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**QUARTERLY REPORT
FOR THIRD
QUARTER OF
2023**

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

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

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

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

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Foreword

In the third quarter of 2023, the NIS Group continued with the implementation of the planned investment cycle, and in this period, RSD 10.4 billion were set aside for capital investments, which is 129 percent more than the investments from the same period last year. Thus, a total of RSD 21.9 billion were invested in the modernization of the NIS Group in the period January-September, which is an increase of 80 percent compared to the first nine months of 2022. Most investments were made in the area of exploration and production of oil and gas. Among other things, the ECO digital platform was applied to the oil wells of NIS, which is important for the process of monitoring and control of the production of wells. Investments were also made in the development of the retail network, so the second NIS facility along the “Miloš Veliki” highway was put into operation. With this investment, NIS also contributes to the development of road infrastructure in the Republic of Serbia.

In addition to the investment momentum, the second priority of the NIS Group was also successfully achieved - stability was maintained on the domestic market, which is properly supplied with all types of oil derivatives. Contributing to the energy stability of the Republic of Serbia will be one of the main goals of the NIS Group in the rest of the year.

When it comes to the financial results of NIS, they are in line with the current macroeconomic circumstances, primarily lower oil prices and regulation of fuel prices. Thus, the average price of “Brent” oil in the reporting period was 82.1 USD per barrel, which is 22 percent lower than the average price from January to September last year. The net profit of the NIS Group in the period January-September amounts to RSD 31.8 billion, which is 54 percent less compared to the same period last year. The EBITDA indicator is 46 percent lower and amounts to RSD 56.5 billion. Accrued liabilities for public revenues of the NIS Group are RSD 181.7 billion, which is 2 percent lower compared to the first nine months of 2022. In addition, NIS contributed to the stability of the budget of the Republic of Serbia by paying dividends for the year 2022 in a record amount of RSD 23,364,924,716. At the same time, indebtedness to banks was also reduced, which at the end of the period amounts to EUR 548.1 million, which is 4 percent less compared to the end of September last year.

Good results were also achieved when it comes to operational indicators. Oil and gas production is 868.1 thousand t.o.e., which is 1.3 percent less compared to last year. The volume of crude oil and semi-finished products was reduced by six percent and amounted to 3.054 million tons. In total, 2.995 million tons of petroleum products were sold, which is 7 percent less compared to the period January-September 2022. The achieved results are in line with lower demand for oil derivatives in key markets.

Being a socially responsible company, NIS continued to support the efforts to improve the standards of citizens of Serbia and signed a Cooperation Agreement with the Republic Fund for Pension and Disability Insurance, which defines the benefits for Pensioner card users when purchasing fuel and supplementary products at all NIS Petrol and Gazprom gas stations.

Management Business report

Highlights

January - September

January	February	March	April	May	June	July	August	September
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Setting of the solar panels on three PSs

Extension of the PS network with TAG devices

Under the auspices of the “May New Hopes be Born” campaign, NIS Company handed out 225 gift packages for first-born babies in 2023 in 15 selected maternity hospitals in Serbia

With the support of the NIS Company, the first FIDE Chess Olympiad for people with disabilities was held

January	February	March	April	May	June	July	August	September
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Signing of the contract on lease of PS Niš Istok

The mobile application of NIS Company – Drive.Go was awarded with a special - Top 50 prize, granted by the magazine PC Press to the best online contents in the category of Digital Innovation

Anton Cherepanov, Deputy CEO of NIS, presented the results of the NIS Group's operations for the year 2022 to the professional and expert public

January	February	March	April	May	June	July	August	September
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The first scientific and technical conference was held in Refining Block, with the objective to recognise the potential of the employees of Refining Block and develop their competencies

The sale of jet fuel to a wholesale customer in Bulgaria started

Vadim Smirnov, Deputy CEO of NIS, participated in the panel “Education: Paths to Competencies” at the Kopaonik Business Forum and presented the efforts of NIS to support education in Serbia

January	February	March	April	May	June	July	August	September
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The test mode of electronic work permits was completed in the Refining Block

The NIS company received an award from the magazine “Diplomacy&Commerce” for the best socially responsible campaign in 2022, as well as a special plaque from “Večernje novosti” for many years of humanitarian activities

The 7th season of student internship at NIS as part of the “NIS Calling” program has started



Obtained ISCC certificate¹ that enables the placement of fuel produced in the Refining Block, by blending mineral diesel and biodiesel

Participation of representatives of the Refining Block in the international conference: Petrochemical and Refining Congress 2023

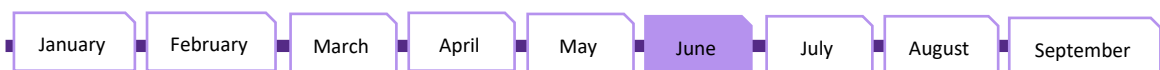
The Board of Directors of NIS approved EUR 60 mln to support the projects of the Government of the Republic of Serbia in the field of education, social and health care

Photovoltaic power plants were installed at 7 more NIS petrol stations, making this project a total of 15 facilities

NIS received the award "Captain Miša Anastasijević" in the category "Leader of Social Responsibility" for 15 years of implementing the "Common Cause Community" program

The 2022 Sustainable Development Report, the 13th consecutive company-verified report on sustainable development, has been published

The Minister of Science, Technological Development and Innovation in the Government of the Republic of Serbia, Dr. Jelena Begović, visited the Science and Technology Center of NIS in Novi Sad



In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP Petrohemija, the transaction was closed on June 9.

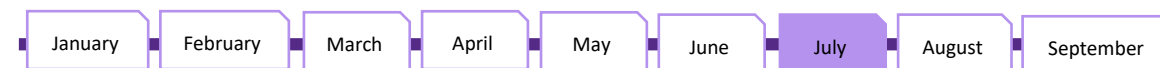
Employees from the Refining Block presented the project of reducing the CO₂ footprint and increasing the energy efficiency of the Vacuum Distillation at the final event of the Young Energy Europe 2.0 Project, held in Berlin

Expanding petrol station network outfitted with electric chargers for vehicles (Bački Vinogradi petrol station)

The NIS shareholders' assembly held the XV regular session where, among other things, it made a decision on the payment of dividends to shareholders for 2022

NIS has announced a competition within the "Common Cause Community" program for 2023, the focus of which is to support the development of science and education in partner cities and municipalities throughout Serbia

The NIS company and members of its volunteer club, led by CEO, Kirill Tyurdenev, participated in the cleaning operation of the "Fruška gora" National Park



Completed commissioning of 10 new vacuum tank trucks for the transport of dangerous goods (ADR)

¹ ISCC certificate is an internationally recognized standard for the sustainable control of biomass and biofuels



Commissioning of PS Brus, Kosjerić

NIS Science and Technology Centre and State Oil Company Research and Development Centre from Angola signed a Memorandum of Understanding

As part of digitalization process, the ECO digital platform was applied to NIS oil wells, which is important for the process of monitoring and control of well development

As a dividend for 2022, NIS paid RSD 23,364,924,716 to its shareholders (the gross amount), which is the largest annual amount paid since the beginning of the dividend payments in 2013



In the first 9 months of 2023, 38 development wells were drilled in Serbia, as well as 2 exploration wells in Serbia and one development well in Romania. In the first 9 months of this year, 34 development wells in Serbia and 1 exploration well in Serbia were put into operation

Pursuant to the Contract on Implementation of 2D projects, seismic data acquisition at the exploration area in Turkey is ongoing

Equipping the surface infrastructure facilities in the Idoš field in the first nine months of 2023

Implementation of the projects "Reparation of the Jermenovci Pipeline" during the third quarter of 2023, and "Reparation of the Pipeline Gathering Station 4 to AMI-3", as well as "Replacement of Compressor Units on the Kikinda Field" and "Disposal of Formation Water at the Dispatch and Gathering Station Sirakovo" and additional works on connecting the pump to the Gathering Oil and Gas Station Rusanda

Start of work of the new PS Sokolići 2 and its restaurant

Start of construction of the new PS Bečej 2 and reconstruction of PS Bajmok

The fourth season of the young people employment programme "NIS Energy" started. This programme is the winner of the "Digital Awards" award for the HR Employer branding online campaign, which was awarded as part of the conference #Digital2023

Kirill Tyurdenev, the CEO of NIS, participated in the panel discussion dedicated to the sustainable development "Our Sustainable Community", attended by Dubravka Đedović Handanović, the Minister of Mining and Energy of the Republic of Serbia, and Milun Todorović, the Mayor of Čačak, who also gave their opinions

NIS and the Pension and Disability Insurance Fund of the Republic of Serbia signed the Cooperation Agreement defining the benefits for the users of Pensioner Cards when buying fuel and non-fuel products at all NIS Petrol and Gazprom petrol stations

Group NIS

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

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

NIS aims to create new value for its shareholders, employees and the community, despite the challenging macroeconomic environment, as well as to contribute to energy stability in the markets where it operates.

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

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

Business activities

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

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

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

Exploration and production Block

Exploration and production

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

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

The plant for the preparation of natural gas, production of LPG and gasoline, and CO₂ stripping, based in Elemir, near Zrenjanin operates as part of the Exploration and Production Block. An amine unit for processing of natural gas using the high pressure acidgas capture technology is also located in Elemir. This method of gas processing completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, creates significant environmental benefits.

NIS also has a modern training center in Elemir dedicated to, training workers in the oil industry. It is a unique complex equipped with modern equipment in which the training is performed in real conditions, with the possibility of

simulating all the tasks that oil workers encounter in the process of production, preparation and shipment of oil and gas.

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

Services

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

Downstream

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

Refining

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

In 2020, a Bottom of the barrel unit with delayed coking technology was officially commissioned. The project worth EUR 300 mln enables NIS to increase the output of the most valuable fuels – diesel, gasoline and liquified petroleum gas and to start the domestic production of petroleum coke. It continues with the third phase of the refinery modernization, capital project being the reconstruction of the FCC (Fluid Catalytic Cracking) plant and the construction of a new plant for the production of ETBE (high-octane petroleum blending component), which started in 2021.

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

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

Sales and distribution

NIS operates a network of more than 400 petrol stations in Serbia and the countries of the region, with more than 80 of them outside of Serbia. NIS operates the largest retail network in the country, while simultaneously developing its operations in the neighbouring countries: Bosnia and Herzegovina, Bulgaria and Romania.

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

In addition to the retail sale of finished petroleum products, liquefied petroleum gas and a range of related products, the sales structure of NIS also includes the export and domestic wholesale deliveries of gas and petroleum products,

while the apply of aviation fuel, fuel for navigable vessels, and sales of bitumen are developed as separate business directions.

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

Energy

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

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

The construction of the modern combined gas-steam thermal power plant-heating plant Pančevo (TE-TO Pančevo) on natural gas was realized in 2022. The produced electricity is delivered to the transmission power system of Serbia, which contributes to the energy stability of the Republic of Serbia. The main advantage of TE-TO Pančevo is that natural gas as a fuel simultaneously produces thermal energy in the form of process steam for the needs of the Pančevo Refinery and electricity.

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

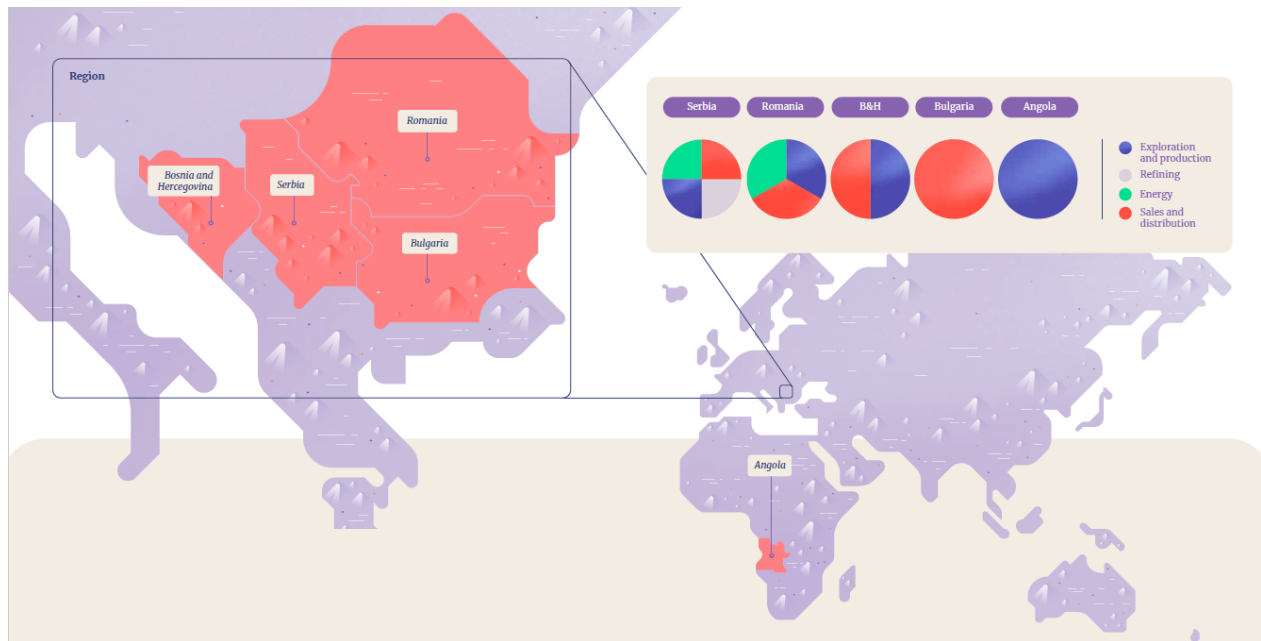
In 2022, the construction of solar photovoltaic power plants began and the construction of 8 SSG was completed. In 2023, the construction of solar photovoltaic power plants on other NIS facilities continue.

HIP Petrohemija

In accordance with the Strategic Partnership Agreement between the Republic of Serbia, NIS j.s.c. Novi Sad and HIP Petrohemija the transaction was closed on June 9. HIP Petrohemija is the largest producer of petrochemical products in the Republic of Serbia, and the strategy of further development of HIP Petrohemija will be based on the modernization of basic production capacities and the construction of new facilities, then on increasing energy efficiency and business efficiency, as well as on the implementation of projects in the field of environmental protection.

NIS worldwide

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



Risk management

Integrated Risk Management System

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

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

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

Nonfinancial risks

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

IT risks

Due to the growing dependence of the Company's business processes on information technology, automation and telecommunications, the Company is exposed to risks of ensuring the expected availability of services and business continuity.

The Company manages these risks through a range of measures, which include IT standards, system monitoring tools, and performs the backup of data and tests the service recovery process. In addition, the Company strives to monitor and implement new technologies and renew equipment in order to increase quality and continuity of service availability.

Information security risks

The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.

Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks.

The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.

Project risks

A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (*Project Management Institute*) standards.

Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives.

A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a "response strategy", that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register.

Political risks

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

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

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

Financial risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Credit risks	
It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.	<p>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).</p> <p>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.</p>
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, petroleum and petrochemical products that affects the value of inventories and margins in oil refining and the production of petrochemical products, which further affects the future cash flows.	<p>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:</p> <ul style="list-style-type: none"> • 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; • Constant, intensive check of new potential suppliers through their procedural verification and according to inquiries and letters of interest submitted to NIS; • Maximum effort to ensure a continuous supply of crude oil in restrictive conditions, which have been very evident since the end of the first quarter of 2022, both in the required quantities but also by the type of oil that would correspond to refining plans and planned production/basket of derivatives; • Additional optimization of the procurement process based on the Decision of the Government of the Republic of Serbia to exempt crude oil from customs duties from March 2022 until the end of the year (pro tempore), as well as in 2023. • Continuous efforts to optimize processes and strive for the best possible economic effects and indicators; • Monitoring market conditions throughout the calendar year and collecting information from foreign companies that are

eminent, reliable traders in the European market and beyond, in order to better understand the potential conditions for the implementation and realization of spot purchases.

Foreign Exchange Risks

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

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

Interest Rate Risks

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

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

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

Business environment

World³

Although the OPEC+ meeting in early October was expected to increase oil supply after the 30% price hike in the third quarter, the Joint Ministerial Oversight Committee agreed to maintain current oil production quotas. Saudi Arabia has cut oil production by 1 million barrels a day, and Moscow is limiting exports by 300,000 a day, in addition to earlier cuts by other OPEC countries. This production restriction should reinforce the precautionary efforts made by the OPEC+ countries to support the stability and balance of the oil market. However, it was pointed out that Saudi Arabia could intervene using its reserves and prevent an excessive burden on market prices if prices exceed \$100/bbl.

The entire OPEC+ coalition of 23 countries will hold a ministerial meeting on November 26 to agree on its policy for 2024.

Even though the energy transition remains an important topic for the energy community worldwide, more and more analysts predicts that oil demand will peak after 2035 or even later. In its latest World Oil Outlook (WOO), OPEC significantly raised its long-term oil demand forecast, expecting global demand to grow to 116 million barrels per day by 2045. The OPEC outlook shows that demand has been growing throughout the period, but there is a difference between strongly growing demand for oil outside the OECD and declining demand in the OECD countries.

The International Energy Forum (IEF) warns that continued greenfield investment will be needed to avoid significant supply-demand imbalances, given the natural production decline. IEF believes that without new investments, existing oil and gas production could fall by more than 75% by 2050, and that in addition, innovative investment approaches are necessary. Uncertainty about the demand for oil caused by the COVID pandemic reduced capital investments by about 25%. In the first two years after the pandemic, investments were still 25% below the pre-COVID level.

It is also believed that there is no universal way to achieve the global energy transition. Instead, there must be a multidimensional approach taking into account the situations in various parts of the world, different starting points, and the diversity of policies.

This opinion is indirectly confirmed by the recently published UN report "Global Stocktake", which states that, although the world is not yet close to meeting the goals of the 2015 Paris Climate Change Agreement, much has changed in eight years, and that climate change policies are greatly changing the world. The report also points to the fact that many countries are not doing enough to mitigate climate change and that everyone needs to step up their contribution to decarbonisation, which is also energy stable.

² Data sources for the World, Oil price and Macroeconomic trends: reports by Wood Mackenzie, IHS, Bloomberg, Reuters, National Oil Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles.

³ Source: EIA, OPEC, Oil&Gas Journal, IHS, Wood Mackenzie.

Oil

In the first nine months, the price of Brent oil fluctuated less than in the same period last year: in 2023, the price ranged from 71.7 to 97.9 \$/bbl (against the range from 79.0 to 137.6 \$/bbl in 2022). In the third quarter of this year, the price ranged from \$75.5 to \$97.9/bbl and had a gradual upward trend throughout the quarter. Last year, the price had a downward trend throughout the third quarter.

The average price of \$82.1/bbl in the first three quarters of 2023 was 22% lower YoY, while the average price in the third quarter was \$86.8/bbl, which is 14% lower YoY.

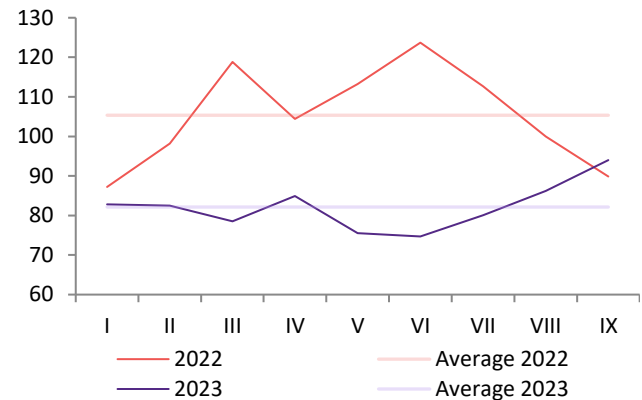
After the price came close to \$100/bbl, the Bank of America declared that if OPEC+ maintains current supply cuts, given the demand in Asia, Brent prices could reach triple digits by 2024.

The rise in oil prices further affects the global economy, so at the ADIPEC conference at the beginning of October in Abu Dhabi the Indian Petroleum Minister said that oil prices must fall to levels of around \$80/bbl to be good for the economy. India is the world's third largest oil consumer and has long expressed concern over the rising prices.

However, in view latest geopolitical developments, such as the Gaza Strip war and America's calls to sharpen sanctions against Russia and Iran, Brent has returned to the level of over \$90/bbl.

