



Naftna industrija Srbije A.D.

**Interim Condensed Consolidated Financial
Statements (Unaudited)**

30 September 2021

This version of the financial statements is a translation from the original, which is prepared in Serbian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original Serbian language version of the document takes precedence over this translation


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NIS Group
Interim Condensed Consolidated Statement of Financial Position
(All amounts are in 000 RSD, unless otherwise stated)

Assets	Note	30 September 2021	31 December 2020
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	5	8,754,640	8,488,302
Short-term financial assets	6	28,275	266,224
Trade and other receivables	7	31,263,570	20,898,742
Inventories	8	45,893,791	27,748,226
Current income tax prepayments		-	1,012,225
Other current assets	9	7,146,292	6,117,761
Non-current assets held for sale		40,667	39,146
Total current assets		93,127,235	64,570,626
Non-current assets			
Property, plant and equipment	10	301,391,455	306,479,078
Right-of-use assets	11	2,513,784	2,660,794
Investment property		1,579,301	1,574,329
Goodwill and other intangible assets		4,421,129	4,485,734
Investments in associates and joint ventures	12	1,674,396	1,747,430
Trade and other non-current receivables		2,821	78,459
Long-term financial assets		263,330	110,571
Deferred tax assets		1,719,069	2,313,438
Other non-current assets	13	1,199,879	1,209,728
Total non-current assets		314,765,164	320,659,561
Total assets		407,892,399	385,230,187
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	9,682,194	11,662,083
Current lease liabilities	19	625,232	610,725
Trade and other payables	15	35,903,160	23,501,690
Other current liabilities	16	7,922,150	9,887,618
Current income tax payable		3,112,536	-
Other taxes payable	17	11,337,719	10,110,787
Provisions for liabilities and charges		1,459,566	2,382,745
Total current liabilities		70,042,557	58,155,648
Non-current liabilities			
Long-term debt	18	69,145,757	71,269,506
Non-current lease liabilities	19	1,627,959	1,868,666
Other non-current financial liabilities		847,232	841,847
Provisions for liabilities and charges		11,040,705	10,332,213
Total non-current liabilities		82,661,653	84,312,232
Equity			
Share capital		81,530,200	81,530,200
Reserves		490,444	383,186
Retained earnings		173,147,867	160,829,243
Equity attributable to the Company's owners		255,168,511	242,742,629
Non-controlling interest		19,678	19,678
Total equity		255,188,189	242,762,307
Total liabilities and shareholder's equity		407,892,399	385,230,187


 Kirill Tyurdenev
 Chief Executive Officer
 27 October 2021




 Anton Cholepanov
 Chief Financial Officer

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

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

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

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		79,580,776	45,741,550	187,450,200	126,182,106
Other revenues		4,924,745	3,635,804	12,764,131	9,138,642
Total revenue from sales	4	84,505,521	49,377,354	200,214,331	135,320,748
Purchases of oil, gas and petroleum products		(53,673,260)	(28,242,260)	(118,686,965)	(86,330,452)
Production and manufacturing expenses	20	(7,201,000)	(6,437,662)	(19,909,028)	(17,092,112)
Selling, general and administrative expenses	21	(5,729,530)	(5,581,614)	(17,944,040)	(17,310,533)
Transportation expenses		(370,155)	(279,524)	(967,093)	(791,831)
Depreciation, depletion and amortization		(6,255,513)	(5,610,529)	(18,752,682)	(16,735,220)
Taxes other than income tax		(1,567,349)	(1,316,901)	(4,540,314)	(4,027,335)
Exploration expenses		(4,413)	-	(11,001)	(3,579)
Total operating expenses		(74,801,220)	(47,468,490)	(180,811,123)	(142,291,062)
Other income (expenses), net		(27,354)	413,719	(40,698)	15,108
Operating profit (loss)		9,676,947	2,322,583	19,362,510	(6,955,206)
Share of gain (loss) of associates and joint ventures		13,857	(20,572)	(73,034)	(63,189)
Net foreign exchange (loss)	22	(455,511)	(74,153)	(924,329)	(455,882)
Finance income	23	27,325	30,346	62,800	93,527
Finance expenses	24	(495,506)	(438,911)	(1,359,588)	(1,427,155)
Total other expense		(909,835)	(503,290)	(2,294,151)	(1,852,699)
Profit (loss) before income tax		8,767,112	1,819,293	17,068,359	(8,807,905)
Current income tax (expense) income		(1,450,150)	(16,169)	(3,154,913)	(67,539)
Deferred tax income (expense)		(72,905)	141,450	(594,087)	571,447
Total income tax		(1,523,055)	125,281	(3,749,000)	503,908
Profit (loss) for the period		7,244,057	1,944,574	13,319,359	(8,303,997)
Other comprehensive income (loss):					
Items that will not be reclassified to profit (loss)					
Gains (loss) from investments in equity instruments		(571)	916	840	(259)
Items that may be subsequently reclassified to profit (loss)					
Currency translation differences		29,170	35,671	106,874	112,328
Other comprehensive income (loss) for the period		28,599	36,587	107,714	112,069
Total comprehensive income (loss) for the period		7,272,656	1,981,161	13,427,073	(8,191,928)
Profit (loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		7,244,057	1,944,574	13,319,359	(8,303,997)
- Non-controlling interest		-	-	-	-
Profit (loss) for the period		7,244,057	1,944,574	13,319,359	(8,303,997)
Total comprehensive income (loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		7,272,656	1,981,161	13,427,073	(8,191,928)
- Non-controlling interest		-	-	-	-
Total comprehensive income (loss) for the period		7,272,656	1,981,161	13,427,073	(8,191,928)
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		44.43	11.93	81.68	(50.93)
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

