



Naftna industrija Srbije A.D.

Interim Condensed 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

Contents

INTERIM CONDENSED FINANCIAL STATEMENTS

Interim Condensed Statement of Financial Position	3
Interim Condensed Statement of Profit and Loss and Other Comprehensive Income	4
Interim Condensed Statement of Changes in Shareholders' Equity	5
Interim Condensed Statement of Cash Flows	6


Notes to the Interim Condensed Financial Statements

1. General Information	7
2. Summary of Significant Accounting Policies	7
3. New Accounting Standards	8
4. Segment Information	9
5. Cash and Cash Equivalents	11
6. Short-term Financial Assets	11
7. Trade and Other Receivables	12
8. Inventories	12
9. Other Current Assets	12
10. Property, Plant and Equipment	13
11. Right-of-use Assets	14
12. Long-term Financial Assets	14
13. Other Non-Current Assets	14
14. Short-term Debt and Current Portion of Long-term Debt	14
15. Trade and Other Payables	15
16. Other Current Liabilities	15
17. Other Taxes Payable	15
18. Long-term Debt	16
19. Lease Liabilities	17
20. Production and Manufacturing Expenses	17
21. Selling, General and Administrative Expenses	18
22. Net Foreign Exchange Gain (Loss)	18
23. Finance Income	18
24. Finance Expenses	19
25. Fair Value Measurement	19
26. Contingencies and Commitments	19
27. Related Party Transactions	20
28. Events After The Reporting Date	22

Contact Information	23
---------------------	----

NIS a.d.
Interim Condensed Statement of Financial Position
(All amounts are in 000 RSD, unless otherwise stated)

Assets	Note	30 June 2022	31 December 2021
Current assets		<i>(unaudited)</i>	
Cash and cash equivalents	5	33,393,208	20,336,901
Short-term financial assets	6	1,624,347	3,149,270
Trade and other receivables	7	47,686,593	31,240,745
Inventories	8	62,857,058	33,162,843
Other current assets	9	10,479,115	6,242,769
Non-current assets held for sale		34,512	47,493
Total current assets		156,074,833	94,180,021
Non-current assets			
Property, plant and equipment	10	267,552,822	271,927,718
Right-of-use assets	11	1,534,599	1,537,758
Investment property		1,652,134	1,778,608
Intangible assets		3,462,154	3,394,073
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		13,425,627	13,425,627
Trade and other non-current receivables		2,818	2,822
Long-term financial assets	12	29,848,304	28,161,293
Deferred tax assets		2,736,330	2,564,817
Other non-current assets	13	1,162,513	1,328,637
Total non-current assets		322,416,101	325,160,153
Total assets		478,490,934	419,340,174
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	12,833,612	9,318,491
Current lease liabilities	19	322,638	330,579
Trade and other payables	15	44,280,909	30,094,846
Other current liabilities	16	5,933,009	7,167,178
Current income tax payable		6,600,400	4,144,615
Other taxes payable	17	17,931,677	10,146,057
Provisions for liabilities and charges		1,518,104	1,575,245
Total current liabilities		89,420,349	62,777,011
Non-current liabilities			
Long-term debt	18	65,173,294	70,431,511
Non-current lease liabilities	19	1,034,175	1,007,802
Other non-current financial liabilities		844,597	846,083
Provisions for liabilities and charges		12,464,889	12,029,890
Total non-current liabilities		79,516,955	84,315,286
Equity			
Share capital		81,530,200	81,530,200
Reserves		93,887	93,991
Retained earnings		227,929,543	190,623,686
Total equity		309,553,630	272,247,877
Total liabilities and shareholder's equity		478,490,934	419,340,174


 Kirill Tyurdenev
 Chief Executive Officer
 27 July 2022


 Anton Cherepanov
 Chief Financial Officer

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

NIS a.d.

