



**NIS A.D. – Naftna industrija Srbije  
Novi Sad**

**Consolidated Financial Statements and  
Independent Auditor's Report**

**31 December 2019**

**Novi Sad, 26 February 2020**

*This version of the financial statements is a translation from the original, which was prepared in the 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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### PREPARED IN ACCORDANCE WITH THE LAW ON ACCOUNTING OF THE REPUBLIC OF SERBIA

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## Independent auditor's report

To the Shareholders and Board of Directors of Naftna Industrija Srbije a.d., Novi Sad

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Naftna Industrija Srbije a.d., Novi Sad (the "Company") and its subsidiaries (together "the Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with the Law on Auditing in the Republic of Serbia. Our responsibilities under this regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Law on Auditing that are relevant to our audit of the consolidated financial statements in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Auditing in the Republic of Serbia.

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This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. 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 language version of our report takes precedence over this translation.

## Our audit approach

### Overview



- Overall Group materiality: 1,437 million Serbian dinars (hereafter "RSD"), which represents 5% of an average profit before tax for the past three years.
- We conducted audit work at 9 reporting units in 4 countries.
- The group engagement team audited Serbian subsidiaries, while Bulgarian and Romanian subsidiaries were audited with the involvement of PwC network firms in the respective countries. PwC network firm in Bosnia and Herzegovina audited Naftna Industrija Srbije a.d. Bosnian foreign subsidiaries. Our audit scope addressed 99% of the Group's revenues and 98% of the Group's absolute value of underlying profit before tax.
- Estimation of decommissioning and environmental protection provision.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	RSD 1,437 million
<b>How we determined it</b>	5% of three-year average profit before taxation
<b>Rationale for the materiality benchmark applied</b>	Given that current year profit before taxation has been materially impacted by the investment cycle in refinery, we determined that our materiality should be based on three-year average profit before taxation, which is more representative of sustained business performance compared to consolidated profit before taxation that was used as a benchmark in prior year. We have chosen 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RSD 57 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **How we tailored our Group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the group scope of our audit work, we determined the nature and extent of work to be performed both at the reporting units and at the consolidated level. Where the work is performed by the local reporting unit auditors, we perform consolidated level oversight and review procedures to ensure sufficient evidence has been obtained to support our opinion on the consolidated financial statements taken as a whole. All local reporting unit audits are undertaken by us and PwC network firms.

Our approach to determining the scope of the audit of the Group is a three-step process whereby reporting units are deemed to be within the scope for audit testing based on meeting one or more of the following criteria:

- 1) Significant contribution, greater than 15%, to profit before taxation, revenue or total assets. These reporting units are subject to full scope audits;
- 2) The presence of a significant risk, either at the reporting unit as a whole or relating to a specific financial statement line item. This includes financial statement line items impacted by the risks of material misstatement identified in our planning; or
- 3) The most significant other reporting units that enable us to satisfy our coverage criteria on each financial statement line item and to add elements of unpredictability in our scope.

Based on this process, we identified 9 reporting units in four countries that, in our view, required either full scope audit (Naftna Industrija Srbije a.d.) or directed audit procedures over specific financial statement line items. Together, these reporting units accounted for 99% of the Group's revenue and 98% of the Group's absolute value of underlying profit before tax.

As a result of its structure and size, the Group also has several small reporting units that are individually immaterial but, in aggregate, make up a material portion of its profit before taxation, revenue or total assets. These are covered by the work that we perform at the consolidated level, which includes three main components:

- 1) Overall analytical review procedures: A significant proportion of the remaining reporting units not selected for procedures at an individual component level were subject to analysis of year-on-year movements at the consolidated level, with a focus on higher risk balances and unusual movements. The reporting units not subject to the above overall analytical review procedures were individually, and in the aggregate, immaterial.
- 2) Tests of financial systems, processes and controls: We tested entity level controls applied at the consolidated level. Our audit work, in which we tested the design and operating effectiveness of systems and controls applicable for all subsidiaries in scope, was led by our group audit team. The results from this testing are reviewed throughout the year and considered in our continuous update of group audit scope.
- 3) Testing of specific transactions: In addition, at the consolidated level we performed transaction testing of material financial statement lines, including impairment of goodwill and litigations.

### **Other information**

Management is responsible for the other information. The other information comprises the Annual report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimation of decommissioning and environmental protection provisions</b></p> <p>Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 21 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Note 2 and Note 3.</p> <p>The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities.</p> <p>The decommissioning of oil and gas infrastructure is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Group's consolidated balance sheet.</p> <p>Management reviews decommissioning and environmental protection provisions on an annual basis for upstream and refining assets. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, maturity of liabilities and the effects of changes in exchange rates.</p>	<p>We critically assessed management's annual review of provisions recorded as at 31 December 2019. In particular, we focused on those assets where changes to the cost estimate directly impacted the consolidated income statement and consolidated statement of other comprehensive income rather than being recognised as an asset.</p> <p>Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration.</p> <p>Of particular note, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>- Identified and tested the cost assumptions which have the most significant impact on provisions by reviewing the actual costs incurred during the year and comparing them to the prior years;</li> <li>- Considered the competence and objectivity of the experts who produced the cost estimates by using valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods;</li> <li>- Verified the mathematical accuracy of the underlying models;</li> <li>- Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant &amp; equipment;</li> <li>- Verified the change in oil well status compared to the prior year through physical examination as the change in oil well status has a material impact on decommissioning provision calculation;</li> <li>- Tested the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations and concluded that the results were not materially different and were within a tolerable range.</li> </ul>

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Law on Accounting in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Auditing in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law on Auditing in the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Emmanuel Koenig.

The licensed certified auditor engaged as partner on the audit resulting in this independent auditor's report is Sonja Ralenac.

*Sonja Ralenac*

Sonja Ralenac  
Licensed certified Auditor



*PricewaterhouseCoopers d.o.o.*  
PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 26 February 2020



**NIS Group**  
**Consolidated Financial Statements for the year ended 31 December 2019**

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

**CONSOLIDATED BALANCE SHEET**

	AOP	Note	31 December 2019	31 December 2018
<b>A. SUBSCRIBED CAPITAL UNPAID</b>	0001		-	-
<b>B. NON-CURRENT ASSETS</b> <b>(0003 + 0010 + 0019+ 0024 + 0034)</b>	0002		<b>317,342,624</b>	<b>296,537,210</b>
<b>I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)</b>	0003	8	<b>24,413,233</b>	<b>23,371,384</b>
1. Development investments	0004		11,439,829	9,306,365
2. Concessions, licenses, software and other rights	0005		1,988,931	1,729,128
3. Goodwill	0006		1,354,508	1,549,378
4. Other intangible assets	0007		924,956	1,126,420
5. Intangible assets under development	0008		8,705,009	9,660,093
6. Advances for intangible assets	0009		-	-
<b>II. PROPERTY, PLANT AND EQUIPMENT</b> <b>(0011+0012+0013+0014+0015+0016+0017+0018)</b>	0010	9	<b>289,781,916</b>	<b>270,113,614</b>
1. Land	0011		17,050,221	16,981,657
2. Buildings	0012		149,732,966	142,827,273
3. Machinery and equipment	0013		65,767,335	67,730,378
4. Investment property	0014		1,579,798	1,615,391
5. Other property, plant and equipment	0015		89,817	88,732
6. Construction in progress	0016		55,064,088	39,896,274
7. Investments in leased PP&E	0017		152,325	212,398
8. Advances for PP&E	0018		345,366	761,511
<b>III. BIOLOGICAL ASSETS (0020+0021+0022+0023)</b>	0019		-	-
1. Forest farming	0020		-	-
2. Livestock	0021		-	-
3. Biological assets in production	0022		-	-
4. Advances for biological assets	0023		-	-
<b>IV. LONG-TERM FINANCIAL INVESTMENTS</b> <b>(0025+0026+0027+0028+0029+0030+0031+0032+0033)</b>	0024		<b>2,913,291</b>	<b>3,043,233</b>
1. Investments in subsidiary	0025		-	-
2. Investments in associates and joint ventures	0026	10	1,851,101	1,980,388
3. Investments in other legal entities and other available for sales financial assets	0027		95,662	114,162
4. Long term investments in parent and subsidiaries	0028		-	-
5. Long-term investments in other related parties	0029		-	-
6. Long-term investments - domestic	0030		-	-
7. Long-term investments - foreign	0031		-	-
8. Securities held to maturity	0032		-	-
9. Other long-term financial investments	0033	11	966,528	948,683
<b>V. LONG-TERM RECEIVABLES</b> <b>(0035+0036+0037+0038+0039+0040+0041)</b>	0034		<b>234,184</b>	<b>8,979</b>
1. Receivables from parent company and subsidiaries	0035		-	-
2. Receivables from other related parties	0036		-	-
3. Receivables from sale of goods on credit	0037		-	-
4. Receivables arising out of finance lease contracts	0038		9,515	8,979
5. Claims arising from guarantees	0039		-	-
6. Bad and doubtful receivables	0040		-	-
7. Other long-term receivables	0041		224,669	-
<b>C. DEFERRED TAX ASSETS</b>	0042	12	<b>697,689</b>	<b>545,497</b>

*(continued)*

*The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.*

**NIS Group**  
**Consolidated Financial Statements for the year ended 31 December 2019**

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

**CONSOLIDATED BALANCE SHEET (continued)**

	AOP	Note	31 December 2019	31 December 2018
<b>D. CURRENT ASSETS</b>				
<b>(0044+0051+0059+0060+0061+0062+0068+0069+0070)</b>	<b>0043</b>		<b>97,223,713</b>	<b>98,902,636</b>
<b>I. INVENTORY (0045+0046+0047+0048+0049+0050)</b>	<b>0044</b>	<b>13</b>	<b>48,001,622</b>	<b>48,472,071</b>
1. Materials, spare parts and tools	0045		29,878,660	24,951,994
2. Work in progress	0046		4,855,798	4,923,492
3. Finished goods	0047		9,758,823	13,828,273
4. Merchandise	0048		2,986,653	4,152,553
5. Assets held for sale	0049		88,416	-
6. Advances for inventory and services	0050		433,272	615,759
<b>II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)</b>	<b>0051</b>	<b>14</b>	<b>25,572,859</b>	<b>26,007,811</b>
1. Domestic trade receivables - parents and subsidiaries	0052		-	-
2. Foreign trade receivables - parents and subsidiaries	0053		-	99
3. Domestic trade receivables - other related parties	0054		1,184,469	1,227,518
4. Foreign trade receivables - other related parties	0055		100,451	645,804
5. Trade receivables - domestic	0056		23,265,532	23,348,658
6. Trade receivables - foreign	0057		1,022,407	785,732
7. Other trade receivables	0058		-	-
<b>III. RECEIVABLES FROM SPECIFIC OPERATIONS</b>	<b>0059</b>		<b>673,870</b>	<b>542,613</b>
<b>IV. OTHER RECEIVABLES</b>	<b>0060</b>	<b>15</b>	<b>935,757</b>	<b>223,571</b>
<b>V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>0061</b>		<b>-</b>	<b>-</b>
<b>VI. SHORT TERM FINANCIAL INVESTMENTS</b>				
<b>(0063+0064+0065+0066+0067)</b>	<b>0062</b>	<b>16</b>	<b>1,843,473</b>	<b>2,263,431</b>
1. Short-term loans and investments - parent companies and subsidiaries	0063		-	-
2. Short-term loans and investments - other related parties	0064		-	-
3. Short-term loans and investments - domestic	0065		-	23,593
4. Short-term loans and investments - foreign	0066		-	-
5. Other short-term loans and investments	0067		1,843,473	2,239,838
<b>VII. CASH AND CASH EQUIVALENTS</b>	<b>0068</b>	<b>17</b>	<b>15,295,810</b>	<b>15,480,830</b>
<b>VIII. VALUE ADDED TAX</b>	<b>0069</b>		<b>452,571</b>	<b>295,900</b>
<b>IX. PREPAYMENTS AND ACCRUED INCOME</b>	<b>0070</b>	<b>18</b>	<b>4,447,751</b>	<b>5,616,409</b>
<b>E. TOTAL ASSETS (0001+0002+0042+0043)</b>	<b>0071</b>		<b>415,264,026</b>	<b>395,985,343</b>
<b>F. OFF-BALANCE SHEET ASSETS</b>	<b>0072</b>	<b>19</b>	<b>117,099,179</b>	<b>113,781,102</b>
<b>A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)</b>	<b>0401</b>		<b>254,694,792</b>	<b>242,875,804</b>
<b>I. EQUITY (0403+0404+0405+0406+0407+0408+0409+0410)</b>	<b>0402</b>	<b>20</b>	<b>81,548,930</b>	<b>81,548,930</b>
1. Share capital	0403	20.1	81,548,930	81,548,930
2. Stakes of limited liability companies	0404		-	-
3. Stakes	0405		-	-
4. State owned capital	0406		-	-
5. Socially owned capital	0407		-	-
6. Stakes in cooperatives	0408		-	-
7. Share premium	0409		-	-
8. Other capital	0410		-	-
<b>II. SUBSCRIBED CAPITAL UNPAID</b>	<b>0411</b>		<b>-</b>	<b>-</b>
<b>III. OWN SHARES</b>	<b>0412</b>		<b>-</b>	<b>-</b>
<b>IV. RESERVES</b>	<b>0413</b>		<b>-</b>	<b>-</b>
<b>V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT</b>	<b>0414</b>		<b>79,755</b>	<b>79,755</b>
<b>VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME</b>	<b>0415</b>		<b>400,112</b>	<b>251,499</b>
<b>VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME</b>	<b>0416</b>		<b>58,183</b>	<b>60,082</b>
<b>VIII. RETAINED EARNINGS (0418+0419)</b>	<b>0417</b>		<b>172,724,178</b>	<b>161,055,702</b>
1. Retained earnings from previous years	0418		156,127,776	135,921,400
2. Retained earnings from current year	0419		16,596,402	25,134,302
<b>IX. NON-CONTROLLING INTEREST</b>	<b>0420</b>		<b>-</b>	<b>-</b>
<b>X. LOSS (0422+0423)</b>	<b>0421</b>		<b>-</b>	<b>-</b>
1. Loss from previous years	0422		-	-
2. Loss from current year	0423		-	-

