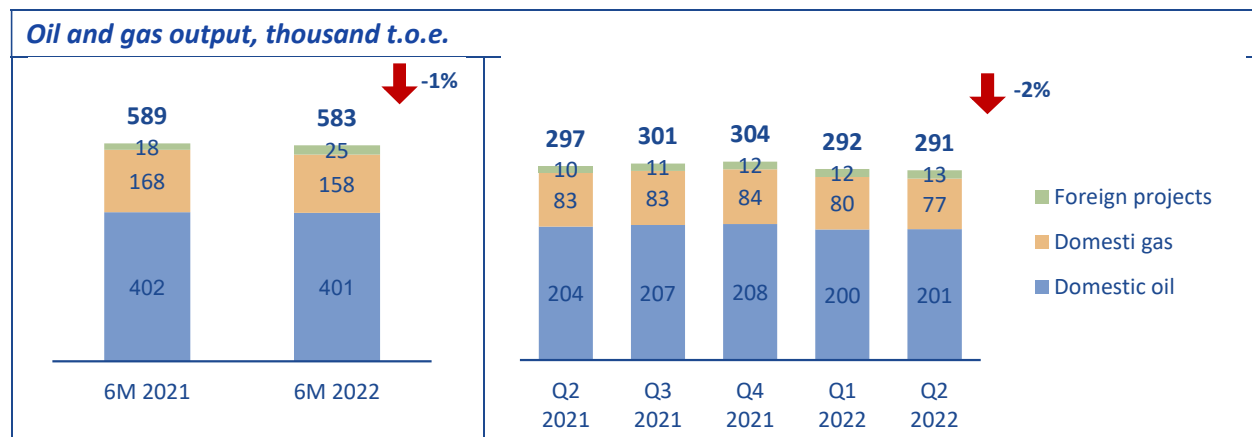
The Company's operations in the Upstream segment in Republika Srpska (Bosnia and Herzegovina) are conducted using the resources of Jadran Naftagas d.o.o. Banja Luka.

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

- Testing of the exploration well Ob-3, Obudovac, Republika Srpska was completed. The well completion is underway.

**Operating indicators**

In the first half of 2022 the total production was 583 thousand tonnes of oil and equivalent of oil and gas, which is at the level of the first half of last year.





**Downstream**

**Key indicators**

Q2 2022	Q2 2021	Δ <sup>23</sup>	Key Indicators	Unit of measures	6M 2022	6M 2021	Δ <sup>24</sup>
<b>1,199.2</b>	962	+25%	<b>Volume of refining of crude oil and semi-finished products</b>	thous. tonnes	<b>2,104.1</b>	1,714	+23%
<b>1,129.3</b>	986	+15%	<b>Total sales volume of petroleum products</b>	thous. tonnes	<b>2,087.9</b>	1,768	+18%
<b>243.2</b>	200	+22%	<i>Retail Serbia</i>	thous. tonnes	<b>452.5</b>	369	+23%
<b>389.6</b>	307	+27%	<i>Wholesale Serbia</i> <sup>25</sup>	thous. tonnes	<b>698.0</b>	566	+23%
<b>48.2</b>	49	-1%	<i>Retail Foreign Assets</i>	thous. tonnes	<b>97.0</b>	92	+5%
<b>85.8</b>	74	+16%	<i>Wholesale Foreign Assets</i>	thous. tonnes	<b>175.8</b>	145	+21%
<b>362.5</b>	356	+2%	Transit, export and BU <sup>26</sup>	thous. tonnes	<b>664.6</b>	595	+12%
<b>783.6</b>	641	+22%	<b>Motor fuels sales volumes</b> <sup>27</sup>	thous. tonnes	<b>1,429.1</b>	1,169	+22%
<b>30.7</b>	6.8	+354%	<b>EBITDA DWS</b> <sup>28</sup>	bln RSD	<b>46.5</b>	13.3	+250%
<b>33.1</b>	3.6	+820%	<i>EBITDA Refining</i> <sup>29</sup>	bln RSD	<b>48.5</b>	7.1	+588%
<b>0.1</b>	3.4	-97%	<i>EBITDA Sales and Distribution</i> <sup>30</sup>	bln RSD	<b>2.6</b>	6.9	-62%
<b>0.9</b>	1.5	-44%	<b>CAPEX DWS</b> <sup>31</sup>	bln RSD	<b>2.0</b>	3.0	-34%
<b>0.3</b>	0.9	-67%	<i>CAPEX Refining</i>	bln RSD	<b>0.6</b>	1.9	-70%
<b>0.5</b>	0.6	-20%	<i>CAPEX Sales and distribution</i>	bln RSD	<b>1.2</b>	1.0	+26%
<b>1.5</b>	0.6	+144%	<b>LTIF DWS</b> <sup>32</sup>	number	1.5	0.6	+144%
<b>2.6</b>	2.1	+23%	<i>LTIF Refining</i>	number	2.6	2.1	+23%
<b>0.8</b>	0.3	+172%	<i>LTIF Sales and distribution</i>	number	0.8	0.3	+172%

<sup>23</sup> Any deviations in percentages and aggregate values result from rounding.

<sup>24</sup> Any deviations in percentages and aggregate values result from rounding.

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

<sup>26</sup> Business unit includes the sale of bitumen, bunkering and aviation fuel channels

<sup>27</sup> Total motor fuels sales volumes in Serbia and in foreign assets.

<sup>28</sup> EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution and the rest of Downstream.

<sup>29</sup> EBITDA of the Sales and Distribution Block.

<sup>30</sup> EBITDA of the Sales and Distribution Block.

<sup>31</sup> Financing, excluding VAT.

<sup>32</sup> *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 6M 2022 according to the previous methodology for the Sales and Distribution Block is 0.82, while for the Refining Block it is 3.15. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of June 30. and consequently the difference does not exist between 6M and Q2.

## Refining

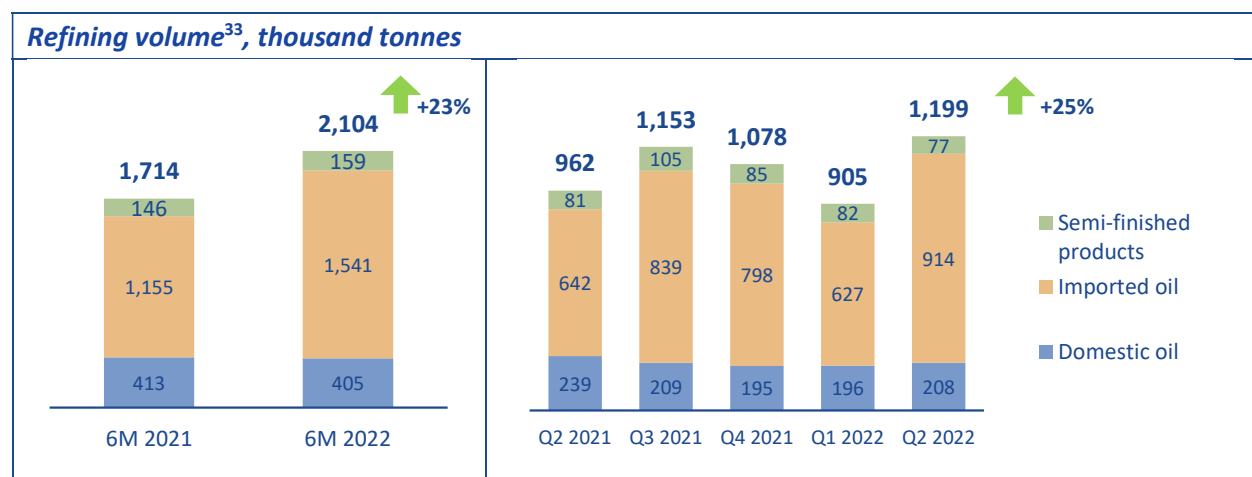
During the first half of 2022, the focus of the Refining Block was on the continuous production and provision of the necessary supplies, in order to supply the market with all types of products in accordance with the plans and requirements of the market, taking into account the current situation on the 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 25% compared to Q2 2021.

The realized EBITDA of the Refining Block for the first half of 2022 amounts to RSD 48.5 billion.

### Refining activities and volume



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

The operations of the Refining Block during the first half 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 (416 thousand tonnes) since 2009 was recorded, with the realization of EBITDA for the first half of 2022 in the amount of RSD 48.5 billion.

In addition, at the beginning of the year, the Pančevo Oil Refinery was able to provide support to the Electric Power Company, 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 half 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

<sup>33</sup> Any deviations in percentages and aggregate values result from rounding.

in the Pančevo Refinery. Each subsequent inspection arrival represents an opportunity to improve the operation of all processes in the Refinery.

### Projects

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

The strategy and criteria for the EPSCm contractor qualification procedure were agreed. The EPSCm contractor qualification procedure was completed. 11 companies applied to participate in the qualification, 5 of which are qualified. The deadline for the submission of bids is in progress.

The working group for overcoming the impact of the 85-day workover standstill in the capital well workover in 2025 began with an analysis of the case and solution.

The signing of the contract with the Contractor for the disassembly of S-620 and part of S-2750 is in progress and the preparatory works for the start of the demolition are in progress.

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.

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 sale<sup>34</sup> and logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 330 retail sites are located in the Republic of Serbia (with 26 of them under GAZPROM brand). In the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina (31 under GAZPROM brand), 34 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

In the second quarter, the Veternik refuelling station was rebranded, which had been leased and subsequently put into operation on June 10. Furthermore, the Kučevo refuelling station was reconstructed (NIS brand), and after that put into operation on June 4. By the end of the year, it is planned to put into operation 3 newly built refuelling stations: Bački Vinogradi 1 (GAZPROM brand), Valjevo (NIS brand), Zemun 1 (NIS brand) and 5 reconstructed refuelling stations(NIS brand): Kostolac,Kucevo, Knjazevac, Srbobran and Blace.

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<sup>34</sup> As at June 30, 2022.

### Loyalty program and marketing activities

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

Y In the last three 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 second quarter, the number of active users increased by 1,938 users and as of June 30 that number is 7,714 registered 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 refuelling 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): 1.3 million page views, 330K website visitors.
- Number of ad views on Facebook and Instagram: 38.8 million, while "reach" is 2.6 million people;

During the month of June, we promoted G-Drive premium fuel on TV channels with national coverage, as well as on digital channels, of which the focus was on Facebook and Instagram.

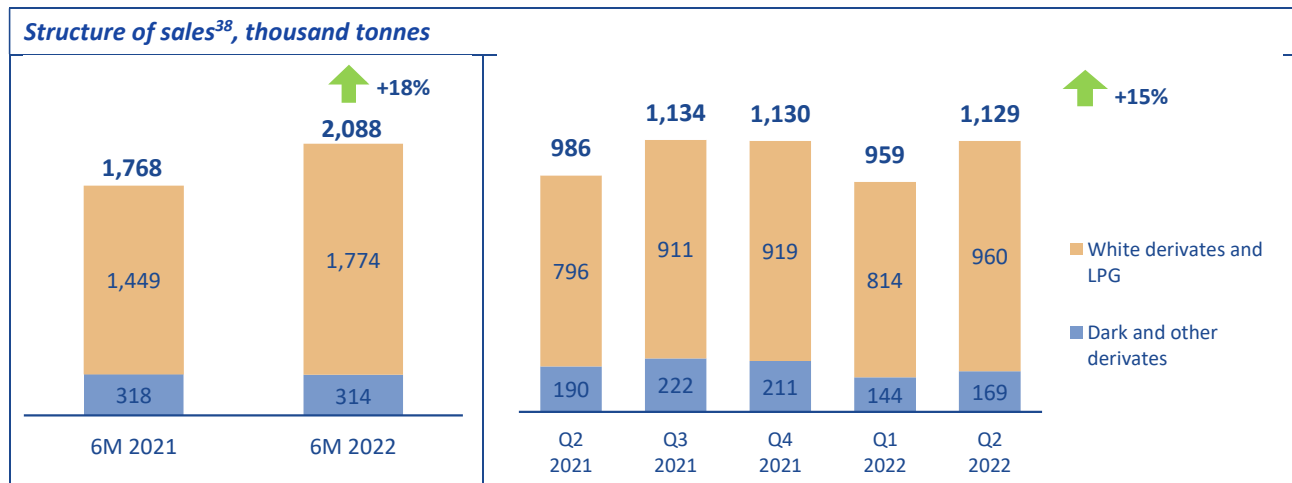
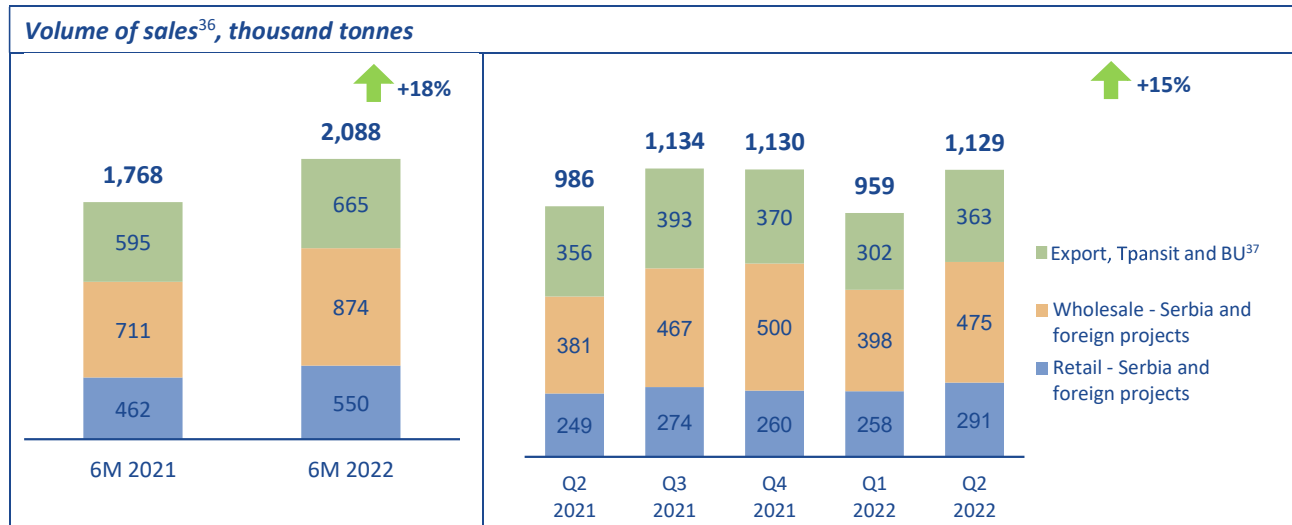
### Operating indicators

The first six months 2022 saw a sales growth of 18% comparing to the same period of previous period, with the total sales of 2,088 thousand tonnes.

- Retail sales in Serbia and the assets based abroad - growth by 19% in the first six months of this year compared to 6M 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.
- Wholesale in Serbia and the assets based abroad<sup>35</sup> – growth was achieved in the first six months of this year compared to the same comparative period of 2021, primarily due to the increase in consumption during the period of sharp growth in the world quotations of oil derivatives, when NIS ensured the security of supply to the Serbian market with oil derivatives, as well as due to the development wholesale in Romania.