NIS Group
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
 Nine month period ended 30 September 2021 and 2020

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

	Equity attributable to the Company's owners			Non-	Total
	Share capital	Reserves	Retained earnings	controlling interest	equity
<i>(unaudited)</i>					
Balance as at 1 January 2020	81,530,200	271,614	173,153,889	254,955,703	254,694,792
Profit (loss) for the period	-	-	(8,303,997)	(8,303,997)	(8,303,997)
Other comprehensive income (loss)					
Loss from investments in equity instruments	-	(259)	-	(259)	(259)
Currency translation differences	-	112,328	-	112,328	112,328
Total comprehensive income (loss) for the period	-	112,069	(8,303,997)	(8,191,928)	(8,191,928)
New investments in shares	-	-	(280,589)	(280,589)	-
Dividend distribution	-	-	(4,425,459)	(4,425,459)	(4,425,459)
Total transaction with owners, recorded in equity	-	-	(4,706,048)	280,589	(4,425,459)
Balance as at 30 September 2020	81,530,200	383,683	160,143,844	242,057,727	19,678 242,077,405

	Equity attributable to the Company's owners			Non-	Total
	Share capital	Reserves	Retained earnings	controlling interest	equity
<i>(unaudited)</i>					
Balance as at 1 January 2021	81,530,200	383,186	160,829,243	242,742,629	242,762,307
Profit (loss) for the period	-	-	13,319,359	13,319,359	13,319,359
Other comprehensive income (loss)					
Gain from investments in equity instruments	-	840	-	840	840
Currency translation differences	-	106,874	-	106,874	106,874
Total comprehensive income (loss) for the period	-	107,714	13,319,359	13,427,073	13,427,073
Dividend distribution	-	-	(1,001,191)	(1,001,191)	(1,001,191)
Other	-	(456)	456	-	-
Total transaction with owners, recorded in equity	-	(456)	(1,000,735)	(1,001,191)	(1,001,191)
Balance as at 30 September 2021	81,530,200	490,444	173,147,867	255,168,511	19,678 255,188,189

NIS Group
Interim Condensed Consolidated Statement of Cash Flows¹

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

	Note	Nine month period ended	
		30 September	
		2021	2020
		(unaudited)	(unaudited)
Cash flows from operating activities		17,068,359	(8,807,905)
Profit (loss) before income tax			
Adjustments for:			
Share of loss of associates and joint ventures		73,034	63,189
Finance expenses	24	1,359,588	1,427,155
Finance income	23	(62,800)	(93,527)
Net unrealised foreign exchange loss (gain), net		(262,308)	90,306
Depreciation, depletion and amortization		18,752,682	16,735,220
Other non-cash items		172,094	(186,414)
Operating cash flow before changes in working capital		37,100,649	9,228,024
Changes in working capital:			
Accounts receivable		(10,002,900)	4,582,630
Inventories		(18,129,580)	19,647,716
Other assets		(883,979)	(696,780)
Accounts payables and other current liabilities		11,088,584	(13,591,691)
Taxes payable		2,450,720	2,955,860
Total effect on working capital changes		(15,477,155)	12,897,735
Income taxes paid		(257,719)	(1,309,039)
Interest paid		(1,059,838)	(1,258,144)
Interest received		60,954	79,895
Net cash generated from operating activities		20,366,891	19,638,471
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries		-	(41)
Capital expenditures ²		(14,698,692)	(23,224,435)
Proceeds from sale of property, plant and equipment		292,606	423,074
Bank deposits repayment, net		76,231	1,661,911
Dividends received		-	4,274
Other outflow		(76,422)	(17,643)
Net cash used in investing activities		(14,406,277)	(21,152,860)
Cash flows from financing activities			
Proceeds from borrowings	14, 18	13,702,117	17,682,783
Repayment of borrowings	14, 18	(17,899,082)	(16,348,028)
Repayment of lease liabilities	19	(522,946)	(342,244)
Dividends paid		(1,001,191)	-
Net cash (used in) generated from financing activities		(5,721,102)	992,511
Net increase/(decrease) in cash and cash equivalents		239,512	(521,878)
Effect of foreign exchange on cash and cash equivalents		26,826	66,288
Cash and cash equivalents as of the beginning of the period		8,488,302	15,295,810
Cash and cash equivalents as of the end of the period		8,754,640	14,840,220

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

¹ Group policy is to present cash flow inclusive of related VAT.