*(continued)*

*The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.*

**NIS Group**

**Consolidated Financial Statements for the year ended 31 December 2019**

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

**CONSOLIDATED BALANCE SHEET (continued)**

	AOP	Note	31 December 2019	31 December 2018
<b>B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)</b>	<b>0424</b>		<b>95,462,060</b>	<b>98,029,207</b>
<b>I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+0431)</b>	<b>0425</b>	<b>21</b>	<b>11,419,129</b>	<b>10,210,005</b>
1. Provisions for warranty claims	0426		-	-
2. Provision for environmental rehabilitation	0427		9,882,315	9,169,159
3. Provisions for restructuring costs	0428		-	-
4. Provisions for employee benefits	0429		1,262,848	791,889
5. Provisions for litigations	0430		273,966	248,957
6. Other long term provisions	0431		-	-
<b>II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)</b>	<b>0432</b>	<b>22</b>	<b>84,042,931</b>	<b>87,819,202</b>
1. Liabilities convertible to equity	0433		-	-
2. Liabilities to parent and subsidiaries	0434		13,673,582	19,240,982
3. Liabilities to other related parties	0435		-	-
4. Liabilities for issued long-term securities	0436		-	-
5. Long term borrowings - domestic	0437		46,581,096	50,326,307
6. Long-term borrowings - foreign	0438		22,404,642	17,454,236
7. Finance lease liabilities	0439		1,326,436	755,575
8. Other long-term liabilities	0440		57,175	42,102
<b>C. DEFFERED TAX LIABILITIES</b>	<b>0441</b>	<b>12</b>	<b>-</b>	<b>-</b>
<b>D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)</b>	<b>0442</b>		<b>65,107,174</b>	<b>55,080,332</b>
<b>I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)</b>	<b>0443</b>	<b>23</b>	<b>6,761,897</b>	<b>6,395,091</b>
1. Short term borrowings from parent and subsidiaries	0444		-	-
2. Short term borrowings from other related parties	0445		-	-
3. Short-term loans and borrowings - domestic	0446		-	-
4. Short-term loans and borrowings - foreign	0447		-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448		-	-
6. Other short term liabilities	0449		6,761,897	6,395,091
<b>II. ADVANCES RECEIVED</b>	<b>0450</b>		<b>2,323,105</b>	<b>1,456,981</b>
<b>III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)</b>	<b>0451</b>	<b>24</b>	<b>35,341,330</b>	<b>25,834,088</b>
1. Trade payables - parent and subsidiaries - domestic	0452		-	-
2. Trade payables - parent and subsidiaries - foreign	0453		10,500,427	10,243,742
3. Trade payables - other related parties - domestic	0454		1,208,375	1,251,648
4. Trade payables - other related parties - foreign	0455		543,563	684,857
5. Trade payables - domestic	0456		9,170,737	8,481,121
6. Trade payables - foreign	0457		13,786,047	5,168,398
7. Other operating liabilities	0458		132,181	4,322
<b>IV. OTHER SHORT-TERM LIABILITIES</b>	<b>0459</b>	<b>25</b>	<b>8,375,054</b>	<b>8,687,986</b>
<b>V. LIABILITIES FOR VAT</b>	<b>0460</b>		<b>1,088,459</b>	<b>1,383,089</b>
<b>VI. LIABILITIES FOR OTHER TAXES</b>	<b>0461</b>	<b>26</b>	<b>7,584,465</b>	<b>7,687,953</b>
<b>VII. ACCRUED EXPENSES</b>	<b>0462</b>	<b>27</b>	<b>3,632,864</b>	<b>3,635,144</b>
<b>E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)&gt;=0=(0441+0424+0442-0071)&gt;=0</b>	<b>0463</b>		<b>-</b>	<b>-</b>
<b>F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)&gt;=0</b>	<b>0464</b>		<b>415,264,026</b>	<b>395,985,343</b>
<b>G. OFF-BALANCE SHEET LIABILITIES</b>	<b>0465</b>	<b>19</b>	<b>117,099,179</b>	<b>113,781,102</b>

Novi Sad, 26 February 2020

The person responsible for the  
preparation of consolidated financial  
statements



Legal representative

The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.

**NIS Group**

**Consolidated Financial Statements for the year ended 31 December 2019**

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

**CONSOLIDATED INCOME STATEMENT**

	AOP	Note	Year ended 31 December	
			2019	2018
<b>INCOME FROM REGULAR OPERATING ACTIVITIES</b>				
<b>A. OPERATING INCOME (1002+1009+1016+1017)</b>	<b>1001</b>	<b>7</b>	<b>272,096,500</b>	<b>280,983,749</b>
<b>I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)</b>	<b>1002</b>		<b>65,592,808</b>	<b>38,545,631</b>
1. Income from sales of goods to parent and subsidiaries on domestic market	1003		-	-
2. Income from sales of goods to parent and subsidiaries on foreign market	1004		-	-
3. Income from the sale of goods to other related parties on domestic market	1005		1,312	102
4. Income from the sale of goods to other related parties on foreign market	1006		187,210	135,052
5. Income from sale of goods on domestic market	1007		27,314,259	8,428,537
6. Income from sale of goods on foreign market	1008		38,090,027	29,981,940
<b>II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)</b>	<b>1009</b>		<b>206,093,358</b>	<b>241,912,753</b>
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010		-	-
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011		-	961
3. Income from sales of products and services to other related parties on domestic market	1012		19,072,216	26,700,155
4. Income from sales of products and services to other related parties on foreign market	1013		405,754	555,164
5. Income from sales of products and services – domestic	1014		150,765,338	171,203,221
6. Income from sales of products and services – foreign	1015		35,850,050	43,453,252
<b>III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS</b>	<b>1016</b>		<b>-</b>	<b>3,340</b>
<b>IV. OTHER OPERATING INCOME</b>	<b>1017</b>		<b>410,334</b>	<b>522,025</b>
<b>B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)&gt;=0</b>	<b>1018</b>		<b>248,735,954</b>	<b>248,318,196</b>
I. COST OF GOODS SOLD	1019		44,635,555	23,441,660
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020		14,451,129	13,188,633
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021		-	6,011,313
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022		3,437,901	-
V. COST OF MATERIAL	1023		136,940,194	168,678,465
VI. COST OF FUEL AND ENERGY	1024		4,371,248	4,552,772
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		21,364,042	20,101,583
VIII. COST OF PRODUCTION SERVICES	1026	28	15,605,920	14,926,665
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027	8,9	20,976,349	20,340,977
X. COST OF LONG-TERM PROVISIONING	1028		652,769	667,650
XI. NON-PRODUCTION COSTS	1029	29	15,203,105	14,808,370
<b>C. OPERATING GAIN (1001-1018)&gt;=0</b>	<b>1030</b>		<b>23,360,546</b>	<b>32,665,553</b>
<b>D. OPERATING LOSS (1018-1001)&gt;=0</b>	<b>1031</b>		<b>-</b>	<b>-</b>

*(continued)*

*The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.*

**NIS Group**

**Consolidated Financial Statements for the year ended 31 December 2019**

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

**CONSOLIDATED INCOME STATEMENT (continued)**

	AOP	Note	Year ended 31 December	
			2019	2018
<b>E. FINANCE INCOME (1033+1038+1039)</b>	<b>1032</b>	<b>30</b>	<b>2,563,129</b>	<b>3,826,427</b>
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER				
FINANCIAL INCOME (1034+1035+1036+1037)	1033		1,126,759	1,254,731
1. Finance income - parent company and subsidiaries	1034		1,103,117	1,189,687
2. Finance income - other related parties	1035		12,004	36,108
3. Share of profit of associates and joint ventures	1036		-	-
4. Other financial income	1037		11,638	28,936
II. INTEREST INCOME (from third parties)	1038		515,861	766,588
III. FOREIGN EXCHANGE GAINS (third parties)	1039		920,509	1,805,108
<b>F. FINANCE EXPENSES (1041+1046+1047)</b>	<b>1040</b>	<b>31</b>	<b>4,178,538</b>	<b>5,748,045</b>
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER				
FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		2,066,382	1,811,230
1. Finance expense - parent company and subsidiaries	1042		1,901,458	1,713,344
2. Finance expense - other related parties	1043		14,330	23,682
3. Share of loss of associates and joint ventures	1044		129,287	66,634
4. Other financial expense	1045		21,307	7,570
II. INTEREST EXPENSE (from third parties)	1046		1,578,043	2,069,547
III. FOREIGN EXCHANGE LOSSES (third parties)	1047		534,113	1,867,268
<b>G. PROFIT FROM FINANCING OPERATIONS (1032-1040)</b>	<b>1048</b>		<b>-</b>	<b>-</b>
<b>H. LOSS FROM FINANCING OPERATIONS (1040-1032)</b>	<b>1049</b>		<b>1,615,409</b>	<b>1,921,618</b>
<b>I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>1050</b>	<b>32</b>	<b>121,212</b>	<b>868,513</b>
<b>J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>1051</b>		<b>134,564</b>	<b>170,170</b>
<b>K. OTHER INCOME</b>	<b>1052</b>	<b>33</b>	<b>1,265,910</b>	<b>1,215,316</b>
<b>L. OTHER EXPENSES</b>	<b>1053</b>	<b>34</b>	<b>1,868,685</b>	<b>1,804,368</b>
<b>M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)</b>	<b>1054</b>		<b>21,129,010</b>	<b>30,853,226</b>
<b>N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)</b>	<b>1055</b>		<b>-</b>	<b>-</b>
<b>O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS</b>	<b>1056</b>		<b>-</b>	<b>-</b>
<b>P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS</b>	<b>1057</b>		<b>-</b>	<b>-</b>
<b>Q. PROFIT BEFORE TAX (1054-1055+1056-1057)</b>	<b>1058</b>		<b>21,129,010</b>	<b>30,853,226</b>
<b>R. LOSS BEFORE TAX (1055-1054+1057-1056)</b>	<b>1059</b>		<b>-</b>	<b>-</b>
II. INCOME TAX				
I. CURRENT INCOME TAX	1060	35	3,100,414	4,066,760
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061	35	1,443,301	1,674,486
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	35	11,107	22,322
<b>S. PERSONAL INCOME PAID TO EMPLOYER</b>	<b>1063</b>		<b>-</b>	<b>-</b>
<b>T. NET PROFIT (1058-1059-1060-1061+1062)</b>	<b>1064</b>		<b>16,596,402</b>	<b>25,134,302</b>
<b>V. NET LOSS (1059-1058+1060+1061-1062)</b>	<b>1065</b>		<b>-</b>	<b>-</b>
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066		-	-
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067		16,610,847	25,150,220
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068		14,445	15,918
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069		-	-
V. EARNINGS PER SHARE				
1. Basic earnings per share	1070		0.102	0.154
2. Diluted earnings per share	1071		-	-

*The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.*

**NIS Group**  
**Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in RSD 000 unless otherwise stated)

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

	AOP	Note	Year ended 31 December	
			2019	2018
<b>A. NET PROFIT/(LOSS)</b>				
<b>I. PROFIT, NET (AOP 1064)</b>	<b>2001</b>		<b>16,596,402</b>	<b>25,134,302</b>
<b>II. LOSS, NET (AOP 1065)</b>	<b>2002</b>		-	-
<b>B. OTHER COMPREHENSIVE PROFIT OR LOSS</b>				
<i>a) Items that will not be reclassified to profit or loss</i>				
<b>1. Changes in the revaluation of intangible assets, property, plant and equipment</b>				
a) increase in revaluation reserves	2003		-	360
b) decrease in revaluation reserves	2004		-	-
<b>2. Actuarial gains (losses) of post employment benefit obligations</b>				
a) gains	2005		-	3,316
b) losses	2006		45,334	-
<b>3. Gains and losses arising from equity investments</b>				
a) gains	2007		-	-
b) losses	2008		-	-
<b>4. Gains or losses arising from a share in the associate's other comprehensive profit or loss</b>				
a) gains	2009		-	-
b) losses	2010		-	-
<i>b) Items that may be subsequently reclassified to profit or loss</i>				
<b>1. Gains (losses) from currency translation differences</b>				
a) gains	2011		193,947	35,372
b) losses	2012		-	-
<b>2. Gains (losses) on investment hedging instruments in foreign business</b>				
a) gains	2013		-	-
b) losses	2014		-	-
<b>3. Gains and losses on cash flow hedges</b>				
a) gains	2015		-	-
b) losses	2016		-	-
<b>4. Gains (losses) from change in value of available-for-sale financial assets</b>				
a) gains	2017		7,267	477
b) losses	2018		-	-
<b>I. OTHER COMPREHENSIVE PROFIT BEFORE TAX</b> (2003+2005+2007+2009+2011+2013+2015+2017)- (2004+2006+2008+2010+2012+2014+2016+2018)>=0		2019	155,880	39,525
<b>II. OTHER COMPREHENSIVE LOSS BEFORE TAX</b> (2004+2006+2008+2010+2012+2014+2016+2018)- (2003+2005+2007+2009+2009+2011+2013+2015+2017)>=0		2020	-	-
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>		2021	-	-
<b>IV. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021)&gt;=0</b>	<b>2022</b>		<b>155,880</b>	<b>39,525</b>
<b>V. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021)&gt;=0</b>	<b>2023</b>		-	-
<b>C. TOTAL NET COMPREHENSIVE PROFIT</b>				
<b>I. TOTAL COMPREHENSIVE PROFIT, NET</b> (2001-2002+2022-2023)>=0		2024	16,752,282	25,173,827
<b>II. TOTAL COMPREHENSIVE LOSS, NET</b> (2002-2001+2023-2022)>=0		2025	-	-
<b>D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS)</b> (2027+2028)=AOP 2024>=0 или AOP 2025>0		<b>2026</b>	<b>16,752,282</b>	<b>25,173,827</b>
1. Attributable to shareholders		2027	16,752,282	25,173,827
2. Attributable to non-controlling interest		2028	-	-

The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.