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



<sup>36</sup> Any deviations in percentages and aggregate values result from rounding.

<sup>37</sup> Business units include the sale of the bitumen, bunkering and aviation fuel channels

<sup>38</sup> 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. During June, an inspection of the connection distribution plant (CDP) was carried out. 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. A request was sent to the Ministry of Interior to carry out a technical review of the performed state for the gas turbine (FC1) and steam turbine plant (FC2). Handover of CDP to Serbia's Electricity Grid is expected in August of this year.

### Natural gas

The organization and balancing of the natural gas portfolio for NIS j.s.c. Novi Sad is carried out in accordance with the contracts on the transport of natural gas with the natural gas transmission system operator for the 2021/2022 gas year, as well as in accordance with the annual contracts on the sale of natural gas with the subsidiaries of NIS. In the first quarter of 2022, an annual natural gas distribution contract was signed with the natural gas distribution system operator for 2022, while in the second quarter, a request for the lease of annual capacity was submitted to the Transport System Operator for the 2022/2023 gas year. The dispatch of CNG from the Ostrovon gas field takes place undisturbed.

### 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 (SEEPLEX) and in Romania (OPCOM).

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

The program of measures for reducing energy consumption and increasing energy efficiency in the second quarter of 2022 in NIS achieved energy savings of 1,240 toe (2,105 toe in the first six months). The financial value of savings in the second quarter amounted to RSD 53.5 million, while for the first six months it amounted to RSD 97 million.

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

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

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

### Renewable energy sources

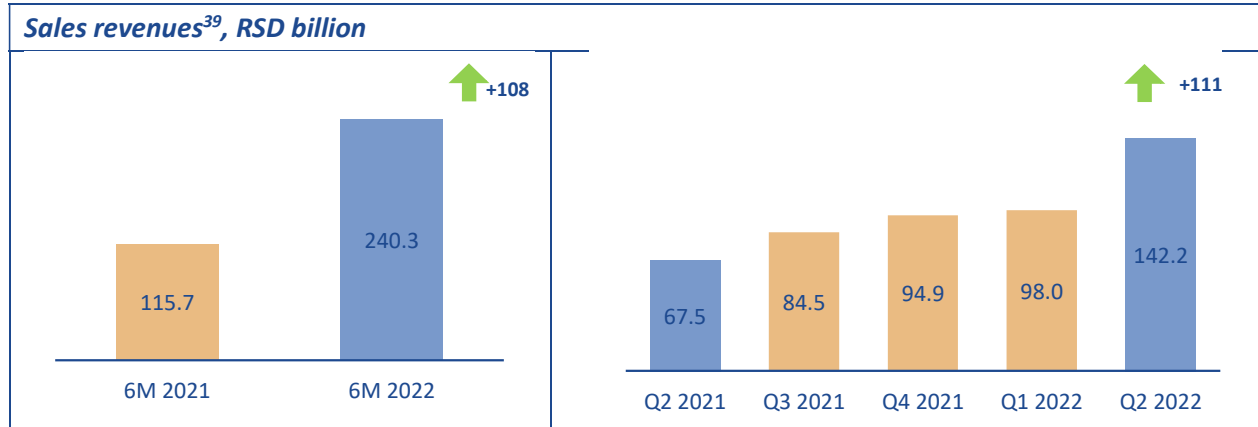
In January 2022, the construction of solar photovoltaic power plants at 8 petrol stations (PS) was contracted. The works on all petrol stations were completed, one power plant at PS Stari Banovci was commissioned on 26 May 2022, while the administrative procedure for two more was completed and their commissioning is expected between 10 and 15 July 2022. The administrative procedure for the connection of other power plants to 5 PSs is underway.

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 will 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 CO<sub>2</sub> by 375 tonnes per year. The total investments amount to about EUR 200,000.

## Financial indicators

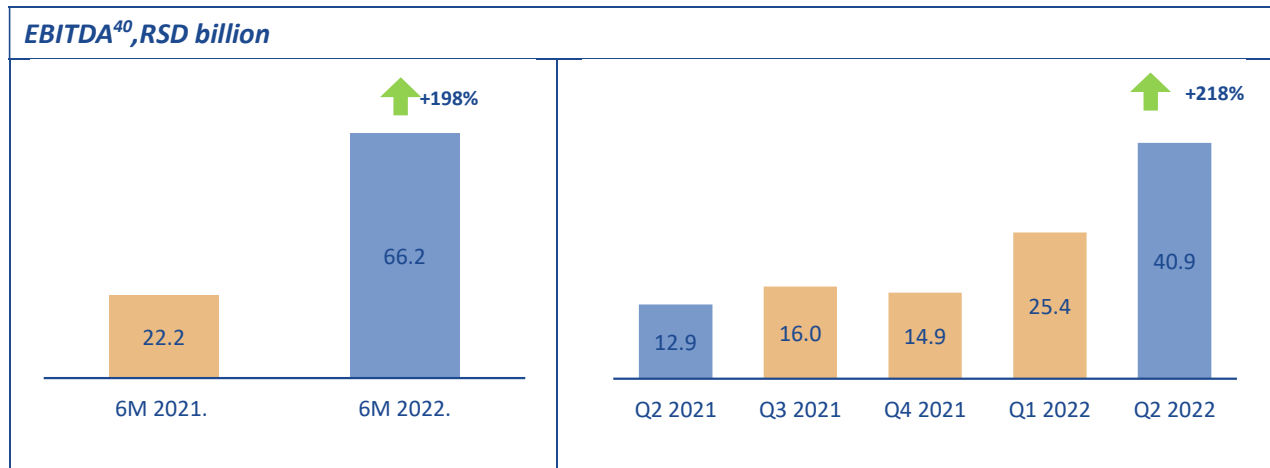
### Sales revenue

In the first six months of 2022, NIS achieved a 108% growth in sales revenues compared to the same period previous year, and the total amount of sales revenues is RSD 240.3 billion.



### EBITDA

The EBITDA indicator in the first six months 2022 is 3 times higher than in the same period last year and amounted to RSD 66.2 billion.



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

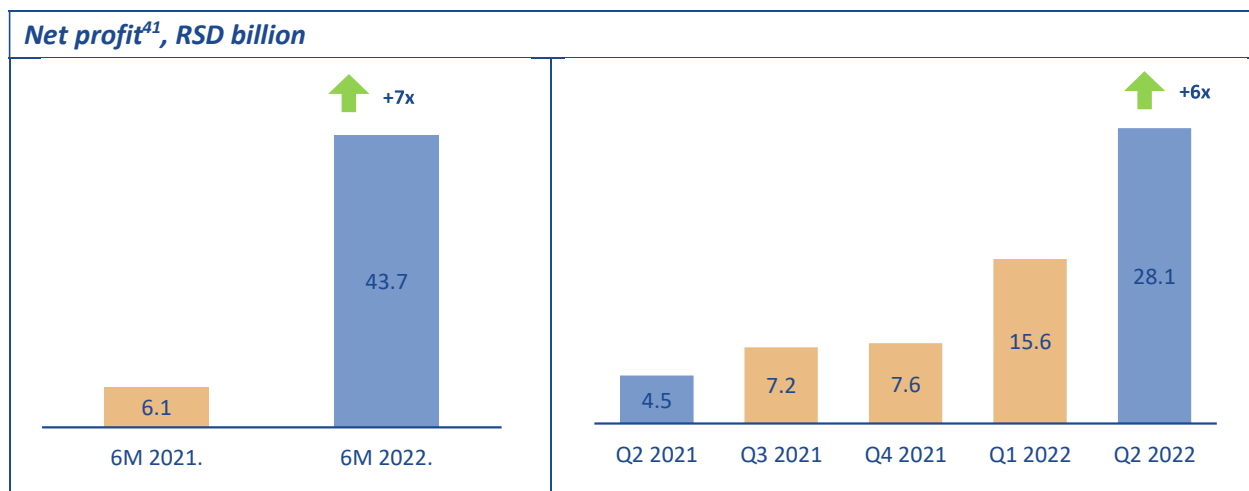
- The impact of the positive effect of oil price growth, as well as cheaper stocks of previous periods in processing compared to 6M 2021
- Improvement in the scope of the refining assortment, which was partially compensated by lower margins due to retail price restrictions
- Lower premiums when purchasing crude oil.

<sup>39</sup> 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.

<sup>40</sup> 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 six months of 2022 amounts to RSD 43.7 billion, which is almost 7 times higher than in the previous year.

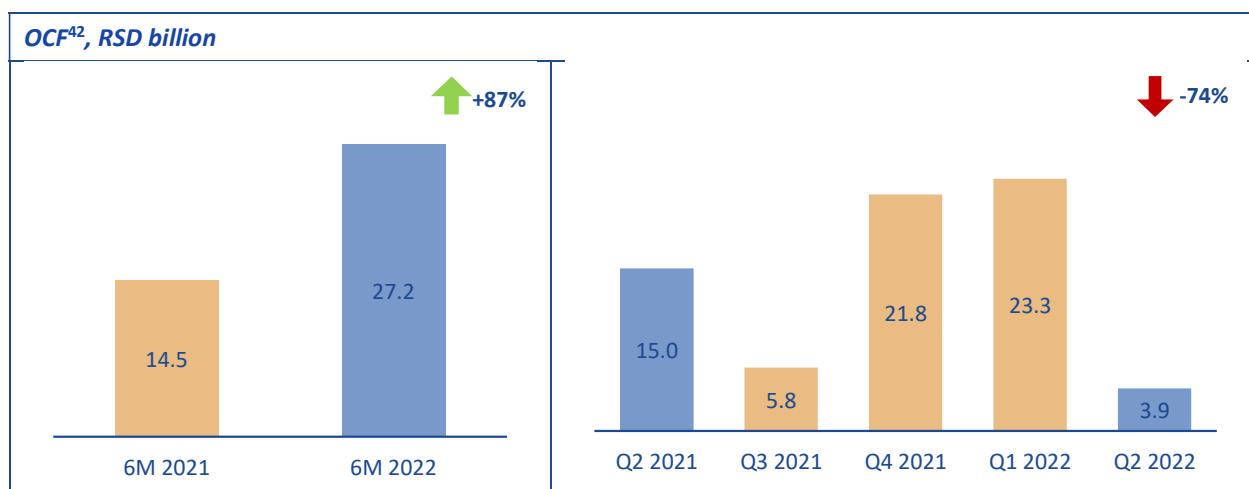


The growth of net profit is conditioned by the following factors:

- growth of EBITDA.

### OCF

In the first half of 2022, the operating cash flow amounts to RSD 27.2 billion, and it is higher 87% 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.

<sup>41</sup>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.

<sup>42</sup> 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**

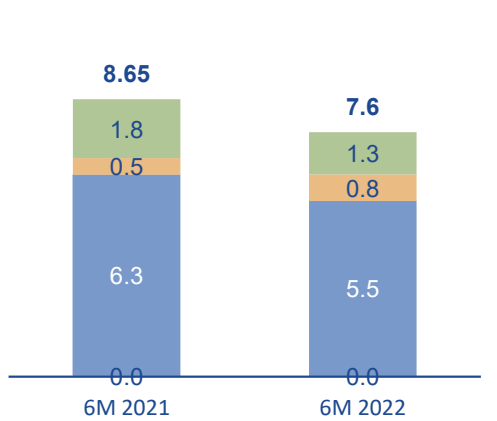
In the first six months of 2022, the main investments were directed towards the realization of oil and gas production projects. A significant part of the investments consists of the investment in concessions (Romania, North Teremia), projects of warehouse of reconstruction of Sales and distribution block. 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 six months of 2022, 7.6 billion dinars was earmarked to fund investments, which is 12% less than the amount earmarked in the same period in 2021.

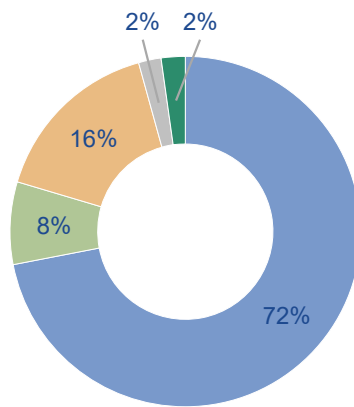
**CAPEX by type of project<sup>43</sup>, RSD billion**

↓ -12%

**Investments by segments**



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



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

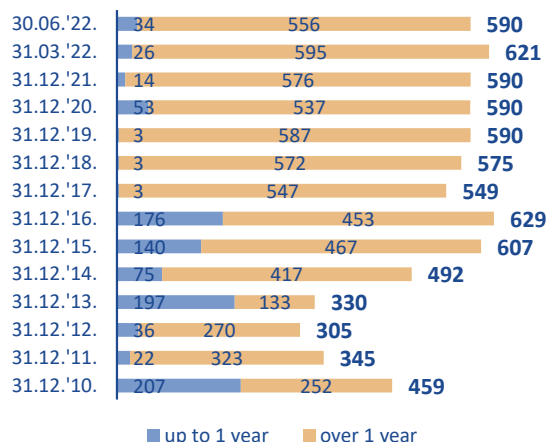
<sup>43</sup> All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The percentages shown are based on values that are not rounded to billions of RSD.

Organisational unit	Major projects
<b>Exploration and production</b>	<ul style="list-style-type: none"> <li>• drilling of development wells</li> <li>• investing in geological and technical activities</li> <li>• investing in concession rights</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>• renovation of the restaurant at the Maintenance complex</li> <li>• construction of mud pits for excess mud</li> </ul>
<b>Refining</b>	<ul style="list-style-type: none"> <li>• projects of modernisation</li> <li>• projects aimed at ensuring compliance with legal norms and regulations</li> <li>• projects to increase production efficiency</li> <li>• capital investments related to environmental protection</li> <li>• energy projects</li> <li>• reconstruction of the corrosion prevention system on the S-2100</li> </ul>
<b>Sales and distribution</b>	<ul style="list-style-type: none"> <li>• retail network development in Serbia (petrol station construction and reconstruction)</li> <li>• other retail projects in Serbia and the region</li> </ul>
<b>Rest of Downstream projects (Energy, Technical services)</b>	<ul style="list-style-type: none"> <li>• windpark Plandište</li> </ul>
<b>Corporate centre</b>	<ul style="list-style-type: none"> <li>• projects related to the maintenance of software solutions</li> <li>• projects with information technology component</li> </ul>

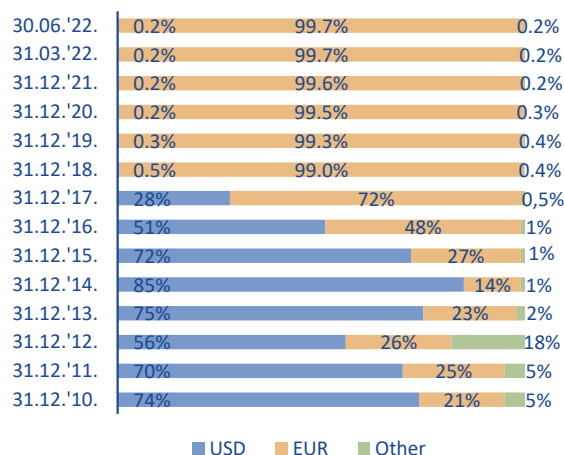
## Indebtedness

At the end of the first half of 2022, the debt to banks was at the level of the debt at the end of 2021 and amounted to EUR 589.6 million. Loans in the amount of EUR 49.4 million were withdrawn, and a total of EUR 49.7 million was repaid, out of which EUR 45.0 million was voluntary prepayment.