² CF from investing activities includes VAT in the amount of 1,7 bln RSD (2020: 1,7 bln RSD)

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Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

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 was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 PJSC Gazprom Neft ("Gazprom Neft") acquired a 51% of the share capital of Naftna Industrija Srbije which became a subsidiary of Gazprom Neft. In March 2011, under the Company's Share Sale and Purchase Agreement, Gazprom Neft acquired an additional 5.15% of shares, thereby increasing its percentage of ownership to 56.15%. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2020, 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 2020.

The Group continues to monitor the impact of the coronavirus pandemic (COVID-19) and the related preventive measures which lead to decrease in the economic activity of market participants, as well as persistent volatility in the currency and commodity markets on the critical accounting estimates which are used by the Group in the Condensed Interim Consolidated Financial Statements preparation. In the first half of 2021, the specified macroeconomic factors did not result in change of these estimates by the Group.

The results in these Condensed Interim Consolidated Financial Statements for the three and nine months ended 30 September 2021 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.

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2020, except for those described in the Application of new IFRS paragraph.

3. NEW ACCOUNTING STANDARDS

Application of amendments to the existing standards

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

- Interest Rate Benchmark Reform (Phase 2) – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021);
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 (issued in March 2021 and effective for annual periods on or after 1 April 2021).

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

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

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after 1 January 2023);
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities – Amendments to IFRS 9;
 - Subsidiary as a First-time Adopter – Amendment to IFRS 1;
 - Taxation in Fair Value Measurements – Amendment to IAS 41;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);

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Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

4. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the nine month periods ended 30 September 2021 and 2020. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

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

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

Reportable segment results for the nine month period ended 30 September 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	23,042,505	135,140,649	(22,862,406)	135,320,748
Intersegment	22,410,084	452,322	(22,862,406)	-
External	632,421	134,688,327	-	135,320,748
EBITDA (Segment results)	12,649,336	(2,299,203)	-	10,350,133
Depreciation, depletion and amortization	(9,230,101)	(7,505,119)	-	(16,735,220)
Share of loss of associates and joint ventures	-	(63,189)	-	(63,189)
Net foreign exchange loss	(225,787)	(230,095)	-	(455,882)
Finance expenses, net	(74,814)	(1,258,814)	-	(1,333,628)

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

Income tax	(63,057)	566,965	-	503,908
Segment profit (loss)	2,663,555	(10,967,552)	-	(8,303,997)

EBITDA for the three and nine month period ended 30 September 2021 and 2020 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Profit (loss) for the period	7,244,057	1,944,574	13,319,359	(8,303,997)
Income tax	1,523,055	(125,281)	3,749,000	(503,908)
Finance expenses	495,506	438,911	1,359,588	1,427,155
Finance income	(27,325)	(30,346)	(62,800)	(93,527)
Depreciation, depletion and amortization	6,255,513	5,610,529	18,752,682	16,735,220
Share of loss (gain) of associates and joint ventures	(13,857)	20,572	73,034	63,189
Net foreign exchange loss	455,511	74,153	924,329	455,882
Other expense (income), net	27,354	(413,719)	40,698	(15,108)
Other non-operating expense, net	45,734	515,965	71,217	585,227
EBITDA	16,005,548	8,035,358	38,227,107	10,350,133

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

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

	Nine month period ended 30 September 2020		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	445,567	445,567
Sale of gas	311,257	-	311,257
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	311,257	-	311,257
Sale of petroleum products	93,123,225	32,302,057	125,425,282
<i>Through a retail network</i>	36,781,829	8,309,629	45,091,458
<i>Wholesale activities</i>	56,341,396	23,992,428	80,333,824
Sale of electricity	603,673	186,222	789,895
Lease revenue	220,814	7,145	227,959
Other sales	6,005,725	2,115,063	8,120,788

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021***(All amounts are in 000 RSD, unless otherwise stated)*

Total sales	100,264,694	35,056,054	135,320,748
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Out of the amount of 126,814,391 thousand RSD (2020: 80,333,824 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 18,524,299 thousand RSD (2020: 11,570,590 thousand RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 8,128,620 thousand RSD (2020: 6,461,800 thousand RSD).