**NIS Group**

**Consolidated Financial Statements for the year ended 31 December 2019**

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	AOP	Note	Year ended 31 December	
			2019	2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>I. Cash inflow from operating activities (1 to 3)</b>	<b>3001</b>		<b>508,836,518</b>	<b>517,301,936</b>
1. Sales and advances received	3002		508,048,842	516,240,758
2. Interest from operating activities	3003		377,342	539,153
3. Other inflow from operating activities	3004		410,334	522,025
<b>II. Cash outflow from operating activities (1 to 5)</b>	<b>3005</b>		<b>451,903,613</b>	<b>479,924,756</b>
1. Payments and prepayments to suppliers	3006		210,583,641	235,577,593
2. Salaries, benefits and other personal expenses	3007		19,854,905	20,125,461
3. Interest paid	3008		1,705,155	2,071,683
4. Income tax paid	3009		4,329,868	5,470,912
5. Payments for other public revenues	3010		215,430,044	216,679,107
<b>III. Net cash inflow from operating activities (I - II)</b>	<b>3011</b>		<b>56,932,905</b>	<b>37,377,180</b>
<b>IV. Net cash outflow from operating activities (II - I)</b>	<b>3012</b>		<b>-</b>	<b>-</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>I. Cash flows from investing activities (1 to 5)</b>	<b>3013</b>		<b>2,551,510</b>	<b>8,012,829</b>
1. Sale of shares (net inflow)	3014		26,968	-
2. Proceeds from sale of property, plant and equipment	3015		282,172	368,037
3. Other financial investments (net inflow)	3016		2,233,913	7,619,661
4. Interest from investing activities	3017		-	-
5. Dividend received	3018		8,457	25,131
<b>II. Cash outflow from investing activities (1 to 3)</b>	<b>3019</b>		<b>49,112,305</b>	<b>47,225,072</b>
1. Acquisition of subsidiaries or other business (net outflow)	3020		-	-
2. Purchase of intangible assets, property, plant and equipment	3021		46,846,795	47,089,576
3. Other financial investments (net outflow)	3022		2,265,510	135,496
<b>III. Net cash inflow from investing activities (I - II)</b>	<b>3023</b>		<b>-</b>	<b>-</b>
<b>IV. Net cash outflow from investing activities (II - I)</b>	<b>3024</b>		<b>46,560,795</b>	<b>39,212,243</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>I. Cash inflow from financing activities (1 to 5)</b>	<b>3025</b>		<b>15,060,454</b>	<b>37,213,097</b>
1. Increase in share capital	3026		-	-
2. Proceeds from long-term borrowings (net inflow)	3027	22	15,060,454	37,213,097
3. Proceeds from short-term borrowings (net inflow)	3028		-	-
4. Other long-term liabilities	3029		-	-
5. Other short-term liabilities	3030		-	-
<b>II. Cash outflow from financing activities (1 to 6)</b>	<b>3031</b>		<b>25,645,247</b>	<b>47,031,592</b>
1. Purchase of own shares	3032		-	-
2. Repayment of long-term borrowings (net outflow)	3033	22	18,760,583	39,952,347
3. Repayment of short-term borrowings (net outflow)	3034		-	-
4. Repayment of other liabilities (net outflow)	3035		-	-
5. Financial lease	3036	22	367,140	131,241
6. Dividend distribution	3037	20.1	6,517,524	6,948,004
<b>III. Net cash inflow from financing activities (I - II)</b>	<b>3038</b>		<b>-</b>	<b>-</b>
<b>IV. Net cash outflow from financing activities (II - I)</b>	<b>3039</b>		<b>10,584,793</b>	<b>9,818,495</b>
<b>D. TOTAL CASH INFLOW (3001+3013+3025)</b>	<b>3040</b>		<b>526,448,482</b>	<b>562,527,862</b>
<b>E. TOTAL CASH OUTFLOW (3005+3019+3031)</b>	<b>3041</b>		<b>526,661,165</b>	<b>574,181,420</b>
<b>F. NET CASH INFLOW (340-341)</b>	<b>3042</b>		<b>-</b>	<b>-</b>
<b>G. NET CASH OUTFLOW (341-340)</b>	<b>3043</b>		<b>212,683</b>	<b>11,653,558</b>
<b>H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>3044</b>		<b>15,480,830</b>	<b>27,075,370</b>
<b>I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS</b>	<b>3045</b>		<b>268,965</b>	<b>385,469</b>
<b>J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS</b>	<b>3046</b>		<b>241,302</b>	<b>326,451</b>
<b>K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3042-3043+3044+3045-3046)</b>	<b>3047</b>		<b>15,295,810</b>	<b>15,480,830</b>

*The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.*

**NIS Group**  
**Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in RSD 000 unless otherwise stated)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Equity components					Other comprehensive income components		
	AOP	Share capital	AOP	Loss	AOP	Retained earnings	AOP	Revaluation reserves
<b>Balance as at 1 January 2018</b>								
a) debit	4001	-	4055	-	4091	-	4109	-
b) credit	4002	<b>81,548,930</b>	4056	-	4092	<b>143,271,986</b>	4110	<b>81,796</b>
<b>Adjustments of material errors and changes in accounting policies</b>								
a) debit	4003	-	4057	-	4093	401,527	4111	-
b) credit	4004	-	4058	-	4094	-	4112	-
<b>Restated opening balance as at 1 January 2018</b>								
a) debit (1a+2a-2b)>=0	4005	-	4059	-	4095	-	4113	-
b) credit (1b-2a+2b)>=0	4006	<b>81,548,930</b>	4060	-	4096	<b>142,870,459</b>	4114	<b>81,796</b>
<b>Changes in period</b>								
a) debit	4007	-	4061	-	4097	6,949,059	4115	2,401
b) credit	4008	-	4062	-	4098	25,134,302	4116	360
<b>Balance as at 31 December 2018</b>								
a) debit (3a+4a-4b)>=0	4009	-	4063	-	4099	-	4117	-
b) credit (3b-4a+4b)>=0	4010	<b>81,548,930</b>	4064	-	4100	<b>161,055,702</b>	4118	<b>79,755</b>
<b>Adjustments of material errors and changes in accounting policies</b>								
a) debit	4011	-	4065	-	4101	-	4119	-
b) credit	4012	-	4066	-	4102	-	4120	-
<b>Restated opening balance as at 1 January 2019</b>								
a) debit (5a+6a-6b)>=0	4013	-	4067	-	4103	-	4121	-
b) credit (5b-6a+6b)>=0	4014	<b>81,548,930</b>	4068	-	4104	<b>161,055,702</b>	4122	<b>79,755</b>
<b>Changes in period</b>								
a) debit	4015	-	4069	-	4105	6,517,524	4123	-
b) credit	4016	-	4070	-	4106	18,186,000	4124	-
<b>Balance as at 31 December 2019</b>								
a) debit (7a+8a-8b)>=0	4017	-	4071	-	4107	-	4125	-
b) credit (7b-8a+8b)>=0	4018	<b>81,548,930</b>	4072	-	4108	<b>172,724,178</b>	4126	<b>79,755</b>

(continued)

The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.



**NIS Group**  
**Consolidated Financial Statements for the year ended 31 December 2019**  
*(All amounts are in RSD 000 unless otherwise stated)*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

		Other comprehensive income components						
		Actuarial gain/(loss)		Gains (losses) from currency translation differences		Gains (losses) from change in value of available-for-sale financial assets		Total Equity
	AOP	AOP	AOP	AOP	AOP	AOP	AOP	
<b>Balance as at 1 January 2018</b>								
a) debit	4127	-	4181	-	4217	64,013	-	
b) credit	4128	195,215	4182	17,596	4218	-	4235	225,051,510
<b>Adjustments of material errors and changes in accounting policies</b>								
a) debit	4129	-	4183	-	4219	-	-	
b) credit	4130	-	4184	-	4220	-	4236	401,527
<b>Restated opening balance as at 1 January 2018</b>								
a) debit (1a+2a-26)>=0	4131	-	4185	-	4221	64,013	-	
b) credit (16-2a+26)>=0	4132	195,215	4186	17,596	4222	-	4237	224,649,983
<b>Changes in period</b>								
a) debit	4133	-	4187	-	4223	-	-	
b) credit	4134	3,316	4188	35,372	4224	3,931	4238	18,225,821
<b>Balance as at 31 December 2018</b>								
a) debit (3a+4a-46)>=0	4135	-	4189	-	4225	60,082	-	
b) credit (36-4a+46)>=0	4136	198,531	4190	52,968	4226	-	4239	242,875,804
<b>Adjustments of material errors and changes in accounting policies</b>								
a) debit	4137	-	4191	-	4227	-	-	
b) credit	4138	-	4192	-	4228	-	4249	-
<b>Restated opening balance as at 1 January 2019</b>								
a) debit (5a+6a-66)>=0	4139	-	4193	-	4229	60,082	-	
b) credit (56-6a+66)>=0	4140	198,531	4194	52,968	4230	-	4241	242,875,804
<b>Changes in period</b>								
a) debit	4141	45,334	4195	-	4231	-	-	
b) credit	4142	-	4196	193,947	4232	1,899	4242	11,818,988
<b>Balance as at 31 December 2019</b>								
a) debit (7a+8a-86)>=0	4143	-	4197	-	4233	58,183	-	
b) credit (76-8a+86)>=0	4144	153,197	4198	246,915	4234	-	4243	254,694,792

The accompanying notes on pages 10 to 65 are an integral part of these consolidated financial statements.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

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#### **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, development and production of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading and
- Electric generation and trading.

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

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

The Company is an open joint stock company listed on the Belgrade Stock Exchange.

These 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**

These consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the Law on Accounting of the Republic of which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,
- "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

As a result, the accompanying consolidated financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

At the date of signing consolidated financial statements, crude oil price declined since 31 December 2019 from 66.765 \$/barrel to 56.170 \$/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

Subsequent events occurring after 31 December 2019 were evaluated through 26 February 2020, the date these consolidated financial statements were authorised for issue.

##### **2.2. Basis of measurement**

These consolidated financial statements are prepared on the historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

#### **2.3. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

#### **2.4. Seasonality of Operations**

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

#### **2.5. Foreign currency translation**

##### *(a) Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Serbian dinars ("RSD"), which is the Group's functional and presentation currency.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other monetary assets and liabilities are presented in the consolidated income statement within 'Finance income or expense'.

##### *(c) Group's Companies*

The result and financial position of all Group companies whose functional currency is different from the Group's presentation currency are calculated as follows:

- I. assets and liabilities are translated into the RSD using the exchange rate as at reporting date;
- II. income and expenses are translated at average exchange rates and all resulting foreign exchange differences are recognized in reserves as separate items in equity.

#### **2.6. Principles of consolidation**

The consolidated financial statements include the accounts of subsidiaries in which the Group has control. Control implies rights or exposure to variable returns from the involvement with the investee and the ability to affect those returns through the power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. An investor is exposed, or has the right to variable returns from its involvement with investee when the investor's return from its involvement has the potential to vary as a result of the investee's performance. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control commences until the date when control ceases.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

In accessing control, Group takes into consideration potential voting rights that are substantive. Investments in entities that the Group does not control, but where it has the ability to exercise significant influence over operating and financial policies, are accounted for under equity method except for investments that meet criteria of joint operations, which are accounted for on the basis of the Group's interest in the assets, liabilities, expenses and revenue of the joint operation. All other investments are classified either as held-to-maturity or as available for sale.

#### **(a) *Joint Operations and Joint Ventures***

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

With regards to joint arrangements, where the Group acts as a joint venturer, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

#### **(b) *Transactions Eliminated on Consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **(c) *Non-controlling interests***

In the consolidated financial statements, non-controlling interests in subsidiaries are presented separately from the Group equity as non-controlling interests. Non-controlling interest is measured at fair value or at its proportionate share in the acquiree's net identifiable assets. For each business combination a separate measurement principle is determined.

#### **(d) *Investments in associates***

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associate are accounted for using equity method and are recognised initially at cost. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

## **2.7. Business combinations**

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and recognised goodwill or a gain from a bargain purchase. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

#### **2.8. Goodwill**

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated profit or loss. Transaction costs, that the Group incurs in connection with a business combination are expensed as incurred.

#### **2.9. Intangible assets**

##### *(a) Goodwill*

Goodwill that arises from business combination is included in intangible assets. Subsequently goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (note 8).

##### *(b) Licenses and rights*

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. (average useful life is 5 years)

##### *(c) Software*

These include primarily the costs of implementation the (SAP) computer software program. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not to exceed 8 years).

#### **2.10. Oil and Gas properties**

##### *(a) Exploration and evaluation expenditure*

The Group follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

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

costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

#### *(b) Development costs of fixed and intangible assets*

Development costs are incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

#### *(c) Oil and gas production assets*

Oil and gas production assets comprise exploration and evaluation assets as well as development costs associated with the production of proved reserves.

#### *(d) Depreciation/amortization*

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

#### *(e) Impairment – exploration and evaluation assets*

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### (f) Impairment – proved oil and gas properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

#### 2.11. Property, plant and equipment

As of the date of establishment, the Group's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Buildings	10 - 50
Machinery and Equipment:	
- Production equipment	2 - 35
- Furniture	3 - 10
- Vehicles	5 - 25
- Computers	3 - 10
Other PP&E	3 - 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/expenses" in the consolidated income statement (notes 33 and 34).

#### 2.12. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.13. Investment property**

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises of petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value. Changes in fair values are recorded in the consolidated income statement as part of "Other income/expense".

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

### **2.14. Financial instruments**

#### **(a) Key measurement terms**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

*Amortized cost ("AC")* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("*ECL*").

#### **(b) Classification and measurement**

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.



## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

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

At initial recognition, the Group measures a financial asset as its fair value plus, in case of a financial assets not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit and loss. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Factors considered by the Group in determining the business model include the purpose and composition of portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest ("SPPI"), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

**Trade and other receivables.** Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

**Borrowings.** Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

**Trade and other payables.** Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

#### (c) **Write-off**

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### (d) **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

#### **(e) Modification**

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

#### **(f) Financial assets impairment**

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and recognises Net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated balance sheet net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

##### **- General model of impairment of financial assets – three stage model**

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

When defining default for the purposes of determining the risk of a default occurring, Group applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately.

Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

##### **- Simplified approach for impairment of receivables and lease receivables**

Group applies simplified approach for trade receivables, contract assets and lease receivables and measure the loss allowance at an amount equal to lifetime expected credit losses ("Lifetime ECL").

Group uses a provision matrix in the calculation of the expected credit losses on trade receivables. Group use historical credit loss experience (adjusted as appropriate on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

Impairment losses are reversed through profit or loss if the amount of the impairment loss decreases and the decrease can be attributed to an event occurring after the impairment was recognized.

#### **2.15. Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as "Other expense" (note 34).

#### **2.16. Off-balance sheet assets and liabilities**

Off-balance sheet assets/liabilities include: material received from third parties for further processing and other assets not owned by the Group, as well as receivables/payables related to collaterals such as guarantees and other warrants.

#### **2.17. Share capital**

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

#### **2.18. Earnings per share**

The Group calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

#### **2.19. Provisions**

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as cost of provision and charged to consolidated income statement.

#### **2.20. Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Group operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### **2.21. Employee benefits**

##### *(a) Pension obligations*

The Group operates a defined contribution pension plan. The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### *(b) Employee benefits provided by the Collective Agreement*

The Group provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in consolidated statement of other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

##### *(c) Bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

In 2017, the Group has made decision to introduce new three-year (2018-2020) program for Group's managers which will be based on the Key Performance Indicators ("KPI") reached during the program (note 21).

#### **2.22. Revenue recognition from contracts with customers**

The Group recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is shown net of value-added tax, excise duty, returns, rebates and discounts after eliminating sales within the Group.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

#### *(a) Sales - wholesale*

The Group manufactures and sells oil, petrochemical products, liquefied natural gas and energy in the wholesale market. Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts entitled to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of less than one year and is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### *(b) Sales – retail*

The Group operates a chain of Petrol Stations. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. Group offers customer incentives mostly in the form of loyalty programs described under section d).