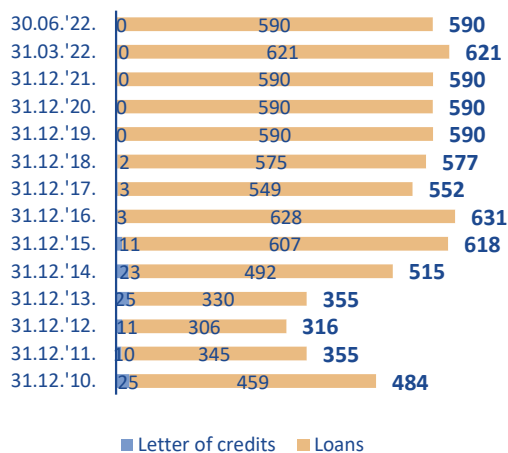
### Total bank debt trends with maturity structure<sup>44</sup>, EUR million



### Total bank debt structure, by currency, in %



### Total bank indebtedness<sup>45</sup>, EUR million



<sup>44</sup> Any deviations in percentages and aggregate values result from rounding.

<sup>45</sup> In addition to the bank debt and Letters of Credit as at 30 June 2022, NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of EUR 76.4 million, corporate guarantees in the amount of EUR 76.2 million, Letters of Intent signed with banks in the amount of EUR 0.1 million and financial leasing in the amount of EUR 20.1 million.

**Taxes and Other Public Revenue<sup>46</sup>**

<b>NIS j.s.c. Novi Sad</b>	<b>6M 2022</b>	<b>6M 2021</b>	<b>%<sup>47</sup></b>
Social insurance contributions paid by employer	0.99	1.01	-2%
Energy efficiency fee <sup>48</sup>	0.21	0.17	+26%
Corporate tax	8.12	1.52	+434%
Value-added tax	17.45	13.22	+32%
Excise duties	69.93	60.99	+15%
Commodity reserves fee	3.67	2.91	+26%
Customs duties	0.34	0.51	-34%
Royalty	0.91	0.57	+59%
Other taxes	0.70	0.67	+5%
<b>Total</b>	<b>102.32</b>	<b>81.57</b>	<b>+25%</b>
<b>NIS subsidiaries in Serbia<sup>49</sup></b>			
Social insurance contributions paid by employer	0.69	0.67	+3%
Corporate tax	0.09	0.17	-48%
Value-added tax	1.22	1.24	-2%
Excise duties	0.00	0.00	n/a
Customs duties	0.01	0.02	-29%
Royalty	0.00	0.00	n/a
Other taxes	0.05	0.05	+6%
<b>Total</b>	<b>2.07</b>	<b>2.15</b>	<b>-4%</b>
<b>Total NIS j.s.c. Novi Sad with subsidiaries in Serbia</b>	<b>104.39</b>	<b>83.73</b>	<b>+25%</b>
<b>NIS regional subsidiaries and Angola</b>			
Social insurance contributions paid by employer	0.01	0.03	-61%
Corporate tax	0.19	0.00	growth
Value-added tax	0.45	0.46	-3%
Excise duties	8.18	6.65	+23%
Customs duties	4.75	4.46	+6%
Royalty	0.07	0.01	+664%
Other taxes	0.07	0.04	+83%
<b>Total</b>	<b>13.72</b>	<b>11.67</b>	<b>+18%</b>
Deferred taxes (total for Group)	-0.19	0.00	n/a
<b>Total NIS Group<sup>50</sup></b>	<b>117.92</b>	<b>95.40</b>	<b>+24%</b>

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 104.4 billion in the first six months of 2022.

The amount of accrued liabilities for public revenues payable by the NIS Group in the first six months months of 2022 totalled RSD 117.9 billion, which is an increase of 24% on the same period in 2021.

<sup>46</sup>In RSD billion.

<sup>47</sup>Any deviations in percentages and aggregate values result from rounding.

<sup>48</sup>Calculated from 1 July 2019.

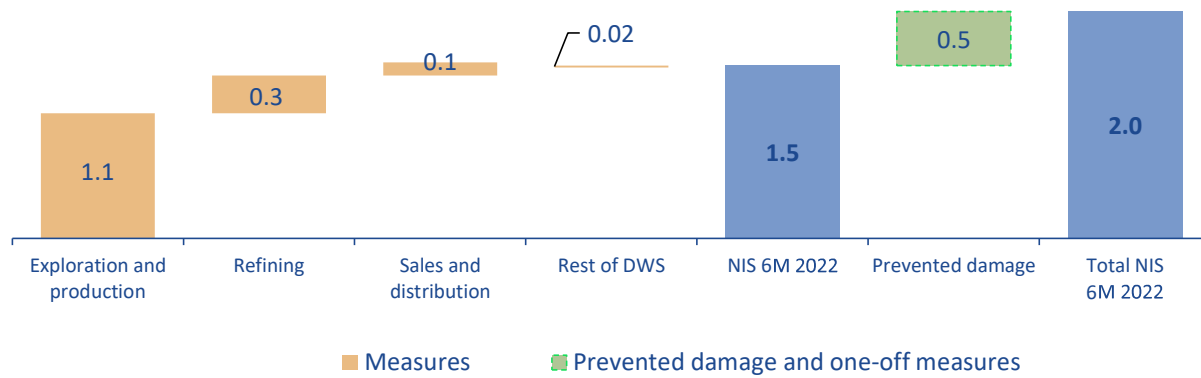
<sup>49</sup>Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS Naftagas LLC Novi Sad and NIS Petrol a.d. Belgrade.

<sup>50</sup>Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

### **Operational efficiency improvement**

The total effect of the realization of the achievable level of potential in the first six months of 2022 on the EBITDA indicator amounts to RSD 1.5 billion.

#### **Effect of operational efficiency improvement measures on EBITDA, RSD billion**



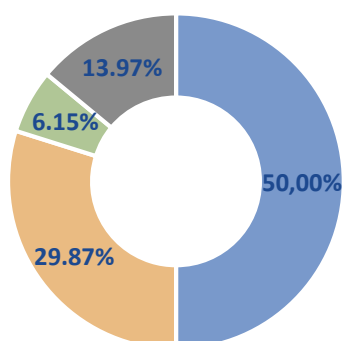
## Securities

### 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:

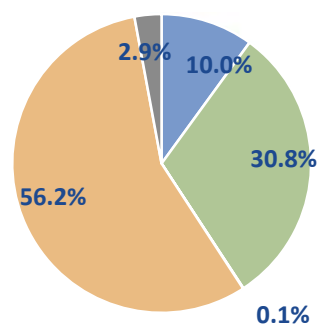
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance 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**



- Pjsc Gazprom Neft
- Republic of Serbia
- Pjsc Gazprom
- Other shareholders

**Share capital structure based on entity type**



- Physical Domestic Entities
- Legal Domestic Entities
- Physical Foreign Entities
- Legal Foreign Entities
- Custody accounts and funds

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	48,712,537	29.87%
PJSC Gazprom	10,035,687	6.15%
OTP banka Srbija a.d.– custody account – fund	2,878,306	1.77%
OTP banka Srbija a.d.– custody account – fund	1,048,901	0.64%
Dunav osiguranje a.d.o.	394,229	0.24%
Convest 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	117,496	0.07%
Other shareholders	17,803,040	10.92%
<b>Total number of shareholders as at 30 June 2022:</b>		<b>2,057,391</b>

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

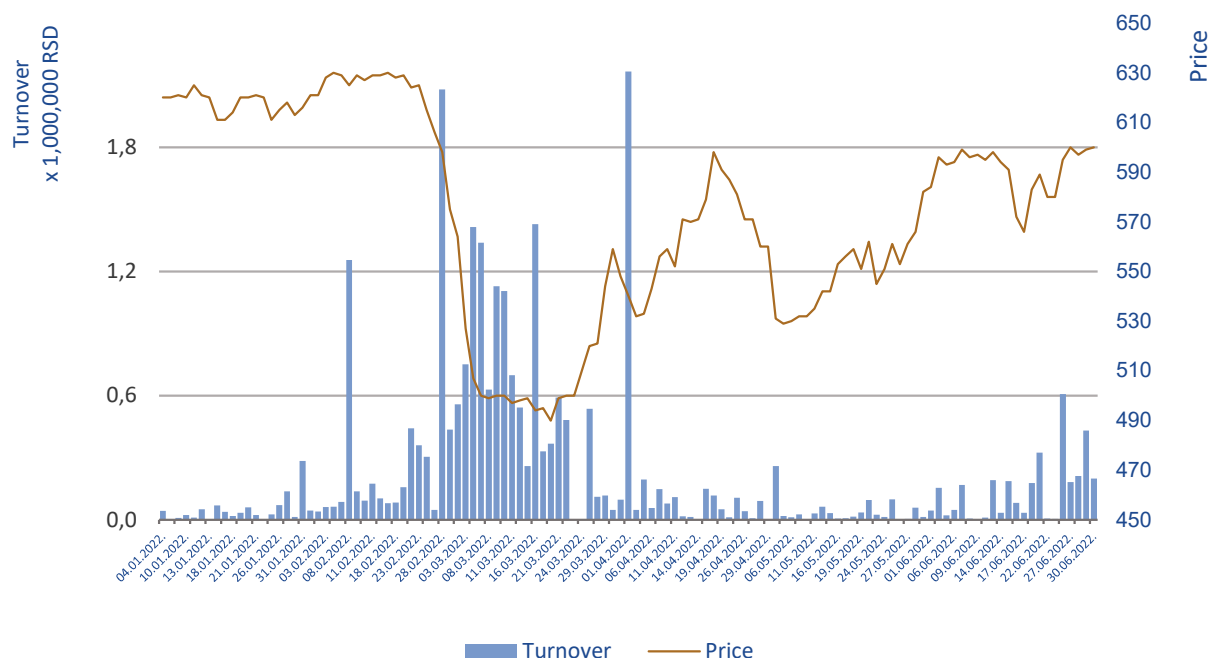
## Quarterly report for second quarter of 2022

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).

### 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 six months of 2022



<b>Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first six months of 2022</b>	
Last price (30 June 2022)	600
High (4 <sup>th</sup> February 2022)	633
Low (16 <sup>th</sup> March 2022)	482
Total turnover, RSD	269,346,474
Total turnover, number of shares	493,163
Total number of transactions, number of transactions	2,901
Market capitalization as at 30 June 2022, in RSD	97,836,240,000
EPS	264.45
Consolidated EPS	268.06
P/E ratio	2.27
Consolidated P/E ratio	2.24
Book value as at 30 June 2022	1,898.40
Consolidated book value as at 30 June 2022	1,843.89
P/BV ratio	0.32
Consolidated P/BV ratio	0.33

In the first six 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>Net profit (loss), RSD bn<sup>51</sup></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 %<sup>52</sup></i>
<b>2009</b>	(4.4)	0.0	-	-	0	-	-
<b>2010</b>	16.5 <sup>53</sup>	0.0	-	101.1	0	475	-
<b>2011</b>	40.6 <sup>54</sup>	0.0	-	249	0	605	-
<b>2012</b>	49.5	12.4	25%	303.3	75.83	736	10.3
<b>2013</b>	52.3	13.1	25%	320.9	80.22	927	8.7
<b>2014</b>	30.6	7.6	25%	187.4	46.85	775	6.0
<b>2015</b>	16.1	4.0	25%	98.8	24.69	600	4.1
<b>2016</b>	16.1	4.0	25%	98.6	24.66	740	3.3
<b>2017</b>	27.8	6.9	25%	170.43	42.61	724	5.9
<b>2018</b>	26.1	6.5	25%	159.86	39.97	690	5.8
<b>2019</b>	17.7	4.4	25%	108.55	27.14	749	3.6
<b>2020</b>	(5.9)	1.0	-	(36.24)	6.14	644	1.0
<b>2021</b>	23.1	5.8	25%	141.85	35.46	620	5.7

<sup>51</sup> Net profit of NIS j.s.c. Novi Sad.

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

<sup>53</sup> Net profit used for coverage of accumulated losses.

<sup>54</sup> 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.

<b>Total amount of fees paid to BoD members in the first six months of 2022, net in RSD</b>	
<b>Members of BoD</b>	<b>RSD 118,672,819</b>

### ***Board of Directors' Committees***

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

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

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

### ***Shareholders' Assembly Board***

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

### ***Chief executive officer***

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

### ***Advisory Board of the CEO***

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities.

### ***Related-Party Transactions***

In the period ended 30 June 2022, the Group entered into business transactions with its related parties. An outline of related-party transactions is part of the Notes to the Financial Statements<sup>55</sup>.

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

## ***Human resources***

In the second quarter, NIS received two significant recognitions for its HR practices and for its position as an employer. For the second time in a row, NIS was declared the most desirable employer in Serbia, according to the Infostud survey, in which more than 11,000 respondents from Serbia took part, and the success and quality of HR practices and processes is confirmed by the "Employer Partner" certificate from the "Selectio" consultancy company, which was presented to the NIS HR team.

In order to increase employees' awareness of what NIS as an employer provides to its employees, an internal and external campaign was launched near the end of the second 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 commitment of employees, the second season of the "Committed Leader Academy" was launched, in which managers from all organizational units of the company will participate.

The arrival of each new young colleague for NIS means fresh energy and ideas that will contribute to the further development of the company. That is why February is the month of special importance for NIS, because it is the period in which one cycle of the "NIS Energy" program ends, while at the same time the participants selected in the competition for the new season of this unique corporate program for young people, come to the company.

The first season of the "NIS Energy" program, which lasted from February 2021, was successfully completed by 15 participants and all of them stayed to work and develop their professional careers at NIS.

In addition, from 17 February, 27 candidates selected in the competition for the second season of the "NIS Energy" program are on a one-year internship at NIS. They will have the opportunity to take their first professional steps in the business units of NIS. All the participants concluded a one-year fixed-term employment contract, and after completing the program, they will get the opportunity to start their employment in the company, just like their colleagues from the first cycle. During the second quarter, the participants of the program took part in 7 workshops, the aim of which was for the participants of the program to get to know our company's business better, as well as to develop their soft skills.

Selected participants are accompanied by NIS mentors at the course of the entire duration of the program. Young experts, motivated to learn and gain work experience, represent new energy for NIS that will contribute to the further development of the company.

Also, in the second quarter, the competition for the sixth season of the "NIS Calling" internship program was launched, with 45 places open for students. The start of the program is planned for 1 August.

In the second quarter, we launched a new internship program of practice and internship positions for young people graduating from high school. The program is an initiative of strategic employment and long-term workforce planning. Also, the program is aimed at the community and young people, as we provide an opportunity for young people to get their first job immediately after finishing high school.