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

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 144,790,400 thousand RSD (2020: 100,264,694 thousand RSD), and the total revenue from external customer from other countries is 55,423,931 thousand RSD (2020: 35,056,054 thousand RSD).

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

	Nine month period ended 30 September	
	2021	2020
Sale of crude oil	1,212,510	445,567
Sale of petroleum products (retail and wholesale)		
Bulgaria	9,454,340	7,783,449
Bosnia and Herzegovina	17,534,553	9,792,474
Romania	11,671,314	8,279,592
Switzerland	1,381,466	441,009
Croatia	1,845,548	1,235,983
Northern Macedonia	412,734	596,691
Hungary	577,509	595,251
Great Britain	3,138,391	578,586
Germany	933,433	720,351
All other markets	3,833,909	2,278,671
	<u>50,783,197</u>	<u>32,302,057</u>
Sale of electricity	465,243	186,222
Lease revenue	14,517	7,145
Other sales	2,948,464	2,115,063
	<u>55,423,931</u>	<u>35,056,054</u>

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

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

	30 September 2021	31 December 2020
Serbia	283,366,399	288,696,880
Romania	12,730,423	12,430,336
Bosnia and Herzegovina	7,624,030	7,649,494
Bulgaria	6,184,817	6,423,225
	<u>309,905,669</u>	<u>315,199,935</u>

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021***(All amounts are in 000 RSD, unless otherwise stated)***5. CASH AND CASH EQUIVALENTS**

	30 September 2021	31 December 2020
Cash in bank and in hand	6,623,308	5,576,619
Deposits with original maturity of less than three months	1,877,027	2,643,210
Cash held on escrow account	254	8,329
Cash equivalents	254,051	260,144
	8,754,640	8,488,302

6. SHORT-TERM FINANCIAL ASSETS

	30 September 2021	31 December 2020
Short-term loans	2,019	2,019
Deposits with original maturity more than 3 months less than 1 year	28,275	266,224
Less impairment loss provision	(2,019)	(2,019)
	28,275	266,224

As at 30 September 2021 deposits with original maturity more than 3 months less than 1 year amounting to 28,275 thousand RSD (31 December 2020: 266,224 thousand RSD) relates to bank deposits placements with interest rates to 2.40% p.a. denominated in RSD (31 December 2020: 0.50% to 2.80% p.a. denominated in RSD and EUR).

7. TRADE AND OTHER RECEIVABLES

	30 September 2021	31 December 2020
Trade receivables	39,703,544	29,709,881
Other receivables	89,875	91,781
Accrued assets	-	55,204
<i>Less credit loss allowance for trade receivables</i>	(8,488,903)	(8,912,085)
<i>Less credit loss allowance for other receivables</i>	(40,946)	(46,039)
Total trade and other receivables	31,263,570	20,898,742

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

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

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	30 September 2021	31 December 2020
RSD	26,454,010	18,381,025
EUR	2,019,578	833,832
USD	179,519	245,377
Other	2,610,463	1,438,508
	31,263,570	20,898,742

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021***(All amounts are in 000 RSD, unless otherwise stated)***8. INVENTORIES**

	30 September 2021	31 December 2020
Crude oil	26,602,109	14,118,415
Petroleum products	16,956,097	11,279,391
Materials and supplies	5,870,349	5,904,420
Other	1,150,063	1,203,773
Less impairment provision	(4,684,827)	(4,757,773)
	45,893,791	27,748,226

9. OTHER CURRENT ASSETS

	30 September 2021	31 December 2020
Advances paid	585,649	515,693
VAT receivables	196,527	117,430
Deferred VAT	2,975,936	2,111,479
Prepaid expenses	525,447	248,940
Prepaid custom duties	68,256	77,694
Prepaid excise	1,892,903	2,271,345
Other current assets	8,474,875	8,344,888
Less impairment provision	(7,573,301)	(7,569,708)
	7,146,292	6,117,761

Deferred VAT as at 30 September 2021 amounting to 2,975,936 thousand RSD (31 December 2020: 2,111,479 thousand RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2021 amounting to 1,892,903 thousand RSD (31 December 2020: 2,271,345 thousand RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 June 2021