Brent Dtd⁴ price trends, \$/bbl

↓ -22%



Macroeconomic trends

Inflation and poor economic forecasts may prompt the European Central Bank (ECB) to halt the steady policy tightening that has seen the key ECB interest rate rise from -0.5% to 3.75% in nine consecutive jumps, the European Commission said at a meeting in at the end of September. The Commission reduced the 2023 growth estimate for the 27 EU countries to 0.8%. Weak domestic demand and consumption indicate that the ever-increasing consumer prices for most goods are having a greater impact than expected in previous ECB projections. The situation is somewhat improved by falling energy prices and a strong labour market with unprecedentedly low unemployment rates, continued employment expansion and wage growth. Eurozone inflation is expected to average 5.6% in 2023, while EU-wide inflation is expected to be 6.5%. Under the influence of the general decline in the Eurozone caused by higher inflation and interest rates growth, the German economy will show a marginal growth of only 0.2% this year, with the expected growth in France and Spain (1.7% and 2.5% respectively).

The International Monetary Fund shared a similar forecast for the EU in its World Economic Outlook. At the global level, for 2023, the IMF expects the average inflation of 6.9%, while in Russia, the USA, and China consumer prices growth will be slower (5.3%, 4.1% and 0.7% respectively).

According to the IMF, the 2023 inflation trend in the region will be 4.8% in Albania, 5.5% in Bosnia and Herzegovina, 8.5% Bulgaria, 8.3% in Montenegro, 17.7% in Hungary, 10.7% in Romania, and 10.0% in North Macedonia.

⁴ Source: Platts.

Serbia⁵

The pronounced geopolitical tensions and the slowdown in activity in the eurozone during the summer had a limited effect on the slowdown in economic activity in Serbia. The Serbian economy has shown considerable resistance to the negative effects of the global crisis, and inflation has been on a declining trajectory since April. The decline in inflation is contributed by a minor growth in food and energy prices due to the easing of global cost pressures, with the prices of these goods still affecting about 60% of total year-on-year inflation. Inflation peaked in the first quarter of 2023 (16.2% in March), while it was 10.2% in September. The NBS expects year-on-year inflation to decline throughout 2023, and its return to target limits is expected in the second quarter of 2024.

The NBS maintained the benchmark interest rate of 6.5%. In order to reduce the pressure on citizens who have housing loans, the NBS adopted a Decision on Temporary Measures for Banks in September, which limited the interest rate for individuals who are beneficiaries of a first housing loan with a variable interest rate, and whose contracted amount does not exceed EUR 200,000. The measure will be valid for 15 months and applies to the October instalment. The interest rate is limited only in terms of its further growth, while banks will be obliged to adjust the amount of the instalment for the loans in question in the event of a reduction in variable interest rates.

The real GDP growth rate in the second quarter of 2023 was 1.7%, while we expect higher growth in the second half of the year. The IMF expects a GDP growth rate of 2.0% at this year's level and a growth of about 3% in 2024. Due to favourable results in the period January-August, the latest projection of the current deficit for 2023 has been revised to EUR 1.7 billion (2.5% of GDP).

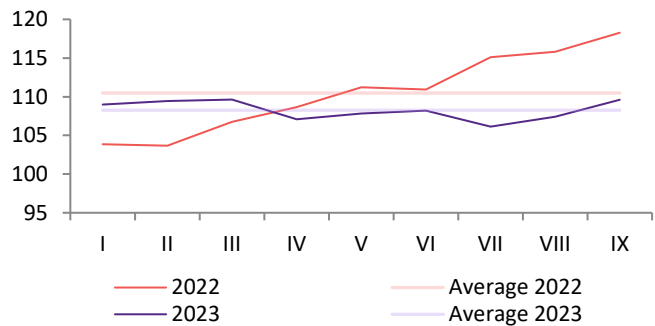
The growth of industrial production accelerated in July and August (Mining and Electricity, Gas, Steam, and Air Conditioning sectors increased by about 17%, respectively), and the Processing Sector also recorded growth after a long time (2.4%), so the cumulative year-on-year growth in the January-August period remained relatively high (2.4%).

In the second quarter, the unemployment rate returned to the level of 2022 (9.6%) and decreased by 0.5% compared to the first quarter of this year. Formal employment continued to grow in the first eight months (2.6% on the year-on-year level).

According to the calculation for July this year, the average gross salary in Serbia amounted to RSD 115,664, while the average salary without taxes and contributions (net) was RSD 83,781. This is slightly lower than the average salaries in the first seven months of 2023. (116,077 gross and 84,143 net). Median net salaries in July amounted to RSD 64,734, which means that 50% of employees earned less than that amount. The average median salary in the period January-July amounted to RSD 64,265.

⁵ Source: National Bank of Serbia, Republican Bureau of Statistics, Chamber of Commerce Serbia, newspaper articles.

Exchange rate trend, USD/RSD⁶



- Average USD/RSD in first nine months of 2023 was lower by RSD 2.2, i.e. 2% lower compared to the average exchange rate in the same period of 2022.
- During the first nine months of 2023 USD/RSD exchange rate increased by RSD 0.6 or 1%.
- During the first nine months of 2022 USD/RSD exchange rate increased by RSD 15.6 or 15%.

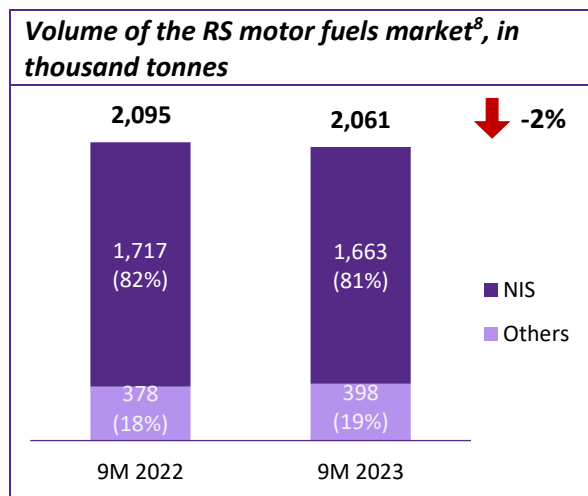
⁶Source: NBS.

Performance analyses

Market share⁷

Growth in consumption is recorded in almost all countries of the region. A good tourist season led to a significant increase in consumption in Croatia, while consumption in Hungary is lower due to an extremely long period of fixed prices at an extremely low level the previous year.

Market share in the Serbian market



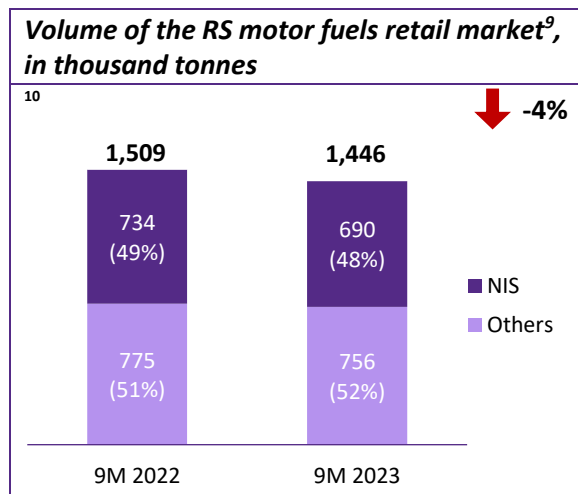
In the period January-September 2023, the consumption of oil derivatives in Serbia decreased by 3.4% compared to the same period of the previous year. Consumption of motor fuels in Serbia decreased by 1.6%. The high base period in the first half of 2022 due to the increase in end users' stocks due to the fear of possible shortages affects the reduction of the difference in interannual consumption as the year draws to a close.

The growth of NIS's share in the motor fuel market in 2022 was related to the controlled price of derivatives that is continuously in force this year, as well as the prescribed preferential price for supplying farmers. Although during the second quarter of this year the attractiveness of the price of diesel for farmers was reduced as a result of the drop in

quotations on the world market, which restored the possibility of other traffic participants to compete in this segment, this changed again in September with a significant jump in prices that brought agrodiesel back to the stations NIS.

Retail: In the first nine months of 2023, consumption recorded a decrease compared to 2022 by 4%, while the share of NIS is less than the share in the same period last year by 0.9%.

In 2023, the company NIS will ensure the safe supply of oil derivatives to the Serbian market in all sales channels. The impact of higher prices and the renewed growth in sales of agro diesel will have a positive impact on market share for NIS by the end of the year.



⁷Sources of information on the basis of which the projections were created: for Serbia - internal analyzes and assessments of Sales and Distribution Block; for consumption estimation in Bulgaria and Romania - PFC and Eurostat and for Bosnia and Herzegovina - PFC and internal estimates.

⁸Data for 9M of 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

⁹The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 9M 2023 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

¹⁰Other 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

In the period of the first nine months of 2023, Bosnia and Herzegovina recorded a slight recovery in the consumption of motor fuels, as well as in retail sales, compared to the comparative period of the previous year.

The company Bingo Petrol opened the fourth gas station in a row, in Klasija, after previously opening gas stations in Tuzla, Gračanica and Hadžići.

On August 31, Nestro petrol opened the first CNG petrol station in the Republic of Srpska in Banja Luka with the possibility of filling four vehicles simultaneously, both cargo and passenger. More than half a million euros were invested in this project, and the strategic plan is to open eight more petrol stations in Bosnia and Herzegovina. In addition to the Nestro Budžak/Lazarevo gas station, CNG fuel can also be purchased at the gas station in the vicinity of the Brod Oil Refinery.

“HIFA-OIL” will supply the airlines operating at the Mostar airport. “HIFA-OIL” today has the largest terminal for kerosene in Bosnia and Herzegovina, with a total capacity of four million liters. After two years of investment and development, “HIFA-OIL” became the leading supplier of kerosene to airports in Sarajevo, Tuzla and Mostar.

During the first quarter of this year, the Regulation prohibiting the export of diesel fuel from Serbia was in force, which significantly hampered supply for the NIS retail network and prevented supply to wholesale clients. In March, a quantity quota for exports to Bosnia and Herzegovina was approved, which restored the supply from the Pančevo refinery, and the regulation was formally abolished at the end of March, so that the supply was normalized during the second quarter.

NIS in Bosnia and Herzegovina has 41 petrol stations (and 1 petrol station in the DODO regime).

The market share of NIS in the total motor fuel market in the period of the first nine months of 2023 is 23.8%, while the share in the retail market is 10.2%.

Bulgaria

Bulgarian interim government has approved the signing of a memorandum of understanding with Greece that will encourage cooperation in the safe import of crude oil via pipelines. Bulgaria and Greece will study the possibility of restarting the pipeline construction project from the Aegean port of Alexandroupolis to Burgas on the Black Sea. The country must secure enough oil from other sources to keep the Black Sea refinery processing 196,000 barrels a day after the exemption for Russian oil expires in 2024. The refinery provides over 75 percent of the fuel for the local market. The Bulgarian authorities stated that an agreement was reached with the Greek prime minister and president to proceed with the Burgas-Alexandropolis project as quickly as possible.

The Bulgarian Ministry of Transport announced that it has started the transition of the Rosenec oil terminal into state ownership, after the termination of the lease agreement with Lukoil.

In June 2023, Bulgaria received a derogation from the EU-wide ban on the import of Russian oil. The exemption allows it to continue importing crude oil and oil derivatives from Russia by sea until the end of 2024.

The Bulgarian Antimonopoly Commission fined the oil company “Lukoil” for abusing its dominant position in that country. The Bulgarian state regulator explained its decision, stating that “Lukoil Bulgaria” used its dominant position by exerting pressure on wholesale fuel prices, thus hindering competition and harming the interests of consumers.

In the first nine months of 2023, Bulgaria recorded a recovery in the turnover of motor fuels, as well as turnover in retail sales compared to the comparative period of the previous year.

In Bulgaria, at the beginning of the year, NIS managed a network of 34 fuel supply stations and storage of oil derivatives in Kostin Brod. At the end of March, the number of stations was reduced by 4 and during April by 7 stations due to the expiration of the lease agreement, so that the total number of stations at the end of the third quarter was 23.

The market share of NIS in the total market of motor fuels in the period of the first nine months of 2023 is 3.2%, while the share in the retail market is 2.7%.

Romania

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

The planned investment value of the company KazMunayGas International (KMGI) in Rompetrol Rafinare for 2023 is over USD 46 million, of which about 40 million is directed to Petromidi, the largest refinery in Romania, which can provide about 40% of the national refining capacity. KMGI next year is planning a general overhaul of the Petromidija and Vega refineries, and because of this, from the total investments planned for this year, about USD 30 million have been set aside for capital maintenance, while most of the projects implemented in 2023 are in the phase of preparation for the general overhaul in 2024.

OMV Petrom has successfully completed the replacement of four coking chambers in the Petrobrazi refinery. The new chambers are designed to operate at full capacity for at least two decades. Investments in the project amounted to around EUR 70 million.

The company Eldrive has an investment budget of EUR 174 million to expand the network of charging stations and wants to build the first stations for electric cars in Romania in the form of a hub with 20 charging points. The company has over 120 stations with 200 charging points mainly in urban areas - Bucharest, Craiova, Constanta, Brasov. The plan is to expand their network by as many points as possible to increase the comfort of electric car users. By the end of 2023, there will be almost 300 stations in use, with 500 charging points. The plan is to cover the whole of Romania, to build hubs where 20 electric cars can be charged at the same time. Such hubs will be developed near highways.

In Romania, in the period of the first nine months of 2023, compared to the same period of the previous year, a slight recovery of the motor fuel market, as well as of retail sales, was recorded.

NIS has 19 gas stations in Romania. The market share of NIS in the total motor fuel market is 0.5%, while the share in the retail market is 0.7%.

Key performance indicators

Q3 2023	Q3 2022	Δ^{11}	Indicator	Unit of measurement	9M 2023	9M 2022	Δ^{12}
86.8	100.9	-14%	Brent Dtd	\$/bbl	82.1	105.3	-22%
117.2	140.5	-17%	Sales revenue	RSD billion	304.1	380.8	-20%
18.0	25.7	-30%	Net profit (loss)	RSD billion	31.8	69.4	-54%
28.1	38.6	-27%	EBITDA¹³	RSD billion	56.5	104.8	-46%
26.4	45.4	-42%	OCF	RSD billion	21.6	72.5	-70%
10.4	4.5	+129%	CAPEX¹⁴	RSD billion	21.9	12.1	+80%
74.7	66.7	+12%	Accrued liabilities for taxes and other public revenues¹⁵	RSD billion	181.7	184.6	-2%
548.1	570.6	-4%	Total bank indebtedness¹⁶	EUR million	548.1	570.6	-4%
1.9	1.3	+52%	LTIF¹⁷	number	1.9	1.3	+52%

¹¹ Any deviations in percentages and aggregate values result from rounding.

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

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

¹⁴ CAPEX amounts are exclusive of VAT.

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

¹⁶ Total bank indebtedness = Total debt to banks + letters of credit. As at 30 September 2023, this was EUR 548 million of total debt to banks, while there was no debt based on letters of credit.

¹⁷ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of September 30, 2023.

Operational indicators

Exploration and production

Q3 2023	Q3 2022	Δ^{18}	Indicator	Unit of measurement	9M 2023	9M 2022	Δ^{19}
297.6	296.3	+0.4%	Oil and gas output²⁰	thousand t.o.e.	868.1	879.3	-1.3%
206.3	203.6	+1.3%	Domestic oil output²¹	thousand tonnes	605.9	604.2	+0.3%
0.6	1.3	-50%	LTIF²²	number	0.6	1.3	-50%
10.2	9.3	+9%	EBITDA	RSD billion	24.7	34.8	-29%
7.1	3.6	+98%	CAPEX²³	RSD billion	16.0	9.1	+76%

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

In the third quarter of 2023, a total production volume of oil and gas 285.9 t.o.e. was achieved at reservoirs in Serbia, i.e., including concessions – 297.6 t.o.e.

In the first nine months of 2023, a total production volume of 834.8 t.o.e. was achieved in Serbia, i.e., including concessions – 868.1 thousand t.o.e.

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

Geological exploration and field engineering

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

In the third quarter of 2023, 13 new oil wells were successfully drilled and commissioned, whereby the average increase of 6.0 t/day per well was achieved. Since the beginning of 2023, a total of 32.1 thousand tonnes of oil was obtained from development drilling.

Also, in the period July-September of 2023, geological and technical activities were successfully carried out in 42 wells with the satisfactory average increase.

In 2023, the application of the repair and insulation works (RIW) technology continued. In the third quarter, after the application of the RIW technology, 15 wells were commissioned and the average increase of 1.7 t/day was achieved, and most of the operations were performed on the Velebit exploitation field.

Additionally, in the third quarter, 12 wells were commissioned after the transition to the new production layer with the mean realized increase of 4.9 t/day, totally 12 intensifications were made, with the increase of 3.6 t/day, while totally 3 wells from the idle well stock were enabled for operation, with the increase of 1.8 t/day.

When all geological and technological activities were taken into account, the additional oil production of 52.5 thousands tonnes was achieved.

Exploratory drilling and well testing

In 9 months of 2023, two exploration wells were drilled. In one gas well the presence of hydrocarbons was not confirmed so it was abandoned after drilling. The other oil well was commissioned in September. Thanks to this well,

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

¹⁹ Any deviations in percentages and aggregate values result from rounding.

²⁰ Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

²¹ With natural gasoline.

²² Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers for the Exploration and production Block. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of September 30, 2023.

²³ Financing, exclusive of VAT.

a new reservoir was found within the exploration area of Iđoš, as part of the implementation of geological and exploration works in the “Exploration and Production” Block in Serbia.

2D/3D seismics

A complex seismic and geological interpretation of data recorded in the exploration areas of the Middle and North Banat, in order to enhance the portfolio with new candidates for exploratory drilling.

License obligations

After the completion of geological research in the period 2020-2022 in the exploration area of Serbia southern of the Sava and the Danube, the final report on the results of geological research was submitted to the Ministry of Mining and Energy. The Ministry of Mining and Energy, as well, has issued a Decision approving the conduct of geological exploration of oil and gas in the exploration area of the Danube for the period 2023-2026.

To the Provincial Secretariat for Energy, Construction and Transport were submitted the Final Reports on the results of the geological surveys carried out in the exploitation fields Velebit and Martonoš Zapad, as well as the Annual Reports on the geological surveys carried out in 2022 in the research areas: Northern Banat, Middle Banat, Southern Banat, northern Bačka and southern Bačka and also the annual report on the performed geological research works in the Iđoš exploitation field (from July 2022 to July 2023). In order to continue conducting geological research in the exploration area of the northern Banat in 2023, the Provincial Secretariat for Energy, Construction and Transport in April issued permission to continue the research.

By the end of 2023, it is planned to prepare Final Reports on the results of geological research works on oil and gas in the exploration areas of: North Banat, Middle Banat, South Banat, North Bačka and South Bačka in order to submit an application for approval for the continuation of geological research works in the period of 2024-2026 in those exploration areas. By the end of 2023, the Final Reports will be made on the performed geological research works in the exploitation fields of Bradarac – Maljurevac, Martonoš zapad and Boka.

In order to continue the exploitation of oil and gas in the exploitation fields of NIS j.s.c. Novi Sad, in the beginning of June, 2023 approval was obtained for the expansion of the approved exploitation field of Kelebija.

In July 2023, an approval was obtained for the modification of the boundaries extending the Gornji Breg exploitation field.