The program is intended for students graduating from the following high schools: Mechanical School "Pančevo" (profile: Mechatronics Technician), Technical School "23. May" (profile: Technician for oil and gas refining), Electrical Engineering School "Nikola Tesla" (profile: Process control electrical technician), and Technical School Zrenjanin (profile: Operator of oil and gas producing units), with whom we have strategic cooperation through our program called "The Energy of Knowledge".

NIS continued to strengthen its position as a preferred employer through successful participation in more than 10 conferences, workshops and forums during the year, such as "ESTIEM Case Study Show", "Eestech Hackathon", "Beograd Days of Engineers of BEST Belgrade", "HR Starer", "Practice days of the FON Career Development Center", "Interviewing week", "KONSEK", Yard Sale, Career Booster, and others. In addition, we started an annual strategic cooperation with the organizations BEST and Eestec, in order to strengthen long-term cooperation with students of technical and IT faculties.

**Employee Number and Structure**

Organisational unit	6/30/2022			6/30/2021		
	Direct	Leasing	Total	Direct	Leasing	Total
<b>NIS j.s.c. Novi Sad<sup>56</sup></b>	<b>5,095</b>	<b>0</b>	<b>5,095</b>	<b>5,063</b>	<b>0</b>	<b>5,063</b>
Exploration and Production Block	1,085	0	1,085	1,085	0	1,085
Downstream Division	2,528	0	2,528	2,520	0	2,520
Refining Block	985	0	985	977	0	977
Sales and Distribution Block	1,357	0	1,357	1,326	0	1,326
Energy Directorate	38	0	38	37	0	37
the rest of Downstream Division <sup>57</sup>	148	0	148	180	0	180
Corporate Centre	990	0	990	963	0	963
Multifunctional Shared Service Center <sup>58</sup>	488	0	488	490	0	490
Representative and Branch Offices <sup>59</sup>	4	0	4	5	0	5
<b>Local subsidiaries</b>	<b>5,931</b>	<b>0</b>	<b>5,931</b>	<b>5,762</b>	<b>0</b>	<b>5,762</b>
<b>Subsidiaries abroad</b>	<b>134</b>	<b>0</b>	<b>134</b>	<b>138</b>	<b>0</b>	<b>138</b>
<b>Other subsidiaries included in consolidation</b>	<b>495</b>	<b>0</b>	<b>495</b>	<b>487</b>	<b>0</b>	<b>487</b>
<b>TOTAL<sup>60</sup>:</b>	<b>11,655</b>	<b>0</b>	<b>11,655</b>	<b>11,450</b>	<b>0</b>	<b>11,450</b>

<sup>56</sup> In December, NIS j.s.c. has 41 employees hired through the Contract of Services

<sup>57</sup> The rest of the Downstream Division includes: Office of Division Director, Crude Oil Sector, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, and DWS Procurement Department, and Project Office for Implementation of New Projects in DWS

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

<sup>59</sup> 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.

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

### **Causes of Employment Termination**

In first six months of 2022, a total of 276 employees left NIS<sup>61</sup>: 35 employees retired, 6 employees left NIS after termination of employment by mutual agreement, while the employment of 235 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy).

<b>Basis of employment termination</b>	<b>NIS j.s.c<sup>62</sup></b>	<b>Subsidiaries<sup>63</sup></b>
Retirement	20	15
Termination by mutual consent	3	3
Other	173	62
<b>Total</b>	<b>196</b>	<b>80</b>

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<sup>61</sup> 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.

<sup>62</sup> Including representative offices and branches. Of the total number of terminations, 14 terminations account for the representative offices and branches.

<sup>63</sup> 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.

Implementation and development of new technologies, scientific and research activities, as well as increasing the efficiency of exploration, production and refining of oil and gas remain in focus of attention for the NTC, and therefore of the NIS j.s.c. Novi Sad. The work is organized in several directions. In the business segment of integrated solutions, within the activities of external projects, in the second quarter of 2022, the hypothesis testing on the topic of the research "Saturation of Achimovski layers in Western Siberia" was completed. During the project implementation, it is expected to obtain an integrated approach that would take into account alternative methods for predicting the nature of the saturation of the Achimovski collector. As they work on these projects, the aforementioned Achimovski deposit research project included, our colleagues involved in the completion of the project, study the geological structure of the field analogous to deep-sea marine environments, which significantly upgrades their qualifications and experience. Our experts use thus gained knowledge in their research and directly apply it to geological explorations in Serbia and the entire Balkans.

The first phase of the work has been completed, a structural and tectonic model has been built, the borehole and seismic correlation have been connected, the petro-physical model updated and the borehole logging reinterpreted. In the process of working on the dynamic interpretation of CPP 3D and the forecast of the accumulation properties, the development of a facial field model has been completed and the probability of the resource base assessed. The works on this project are planned to be completed by the end of the third quarter of 2022.

In the same business segment, in the second quarter of 2022, the project "Development of NGI in the fundament and neogene complex of Szeged and Tomnatek depression" was implemented within the activities of internal projects. The project performed detailed geological and lithofacial analyses, seismogeological interpretation of the exploration area, then geochemical interpretation, 3D modelling of the UV system of the Segedin and Tomnatek Depression and assessment of the further research perspective. The project also located 6 perspective zones in the fundament and the transitional zone of the fundament-neogene of the Szeged Depression, and concluded that the research should be extended to the eastern and western parts of the Szeged Depression, respectively.

In accordance with the NIS strategic plans, the Downstream Laboratory harmonized the needs for the procurement of critical laboratory equipment through SIP\_2023-2025 with the clients of laboratory tests, during the second 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 (PT schemes organized by IIS SGS Netherlands and ERA WATERS) and confirmed its competence for testing water, oil, diesel fuel and engine oil. For the engineering frame, a new Job Shadowing program cycle has been launched. An internal check was carried out in the laboratory in order to check the compliance of the QMS for the implementation of the GAP analysis of the Quality Assurance Procedure in the production, storage and distribution of aviation fuel to the airport according to the requirements of the International Standard EI JIG 1530 in the NTC downstream laboratory at the locations of Pančevo and Surčin. During this check, no non-conformities were identified. In April this year, during the external audit of the IMS, the assessment of compliance of the quality management system and the environmental management system in accordance with the requirements of the SRPS ISO 9001 and SRPS ISO 14001 standards went satisfactorily without non-compliances, thus the Laboratory confirmed the effectiveness of the established management system.

The implementation of the DRP Turija project was intensified in the previous quarter as part of the infrastructure design activities. The conceptual layout plan of PPD Velebit has been launched and is currently being implemented, while the technical solution of the gas compression plant at the exploration gas wells is also being implemented. Additionally, activities on the preparation of the investment PTD for the needs of the Exploration and Production Block have been implemented, for the projects of connecting new wells and a number of projects of pipeline rehabilitation at the collection stations. Three projects were implemented for the purpose of investment maintenance in RNP and analyses started for the continuation of activities, in accordance with the 2022 plan.

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 second 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.

## Financial Statements

### Stand-Alone Financial Statements

#### Interim Condensed Statement of Financial Position

Assets	Note	30 June 2022	31 December 2021
<b>Current assets</b>		<i>(unaudited)</i>	
Cash and cash equivalents	5	33,393,208	20,336,901
Short-term financial assets	6	1,624,347	3,149,270
Trade and other receivables	7	47,686,593	31,240,745
Inventories	8	62,857,058	33,162,843
Other current assets	9	10,479,115	6,242,769
Non-current assets held for sale		34,512	47,493
<b>Total current assets</b>		<b>156,074,833</b>	<b>94,180,021</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	267,552,822	271,927,718
Right-of-use assets	11	1,534,599	1,537,758
Investment property		1,652,134	1,778,608
Intangible assets		3,462,154	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		2,818	2,822
Long-term financial assets	12	29,848,304	28,161,293
Deferred tax assets		2,736,330	2,564,817
Other non-current assets	13	1,162,513	1,328,637
<b>Total non-current assets</b>		<b>322,416,101</b>	<b>325,160,153</b>
<b>Total assets</b>		<b>478,490,934</b>	<b>419,340,174</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	12,833,612	9,318,491
Current lease liabilities	19	322,638	330,579
Trade and other payables	15	44,280,909	30,094,846
Other current liabilities	16	5,933,009	7,167,178
Current income tax payable		6,600,400	4,144,615
Other taxes payable	17	17,931,677	10,146,057
Provisions for liabilities and charges		1,518,104	1,575,245
<b>Total current liabilities</b>		<b>89,420,349</b>	<b>62,777,011</b>
<b>Non-current liabilities</b>			
Long-term debt	18	65,173,294	70,431,511
Non-current lease liabilities	19	1,034,175	1,007,802
Other non-current financial liabilities		844,597	846,083
Provisions for liabilities and charges		12,464,889	12,029,890
<b>Total non-current liabilities</b>		<b>79,516,955</b>	<b>84,315,286</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		93,887	93,991
Retained earnings		227,929,543	190,623,686
<b>Total equity</b>		<b>309,553,630</b>	<b>272,247,877</b>
<b>Total liabilities and shareholder's equity</b>		<b>478,490,934</b>	<b>419,340,174</b>

*in 000 RSD*



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

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2022	2021	2022	2021
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		131,698,369	59,819,482	219,296,676	100,625,325
Other revenues		5,093,483	3,375,282	9,948,621	6,439,043
<b>Total revenue from sales</b>	<b>4</b>	<b>136,791,852</b>	<b>63,194,764</b>	<b>229,245,297</b>	<b>107,064,368</b>
Purchases of oil, gas and petroleum products		(80,239,926)	(37,133,028)	(132,050,273)	(59,442,297)
Production and manufacturing expenses	20	(9,081,922)	(6,411,113)	(18,063,301)	(12,430,718)
Selling, general and administrative expenses	21	(6,083,140)	(6,009,602)	(11,660,339)	(11,168,554)
Transportation expenses		(439,618)	(301,462)	(786,720)	(545,685)
Depreciation, depletion and amortization		(5,812,745)	(5,674,468)	(11,535,106)	(11,367,571)
Taxes other than income tax		(1,307,126)	(1,123,068)	(2,562,028)	(2,189,193)
Exploration expenses		(173)	(6,588)	(173)	(6,588)
<b>Total operating expenses</b>		<b>(102,964,650)</b>	<b>(56,659,329)</b>	<b>(176,657,940)</b>	<b>(97,150,606)</b>
Other income (expenses), net		115,787	21,715	77,711	(64,120)
<b>Operating profit</b>		<b>33,942,989</b>	<b>6,557,150</b>	<b>52,665,068</b>	<b>9,849,642</b>
Net foreign exchange loss	22	(1,325,491)	(230,194)	(1,293,145)	(249,762)
Finance income	23	384,095	211,311	626,252	432,675
Finance expenses	24	(396,291)	(416,423)	(776,494)	(808,598)
<b>Total other expense</b>		<b>(1,337,687)</b>	<b>(435,306)</b>	<b>(1,443,387)</b>	<b>(625,685)</b>
<b>Profit before income tax</b>		<b>32,605,302</b>	<b>6,121,844</b>	<b>51,221,681</b>	<b>9,223,957</b>
Current income tax expense		(5,081,117)	(807,276)	(8,271,688)	(1,520,939)
Deferred tax income (expense)		159,136	(433,751)	171,514	(512,962)
<b>Total income tax</b>		<b>(4,921,981)</b>	<b>(1,241,027)</b>	<b>(8,100,174)</b>	<b>(2,033,901)</b>
<b>Profit for the period</b>		<b>27,683,321</b>	<b>4,880,817</b>	<b>43,121,507</b>	<b>7,190,056</b>
<b>Other comprehensive income (loss):</b>					
<b>Items that will not be reclassified to profit</b>					
Losses on remeasurements of defined benefit plans		-	-	(33,528)	-
Gains (losses) from investments in equity instruments		(104)	1,433	(104)	1,411
<b>Other comprehensive income (loss) for the period</b>		<b>(104)</b>	<b>1,433</b>	<b>(33,632)</b>	<b>1,411</b>
<b>Total comprehensive income for the period</b>		<b>27,683,217</b>	<b>4,882,250</b>	<b>43,087,875</b>	<b>7,191,467</b>
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		169.77	29.93	264.45	44.09
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**

Six month period ended 30 June 2022 and 2021

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
<b>Balance as at 1 January 2021</b>	<b>81,530,200</b>	<b>93,664</b>	<b>168,484,750</b>	<b>250,108,614</b>
Profit for the period	-	-	7,190,056	7,190,056
<b>Other comprehensive income (loss)</b>				
Gain from investments in equity instruments	-	1,411	-	1,411
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>1,411</b>	<b>7,190,056</b>	<b>7,191,467</b>
Dividend distribution	-	-	(1,001,191)	(1,001,191)
<b>Balance as at 30 June 2021</b>	<b>81,530,200</b>	<b>95,075</b>	<b>174,673,615</b>	<b>256,298,890</b>

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
<b>Balance as at 1 January 2022</b>	<b>81,530,200</b>	<b>93,991</b>	<b>190,623,686</b>	<b>272,247,877</b>
Profit for the period	-	-	43,121,507	43,121,507
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(104)	-	(104)
Loss on remeasurements of defined benefit plans	-	-	(33,528)	(33,528)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>(104)</b>	<b>43,087,979</b>	<b>43,087,875</b>
Dividend distribution	-	-	(5,782,122)	(5,782,122)
<b>Balance as at 30 June 2022</b>	<b>81,530,200</b>	<b>93,887</b>	<b>227,929,543</b>	<b>309,553,630</b>

in 000 RSD

**Interim Condensed Statement of Cash Flows<sup>64</sup>**

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

	Note	Six month period ended 30 June	
		2022	2021
		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>51,221,681</b>	<b>9,223,957</b>
<b>Adjustments for:</b>			
Finance expenses	24	776,494	808,598
Finance income	23	(626,252)	(432,675)
Net unrealised foreign exchange loss		427,040	254,290
Depreciation, depletion and amortization		11,535,106	11,367,571
Other non-cash items		295,414	367,704
<b>Operating cash flow before changes in working capital</b>		<b>63,629,483</b>	<b>21,589,445</b>
<b>Changes in working capital:</b>			
Accounts receivables		(16,450,783)	(7,452,957)
Inventories		(29,681,559)	(10,729,065)
Other assets		(4,475,997)	(426,301)
Accounts payables and other current liabilities		7,850,602	10,840,461
Taxes payable		7,785,540	290,715
<b>Total effect on working capital changes</b>		<b>(34,972,197)</b>	<b>(7,477,147)</b>
Income taxes paid		(5,828,308)	(134,759)
Interest paid		(671,109)	(706,234)
Interest received		336,321	206,471
<b>Net cash generated from operating activities</b>		<b>22,494,190</b>	<b>13,477,776</b>
<b>Cash flows from investing activities</b>			
Loans issued		(2,111,616)	(2,161,712)
Loan proceeds received		2,163,671	1,800,764
Capital expenditures <sup>65</sup>		(7,694,707)	(8,799,142)
Proceeds from sale of property, plant and equipment		232,160	139,208
<b>Net cash used in investing activities</b>		<b>(7,410,492)</b>	<b>(9,020,882)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,18	13,186,883	15,378,500
Repayment of borrowings	14,18	(14,817,117)	(16,552,072)
Repayment of lease liabilities	19	(187,875)	(192,429)
<b>Net cash used in financing activities</b>		<b>(1,818,109)</b>	<b>(1,366,001)</b>
Net increase (decrease) in cash and cash equivalents		13,265,589	3,090,893
Effect of foreign exchange on cash and cash equivalents		(209,282)	(19,705)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>20,336,901</b>	<b>7,949,785</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>33,393,208</b>	<b>11,020,973</b>

*in 000 RSD*

<sup>64</sup> Company's policy is to present cash flow inclusive of related VAT

<sup>65</sup> CF from investing activities includes VAT in the amount of 1 bln RSD (2021: 1 bln RSD)

## Notes to Standalone Financial Statements<sup>66</sup>

### 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 US Dollar and Euro (the information on economic environment in the Republic Serbia is detailed in Note 26). Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the first half 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 June 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 six months ended 30 June 2022 are not necessarily indicative of the Company's results expected for the full year.