#### *(c) Sales of electricity*

The Group sells electricity on a short and long term basis with a contract terms generally accepted in the energy industry (via bilateral forward standardized general EFET agreements). Majority of sales are made on a wholesale market without structured trades.

In accordance with contract terms if Group expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis at the point of time of delivery in consolidated financial statements. All performance obligations are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

#### *(d) Customer loyalty program*

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 27.

#### *(e) Interest income*

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

#### 2.23. Leases

##### Accounting policies applied in 2019, from the date of initial application of IFRS 16 "Leases"

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	<u>Useful lives in years</u>
Land	25
Buildings	2 - 22
Machinery	3 - 15
Motor vehicles	2 - 10

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

#### Accounting policies applied until 31 December 2018

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's consolidated balance sheet. The total lease payments are charged to consolidated income statement on a straight-line basis over the lease term.

#### (a) Right of use of land

Right of use of land acquired as a part of either acquisition or a separate transaction through payment to a third party or Local Authority is treated as an intangible asset. This acquired intangible assets has an indefinite useful life and is subject to annual impairment testing.

### **2.24. Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the Group's shareholders.

### **2.25. Capitalisation of borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

## **3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

Preparing consolidated financial statements required Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other facts that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimates are revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, management also makes other judgments in the process of applying the Group's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Judgments and estimates that have the most significant effect on the amounts reported in these consolidated financial statements and have a risk of causing a material adjustment to the carrying amount of assets and liabilities are described below.



**3.1. Estimation of Oil and Gas Reserves**

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. The Group estimates its oil and gas reserves in accordance with rules promulgated by the US Securities and Exchange Commission (SEC) for proved and probable reserves. Accounting measures such as depreciation, depletion and amortization charges and impairment assessments that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the law of the Republic of Serbia are classified as a state secret.

**3.2. Useful Lives of Property, Plant and Equipment**

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2019 would be to increase/decrease it by RSD 1,900,267 (2018: RSD 1,849,565).

**3.3. Impairment of goodwill**

Goodwill is tested for impairment annually.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. The estimated future cash flows include estimation of future costs to produce reserves, future commodity prices, foreign exchange rate, discount rate etc. (note 8)

**3.4. Employee benefits**

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Group takes into consideration the interest rates of Serbian Treasury bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 5.40% (rather than 4.40%) per year, the past service liability (DBO) for the whole NIS Group would decrease by about 9.4% for retirement indemnity and 7.2% for jubilee benefit. If pay increased by 1.0% higher than assumed on an annual basis, then the past service liability (DBO) for the whole NIS Group would increase by amount 10.7% for the retirement indemnity and 7.7% for the jubilee benefit.

#### **3.5. Decommissioning and environmental protection provision**

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision (note 21) is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 5.40% (rather than 4.40%) per year, the present liability would have decreased by approx. RSD 419,182.

#### **3.6. Contingencies**

Certain conditions may exist as of the date of these consolidated financial statements are issued that may result in a loss to the Group, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 36).

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### 3.7. Recoverability of carrying amount of Property, Plant and Equipment

In the line with changes in the crude oil price on the world market, management of the Group performed stress sensitivity analysis of its impact on recoverability of the Group PPE and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Group's PPE exceed its carrying value.

The Group assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10\$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Group's PPE by 46.5 bln RSD.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact.

#### 4. APPLICATION OF NEW IFRS

##### Accounting policies applied from 1 January 2019

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

##### Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Operating lease commitments disclosed as at 31 December 2018	1,548,081
(Less): short-term leases recognised on a straight-line basis as expense	(54,306)
(Less): contracts with commencement date after 1.1.2019	(385,001)
(Less): low-value leases recognised on a straight-line basis as expense	(206,937)
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	2,954
(Less): advances paid as of date of initial application of IFRS 16	(71,944)
Other	(11,255)
<b>Undiscounted leases recognized under IFRS 16</b>	<b>821,592</b>
<b>Discounted using the lessee's incremental borrowing rate at the date of initial application</b>	<b>790,946</b>
Add: finance lease liabilities recognised as at 31 December 2018	828,104
<b>Lease liability recognised as at 1 January 2019</b>	<b>1,619,050</b>
Of which are:	
Current lease liabilities	298,269
Non-current lease liabilities	1,320,781
	<b>1,619,050</b>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required some adjustments to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relates to the following types of assets:

	<b>31 December 2019</b>	<b>1 January 2019</b>
Property (land and buildings)	1,171,875	1,414,558
Plant and equipment	438,495	335,712
Motor vehicles	263,429	85,151
<b>Total right-of-use assets</b>	<b>1,873,799</b>	<b>1,835,421</b>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Property, plant and equipment and intangible assets – decrease (notes 8 and 9)	(972,531)
Right-of-use assets – increase (note 9)	1,835,421
Prepayments – decrease	(71,944)
Lease liabilities – increase	(790,946)

In applying IFRS 16 for the first time, the group has used the following practical expedients and exemptions permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the accounting for operating leases for which the underlying asset is of low value
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a lease.

## 5. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on 1 January 2020 or later, and that the Group has not early adopted.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).*** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

***Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).*** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

***Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).***

## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

**Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its financial statements.

The following other new standards and pronouncements are not expected to have any material impact on the Group when adopted:

- *IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).*

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

## **6. FINANCIAL RISK MANAGEMENT**

### **6.1. Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Economics, Finance and Accounting (further "FEPA") which under the policies approved by the Group identifies and evaluates financial risks in close co-operation with the Group's operating units.

In the normal course of its operations the Group has exposure to the following financial risks:

- a) market risk (including foreign exchange risk and interest rate risk);
- b) credit risk and
- c) liquidity risk.

#### ***Market risk***

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates, all of which are exposed to general and specific market movements. Management analyses and monitors risk that may be accepted, however, the use of this approach does not prevent losses in the event of more significant market movements.

#### **Currency risk**

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to manage its foreign exchange risk against its functional currency. In order to manage its foreign exchange risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Foreign exchange risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group functional currency.

The Group has borrowings denominated in foreign currency mainly in EUR which predominantly expose Group to the foreign currency translation risk.

The carrying values (net of allowance) of the Group's financial instruments by currencies they are denominated are as follows:

#### As of 31 December 2019

	RSD	EUR	USD	Other	Total
<b>Financial assets</b>					
<b>Non-current</b>					
Financial instrument at FVTOCI	95,662	-	-	-	95,662
Other long-term financial investments	231,671	729,893	4,964	-	966,528
Long term receivables	9,515	224,669	-	-	234,184
<b>Current assets</b>					
Trade receivables	22,758,194	1,107,544	128,120	1,579,001	25,572,859
Receivables from specific operations	497,459	2,822	164,460	9,129	673,870
Other receivables	877,230	19,232	3,567	35,728	935,757
Short term financial investments	1,114,559	75,810	-	653,104	1,843,473
Cash and cash equivalents	6,206,398	5,408,179	2,148,914	1,532,319	15,295,810
<b>Financial liabilities</b>					
<b>Non-current</b>					
Long-term liabilities	(12,489)	(82,942,688)	(173,130)	(914,624)	(84,042,931)
<b>Current liabilities</b>					
Short-term financial liabilities	(15,559)	(6,462,042)	(36,162)	(248,134)	(6,761,897)
Trade payables	(9,280,442)	(8,013,428)	(16,284,376)	(1,763,084)	(35,341,330)
Other short-term liabilities	(7,860,308)	(227,495)	(168,997)	(118,254)	(8,375,054)
<b>Net exposure</b>	<b>14,621,890</b>	<b>(90,077,504)</b>	<b>(14,212,640)</b>	<b>765,185</b>	<b>(88,903,069)</b>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### As of 31 December 2018

	RSD	EUR	USD	Other	Total
<b>Financial assets</b>					
<b>Non-current</b>					
Financial instrument at FVTOCI	111,475	-	-	2,687	114,162
Other long-term financial investments	104,100	767,463	6,203	70,917	948,683
Long term receivables	8,979	-	-	-	8,979
<b>Current assets</b>					
Trade receivables	23,128,244	885,305	536,185	1,458,077	26,007,811
Receivables from specific operations	366,173	3,523	162,063	10,854	542,613
Other receivables	143,567	44,057	1,243	34,704	223,571
Short term financial investments	2,124,148	139,237	-	46	2,263,431
Cash and cash equivalents	5,187,670	4,717,880	4,074,271	1,501,009	15,480,830
<b>Financial liabilities</b>					
<b>Non-current</b>					
Long-term liabilities	(649)	(87,070,328)	(309,067)	(439,158)	(87,819,202)
<b>Current liabilities</b>					
Short-term financial liabilities	-	(6,302,164)	(52,628)	(40,299)	(6,395,091)
Trade payables	(8,522,174)	(14,823,629)	(897,986)	(1,590,299)	(25,834,088)
Other short-term liabilities	(8,219,003)	(219,021)	(166,430)	(83,532)	(8,687,986)
<b>Net exposure</b>	<b>14,432,530</b>	<b>(101,857,677)</b>	<b>3,353,854</b>	<b>925,006</b>	<b>(83,146,287)</b>

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2019	31 December 2018
EUR	117.5928	118.1946
USD	104.9186	103.3893

#### Sensitivity analysis

The Group has chosen to provide information about market and potential exposure to hypothetical gain / (loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis below reflects the hypothetical effect on the Group's financial statements and the resulting hypothetical gains/losses that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

As at 31 December 2019, if the currency had strengthened/weaken by 5% against the EUR with all other variables held constant, pre-tax profit and equity for the year would have been RSD 4,503,875 (2018: RSD 5,092,884) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings.

As at 31 December 2019, if the currency had strengthened/weaken by 10% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been RSD 1,421,264 (2018: RSD 335,385) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### *Interest rate risk*

Borrowings withdrawn at variable interest rates expose the Group to cash flow interest rate risk, whilst borrowings issued at fixed rates expose the Group to fair value interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (Euribor or Libor) has a proportionate impact on the Group's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2019 would have been RSD 718,111 (2018: RSD 862,976) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the balance sheet is as follows:

	Year end 31 December	
	2019	2018
Financial instrument at FVTOCI	95,662	114,162
Other long-term investments (note 11)	966,528	948,683
Long term receivables	234,184	8,979
Trade receivables (note 14)	25,572,859	26,007,811
Receivables from specific operations	673,870	542,613
Other receivables (note 15)	935,757	223,571
Short term financial investments (note 16)	1,843,473	2,263,431
Cash and cash equivalents (note 17)	15,295,810	15,480,830
<b>Total maximum exposure to credit risk</b>	<b>45,618,143</b>	<b>45,590,080</b>

*Credit risk management.* Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

*Limits.* The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- scoring Serbian Business Register Agency, NIS and/or D&B reports;
- amount of registered pledges;
- data on customer's account blockade;
- history of relationships with the Group;
- planned sales volume;
- duration of relationship with the Group, including ageing profile, maturity and existence of any financial difficulties.

#### Trade, Specific and Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance.

To measure the expected credit losses, trade, specific and other receivables have been grouped based on shared credit risk characteristics and the days past due.



**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)*

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The credit loss allowance for trade, specific and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2019 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, specific and other receivables
Trade, specific and other receivables				
- current	0.05%	24,959,646	(12,085)	24,947,561
- less than 30 days overdue	0.18%	1,313,262	(2,369)	1,310,893
- 31 to 90 days overdue	1.10%	124,561	(1,375)	123,186
- 91 to 270 days overdue	2.58%	113,860	(2,936)	110,924
- over 270 days overdue	96.09%	17,776,085	(17,086,163)	689,922
<b>Total trade, specific and other receivables</b>		<b>44,287,414</b>	<b>(17,104,928)</b>	<b>27,182,486</b>

At 31 December 2018 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, specific and other receivables
Trade, specific and other receivables				
- current	0.09%	24,436,650	(21,506)	24,415,144
- less than 30 days overdue	0.32%	1,350,903	(4,355)	1,346,548
- 31 to 90 days overdue	1.13%	354,744	(4,007)	350,737
- 91 to 270 days overdue	4.22%	202,389	(8,542)	193,847
- over 270 days overdue	97.41%	17,877,762	(17,410,043)	467,719
<b>Total trade, specific and other receivables</b>		<b>44,222,448</b>	<b>(17,448,453)</b>	<b>26,773,995</b>

As a rule, an excess of receivables over approved credit limit is secured by either bank guarantee, advance payment or other security.

The Management of the Group regularly assesses the credit quality of trade, specific 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, specific and other receivables and other current assets are fully recoverable.

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

Movements on the Group's provision for impairment of trade and lease receivables are as follows:

	Trade receivables		Lease receivables	Total
	Individually impaired	Collectively impaired		
<b>As at 1 January 2018</b>	<b>2,405,561</b>	<b>5,537,017</b>	-	<b>7,942,578</b>
Remeasurement of expected credit losses	29,710	-	-	29,710
<b>Restated balance at 1 January 2018</b>	<b>2,435,271</b>	<b>5,537,017</b>	-	<b>7,972,288</b>
Reclassification other receivables for lease as of 1 January 2018	-	(72,630)	72,630	-
Provision for receivables impairment	3,648	67,590	3,239	74,477
Unused amounts reversed (note 32)	(98,877)	(592,748)	(15,724)	(707,349)
Receivables written off during the year as uncollectible	-	(1,150,269)	(533)	(1,150,802)
Unwinding of discount (note 30)	-	(44,661)	-	(44,661)
Other	186	970	-	1,156
<b>As at 31 December 2018</b>	<b>2,340,228</b>	<b>3,745,269</b>	<b>59,612</b>	<b>6,145,109</b>
<b>As at 1 January 2019</b>				
Provision for receivables impairment	7,261	75,724	2,321	85,306
Unused amounts reversed (note 32)	(6,218)	(73,532)	(7,870)	(87,620)
Receivables written off during the year as uncollectible	-	(263,040)	(1,232)	(264,272)
Other	(953)	3,298	-	2,345
<b>As at 31 December 2019</b>	<b>2,340,318</b>	<b>3,487,719</b>	<b>52,831</b>	<b>5,880,868</b>

Expenses that have been provided for or written off are included in fair value measurement loss within the income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned. The other classes within trade, specific and other receivables do not contain impaired assets.

