



Naftna industrija Srbije A.D.

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

30 June 2022

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


 Kirill Tyurdenev
 Chief Executive Officer
 27 July 2022


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

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
Six month period ended 30 June 2022 and 2021

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

	Equity attributable to the Company's owners				
	Share capital	Reserves	Retained earnings	Non-controlling interest	Total 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 for the period	-	-	6,075,302	6,075,302	-
Other comprehensive income (loss)					
Gain from investments in equity instruments	-	1,411	-	1,411	-
Currency translation differences	-	77,704	-	77,704	-
Total comprehensive income for the period	-	79,115	6,075,302	6,154,417	-
Dividend distribution	-	-	(1,001,191)	(1,001,191)	-
Balance as at 30 June 2021	81,530,200	462,301	165,903,354	247,895,855	247,915,533

	Equity attributable to the Company's owners				
	Share capital	Reserves	Retained earnings	Non-controlling interest	Total equity
<i>(unaudited)</i>					
Balance as at 1 January 2022	81,530,200	488,736	180,797,597	262,816,533	262,836,211
Profit for the period	-	-	43,709,632	43,709,632	-
Other comprehensive income (loss)					
Gain from investments in equity instruments	-	(104)	-	(104)	-
Losses on remeasurements of defined benefit plans	-	-	(62,751)	(62,751)	-
Currency translation differences	-	29,451	-	29,451	-
Total comprehensive income for the period	-	29,347	43,646,881	43,676,228	-
Dividend distribution	-	-	(5,782,122)	(5,782,122)	-
Other	-	23,580	(69,547)	(45,967)	(19,678)
Balance as at 30 June 2022	81,530,200	541,663	218,592,809	300,664,672	300,664,672

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

NIS Group

Interim Condensed Consolidated Statement of Cash Flows¹

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

	Note	Six month period ended 30 June	
		2022 <i>(unaudited)</i>	2021 <i>(unaudited)</i>
Cash flows from operating activities			
Profit before income tax		51,909,508	8,301,247
Adjustments for:			
Share of loss of associates and joint ventures		(335,973)	86,891
Finance expenses	22	829,988	864,082
Finance income	21	(279,685)	(35,475)
Net unrealised foreign exchange loss (gain)		145,446	(65,688)
Depreciation, depletion and amortization		12,710,953	12,497,169
Other non-cash items		321,821	330,348
Operating cash flow before changes in working capital		65,302,058	21,978,574
Changes in working capital:			
Accounts receivable		(11,747,901)	(6,803,997)
Inventories		(30,546,351)	(10,695,197)
Other assets		(4,420,062)	(314,558)
Accounts payables and other current liabilities		7,407,769	10,823,933
Taxes payable		7,584,998	447,907
Total effect on working capital changes		(31,721,547)	(6,541,912)
Income taxes paid		(5,991,482)	(242,150)
Interest paid		(659,719)	(697,014)
Interest received		247,376	30,279
		(6,403,825)	(908,885)
Net cash generated from operating activities		27,176,686	14,527,777
Cash flows from investing activities			
Capital expenditures ²		(8,635,564)	(9,706,368)
Proceeds from sale of property, plant and equipment		234,528	194,786
Bank deposits (repayment) placement, net		(91,880)	17,449
Other outflow		(94,107)	(17,643)
Net cash used in investing activities		(8,587,023)	(9,511,776)
Cash flows from financing activities			
Proceeds from borrowings	12,16	5,811,336	8,721,813
Repayment of borrowings	12,16	(7,173,423)	(9,595,858)
Repayment of lease liabilities	17	(378,868)	(339,193)
Net cash used in financing activities		(1,740,955)	(1,213,238)
Net increase in cash and cash equivalents		16,848,708	3,802,763
Effect of foreign exchange on cash and cash equivalents		(213,603)	(21,245)
Cash and cash equivalents as of the beginning of the period		21,283,274	8,488,302
Cash and cash equivalents as of the end of the period		37,918,379	12,269,820

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 1,1 bln RSD (2021: 1,1 bln RSD).

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2021, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group's Consolidated Financial Statements for 2021.

Because of exacerbation of geopolitical situation during 2022 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to US Dollar and Euro (the information on economic environment in the Republic Serbia is detailed in Note 24). Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the first half of 2022 the Group didn't review the critical accounting estimates which are used by the Group in the Interim Condensed Consolidated Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 30 June 2022 the Group didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing. The Group

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Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

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

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 six months ended 30 June 2022 are not necessarily indicative of the Group's results expected for the full year.

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

2.2. Changes in significant accounting policies

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

3. NEW ACCOUNTING STANDARDS

Application of amendments to the existing standards

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

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

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

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

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

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Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

(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 six month periods ended 30 June 2022 and 2021. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

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

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

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

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

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

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

Out of the amount of 156,201,285 thousand RSD (2021: 71,319,653 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 23,894,065 thousand RSD (2021: 11,526,213 thousand RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 5,810,524 thousand RSD (2021: 4,964,356 thousand RSD).

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

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 184,649,146 thousand RSD (2021: 84,414,990 thousand RSD), and the total revenue from external customer from other countries is 55,625,268 thousand RSD (2021: 31,293,820 thousand RSD).