Projects abroad

Key events in Romania in the third quarter of 2023:

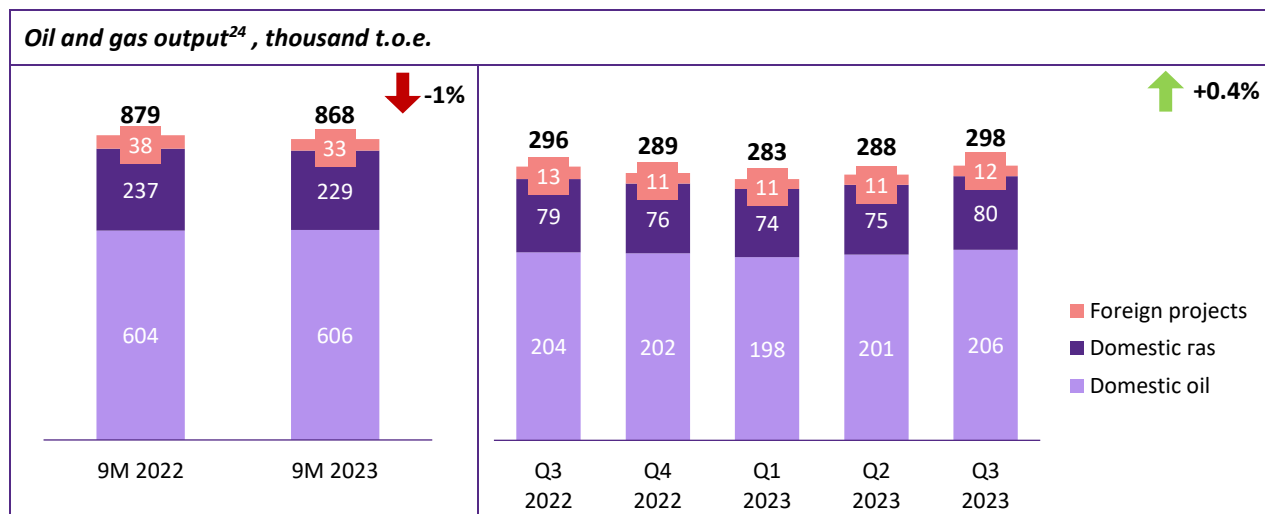
- Teremia North Project:
 - In part of oil infrastructure: the adaptation of the detailed infrastructure project was completed, the tender is ongoing;
 - In part of gas infrastructure: certificates of urbanism for the construction of the system for the preparation and compression of gas and the construction of the pipeline were obtained, the works on designing the pipeline and the system for the preparation and compression of gas (FEED) were completed, and detailed design is ongoing;
 - In part of drilling: after the session of the NIS Board of Directors, the decision was made to drill 2 development wells, tenders were conducted, the location was prepared. One well was drilled, drilling of the second well is started.

Key events in Bosnia and Herzegovina in the third quarter of 2023:

- At the end of August, a commission audit of the Study was carried out. The revision clause and the minutes were signed, and the Study was submitted to the Ministry of Energy. The solution was obtained and the request for approval of the Obudovac exploitation field was submitted to the Ministry of Energy of the Republic of Srpska;
- The wells are in the planned hydrodynamic measurement mode (pressure return measurement).

Operating indicators

In the first nine months of 2023, the total of 868.1 thousand t.o.e. of oil and gas was produced, which is 1% lower than the same period last year.



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

Downstream

Key indicators

Q3 2023	Q3 2022	Δ^{25}	Key indicators	Unit of measure	9M 2023	9M 2022	Δ^{26}
1,077.5	1,161.0	-8%	Volume of refining of crude oil and semi-finished products	thous. tonnes	3,053.6	3,265.1	-6%
1,125.6	1,134.4	-1%	Total sales volume of petroleum products	thous. tonnes	2,995.0	3,222.3	-7%
253.5	276.9	-8%	<i>Retail Serbia</i>	thous. tonnes	684.7	729.4	-6%
425.1	432.0	-2%	<i>Wholesale Serbia²⁷</i>	thous. tonnes	1,109.6	1,129.9	-2%
44.7	46.9	-5%	<i>Retail Foreign Assets</i>	thous. tonnes	119.5	143.9	-17%
60.0	22.4	+168%	<i>Wholesale Foreign Assets</i>	thous. tonnes	158.4	198.2	-20%
342.2	356.3	-4%	<i>Transit, export and BU²⁸</i>	thous. tonnes	922.8	1,020.9	-10%
823.0	805.0	+2%	Motor fuels sales volumes²⁹	thous. tonnes	2,145.2	2,234.0	-4%
25,944	26,707	-3%	Electricity output³⁰	MWh	97,126	95,891	+1%
19.4	29.8	-35%	EBITDA DWS³¹	bln RSD	43.2	76.3	-43%
15.7	24.2	-35%	<i>EBITDA Refining³²</i>	bln RSD	27.4	72.7	-62%
8.1	5.1	+60%	<i>EBITDA Sales and Distribution³³</i>	bln RSD	17.8	7.7	+133%
3.0	0.8	growth	CAPEX DWS³⁴	bln RSD	5.4	2.8	+93%
0.6	0.4	+83%	<i>CAPEX Refining</i>	bln RSD	1.5	0.9	+60%
1.9	0.4	growth	<i>CAPEX Sales and distribution</i>	bln RSD	3.2	1.6	+102%
2.0	1.3	+52%	LTIF DWS³⁵	number	2.0	1.3	+52%
1.5	2.1	-28%	<i>LTIF Refining</i>	number	1.5	2.1	-28%
2.4	0.9	growth	<i>LTIF Sales and distribution</i>	number	2.4	0.9	growth

²⁵Any deviations in percentages and aggregate values result from rounding.

²⁶Any deviations in percentages and aggregate values result from rounding.

²⁷ Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.

²⁸ Business unit includes the sale of bitumen, bunkering and aviation fuel channels.

²⁹ Total motor fuels sales volumes in Serbia and in foreign assets.

³⁰ The volume of electricity produced includes the electricity produced by Power plant Pančevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for the first 9M of 2023 is 421.8 MWh, while for Q3 2023 it is 216.7 MWh.

³¹ EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution, Block Energy and the rest of Downstream.

³² EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.

³³ EBITDA of the Sales and Distribution Block.

³⁴ Financing, excluding VAT. The shown CAPEX Of Downstream includes CAPEX of Refining Block, Sales and distribution Block, Block Energy and the rest of Downstream.

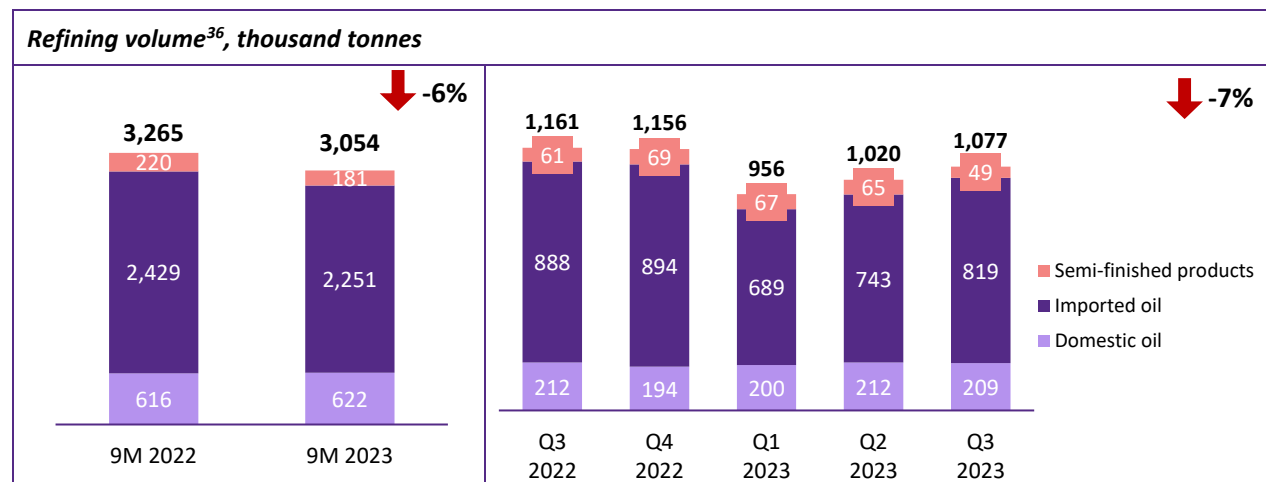
³⁵ Lost Time Injury Frequency – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of September 30, 2023.

Refining

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

Due to the challenging market circumstances, in the first nine months of the year Refining Block refined almost 3.05 million tons of crude oil and achieved a financial result of EBITDA of RSD 27.4 billion.

Refining activities and volume



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

Refining Block continuously implements activities to find new and maximize existing measures to increase efficiency and reduce costs. During the first nine months of 2023, the effect of measures for the increase of efficiency was realized in the amount of RSD 0.45 billion. A set of additional Quick Wins measures was developed, focusing on the implementation of organizational and technical measures, which do not require significant investments, with immediately visible results, aimed primarily at savings in energy consumption.

Some of the more significant measures that gave the positive results were:

- Optimization of the process on the Sulfolane Unit, where the implementation of two measures resulted in savings in the consumption of medium pressure steam in the amount of 3–5t/h and
- Optimization of processes on the FCC Unit: the implementation of that measure led to savings in fuel consumption of about 180 tons of natural gas on a monthly basis.

Within the OMS, more than 72% of the planned activities for the implementation of best practices and the formation of Benchmarking Plants in the oldest part of the refinery, the plants of Block 5, were realized, as well as on the MHC Complex and the plants of the Power Plant. The implementation of the contract for the special arrangement and equipping of the plants with the defined 5S equipment is being carried out, as well as the provision of new marks for the visual marking of equipment and plants in accordance with the plan. Within the process of continuous improvement, 29 new projects and initiatives for increasing energy efficiency were processed with Lean 6 Sigma tools.

³⁶The presented refining volume does not include the refining volume of HIP Petrohemija. The total volume of virgin naphtha refined by HIP Petrohemija for the period July-September is 89.24 thousand tonnes. Any deviations in percentages and aggregate values result from rounding.

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

In the Refining Block during June 2023, the first Scientific and Technical Conference (STS) was completed, which aimed at recognizing the potentials of the employees of the Refining Block and developing their competencies, while encouraging the dialogue between colleagues and initiating new ideas. The finalists presented their projects, and the committee voted for the best, which were also awarded. The improvement of the process in the Refining Block was the main guideline for 16 registered participants who presented 10 works.

The test mode of electronic work permits was completed in the Refining Block. Using electronic work permits, a number of advantages are expected, including increased safety and more efficient performance of work.

In May 2023, the HSE drill was successfully conducted at the Pančevo Oil Refinery, which demonstrated the readiness of the fire brigade and colleagues to respond to a potential accident in the most efficient manner. During the exercise, the reaction to two scenarios was shown: fire on one of the largest tanks in the Refinery and rescue of the injured worker from the height, i.e. platform, as well.

During May 2023, the ISCC certificate was obtained that enables the placement of fuel produced in the Refining Block, by blending mineral diesel and biodiesel. This certificate will also provide a guarantee on the credibility of the data in the regular annual report on the fulfillment of the criteria for biofuels sustainability.

During June, fire brigade managers successfully completed several days of theoretical and practical training in the field of responding to emergency events and situations.

Operators of the Pančevo Oil Refinery competed in knowledge, and for the first time in skills, in the “The Best in the Profession” competition. Out of approximately 50 colleagues from the Refining Block who showed a high level of knowledge, 16 of the best ones stood out.

At the final event of the Young Energy Europe 2.0 Project, the project of reducing the CO₂ footprint and increasing the energy efficiency of the Vacuum Distillation was successfully presented.

In August 2023, the second season of internship for operations positions in the Refinery Block started. This internship is intended for the secondary school students with whom there is a strategic cooperation within the “Energy of Knowledge” project.

Projects

In the part of the key project “The Reconstruction of the FCC Plant and the Construction of the new ETBE Plant”, the most important activities are:

- The extension of the FEED stage and activities for 2023-2024 were approved at the meeting of the NIS IB;
- Location conditions were obtained, the request for the consent of the Audit Committee to the Preliminary Design was submitted;
- The Contractor was selected for the realization of activities in the Major Overhaul 2024;
- The selection of the Contractor for the survey of as-built state of the DCS/ESD system is ongoing.

In the part of efficiency investment projects, we specify the following:

- “Project for the Replacement of Steam Turbines (GB-2301/2501/2601 compressor drive)” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing.
- “Project for the Reconstruction of the Industrial Track in Pančevo Oil Refinery (RNP)” – the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing.

- “Project for the Installation of the System for Automatic Dosing and Adding of Markers and Additives to Motor Fuels at the RNP Truck Loading Facility” - the project was approved in its entirety, the Contract on the Delivery of Equipment and Services was signed, the implementation is ongoing.
- “Project for the Reconstruction of the Fire System in RNP” - the project was approved in its entirety, the Contract on the Delivery of Equipment and Services for the Replacement of the Hydrant Network was signed.

Sales and distribution

Points of Sale³⁷ and Logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 331 retail sites are located in the Republic of Serbia (with 28 of them under GAZPROM brand). As for the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina (32 under GAZPROM brand), 23 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

3 petrol stations in Serbia (NIS brand) were reconstructed and 2 petrol stations were built, one in Serbia (GAZPROM brand) and one in Bosnia and Herzegovina (GAZPROM brand). By the end of the year, 5 PSs are expected to be commissioned after modernization in Serbia and Bosnia and Herzegovina (2 PSs construction, 3 PSs reconstructions, 1 long-term lease and rebranding of the PS).

Implementation of the project of reconstruction and modernization of the PP Niš Warehouse continued. Additionally, 3 new tanks will be erected at the Niš tank farm – 2 for diesel, 1 for petrol.

By the end of the year, it is expected that tanks G11 and G12 of the Novi Sad tank farm will be reconstructed for the needs of the aviation fuel sales channel.

Loyalty program and marketing activities

During the first nine months of 2023, 191 marketing activities were implemented in Serbia in order to develop consumer brands, loyalty programmes, improve the sales of fuel and non-fuel products, as well as to introduce the new products.

We would like to highlight the following most important marketing activities, which marked period July-september of 2023 in Serbia:

- Drive.Go application – image online campaign in order to gather new members and to increase the number of downloaded applications. The promotion was implemented on social networks and other online channels, through the CRM campaign, PR and in cooperation with long-term partners. Visual identity and user experience in the application were improved. The new customer service “My Car” was added. With this service, the users of the application have the possibility of recording information – the validity period of the vehicle registration certificate and driving license, as well as the insurance policy and a reminder of the validity of the entered documents. For the first nine months of 2023, the total number of active users increased by 9,041, in the total number of 45,776, with the total sales through the application of about 8.6 million liters of fuel.
- “On the Road with Us” loyalty programme – campaign in September with the aim of acquiring the new users of the “On the Road with Us” card, as well as the activation campaign for the existing members of “On the Road with Us” programme. This campaign brought: 63,815 downloaded applications, 61,976 new virtual members, 54,526 first transactions for 500 bonus points. For the purpose of optimization, within the “On the Road with Us” application, it is possible to send a fiscal invoice to the consumer's e-mail. The total number of active users “On the Road with Us” application for the nine months of 2023 is 859,210, and the number of the new virtual members is 126,272.
- On social networks – In the third quarter we had 306 feeds and over 400 stories posted. We were familiar with the events created by the #takomoćno iskustvo: Lovefest, Highlander, Aqua ski national competition.
- Drive Cafe – image campaign – all three phases of the campaign were implemented – promotion of products from the gastronomic offer. Compared to the previous year, sales for the entire gastro segment increased, as well as the videos from the first two phases on television channels (2.9 million viewers), which achieved the goals of the campaign.

³⁷ As at 30 September 2023.

Other activities

- Continued support for employees through sports recreation is organized at 104 locations in 27 cities and 20 disciplines for more than 2,800 employees, which is 92% more than last year in the same period.
- Numerous sports events were held with the participation of the NIS employees.

Operating indicators

In the first nine months of 2023, the sales reduced by 7% compared to the same period in 2022, bringing the total sales³⁸ to 2,995 thousand tonnes.

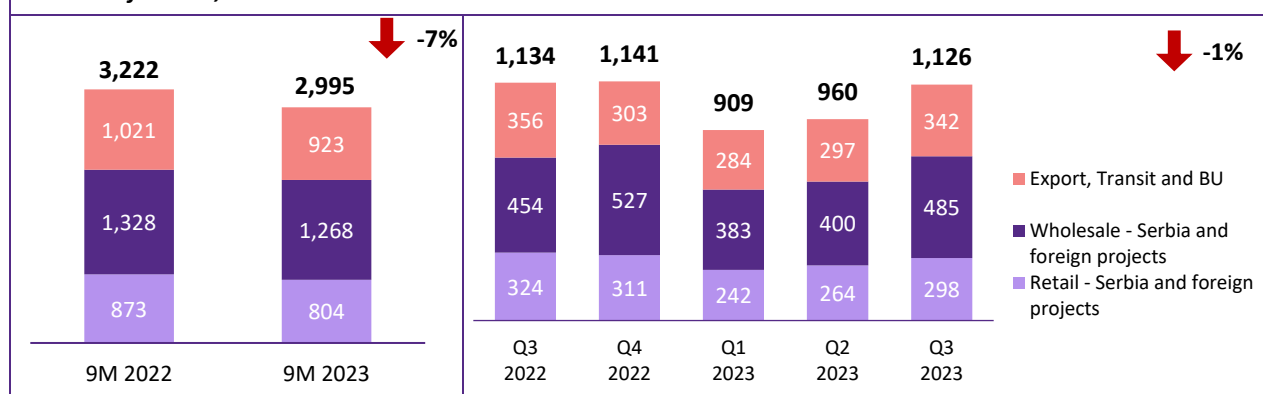
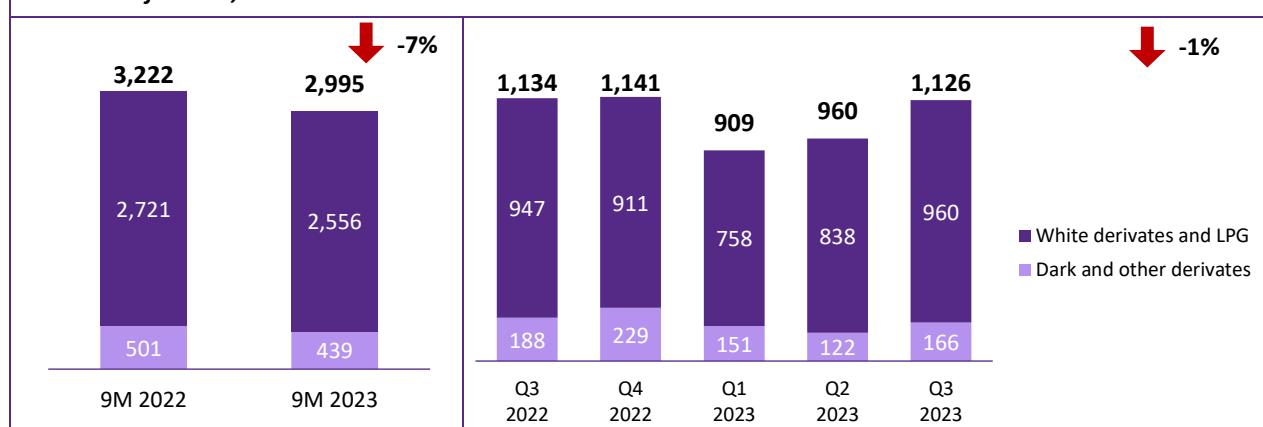
- Retail in Serbia and foreign assets – a decline by 8%, primarily in foreign countries, due to:
 - the geopolitical situation in the EU countries (especially in Romania, and in Bulgaria, as a result of the lease cancellation since April 2023);
 - the consequence of the specific factors relating to the last year:
 - the restriction of retail prices by the Republic of Serbia Government at a low level, which in some periods during 2022 were even lower than the prices of countries in the region,
 - the low price for agro buyers only at NIS PSs and the NIS prices lower than the defined maximum,
 - the growth of petrol tourism and international transport,
 - led to a significant increase in the consumption, sales and market share of NIS in 2022
- Wholesale in Serbia and foreign assets³⁹ – a decline by 5% primarily because of the:
 - decrease in sales of petroleum products in foreign countries Bosnia and Herzegovina and Romania because of the ban on exports from Serbia.
 - Also, increased wholesale diesel sales in 2022 as a result of government regulation of prices at a low level, influenced the high demand last year compared to this year.
- Export, transit and BU⁴⁰:
 - decrease in the sales of fuel oil, bitumen and primary gasoline on the domestic market;
 - a decrease in consumption;
 - decrease of technological export as a consequence of production optimization and exports due to changes in the structure of the petroleum basket.

The decrease in sales partially compensates for the increase in aviation fuel sales by 28% compared to the first nine months of 2022 due to the expansion of the international flight line of Air Serbia and foreign airlines, as well as the increase in the amount of aviation fuel exported compared to the same period last year.

³⁸The presented volume does not include the volume of petrochemical products of HIP Petrohemija. The total volume of HIP Petrohemija petrochemical products for the period July-September is 85.9 thousand tonnes.

³⁹It includes the sale of CNG of the Energy Block and the sale of oils, lubricants and technical fluids of the Downstream Lubricants Production Plant.

⁴⁰Business unit includes the sale in petroleum products of bitumen, bunker and jet fuels.