Interim Condensed 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		131,698,369	59,819,482	219,296,676	100,625,325
Other revenues		5,093,483	3,375,282	9,948,621	6,439,043
Total revenue from sales	4	136,791,852	63,194,764	229,245,297	107,064,368
Purchases of oil, gas and petroleum products		(80,239,926)	(37,133,028)	(132,050,273)	(59,442,297)
Production and manufacturing expenses	20	(9,081,922)	(6,411,113)	(18,063,301)	(12,430,718)
Selling, general and administrative expenses	21	(6,083,140)	(6,009,602)	(11,660,339)	(11,168,554)
Transportation expenses		(439,618)	(301,462)	(786,720)	(545,685)
Depreciation, depletion and amortization		(5,812,745)	(5,674,468)	(11,535,106)	(11,367,571)
Taxes other than income tax		(1,307,126)	(1,123,068)	(2,562,028)	(2,189,193)
Exploration expenses		(173)	(6,588)	(173)	(6,588)
Total operating expenses		(102,964,650)	(56,659,329)	(176,657,940)	(97,150,606)
Other income (expenses), net		115,787	21,715	77,711	(64,120)
Operating profit		33,942,989	6,557,150	52,665,068	9,849,642
Net foreign exchange loss	22	(1,325,491)	(230,194)	(1,293,145)	(249,762)
Finance income	23	384,095	211,311	626,252	432,675
Finance expenses	24	(396,291)	(416,423)	(776,494)	(808,598)
Total other expense		(1,337,687)	(435,306)	(1,443,387)	(625,685)
Profit before income tax		32,605,302	6,121,844	51,221,681	9,223,957
Current income tax expense		(5,081,117)	(807,276)	(8,271,688)	(1,520,939)
Deferred tax income (expense)		159,136	(433,751)	171,514	(512,962)
Total income tax		(4,921,981)	(1,241,027)	(8,100,174)	(2,033,901)
Profit for the period		27,683,321	4,880,817	43,121,507	7,190,056
Other comprehensive income (loss):					
Items that will not be reclassified to profit					
Losses on remeasurements of defined benefit plans		-	-	(33,528)	-
Gains (losses) from investments in equity instruments		(104)	1,433	(104)	1,411
Other comprehensive income (loss) for the period		(104)	1,433	(33,632)	1,411
Total comprehensive income for the period		27,683,217	4,882,250	43,087,875	7,191,467
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		169.77	29.93	264.45	44.09
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

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

NIS a.d.

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

¹ Company's policy is to present cash flow inclusive of related VAT

² CF from investing activities includes VAT in the amount of 1 bln RSD (2021: 1 bln RSD)

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

NIS a.d.

Notes to the Interim Condensed 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, Novi Sad (the "Company") is a vertically integrated oil company operating predominantly in the Republic of Serbia. The Company's principal activities include:

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

Because of exacerbation of geopolitical situation during 2022 the volatility at commodity and financial markets is seen rising while the RSD remained stable relative to US Dollar and Euro (the information on economic environment in the Republic Serbia is detailed in Note 26). Under current conditions it turned out to be impossible to evaluate how long the volatility will remain and at what level the key financial indicators will ultimately stabilise. Due to that during the first half of 2022 the Company didn't review the critical accounting estimates which are used by the Company in the Condensed Interim Financial Statements preparation and which are assessed based on oil prices forecasts, inflation and market borrowing rate. In particular as of 30 June 2022 the Company didn't review estimation of the recoverable amount of the non-current assets that is determined for the purpose of the impairment testing. The Company continues monitoring the development of macroeconomic situation and emergence of possibility to make evaluation of the indicators mentioned above with reasonable certainty.

The results in these Interim Condensed Financial Statements for the three and six months ended 30 June 2022 are not necessarily indicative of the Company's results expected for the full year.

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

2.2. Changes in significant accounting policies

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

3. NEW ACCOUNTING STANDARDS

Application of amendments to the existing standards

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

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

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

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

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

NIS a.d.

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

NIS a.d.

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

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

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

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

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

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

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

NIS a.d.

Notes to the Interim Condensed 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 159,096,107 thousand RSD (2021: 70,676,187 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 23,894,065 thousand RSD (2021: 11,526,213 thousand RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations for 4,423,326 thousand RSD (2021: 3,693,888 thousand RSD).

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

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 185,294,447 thousand RSD (2021: 84,794,193 thousand RSD), and the total revenue from external customer from other countries is 43,950,850 thousand RSD (2021: 22,270,175 thousand RSD).

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

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

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

5. CASH AND CASH EQUIVALENTS

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

6. SHORT-TERM FINANCIAL ASSETS

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

NIS a.d.