Movements on the Group's provision for impairment of receivables from specific operations are as follows:

	Receivables from specific operations
<b>As at 1 January 2018</b>	<b>3,394,091</b>
Provision for receivables impairment	3,879
Unused amounts reversed (note 32)	(142,362)
Receivables written off during the year as uncollectible	(1,500,778)
Other	(116)
<b>As at 31 December 2018</b>	<b>1,754,714</b>
Provision for receivables impairment	2,185
Unused amounts reversed (note 32)	(3,068)
Receivables written off during the year as uncollectible	(12,958)
Other	(480)
<b>As at 31 December 2019</b>	<b>1,740,393</b>

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### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

Movements on the provision for other receivables:

	Interest receivables	Other receivables	Total
<b>As at 1 January 2018</b>	<b>4,191,764</b>	<b>7,495,688</b>	<b>11,687,452</b>
Provision for other receivables impairment	5,856	13,682	19,538
Unused amounts reversed (note 32)	(12,919)	(3,577)	(16,496)
Receivables written off during the year as uncollectible	(2,048,409)	(92,703)	(2,141,112)
Other	(5,427)	4,675	(752)
<b>As at 31 December 2018</b>	<b>2,130,865</b>	<b>7,417,765</b>	<b>9,548,630</b>
Provision for other receivables impairment	4,813	9,415	14,228
Unused amounts reversed (note 32)	(12,914)	(1,088)	(14,002)
Receivables written off during the year as uncollectible	(55,294)	(7,177)	(62,471)
Other	(2,629)	(89)	(2,718)
<b>As at 31 December 2019</b>	<b>2,064,841</b>	<b>7,418,826</b>	<b>9,483,667</b>

#### Liquidity risk

Cash flow forecasting is performed as aggregated at the Group's level. The Company's finance function monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Group over and above balance required for working capital management are invested as surplus cash in time deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
<b>As at 31 December 2019</b>					
Financial liabilities (debt+lease)	90,804,828	96,685,828	8,528,198	83,672,824	4,484,806
Trade payables and dividends	39,122,022	39,122,022	39,122,022	-	-
	<b>129,926,850</b>	<b>135,807,850</b>	<b>47,650,220</b>	<b>83,672,824</b>	<b>4,484,806</b>
<b>As at 31 December 2018</b>					
Financial liabilities (debt+lease)	94,214,293	100,623,609	8,147,806	86,866,787	5,609,016
Trade payables and dividends	29,606,396	29,606,396	29,606,396	-	-
	<b>123,820,689</b>	<b>130,230,005</b>	<b>37,754,202</b>	<b>86,866,787</b>	<b>5,609,016</b>

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

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### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

The Group's net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2019	31 December 2018
Total borrowings (notes 22 and 23)	90,804,828	94,214,293
Less: cash and cash equivalents (note 17)	(15,295,810)	(15,480,830)
<b>Net debt</b>	<b>75,509,018</b>	<b>78,733,463</b>
EBITDA	44,479,734	53,708,499
<b>Net debt to EBITDA</b>	<b>1.70</b>	<b>1.47</b>

The Group has committed (at the level of Gazprom Neft Group) to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 3.0 during the terms of long-term borrowings agreements with certain commercial banks. Group constantly monitoring the established commitments to maintain the height of debt cover ration and there has been no breach of these obligation.

There were no changes in the Group's approach to capital management during the year.

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying amount of trade and other receivables, other current assets and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current receivables and non-current payables the fair values are also not significantly different to their carrying amounts.

## 7. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the years ended 31 December 2019 and 2018. Operating segments are components that engaged 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 (refining and marketing). Corporate centre and Energy business activities expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized 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.

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

Reportable segment results for the year ended 31 December 2019 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	48,317,499	272,263,504	(48,484,503)	272,096,500
Intersegment	47,501,435	983,068	(48,484,503)	-
External	816,064	271,280,436	-	272,096,500
<b>EBITDA (Segment results)</b>	<b>34,188,266</b>	<b>10,291,468</b>	-	<b>44,479,734</b>
Depreciation, depletion and amortization	(11,402,076)	(9,574,273)	-	(20,976,349)
Impairment losses/Revaluation surpluses (note 33 and 34)	(18,054)	32,032	-	13,978
Write off exploration works (note 9)	(377,207)	-	-	(377,207)
Share of loss of associates and joint ventures	-	(129,287)	-	(129,287)
Finance expenses, net	(365,574)	(1,120,548)	-	(1,486,122)
Income tax	(212,842)	(4,319,766)	-	(4,532,608)
Segment profit (loss)	21,632,035	(5,035,633)	-	16,596,402

Reportable segment results for the year ended 31 December 2018 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	52,134,006	281,446,809	(52,597,066)	280,983,749
Intersegment	50,567,429	2,029,637	(52,597,066)	-
External	1,566,577	279,417,172	-	280,983,749
<b>EBITDA (Segment results)</b>	<b>38,791,347</b>	<b>14,917,152</b>	-	<b>53,708,499</b>
Depreciation, depletion and amortization	(10,805,415)	(9,535,562)	-	(20,340,977)
Impairment losses/Revaluation surpluses (note 33 and 34)	(3,756)	(266,918)	-	(270,674)
Write off exploration works (note 9)	(57,075)	-	-	(57,075)
Share of loss of associates and joint ventures	-	(66,634)	-	(66,634)
Finance expenses, net	(203,244)	(1,651,740)	-	(1,854,984)
Income tax	(323,003)	(5,395,921)	-	(5,718,924)
Segment profit (loss)	27,015,242	(1,880,940)	-	25,134,302

EBITDA for the year ended 31 December 2019 and 2018 is reconciled below:

	Year ended 31 December	
	2019	2018
Profit for the year	16,596,402	25,134,302
Income tax expenses	4,532,608	5,718,924
Other expenses	1,868,685	1,804,368
Other income	(1,265,910)	(1,215,316)
Loss from valuation of assets at fair value through profit and loss	134,564	170,170
Income from valuation of assets at fair value through profit and loss	(121,212)	(868,513)
Finance expense	4,178,538	5,748,045
Finance income	(2,563,129)	(3,826,427)
Depreciation, depletion and amortization	20,976,349	20,340,977
Other non operating expenses, net*	142,839	701,969
<b>EBITDA</b>	<b>44,479,734</b>	<b>53,708,499</b>

\*Other non-operating expense, net mainly relate to reversal of impairment, decommissioning and site restoration cost, allowance of receivables and other.

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)*

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

	Year ended 31 December 2019		
	Domestic market	Export and international sales	Total
Sale of crude oil	824,057	665,186	1,489,243
Sale of gas	1,388,688	-	1,388,688
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,388,688	-	1,388,688
Sale of petroleum products	186,520,141	70,167,285	256,687,426
<i>Through a retail network</i>	66,171,840	17,557,295	83,729,135
<i>Wholesale activities</i>	120,348,301	52,609,990	172,958,291
Sales of electricity	782,645	233,715	1,016,360
Lease revenue	351,477	6,439	357,916
Other sales	7,696,451	3,460,416	11,156,867
<b>Total sales</b>	<b>197,563,459</b>	<b>74,533,041</b>	<b>272,096,500</b>

	Year ended 31 December 2018		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,528,011	1,528,011
Sale of gas	1,610,675	-	1,610,675
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,610,675	-	1,610,675
Sale of petroleum products	196,980,360	68,224,641	265,205,001
<i>Through a retail network</i>	63,956,088	17,446,040	81,402,128
<i>Wholesale activities</i>	133,024,272	50,778,601	183,802,873
Sales of electricity	746,559	842,728	1,589,287
Lease revenue	474,818	-	474,818
Other sales	7,044,968	3,530,989	10,575,957
<b>Total sales</b>	<b>206,857,380</b>	<b>74,126,369</b>	<b>280,983,749</b>

Out of the amount of RSD 172,958,291 (2018: RSD 183,802,873) revenue from sale of petroleum products (wholesale), the amount of RSD 19,070,224 (2018: RSD 26,679,415) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Network for trading d.o.o. Belgrade in the amount of RSD 309,224 (2018: Energy Financing Team in the amount of RSD 518,173).

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of RSD 8,828,683 (2018: RSD 8,269,395).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is RSD 197,563,459 (2018: RSD 206,857,380), and the total of revenue from external customer from other countries is RSD 74,533,041 (2018: RSD 74,126,369).

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)*

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

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Sale of crude oil	665,186	1,528,011
Sale of petroleum products (retail and wholesale)		
Bulgaria	14,559,719	18,130,815
Bosnia and Herzegovina	27,417,504	18,704,608
Romania	13,415,451	14,877,723
Croatia	2,431,173	2,997,771
Switzerland	1,888,635	2,777,082
Great Britain	1,063,213	1,839,930
Northern Macedonia	1,343,723	1,726,618
Hungary	1,610,845	1,810,152
All other markets	6,437,022	5,359,942
	<u>70,167,285</u>	<u>68,224,641</u>
Sales of electricity	233,715	842,728
Lease revenue	6,439	-
Other sales	3,460,416	3,530,989
	<u><b>74,533,041</b></u>	<u><b>74,126,369</b></u>

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

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Serbia	287,838,624	269,381,825
Romania	11,853,104	9,103,409
Bosnia and Herzegovina	7,276,613	7,304,192
Bulgaria	6,881,442	6,934,061
	<u><b>313,849,783</b></u>	<u><b>292,723,487</b></u>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### 8. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Goodwill	Other intangibles	Intangible assets under development	Total
<b>At 1 January 2018</b>						
Cost	9,330,701	9,133,906	2,256,798	1,436,956	9,089,090	31,247,451
Accumulated amortization and impairment	(1,565,494)	(6,584,823)	(513,308)	(266,031)	(56,647)	(8,986,303)
<b>Net book amount</b>	<b>7,765,207</b>	<b>2,549,083</b>	<b>1,743,490</b>	<b>1,170,925</b>	<b>9,032,443</b>	<b>22,261,148</b>
<b>Year ended 31 December 2018</b>						
Additions	-	-	-	37	3,170,422	3,170,459
Acquisitions through business combinations	-	-	11,986	-	-	11,986
Transfer from assets under development	2,299,438	211,033	-	7,584	(2,518,055)	-
Amortization	(758,280)	(1,027,607)	-	(54,642)	(4,802)	(1,845,331)
Impairment (note 34)	-	-	(201,854)	-	-	(201,854)
Transfer to PP&E (note 9)	-	-	-	-	(5,622)	(5,622)
Other transfers	-	(3,356)	-	3,356	-	-
Translation differences	-	(25)	(4,244)	(840)	(14,293)	(19,402)
<b>Closing net book amount</b>	<b>9,306,365</b>	<b>1,729,128</b>	<b>1,549,378</b>	<b>1,126,420</b>	<b>9,660,093</b>	<b>23,371,384</b>
<b>As at 31 December 2018</b>						
Cost	11,630,138	9,287,315	2,262,796	1,443,305	9,721,470	34,345,024
Accumulated amortization and impairment	(2,323,773)	(7,558,187)	(713,418)	(316,885)	(61,377)	(10,973,640)
<b>Net book amount</b>	<b>9,306,365</b>	<b>1,729,128</b>	<b>1,549,378</b>	<b>1,126,420</b>	<b>9,660,093</b>	<b>23,371,384</b>
<b>At 1 January 2019</b>						
Cost	11,630,138	9,287,315	2,262,796	1,443,305	9,721,470	34,345,024
Accumulated amortization and impairment	(2,323,773)	(7,558,187)	(713,418)	(316,885)	(61,377)	(10,973,640)
<b>Net book amount</b>	<b>9,306,365</b>	<b>1,729,128</b>	<b>1,549,378</b>	<b>1,126,420</b>	<b>9,660,093</b>	<b>23,371,384</b>
<b>Year ended 31 December 2019</b>						
Additions	-	-	-	704	3,283,123	3,283,827
Transfer from assets under development	3,139,293	829,622	-	-	(3,968,915)	-
Amortization	(1,005,829)	(574,386)	-	(46,496)	-	(1,626,711)
Impairment (note 34)	-	-	(180,004)	-	-	(180,004)
Transfer to PP&E (note 9)	-	-	-	-	(42,660)	(42,660)
Other transfers	-	4,697	-	(1,457)	(108,081)	(104,841)
Transfer to right of use assets	-	-	-	(153,119)	-	(153,119)
Translation differences	-	(130)	(14,866)	(1,096)	(118,551)	(134,643)
<b>Closing net book amount</b>	<b>11,439,829</b>	<b>1,988,931</b>	<b>1,354,508</b>	<b>924,956</b>	<b>8,705,009</b>	<b>24,413,233</b>
<b>As at 31 December 2019</b>						
Cost	14,769,430	10,033,485	2,233,762	1,252,029	8,760,424	37,049,130
Accumulated amortization and impairment	(3,329,601)	(8,044,554)	(879,254)	(327,073)	(55,415)	(12,635,897)
<b>Net book amount</b>	<b>11,439,829</b>	<b>1,988,931</b>	<b>1,354,508</b>	<b>924,956</b>	<b>8,705,009</b>	<b>24,413,233</b>

Intangible assets under development as at 31 December 2019 amounting to RSD 8,705,009 (31 December 2018: RSD 9,660,093) mostly relate to investments in explorations (unproved reserves) in the amount of RSD 8,538,201 (31 December 2018: RSD 9,398,379).



## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### Impairment test for goodwill

Goodwill is monitored by the management on an individual CGU basis and geographical location. The recoverable amount of each CGUs has been determined by independent appraisal based on higher of value-in-use and fair value less cost to disposed calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The average key assumptions used in value-in use calculations:

	<b>2019</b>	<b>2018</b>
Average gross margin	21.0%	22.0%
Growth rate	1%	1%
Discount rate		
- Romania market	6.99%	6.78%
- Bulgaria market	6.30%	6.67%
- Bosnia and Herzegovina market	8.73%	11.13%

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relation to the relevant CGU. The following is a summary of goodwill allocation:

	<b>Opening balance</b>	<b>Addition</b>	<b>Impairment</b>	<b>Translation differences</b>	<b>Closing balance</b>
<b>2019</b>					
Bosnia and Herzegovina	484,855	-	-	(2,468)	482,387
Romania	286,915	-	-	(8,355)	278,560
Bulgaria	777,608	-	(180,004)	(4,043)	593,561
	<b>1,549,378</b>	<b>-</b>	<b>(180,004)</b>	<b>(14,866)</b>	<b>1,354,508</b>
<b>2018</b>					
Bosnia and Herzegovina	474,012	11,986	-	(1,143)	484,855
Romania	287,848	-	-	(933)	286,915
Bulgaria	981,629	-	(201,854)	(2,167)	777,608
	<b>1,743,489</b>	<b>11,986</b>	<b>(201,854)</b>	<b>(4,243)</b>	<b>1,549,378</b>

Except recognised impairment loss in Bulgaria in the amount of RSD 180,004 (2018: RSD 201,854), impairment test in Romania and Bosnia and Herzegovina shows that the recoverable amount calculated based on value in use / fair value exceeds carrying value.

If the revised estimated growth rate would be 0.5% instead of 1% and if applied discounted rate would be 1% higher than management's estimates, the recoverable amount of the each CGU in total still exceeds its carrying amount.