Volume of sales⁴¹, thousand tonnes**Structure of sales⁴², thousand tonnes**

⁴¹The presented volume does not include the volume of petrochemical products of HIP Petrohemija. The total volume of HIP Petrohemija petrochemical products for the period July-September is 85.9 thousand tonnes. Any deviations in percentages and aggregate values result from rounding.

⁴²The presented volume does not include the volume of petrochemical products of HIP Petrohemija. The total volume of HIP Petrohemija petrochemical products for the period July-September is 85.9 thousand tonnes. Any deviations in percentages and aggregate values result from rounding.

Energy

Natural gas

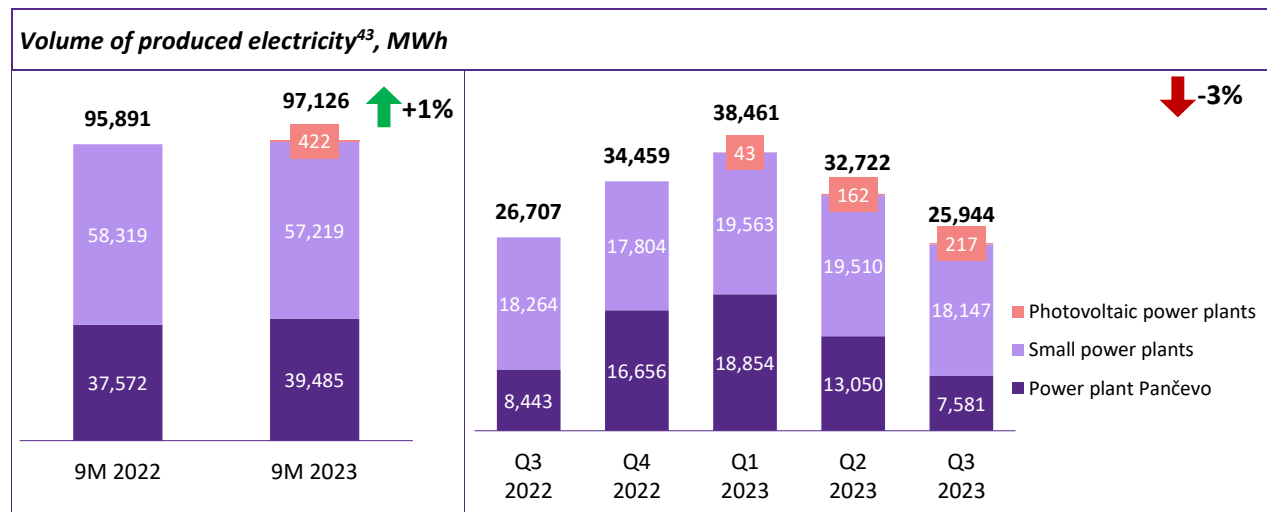
For the purposes of organizing and balancing the natural gas portfolio for NIS j.s.c. Novi Sad, the Contract on Natural Gas Transport for the 2023/2024 gas year was concluded with the natural gas transport system operator in the third quarter of 2023. Natural gas prices until the end of October 2023 are regulated by the Regulation of the Government of the Republic of Serbia on the temporary measure of limiting the price of gas and compensate for differences in the price of natural gas procured from imports and produced in the Republic of Serbia in the event of market disruptions.

The shipment of KPG from Gas field Ostrovo took place smoothly, with short delays. Negotiations are ongoing on the annual Agreement on the complete supply of energy from natural gas.

Electricity trading

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

In the first nine months of 2023 an increase of 1% was recorded in the volume of the produced electricity compared to the same period in 2022, so that the total volume was 97,126 MWh.



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

In the first nine months of 2023, the programme of measures to reduce electricity consumption and increase energy efficiency achieved energy savings of 4,315 t.o.e. The financial value of the savings amounts to RSD 397 million.

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

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

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

Renewable energy sources

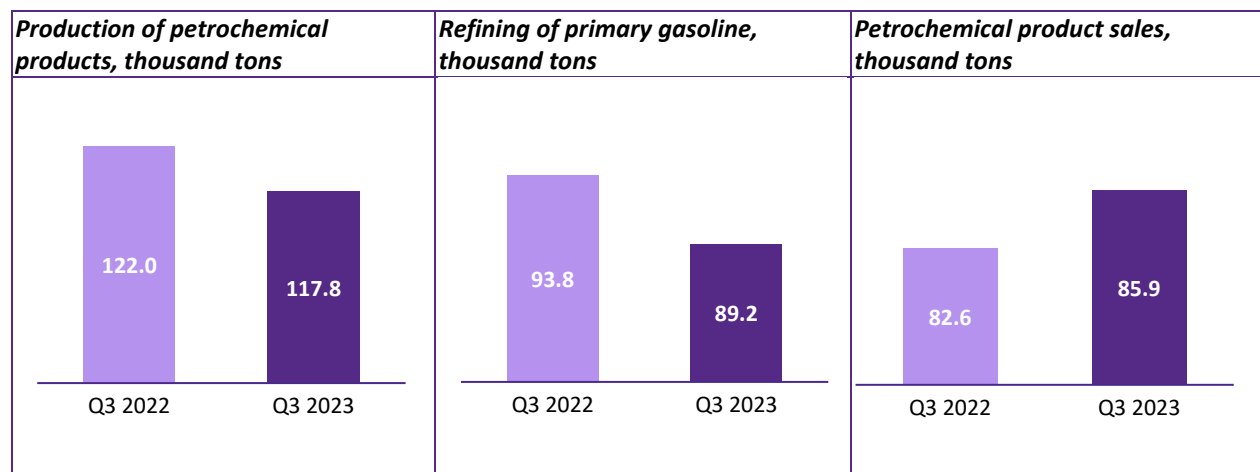
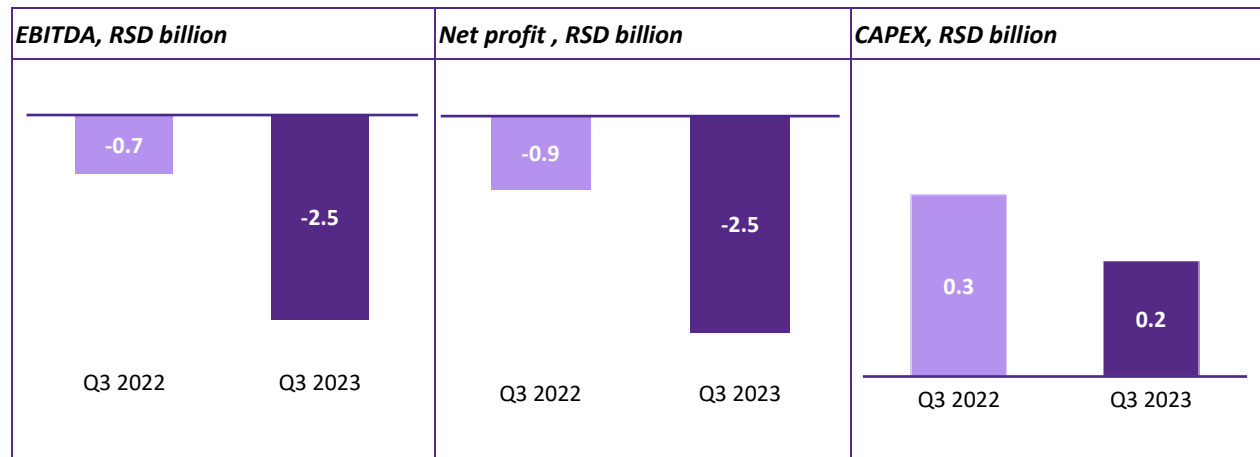
In the third quarter of this year, the following was realized:

⁴³The presented volume of produced electricity also includes the electricity produced in Power plant Pancevo, small power plants and photovoltaic power plants. The total volume of electricity produced at PVPP for the first 9 months of 2023 is 421.8 MWh, while for Q3 2023 it is 216.7 MWh.

- Photovoltaic power plants (PVPPs) at petrol stations (PSs);
- After the successful completion of the pilot project for the construction of the solar photovoltaic power plants at 8 PSs in 2022, and on the basis of the obtained results, the expansion of the PVPP network at PSs was initiated. The individual power of the power plants is 30.4 kWp at 6 petrol stations and 60.7 kWp at one petrol station. The project passport for the construction of the PVPPs at another 30 PSs was adopted, the contractor was selected and the activities on the implementation started at the beginning of June. The annual savings in the purchase of electricity is expected to amount to 1,123 MWh (about 18% of the total annual consumption of all 30 PSs);
- PVPP construction project – Jazak Drinking Water Factory Complex. The procurement was carried out in order to confirm the amount of investment for the construction of the photovoltaic power plant in the Jazak Drinking Water Factory Complex with a total panel power of 620 kWp (370 kWp on the roof and 250 kWp on the ground). The procurement process was completed, the Bidder was selected within the planned budget, an economic model was developed and the project passport was adopted. Implementation of the project began in August;
- PVPP construction project at the Petroleum Products Warehouse in Novi Sad – In August and September 2023, the new procurement was carried out without an approved budget according to the “turn-key” principle for the construction of the photovoltaic power plant on the ground with a power of 6.5 MW, which takes into account new findings regarding the specific characteristics of the terrain, as well as the procurement of the service of the pyrotechnic inspection of the terrain with the execution of preparatory earthworks and the foundation of the supporting structure.
- The project passport was adopted for the construction of the 0.5 MW photovoltaic power plant on the roofs of the Novi Sad Petroleum Products Warehouse and the procurement of the construction service according to the “turnkey” principle was announced.
PVPP construction project on the roof of the commercial building – The project passport was adopted, the procurement of the construction service according to the “turnkey” principle was carried out for the construction of the photovoltaic power plant on the commercial building in Novi Sad with the total power of the panel of 99.9 kWp and the Contractor was selected.
- An analysis of potential facilities and plots was performed and an economic analysis was made for the construction of the PVPP in the Elemir and Mladenovac Warehouses, as well as on the facilities and land managed by SNCAR (non-core assets). A tender was conducted for the selected facilities and locations and a Contractor was selected for the service of preparing the Techno-Economic Study, the realization of which began at the end of September.

HIP Petrohemija

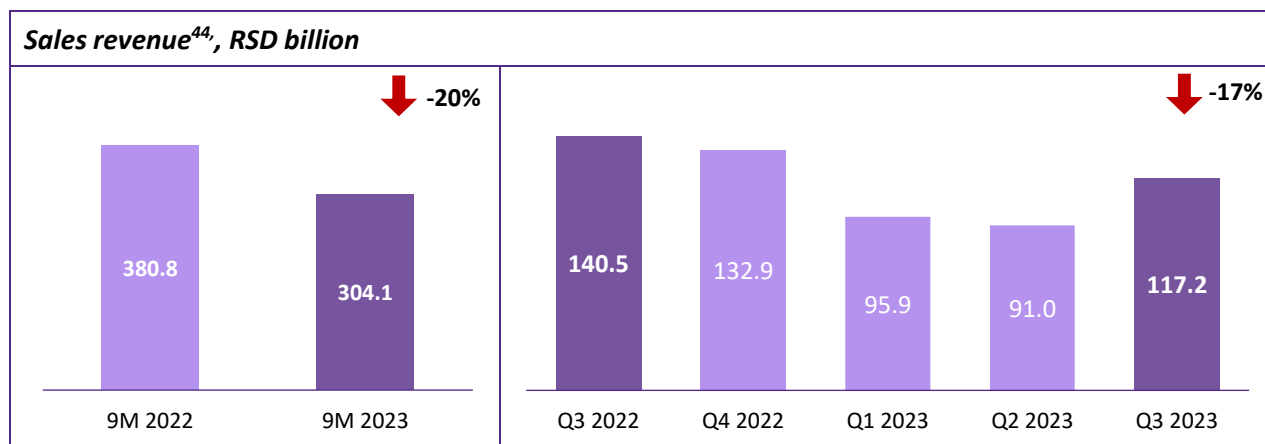
Financial indicators of the company HIP Petrohemija LLC Pančevo in the third quarter of this year recorded a decline compared to the same period last year. Also, there is a decline in key operating indicators.



Financial indicators

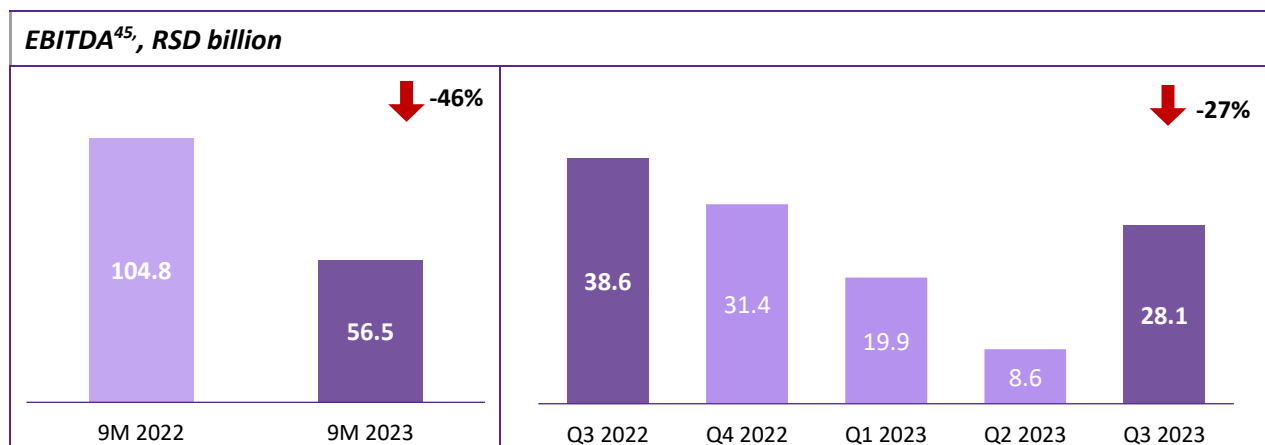
Sales revenues

During the first nine months of 2023 sales revenues are 20% lower compared to the previous year, and the total amount of sales revenues is RSD 304.1 billion.



EBITDA

The EBITDA indicator in the first nine months of 2023 is 46% lower than the same period last year and amounted to RSD 56.5 billion.



The decrease in the EBITDA indicator in the first nine months of 2023 compared to the same period last year is due to:

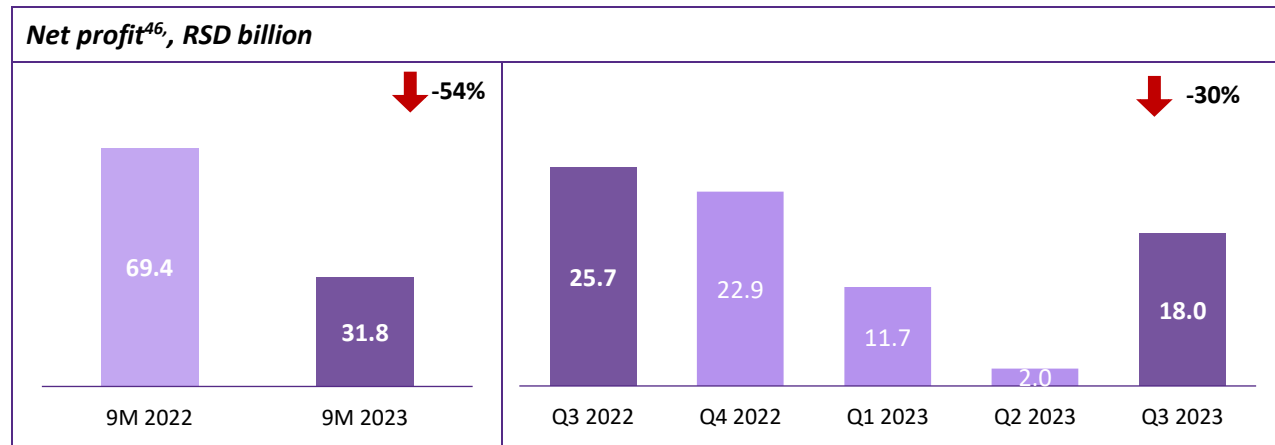
- Impact of decrease in oil and petroleum product prices in the world market;
- Deterioration of the scope of the refining of oil and petroleum products, which was partially compensated by the increase in the margin of petroleum products;
- Payment of the donation to the Government of Republic of Serbia;
- Increase in costs compared to the comparative period due to inflation and price increase.

⁴⁴ Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

⁴⁵ Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Net profit (loss)

The net profit in the first nine months of 2023 amounts to RSD 31.8 billion, which is lower 54% compared to the same period last year.

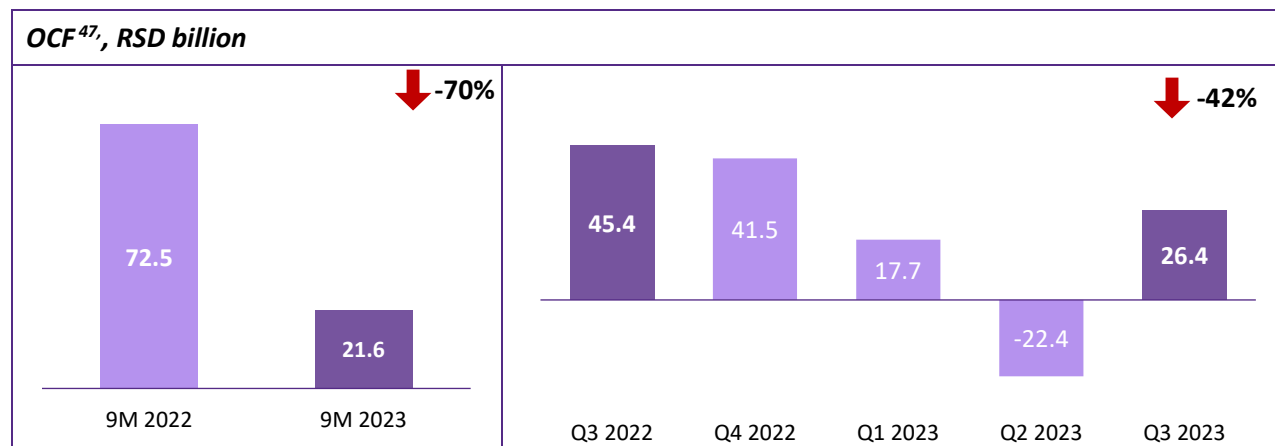


The decline in net profit in the first nine months was influenced by:

- The decline in EBITDA, which was partially compensated by the higher growth of financial income then to the growth of financial expenses, as well as the decrease in expenses related to income tax as a consequence of lower profit before taxation.

OCF

In the first nine months of 2023, the operating cash flow amounts to RSD 21.6 billion, and it is lower compared to the same period last year.



The decline of the OCF indicator in the first nine months was influenced by:

- Lower inflows;
- Payment of the donation to the Government of the Republic of Serbia and
- Higher taxes based on the profit tax from 2022.

⁴⁶ Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

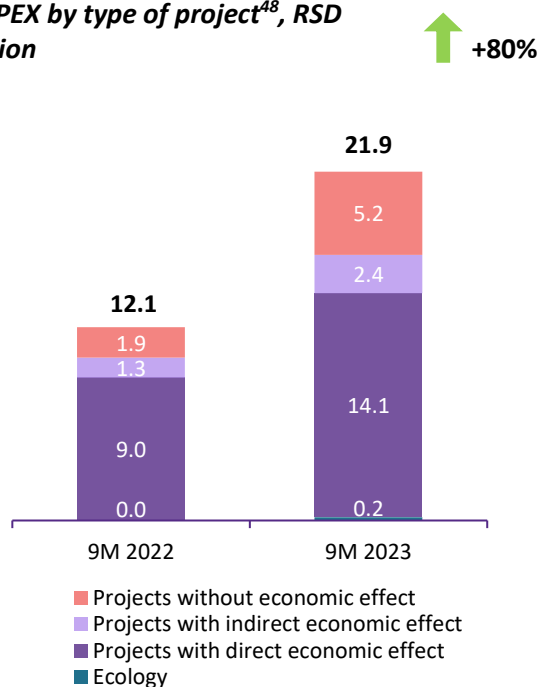
⁴⁷ Any deviations aggregate values result from rounding.