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

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

7. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

8. INVENTORIES

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

9. OTHER CURRENT ASSETS

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

Deferred VAT as at 30 June 2022 amounting to 6,592,056 thousand RSD (31 December 2021: 3,126,172 thousand RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 June 2022 amounting to 2,443,636 thousand RSD (31 December 2021: 1,974,381 thousand RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets
As at 1 January 2021				
Cost	189,297,949	160,908,071	54,118,866	16,582,366
Depreciation and impairment	(63,463,518)	(57,807,804)	(30,128,250)	(8,838,112)
Net book value	125,834,431	103,100,267	23,990,616	7,744,254
Period ended 30 June 2021				
Additions	-	-	-	-
Changes in decommissioning obligations	92,238	-	-	-
Transfer from assets under construction	7,926,894	1,495,308	743,698	109,512
Impairment	-	-	-	-
Depreciation	(5,881,214)	(3,959,071)	(866,676)	(250,390)
Disposals and write-off	(20,874)	(8,057)	(29,545)	(345)
Transfer to non-current assets held for sale	-	-	-	(15,860)
Transfer to Right of use assets	-	-	(153,427)	-
Other transfers	(2,610)	496,059	(472,013)	(21,436)
	127,948,865	101,124,506	23,212,653	7,565,735
As at 30 June 2021				
Cost	197,101,765	163,273,874	53,645,304	16,594,519
Depreciation and impairment	(69,152,900)	(62,149,368)	(30,432,651)	(9,028,784)
Net book value	127,948,865	101,124,506	23,212,653	7,565,735
As at 1 January 2022				
Cost	204,856,329	164,080,833	53,637,916	16,588,994
Depreciation and impairment	(74,822,128)	(66,061,581)	(30,873,325)	(9,215,794)
Net book value	130,034,201	98,019,252	22,764,591	7,373,200
Period ended 30 June 2022				
Additions	-	-	-	-
Changes in decommissioning obligations	104,745	-	-	-
Transfer from assets under construction	5,957,124	375,778	2,133,200	49,962
Impairment	-	-	-	-
Depreciation	(6,126,761)	(3,900,533)	(889,214)	(232,989)
Disposals and write-off	(68,072)	(10,000)	(15,412)	(35,475)
Transfer from investment property	-	-	125,456	-
Transfer to non-current assets held for sale	-	-	-	(10,591)
Other transfers	10,714	(478)	(41,219)	30,123
	129,911,951	94,484,019	24,077,402	7,174,230
As at 30 June 2022				
Cost	210,447,863	164,373,465	55,691,680	16,635,080
Depreciation and impairment	(80,535,912)	(69,889,446)	(31,614,278)	(9,460,850)
Net book value	129,911,951	94,484,019	24,077,402	7,174,230

NIS a.d.

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

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

11. RIGHT-OF-USE ASSETS

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

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

12. LONG-TERM FINANCIAL ASSETS

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

13. OTHER NON-CURRENT ASSETS

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

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

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

NIS a.d.

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

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

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

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

15. TRADE AND OTHER PAYABLES

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

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

16. OTHER CURRENT LIABILITIES

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

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

17. OTHER TAXES PAYABLE

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

NIS a.d.

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

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

18. LONG-TERM DEBT

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

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

	Six month period ended 30 June	
	2022	2021
Long-term loans at 1 January	77,480,027	82,781,970
Proceeds	4,499,753	8,221,813
Repayment	(7,173,424)	(9,095,858)
Non-cash transactions	(18,096)	40,521
Foreign exchange difference (note 22)	(122,156)	(12,478)
Long-term loans at 30 June	74,666,104	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: 8,203,403 thousand RSD), with current portion of 6,825,900 thousand RSD (2021: 5,468,935 thousand RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) Bank loans

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

The maturity of bank loans was as follows:

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

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

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

NIS a.d.

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

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

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

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

19. LEASE LIABILITIES

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

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

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

Amounts recognized in profit and loss:

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

20. PRODUCTION AND MANUFACTURING EXPENSES

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

NIS a.d.

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

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

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

22. NET FOREIGN EXCHANGE GAIN (LOSS)

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

23. FINANCE INCOME

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

NIS a.d.

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

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

24. FINANCE EXPENSES

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

Interest expense includes expenses on lease liabilities in amount of 16,460 thousand RSD for the six months ended 30 June 2022 (16,330 thousand RSD for the six months ended 30 June 2021, accordingly).

25. FAIR VALUE MEASUREMENT

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

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

26. CONTINGENCIES AND COMMITMENTS

Economic environment in the Republic of Serbia

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

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 459,279 thousand RSD (31 December 2021: 376,734 thousand RSD).

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

NIS a.d.

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

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

Taxes

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

Capital commitments

As of 30 June 2022 the Company has entered into contracts to purchase property, plant and equipment for 244,999 thousand RSD (31 December 2021: 383,637 thousand RSD).

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

27. RELATED PARTY TRANSACTIONS

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

In the six month period ended 30 June 2022 and in the same period in 2021, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

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

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

NIS a.d.

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

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

	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
As at 31 December 2021			
Short-term financial assets	3,149,217	-	-
Trade and other receivables	5,877,272	601	2,097,586
Other current assets	3,393	-	29,788
Right of use assets	43,712	-	414
Investments accounted for using equity method	-	-	1,038,800
Investments in subsidiaries	13,425,627	-	-
Long-term financial assets	28,053,639	-	-
Other non-current assets	2,192	-	-
Trade and other payables	(4,919,496)	(3,000)	(2,448,423)
Other current liabilities	(31,504)	-	(944)
Short-term debt and current portion of long-term debt	(2,189,595)	(5,468,948)	-
Current lease liabilities	(2,322)	-	(142)
Long-term debt	-	(2,734,468)	-
Non-current lease liabilities	(44,068)	-	(209)
	43,368,067	(8,205,815)	716,870

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

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

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

NIS a.d.

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

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

Transactions with Key Management Personnel

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

28. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

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

NIS a.d.

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

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

NIS a.d.

Contact information

The Company's office is:

12 Narodnog fronta St.
Novi Sad, Republic of Serbia
21000

Telephone: (+ 381 21) 481 1111

e-mail: office@nis.rs

www.nis.rs

Investor relations

e-mail: investor.relations@nis.rs