<sup>66</sup> All amounts are in 000 RSD, unless otherwise stated.

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

## **2.2. Changes in significant accounting policies**

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed 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 six month period ended 30 June 2022 and 2021. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the six month period ended 30 June 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	45,308,852	227,686,381	(43,749,936)	229,245,297
Intersegment	43,239,667	510,269	(43,749,936)	-
External	2,069,185	227,176,112	-	229,245,297
EBITDA (Segment results)	24,389,813	39,879,102	-	64,268,915
Depreciation, depletion and amortization	(6,183,347)	(5,351,759)	-	(11,535,106)
Net foreign exchange loss	(2,064)	(1,291,081)	-	(1,293,145)
Finance expenses, net	(15,488)	(134,754)	-	(150,242)
Income tax	(155,950)	(7,944,224)	-	(8,100,174)
<b>Segment profit</b>	<b>17,980,646</b>	<b>25,140,861</b>	<b>-</b>	<b>43,121,507</b>

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	20,317,460	106,073,049	(19,326,141)	107,064,368
Intersegment	19,083,946	242,195	(19,326,141)	-
External	1,233,514	105,830,854	-	107,064,368
EBITDA (Segment results)	13,024,984	8,252,135	-	21,277,119
Depreciation, depletion and amortization	(5,949,955)	(5,417,616)	-	(11,367,571)
Net foreign exchange loss	(25,201)	(224,561)	-	(249,762)
Finance expenses, net	(22,946)	(352,977)	-	(375,923)
Income tax	(135,898)	(1,898,003)	-	(2,033,901)
<b>Segment profit</b>	<b>6,855,818</b>	<b>334,238</b>	<b>-</b>	<b>7,190,056</b>

EBITDA for the three and six month period ended 30 June 2022 and 2021 is reconciled below:

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Profit for the period	27,683,321	4,880,817	43,121,507	7,190,056
Income tax	4,921,981	1,241,027	8,100,174	2,033,901
Finance expenses	396,291	416,423	776,494	808,598
Finance income	(384,095)	(211,311)	(626,252)	(432,675)
Depreciation, depletion and amortization	5,812,745	5,674,468	11,535,106	11,367,571
Net foreign exchange loss	1,325,491	230,194	1,293,145	249,762
Other expense (income), net	(115,787)	(21,715)	(77,711)	64,120
Other non-operating expense (income), net	148,583	27,061	146,452	(4,214)
<b>EBITDA</b>	<b>39,788,530</b>	<b>12,236,964</b>	<b>64,268,915</b>	<b>21,277,119</b>

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

	Six month period ended 30 June 2022		
	Domestic market	Export and International sales	Total
Sale of crude oil	1,782,689	2,042,795	3,825,484
Sale of gas	73,514	-	73,514
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	73,514	-	73,514
Sale of petroleum products	174,126,128	41,271,550	215,397,678
<i>Through a retail network</i>	56,301,571	-	56,301,571
<i>Wholesale activities</i>	117,824,557	41,271,550	159,096,107
Sale of electricity	3,333,555	302,915	3,636,470
Lease revenue	176,303	2,719	179,022
Other sales	5,802,258	330,871	6,133,129
<b>Total sales</b>	<b>185,294,447</b>	<b>43,950,850</b>	<b>229,245,297</b>

	Six month period ended 30 June 2021		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	1,212,510	1,212,510
Sale of gas	173,371	-	173,371
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	173,371	-	173,371
Sale of petroleum products	78,540,989	20,698,455	99,239,444
<i>Through a retail network</i>	28,563,257	-	28,563,257
<i>Wholesale activities</i>	49,977,732	20,698,455	70,676,187
Sale of electricity	1,019,389	189,878	1,209,267
Lease revenue	164,737	2,565	167,302
Other sales	4,895,707	166,767	5,062,474
<b>Total sales</b>	<b>84,794,193</b>	<b>22,270,175</b>	<b>107,064,368</b>

Out of the amount of 159,096,107 thousand RSD (2021: 70,676,187 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 23,894,065 thousand RSD (2021: 11,526,213 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 4,423,326 thousand RSD (2021: 3,693,888 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 185,294,447 thousand RSD (2021: 84,794,193 thousand RSD), and the total revenue from external customer from other countries is 43,950,850 thousand RSD (2021: 22,270,175 thousand RSD).

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

	Six month period ended	
	30 June 2022	2021
Sale of crude oil	2,042,795	1,212,510
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	14,864,389	8,285,068
Bulgaria	3,885,062	2,867,464
Romania	6,161,019	1,946,512
Croatia	969,462	1,093,398
Switzerland	171,506	756,472
Hungary	959,820	251,626
Great Britain	3,151,101	1,415,150
Northern Macedonia	283,830	253,044
All other markets	10,825,361	3,829,721
	41,271,550	20,698,455
Sale of electricity	302,915	189,878
Lease revenue	2,719	2,565
Other sales	330,871	166,767
	<b>43,950,850</b>	<b>22,270,175</b>

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

## 5. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Cash in bank and in hand	12,331,728	12,809,718
Deposits with original maturity of less than three months	21,060,000	7,500,000
Cash equivalents	1,480	27,183
	<b>33,393,208</b>	<b>20,336,901</b>



**6. SHORT-TERM FINANCIAL ASSETS**

	30 June 2022	31 December 2021
Short-term loans	2,174	150,401
Current portion of long-term investments (note 12)	3,604,011	4,999,379
Less impairment loss provision	(1,981,838)	(2,000,510)
	<b>1,624,347</b>	<b>3,149,270</b>

**7. TRADE AND OTHER RECEIVABLES**

	30 June 2022	31 December 2021
Trade receivables	55,929,357	39,477,187
Other receivables	94,761	96,309
<i>Less credit loss allowance for trade receivables</i>	(8,298,535)	(8,291,616)
<i>Less credit loss allowance for other receivables</i>	(38,990)	(41,135)
<b>Total trade and other receivables</b>	<b>47,686,593</b>	<b>31,240,745</b>

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 June 2022	31 December 2021
RSD	34,122,453	23,464,406
EUR	13,388,152	7,456,256
USD	175,948	320,043
Other	40	40
	<b>47,686,593</b>	<b>31,240,745</b>

**8. INVENTORIES**

	30 June 2022	31 December 2021
Crude oil	37,666,592	18,623,843
Petroleum products	23,812,219	13,825,457
Materials and supplies	4,858,405	4,311,200
Other	989,147	938,122
<i>Less impairment provision</i>	(4,469,305)	(4,535,779)
	<b>62,857,058</b>	<b>33,162,843</b>

**9. OTHER CURRENT ASSETS**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Advances paid	686,703	459,979
Deferred VAT	6,592,056	3,126,172
Prepaid expenses	488,878	327,305
Prepaid custom duties	61,867	65,346
Prepaid excise	2,443,636	1,974,381
Other current assets	7,689,361	7,771,845
Less impairment provision	(7,483,386)	(7,482,259)
	<b>10,479,115</b>	<b>6,242,769</b>

Deferred VAT as at 30 June 2022 amounting to 6,592,056 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 June 2022 amounting to 2,443,636 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.

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10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2021</b>						
Cost	189,297,949	160,908,071	54,118,866	16,582,366	18,329,919	439,237,171
Depreciation and impairment	(63,463,518)	(57,807,804)	(30,128,250)	(8,838,112)	(2,507,663)	(162,745,347)
<b>Net book value</b>	<b>125,834,431</b>	<b>103,100,267</b>	<b>23,990,616</b>	<b>7,744,254</b>	<b>15,822,256</b>	<b>276,491,824</b>
<b>Period ended 30 June 2021</b>						
Additions	-	-	-	-	8,024,384	8,024,384
Changes in decommissioning obligations	92,238	-	-	-	-	92,238
Transfer from assets under construction	7,926,894	1,495,308	743,698	109,512	(10,275,412)	-
Impairment	-	-	-	-	(881)	(881)
Depreciation	(5,881,214)	(3,959,071)	(866,676)	(250,390)	-	(10,957,351)
Disposals and write-off	(20,874)	(8,057)	(29,545)	(345)	(6,588)	(65,409)
Transfer to non-current assets held for sale	-	-	-	(15,860)	-	(15,860)
Transfer to Right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,610)	496,059	(472,013)	(21,436)	(170,926)	(170,926)
	<b>127,948,865</b>	<b>101,124,506</b>	<b>23,212,653</b>	<b>7,565,735</b>	<b>13,392,833</b>	<b>273,244,592</b>
<b>As at 30 June 2021</b>						
Cost	197,101,765	163,273,874	53,645,304	16,594,519	15,901,377	446,516,839
Depreciation and impairment	(69,152,900)	(62,149,368)	(30,432,651)	(9,028,784)	(2,508,544)	(173,272,247)
<b>Net book value</b>	<b>127,948,865</b>	<b>101,124,506</b>	<b>23,212,653</b>	<b>7,565,735</b>	<b>13,392,833</b>	<b>273,244,592</b>
<b>As at 1 January 2022</b>						
Cost	204,856,329	164,080,833	53,637,916	16,588,994	16,714,425	455,878,497
Depreciation and impairment	(74,822,128)	(66,061,581)	(30,873,325)	(9,215,794)	(2,977,951)	(183,950,779)
<b>Net book value</b>	<b>130,034,201</b>	<b>98,019,252</b>	<b>22,764,591</b>	<b>7,373,200</b>	<b>13,736,474</b>	<b>271,927,718</b>
<b>Period ended 30 June 2022</b>						
Additions	-	-	-	-	6,728,074	6,728,074
Changes in decommissioning obligations	104,745	-	-	-	-	104,745
Transfer from assets under construction	5,957,124	375,778	2,133,200	49,962	(8,516,064)	-
Impairment	-	-	-	-	(8,144)	(8,144)
Depreciation	(6,126,761)	(3,900,533)	(889,214)	(232,989)	-	(11,149,497)
Disposals and write-off	(68,072)	(10,000)	(15,412)	(35,475)	(405)	(129,364)
Transfer from investment property	-	-	125,456	-	(4,089)	121,367
Transfer to non-current assets held for sale	-	-	-	(10,591)	-	(10,591)
Other transfers	10,714	(478)	(41,219)	30,123	(30,626)	(31,486)
	<b>129,911,951</b>	<b>94,484,019</b>	<b>24,077,402</b>	<b>7,174,230</b>	<b>11,905,220</b>	<b>267,552,822</b>
<b>As at 30 June 2022</b>						
Cost	210,447,863	164,373,465	55,691,680	16,635,080	14,891,315	462,039,403
Depreciation and impairment	(80,535,912)	(69,889,446)	(31,614,278)	(9,460,850)	(2,986,095)	(194,486,581)
<b>Net book value</b>	<b>129,911,951</b>	<b>94,484,019</b>	<b>24,077,402</b>	<b>7,174,230</b>	<b>11,905,220</b>	<b>267,552,822</b>

**11. RIGHT-OF-USE ASSETS**

Movements in right-of-use assets for the six months ended 30 June 2022 and 2021 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
<b>As at 1 January 2021</b>	<b>5,006</b>	<b>519,681</b>	<b>167,526</b>	<b>730,664</b>	<b>1,422,877</b>
Additions	-	158,785	10,739	1,509	171,033
Depreciation	(1,252)	(26,792)	(43,411)	(106,894)	(178,349)
Transfer from PPE	-	153,427	-	-	153,427
Effect of contract modifications and changes in estimates	-	(15,114)	-	-	(15,114)
Disposals	-	-	-	(1,811)	(1,811)
<b>As at 30 June 2021</b>	<b>3,754</b>	<b>789,987</b>	<b>134,854</b>	<b>623,468</b>	<b>1,552,063</b>
<b>As at 1 January 2022</b>	<b>2,503</b>	<b>771,743</b>	<b>220,157</b>	<b>543,355</b>	<b>1,537,758</b>
Additions	-	143,644	33,636	1,689	178,969
Depreciation	(1,252)	(38,206)	(43,900)	(98,663)	(182,021)
Effect of contract modifications and changes in estimates	-	-	(107)	-	(107)
<b>As at 30 June 2022</b>	<b>1,251</b>	<b>877,181</b>	<b>209,786</b>	<b>446,381</b>	<b>1,534,599</b>

**12. LONG-TERM FINANCIAL ASSETS**

	30 June 2022	31 December 2021
LT loans issued	40,601,344	40,305,461
Financial assets at FVTPL	31,051	30,551
Financial assets at FVTOCI	840,596	841,861
Available for sale financial assets	177,498	177,459
<i>Less Current portion of LT loans issued (note 6)</i>	<i>(3,604,011)</i>	<i>(4,999,379)</i>
<i>Less provision of other LT placements</i>	<i>(8,198,174)</i>	<i>(8,194,660)</i>
	<b>29,848,304</b>	<b>28,161,293</b>

**13. OTHER NON-CURRENT ASSETS**

	30 June 2022	31 December 2021
Advances paid for PPE	176,142	294,923
Prepaid expenses	102,364	107,278
Other assets	1,315,749	1,340,285
<i>Less allowance for Other assets</i>	<i>(410,379)</i>	<i>(392,486)</i>
<i>Less allowance for advances paid</i>	<i>(21,363)</i>	<i>(21,363)</i>
	<b>1,162,513</b>	<b>1,328,637</b>

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

	30 June 2022	31 December 2021
Short-term loans	3,229,326	2,188,401
Interest liabilities	111,476	81,574
Current portion of long-term loans (note 18)	9,492,810	7,048,516
	<b>12,833,612</b>	<b>9,318,491</b>

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

	Six month period ended	
	30 June	
	2022	2021
<b>Short-term loans at 1 January</b>	<b>2,188,401</b>	<b>1,756,035</b>
Proceeds	8,687,130	7,156,687
Repayment	(7,643,693)	(7,456,214)
Foreign exchange difference	(2,512)	-
<b>Short-term loans at 30 June</b>	<b>3,229,326</b>	<b>1,456,508</b>

#### 15. TRADE AND OTHER PAYABLES

	30 June	31 December
	2022	2021
Trade payables	34,594,123	26,255,796
Dividends payable	9,566,187	3,784,105
Other accounts payable	120,599	54,945
	<b>44,280,909</b>	<b>30,094,846</b>

As at 30 June 2022 trade payables amounting to 34,594,123 thousand RSD (31 December 2021: 26,255,796 thousand RSD) mainly relate to payables for crude oil in the amount of 19,027,970 thousand RSD (31 December 2021: 9,860,326 thousand RSD).