CAPEX

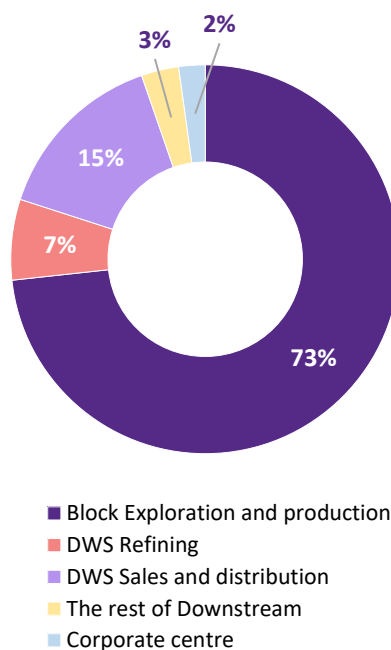
In the first nine months of 2023, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling, followed by oil refining projects, as well as reconstruction, construction and rebranding projects of petrol stations.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

In the first nine months of 2023, RSD 21.9 billion was allocated for investment, which is 80% more compared to the same period last year.

CAPEX by type of project⁴⁸, RSD billion



Investments by segments



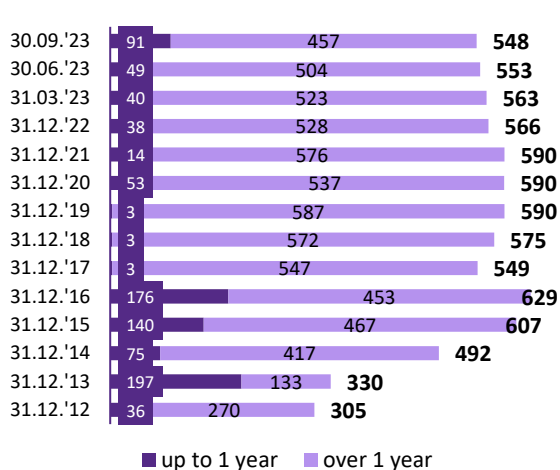
⁴⁸All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The displayed percentages of change were obtained based on values that were not rounded to billions of RSD.

Organisation unit	Major projects
Exploration and production	<ul style="list-style-type: none"> drilling of development wells investing in geological and technical activities infrastructure projects
Services	<ul style="list-style-type: none"> drilling rigs procurement of vacuum car tanks
Refining	<ul style="list-style-type: none"> projects aimed at ensuring compliance with legal norms and regulations investment maintenance projects environmental projects reconstruction of the FCC unit and construction of new ETBE unit
Sales and distribution	<ul style="list-style-type: none"> retail network development in Serbia (petrol station construction and reconstruction) other retail projects in Serbia and the region
Rest of Downstream projects (Energy and Technical services)	<ul style="list-style-type: none"> energy efficiency and solar projects technical services projects
Corporate centre	<ul style="list-style-type: none"> projects related to the maintenance of software solutions projects related to the modernization of the business centers of Novi Sad and Belgrade improvement of safety protection systems

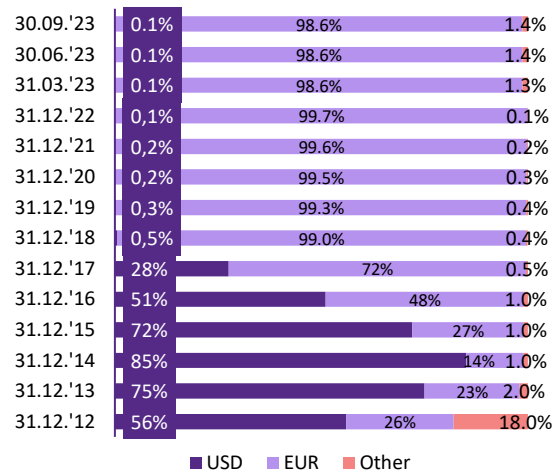
Indebtedness

At the end of third quarter of 2023, the debt to banks was lower than the debt at the end of 2022 and amounts to EUR 548.1 million. Loans in the amount of EUR 7 million were withdrawn, and a total of EUR 24.6 million was regularly repaid.

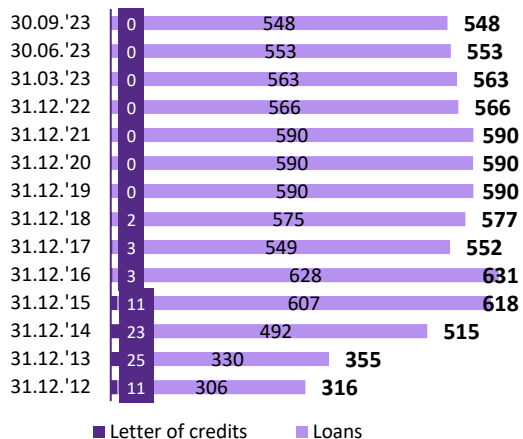
Total bank debt trends with maturity structure⁴⁹, EUR million



Total bank debt structure, by currency, in %



Total bank indebtedness⁵⁰, EUR million



⁴⁹ Any deviations in aggregate values result from rounding.

⁵⁰ In addition to the bank debt and Letters of Credit as at 30 September 2023, NIS j.s.c. Novi Sad holds issued bank guarantees in the amount of EUR 26.0 million, letters of intent EUR 0.1 million, corporate guarantees in the amount of EUR 446.5 million and financial leasing in the amount of EUR 32.6 million. Any deviations in aggregate values result from rounding.

Taxes and Other Public Revenue⁵¹

NIS j.s.c. Novi Sad	9M 2023	9M 2022	% ⁵²
Social insurance contributions paid by employer	1.67	1.51	+11%
Energy efficiency fee ⁵³	0.33	0.34	-4%
Corporate tax	6.77	13.52	-50%
Value-added tax	30.64	29.34	+4%
Excise duties	119.48	111.99	+7%
Commodity reserves fee	5.75	5.96	-4%
Customs duties	0.06	0.34	-82%
Royalty	1.30	1.36	-4%
Other taxes	1.16	1.06	+9%
Total	167.16	165.43	+1%
NIS subsidiaries in Serbia			
Social insurance contributions paid by employer	1.33	1.06	+26%
Corporate tax	0.11	0.14	-24%
Value-added tax	1.86	1.72	+8%
Excise duties	0.00	0.00	N/A
Customs duties	0.04	0.01	growth
Royalty	0.00	0.00	N/A
Other taxes	0.11	0.08	30%
Total	3.44	3.01	+14%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	170.60	168.44	+1%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.01	0.019	-21%
Energy efficiency fee	0.01	0.03	-56%
Corporate tax	0.02	0.19	-91%
Value-added tax	0.53	0.68	-21%
Excise duties	6.25	9.88	-37%
Customs duties	4.74	5.38	-12%
Royalty	0.04	0.15	-72%
Other taxes	0.08	0.08	0%
Total	11.69	16.41	-29%
Deferred taxes (total for Group)	-0.60	-0.28	+116%
Total NIS Group⁵⁴	181.69	184.6	-2%

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries deriving from its organisational structure in Serbia in the first nine months of 2023 amounts RSD 170.6 billion.

The amount of accrued liabilities for public revenues for NIS Group in the first nine months of 2023 totalled RSD 181.69 billion, which is an decrease of 2% on the same period in 2022.

⁵¹In RSD billion.

⁵²Any deviations in percentages and aggregate values result from rounding.

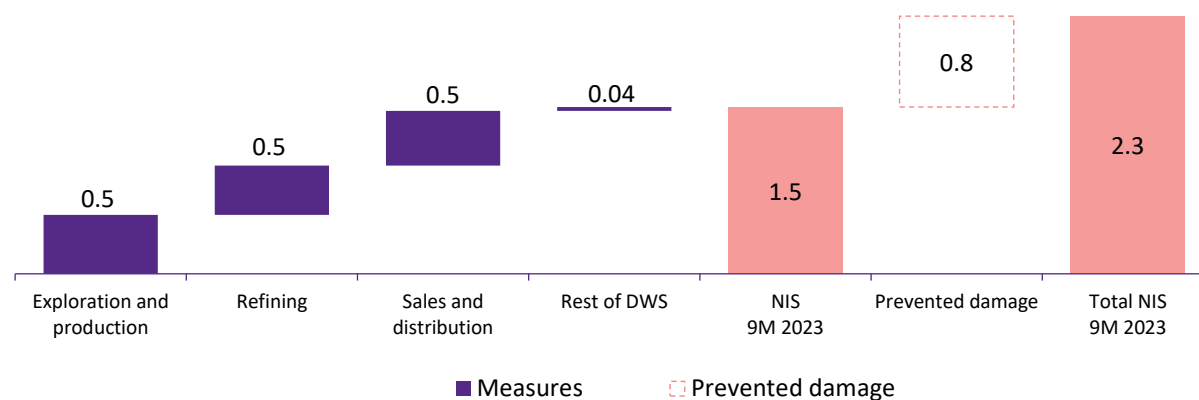
⁵³Calculated from 1 July 2019.

⁵⁴Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

Achievable potential level on EBITDA

The total effect of reaching the target level of potential on the EBITDA indicator in the first nine months of 2023 on EBITDA equals RSD 1.5 billion.

Effect of reaching the target level of potential on EBITDA, in RSD billion



Securities

Share Capital Structure

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

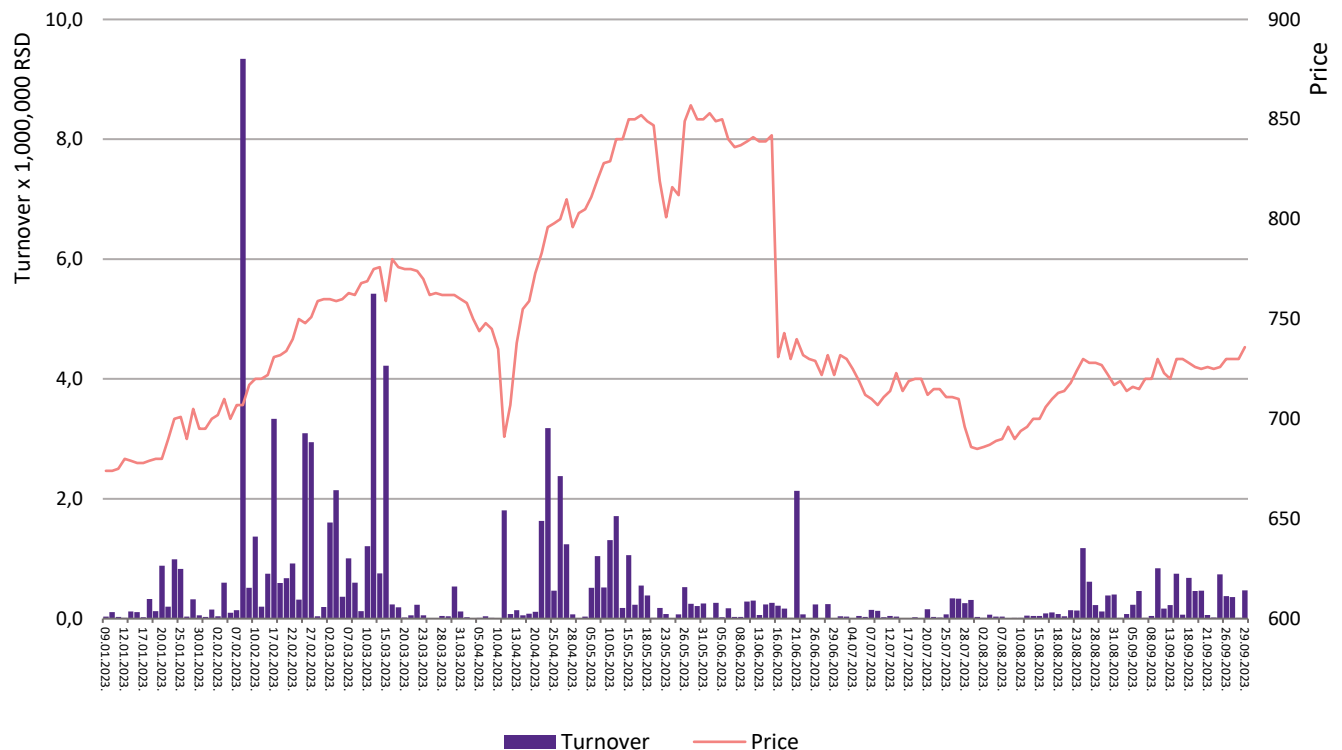
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance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

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

Share trading and indicators per share

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

Price and turnover trends in the first nine months of 2023



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first nine months of 2023

Last price (September 30, 2023)	736 RSD
High (May 29, 2023)	870 RSD
Low (January 9, 2023)	671 RSD
Total turnover, RSD	863,182,104 RSD
Total turnover, number of shares	1,149,342
Total number of transactions, number of transactions	4,475
Market capitalization as at September 30, 2023, in RSD	120,012,454,400
<i>EPS</i>	196.40
Consolidated <i>EPS</i>	214.04
<i>P/E</i> ratio	3.75
Consolidated <i>P/E</i> ratio	3.44
Book value as at September 30, 2023	2,277
Consolidated book value as at September 30, 2023	2,194
<i>P/BV</i> ratio	0.32
Consolidated <i>P/BV</i> ratio	0.34

During the first nine months of 2023 the Company did not acquire any treasury shares.

Dividends

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

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

On 29 June 2023, the Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit for 2022, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. This decision determines that the dividends will be paid to the shareholders in cash, in the gross amount of RSD 23,364,924,716, or RSD 143.29 per share. The shareholders registered in the Central Securities Depository and Clearing House as legal owners of NIS j.s.c. Novi Sad shares on the Record date (Dividend Day) i.e. on 19 June 2023 entitle to dividend payment. The dividend for 2022 was paid to shareholders on August 24, 2023.

	<i>Net profit (loss), RSD bn⁵⁵</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 %⁵⁶</i>
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5 ⁵⁷	0.0	-	101.1	0	475	-
2011	40.6 ⁵⁸	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7
2022	93.5	23.4	25%	573.14	143.29	675	21.2

⁵⁵ Net profit of NIS j.s.c. Novi Sad.

⁵⁶ Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.

⁵⁷ Net profit used for coverage of accumulated losses.

⁵⁸ Net profit used for coverage of accumulated losses.

Corporate Governance

Corporate Governance System

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

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

Shareholders' Assembly and Shareholders' Rights

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

Board of directors

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

Total amount of fees paid to BoD members in the first nine months of 2023, net in RSD	
Members of BoD	179,202,373 RSD

Board of Directors' Committees

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

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

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

Shareholders' Assembly Board

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

Chief executive officer

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

Advisory Board of the CEO

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

Related-Party Transactions

In the first nine months of 2023 the Group entered into business transactions with its related parties. An outline of related-party transactions is part of the Notes to the Financial Statements⁵⁹.

⁵⁹ Information on related party transactions can be found on page 91 under note number 27 to the Consolidated Financial Statements.

Human resources

As one of the best employers in Serbia, we strive to constantly adapt to the labour market, employees' expectations and the needs of the business. The greatest effort was invested in the stability of the company as an employer, programs focused on the recruitment and development of the young, new models of motivation, learning, development and promotion of respectful corporate culture.

Our long-term goal is to strengthen employee engagement and improve HR practices to offer the best possible employee experience. For this reason, we have continued to invest in employee engagement in 2023 and have initiated the implementation of various activities based on the results of the latest employee engagement survey and our company's strategic plans. We continued with the implementation of and upgraded the Engagement Academy Program, which aims to develop highly dedicated and motivated teams through the active role of senior and middle management in our Company and from this year also lower management. We have restarted the "First-Time Managers" Programme, within which, through several education modules, we help colleagues who have just taken on managerial functions to be as better managers and leaders as possible. In May, the new academic year of the Drive Leadership Programme began, and the new generation of NIS "academics" includes 22 colleagues from almost all organizational units of the Company. The programme is implemented in cooperation with the "Cotrugli" Business School, and the lecturers are experienced European and global experts in various areas of leadership skills development. The Easter workshops that we organized for the children of our employees in the business premises of NIS in Belgrade, Pančevo, Novi Sad and Zrenjanin also contributed to the better atmosphere in our working environment. In addition, we have made a new decision regarding the entry of children of our employees into the business premises of NIS in Belgrade and Novi Sad, which gives parents more flexibility to bring their children to the workplace.

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

We also strive to digitize our HR processes and thus provide faster and more efficient support to our employees. In this regard, we have implemented the SAP SuccessFactors digital platform and thus connected key HR processes. We also introduced a digital assistant, a chatbot, which provides employees with answers to the basic HR questions.

In 2023 as well, NIS has continued the tradition of implementing the programmes for the most talented students, graduate students and graduate pupils. In the third quarter, we realized the seventh season of the "NIS Calling" programme for 36 interns, and the second season of the Practice for Young Operators was launched – 22 graduates who joined us at the Pančevo Refinery. The third season of the "NIS Energy" Graduates Programme for 27 young graduates is also ongoing, and during the third quarter we implemented the campaign for the fourth season of this programme. 700 graduates applied for the competition, and the 22 most successful ones became part of our team in January. Also, the participants of the "NIS Calling – Robotization" Programme in the second quarter independently created and launched 3 robots.

In order to bring NIS as an employer closer to the candidates and labour market, we also initiated the realization of the strategy for social networks, i.e. the corporate profiles of NIS on Instagram, as well as on Tik-Tok, on which the NIS profile was recently launched by the Government Relations and Corporate Communications Function.

We have also achieved successful projects with the community – Hackathon and Conference – DigiHack; Career Booster Mentoring Project; Mentoring Programme with Digital Serbia Organization – Career 4.0; participation in the FONboarding Project.

Employee Number⁶⁰ and Structure

Organisational unit	Number of employees on:	
	9/30/2023	9/30/2022
NIS j.s.c. Novi Sad	5,299	5,152
Exploration and Production Block	1,075	1,085
Downstream	2,593	2,528
Refining Block	995	979
Sales and Distribution Block	1,386	1,360
Energy Block	46	42
The rest of Downstream ⁶¹	166	147
Corporate Centre	1,627	1,535
Representative and Branch Offices	4	4
Local subsidiaries	6,360	6,009
Subsidiaries abroad	135	133
Other subsidiaries included in consolidation	495	493
TOTAL⁶²:	12,289	11,787

Headcount trend⁶³

⁶⁰The number of employees does not include employees hired through the Contract of Services. On September 30, 2023 within the NIS a. d. In Novi Sad, we have 103 employees hired through the Contract of Services.

⁶¹The rest of the Downstream includes: Office of Downstream Director, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.

⁶²Employees with shared working hours are shown as whole units in the associated Company. The total number of NIS Group employees shown does not include employees of HIP-Petrohemija d.o.o. Pančevo. The number of employees in the company HIP-Petrohemija d.o.o. on September 30, 2023 is 1,103 including agency employees. The number of employees does not include employees hired through the Contract of Services. On September 30, 2023 within the HIP-Petrohemija LLC Pančevo, we have 4 employees hired through the Contract of Services.

⁶³The average number of employees does not include employees who are on maternity leave, employees who have been on sick leave for more than 30 days, and employees who have inactive status of employment, but it includes employees who left the company in the observed period and new employees proportionately to the number of days spent at the position. The average number of employees does not include employees of HIP Petrohemija.

Employment terminations

In first nine months of 2023, a total of 803 employees⁶⁴ left NIS j.s.c.: 86 employees retired, 41 employees left NIS after termination of employment by mutual consent, while the employment of 676 people was terminated on other grounds (cancellation of employment contract, employment termination by the employee, redundancy, etc.).

Basis of employment termination in the first nine months of 2023	NIS j.s.c Novi Sad ⁶⁵	Subsidiaries
Retirement	49	37
Termination by mutual consent	7	34
Other	126	550
Total	182	621

⁶⁴The data does not include employment terminations for HIP Petrohemija. The total number of employees with employment termination at HIP Petrohemija is 74 (54 employees retired, 13 left HIPP by mutual consent, while for 7 employees the reason for termination of employment was of a other nature).

⁶⁵Including representative offices and branches. Of the total number of terminations, there is no terminations account for the representative offices and branches.

Research and Development

In all business segments, NIS represents constant technological development and the introduction of innovations in business.

NTC NIS-Naftagas d.o.o. Novi Sad, as a subsidiary company in which NIS a.d. Novi Sad has 100% participation, providing the parent company with scientific-technical and innovation support in the field of research and production of oil and gas. Research and development activity within NTC has a dual role: coordinator and executor of scientific research works.

The implementation and development of new technologies, scientific research activity and increasing the efficiency of research, production and refining of oil and gas are the constant focus of NTC's management and employees

In the third quarter of 2023 in the field of geological and research works, geology, reservoir development and production:

- The work on the interpretation project Middle Banat continued. Currently, the first iteration of the structural interpretation has been completed;
- The Is-X-11/1 exploration well was drilled in the area of the Idoš field;
- A geological and hydrodynamic model of the Kikinda field;
- In order to determine the optimal development drilling and geological and technical activities, the process of developing geological and hydrodynamic models of the Mokrin and Velebit fields is ongoing;
- In the field of integrated modelling on the project on the Kikinda field, the modelling of the well operation was completed, the formation of the infrastructure model is ongoing.