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

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2020						
Cost	185,208,089	119,078,761	70,157,189	19,406,385	69,075,268	462,925,692
Depreciation and impairment	(58,573,177)	(51,705,166)	(34,354,810)	(10,321,625)	(2,036,347)	(156,991,125)
Net book value	126,634,912	67,373,595	35,802,379	9,084,760	67,038,921	305,934,567
Period ended 30 September 2020						
Additions	-	-	-	-	18,244,365	18,244,365
Changes in decommissioning obligations	223,136	-	-	-	-	223,136
Transfer from assets under construction	12,492,045	2,890,972	2,974,494	283,004	(18,640,515)	-
Impairment	-	-	(48,805)	-	(31,304)	(80,109)
Depreciation	(8,955,652)	(4,537,136)	(1,864,093)	(539,414)	(3,542)	(15,899,837)
Disposals and write-off	(43,327)	(12,041)	(95,510)	(8,225)	(44,052)	(203,155)
Other transfers	(106,290)	(272,229)	4,383	205,514	82,159	(86,463)
Translation differences	(35)	-	(51,126)	4	(165,351)	(216,508)
	130,244,789	65,443,161	36,721,722	9,025,643	66,480,681	307,915,996
As at 30 September 2020						
Cost	197,684,876	121,472,490	72,594,795	19,544,986	68,549,686	479,846,833
Depreciation and impairment	(67,440,087)	(56,029,329)	(35,873,073)	(10,519,343)	(2,069,005)	(171,930,837)
Net book value	130,244,789	65,443,161	36,721,722	9,025,643	66,480,681	307,915,996
As at 1 January 2021						
Cost	201,221,015	160,908,071	72,666,132	19,440,677	29,971,204	484,207,099
Depreciation and impairment	(70,509,519)	(57,807,804)	(36,316,450)	(10,542,208)	(2,552,040)	(177,728,021)
Net book value	130,711,496	103,100,267	36,349,682	8,898,469	27,419,164	306,479,078
Period ended 30 September 2021						
Additions	-	-	-	-	13,185,111	13,185,111
Changes in decommissioning obligations	279,807	-	-	-	-	279,807
Transfer from assets under construction	14,950,596	1,562,624	1,089,936	128,062	(17,731,218)	-
Impairment	-	-	-	-	(11,874)	(11,874)
Depreciation	(9,658,892)	(5,921,774)	(1,749,506)	(500,929)	(3,523)	(17,834,624)
Disposals and write-off	(26,163)	(17,306)	(100,329)	42	(12,952)	(156,708)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,913)	496,291	(471,889)	(38,186)	(184,953)	(201,650)
Translation differences	(23,394)	(1)	(43,352)	(1)	(127,510)	(194,258)
	136,230,537	99,220,101	34,921,115	8,487,457	22,532,245	301,391,455
As at 30 September 2021						
Cost	216,218,419	163,300,268	72,092,380	19,293,886	25,101,262	496,006,215
Depreciation and impairment	(79,987,882)	(64,080,167)	(37,171,265)	(10,806,429)	(2,569,017)	(194,614,760)
Net book value	136,230,537	99,220,101	34,921,115	8,487,457	22,532,245	301,391,455

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the nine months ended 30 September 2021 and 2020 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2020	148,676	1,023,199	438,495	263,429	1,873,799
Additions	7,509	511,897	-	603,820	1,123,226
Depreciation of right-of-use assets	(1,877)	(187,809)	(38,934)	(142,851)	(371,471)
Disposals	-	(41,300)	-	(6,416)	(47,716)
Effect of contract modifications and changes in estimates	-	(5,170)	-	-	(5,170)
Foreign currency translation	(185)	(173)	(5,945)	(32)	(6,335)
As at 30 September 2020	154,123	1,300,644	393,616	717,950	2,566,333
As at 1 January 2021	143,732	1,299,970	338,324	878,768	2,660,794
Additions	-	287,007	23,661	12,052	322,720
Depreciation of right-of-use assets	(7,216)	(211,400)	(103,018)	(196,917)	(518,551)
Transfer from PPE	-	153,427	-	-	153,427
Disposals	-	-	-	(5,497)	(5,497)
Effect of contract modifications and changes in estimates	-	(16,256)	(78,457)	-	(94,713)
Foreign currency translation	(2,166)	(784)	(1,397)	(49)	(4,396)
As at 30 September 2021	134,350	1,511,964	179,113	688,357	2,513,784

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying values of the investments in associates and joint ventures as of 30 September 2021 and 31 December 2020 are summarised below:

		Ownership percentage	30 September 2021	31 December 2020
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	894,630	915,921
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	779,766	831,509
HIP Petrohemija a.d. Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
Total investments			1,674,396	1,747,430

The principal place of business of joint ventures disclosed above is Republic of Serbia.

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

NIS MET Energowind d.o.o. Beograd

In 2013 the Group acquired 50% of interest in a joint venture Energowind d.o.o. which was intended to be used as a vehicle for operation of future wind farm "Plandiste" with total capacity of 102 MW. During March 2019, MET Renewables AG acquired from third parties 50% of share in the project and became a joint partner on the project that has been renamed to NIS MET Energowind d.o.o. Beograd. On the date of the issuance of these Interim Condensed Consolidated Financial Statements there has been no significant business activity. NIS MET Energowind d.o.o. is a private company and there is no available quoted market price.