**NIS Group**  
**Notes to Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in RSD 000 unless otherwise stated)

**9. PROPERTY, PLANT AND EQUIPMENT**

a) *Property, plant and equipment carried at cost*

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
<b>At 1 January 2018</b>								
Cost	17,153,246	191,485,363	128,531,892	27,681,410	88,653	528,159	2,105,408	367,574,131
Accumulated depreciation and impairment	(303,930)	(56,544,897)	(58,979,979)	(2,032,142)	(2,030)	(256,255)	(36,946)	(118,156,179)
<b>Net book amount</b>	<b>16,849,316</b>	<b>134,940,466</b>	<b>69,551,913</b>	<b>25,649,268</b>	<b>86,623</b>	<b>271,904</b>	<b>2,068,462</b>	<b>249,417,952</b>
<b>Year ended 31 December 2018</b>								
Additions	-	115,585	1,393	39,971,334	-	-	4,875,356	44,963,668
Acquisitions through business combinations	-	-	-	439,465	-	-	-	439,465
Transfer from assets under development	256,860	17,950,496	7,066,224	(25,288,834)	3,580	11,674	-	-
Impairment charge (note 34)	-	(67,304)	(634)	(13,418)	-	-	(5,413)	(86,769)
Depreciation	-	(9,955,870)	(8,468,614)	-	(27)	(71,135)	-	(18,495,646)
Transfer from intangible assets (note 8)	-	-	-	5,622	-	-	-	5,622
Transfer to investment property	(38,530)	(42,798)	-	-	-	-	-	(81,328)
Transfer to non-current assets held for sale	(15,765)	(26,992)	(21,995)	(9,108)	-	-	-	(73,860)
Disposals and write-off	(39,435)	(111,433)	(93,564)	(861,988)	(157)	(22)	(6,176,881)	(7,283,480)
Other transfers	(14,903)	39,209	(301,370)	-	(1,321)	-	-	(278,385)
Translation differences	(15,886)	(14,086)	(2,975)	3,933	34	(23)	(13)	(29,016)
<b>Closing net book amount</b>	<b>16,981,657</b>	<b>142,827,273</b>	<b>67,730,378</b>	<b>39,896,274</b>	<b>88,732</b>	<b>212,398</b>	<b>761,511</b>	<b>268,498,223</b>
<b>At 31 December 2018</b>								
Cost	17,282,588	209,356,843	134,383,253	41,899,970	90,751	539,696	799,493	404,352,594
Accumulated depreciation and impairment	(300,931)	(66,529,570)	(66,652,875)	(2,003,696)	(2,019)	(327,298)	(37,982)	(135,854,371)
<b>Net book amount</b>	<b>16,981,657</b>	<b>142,827,273</b>	<b>67,730,378</b>	<b>39,896,274</b>	<b>88,732</b>	<b>212,398</b>	<b>761,511</b>	<b>268,498,223</b>
<b>Year ended 31 December 2019</b>								
Additions	-	777,397	1,676	38,786,941	-	-	2,226,024	41,792,038
Transfer from assets under development	36,531	16,021,521	6,770,855	(22,841,975)	1,634	11,434	-	-
Impairment charge (note 34)	-	(98,929)	-	(152,630)	(543)	-	-	(252,102)
Depreciation	-	(10,156,657)	(8,778,245)	-	-	(67,765)	-	(19,002,667)
Transfer from intangible assets (note 8)	-	-	-	42,660	-	-	-	42,660
Transfer to investment property	-	-	-	(10,016)	-	-	-	(10,016)
Transfer to non-current assets held for sale	(56,573)	(18,619)	(30,607)	-	-	-	-	(105,799)
Disposals and write-off	(2,836)	(117,232)	(147,252)	(611,682)	(22)	(3,686)	(2,642,072)	(3,524,782)
Transfer to right of use assets	-	(456,413)	(362,999)	-	-	-	-	(819,412)
Other transfers	-	967	(108,025)	49,464	(13)	-	-	(57,607)
Translation differences	(57,234)	(69,541)	(10,370)	(94,948)	29	(56)	(97)	(232,217)
<b>Closing net book amount</b>	<b>16,901,545</b>	<b>148,709,767</b>	<b>65,065,411</b>	<b>55,064,088</b>	<b>89,817</b>	<b>152,325</b>	<b>345,366</b>	<b>286,328,319</b>
<b>At 31 December 2019</b>								
Cost	17,202,401	224,462,317	139,661,505	57,064,616	91,807	547,316	372,108	439,402,070
Accumulated depreciation and impairment	(300,856)	(75,752,550)	(74,596,094)	(2,000,528)	(1,990)	(394,991)	(26,742)	(153,073,751)
<b>Net book amount</b>	<b>16,901,545</b>	<b>148,709,767</b>	<b>65,065,411</b>	<b>55,064,088</b>	<b>89,817</b>	<b>152,325</b>	<b>345,366</b>	<b>286,328,319</b>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

In 2019, the Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to RSD 168,790 (2018: RSD 130,169).

The management of the Group assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

As at 31 December 2019, the Group assessed impairment indicators of cash generating units ("CGU") – refer to Note 3.7 for details. In addition Group has assessed and recognized impairment losses for the asset which has disposed due to obsolescence or physical demolition in amount of RSD 252,102 (2018: RSD 81,356).

The management of the Group assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

#### *b) Investment property – carried at fair value*

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

	2019	2018
<b>As at 1 January</b>	1,615,391	1,530,356
Fair value gains (loss) (note 33 and 34)	(8,290)	6,534
Transfer from PP&E carried at cost	10,016	81,328
Disposals	(37,319)	(1,405)
Other	-	(1,422)
<b>As at 31 December</b>	<b>1,579,798</b>	<b>1,615,391</b>

As at 31 December 2019, investment properties amounting to RSD 1,579,798 (31 December 2018: RSD 1,615,391) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

#### **Fair value of investment properties**

Valuation of the Group's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2019 and 2018. The revaluation gain was credited to other income (note 33).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

Fair value measurements at 31 December 2019 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Recurring fair value measurements</i>			
<i>Land and buildings</i>			
- Shops and other facilities for rents	-	844,356	-
- Gas stations	-	-	735,442
<b>Total</b>	-	<b>844,356</b>	<b>735,442</b>

Fair value measurements at 31 December 2018 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Recurring fair value measurements</i>			
<i>Land and buildings</i>			
- Shops and other facilities for rents	-	871,709	-
- Gas stations	-	-	743,682
<b>Total</b>	-	<b>871,709</b>	<b>743,682</b>

#### **Valuation techniques used to derive level 2 fair values**

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

#### **Fair value measurements using significant unobservable inputs (Level 3)**

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Group based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

	2019	2018
Long term growth rate	0%	0%
Discount rate	12%	12%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2019	2018
<b>Assets as at 1 January</b>	<b>743,682</b>	<b>658,184</b>
Changes in fair value measurement:		
Gains (loss) recognised in profit or loss, fair value measurement	(8,290)	6,534
Transfer from PPE	-	81,407
Other	50	(2,443)
<b>Total increase (decrease) in fair value measurement, assets</b>	<b>(8,240)</b>	<b>85,498</b>
<b>Assets as at 31 December</b>	<b>735,442</b>	<b>743,682</b>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### c) Oil and gas production assets

Oil and gas production assets comprise of aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves (note 2.10).

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
<b>As at 1 January 2018</b>						
Cost	19,004,026	2,929,684	21,933,710	147,452,224	32,323	169,418,257
Depreciation and impairment	(58,882)	(2,087)	(60,969)	(37,114,232)	(21,223)	(37,196,424)
<b>Net book amount</b>	<b>18,945,144</b>	<b>2,927,597</b>	<b>21,872,741</b>	<b>110,337,992</b>	<b>11,100</b>	<b>132,221,833</b>
<b>Year ended 31 December 2018</b>						
Additions	5,620,537	14,018,122	19,638,659	-	-	19,638,659
Changes in decommissioning obligations	-	-	-	117,748	-	117,748
Transfer from asset under construction	(1,944,034)	(15,365,263)	(17,309,297)	17,309,282	15	-
Impairment	-	(3,477)	(3,477)	(279)	-	(3,756)
Other transfers	(297,175)	(142,966)	(440,141)	1,520,485	624	1,080,968
Depreciation and depletion	(4,802)	-	(4,802)	(10,347,667)	-	(10,352,469)
Unsuccessful exploration expenditures derecognised (note 7)	(57,075)	-	(57,075)	-	-	(57,075)
Transfer to non-current assets held for sale	-	-	-	(21,522)	-	(21,522)
Disposals and write-off	(17,101)	(36,938)	(54,039)	(128,578)	(52)	(182,669)
Translation differences	(19,098)	-	(19,098)	1	-	(19,097)
	<b>22,226,396</b>	<b>1,397,075</b>	<b>23,623,471</b>	<b>118,787,462</b>	<b>11,687</b>	<b>142,422,620</b>
<b>As at 31 December 2018</b>						
Cost	22,258,139	1,399,503	23,657,642	166,462,451	32,008	190,152,101
Depreciation and impairment	(31,743)	(2,428)	(34,171)	(47,674,989)	(20,321)	(47,729,481)
<b>Net book amount</b>	<b>22,226,396</b>	<b>1,397,075</b>	<b>23,623,471</b>	<b>118,787,462</b>	<b>11,687</b>	<b>142,422,620</b>
<b>As at 1 January 2019</b>						
Cost	22,258,139	1,399,503	23,657,642	166,462,451	32,008	190,152,101
Depreciation and impairment	(31,743)	(2,428)	(34,171)	(47,674,989)	(20,321)	(47,729,481)
<b>Net book amount</b>	<b>22,226,396</b>	<b>1,397,075</b>	<b>23,623,471</b>	<b>118,787,462</b>	<b>11,687</b>	<b>142,422,620</b>
<b>Year ended 31 December 2019</b>						
Additions	6,741,856	14,402,084	21,143,940	-	-	21,143,940
Changes in decommissioning obligations	-	-	-	777,397	-	777,397
Transfer from asset under construction	(6,163,618)	(12,287,002)	(18,450,620)	18,439,064	11,556	-
Impairment	-	(29)	(29)	(17,482)	(543)	(18,054)
Other transfers	126,491	216,036	342,527	(155,581)	1,619	188,565
Depreciation and depletion	(4,751)	-	(4,751)	(11,043,359)	-	(11,048,110)
Unsuccessful exploration expenditures derecognised (note 7)	(377,207)	-	(377,207)	-	-	(377,207)
Transfer to right-of-use assets	-	-	-	(54,331)	-	(54,331)
Disposals and write-off	(151,518)	(491)	(152,009)	(98,252)	(3,708)	(253,969)
Translation differences	(204,232)	(1)	(204,233)	(6)	-	(204,239)
	<b>22,193,417</b>	<b>3,727,672</b>	<b>25,921,089</b>	<b>126,634,912</b>	<b>20,611</b>	<b>152,576,612</b>
<b>As at 31 December 2019</b>						
Cost	22,229,550	3,727,699	25,957,249	185,208,089	40,956	211,206,294
Depreciation and impairment	(36,133)	(27)	(36,160)	(58,573,177)	(20,345)	(58,629,682)
<b>Net book amount</b>	<b>22,193,417</b>	<b>3,727,672</b>	<b>25,921,089</b>	<b>126,634,912</b>	<b>20,611</b>	<b>152,576,612</b>

Unsuccessful exploration expenditures derecognised in the amount of 377,207 RSD mainly relate to exploration assets located in Serbia due to uncertain viability of commercial production (2018: amount of 57,075 RSD mainly relate to exploration assets located in Serbia).

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### d) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Total
<b>As at 1 January 2019</b>	-	-	-	-	-
Changes in opening balances	153,119	1,261,439	335,712	85,151	1,835,421
Additions	-	4,278	216,426	175,197	395,901
Depreciation	-	(238,406)	(81,205)	(27,360)	(346,971)
Transfers	-	-	(30,910)	30,910	-
Effect of contract modifications and changes in estimates	-	344	-	-	344
Translation differences	(4,443)	(4,456)	(1,528)	(469)	(10,896)
<b>As at 31 December 2019</b>	<b>148,676</b>	<b>1,023,199</b>	<b>438,495</b>	<b>263,429</b>	<b>1,873,799</b>

## 10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of the investments in associates and joint ventures as of 31 December, 2019 and 2018 are summarised below:

		Ownership percentage	31 December 2019	31 December 2018
NIS MET Energowind d.o.o. Belgrade	Joint venture	50%	946,208	1,003,491
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	904,893	976,897
HIP Petrohemija ad Pančevo	Associate	20,86%	11,572,197	11,572,197
<i>Less Impairment provision</i>			(11,572,197)	(11,572,197)
<b>Total investments</b>			<b>1,851,101</b>	<b>1,980,388</b>

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

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

#### NIS MET Energowind d.o.o. Belgrade

In 2013 the Group acquired 50% of interest in a joint venture Energowind d.o.o. which was intended to be used as a vehicle for operation of future wind farm "Plandiste" with total capacity of 102 MW. During March 2019, MET Renewables AG acquired from third parties 50% of share in the project and became a joint partner on the project that has been renamed to NIS MET Energowind d.o.o. Beograd. On the date of the issuance of these consolidated financial statements there has been no significant business activity. Request has been submitted for the extension of the status of privileged electricity producer, which expires in May 2020. NIS MET Energowind d.o.o. is a private company and there is no available quoted market price.

#### Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Serbskaya Generaciya, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years. Handing over THP TE-TO Pancevo is expected to be completed by the 30th August 2020. During the March 2019, Serbskaya Generaciya changed company name to Gazprom Energoholding Serbia.

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the conditions were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds, directly more than 20,86% per cent of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory boards.

The summarised financial information for the joint ventures as of 31 December 2019 and 2018 and for the years ended 31 December 2019 and 2018 is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia
<b>31 December 2019</b>		
Current assets	132,063	698,256
Non-current assets	3,151,318	12,154,427
Current liabilities	975,707	71,219
Non-current liabilities	-	10,963,037
Revenue	661	44,430
Loss for the year	(114,565)	(146,948)
<b>31 December 2018</b>		
Current assets	12,764	878,074
Non-current assets	574,973	7,318,155
Current liabilities	640,447	33,102
Non-current liabilities	-	1,957,752
Revenue	1	21,205
Loss for the year	(9,426)	(126,332)

#### 11. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31 December 2019	31 December 2018
Deposits with original maturity more than 1 year	158,079	-
Other long-term financial investments	9,176	80,121
LT loans given to employees	1,153,957	1,240,438
Less provision	(354,684)	(371,876)
	<b>966,528</b>	<b>948,683</b>

Loans to employees as at 31 December 2019 amounting to RSD 1,153,957 (31 December 2018: RSD 1,240,438) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of RSD 354,625.