Within the business segment for the new technologies and expertise and the Engineering Department, the NTC continues with the evaluation of the pilot project of decarbonization of the Pančevo Refinery.

In terms of implementation of the projects of chemical methods for increasing oil emissions, the NTC supports the testing of polymer compositions on individual wells, which is one of the first stages of the implementation of technology at the locations of NIS and the maintenance of the production level.

The NTC completed the first stage of work on the analysis of the dynamic potential of the geothermal energy. The focus of the work was on assessing the potential of production wells and selecting the most perspective areas. The next stage will be the development of a detailed geological model of the pilot location.

We carry out the systematic development of the existing technological problems and offer the promising technologies for testing or development in combination with the innovative environment.

The preparation of the PTD for the purpose of connecting the new wells included in the programme 2023 was completed.

The proposal was made and implemented in the new PTD solution according to the optimization of the construction of locations for the drilling rigs. The preparation of the PTD for the construction of the locations for the new types of rigs was initiated.

The activities of arranging the construction site and the implementation of the preparatory works on the upgrade of the new laboratory facility in Pančevo Refinery began. By the implementation of this project, a modernly equipped and functional facility for the performance of the laboratory testing of oil and petroleum products will be provided in Pančevo Refinery, in accordance with the HSE requirements and in terms of interior it will be in accordance with the global trends in the field of the laboratory arrangement.

The Downstream Laboratory conducted over 149 thousand tests of the quality of petroleum products in the first three quarters of 2023.

Financial Statements⁶⁶

Standalone financial statements (unaudited)

Interim Condensed Statement of Financial Position

Assets	Note	30 September 2023	31 December 2022
Current assets		<i>(unaudited)</i>	
Cash and cash equivalents	4	26,275,910	83,083,255
Short-term financial assets	5	31,381,210	8,453,591
Trade and other receivables	6	47,372,423	43,037,247
Inventories	7	47,357,145	54,163,591
Current income tax prepayments		4,612,482	-
Other current assets	8	11,546,043	9,796,354
Assets classified as held for sale		71,642	27,318
Total current assets		168,616,855	198,561,356
Non-current assets			
Property, plant and equipment	9	268,071,987	267,112,796
Right-of-use assets	10	2,642,295	2,826,525
Investment property		1,533,496	1,605,254
Intangible assets		3,742,594	3,861,377
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries	11	31,016,682	13,425,627
Trade and other non-current receivables		-	2,816
Long-term financial assets	12	28,578,178	29,588,852
Deferred tax assets		3,512,395	2,971,445
Other non-current assets	13	2,754,060	1,974,131
Total non-current assets		342,890,487	324,407,623
Total assets		511,507,342	522,968,979
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	13,451,313	11,308,085
Current lease liabilities	19	464,062	498,203
Trade and other payables	15	20,289,447	29,783,850
Other current liabilities	16	7,629,364	15,818,895
Current income tax payable		-	13,992,693
Other taxes payable	17	17,689,977	14,126,253
Provisions for liabilities and charges		2,110,064	1,899,914
Total current liabilities		61,634,227	87,427,893
Non-current liabilities			
Long-term debt	18	53,584,618	61,930,558
Non-current lease liabilities	19	1,524,838	1,797,176
Other non-current financial liabilities	20	12,012,312	840,001
Long-term trade and other payables		10,032	7,171
Provisions for liabilities and charges		11,379,734	11,150,061
Total non-current liabilities		78,511,534	75,724,967
Equity			
Share capital		81,530,200	81,530,200
Reserves		41,342	93,904
Retained earnings		289,790,039	278,192,015
Total equity		371,361,581	359,816,119
Total liabilities and shareholder's equity		511,507,342	522,968,979

In 000 RSD

⁶⁶ The financial statements, standalone and consolidated, have not been audited.

Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Sales of petroleum products, oil and gas		104,241,644	127,324,216	266,062,577	346,620,892
Other revenues		8,002,183	4,186,481	23,024,993	14,135,102
Total revenue from sales	3	112,243,827	131,510,697	289,087,570	360,755,994
Purchases of oil, gas and petroleum products		(62,843,257)	(75,253,387)	(164,482,647)	(207,303,660)
Production, manufacturing and cost of other sales	21	(11,860,000)	(8,143,779)	(35,185,413)	(26,207,080)
Selling, general and administrative expenses	22	(7,237,248)	(5,916,813)	(20,989,484)	(17,577,152)
Transportation expenses		(426,864)	(450,935)	(1,147,761)	(1,237,655)
Depreciation, depletion and amortization		(5,579,558)	(5,891,139)	(16,919,777)	(17,426,245)
Taxes other than income tax		(1,373,701)	(1,312,160)	(4,093,609)	(3,874,188)
Exploration expenses		(322)	-	(322)	(173)
Total operating expenses		(89,320,950)	(96,968,213)	(242,819,013)	(273,626,153)
Other income (expenses), net	23	(16,964)	223,904	(7,160,347)	301,615
Operating profit		22,905,913	34,766,388	39,108,210	87,431,456
Net foreign exchange gain / (loss)	24	5,274	(731,445)	(104,478)	(2,024,590)
Finance income	25	1,017,657	699,595	4,576,942	1,325,847
Finance expenses	26	(848,514)	(479,594)	(2,451,676)	(1,256,088)
Total other (expense) / income		174,417	(511,444)	2,020,788	(1,954,831)
Profit before income tax		23,080,330	34,254,944	41,128,998	85,476,625
Current income tax expense		(3,717,059)	(5,403,162)	(6,767,837)	(13,674,850)
Deferred tax income		159,983	104,306	540,950	275,820
Total income tax		(3,557,076)	(5,298,856)	(6,226,887)	(13,399,030)
Profit for the period		19,523,254	28,956,088	34,902,111	72,077,595
Other comprehensive income / (loss):					
Items that will not be reclassified to profit / (loss)					
Losses on remeasurements of defined benefit plans		-	-	-	(33,528)
Gain / (loss) from investments in equity instruments		8,431	-	8,276	(104)
Other comprehensive income / (loss) for the period		8,431	-	8,276	(33,632)
Total comprehensive income for the period		19,531,685	28,956,088	34,910,387	72,043,963
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		119.73	177.58	214.04	442.03
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

Nine-month period ended 30 September 2023 and 2022

(unaudited)		Reserves	Retained earnings	Total
Balance as at 1 January 2022	81,530,200	93,991	190,623,686	272,247,877
Profit for the period	-	-	72,077,595	72,077,595
Other comprehensive loss				
Loss from investments in equity instruments	-	(104)	-	(104)
Losses on remeasurements of defined benefit plans	-	-	(33,528)	(33,528)
Total comprehensive income (loss) for the period	-	(104)	72,044,067	72,043,963
Dividend distribution	-	-	(5,782,122)	(5,782,122)
Balance as at 30 September 2022	81,530,200	93,887	256,885,631	338,509,718

(unaudited)	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2023	81,530,200	93,904	278,192,015	359,816,119
Profit for the period	-	-	34,902,111	34,902,111
Other comprehensive gain				
Gain from investments in equity instruments	-	8,276	-	8,276
Total comprehensive income for the period	-	8,276	34,902,111	34,910,387
Dividend distribution	-	-	(23,364,925)	(23,364,925)
Disposal of investment in equity instrument	-	33,877	(33,877)	-
Internal transfer	-	(94,715)	94,715	-
Balance as at 30 September 2023	81,530,200	41,342	289,790,039	371,361,581

In 000 RSD

Interim Condensed Statement of Cash Flows⁶⁷

	Note	Nine month period ended 30 September	
		2023	2022
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		41,128,998	85,476,625
Adjustments for:			
Finance expenses	26	2,451,676	1,256,088
Finance income	25	(4,576,942)	(1,325,847)
Unrealised foreign exchange/(gain) losses, net		(384,013)	2,293,394
Depreciation, depletion and amortization		16,919,777	17,426,245
Other non-cash items		322,816	344,598
Operating cash flow before changes in working capital		55,862,312	105,471,103
Changes in working capital:			
Trade and other receivables		(4,418,976)	(14,708,887)
Inventories		6,739,874	(28,600,574)
Other current assets		(1,577,234)	(2,979,670)
Trade payables and other current liabilities		(16,366,879)	11,667,423
Other taxes payable		3,563,726	2,531,667
Total effect on working capital changes		(12,059,489)	(32,090,041)
Income taxes paid		(25,373,621)	(6,843,340)
Interest paid		(2,031,143)	(981,938)
Interest received		3,022,600	668,274
Net cash generated by operating activities		19,420,659	66,224,058
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries	11,20	(5,863,685)	-
Loans issued		(9,346,067)	(3,410,579)
Loan proceeds received		7,760,912	3,340,219
Capital expenditures ⁶⁸		(19,623,043)	(12,731,474)
Proceeds from sale of property, plant and equipment		110,568	331,090
Bank deposits repayment, net		(19,000,000)	-
Other inflows		8,430	-
Net cash used in investing activities		(45,952,885)	(12,470,744)
Cash flows from financing activities			
Proceeds from borrowings	14,18	7,611,892	16,429,595
Repayment of borrowings	14,18	(13,874,926)	(21,699,724)
Repayment of lease liabilities	19	(477,098)	(289,322)
Dividends paid		(23,364,925)	(5,782,122)
Net cash used in financing activities		(30,105,057)	(11,341,573)
Net increase/(decrease) in cash and cash equivalents		(56,637,283)	42,411,741
Effect of foreign exchange on cash and cash equivalents		(170,062)	(410,833)
Cash and cash equivalents as of the beginning of the period		83,083,255	20,336,901
Cash and cash equivalents as of the end of the period	4	26,275,910	62,337,809

In 000 RSD

⁶⁷ Company's policy is to present cash flow inclusive of related VAT.⁶⁸ CF from investing activities includes VAT in the amount of 2.5 bln RSD (2022: 1.7 bln RSD)

Notes to Standalone Financial Statements⁶⁹

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

The Company intends to implement the amendments to the existing standards and new standards issued but not yet effective as of the date these Condensed Interim Financial Statements were authorised for issue, and the Company does not expect them to have any material impact on the Condensed Interim Financial Statements when adopted.

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

In the first nine months 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 28) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the third quarter of 2023 the Company didn’t review the critical accounting estimates which are used by the Company in the Interim Condensed Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 30 September 2023 the Company didn’t review

⁶⁹ All amounts are in 000 RSD, unless otherwise stated

estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing.

The Company continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The results in these Interim Condensed Financial Statements for the three and nine month period ended 30 September 2023 are not necessarily indicative of the Company's results expected for the full year.

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 2022.

3. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the nine month period ended 30 September 2023 and 2022. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the nine-month period ended 30 September 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	35,329,357	289,844,475	(36,086,262)	289,087,570
Intersegment	35,289,019	797,243	(36,086,262)	-
External	40,338	289,047,232	-	289,087,570
Adjusted EBITDA (Segment results)	23,615,318	32,726,418	-	56,341,736
Depreciation, depletion and amortization	(9,261,463)	(7,658,314)	-	(16,919,777)
Net foreign exchange loss	(69,882)	(34,596)	-	(104,478)
Finance income (expenses), net	(123,521)	2,248,787	-	2,125,266
Income tax	-	(6,226,887)	-	(6,226,887)
Segment profit	14,159,436	20,742,675	-	34,902,111

Reportable segment results for the nine-month period ended 30 September 2022 are shown in the table below:

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

Adjusted EBITDA for the three and nine month period ended 30 September 2023 and 2022 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Profit for the period	19,523,254	28,956,088	34,902,111	72,077,595
Income tax	3,557,076	5,298,856	6,226,887	13,399,030
Finance expenses	848,514	479,594	2,451,676	1,256,088
Finance income	(1,017,657)	(699,595)	(4,576,942)	(1,325,847)
Depreciation, depletion and amortization	5,579,558	5,891,139	16,919,777	17,426,245
Net foreign exchange (gain) / loss	(5,274)	731,445	104,478	2,024,590
Other expenses/(income), net	16,964	(223,904)	7,160,347	(301,615)
Other non-operating expense/(income), net*	80,206	120,520	(6,846,598)	266,972
Adjusted EBITDA	28,582,641	40,554,143	56,341,736	104,823,058

*Other non-operating expense / (income), net mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and other. (note 23)

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

	Nine month period ended 30 September	
	2023	2022
Sale of crude oil	-	4,602,951
Sale of gas	139,165	100,104
Wholesale activities	139,165	100,104
Sale of petroleum products	265,923,412	341,917,837
Through a retail network	80,410,567	95,721,017
Wholesale activities	185,512,845	246,196,820
Sale of electricity	11,091,913	3,870,327
Lease revenue	274,936	268,239
Other sales	11,658,144	9,996,536
Total sales	289,087,570	360,755,994

Other sales mainly relate to sales of non-fuel products at petrol stations for 8,156,028 RSD (2022: 7,198,682 RSD).

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

4. CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Cash in bank and in hand	8,970,637	16,861,298
Deposits with original maturity of less than three months	17,299,999	66,219,999
Cash equivalents	5,274	1,958
	26,275,910	83,083,255

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

5. SHORT-TERM FINANCIAL ASSETS

	30 September 2023	31 December 2022
Short-term loans	2,027,129	204,604
Deposits with original maturity more than 3 months less than 1 year	25,873,752	6,003,699
Current portion of long-term investments (note 12)	5,458,695	4,225,725
Less impairment loss provision	(1,978,366)	(1,980,437)
	31,381,210	8,453,591

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

6. TRADE AND OTHER RECEIVABLES

	30 September 2023	31 December 2022
Trade receivables	54,736,857	50,420,797
Other receivables	90,188	88,717
Less credit loss allowance for trade receivables	(7,422,663)	(7,437,841)
Less credit loss allowance for other receivables	(31,959)	(34,426)
	47,372,423	43,037,247

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

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

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

7. INVENTORIES

	30 September 2023	31 December 2022
Crude oil	26,286,784	29,409,389
Petroleum products	19,407,775	23,314,075
Materials and supplies	4,843,455	4,771,464
Other	1,242,646	1,124,692
Less impairment provision	(4,423,515)	(4,456,029)
	47,357,145	54,163,591

8. OTHER CURRENT ASSETS

	30 September 2023	31 December 2022
Advances paid	677,557	729,280
Deferred VAT	4,450,151	4,198,144
Prepaid expenses	446,272	251,155
Prepaid custom duties	67,975	60,157
Prepaid excise	5,567,563	4,415,877
Other current assets	7,822,249	7,628,408
Less impairment provision	(7,485,724)	(7,486,667)
	11,546,043	9,796,354

Deferred VAT as at 30 September 2023 amounting to 4,450,151 RSD (31 December 2022: 4,198,144 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2023 amounting to 5,567,563 RSD (31 December 2022: 4,415,877 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2023						
Cost	215,586,310	165,764,521	57,566,537	16,696,746	16,398,494	472,012,608
Depreciation and impairment	(86,096,477)	(73,525,826)	(32,557,325)	(9,625,912)	(3,094,272)	(204,899,812)
Net book value	129,489,833	92,238,695	25,009,212	7,070,834	13,304,222	267,112,796
Period ended 30 September 2023						
Additions	11,534,770	562,736	811,978	375,830	3,885,113	17,170,427
Changes in decommissioning obligations	117,837	-	-	-	-	117,837
Impairment	-	-	-	-	(23,952)	(23,952)
Depreciation	(9,156,910)	(5,326,513)	(1,402,927)	(344,661)	-	(16,231,011)
Disposals and write-off	(797)	(11,016)	(19,679)	(89)	(191)	(31,772)
Transfer to investment property	-	-	(8,631)	-	-	(8,631)
Transfer to non-current assets held for sale	-	-	-	(29,379)	-	(29,379)
Other transfers	(139)	1,410	38,829	(39,834)	(4,594)	(4,328)
	131,984,594	87,465,312	24,428,782	7,032,701	17,160,598	268,071,987
As at 30 September 2023						
Cost	226,875,749	164,440,134	58,218,405	16,959,581	20,277,124	486,770,993
Depreciation and impairment	(94,891,155)	(76,974,822)	(33,789,623)	(9,926,880)	(3,116,526)	(218,699,006)
Net book value	131,984,594	87,465,312	24,428,782	7,032,701	17,160,598	268,071,987

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the nine months ended 30 September 2023 are as follows:

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2023	-	842,723	224,722	1,759,080	-	2,826,525
Additions	2,542	48,784	62,826	21,718	-	135,870
Depreciation	(279)	(74,089)	(64,678)	(178,012)	-	(317,058)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	(927)	(121)	-	-	(1,048)
Impairment	-	-	-	-	(1,994)	(1,994)
As at 30 September 2023	2,263	816,491	227,749	1,595,792	-	2,642,295

11. INVESTMENTS IN SUBSIDIARY

	30 September 2023	31 December 2022
Investments in subsidiaries:		
– In shares	3,457,576	3,457,576
– In stakes	40,303,566	11,140,314
	43,761,142	14,597,890
Less: Provision	(12,744,460)	(1,172,263)
	31,016,682	13,425,627

Movements on the account were as follows:

	2023
As at 1 January	13,425,627
Additional contribution (capital increase in HIP Petrohemija)	17,591,055
Transfer from investment in JV and associates – HIP Petrohemija	11,572,197
Less: transfer of provision	(11,572,197)
As at 30 September	31,016,682

Acquisition of HIP Petrohemija doo Pančevo

At the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija d.o.o. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds directly 20.86% of the voting power of the HIP Petrohemija and has representatives on the BoD and Supervisory boards. On 9 September 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model. The Company participated in the tender and was chosen as a strategic partner.

In accordance with the Agreement on Strategic Partnership signed on 24 December, 2021 between Government of Republic of Serbia, NIS a.d. Novi Sad and HIP Petrohemija doo Pančevo, on 9 June, 2023, Company acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous 20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result Company expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacity. The Company made the first payment of 5,863,685 RSD (50 million EUR) by the date of acquisition whereby the rest of the obligation of 11,727,370 RSD (note 20) will be paid in accordance with the Agreement. 30 June, 2023 is considered as the acquisition date.

Company has no obligation to make other payments based on this transaction except for the fulfilment of the obligation under the strategic partnership agreement.