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Gazprom Energoholding Serbia LLC, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years and corporate loan from CEH in amount of 41 mln EUR. Handing over CHP TE-TO Pancevo is expected to be completed by the end of 2021. Analysis of the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the conditions were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. 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. Also, NIS has representatives on the BoD and Supervisory boards.

The summarised financial information for the joint ventures as of 30 September 2021 and 31 December 2020 and for the nine month period ended 30 September 2021 and 30 September 2020 is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia
30 September 2021		
Current assets	131,837	1,649,300
Non-current assets	3,167,403	18,728,508
Current liabilities	(1,094,739)	(269,237)
Non-current liabilities	-	(18,526,468)
31 December 2020		
Current assets	36,102	399,874
Non-current assets	3,162,171	16,016,723
Current liabilities	(951,167)	(211,951)
Non-current liabilities	-	(14,563,190)
	NIS MET Energowind	Gazprom Energoholding Serbia
30 September 2021		
Other income	4,321	73,819
Loss for the year	(42,582)	(105,597)
30 September 2020		
Other income	2,822	15,140
Loss for the year	(44,342)	(83,710)

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021***(All amounts are in 000 RSD, unless otherwise stated)***13. OTHER NON-CURRENT ASSETS**

	30 September 2021	31 December 2020
Advances paid for PPE	402,792	365,823
Prepaid expenses	108,738	126,564
Other assets	1,101,237	1,126,857
<i>Less allowance of other assets</i>	<i>(386,148)</i>	<i>(382,775)</i>
<i>Less allowance for advances paid</i>	<i>(26,740)</i>	<i>(26,741)</i>
	1,199,879	1,209,728

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

	30 September 2021	31 December 2020
Interest liabilities	101,138	76,094
Current portion of long-term loans (note 18)	9,581,056	11,585,989
	9,682,194	11,662,083

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

	Nine month period ended 30 September	
	2021	2020
Short-term loans at 1 January	-	-
Proceeds	500,000	11,500,000
Repayment	<i>(500,000)</i>	<i>(11,500,000)</i>
Short-term loans at 30 September	-	-

15. TRADE AND OTHER PAYABLES

	30 September 2021	31 December 2020
Trade payables	31,994,139	19,497,552
Dividends payable	3,784,224	3,785,017
Other accounts payable	124,797	219,121
	35,903,160	23,501,690

As at 30 September 2021 trade payables amounting to 31,994,139 thousand RSD (31 December 2020: 19,497,552 thousand RSD) mainly relate to payables for crude oil in the amount of 20,553,986 thousand RSD to the suppliers Gazprom Neft in the amount 5,308,423 thousand RSD (31 December 2020 3,200,890 thousand RSD) and Petraco Oil Company LLP, London in the amount 10,166,435 thousand RSD (31 December 2020 2,641,621 thousand RSD) and OMV Supply and Trading Ltd in the amount 4,552,499 thousand RSD (31 December 697,793 thousand RSD).

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021***(All amounts are in 000 RSD, unless otherwise stated)***16. OTHER CURRENT LIABILITIES**

	30 September 2021	31 December 2020
Contract liabilities arising from contracts with customers:		
- Advances received	2,781,116	4,164,685
- Customer loyalty	840,176	770,993
Payables to employees	4,280,881	4,933,413
Other current non-financial liabilities	19,977	18,527
	7,922,150	9,887,618

Revenue in the amount of 4,225,505 thousand RSD was recognized in the current reporting period (30 September 2020: 2,069,935 thousand RSD) related to the contract liabilities as at 1 January 2020, of which of 3,753,652 thousand RSD (30 September 2020: 1,673,011 thousand RSD) related to advances and 471,853 thousand RSD (30 September 2020: and 396,924 thousand RSD) to customer loyalty programme

17. OTHER TAXES PAYABLE

	30 September 2021	31 December 2020
Mineral extraction tax	347,139	214,971
VAT	2,414,046	2,333,069
Excise tax	6,600,301	5,713,647
Contribution for buffer stocks	307,493	266,499
Custom duties	26,411	63,541
Energy efficiency fee	34,524	30,687
Other taxes	1,607,805	1,488,373
	11,337,719	10,110,787

18. LONG-TERM DEBT

	30 September 2021	31 December 2020
Long-term loan - Gazprom Neft	9,568,797	13,672,117
Bank loans	69,064,753	69,109,887
Other long-term borrowings	93,263	73,491
Less Current portion (note 14)	(9,581,056)	(11,585,989)
	69,145,757	71,269,506