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

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

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

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

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

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the six month
period ended 30 June 2022

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

5. CASH AND CASH EQUIVALENTS

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

6. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

7. INVENTORIES

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

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

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

8. OTHER CURRENT ASSETS

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

Deferred VAT as at 30 June 2022 amounting to 7,135,794 thousand RSD (31 December 2021: 3,611,624 thousand RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 June 2022 amounting to 2,498,438 thousand RSD (31 December 2021: 2,043,419 thousand RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

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

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2021						
Cost	201,221,015	160,908,071	72,666,132	19,440,677	29,971,204	484,207,099
Depreciation and impairment	(70,509,519)	(57,807,804)	(36,316,450)	(10,542,208)	(2,552,040)	(177,728,021)
Net book value	130,711,496	103,100,267	36,349,682	8,898,469	27,419,164	306,479,078
Period ended 30 June 2021						
Additions	-	-	-	-	8,822,047	8,822,047
Changes in decommissioning obligations	224,629	-	-	-	-	224,629
Transfer from assets under construction	11,357,323	1,495,308	853,648	125,988	(13,832,267)	-
Impairment	-	-	-	-	(891)	(891)
Depreciation	(6,418,581)	(3,959,071)	(1,172,522)	(335,813)	(2,340)	(11,888,327)
Disposals and write-off	(20,873)	(8,057)	(31,391)	(345)	(6,588)	(67,254)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,610)	496,059	(471,874)	(37,584)	(157,323)	(173,332)
Translation differences	(17,442)	-	(32,313)	1	(168,013)	(217,767)
	135,833,942	101,124,506	35,341,803	8,650,716	22,073,789	303,024,756
As at 30 June 2021						
Cost	212,686,059	163,273,874	72,238,159	19,299,456	24,628,731	492,126,279
Depreciation and impairment	(76,852,117)	(62,149,368)	(36,896,356)	(10,648,740)	(2,554,942)	(189,101,523)
Net book value	135,833,942	101,124,506	35,341,803	8,650,716	22,073,789	303,024,756
As at 1 January 2022						
Cost	220,374,273	164,080,833	72,292,457	19,219,674	25,794,251	501,761,488
Depreciation and impairment	(83,107,234)	(66,061,581)	(37,647,212)	(10,848,499)	(3,026,379)	(200,690,905)
Net book value	137,267,039	98,019,252	34,645,245	8,371,175	22,767,872	301,070,583
Period ended 30 June 2022						
Additions	-	-	-	-	7,309,980	7,309,980
Changes in decommissioning obligations	138,390	-	-	-	-	138,390
Transfer from assets under construction	6,671,010	375,778	2,196,955	47,884	(9,291,627)	-
Impairment	-	-	-	-	(8,144)	(8,144)
Depreciation	(6,759,695)	(3,900,533)	(1,175,772)	(254,856)	(2,344)	(12,093,200)
Disposals and write-off	(83,024)	(10,000)	(57,482)	(36,199)	(5,629)	(192,334)
Transfer to non-current assets held for sale	-	-	-	(10,591)	-	(10,591)
Transfer from investment property	-	-	120,508	-	-	120,508
Other transfers	487,341	(478)	(41,219)	(450,596)	(22,902)	(27,854)
Translation differences	(3,571)	(1)	(11,102)	(110)	(13,570)	(28,354)
	137,717,490	94,484,018	35,677,133	7,666,707	20,733,636	296,278,984
As at 30 June 2022						
Cost	228,714,423	164,373,464	74,324,180	17,386,234	23,770,433	508,568,734
Depreciation and impairment	(90,996,933)	(69,889,446)	(38,647,047)	(9,719,527)	(3,036,797)	(212,289,750)
Net book value	137,717,490	94,484,018	35,677,133	7,666,707	20,733,636	296,278,984

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

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

10. RIGHT-OF-USE ASSETS

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

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

11. OTHER NON-CURRENT ASSETS

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

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

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

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

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022***(All amounts are in 000 RSD, unless otherwise stated)***13. TRADE AND OTHER PAYABLES**

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

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

14. OTHER CURRENT LIABILITIES

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

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

15. OTHER TAXES PAYABLE

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

16. LONG-TERM DEBT

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

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

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

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

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

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

As at 30 June 2022 long-term loan - Gazprom Neft amounting to 6,825,900 thousand RSD (31 December 2021: 8,203,418 thousand RSD), with current portion of 6,825,900 thousand RSD (31 December 2021: 5,468,935 thousand RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

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

The maturity of bank loans was as follows:

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

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

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

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 30 June 2022 and 31 December 2021, respectively.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022***(All amounts are in 000 RSD, unless otherwise stated)***17. LEASE LIABILITIES**

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

Amounts recognized in profit and loss:

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

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

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

18. PRODUCTION AND MANUFACTURING EXPENSES

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022***(All amounts are in 000 RSD, unless otherwise stated)***19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

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

20. NET FOREIGN EXCHANGE GAIN (LOSS)

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

21. FINANCE INCOME

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

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Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

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

22. FINANCE EXPENSES

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

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

23. FAIR VALUE MEASUREMENT

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

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

24. CONTINGENCIES AND COMMITMENTS

Taxes

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

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation in the first half of 2022 as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices in the first six months was US\$107.5 per barrel which is more than 66% from the same period in 2021 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

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

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

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Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022

(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 479,551 thousand RSD (31 December 2021: 397,764 thousand RSD).

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

Capital commitments

As of 30 June 2022 the Group has entered into contracts to purchase property, plant and equipment 244,999 thousand RSD (31 December 2021: 383,637 thousand RSD) and drilling and exploration works estimated to 60.15 USD million (31 December 2021: 101.44 USD million).

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

25. RELATED PARTY TRANSACTIONS

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

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

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

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

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2022***(All amounts are in 000 RSD, unless otherwise stated)*

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

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

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

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

Transactions with Key Management Personnel

For the six month period ended on 30 June 2022 and 2021 the Group recognized 518,846 thousand RSD and 467,191 thousand RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

26. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

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

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Notes to the Interim Condensed Consolidated Financial Statements for the six month
period ended 30 June 2022

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

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