12. LONG-TERM FINANCIAL ASSETS

	30 September 2023	31 December 2022
LT loans issued	41,173,710	40,958,458
Financial assets at FVTPL	839,122	840,001
Other LT placements	30,642	30,605
Available for sale financial assets	128,683	176,206
<i>Less Current portion of LT loans issued (note 5)</i>	(5,458,695)	(4,225,725)
<i>Less provision of other LT placements</i>	(8,135,284)	(8,190,693)
	28,578,178	29,588,852

13. OTHER NON-CURRENT ASSETS

	30 September 2023	31 December 2022
Advances paid for PPE	2,019,043	1,063,325
Prepaid expenses	126,320	142,503
Other assets	922,258	1,131,217
<i>Less allowance for Other assets</i>	(292,198)	(341,519)
<i>Less allowance for advances paid</i>	(21,363)	(21,395)
	2,754,060	1,974,131

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

	30 September 2023	31 December 2022
Short-term loans	3,388,507	5,345,097
Interest liabilities	272,157	151,584
Current portion of long-term loans (note 18)	9,790,649	5,811,404
	13,451,313	11,308,085

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

	Nine month period ended 30 September	
	2023	2022
Short-term loans at 1 January	5,345,097	2,188,401
Proceeds	7,611,892	11,929,843
Repayment	(9,568,018)	(10,914,221)
Foreign exchange difference (note 24)	(464)	(3,490)
Short-term loans at 30 September	3,388,507	3,200,533

15. TRADE AND OTHER PAYABLES

	30 September 2023	31 December 2022
Trade payables	16,497,666	25,943,650
Dividends payable	3,783,641	3,783,818
Other accounts payable	8,140	56,382
	20,289,447	29,783,850

16. OTHER CURRENT LIABILITIES

	30 September 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
– Advances received	3,616,240	11,294,740
– Customer loyalty	877,037	686,933
– Deferred income	41,909	-
Payables to employees	3,007,085	3,790,114
Other current non-financial liabilities	87,093	47,108
	7,629,364	15,818,895

Revenue in the amount of 7,763,911 RSD (30 September 2022: 3,133,467 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2023, of which 7,356,947 RSD (30 September 2022: 2,630,650 RSD) related to advances and 406,964 RSD (30 September 2022: 502,817 RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	30 September 2023	31 December 2022
Mineral extraction tax	424,414	393,085
VAT	7,148,169	3,955,956
Excise tax	8,302,757	7,814,476
Contribution for State commodity reserves	739,662	887,822
Custom duties	7,204	5,007
Energy efficiency fee	82,645	92,638
Other taxes	985,126	977,269
	17,689,977	14,126,253

18. LONG-TERM DEBT

	30 September 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	63,371,821	65,009,756
Other Long-term borrowings	3,446	3,778
Less Current portion (note 14)	(9,790,649)	(5,811,404)
	53,584,618	61,930,558

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

	Nine month period ended 30 September	
	2023	2022
Long-term loans at 1 January	67,738,184	77,480,027
Proceeds	-	4,499,752
Repayment	(4,306,908)	(10,785,503)
Non-cash transactions	15,945	(19,210)
Foreign exchange difference (note 24)	(75,400)	(160,915)
Long-term loans at 30 September	63,371,821	71,014,151

(a) *Bank loans*

	30 September 2023	31 December 2022
Domestic	46,818,875	48,275,895
Foreign	16,552,946	16,733,861
	63,371,821	65,009,756
Current portion of long-term loans	(9,790,649)	(3,082,976)
	53,581,172	61,926,780

The maturity of bank loans was as follows:

	30 September 2023	31 December 2022
Between 1 and 2 years	9,887,839	9,708,140
Between 2 and 5 years	42,521,033	47,889,786
Over 5 years	1,172,300	4,328,854
	53,581,172	61,926,780

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

	30 September 2023	31 December 2022
USD	31,696	88,819
EUR	63,283,615	64,824,628
RSD	10	4,268
JPY	56,500	92,041
	63,371,821	65,009,756

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

The loan agreements contain financial covenants that require the Company's ratio of Indebtedness to EBITDA. Management believes the Company is in compliance with these covenants as of 30 September 2023 and 31 December 2022, respectively.

19. LEASE LIABILITIES

	30 September 2023	31 December 2022
Non-current lease liabilities	1,524,838	1,797,176
Current lease liabilities	464,062	498,203
	1,988,900	2,295,379

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2023	2022
Interest expense (included in finance cost) (note 26)	70,252	24,788
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	2,700	52,725
Expense relating to leases of low value assets that are not shown above as short-term leases	7,912	12,487
Expense relating to variable lease payments not included in lease liabilities	885,540	839,157

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

	Nine month period ended 30 September	
	2023	2022
As at 1 January	2,295,379	1,338,381
Repayment	(477,098)	(289,322)
Non-cash transactions	177,427	248,396
Foreign exchange difference (note 24)	(6,808)	5,870
As at 30 September	1,988,900	1,303,325

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in the amount of 12,012,312 RSD (2022: 840,001 RSD) represents deferred consideration in the amount of 839,122 RSD for O&G exploration project that is ongoing through subsidiary Jadran Naftagas and additional capital contribution liabilities in the amount of 11,727,370 RSD (amount before reduction for the effect of revaluation of 546,770 RSD – note 25, and foreign exchange gain of 7,410 RSD – note 24). In accordance with the Agreement on Strategic Partnership Company has obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) associated with the new plant construction program. The Company made a first payment of 5,863,685 RSD (50 million EUR) by the date of acquisition whereby the rest of the obligation of 11,727,370 RSD will be paid in accordance with the Agreement.

21. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Employee costs	1,024,717	1,041,362	3,004,707	2,976,497
Materials and supplies (other than O&G and petroleum products)	317,630	272,547	910,862	754,918
Repair and maintenance services	1,267,852	1,190,708	3,896,513	3,691,798
Electricity for resale	3,309,935	58,756	10,115,102	3,098,359
Electricity and utilities	1,798,288	1,662,270	6,010,652	4,720,440
Safety and security expense	163,898	179,228	439,999	457,404
Transportation services for production	340,744	421,684	1,005,534	1,385,862
Other	3,636,936	3,317,224	9,802,044	9,121,802
	11,860,000	8,143,779	35,185,413	26,207,080

Electricity for resale represents par of other nonproduction and nonmanufacturing cost.

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Employee costs	3,326,735	2,856,728	9,807,544	8,489,057
Commission and agency fees	1,306,743	1,083,388	3,738,277	3,015,567
Legal, audit and consulting services	374,335	336,435	1,121,952	922,267
Current repair cost	323,862	312,245	914,038	770,964
Costs on advertising and marketing	93,544	75,821	245,533	187,578
Rent expense	5,814	25,476	14,267	74,671
Business trips expense	83,193	35,974	174,931	91,707
Safety and security expense	212,691	150,592	636,505	440,526
Insurance expense	28,520	23,538	74,679	66,862
Transportation and storage	55,200	47,077	153,413	133,705
Allowance for doubtful accounts	1,752	(5,267)	10,227	11,823
Other	1,424,859	974,806	4,098,118	3,372,425
	7,237,248	5,916,813	20,989,484	17,577,152

23. OTHER INCOME (EXPENSES), NET

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Penalties	34,958	78,891	130,213	176,288
Provisions	461	(28,547)	(31,307)	(33,689)
Impairment (reversal) of non financial assets	(13,105)	(676)	(26,106)	(8,820)
Charity and social payments	(3,665)	(4,436)	(7,070,405)	(15,391)
Other	(35,613)	178,672	(162,742)	183,227
	(16,964)	223,904	(7,160,347)	301,615

Charity and social payments amounting to 7,070,405 RSD mainly relate to donations for support projects in the field of education, social and health care.

24. NET FOREIGN EXCHANGE GAIN / (LOSS)

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Foreign exchange gain (loss) on financing activities including:				
– foreign exchange gain (note 14,18,19)	10,677	70,689	151,871	579,591
– foreign exchange loss (note 14,18,19)	(22,443)	(29,904)	(69,199)	(421,056)
Net foreign exchange loss on operating activities	17,040	(772,230)	(187,150)	(2,183,125)
	5,274	(731,445)	(104,478)	(2,024,590)

25. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest on bank deposits	838,335	516,990	3,446,852	784,149
Gains on restructuring of borrowings	5,777	5,783	17,340	17,376
Revaluation of equity investment at fair value – income / (loss)	(29,298)	-	546,770	-
Interest income on loans issued	202,843	176,822	565,980	524,322
	1,017,657	699,595	4,576,942	1,325,847

26. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest expense	819,742	425,313	2,299,764	1,186,054
Losses on restructuring of borrowings	4,821	6,180	16,032	18,280
Decommissioning provision: unwinding of the present value discount	37,865	9,569	109,318	27,686
Provision of trade and other non-current receivables: discount	1,583	45,482	70,544	38,060
Less: amounts capitalised on qualifying assets	(15,497)	(6,950)	(43,982)	(13,992)
	848,514	479,594	2,451,676	1,256,088

Interest expense includes expenses on lease liabilities in amount of 70,252 RSD for the nine months ended 30 September 2023 (24,788 RSD for the nine months ended 30 September 2022, accordingly) (note 19).

27. FAIR VALUE MEASUREMENT

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

As of 30 September 2023 the carrying value of financial assets approximates their fair value.

28. CONTINGENCIES AND COMMITMENTS*Taxes*

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 September 2023.

Economic environment in the Republic of Serbia

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

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 457,842 RSD (31 December 2022: 488,060 RSD).

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

Capital commitments

As of 30 September 2023 the Company has entered into contracts to purchase property, plant and equipment for 2,947,445 RSD (31 December 2022: 391,270 RSD).

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

29. RELATED PARTY TRANSACTIONS

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

In the nine month period ended 30 September 2023 and in the same period in 2022, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 30 September 2023 and 31 December 2022 the outstanding balances, net of impairment, with related parties were as follows:

			Joint ventures, associates and parent's subsidiaries and associates
As at 30 September 2023	Subsidiaries	Parent company	
Short-term financial assets	5,507,457	-	-
Trade and other receivables	12,342,951	-	19,383
Other current assets	4,158	-	18,842
Right of use assets	75,061	-	-
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	17,287,637	-	-
Long-term financial assets	28,470,524	-	-
Other non-current assets	2,192	-	43,870
Trade and other payables	(6,889,084)	(1,772)	(855,178)
Other current liabilities	(48,189)	-	(615)
Short-term debt	(2,579,392)	-	(24)
Current lease liabilities	(7,098)	-	-
Non-current lease liabilities	(73,861)	-	-
Other non-current financial liabilities	(11,173,190)	-	-
	42,919,166	(1,772)	265,078

			Joint ventures, associates and parent's subsidiaries and associates
As at 31 December 2022	Subsidiaries	Parent company	
Short-term financial assets	2,449,892	-	-
Trade and other receivables	8,490,014	-	1,637,009
Other current assets	1,360	-	22,259
Right of use assets	41,030	-	197
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	29,480,650	-	-
Other non-current assets	2,192	-	-
Trade and other payables	(4,186,297)	(1,762)	(3,676,115)
Other current liabilities	(67,543)	-	(3,121)
Short-term debt and current portion of long-term debt	(4,047,577)	-	(2,728,428)
Current lease liabilities	(2,240)	-	(124)
Non-current lease liabilities	(41,883)	-	(50)
	45,545,225	(1,762)	(3,709,573)

For the nine month period ended 30 September 2023 and 30 September 2022 the following transaction occurred with related parties:

	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Nine month period ended 30 September 2023			
Revenues from sales of products and services	26,273,534	-	15,946,053
Expenses based on procurement of products and services	(11,479,320)	(5,218)	(11,452,093)
Other income (expenses), net	1,038,676	-	(39,599)
	15,832,890	(5,218)	4,454,361

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

30. EVENTS AFTER THE REPORTING DATE

Subsequent events occurring after 30 September 2023 were evaluated through 27 October 2023, the date these Interim Condensed Financial Statements were authorised for issue.

Consolidated financial statements (unaudited)**Interim Condensed Consolidated Statement of Financial Position**

Assets	Note	30 September 2023	31 December 2022
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	4	32,554,829	88,131,045
Short-term financial assets	5	32,130,757	6,104,619
Trade and other receivables	6	38,159,630	35,969,998
Inventories	7	51,583,224	58,234,614
Current income tax prepayments		4,715,926	-
Other current assets	8	14,296,095	12,031,734
Assets classified as held for sale		68,158	23,833
Total current assets		173,508,619	200,495,843
Non-current assets			
Property, plant and equipment	9	297,699,217	295,790,456
Right-of-use assets	10	4,382,063	3,695,826
Investment property		1,533,764	1,531,705
Goodwill and other intangible assets		5,298,345	5,228,587
Investments in associates and joint ventures		2,696,505	2,866,724
Trade and other non-current receivables		-	2,821
Long-term financial assets		263,006	323,702
Deferred tax assets		2,936,081	2,766,666
Other non-current assets	11	4,790,057	2,113,788
Total non-current assets		319,599,038	314,320,275
Total assets		493,107,657	514,816,118
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	10,871,921	7,260,508
Current lease liabilities	17	878,920	735,918
Trade and other payables	13	18,125,978	28,455,871
Other current liabilities	14	12,128,466	17,746,302
Current income tax payable		-	14,013,449
Other taxes payable	15	19,283,928	15,233,939
Provisions for liabilities and charges		2,219,380	2,013,474
Total current liabilities		63,508,593	85,459,461
Non-current liabilities			
Long-term debt	16	53,725,126	62,053,580
Non-current lease liabilities	17	2,944,393	2,413,671
Other non-current financial liabilities		839,122	840,001
Long-term trade and other payables		10,032	7,171
Provisions for liabilities and charges		14,355,189	14,814,651
Total non-current liabilities		71,873,862	80,129,074
Equity			
Share capital		81,530,200	81,530,200
Reserves		698,426	572,221
Retained earnings		275,751,284	267,125,162
Equity attributable to the Company's owners		357,979,910	349,227,583
Non-controlling interest		(254,708)	-
Total equity		357,725,202	349,227,583
Total liabilities and shareholder's equity		493,107,657	514,816,118

in 000 RSD

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

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2023	2022	2023	2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		101,580,407	135,102,743	271,760,760	363,767,540
Other revenues		15,647,544	5,420,267	32,326,909	17,029,884
Total revenue from sales	3	117,227,951	140,523,010	304,087,669	380,797,424
Purchases of oil, gas and petroleum products		(64,316,893)	(81,834,143)	(172,859,159)	(219,642,497)
Production, manufacturing and cost of other sales	18	(14,636,082)	(8,871,042)	(38,216,582)	(27,353,505)
Selling, general and administrative expenses	19	(7,825,253)	(6,462,159)	(22,620,582)	(19,290,583)
Transportation expenses		(447,527)	(505,495)	(1,202,904)	(1,347,955)
Depreciation, depletion and amortization		(6,174,042)	(6,531,921)	(18,579,048)	(19,242,874)
Taxes other than income tax		(2,026,741)	(1,840,429)	(5,772,666)	(6,085,528)
Exploration expenses		(322)	-	(322)	(173)
Total operating expenses		(95,426,860)	(106,045,189)	(259,251,263)	(292,963,115)
Other expenses, net	20	(119,328)	(2,401,584)	(7,477,218)	(2,358,760)
Operating profit		21,681,763	32,076,237	37,359,188	85,475,549
Share of gain (loss) of associates and joint ventures		(67,880)	(92,264)	(170,220)	243,709
Net foreign exchange loss	21	(138,736)	(924,080)	(349,541)	(2,199,554)
Finance income	22	1,041,395	554,230	3,713,971	833,915
Finance expenses	23	(848,949)	(500,523)	(2,450,363)	(1,330,511)
Total other (expense) income		(14,170)	(962,637)	743,847	(2,452,441)
Profit before income tax		21,667,593	31,113,600	38,103,035	83,023,108
Current income tax expense		(3,783,809)	(5,462,743)	(6,893,010)	(13,854,660)
Deferred income tax income		163,352	87,101	560,160	279,142
Total income tax		(3,620,457)	(5,375,642)	(6,332,850)	(13,575,518)
Profit for the period		18,047,136	25,737,958	31,770,185	69,447,590
Other comprehensive income (loss):					
Items that will not be reclassified to profit (loss)					
Losses on remeasurements of defined benefit plans		-	-	-	(62,751)
Gain /(loss) from investments in equity instruments		8,431	-	8,276	(104)
Items that may be subsequently reclassified to profit					
Currency translation differences		22,009	55,772	84,083	85,223
Other comprehensive income for the period		30,440	55,772	92,359	22,368
Total comprehensive income for the period		18,077,576	25,793,730	31,862,544	69,469,958
Profit/(loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		18,301,844	25,737,958	32,024,893	69,447,590
- Non-controlling interest		(254,708)	-	(254,708)	-
Profit for the period		18,047,136	25,737,958	31,770,185	69,447,590
Total comprehensive income/(loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		18,332,284	25,793,730	32,117,252	69,469,958
- Non-controlling interest		(254,708)	-	(254,708)	-
Total comprehensive income for the period		18,077,576	25,793,730	31,862,544	69,469,958
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		112.24	157.84	196.40	425.90
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Nine month period ended 30 September 2023 and 2022

Equity attributable to the Company's owners						
(unaudited)	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2022	81,530,200	488,736	180,797,597	262,816,533	19,678	262,836,211
Profit for the period	-	-	69,447,590	69,447,590	-	69,447,590
Other comprehensive income/(loss)						
Loss from investments in equity instruments	-	(104)	-	(104)	-	(104)
Losses on remeasurements of defined benefit plans	-	-	(62,751)	(62,751)	-	(62,751)
Currency translation differences	-	79,441	5,782	85,223	-	85,223
Total comprehensive income for the period	-	79,337	69,390,621	69,469,958	-	69,469,958
Dividend distribution	-	-	(5,782,122)	(5,782,122)	-	(5,782,122)
Other	-	23,565	(89,882)	(66,317)	(19,678)	(85,995)
Balance as at 30 September 2022	81,530,200	591,638	244,316,214	326,438,052	-	326,438,052

Equity attributable to the Company's owners						
(unaudited)	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2023	81,530,200	572,221	267,125,162	349,227,583	-	349,227,583
Profit for the period	-	-	32,024,893	32,024,893	(254,708)	31,770,185
Other comprehensive income						
Gain from investments in equity instruments	-	8,276	-	8,276	-	8,276
Currency translation differences	-	84,083	-	84,083	-	84,083
Total comprehensive income/(loss) for the period	-	92,359	32,024,893	32,117,252	(254,708)	31,862,544
Dividend distribution	-	-	(23,364,925)	(23,364,925)	-	(23,364,925)
Disposal of investment in equity instruments	-	33,846	(33,846)	-	-	-
Balance as at 30 September 2023	81,530,200	698,426	275,751,284	357,979,910	(254,708)	357,725,202

in 000 RSD

Interim Condensed Consolidated Statement of Cash Flows⁷⁰

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

	Note	Nine month period ended 30 September	
		2023	2022
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		38,103,035	83,023,108
Adjustments for:			
Share of (profit)/loss of associates and joint ventures		170,220	(243,709)
Finance expenses	23	2,450,363	1,330,511
Finance income	22	(3,713,971)	(833,915)
Unrealised foreign exchange (gain)/losses, net		(854,449)	1,880,241
Depreciation, depletion and amortization		18,579,048	19,242,874
Other non-cash items		704,968	367,761
Operating cash flow before changes in working capital		55,439,214	104,766,871
Changes in working capital:			
Trade and other receivables		(1,126,619)	(9,943,233)
Inventories		6,558,562	(28,787,258)
Other current assets		(1,393,583)	(3,323,969)
Trade payables and other current liabilities		(17,407,335)	14,827,538
Other taxes payable		3,889,232	2,374,155
Total effect on working capital changes		(9,479,743)	(24,852,767)
Income taxes paid		(25,477,690)	(7,033,319)
Interest paid		(1,927,445)	(959,011)
Interest received		3,029,187	612,541
Net cash generated by operating activities		21,583,523	72,534,315
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiaries		568,307	-
Capital expenditures ⁷¹		(24,310,852)	(13,971,148)
Proceeds from sale of property, plant and equipment		69,483	338,945
Bank deposits /repayment, net		(24,353,824)	(91,880)
Other outflow		(14,999)	(170,385)
Net cash used in investing activities		(48,041,885)	(13,894,468)
Cash flows from financing activities			
Proceeds from borrowings	12,16	820,000	5,811,336
Repayment of borrowings	12,16	(5,614,589)	(10,785,504)
Repayment of lease liabilities	17	(744,118)	(581,934)
Dividends paid		(23,364,925)	(5,782,122)
Net cash used in financing activities		(28,903,632)	(11,338,224)
Net increase/(decrease) in cash and cash equivalents		(55,361,994)	47,301,623
Effect of foreign exchange on cash and cash equivalents		(214,222)	(413,023)
Cash and cash equivalents as of the beginning of the period		88,131,045	21,283,274
Cash and cash equivalents as of the end of the period	4	32,554,829	68,171,874

⁷⁰Group policy is to present cash flow inclusive of related VAT.

⁷¹CF from investing activities includes VAT in the amount of 2.77 bln RSD (2022: 1.8 bln RSD).

Notes to Consolidated Financial Statements⁷²

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

The Group intends to implement the amendments to the existing standards and new standards issued but not yet effective as of the date these Condensed Interim Consolidated Financial Statements were authorised for issue, and the Group does not expect them to have any material impact on the Condensed Interim Consolidated Financial Statements when adopted.

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

In the first nine months of 2023 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to EUR and weakening against the USD (the information on economic environment in the Republic Serbia is detailed in Note 26) due to geopolitical situation. Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the third quarter 2023 the Group didn’t review the critical accounting estimates which are used by the Group in

⁷² All amounts are in 000 RSD, unless otherwise stated

the Interim Condensed Consolidated Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 30 September 2023 the Group didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing.

The Group continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The results in these Condensed Interim Consolidated Financial Statements for the three and nine months period ended 30 September 2023 are not necessarily indicative of the Group's results expected for the full year.