**NIS Group**

**Notes to Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in RSD 000 unless otherwise stated)

**12. DEFERRED TAX ASSETS AND LIABILITIES**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	31 December 2019	31 December 2018
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	2,466,610	1,943,094
- Deferred tax assets to be recovered within 12 months	316,846	1,016,432
	<b>2,783,456</b>	<b>2,959,526</b>
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(2,085,767)	(2,414,029)
	<b>(2,085,767)</b>	<b>(2,414,029)</b>
<b>Deferred tax assets (net)</b>	<b>697,689</b>	<b>545,497</b>

The gross movement on the deferred income tax account is as follows:

	2019	2018
<b>At 1 January</b>	545,497	2,197,910
Charged to the income statement (note 35)	(1,432,194)	(1,652,164)
Charged to other comprehensive income	-	(335)
Charged directly to equity	1,584,230	-
Other	156	86
<b>31 December</b>	<b>697,689</b>	<b>545,497</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	Provisions	Carrying value of PP&E vs Tax base	Revaluation reserve	Total
<i>Deferred tax liabilities</i>				
<b>As at 1 January 2018</b>	-	(2,753,626)	(14,435)	(2,768,061)
Charged to the income statement (note 35)	-	353,586	-	353,586
Charged to other comprehensive income	-	-	360	360
Translation difference	-	86	-	86
<b>As at 31 December 2018</b>	-	(2,399,954)	(14,075)	(2,414,029)
Charged to the income statement (note 35)	-	328,107	-	328,107
Translation difference	-	155	-	155
<b>As at 31 December 2019</b>	-	(2,071,692)	(14,075)	(2,085,767)

	Provisions	Impairment loss	Investment credit	Fair value gains	Total
<i>Deferred tax assets</i>					
<b>As at 1 January 2018</b>	1,019,647	949,128	2,985,899	11,297	4,965,971
Charged to the income statement (note 35)	(98,218)	(18,142)	(1,889,390)	-	(2,005,750)
Charged to other comprehensive income	-	-	-	(62)	(62)
Other	-	-	-	(633)	(633)
<b>As at 31 December 2018</b>	921,429	930,986	1,096,509	10,602	2,959,526
Charged to the income statement (note 35)	(6,636)	(657,203)	(1,096,462)	-	(1,760,301)
Charged directly to equity	-	1,584,230	-	-	1,584,230
Other	-	287	-	(286)	1
<b>As at 31 December 2019</b>	914,793	1,858,300	47	10,316	2,783,456



## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

The recognition of deferred tax assets was based on a five-year business plan of the Group and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

Investment credits represent 20% qualifying of capital investments made up to 31 December 2013 in accordance with tax legislation of the Republic of Serbia, which can be utilized in 10 years period.

The Group did not recognize deferred tax assets in respect of unused tax loss carry forwards in the amount of 1,010 million RSD (2018: 795 million RSD) that arose mostly in Bosnia, Romania, Bulgaria and Hungary and are available for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. They have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

### 13. INVENTORY

	31 December 2019	31 December 2018
Materials, spare parts and tools	34,018,674	29,197,127
Work in progress	4,855,798	4,923,492
Finished goods	10,387,422	14,523,129
Goods for sale	2,994,024	4,159,637
Advances	582,559	834,950
<i>Less: impairment of inventory</i>	(4,775,984)	(4,947,073)
<i>Less: impairment of advances</i>	(149,287)	(219,191)
	<b>47,913,206</b>	<b>48,472,071</b>
Non-current assets held for sale	132,185	5,943
<i>Less: impairment of assets held for sale</i>	(43,769)	(5,943)
	<b>88,416</b>	<b>-</b>
	<b>48,001,622</b>	<b>48,472,071</b>

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Impairment of Assets held for sale	Total
<b>Balance as of 1 January 2018</b>	<b>5,108,493</b>	<b>261,100</b>	<b>5,823</b>	<b>5,375,416</b>
Provision for inventories and advances (note 34)	10,274	1,962	-	12,236
Unused amounts reversed (note 33)	(31,976)	(1,687)	-	(33,663)
Receivables written off during the year as uncollectible	-	(42,184)	-	(42,184)
Other	(139,718)	-	120	(139,598)
<b>Balance as of 31 December 2018</b>	<b>4,947,073</b>	<b>219,191</b>	<b>5,943</b>	<b>5,172,207</b>
Provision for inventories and advances (note 34)	8,579	561	-	9,140
Unused amounts reversed (note 33)	(128,739)	(50)	-	(128,789)
Receivables written off during the year as uncollectible	-	(70,415)	-	(70,415)
Other	(50,929)	-	37,826	(13,103)
<b>Balance as of 31 December 2019</b>	<b>4,775,984</b>	<b>149,287</b>	<b>43,769</b>	<b>4,969,040</b>

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)***14. TRADE RECEIVABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Parents and subsidiaries - foreign	-	99
Other related parties - domestic	1,184,469	1,227,518
Other related parties - foreign	100,451	645,804
Trade receivables domestic – third parties	29,128,401	29,454,268
Trade receivables foreign – third parties	1,040,406	825,231
	<u>31,453,727</u>	<u>32,152,920</u>
Less: Impairment	(5,880,868)	(6,145,109)
	<b><u>25,572,859</u></b>	<b><u>26,007,811</u></b>

**15. OTHER RECEIVABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Interest receivables	2,076,082	2,144,788
Receivables from employees	93,805	93,524
Income tax prepayment	672,332	9,134
Other receivables	7,577,205	7,524,755
Less: Impairment	(9,483,667)	(9,548,630)
	<b><u>935,757</u></b>	<b><u>223,571</u></b>

**16. SHORT-TERM FINANCIAL INVESTMENTS**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Deposits with original maturity more than 3 months less than 1 year	1,766,564	2,123,007
Other short-term financial assets	76,909	140,424
	<b><u>1,843,473</u></b>	<b><u>2,263,431</u></b>

As at 31 December 2019 deposits with original maturity more than 3 months less than 1 year amounting to RSD 1,766,564 (2018: RSD 2,123,007) relate to bank deposits with interest rates from 0.02% monthly to 3.5% p.a. (2018: from 4.65% p.a.).

**17. CASH AND CASH EQUIVALENTS**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Cash in bank and in hand	10,953,668	6,928,798
Deposits with original maturity of less than three months	4,063,656	6,927,790
Cash with restriction	13,978	1,407,735
Cash equivalents	264,508	216,507
	<b><u>15,295,810</u></b>	<b><u>15,480,830</u></b>

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)***18. PREPAYMENTS AND ACCRUED INCOME**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Deferred input VAT	1,929,283	1,774,863
Prepaid expenses	251,119	235,378
Prepaid excise duty	1,767,622	2,817,887
Housing loans and other prepayments	499,727	788,281
	<b>4,447,751</b>	<b>5,616,409</b>

Deferred input VAT as at 31 December 2019 amounting to RSD 1,929,283 (31 December 2018: RSD 1,774,863) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2019 amounting to RSD 1,767,622 (31 December 2018: RSD 2,817,887) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

**19. OFF-BALANCE SHEET ASSETS AND LIABILITIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Issued warranties and bills of exchange	75,404,707	73,171,617
Received warranties and bills of exchange	17,074,113	16,042,879
Properties in ex-Republics of Yugoslavia	5,357,689	5,357,688
Receivables from companies from ex-Yugoslavia	6,441,861	6,347,969
Third party merchandise in NIS warehouses	9,851,859	9,560,071
Assets for oil fields liquidation in Angola	1,361,966	1,361,966
Mortgages and pledges received	1,398,289	1,745,073
Other off-balance sheet assets and liabilities	208,695	193,839
	<b>117,099,179</b>	<b>113,781,102</b>

**NIS Group**  
**Notes to Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in RSD 000 unless otherwise stated)

**20. EQUITY**

	Equity attributable to owners of the Group									
	Share capital	Other capital	Reserves	Retained earnings (loss)	Translation reserves	Unrealised gains (losses) from securities	Actuarial gain (loss)	Total	Non-controlling interest	Total Equity
<b>Balance as at 1 January 2018</b>	81,530,200	-	81,796	143,518,915	22,671	(64,013)	194,437	225,284,006	(232,496)	225,051,510
Adoption of IFRS 9: -remeasurement of expected credit losses, net of tax	-	-	-	(401,527)	-	-	-	(401,527)	-	(401,527)
Restated total equity at 1 January 2018/2019	81,530,200	-	81,796	143,117,388	22,671	(64,013)	194,437	224,882,479	(232,496)	224,649,983
Profit (loss) for the year	-	-	-	25,150,220	-	-	-	25,150,220	(15,918)	25,134,302
Gains from securities	-	-	-	-	-	477	-	477	-	477
Dividend distribution	-	-	-	(6,948,004)	-	-	-	(6,948,004)	-	(6,948,004)
Actuarial gain	-	-	-	-	-	-	3,316	3,316	-	3,316
Revaluation reserves	-	-	360	-	-	-	-	360	-	360
Other	-	-	(2,401)	(1,055)	34,786	3,454	-	34,784	586	35,370
<b>Balance as at 31 December 2018</b>	81,530,200	-	79,755	161,318,549	57,457	(60,082)	197,753	243,123,632	(247,828)	242,875,804
<b>Balance as at 1 January 2019</b>	81,530,200	-	79,755	161,318,549	57,457	(60,082)	197,753	243,123,632	(247,828)	242,875,804
Profit (loss) for the year	-	-	-	16,618,072	-	-	-	16,618,072	(21,670)	16,596,402
Gains from securities	-	-	-	-	-	7,267	-	7,267	-	7,267
Dividend distribution	-	-	-	(6,517,524)	-	-	-	(6,517,524)	-	(6,517,524)
Actuarial loss	-	-	-	-	-	-	(45,334)	(45,334)	-	(45,334)
Other	-	-	-	1,589,598	192,616	(5,368)	-	1,776,846	1,331	1,778,177
<b>Balance as at 31 December 2019</b>	81,530,200	-	79,755	173,008,695	250,073	(58,183)	152,419	254,962,959	(268,167)	254,694,792

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### 20.1. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is RSD 500. Share capital as of 31 December 2019 and 31 December 2018 comprise of 163,060,400 of ordinary shares.

Dividend declared for the year ended 31 December 2018, amounted to RSD 6,517,524 or RSD 39.97 per share (31 December 2017: 6,948,004 or RSD 42.61 per share) were approved on the General Assembly Meeting held on 27 June 2019 and paid on 17 September 2019.

#### 21. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommissioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
<b>As at 1 January 2018</b>	<b>9,844,878</b>	<b>681,162</b>	<b>457,058</b>	<b>1,026,864</b>	<b>603,488</b>	<b>12,613,450</b>
Charged to the income statement	213,094	124,000	40,613	331,179	47,958	756,844
New obligation incurred and change in estimates	117,748	-	-	-	-	117,748
Release of provision	-	(24,529)	(4,475)	-	-	(29,004)
Actuarial gain charged to other comprehensive income	-	-	(3,316)	-	-	(3,316)
Settlement	(133,445)	(123,706)	(58,278)	(864,021)	(124,610)	(1,304,060)
Other	(757)	759	163	-	(27)	138
<b>As at 31 December 2018</b>	<b>10,041,518</b>	<b>657,686</b>	<b>431,765</b>	<b>494,022</b>	<b>526,809</b>	<b>12,151,800</b>
<b>As at 1 January 2019</b>	<b>10,041,518</b>	<b>657,686</b>	<b>431,765</b>	<b>494,022</b>	<b>526,809</b>	<b>12,151,800</b>
Charged to the income statement	147,500	197,704	95,872	314,327	44,868	800,271
New obligation incurred and change in estimates	777,397	-	-	-	-	777,397
Release of provision	-	-	(1,107)	-	(1,539)	(2,646)
Actuarial loss charged to other comprehensive income	-	-	45,334	-	-	45,334
Settlement	(294,700)	(346,261)	(58,923)	-	(61,117)	(761,001)
Other	-	-	(38)	-	(90)	(128)
<b>As at 31 December 2019</b>	<b>10,671,715</b>	<b>509,129</b>	<b>512,903</b>	<b>808,349</b>	<b>508,931</b>	<b>13,011,027</b>

Analysis of total provisions:

	31 December 2019	31 December 2018
Non-current	11,419,129	10,210,005
Current	1,591,898	1,941,795
	<b>13,011,027</b>	<b>12,151,800</b>

##### (a) Decommissioning

The Group's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

##### (b) Environmental protection

The Group has to comply with environmental protection regulations. At the reporting date Group recorded provision for environmental protection of RSD 509,129 (31 December 2018: RSD 657,686) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### (c) Long-term incentive program

In 2011, the Group started setting-up a long-term incentive program for Group managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2019 the management made an assessment of present value of liabilities related to new three-year employee incentives (2018-2020) in amount of RSD 808,349 (2018: RSD 494,022).

#### (d) Legal claims provisions

As at 31 December 2019, the Group assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Group charged provision for litigation amounting to RSD 44,868 (2018: RSD 47,958) for proceedings which were assessed to have negative outcome. The Group estimated that the outcome of all legal proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2019.