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

	Nine month period ended 30 September	
	2021	2020
Long-term loans at 1 January	82,782,004	89,044,212
Proceeds	13,202,117	6,182,783
Repayment	(17,399,082)	(4,848,028)
Non-cash transactions	59,276	(693,252)
Foreign exchange difference (note 22)	(10,765)	(22,277)
Long-term loans at 30 September	78,633,550	89,663,438

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

(a) Long-term loan - Gazprom Neft

As at 30 September 2021 long-term loan - Gazprom Neft amounting to 9,568,797 thousand RSD (31 December 2020: 13,672,117 thousand RSD), with current portion of 5,467,884 thousand RSD (31 December 2020: 5,468,847 thousand RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) Bank loans

	30 September 2021	31 December 2020
Domestic	47,124,984	51,785,438
Foreign	21,939,769	17,324,449
	69,064,753	69,109,887
Current portion of long-term loans	(4,113,172)	(6,117,142)
	64,951,581	62,992,745

The maturity of bank loans was as follows:

	30 September 2021	31 December 2020
Between 1 and 2 years	15,626,350	9,920,841
Between 2 and 5 years	47,788,825	41,197,751
Over 5 years	1,536,406	11,874,153
	64,951,581	62,992,745

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

	30 September 2021	31 December 2020
USD	127,174	157,858
EUR	68,780,993	68,740,978
RSD	242	373
JPY	156,344	210,678
	69,064,753	69,109,887

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 2021 and 31 December 2020, respectively.

19. LEASE LIABILITIES

	30 September 2021	31 December 2020
Non-current lease liabilities	1,627,959	1,868,666
Current lease liabilities	625,232	610,725
	2,253,191	2,479,391

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021***(All amounts are in 000 RSD, unless otherwise stated)*

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2021	2020
Interest expense (included in finance cost)	68,656	62,931
Expense relating to short-term leases	402,370	706,753
Expense relating to leases of low value assets that are not shown above as short-term leases	41,205	142,089
Expense relating to variable lease payments not included in lease liabilities	1,186,387	1,204,262

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

	Nine month period ended 30 September	
	2021	2020
As at 1 January	2,479,391	1,703,441
Repayment	(522,946)	(342,244)
Non-cash transactions	295,434	1,038,388
Foreign exchange difference (note 22)	1,312	(9,523)
As at 30 September	2,253,191	2,390,062

20. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Employee costs	2,183,483	2,107,619	6,618,757	6,229,645
Materials and supplies (other than oil and gas and petroleum products)	498,809	376,363	1,367,732	1,214,765
Repair and maintenance services	760,692	829,405	2,203,469	2,423,112
Electricity for resale	293,852	195,789	1,292,045	312,030
Electricity and utilities	929,085	895,169	2,724,324	2,667,721
Safety and security expense	178,567	92,177	351,629	304,342
Insurance services	87,481	84,284	259,482	243,618
Transportation services for production	294,500	339,634	966,155	1,105,518
Other	1,974,531	1,517,222	4,125,435	2,591,361
	7,201,000	6,437,662	19,909,028	17,092,112

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021***(All amounts are in 000 RSD, unless otherwise stated)***21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Employee costs	3,801,085	3,699,426	12,171,332	11,037,918
Commission and agency fees	217,040	218,524	609,446	642,901
Legal, audit and consulting services	209,473	161,651	486,904	578,060
Current repair cost	235,439	218,704	647,071	612,132
Costs on advertising and marketing	80,119	40,852	206,063	131,297
Rent expense	39,602	84,535	121,938	193,517
Business trips expense	35,294	10,023	80,984	64,058
Safety and security expense	170,155	143,217	463,581	388,908
Insurance expense	23,559	20,542	61,874	57,739
Transportation and storage	52,298	21,928	128,468	93,725
Allowance for doubtful accounts	(314,887)	(16,101)	(383,726)	(113,925)
Other	1,180,353	978,313	3,350,105	3,624,203
	5,729,530	5,581,614	17,944,040	17,310,533

22. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain (note 18 and 19)	250,669	329,323	725,630	1,479,398
- foreign exchange loss (note 18 and 19)	(253,617)	(315,961)	(716,177)	(1,447,598)
Net foreign exchange gain (loss) on operating activities	(452,563)	(87,515)	(933,782)	(487,682)
	(455,511)	(74,153)	(924,329)	(455,882)

23. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Interest on bank deposits	25,056	23,965	56,059	82,245
Interest income on loans issued	2,269	2,107	6,741	7,008
Dividend income	-	4,274	-	4,274
	27,325	30,346	62,800	93,527

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021

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

24. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Interest expense	429,963	454,469	1,256,667	1,500,327
Losses on restructuring of borrowings	18,902	-	59,423	-
Decommissioning provision: unwinding of the present value discount	21,214	22,362	60,776	66,189
Financial assets: unwinding of discount	25,427	(1,274)	(17,278)	(30,804)
Less: interest expense capitalised on qualifying assets	-	(36,646)	-	(108,557)
	495,506	438,911	1,359,588	1,427,155

Interest expense includes expenses on lease liabilities in the amount of 68,656 thousand RSD for the nine month period ended 30 September 2021 (62,931 thousand RSD for the nine month period ended 30 September 2020 accordingly).