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

2.2. Changes in significant accounting policies

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

3. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the nine month periods ended 30 September 2023 and 2022. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the nine month period ended 30 September 2023 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	36,411,547	304,506,054	(36,829,932)	304,087,669
Intersegment	35,857,296	972,636	(36,829,932)	-
External	554,251	303,533,418	-	304,087,669
Adjusted EBITDA (Segment results)	24,718,622	31,796,544	-	56,515,166
Depreciation, depletion and amortization	(10,608,328)	(7,970,720)	-	(18,579,048)
Share of loss of associates and joint ventures	-	(170,220)	-	(170,220)
Net foreign exchange loss	(241,971)	(107,570)	-	(349,541)
Finance income (expenses), net	(303,613)	1,567,221	-	1,263,608
Income tax	(70,516)	(6,262,334)	-	(6,332,850)
Segment profit	13,289,437	18,480,748	-	31,770,185

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

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

Adjusted EBITDA for the three and nine month period ended 30 September 2023 and 2022 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Profit for the period	18,047,136	25,737,958	31,770,185	69,447,590
Income tax	3,620,457	5,375,642	6,332,850	13,575,518
Finance expenses	848,949	500,523	2,450,363	1,330,511
Finance income	(1,041,395)	(554,230)	(3,713,971)	(833,915)
Depreciation, depletion and amortization	6,174,042	6,531,921	18,579,048	19,242,874
Share of (profit)/loss of associates and joint ventures	67,880	92,264	170,220	(243,709)
Net foreign exchange loss	138,736	924,080	349,541	2,199,554
Other expenses, net	119,328	2,401,584	7,477,218	2,358,760
Other non-operating expense/(income), net*	76,205	(2,446,716)	(6,900,288)	(2,277,665)
Adjusted EBITDA	28,051,338	38,563,026	56,515,166	104,799,518

*Other non-operating expense/(income), net mainly relates to donations for support projects in the field of education, social and health care, excess and deficiencies of assets revealed, fines, penalties and other (note 20).

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

	Nine month period ended 30 September	
	2023	2022
Sale of crude oil	-	4,602,952
Sale of gas	129,916	101,564
<i>Wholesale activities</i>	129,916	101,564
Sale of petroleum products	271,630,844	359,063,024
<i>Through a retail network</i>	93,726,358	114,879,096
<i>Wholesale activities</i>	177,904,486	244,183,928
Sale of electricity	11,187,834	4,158,248
Lease revenue	282,327	269,906
Other sales	20,856,748	12,601,730
Total sales	304,087,669	380,797,424

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 17,054,344 RSD (2022: 9,400,678 RSD).

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

4. CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Cash in bank and in hand	12,509,645	18,958,001
Deposits with original maturity of less than three months	20,035,185	69,170,832
Cash held on escrow account	4,727	254
Cash equivalents	5,272	1,958
	32,554,829	88,131,045

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

5. SHORT-TERM FINANCIAL ASSETS

	30 September 2023	31 December 2022
Short-term loans	34,327	43,116
Deposits with original maturity more than 3 months less than 1 year	32,098,610	6,063,683
<i>Less impairment loss provision</i>	(2,180)	(2,180)
	32,130,757	6,104,619

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

6. TRADE AND OTHER RECEIVABLES

	30 September 2023	31 December 2022
Trade receivables	45,848,926	43,289,967
Other receivables	84,412	88,129
Accrued assets	14,844	2,907
<i>Less credit loss allowance for trade receivables</i>	(7,756,593)	(7,376,579)
<i>Less credit loss allowance for other receivables</i>	(31,959)	(34,426)
	38,159,630	35,969,998

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

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

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

7. INVENTORIES

	30 September 2023	31 December 2022
Crude oil	26,407,601	29,455,750
Petroleum products	21,300,722	25,216,800
Materials and supplies	6,786,268	6,557,773
Other	1,557,439	1,517,953
<i>Less impairment provision</i>	(4,468,806)	(4,513,662)
	51,583,224	58,234,614

8. OTHER CURRENT ASSETS

	30 September 2023	31 December 2022
Advances paid	2,016,455	1,059,350
VAT receivables	107,413	601,319
Deferred VAT	4,727,093	4,405,141
Prepaid expenses	486,872	326,204
Prepaid custom duties	68,503	60,981
Prepaid excise	5,601,195	4,465,682
Other current assets	8,782,351	8,614,106
<i>Less impairment provision</i>	(7,493,787)	(7,501,049)
	14,296,095	12,031,734

Deferred VAT as at 30 September 2023 amounting to 4,727,093 RSD (31 December 2022: 4,405,141 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2023 amounting to 5,601,195 RSD (31 December 2022: 4,465,682 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2023						
Cost	235,638,513	165,764,521	76,125,213	17,455,773	24,562,759	519,546,779
Depreciation and impairment	(97,472,486)	(73,525,826)	(39,768,592)	(9,891,917)	(3,097,502)	(223,756,323)
Net book value	138,166,027	92,238,695	36,356,621	7,563,856	21,465,257	295,790,456
Period ended 30 September 2023						
Additions	12,219,137	1,067,360	931,660	385,015	5,000,470	19,603,642
Changes in decommissioning obligations	117,837	-	-	-	-	117,837
Impairment	-	-	-	-	(24,057)	(24,057)
Depreciation	(10,061,489)	(5,326,513)	(1,805,474)	(356,932)	-	(17,550,408)
Transfer from intangible assets	-	-	-	-	767	767
Transfer to investment property	-	-	(8,631)	-	-	(8,631)
Transfer to non-current assets held for sale	(6,497)	-	-	(29,379)	-	(35,876)
Disposals and write-off	(888)	(11,016)	(37,807)	(6,667)	(25,732)	(82,110)
Other transfers	97,412	1,411	38,824	(39,833)	(114,875)	(17,061)
Translation differences	(28,629)	-	(24,655)	(26)	(42,032)	(95,342)
	140,502,910	87,969,937	35,450,538	7,516,034	26,259,798	297,699,217
As at 30 September 2023						
Cost	247,631,257	164,944,759	76,770,202	17,717,847	29,371,783	536,435,848
Depreciation and impairment	(107,128,347)	(76,974,822)	(41,319,664)	(10,201,813)	(3,111,985)	(238,736,631)
Net book value	140,502,910	87,969,937	35,450,538	7,516,034	26,259,798	297,699,217

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the nine months ended 30 September 2023 are as follows:

	Land	Property	Plant and equipment	Vehicles	Other	Total
As at 1 January 2023	115,093	1,459,371	276,644	1,844,718	-	3,695,826
Additions	2,542	117,538	131,550	200,141	-	451,771
Acquisitions through business combinations	-	-	-	850,673	-	850,673
Depreciation	(5,567)	(208,048)	(119,351)	(275,273)	-	(608,239)
Transfers	-	-	5,000	(6,994)	1,994	-
Disposals	-	(514)	(214)	(3,739)	-	(4,467)
Impairment	-	565	-	-	(1,994)	(1,429)
Foreign currency translation	(757)	(955)	(294)	(66)	-	(2,072)
As at 30 September 2023	111,311	1,367,957	293,335	2,609,460	-	4,382,063

11. OTHER NON-CURRENT ASSETS

	30 September 2023	31 December 2022
Advances paid for PPE	4,060,946	1,208,348
Prepaid expenses	126,320	142,503
Other assets	921,713	1,131,217
<i>Less allowance of other assets</i>	(292,198)	(341,519)
<i>Less allowance for advances paid</i>	(26,724)	(26,761)
	4,790,057	2,113,788

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

	30 September 2023	31 December 2022
Short-term loans	820,000	1,308,145
Interest payables	261,272	140,959
Current portion of long-term loans (note 16)	9,790,649	5,811,404
	10,871,921	7,260,508

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

	Nine month period ended 30 September 2023	30 September 2022
Short-term loans at 1 January	1,308,145	-
Proceeds	820,000	1,311,584
Repayment	(1,307,680)	-
Foreign exchange difference (note 21)	(465)	(3,489)
Short-term loans at 30 September	820,000	1,308,095

13. TRADE AND OTHER PAYABLES

	30 September 2023	31 December 2022
Trade payables	14,325,397	24,568,481
Dividends payable	3,783,641	3,783,818
Other accounts payable	16,940	103,572
	18,125,978	28,455,871

14. OTHER CURRENT LIABILITIES

	30 September 2023	31 December 2022
Contract liabilities arising from contracts with customers:		
– Advances received	4,269,651	11,395,388
– Customer loyalty	978,662	774,596
– Deferred income	95,155	48
Payables to employees	4,772,150	5,523,217
Other current non-financial liabilities	2,012,848	53,053
	12,128,466	17,746,302

Revenue in the amount of 7,904,932 RSD was recognized in the current reporting period (30 September 2022: 3,273,262 RSD) related to the contract liabilities as at 1 January 2023, of which 7,438,994 RSD (30 September 2022: 2,720,518 RSD) related to advances and 465,938 RSD (30 September 2022: 552,744 RSD) to customer loyalty programme.

Other current non-financial liabilities mainly relate to compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects in amount of 1,869,455 RSD. This obligation was previously recognized as a provisions for liabilities and charges.

15. OTHER TAXES PAYABLE

	30 September 2023	31 December 2022
Mineral extraction tax	435,088	441,244
VAT	7,685,967	4,314,755
Excise tax	8,575,055	7,996,666
Contribution for State commodity reserves	739,662	887,822
Custom duties	71,108	24,304
Energy efficiency fee	83,988	122,510
Other taxes	1,693,060	1,446,638
	19,283,928	15,233,939

16. LONG-TERM DEBT

	30 September 2023	31 December 2022
Long-term loan	-	2,728,428
Bank loans	63,371,821	65,009,756
Other long-term borrowings	143,954	126,800
Less Current portion (note 12)	(9,790,649)	(5,811,404)
	53,725,126	62,053,580

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

	Nine month period ended 30 September	
	2023	2022
Long-term loans at 1 January	67,738,184	77,480,042
Proceeds	-	4,499,752
Repayment	(4,306,909)	(10,785,504)
Non-cash transactions	15,946	(19,224)
Foreign exchange difference (note 21)	(75,400)	(160,915)
Long-term loans at 30 September	63,371,821	71,014,151

a) Bank loans

	30 September 2023	31 December 2022
Domestic	46,818,875	48,275,922
Foreign	16,552,946	16,733,834
	63,371,821	65,009,756
Current portion of long-term loans	(9,790,649)	(3,082,976)
	53,581,172	61,926,780

The maturity of bank loans was as follows:

	30 September 2023	31 December 2022
Between 1 and 2 years	9,887,839	9,707,939
Between 2 and 5 years	42,521,033	47,889,786
Over 5 years	1,172,300	4,329,055
	53,581,172	61,926,780

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

	30 September 2023	31 December 2022
USD	31,696	88,819
EUR	63,283,615	64,824,628
RSD	10	4,268
JPY	56,500	92,041
	63,371,821	65,009,756

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 30 September 2023 and 31 December 2022, respectively.

17. LEASE LIABILITIES

	30 September 2023	31 December 2022
Non-current lease liabilities	2,944,393	2,413,671
Current lease liabilities	878,920	735,918
	3,823,313	3,149,589

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2023	2022
Interest expense (included in finance cost) (note 23)	113,878	68,835
Expense relating to short-term leases and other lease contracts excluded from IFRS 16	84,917	342,565
Expense relating to leases of low value assets that are not shown above as short-term leases	39,060	64,077
Expense relating to variable lease payments not included in lease liabilities	1,708,361	1,459,684

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

	Nine month period ended 30 September	
	2023	2022
As at 1 January	3,149,589	2,335,974
Repayment	(744,118)	(581,934)
Company incoming to consolidation	883,328	-
Non-cash transactions	547,374	469,003
Foreign exchange difference (note 21)	(12,860)	4,083
As at 30 September	3,823,313	2,227,126

18. PRODUCTION, MANUFACTURING AND COST OF OTHER SALES

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Employee costs	3,205,304	2,478,693	8,391,993	7,186,823
Materials and supplies (other than O&G and petroleum products)	960,505	716,093	2,509,771	1,877,034
Repair and maintenance services	1,117,788	865,502	2,658,431	2,299,802
Electricity for resale	3,310,747	59,233	10,117,736	3,103,275
Electricity and utilities	3,816,672	2,043,316	8,748,865	5,759,194
Safety and security expense	96,254	179,893	373,586	458,388
Transportation services for production	250,795	326,454	557,360	1,063,458
Other	1,878,017	2,201,858	4,858,840	5,605,531
	14,636,082	8,871,042	38,216,582	27,353,505

Electricity for resale represents par of other nonproduction and nonmanufacturing cost.

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Employee costs	5,091,244	4,190,133	14,738,004	12,331,544
Commission and agency fees	178,369	221,358	565,014	632,040
Legal, audit and consulting services	189,244	174,467	578,446	488,884
Current repair cost	333,934	341,143	958,764	836,517
Costs on advertising and marketing	104,394	87,935	276,772	221,182
Rent expense	12,925	38,272	48,680	100,400
Business trips expense	93,171	39,920	198,467	102,915
Safety and security expense	229,662	168,544	689,575	492,437
Insurance expense	29,539	24,450	78,172	72,830
Transportation and storage	67,182	56,448	180,489	167,409
Allowance for doubtful accounts	17,235	(1,102)	21,837	20,562
Other	1,478,354	1,120,591	4,286,362	3,823,863
	7,825,253	6,462,159	22,620,582	19,290,583

20. OTHER EXPENSE, NET

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Penalties	(37,168)	(84,818)	(136,742)	(204,861)
Provisions (legal, environmental, etc.)	90,668	32,847	292,946	41,903
Impairment of non-financial assets	12,955	676	25,957	8,820
Gain from write-off of accounts payable	(761)	(1,263)	(5,518)	(4,138)
ARO - Change in estimate	(5,193)	-	(5,193)	-
Charity and social payments	3,845	4,586	7,070,825	15,902
Other	54,982	2,449,556	234,943	2,501,134
	119,328	2,401,584	7,477,218	2,358,760

Charity and social payments amounting to 7,070,825 RSD mainly relate to donations for support projects in the field of education, social and health care.

21. NET FOREIGN EXCHANGE LOSS

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Foreign exchange gain/(loss) on financing activities including:				
foreign exchange gain (note 12, 16 and 17)	71,737	61,904	284,053	594,884
foreign exchange loss (note 12, 16 and 17)	(82,082)	(13,562)	(195,328)	(434,563)
Net foreign exchange loss on operating activities	(128,391)	(972,422)	(438,266)	(2,359,875)
	(138,736)	(924,080)	(349,541)	(2,199,554)

22. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest on bank deposits	1,037,799	550,887	3,705,335	823,941
Interest income on loans issued	3,596	3,343	8,636	9,974
	1,041,395	554,230	3,713,971	833,915

23. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
Interest expense	820,544	445,454	2,299,629	1,258,454
Losses on restructuring of borrowings	4,821	6,180	16,032	18,280
Decommissioning provision: unwinding of the present value discount	38,705	10,357	111,832	29,709
Provision of trade and other non-current receivables: discount	1,584	45,482	70,544	38,060
Less: amounts capitalised on qualifying assets	(16,705)	(6,950)	(47,674)	(13,992)
	848,949	500,523	2,450,363	1,330,511

Interest expense includes expenses on lease liabilities in the amount of 113,878 RSD for the nine months ended 30 September 2023 (68,835 RSD for the nine months ended 30 September 2022 accordingly) (Note 17).

24. FAIR VALUE MEASUREMENT

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

As of 30 September 2023 the carrying value of financial assets approximates their fair value.

25. BUSINESS COMBINATIONS

Acquisition of HIP Petrohemija d.o.o. Pančevo

In accordance with the Agreement on Strategic Partnership signed on 24 December 2021 between Government of Republic of Serbia, NIS a.d. Novi Sad and HIP Petrohemija doo Pančevo, on 9 June 2023, the Group acquired control and registered an increase in the share in the capital of HIP Petrohemija (petrochemical complex) from the previous 20.86% to 90% with the obligation of additional capital increase in the amount of 17,591,055 RSD (150 million EUR) which will be used for construction of a plant for the production of polypropylene with a capacity of at least 140,000 tons per year within six years. As a result, the Group expects to diversify and to expand its business in the segment of petrochemical products after the implementation of the comprehensive investment program of modernisation and building new production capacity. For the purposes of consolidating the Group's financial statements, 30 June 2023 is considered the acquisition date.

The Group currently estimates that the provisional fair value of the acquired assets is equal to the amount of the assumed obligations at the date of acquisition.

The fair value of the acquired identifiable net assets is provisional pending receipt of the final valuations for those assets (one year after the transaction). The provisory fair value was estimated applying discounted cash flow projections method. The fair value measurements are based on significant inputs that are not observable in the market and thus represent a fair value measurement categorised within Level 3 of the fair value hierarchy as described in IFRS 13. Key assumptions include the following:

- a) a discount rate 13.7 per cent
- b) a f/x RSD/EUR 117.30

The Group has no obligation to make other payments based on this transaction except for the fulfillment of the obligation under the strategic partnership agreement.

If the acquisition had taken place at the beginning of the year Consolidated Statement of Profit and Loss and Other Comprehensive Income of the Group would have included additional revenue of 14,581,831 RSD and loss before tax of 4,528,315 RSD from continuing operation of HIP Petrohemija.

26. CONTINGENCIES AND COMMITMENTS

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 30 September 2023.

Economic environment in the Republic of Serbia

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

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 481,110 RSD (31 December 2022: 508,332 RSD).

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

Capital commitments

As of 30 September 2023 the Group has entered into contracts to purchase property, plant and equipment 2,947,445 RSD (31 December 2022: 311,970 RSD) and drilling and exploration works estimated to 94.6 USD million (31 December 2022: 96.93 USD million).

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

27. RELATED PARTY TRANSACTIONS

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

In the nine month period ended 30 September 2023 and in the same period in 2022, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 30 September 2023 and 31 December 2022 the outstanding balances, presented net of impairment, with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 30 September 2023			
Trade and other receivables	-	51,744	20,124
Investments in joint venture and associates	-	-	2,696,504
Short-term financial assets	-	32,307	-
Other non-current assets	-	43,870	-
Other current assets	-	19,989	732,109
Trade and other payables	(1,772)	(54,516)	(807,593)
Other current liabilities	-	(118)	(615)
Short-term debt and current portion of long-term debt	-	(24)	-
	(1,772)	93,252	2,640,529
As at 31 December 2022			
Trade and other receivables	-	368,216	1,446,747
Investments in joint venture and associates	-	-	2,866,724
Other current assets	-	22,258	709,412
Right of use assets	-	197	-
Trade and other payables	(1,762)	(641,933)	(3,053,876)
Other current liabilities	-	(195)	(3,101)
Short-term debt and current portion of long-term debt	-	(2,728,428)	-
Current lease liabilities	-	(124)	-
Non-current lease liabilities	-	(50)	-
	(1,762)	(2,980,059)	1,965,906

For the nine month period ended 30 September 2023 and 2022 the following transaction occurred with related parties:

	Parent company	Parent's subsidiaries and associates	Associates and joint venture
Nine month period ended 30 September 2023			
Revenues from sales of products and services	-	565,890	15,522,746
Expenses based on procurement of products and services	(5,218)	(1,252,694)	(10,232,798)
Other income/(expenses), net	-	(44,647)	1,575
	(5,218)	(731,451)	5,291,523
Nine month period ended 30 September 2022			
Revenues from sales of products and services	-	1,388,522	32,105,381
Expenses based on procurement of products and services	(5,529)	(97,433,010)	(2,727,260)
Other income/(expenses), net	-	(102,050)	-
	(5,529)	(96,146,538)	29,378,121

28. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 30 September 2023 were evaluated through 27 October 2023, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

Statement of individuals responsible for the preparation of report

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

The financial statements, which are an integral part of the Quarterly Report, have not been audited.

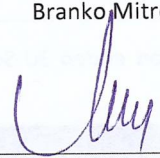
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Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
B&H	Bosnia and Herzegovina
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CNG	Compressed natural gas
CO ₂	Carbon Dioxide
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
ETBE	Ethyl tertiary-butyl ether
EU	European Union
EUR	Euro
FED	The Federal Reserve System
HiPACT	High Pressure Acid Gas Capture Technology
HR	Human Resources
HSE	Health, Safety and the Environment
IRMS	Integrated Risk Management System
ISCC	International Sustainability & Carbon Certification
IT	Information Technology
j.s.c. or JSC	Joint Stock Company
km	kilometre
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTIF	Lost Time Injury Frequency
m ²	Square meter
m ³	Cubic meter
MW	Megawatt, SI unit of electricity
OECD	The Organization for Economic Cooperation and Development
OCF	Operating Cash Flow
OPEC	Organization 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
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

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