#### 16. OTHER CURRENT LIABILITIES

	30 June	31 December
	2022	2021
Contract liabilities arising from contracts with customers:		
- Advances received	3,072,046	3,009,493
- Customer loyalty	574,033	776,791
Payables to employees	2,271,226	3,361,824
Other current non-financial liabilities	15,704	19,070
	<b>5,933,009</b>	<b>7,167,178</b>

As at 30 June 2022 revenue in the amount of 2,392,047 thousand RSD (30 June 2021: 4,033,440 thousand RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2022, of which 2,392,047 thousand RSD (30 June 2021: 3,667,749 thousand RSD) related to advances and 450,113 thousand RSD (30 June 2021: 365,691 thousand RSD) to customer loyalty programme.

#### 17. OTHER TAXES PAYABLE

	30 June	31 December
	2022	2021
Mineral extraction tax	461,135	379,789
VAT	9,561,702	2,181,792
Excise tax	6,647,210	6,303,828
Contribution for buffer stocks	360,336	302,940
Custom duties	9,694	74,057
Energy efficiency fee	41,559	34,585
Other taxes	850,041	869,066
	<b>17,931,677</b>	<b>10,146,057</b>

**18. LONG-TERM DEBT**

	30 June 2022	31 December 2021
Long-term loan - Gazprom Neft	6,825,900	8,203,403
Bank loans	67,840,204	69,276,624
Less Current portion (note 14)	(9,492,810)	(7,048,516)
	<b>65,173,294</b>	<b>70,431,511</b>

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

	Six month period ended 30 June	
	2022	2021
<b>Long-term loans at 1 January</b>	<b>77,480,027</b>	<b>82,781,970</b>
Proceeds	4,499,753	8,221,813
Repayment	(7,173,424)	(9,095,858)
Non-cash transactions	(18,096)	40,521
Foreign exchange difference (note 22)	(122,156)	(12,478)
<b>Long-term loans at 30 June</b>	<b>74,666,104</b>	<b>81,935,968</b>

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

As at 30 June 2022 long-term loan - Gazprom Neft amounting to 6,825,900 thousand RSD (31 December 2021: 8,203,403 thousand RSD), with current portion of 6,825,900 thousand RSD (2021: 5,468,935 thousand RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

	30 June 2022	31 December 2021
Domestic	50,838,757	47,362,765
Foreign	17,001,447	21,913,859
	67,840,204	69,276,624
Current portion of long-term loans	(2,666,910)	(1,579,581)
	<b>65,173,294</b>	<b>67,697,043</b>

The maturity of bank loans was as follows:

	30 June 2022	31 December 2021
Between 1 and 2 years	7,810,037	3,004,092
Between 2 and 5 years	56,229,137	63,430,071
Over 5 years	1,134,120	1,262,880
	<b>65,173,294</b>	<b>67,697,043</b>

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

	30 June 2022	31 December 2021
USD	116,428	130,480
EUR	67,606,214	68,989,968
RSD	152	210
JPY	117,410	155,966
	<b>67,840,204</b>	<b>69,276,624</b>

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 June 2022 and 31 December 2021, respectively.

## 19. LEASE LIABILITIES

	30 June 2022	31 December 2021
Non-current lease liabilities	1,034,175	1,007,802
Current lease liabilities	322,638	330,579
	<b>1,356,813</b>	<b>1,338,381</b>

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

	Six month period ended 30 June	
	2022	2021
<b>As at 1 January</b>	<b>1,338,381</b>	<b>1,358,795</b>
Repayment	(187,875)	(192,429)
Non-cash transactions	199,389	175,576
Foreign exchange difference (note 22)	6,918	536
<b>As at 30 June</b>	<b>1,356,813</b>	<b>1,342,478</b>

Amounts recognized in profit and loss:

	Six month period ended 30 June	
	2022	2021
Interest expense (included in finance cost)	16,460	16,330
Expense relating to short-term leases	43,497	36,933
Expense relating to leases of low value assets that are not shown above as short-term leases	10,078	10,728
Expense relating to variable lease payments not included in lease liabilities	542,475	540,738

## 20. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Employee costs	986,849	985,497	1,935,135	1,912,702
Materials and supplies (other than purchased oil, petroleum products and gas)	254,906	157,111	482,371	313,537
Repair and maintenance services	1,300,530	986,824	2,501,090	2,156,133
Electricity and utilities	2,842,035	1,149,202	6,097,773	2,179,244
Safety and security expense	191,222	90,557	278,176	172,766
Transportation services for production	471,068	459,115	964,178	918,987
Other	3,035,312	2,582,807	5,804,578	4,777,349
	<b>9,081,922</b>	<b>6,411,113</b>	<b>18,063,301</b>	<b>12,430,718</b>

**21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Employee costs	2,911,209	3,074,520	5,632,329	5,765,891
Commission and agency fees	994,084	1,133,255	1,932,179	2,008,612
Legal, audit and consulting services	309,846	324,560	585,832	557,498
Current repair cost	279,747	225,512	458,719	397,640
Costs on advertising and marketing	71,092	66,671	111,757	112,352
Rent expense	21,896	16,577	49,195	42,693
Business trips expense	37,058	25,543	55,733	39,934
Safety and security expense	159,736	140,549	289,934	261,495
Insurance expense	21,183	16,898	43,324	32,438
Transportation and storage	38,467	33,861	86,628	58,315
Allowance for doubtful accounts	9,491	(65,344)	17,090	(65,479)
Other	1,229,331	1,017,000	2,397,619	1,957,165
	<b>6,083,140</b>	<b>6,009,602</b>	<b>11,660,339</b>	<b>11,168,554</b>

**22. NET FOREIGN EXCHANGE GAIN (LOSS)**

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain	335,627	217,209	508,902	407,532
- foreign exchange loss	(108,408)	(202,578)	(391,152)	(395,590)
Net foreign exchange gain (loss) on operating activities	(1,552,710)	(244,825)	(1,410,895)	(261,704)
	<b>(1,325,491)</b>	<b>(230,194)</b>	<b>(1,293,145)</b>	<b>(249,762)</b>

**23. FINANCE INCOME**

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Interest on bank deposits	203,858	17,130	267,159	28,914
Gains on restructuring of borrowings	5,793	21,673	11,593	60,882
Interest income on loans issued	174,444	172,508	347,500	342,879
	<b>384,095</b>	<b>211,311</b>	<b>626,252</b>	<b>432,675</b>



## 24. FINANCE EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Interest expense	387,681	390,531	753,699	771,763
Decommissioning provision: unwinding of the present value discount	9,093	19,600	18,117	39,019
Losses on restructuring of borrowings	6,094	18,484	12,100	40,521
Financial assets: unwinding of discount	(6,577)	(12,192)	(7,422)	(42,705)
	<b>396,291</b>	<b>416,423</b>	<b>776,494</b>	<b>808,598</b>

Interest expense includes expenses on lease liabilities in amount of 16,460 thousand RSD for the six months ended 30 June 2022 (16,330 thousand RSD for the six months ended 30 June 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 June 2022 the carrying value of financial assets approximates their fair value.

## 26. CONTINGENCIES AND COMMITMENTS

### Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation in the first half of 2022 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 six months was US\$107.5 per barrel which is more than 66% 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 459,279 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 June 2022.

*Capital commitments*

As of 30 June 2022 the Company has entered into contracts to purchase property, plant and equipment for 244,999 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 six month period ended 30 June 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 June 2022 and 31 December 2021 the outstanding balances, net of impairment, with related parties were as follows:

As at 30 June 2022	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	1,624,347	-	-
Trade and other receivables	11,383,748	-	2,870,691
Other current assets	4,049	-	3,984
Right of use assets	42,371	-	324
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,740,114	-	-
Other non-current assets	3,235	-	-
Trade and other payables	(4,946,075)	(357,662)	(25,078,947)
Other current liabilities	(37,559)	-	(10,275)
Short-term debt and current portion of long-term debt	(1,923,530)	-	(6,859,368)
Current lease liabilities	(2,355)	-	(338)
Non-current lease liabilities	(42,968)	-	(199)
	<b>49,271,004</b>	<b>(357,662)</b>	<b>(28,035,328)</b>

<b>As at 31 December 2021</b>	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries and associates</b>
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)
	<b>43,368,067</b>	<b>(8,205,815)</b>	<b>716,870</b>

For the six month period ended 30 June 2022 and 30 June 2021 the following transaction occurred with related parties:

<b>Six month period ended 30 June 2022</b>	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries, and associates</b>
Revenues from sales of products and services	26,829,034	-	992,493
Expenses based on procurement of products and services	(5,432,503)	(3,616)	(71,595,706)
Other income (expenses), net	339,420	-	(63,978)
	<b>21,735,951</b>	<b>(3,616)</b>	<b>(70,667,191)</b>

<b>Six month period ended 30 June 2021</b>	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries, and associates</b>
Revenues from sales of products and services	10,030,413	1,455	12,110,352
Expenses based on procurement of products and services	(14,022,651)	(1,105,219)	(737,680)
Other income (expenses), net	388,707	(96,822)	(96)
	<b>(3,603,531)</b>	<b>(1,200,586)</b>	<b>11,372,576</b>

#### **Transactions with Key Management Personnel**

For the six month period ended on 30 June 2022 and 2021 the Company recognized 518,846 thousand RSD and 467,191 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 June 2022 were evaluated through 27 July 2022, the date these Interim Condensed Financial Statements were authorised for issue.

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

<b>Assets</b>	<b>Note</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
		(unaudited)	
<b>Current assets</b>			
Cash and cash equivalents	5	37,918,379	21,283,274
Short-term financial assets		179,487	28,275
Trade and other receivables	6	40,382,799	28,644,507
Inventories	7	67,507,562	36,951,122
Other current assets	8	12,664,138	8,276,720
Non-current assets held for sale		31,027	44,008
<b>Total current assets</b>		<b>158,683,392</b>	<b>95,227,906</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	296,278,984	301,070,583
Right-of-use assets	10	2,555,873	2,583,964
Investment property		1,601,920	1,728,395
Goodwill and other intangible assets		4,852,290	4,821,785
Investments in associates and joint ventures		1,918,872	1,582,900
Trade and other non-current receivables		2,818	2,824
Long-term financial assets		263,816	263,511
Deferred tax assets		2,535,173	2,343,219
Other non-current assets	11	1,186,612	1,371,243
<b>Total non-current assets</b>		<b>311,196,358</b>	<b>315,768,424</b>
<b>Total assets</b>		<b>469,879,750</b>	<b>410,996,330</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	12	10,910,082	7,128,896
Current lease liabilities	17	646,910	640,656
Trade and other payables	13	42,056,557	28,887,841
Other current liabilities	14	7,453,282	8,665,153
Current income tax payable		6,620,966	4,209,379
Other taxes payable	15	19,153,344	11,477,877
Provisions for liabilities and charges		1,579,895	1,646,631
<b>Total current liabilities</b>		<b>88,421,036</b>	<b>62,656,433</b>
<b>Non-current liabilities</b>			
Long-term debt	16	65,288,590	70,535,652
Non-current lease liabilities	17	1,709,117	1,695,318
Other non-current financial liabilities		840,597	841,861
Provisions for liabilities and charges		12,955,738	12,430,855
<b>Total non-current liabilities</b>		<b>80,794,042</b>	<b>85,503,686</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		541,663	488,736
Retained earnings		218,592,809	180,797,597
<b>Equity attributable to the Company's owners</b>		<b>300,664,672</b>	<b>262,816,533</b>
Non-controlling interest		-	19,678
<b>Total equity</b>		<b>300,664,672</b>	<b>262,836,211</b>
<b>Total liabilities and shareholder's equity</b>		<b>469,879,750</b>	<b>410,996,330</b>

in 000 RSD

**Consolidated Statement of Profit and Loss and Other Comprehensive Income**

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2022	2021	2022	2021
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		136,203,367	63,398,723	228,664,797	107,869,424
Other revenues		6,036,060	4,131,802	11,609,617	7,839,386
<b>Total revenue from sales</b>	4	<b>142,239,427</b>	<b>67,530,525</b>	<b>240,274,414</b>	<b>115,708,810</b>
Purchases of oil, gas and petroleum products		(82,977,490)	(39,832,707)	(137,808,354)	(65,013,705)
Production and manufacturing expenses	18	(9,368,291)	(6,656,540)	(18,482,463)	(12,708,028)
Selling, general and administrative expenses	19	(6,683,387)	(6,356,750)	(12,828,424)	(12,214,510)
Transportation expenses		(469,481)	(329,293)	(842,460)	(596,938)
Depreciation, depletion and amortization		(6,422,135)	(6,272,499)	(12,710,953)	(12,497,169)
Taxes other than income tax		(2,050,207)	(1,519,871)	(4,245,099)	(2,972,965)
Exploration expenses		(173)	(6,588)	(173)	(6,588)
<b>Total operating expenses</b>		<b>(107,971,164)</b>	<b>(60,974,248)</b>	<b>(186,917,926)</b>	<b>(106,009,903)</b>
Other income (expenses), net		115,516	44,427	42,824	(13,344)
<b>Operating profit (loss)</b>		<b>34,383,779</b>	<b>6,600,704</b>	<b>53,399,312</b>	<b>9,685,563</b>
Share of gain (loss) of associates and joint ventures		183,335	(50,068)	335,973	(86,891)
Net foreign exchange (loss)	20	(1,321,668)	(238,110)	(1,275,474)	(468,818)
Finance income	21	213,926	20,427	279,685	35,475
Finance expenses	22	(421,724)	(444,027)	(829,988)	(864,082)
<b>Total other expense</b>		<b>(1,346,131)</b>	<b>(711,778)</b>	<b>(1,489,804)</b>	<b>(1,384,316)</b>
<b>Profit (loss) before income tax</b>		<b>33,037,648</b>	<b>5,888,926</b>	<b>51,909,508</b>	<b>8,301,247</b>
Current income tax (expense) income		(5,138,160)	(897,082)	(8,391,917)	(1,704,763)
Deferred tax income (expense)		169,996	(441,971)	192,041	(521,182)
<b>Total income tax</b>		<b>(4,968,164)</b>	<b>(1,339,053)</b>	<b>(8,199,876)</b>	<b>(2,225,945)</b>
<b>Profit (loss) for the period</b>		<b>28,069,484</b>	<b>4,549,873</b>	<b>43,709,632</b>	<b>6,075,302</b>
<b>Other comprehensive income (loss):</b>					
<b>Items that will not be reclassified to profit (loss)</b>					
Losses on remeasurements of defined benefit plans		-	-	(62,751)	-
Gains (loss) from investments in equity instruments		(104)	1,433	(104)	1,411
<b>Items that may be subsequently reclassified to profit (loss)</b>					
Currency translation differences		54,809	4,055	29,451	77,704
<b>Other comprehensive income (loss) for the period</b>		<b>54,705</b>	<b>5,488</b>	<b>(33,404)</b>	<b>79,115</b>
<b>Total comprehensive income (loss) for the period</b>		<b>28,124,189</b>	<b>4,555,361</b>	<b>43,676,228</b>	<b>6,154,417</b>
<b>Profit (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		28,069,487	4,549,873	43,709,632	6,075,302
- Non-controlling interest		-	-	-	-
<b>Profit (loss) for the period</b>		<b>28,069,484</b>	<b>4,549,873</b>	<b>43,709,632</b>	<b>6,075,302</b>
<b>Total comprehensive income (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		28,124,192	4,555,361	43,676,228	6,154,417
- Non-controlling interest		-	-	-	-
<b>Total comprehensive income (loss) for the period</b>		<b>28,124,189</b>	<b>4,555,361</b>	<b>43,676,228</b>	<b>6,154,417</b>
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		172.14	27.90	268.06	37.26
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