25. 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 2020. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 30 September 2021 the carrying value of financial assets approximates their fair value.

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 2021.

Economic environment in the Republic of Serbia

The Group operates primarily in the Republic of Serbia and is therefore exposed to risks related to the state of the economy and financial markets of the Republic of Serbia. Before the pandemic crisis, the country's credit rating was at BB+ level with stabile national currency rate. The development of the coronavirus pandemic (COVID-19) in 2020 and the measures taken in this regard to prevent the spread of coronavirus infection lead to negative economic consequences. The Government of the Republic of Serbia has prepared a set of measures to mitigate these negative impacts through delays in payment of tax liabilities, grants and credit arrangements. The situation in the financial markets is currently stable. This operating environment has a significant impact on the Group's operations and financial position.

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.

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

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 403,691 thousand RSD (31 December 2020: 428,813 thousand RSD).

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

Capital commitments

As of 30 September 2021 the Group has entered into contracts to purchase property, plant and equipment 1,184,798 thousand RSD (31 December 2020: 1,531,697 thousand RSD) and drilling and exploration works estimated to 59,85 USD million (31 December 2020: 57.89 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.

The majority owner of the Group is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest owned by various minority shareholders are traded on the Belgrade Stock Exchange and are owned by various shareholders. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

In the nine month period ended 30 September 2021 and in the same period in 2020, 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 2021 and 31 December 2020 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 2021			
Trade and other receivables	-	254,549	698,407
Investments in joint venture and associates	-	-	1,674,396
Other current assets	-	5,999	540,384
Right of use assets	-	458	-
Trade and other payables	(5,308,470)	(190,860)	(910,418)
Other current liabilities	-	(20)	(1,853)
Short-term debt and current portion of long-term debt	(5,467,884)	-	-
Current lease liabilities	-	(142)	-
Long-term debt	(4,100,913)	-	-
Non-current lease liabilities	-	(248)	-
	(14,877,267)	69,736	2,000,916

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	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 31 December 2020			
Trade and other receivables	-	184,545	1,462,758
Investments in joint venture and associates	-	-	1,747,430
Other current assets	-	25,095	-
Right of use assets	-	125	-
Trade and other payables	(3,204,199)	(216,612)	(942,413)
Other current liabilities	-	(37)	(4,493)
Short-term debt and current portion of long-term debt	(5,468,847)	-	-
Current lease liabilities	-	(84)	-
Long-term debt	(8,203,270)	-	-
	(16,876,316)	(6,968)	2,263,282

For the nine month period ended 30 September 2021 and 2020 the following transaction occurred with related parties:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Nine month period ended 30 September 2021			
Petroleum products and oil and gas sales	-	868,184	18,527,719
Other revenues	1,455	161,168	29,135
Purchases of oil, gas and petroleum products	(18,085,257)	(1,067,302)	-
Production and manufacturing expenses	(49)	(367,017)	(156,390)
Depreciation, depletion and amortization	-	(70)	-
Transportation expenses	-	-	(222)
Selling, general and administrative expenses	-	(6,399)	(1,255)
Other income (expenses), net	7,427	-	(44)
Finance expense	(138,514)	(1)	-
	(18,214,938)	(411,437)	18,398,943

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Nine month period ended 30 September 2020			
Petroleum products and oil and gas sales	-	232,836	11,571,614
Other revenues	-	65,594	29,744
Purchases of oil, gas and petroleum products	(27,028,061)	(849,517)	-
Production and manufacturing expenses	-	(192,939)	(140,088)
Selling, general and administrative expenses	-	(7,603)	(1,619)
Depreciation, depletion and amortization	-	(125)	-
Other income (expenses), net	5,769	(220)	-
Finance expense	(236,390)	(1)	-
	(27,258,682)	(751,975)	11,459,651

Transactions with Key Management Personnel

For the nine month period ended on 30 September 2021 and 2020 the Group recognized 717,175 thousand RSD and 686,728 thousand RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2021**

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

28. EVENTS AFTER THE REPORTING DATE

On September 9, 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 by which the future partner would acquire a share of no more than 90% of the capital. NIS a.d. submitted an offer within the deadline. The evaluation of the documentation and the offer is in progress, after which the Government of the Republic of Serbia should make a decision. At the date of publication of these consolidated financial statements, the procedure is still ongoing.

Subsequent events occurring after 30 September 2021 were evaluated through 27 October 2021, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

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

NIS Group
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