**Consolidated Statement of Changes in Shareholders' Equity**

<i>(unaudited)</i>	Equity attributable to the Company's owners					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance as at 1 January 2021</b>	<b>81,530,200</b>	<b>383,186</b>	<b>160,829,243</b>	<b>242,742,629</b>	<b>19,678</b>	<b>242,762,307</b>
Profit for the period	-	-	6,075,302	6,075,302	-	6,075,302
<b>Other comprehensive income (loss)</b>						
Gain from investments in equity instruments	-	1,411	-	1,411	-	1,411
Currency translation differences	-	77,704	-	77,704	-	77,704
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>79,115</b>	<b>6,075,302</b>	<b>6,154,417</b>	<b>-</b>	<b>6,154,417</b>
Dividend distribution	-	-	(1,001,191)	(1,001,191)	-	(1,001,191)
<b>Balance as at 30 June 2021</b>	<b>81,530,200</b>	<b>462,301</b>	<b>165,903,354</b>	<b>247,895,855</b>	<b>19,678</b>	<b>247,915,533</b>

<i>(unaudited)</i>	Equity attributable to the Company's owners					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance as at 1 January 2022</b>	<b>81,530,200</b>	<b>488,736</b>	<b>180,797,597</b>	<b>262,816,533</b>	<b>19,678</b>	<b>262,836,211</b>
Profit for the period	-	-	43,709,632	43,709,632	-	43,709,632
<b>Other comprehensive income (loss)</b>						
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	-	29,451	-	29,451	-	29,451
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>29,347</b>	<b>43,646,881</b>	<b>43,676,228</b>	<b>-</b>	<b>43,676,228</b>
Dividend distribution	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other	-	23,580	(69,547)	(45,967)	(19,678)	(65,645)
<b>Balance as at 30 June 2022</b>	<b>81,530,200</b>	<b>541,663</b>	<b>218,592,809</b>	<b>300,664,672</b>	<b>-</b>	<b>300,664,672</b>

in 000 RSD

**Consolidated Statement of Cash Flows<sup>67</sup>**

	Note	Six month period ended	
		2022	30 June 2021
		(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>51,909,508</b>	<b>8,301,247</b>
<b>Adjustments for:</b>			
Share of loss of associates and joint ventures		(335,973)	86,891
Finance expenses	22	829,988	864,082
Finance income	21	(279,685)	(35,475)
Net unrealised foreign exchange loss (gain)		145,446	(65,688)
Depreciation, depletion and amortization		12,710,953	12,497,169
Other non-cash items		321,821	330,348
<b>Operating cash flow before changes in working capital</b>		<b>65,302,058</b>	<b>21,978,574</b>
<b>Changes in working capital:</b>			
Accounts receivable		(11,747,901)	(6,803,997)
Inventories		(30,546,351)	(10,695,197)
Other assets		(4,420,062)	(314,558)
Accounts payables and other current liabilities		7,407,769	10,823,933
Taxes payable		7,584,998	447,907
<b>Total effect on working capital changes</b>		<b>(31,721,547)</b>	<b>(6,541,912)</b>
Income taxes paid		(5,991,482)	(242,150)
Interest paid		(659,719)	(697,014)
Interest received		247,376	30,279
		<b>(6,403,825)</b>	<b>(908,885)</b>
<b>Net cash generated from operating activities</b>		<b>27,176,686</b>	<b>14,527,777</b>
<b>Cash flows from investing activities</b>			
Capital expenditures <sup>68</sup>		(8,635,564)	(9,706,368)
Proceeds from sale of property, plant and equipment		234,528	194,786
Bank deposits (repayment) placement, net		(91,880)	17,449
Other outflow		(94,107)	(17,643)
<b>Net cash used in investing activities</b>		<b>(8,587,023)</b>	<b>(9,511,776)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	12,16	5,811,336	8,721,813
Repayment of borrowings	12,16	(7,173,423)	(9,595,858)
Repayment of lease liabilities	17	(378,868)	(339,193)
<b>Net cash used in financing activities</b>		<b>(1,740,955)</b>	<b>(1,213,238)</b>
Net increase in cash and cash equivalents		16,848,708	3,802,763
Effect of foreign exchange on cash and cash equivalents		(213,603)	(21,245)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>21,283,274</b>	<b>8,488,302</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>37,918,379</b>	<b>12,269,820</b>

<sup>67</sup> Group policy is to present cash flow inclusive of related VAT.

<sup>68</sup> CF from investing activities includes VAT in the amount of 1,1 bln RSD (2021: 1,1 bln RSD)



## Notes to Consolidated Financial Statements<sup>69</sup>

### 1. GENERAL INFORMATION<sup>70</sup>

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 US Dollar and Euro (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 first half 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 June 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.

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<sup>69</sup> All amounts are in 000 RSD, unless otherwise stated

<sup>70</sup> All amounts are in 000 RSD, unless otherwise stated

The results in these Condensed Interim Consolidated Financial Statements for the three and six months ended 30 June 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 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 Group's operating segments for the six month periods ended 30 June 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

## Quarterly report for second quarter of 2022

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 six month period ended 30 June 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	45,639,710	238,384,640	(43,749,936)	240,274,414
Intersegment	43,239,667	510,269	(43,749,936)	-
External	2,400,043	237,874,371	-	240,274,414
<b>EBITDA (Segment results)</b>	<b>25,457,979</b>	<b>40,778,513</b>	<b>-</b>	<b>66,236,492</b>
Depreciation, depletion and amortization	(6,898,197)	(5,812,756)	-	(12,710,953)
Share of gain of associates and joint ventures	-	335,973	-	335,973
Net foreign exchange gain (loss)	27,660	(1,303,134)	-	(1,275,474)
Finance expenses, net	(23,217)	(527,086)	-	(550,303)
Income tax	(214,123)	(7,985,753)	-	(8,199,876)
Segment profit	17,946,416	25,763,216	-	43,709,632

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	20,680,928	114,522,796	(19,494,914)	115,708,810
Intersegment	19,247,904	247,010	(19,494,914)	-
External	1,433,024	114,275,786	-	115,708,810
<b>EBITDA (Segment results)</b>	<b>13,453,118</b>	<b>8,768,441</b>	<b>-</b>	<b>22,221,559</b>
Depreciation, depletion and amortization	(6,616,362)	(5,880,807)	-	(12,497,169)
Share of loss of associates and joint ventures	-	(86,891)	-	(86,891)
Net foreign exchange loss	(156,556)	(312,262)	-	(468,818)
Finance expenses, net	(13,072)	(815,535)	-	(828,607)
Income tax	(323,414)	(1,902,531)	-	(2,225,945)
Segment profit	6,016,472	58,830	-	6,075,302

EBITDA for the three and six month period ended 30 June 2022 and 2021 is reconciled below:

	Three month period ended		Six month period ended	
	2022	2021	2022	2021
Profit for the period	28,069,487	4,549,873	43,709,632	6,075,302
Income tax	4,968,163	1,339,053	8,199,876	2,225,945
Finance expenses	421,724	444,027	829,988	864,082
Finance income	(213,926)	(20,427)	(279,685)	(35,475)
Depreciation, depletion and amortization	6,422,135	6,272,499	12,710,953	12,497,169
Share of loss (gain) of associates and joint ventures	(183,335)	50,068	(335,973)	86,891
Net foreign exchange loss	1,321,668	238,110	1,275,474	468,818
Other expense (income), net	(115,518)	(44,427)	(42,824)	13,344
Other non-operating expense, net	170,547	34,308	169,051	25,483
<b>EBITDA</b>	<b>40,860,945</b>	<b>12,863,084</b>	<b>66,236,492</b>	<b>22,221,559</b>

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

	Six month period ended 30 June 2022		
	Domestic market	Export and international sales	Total
Sale of crude oil	1,782,690	2,042,795	3,825,485
Sale of gas	59,378	11,137	70,515
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	59,378	11,137	70,515
Sale of petroleum products	173,696,330	51,072,468	224,768,798
<i>Through a retail network</i>	56,301,571	12,265,942	68,567,513
<i>Wholesale activities</i>	117,394,759	38,806,526	156,201,285
Sale of electricity	3,333,555	445,782	3,779,337
Lease revenue	161,077	15,580	176,657
Other sales	5,616,116	2,037,506	7,653,622
<b>Total sales</b>	<b>184,649,146</b>	<b>55,625,268</b>	<b>240,274,414</b>

	Six month period ended 30 June 2021		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,212,510	1,212,510
Sale of gas	173,227	-	173,227
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	173,227	-	173,227
Sale of petroleum products	78,279,786	28,203,901	106,483,687
<i>Through a retail network</i>	28,563,257	6,600,777	35,164,034
<i>Wholesale activities</i>	49,716,529	21,603,124	71,319,653
Sale of electricity	1,149,766	153,605	1,303,371
Lease revenue	151,250	6,766	158,016
Other sales	4,660,961	1,717,038	6,377,999
<b>Total sales</b>	<b>84,414,990</b>	<b>31,293,820</b>	<b>115,708,810</b>

Out of the amount of 156,201,285 thousand RSD (2021: 71,319,653 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 23,894,065 thousand RSD (2021: 11,526,213 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 5,810,524 thousand RSD (2021: 4,964,356 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 184,649,146 thousand RSD (2021: 84,414,990 thousand RSD), and the total revenue from external customer from other countries is 55,625,268 thousand RSD (2021: 31,293,820 thousand RSD).

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

	Six month period ended	
	2022	30 June 2021
Sale of crude oil	2,042,795	1,212,510
Sale of gas	11,137	-
Sale of petroleum products (retail and wholesale)		
Bulgaria	7,203,085	5,729,856
Bosnia and Herzegovina	20,360,595	10,350,177
Romania	11,656,278	5,717,980
Switzerland	171,506	756,472
Croatia	969,462	1,093,398
Northern Macedonia	283,830	253,044
Hungary	959,820	251,626
Great Britain	3,151,101	1,415,150
All other markets	6,316,791	2,636,198
	51,072,468	28,203,901
Sale of electricity	445,782	153,605
Lease revenue	15,580	6,766
Other sales	2,037,506	1,717,038
	<b>55,625,268</b>	<b>31,293,820</b>

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 June 2022	31 December 2021
Serbia	278,464,099	283,450,792
Romania	12,438,842	12,330,207
Bosnia and Herzegovina	8,467,106	8,342,150
Bulgaria	5,918,451	6,081,578
Other	569	-
	<b>305,289,067</b>	<b>310,204,727</b>

## 5. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Cash in bank and in hand	14,318,835	13,473,782
Deposits with original maturity of less than three months	23,597,810	7,782,056
Cash held on escrow account	254	254
Cash equivalents	1,480	27,182
	<b>37,918,379</b>	<b>21,283,274</b>

## 6. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2021
Trade receivables	48,562,275	36,800,958
Other receivables	93,868	92,879
<i>Less credit loss allowance for trade receivables</i>	(8,234,354)	(8,208,195)
<i>Less credit loss allowance for other receivables</i>	(38,990)	(41,135)
<b>Total trade and other receivables</b>	<b>40,382,799</b>	<b>28,644,507</b>

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 June 2022	31 December 2021
RSD	33,766,895	23,063,601
EUR	2,456,392	2,065,922
USD	268,379	489,040
Other	3,891,133	3,025,944
	<b>40,382,799</b>	<b>28,644,507</b>

## 7. INVENTORIES

	30 June 2022	31 December 2021
Crude oil	37,786,094	18,745,046
Petroleum products	26,145,002	15,450,591
Materials and supplies	6,748,768	6,051,592
Other	1,365,646	1,323,159
Less impairment provision	(4,537,948)	(4,619,266)
	<b>67,507,562</b>	<b>36,951,122</b>

## 8. OTHER CURRENT ASSETS

	30 June 2022	31 December 2021
Advances paid	1,019,313	699,828
VAT receivables	408,913	375,725
Deferred VAT	7,135,794	3,611,624
Prepaid expenses	546,907	454,437
Prepaid custom duties	62,767	66,453
Prepaid excise	2,498,438	2,043,419
Other current assets	8,489,404	8,525,232
Less impairment provision	(7,497,398)	(7,499,998)
	<b>12,664,138</b>	<b>8,276,720</b>

Deferred VAT as at 30 June 2022 amounting to 7,135,794 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 June 2022 amounting to 2,498,438 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.

Quarterly report for second quarter of 2022

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2021</b>						
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)
<b>Net book value</b>	<b>130,711,496</b>	<b>103,100,267</b>	<b>36,349,682</b>	<b>8,898,469</b>	<b>27,419,164</b>	<b>306,479,078</b>
<b>Period ended 30 June 2021</b>						
Additions	-	-	-	-	8,822,047	8,822,047
Changes in decommissioning obligations	224,629	-	-	-	-	224,629
Transfer from assets under construction	11,357,323	1,495,308	853,648	125,988	(13,832,267)	-
Impairment	-	-	-	-	(891)	(891)
Depreciation	(6,418,581)	(3,959,071)	(1,172,522)	(335,813)	(2,340)	(11,888,327)
Disposals and write-off	(20,873)	(8,057)	(31,391)	(345)	(6,588)	(67,254)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,610)	496,059	(471,874)	(37,584)	(157,323)	(173,332)
Translation differences	(17,442)	-	(32,313)	1	(168,013)	(217,767)
	<b>135,833,942</b>	<b>101,124,506</b>	<b>35,341,803</b>	<b>8,650,716</b>	<b>22,073,789</b>	<b>303,024,756</b>
<b>As at 30 June 2021</b>						
Cost	212,686,059	163,273,874	72,238,159	19,299,456	24,628,731	492,126,279
Depreciation and impairment	(76,852,117)	(62,149,368)	(36,896,356)	(10,648,740)	(2,554,942)	(189,101,523)
<b>Net book value</b>	<b>135,833,942</b>	<b>101,124,506</b>	<b>35,341,803</b>	<b>8,650,716</b>	<b>22,073,789</b>	<b>303,024,756</b>
<b>As at 1 January 2022</b>						
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)
<b>Net book value</b>	<b>137,267,039</b>	<b>98,019,252</b>	<b>34,645,245</b>	<b>8,371,175</b>	<b>22,767,872</b>	<b>301,070,583</b>
<b>Period ended 30 June 2022</b>						
Additions	-	-	-	-	7,309,980	7,309,980
Changes in decommissioning obligations	138,390	-	-	-	-	138,390
Transfer from assets under construction	6,671,010	375,778	2,196,955	47,884	(9,291,627)	-
Impairment	-	-	-	-	(8,144)	(8,144)
Depreciation	(6,759,695)	(3,900,533)	(1,175,772)	(254,856)	(2,344)	(12,093,200)
Disposals and write-off	(83,024)	(10,000)	(57,482)	(36,199)	(5,629)	(192,334)
Transfer to non-current assets held for sale	-	-	-	(10,591)	-	(10,591)
Transfer from investment property	-	-	120,508	-	-	120,508
Other transfers	487,341	(478)	(41,219)	(450,596)	(22,902)	(27,854)
Translation differences	(3,571)	(1)	(11,102)	(110)	(13,570)	(28,354)
	<b>137,717,490</b>	<b>94,484,018</b>	<b>35,677,133</b>	<b>7,666,707</b>	<b>20,733,636</b>	<b>296,278,984</b>
<b>As at 30 June 2022</b>						
Cost	228,714,423	164,373,464	74,324,180	17,386,234	23,770,433	508,568,734
Depreciation and impairment	(90,996,933)	(69,889,446)	(38,647,047)	(9,719,527)	(3,036,797)	(212,289,750)
<b>Net book value</b>	<b>137,717,490</b>	<b>94,484,018</b>	<b>35,677,133</b>	<b>7,666,707</b>	<b>20,733,636</b>	<b>296,278,984</b>

**10. RIGHT-OF-USE ASSETS**

Movements in right-of-use assets for the six months ended 30 June 2022 and 2021 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
<b>As at 1 January 2021</b>	<b>143,732</b>	<b>1,299,970</b>	<b>338,324</b>	<b>878,768</b>	<b>2,660,794</b>
Additions	-	169,667	11,670	4,094	185,431
Depreciation	(4,810)	(132,733)	(54,252)	(135,271)	(327,066)
Transfer from PPE	-	153,427	-	-	153,427
Disposals	-	-	-	(5,094)	(5,094)
Effect of contract modifications and changes in estimates	-	(15,835)	-	-	(15,835)
Foreign currency translation	(1,611)	(740)	(1,681)	(85)	(4,117)
<b>As at 30 June 2021</b>	<b>137,311</b>	<b>1,473,756</b>	<b>294,061</b>	<b>742,412</b>	<b>2,647,540</b>
<b>As at 1 January 2022</b>	<b>124,884</b>	<b>1,556,283</b>	<b>269,503</b>	<b>633,294</b>	<b>2,583,964</b>
Additions	-	193,110	118,858	38,418	350,386
Depreciation	(4,795)	(158,893)	(83,065)	(126,960)	(373,713)
Effect of contract modifications and changes in estimates	-	(1,022)	-	(241)	(1,263)
Disposals	-	-	(1,405)	(826)	(2,231)
Foreign currency translation	(91)	(1,049)	(94)	(36)	(1,270)
<b>As at 30 June 2022</b>	<b>119,998</b>	<b>1,588,429</b>	<b>303,797</b>	<b>543,649</b>	<b>2,555,873</b>

**11. OTHER NON-CURRENT ASSETS**

	30 June 2022	31 December 2021
Advances paid for PPE	205,611	342,907
Prepaid expenses	102,364	107,278
Other assets	1,315,748	1,340,285
<i>Less allowance of other assets</i>	(410,378)	(392,486)
<i>Less allowance for advances paid</i>	(26,733)	(26,741)
	<b>1,186,612</b>	<b>1,371,243</b>

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

	30 June 2022	31 December 2021
Short-term loans	1,309,071	-
Interest liabilities	108,201	80,380
Current portion of long-term loans (note 16)	9,492,810	7,048,516
	<b>10,910,082</b>	<b>7,128,896</b>

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

	Six month period ended 30 June	
	2022	2021
<b>Short-term loans at 1 January</b>	-	-
Proceeds	1,311,583	500,000
Repayment	-	(500,000)
Forex exchange difference	(2,512)	-
<b>Short-term loans at 30 June</b>	<b>1,309,071</b>	-



### 13. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
Trade payables	32,344,128	25,023,780
Dividends payable	9,566,187	3,784,105
Other accounts payable	146,242	79,956
	<b>42,056,557</b>	<b>28,887,841</b>

As at 30 June 2022 trade payables amounting to 32,344,128 thousand RSD (31 December 2021: 25,023,780 thousand RSD) mainly relate to payables for crude oil in the amount of 19,027,970 thousand RSD (31 December 2021: 9,413,234 thousand RSD).

### 14. OTHER CURRENT LIABILITIES

	30 June 2022	31 December 2021
Contract liabilities arising from contracts with customers:		
Advances received	3,220,616	3,148,195
Customer loyalty	681,594	853,461
Payables to employees	3,532,522	4,629,156
Deferred income	2,029	2,465
Other current non-financial liabilities	16,521	31,876
	<b>7,453,282</b>	<b>8,665,153</b>

Revenue in the amount of 2,936,297 thousand RSD was recognized in the current reporting period (30 June 2021: 3,959,624 thousand RSD) related to the contract liabilities as at 1 January 2022, of which of 2,486,184 thousand RSD (30 June 2021: 3,724,295 thousand RSD) related to advances and 450,113 thousand RSD (30 June 2021: and 365,691 thousand RSD) to customer loyalty programme.

### 15. OTHER TAXES PAYABLE

	30 June 2022	31 December 2021
Mineral extraction tax	498,398	400,101
VAT	9,821,071	2,687,432
Excise tax	6,973,833	6,702,076
Contribution for buffer stocks	360,336	302,940
Custom duties	92,747	92,672
Energy efficiency fee	41,559	34,585
Other taxes	1,365,400	1,258,071
	<b>19,153,344</b>	<b>11,477,877</b>

### 16. LONG-TERM DEBT

	30 June 2022	31 December 2021
Long-term loan - Gazprom Neft	6,825,900	8,203,418
Bank loans	67,840,203	69,276,624
Other long-term borrowings	115,297	104,126
Less Current portion (note 12)	(9,492,810)	(7,048,516)
	<b>65,288,590</b>	<b>70,535,652</b>

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

	Six month period ended	
	2022	30 June 2021
<b>Long-term loans at 1 January</b>	<b>77,480,042</b>	<b>82,782,004</b>
Proceeds	4,499,753	8,221,813
Repayment	(7,173,423)	(9,095,858)
Non-cash transactions	(25,209)	39,553
Foreign exchange difference (note 20)	(115,060)	(11,544)
<b>Long-term loans at 30 June</b>	<b>74,666,103</b>	<b>81,935,968</b>

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

As at 30 June 2022 long-term loan - Gazprom Neft amounting to 6,825,900 thousand RSD (31 December 2021: 8,203,418 thousand RSD), with current portion of 6,825,900 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.

(d) *Bank loans*

	30 June 2022	31 December 2021
Domestic	50,838,757	47,362,765
Foreign	17,001,446	21,913,859
	67,840,203	69,276,624
Current portion of long-term loans	(2,666,909)	(1,579,581)
	<b>65,173,294</b>	<b>67,697,043</b>

The maturity of bank loans was as follows:

	30 June 2022	31 December 2021
Between 1 and 2 years	7,810,037	3,004,092
Between 2 and 5 years	56,229,137	63,430,071
Over 5 years	1,134,120	1,262,880
	<b>65,173,294</b>	<b>67,697,043</b>

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

	30 June 2022	31 December 2021
USD	116,428	130,480
EUR	67,606,142	68,989,968
RSD	223	210
JPY	117,410	155,966
	<b>67,840,203</b>	<b>69,276,624</b>

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.

## Quarterly report for second quarter of 2022

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 June 2022 and 31 December 2021, respectively.

### 17. LEASE LIABILITIES

	30 June 2022	31 December 2021
Non-current lease liabilities	1,709,117	1,695,318
Current lease liabilities	646,910	640,656
	<b>2,356,027</b>	<b>2,335,974</b>

Amounts recognized in profit and loss:

	Six month period ended 30 June	
	2022	2021
Interest expense (included in finance cost) (note 22)	46,056	46,165
Expense relating to short-term leases	304,512	284,200
Expense relating to leases of low value assets that are not shown above as short-term leases	20,655	29,815
Expense relating to variable lease payments not included in lease liabilities	884,605	759,088

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

	Six month period ended 30 June	
	2022	2021
As at 1 January	2,335,974	2,479,391
Repayment	(378,868)	(339,193)
Non-cash transactions	393,328	206,030
Foreign exchange difference (note 20)	5,593	(857)
<b>As at 30 June</b>	<b>2,356,027</b>	<b>2,345,371</b>

### 18. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Employee costs	2,417,022	2,284,474	4,708,130	4,435,274
Materials and supplies (other than oil and gas and petroleum products)	655,513	456,943	1,160,941	868,923
Repair and maintenance services	786,373	661,926	1,434,300	1,442,777
Electricity and utilities	3,171,212	1,465,882	6,759,920	2,793,432
Safety and security expense	191,346	90,710	278,495	173,062
Transportation services for production	360,890	325,942	737,004	671,655
Other	1,785,935	1,370,663	3,403,673	2,322,905
	<b>9,368,291</b>	<b>6,656,540</b>	<b>18,482,463</b>	<b>12,708,028</b>

**19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Employee costs	4,239,208	4,408,298	8,141,411	8,370,247
Commission and agency fees	212,085	203,287	410,682	392,406
Legal, audit and consulting services	149,292	113,890	314,417	277,431
Current repair cost	286,114	230,814	495,374	411,632
Costs on advertising and marketing	83,812	72,664	133,247	125,944
Rent expense	30,502	36,319	62,128	82,336
Business trips expense	41,631	29,118	62,995	45,690
Safety and security expense	179,765	156,891	323,893	293,426
Insurance expense	22,836	20,062	48,380	38,315
Transportation and storage	53,146	41,347	110,961	76,170
Allowance for doubtful accounts	12,168	(64,355)	21,664	(68,839)
Other	1,372,828	1,108,415	2,703,272	2,169,752
	<b>6,683,387</b>	<b>6,356,750</b>	<b>12,828,424</b>	<b>12,214,510</b>

**20. NET FOREIGN EXCHANGE GAIN (LOSS)**

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Foreign exchange gain (loss) on financing activities including:				
foreign exchange gain (note 16 and 17)	347,152	269,015	532,980	474,961
foreign exchange loss (note 16 and 17)	(125,665)	(254,342)	(421,001)	(462,560)
Net foreign exchange gain (loss) on operating activities	(1,543,155)	(252,783)	(1,387,453)	(481,219)
	<b>(1,321,668)</b>	<b>(238,110)</b>	<b>(1,275,474)</b>	<b>(468,818)</b>

**21. FINANCE INCOME**

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Interest on bank deposits	209,311	18,167	273,054	31,003
Interest income on loans issued	4,615	2,260	6,631	4,472
	<b>213,926</b>	<b>20,427</b>	<b>279,685</b>	<b>35,475</b>

## 22. FINANCE EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2022	2021	2022	2021
Interest expense	415,313	417,592	813,000	826,704
Losses on restructuring of borrowings	6,094	18,484	12,100	40,521
Decommissioning provision: unwinding of the present value discount	(6,577)	20,143	(7,422)	39,562
Financial assets: unwinding of discount	9,781	(12,192)	19,352	(42,705)
Less: interest expense capitalised on qualifying assets	(2,887)	-	(7,042)	-
	<b>421,724</b>	<b>444,027</b>	<b>829,988</b>	<b>864,082</b>

Interest expense includes expenses on lease liabilities in the amount of 46,056 thousand RSD for the six months ended 30 June 2022 (46,165 RSD for the six months ended 30 June 2021 accordingly) (Note 17).

## 23. FAIR VALUE MEASUREMENT

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

As of 30 June 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 June 2022.

### *Economic environment in the Republic of Serbia*

The exacerbation of geopolitical situation in the first half of 2022 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 six months was US\$107.5 per barrel which is more than 66% 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 479,551 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 June 2022 the Group has entered into contracts to purchase property, plant and equipment 244,999 thousand RSD (31 December 2021: 383,637 thousand RSD) and drilling and exploration works estimated to 60.15 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 six month period ended 30 June 2022 and in the same period in 2021, the Group entered into business transactions with its related parties.

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

As at 30 June 2022	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	-	428,591	2,583,928
Investments in joint venture and associates	-	-	2,047,021
Short-term financial asset	-	59,431	-
Other current assets	-	4,713	633,601
Right of use assets	-	511	-
Trade and other payables	(357,662)	(22,372,823)	(2,711,597)
Other current liabilities	-	(239)	(10,275)
Short-term debt and current portion of long-term debt	-	(6,859,368)	-
Current lease liabilities	-	(594)	-
Non-current lease liabilities	-	(199)	-
	<b>(357,662)</b>	<b>(28,739,977)</b>	<b>2,542,678</b>

<b>As at 31 December 2021</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
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)	-
	<b>(8,205,815)</b>	<b>(667,344)</b>	<b>2,532,135</b>

For the six month period ended 30 June 2022 and 2021 the following transaction occurred with related parties:

<b>Six month period ended 30 June 2022</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Revenues from sales of products and services	-	1,109,721	24,251,505
Expenses based on procurement of products and services	(3,616)	(71,678,033)	(2,653,699)
Other expenses	-	(61,736)	-
	<b>(3,616)</b>	<b>(70,630,048)</b>	<b>21,597,806</b>

<b>Six month period ended 30 June 2021</b>	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
Revenues from sales of products and services	1,455	616,412	11,549,892
Expenses based on procurement of products and services	(1,105,219)	(642,223)	(132,535)
Other expenses	(93,986)	(94)	(44)
	<b>(1,197,750)</b>	<b>(25,905)</b>	<b>11,417,313</b>

#### ***Transactions with Key Management Personnel***

For the six month period ended on 30 June 2022 and 2021 the Group recognized 518,846 thousand RSD and 467,191 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 June 2022 were evaluated through 27 July 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



Deputy General Director,  
Head of Function for Finance, Economics,  
Planning and Accounting  
NIS j.s.c. Novi Sad



Branko Mitrović



Head of Accounting and Financial Services  
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## Glossary

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

Abbreviation	Meaning
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RNP	Pančevo Oil Refinery
RSD	Serbian Dinar
SNNP	Sa nama na putu cart (On the road with us card)
s.r.l.	Limited liability company (in Romania)
STC	Scientific and Technological Centre
t.o.e.	Tonnes of oil equivalent
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
ALARP	As low as reasonably possible
B&H	Bosnia and Herzegovina
BC	Business Centre
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CMMS	Computerized maintenance management system
CNG	Compressed natural gas
CO	Carbon Oxide
CO <sub>2</sub>	Carbon Dioxide
DCU	Delayed Coking Unit
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)

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