#### (e) Provision for employee benefits

Employee benefits:

	31 December 2019	31 December 2018
Retirement allowances	188,783	147,206
Jubilee awards	324,120	284,559
	<b>512,903</b>	<b>431,765</b>

The principal actuarial assumptions used were as follows:

	31 December 2019	31 December 2018
Discount rate	4.4%	5.7%
Future salary increases	2.0%	2.0%
Future average years of service	14.4	14.6

	Retirement allowances	Jubilee awards	Total
<b>Balances as at 1 January 2018</b>	<b>143,027</b>	<b>314,031</b>	<b>457,058</b>
Benefits paid directly	(14,483)	(43,795)	(58,278)
Actuarial gain charged to other comprehensive income	(3,316)	-	(3,316)
Credited to the income statement	21,815	14,323	36,138
Translation difference	163	-	163
<b>Balances as at 31 December 2018</b>	<b>147,206</b>	<b>284,559</b>	<b>431,765</b>
Benefits paid directly	(21,534)	(37,389)	(58,923)
Actuarial loss charged to other comprehensive income	45,334	-	45,334
Credited to the income statement	17,815	76,950	94,765
Translation difference	(38)	-	(38)
<b>Balances as at 31 December 2019</b>	<b>188,783</b>	<b>324,120</b>	<b>512,903</b>

The amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December 2019	2018
Current service cost	29,955	31,518
Interest cost	23,728	20,330
Curtailement loss	729	5,482
Actuarial (gain)/loss (jubilee awards)	40,352	(21,189)
Amortisation of past service cost	1	(3)
	<b>94,765</b>	<b>36,138</b>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

#### 22. LONG-TERM LIABILITIES

	31 December 2019	31 December 2018
Long-term loan - Gazprom Neft	19,143,014	24,738,405
Bank and other long-term loans	69,901,198	68,605,682
Lease liabilities	1,703,441	828,104
Other long-term borrowings	57,175	42,102
Less Current portion (note 23)	(6,761,897)	(6,395,091)
	<b>84,042,931</b>	<b>87,819,202</b>

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

	Long-term loans	Short-term loans	Finance lease	Total
<b>As at 1 January 2018</b>	<b>96,103,445</b>	-	<b>432,562</b>	<b>96,536,007</b>
Proceeds	37,213,097	-	-	37,213,097
Repayment	(39,952,347)	-	(131,241)	(40,083,588)
Non-cash transactions	-	-	529,262	529,262
Foreign exchange difference	(20,108)	-	(2,479)	(22,587)
<b>As at 31 December 2018</b>	<b>93,344,087</b>	-	<b>828,104</b>	<b>94,172,191</b>
<b>As at 1 January 2019</b>	<b>93,344,087</b>	-	<b>828,104</b>	<b>94,172,191</b>
Change in opening balance	-	-	790,946	790,946
Proceeds	15,060,454	-	-	15,060,454
Repayment	(18,760,583)	-	(367,140)	(19,127,723)
Non-cash transactions	(149,827)	-	447,079	297,252
Foreign exchange difference	(449,919)	-	4,452	(445,467)
<b>As at 31 December 2019</b>	<b>89,044,212</b>	-	<b>1,703,441</b>	<b>90,747,653</b>

##### a) Long-term loan – Gazprom Neft

As at 31 December 2019 long-term loan – Gazprom Neft amounting to RSD 19,143,014 (2018: RSD 24,738,405), with current portion of RSD 5,469,432 (2018: RSD 5,497,423), 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 and other long-term loans

	31 December 2019	31 December 2018
Domestic	46,832,409	50,621,092
Foreign	23,068,789	17,984,590
	69,901,198	68,605,682
Current portion of long-term loans	(915,460)	(825,139)
	<b>68,985,738</b>	<b>67,780,543</b>

The maturity of non-current loans was as follows:

	31 December 2019	31 December 2018
Between 1 and 2 years	10,845,263	1,479,321
Between 2 and 5 years	54,813,261	61,371,002
Over 5 years	3,327,214	4,930,220
	<b>68,985,738</b>	<b>67,780,543</b>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
USD	209,292	361,695
EUR	69,426,390	67,947,394
RSD	499	628
JPY	265,017	295,965
	<b>69,901,198</b>	<b>68,605,682</b>

The Group repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has 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 31 December 2019 and 31 December 2018 respectively.

#### c) Lease liabilities

	<b>31 December 2019</b>	<b>31 December 2018</b>
Non-current portion of lease liabilities	1,326,436	755,575
Current portion of lease liabilities	377,005	72,529
	<b>1,703,441</b>	<b>828,104</b>

Amounts recognized in profit and loss:

	<b>2019</b>
Interest expense (included in finance cost) (note 31)	71,930
Expense relating to short-term leases (note 28)	899,787
Expense relating to leases of low value assets that are not shown above as short-term leases (note 28)	92,722
Expense relating to variable lease payments not included in lease liabilities (note 28)	1,939,368

## 23. SHORT-TERM FINANCE LIABILITIES

	<b>31 December 2019</b>	<b>31 December 2018</b>
Current portion of long-term loans (note 22)	6,384,892	6,322,562
Current portion of lease liabilities (note 22)	377,005	72,529
	<b>6,761,897</b>	<b>6,395,091</b>

## 24. TRADE PAYABLES

As at 31 December 2019 trade payables in a amount of RSD 35,341,330 (31 December 2018: RSD 25,834,088) including payables to parents and subsidiaries-foreign amounting to RSD 10,498,354 (31 December 2018: RSD 10,243,742) fully relate to payables to the supplier Gazprom Neft, St Petersburg, mostly based on purchase of crude oil and trade payables – foreign amounting to RSD 13,786,047 (31 December 2018: RSD 5,168,398) mostly relate to payables for crude oil Trafigura PTE LTD in the amount of RSD 5,067,445 (31 December 2018: RSD 0) and Glencore Energy in the amount of RSD 4,280,335 (31 December 2018: RSD 0).



**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)***25. OTHER SHORT-TERM LIABILITIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Specific liabilities	199,734	206,959
Liabilities for unpaid wages and salaries, gross	1,310,849	1,240,193
Interest liabilities	742,362	745,320
Dividends payable	3,780,692	3,772,308
Other payables to employees	709,716	778,190
Decommissioning and site restoration costs	1,170,430	1,369,683
Environmental provision	128,099	160,362
Litigation and claims	234,965	277,852
Other current liabilities	98,207	137,119
	<b>8,375,054</b>	<b>8,687,986</b>

**26. LIABILITIES FOR OTHER TAXES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Excise tax	5,750,900	5,173,979
Contribution for buffer stocks	280,070	260,905
Energy efficiency fee	32,299	-
Income tax	70,083	635,119
Other taxes payables	1,451,113	1,617,950
	<b>7,584,465</b>	<b>7,687,953</b>

**27. ACCRUED EXPENSES**

Accrued expenses as at 31 December 2019 amounting to RSD 3,632,864 (31 December 2018: RSD 3,635,144) mainly relate to accrued employee bonuses of RSD 2,193,730 (31 December 2018: RSD 1,865,668) and contract liabilities arising from contracts with customers related to customer loyalty RSD 722,239 (31 December 2018: RSD 545,949).

Revenue in the amount of RSD 1,636,651 (31 December 2018: RSD 1,630,764) was recognized in the current reporting period related to the contract liabilities as at 1 January 2019, of which RSD 1,275,099 (31 December 2018: RSD 1,247,855) related to advances and RSD 361,552 (31 December 2018: RSD 382,909) to customer loyalty programme.

**28. COST OF PRODUCTION SERVICES**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Cost of production services	2,306,469	2,284,196
Transportation services	2,974,675	3,313,801
Maintenance	4,243,216	4,021,266
Rental costs (note 22)	2,931,877	2,653,780
Fairs	10,091	7,410
Advertising costs	984,933	867,648
Exploration expenses	436,944	241,154
Cost of other services	1,717,715	1,537,410
	<b>15,605,920</b>	<b>14,926,665</b>

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)***29. NON-PRODUCTION EXPENSES**

	Year ended 31 December	
	2019	2018
Costs of non-production services	9,340,298	8,881,322
Representation costs	147,947	123,767
Insurance premium	601,327	593,118
Bank charges	409,957	426,898
Cost of taxes	1,309,729	1,357,393
Mineral extraction tax	1,419,705	1,460,595
Other non-production expenses	1,974,142	1,965,277
	<b>15,203,105</b>	<b>14,808,370</b>

Costs of non-production services for the year ended 31 December 2019 amounting to RSD 9,340,298 (2018: RSD 8,881,322) mainly relate to costs of service organizations of RSD 6,965,810; consulting service costs of RSD 331,896; security cost of RSD 581,563 and project management costs of RSD 500,370.

**30. FINANCE INCOME**

	Year ended 31 December	
	2019	2018
Finance income - related parties		
- foreign exchange differences	1,115,120	1,225,794
Interest income	366,034	721,927
Amortisation income – discount of receivables	-	44,661
Gains on restructuring of borrowings	149,827	-
Foreign exchange gains	920,509	1,805,108
Other finance income	11,639	28,937
	<b>2,563,129</b>	<b>3,826,427</b>

**31. FINANCE EXPENSE**

	Year ended 31 December	
	2019	2018
Finance expenses – related parties		
- foreign exchange differences	1,521,899	1,240,252
- other finance expense	393,887	496,774
Interest expenses	1,411,282	1,718,621
Decommissioning provision: unwinding of the present value discount	147,500	89,194
Provision of trade and other non-current receivables: discount	19,261	261,732
Foreign exchange losses	534,113	1,867,268
Share of loss of associates and joint ventures	129,287	66,634
Other finance expenses	21,309	7,570
	<b>4,178,538</b>	<b>5,748,045</b>

**32. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**

	Year ended 31 December	
	2019	2018
Reversal of impairment of LT financial investments	16,522	2,306
Income from valuation:		
- trade and specific receivables (note 6)	90,688	849,711
- other receivables (note 6)	14,002	16,496
	<b>121,212</b>	<b>868,513</b>

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)***33. OTHER INCOME**

	Year ended 31 December	
	2019	2018
Gains on disposal - PPE	39,217	198,319
Gains on disposal - materials	55,746	76,539
Surpluses from stock count	324,814	381,539
Payables written off	82,894	188,454
Release of long-term provisions (note 21)	2,646	29,004
Gain on bargain purchase	-	67,793
Release of impairment:		
- Investment property (note 9)	454,374	20,677
- Inventory (note 13)	128,739	31,976
- PPE & Other property	50	12,448
Penalty interest	73,871	117,763
Other income	103,559	90,804
	<b>1,265,910</b>	<b>1,215,316</b>

**34. OTHER EXPENSES**

	Year ended 31 December	
	2019	2018
Loss on disposal - PPE	316,783	256,342
Loss on disposal - material	52,954	2,703
Shortages from stock count	660,074	801,958
Write-off receivables	7,460	16,603
Write-off inventories	62,523	126,628
Impairment:		
- Intangible assets (note 8)	180,004	201,854
- PPE (note 9)	252,102	86,769
- Inventory (note 13)	8,579	10,274
- Other property	561	9,003
- Investment property (note 9)	8,290	2,728
Other expenses	319,355	289,506
	<b>1,868,685</b>	<b>1,804,368</b>

**35. INCOME TAXES**

Components of income tax expense:

	Year ended 31 December	
	2019	2018
Income tax for the year	3,100,414	4,066,760
Deferred income tax for the period (note 12)		
Origination and reversal of temporary differences	1,432,194	1,652,164
	<b>4,532,608</b>	<b>5,718,924</b>

## NIS Group

### Notes to Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in RSD 000 unless otherwise stated)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group's profits as follows:

	Year ended 31 December	
	2019	2018
<b>Profit before tax</b>	<b>21,129,010</b>	<b>30,853,226</b>
Tax calculated at domestic tax rates applicable to profits in the respective countries	3,433,314	4,929,684
<i>Tax effect on:</i>		
Revenues exempt from taxation	(640)	(59,111)
Expenses not deductible for tax purposes		
- Tax paid in Angola	74,711	171,416
- Other expenses not deductible	1,416,851	768,193
Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	(79,191)	(37,320)
Other tax effects for reconciliation between accounting profit and tax expense	(312,437)	(53,938)
	<b>4,532,608</b>	<b>5,718,924</b>
Effective income tax rate	21.45%	18.54%

## 36. COMMITMENTS AND CONTINGENT LIABILITIES

### *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 RSD 509,129 (31 December 2018: RSD 657,686).

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.

### *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 31 December 2019.

### *Capital commitments*

As of 31 December 2019 the Group has entered into contracts to purchase property, plant and equipment for RSD 2,809,071 (31 December 2018: RSD 15,944,407) and drilling and exploration works estimated to 56.89 USD million (31 December 2018: 69.01 USD million).

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

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)***37. GROUP ENTITIES**

The consolidated financial statements of below listed subsidiaries are consolidated as at 31 December 2019 and 31 December 2018:

Subsidiary	Country of incorporation	Nature of business	Share %	
			31-Dec 2019	31-Dec 2018
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	Trade	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	Trade	100	100
NIS Petrol SRL, Bucharest	Romania	Trade	100	100
Pannon Naftagas Kft, Budapest	Hungary	O&G activity	100	100
NIS Oversiz, St Petersburg	Russia	Other	100	100
Naftagas-Naftni servisi d.o.o. Novi Sad	Serbia	O&G activity	100	100
NTC NIS-Naftagas d.o.o. Novi Sad	Serbia	O&G activity	100	100
Naftagas-Tehnicki servisi d.o.o. Zrenjanin	Serbia	O&G activity	100	100
Naftagas-Transport d.o.o. Novi Sad	Serbia	Transport	100	100
NIS Petrol a.d., Belgrade	Serbia	Other	100	100
G Petrol d.o.o. Sarajevo	Bosnia and Herzegovina	Trade	100	100
Jadran - Naftagas d.o.o. Banja Luka	Bosnia and Herzegovina	O&G activity	66	66
Svetlost, Bujanovac	Serbia	Trade	51	51

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

During February 2020 company Ozone a.d. change name to NIS Petrol a.d. Belgrade.

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)***38. RELATED PARTIES TRANSACTIONS**

The majority owner of the Company is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The total of 29.87% shares of the Company are owned by the Republic of Serbia, while 13.98% are owned by non-controlling shareholders and are quoted on the Belgrade Stock Exchange. Gazprom, Russian Federation is the ultimate owner of the Group.

During 2019 and 2018, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As of 31 December 2019 and 31 December 2018 the outstanding balances with related parties other than state and state own companies were as follows:

	<b>Associates and joint venture</b>	<b>Parent</b>	<b>Parent's subsidiaries and associates</b>
<b>As at 31 December 2019</b>			
Investments in associates and joint ventures	1,851,101	-	-
Trade receivables	1,184,469	-	100,451
Receivables from specific operations	415,683	-	-
Advances paid	-	-	34,371
Long-term liabilities	-	(13,673,582)	(128)
Short-term financial liabilities	-	(5,469,432)	(159)
Advances received	(3,782)	-	(2)
Trade payables	(1,208,375)	(10,500,427)	(543,563)
	<b>2,239,096</b>	<b>(29,643,441)</b>	<b>(409,030)</b>
<b>As at 31 December 2018</b>			
Investments in associates and joint ventures	1,980,388	-	-
Trade receivables	1,227,518	99	645,804
Receivables from specific operations	328,358	-	-
Other receivables	400	-	-
Advances paid	-	-	337,220
Long-term liabilities	-	(19,240,982)	-
Short-term financial liabilities	-	(5,497,423)	-
Advances received	(2,051)	-	(90)
Trade payables	(1,251,648)	(10,243,742)	(684,857)
	<b>2,282,965</b>	<b>(34,982,048)</b>	<b>289,077</b>

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)*

For the year ended 31 December 2019 and 2018 the following transaction occurred with related parties:

	<b>Associates and Joint venture</b>	<b>Parent</b>	<b>Parent's subsidiaries and associates</b>
<b>Year ended 31 December 2019</b>			
Sales revenue	19,073,529	-	592,963
Other operating income	8,855	-	-
Cost of goods sold	-	-	(241,897)
Cost of material	-	(51,345,851)	(333,140)
Cost of production services	(198,691)	-	(1,708)
Non-material expense	-	(2,072)	(95,959)
Finance expense	-	(393,887)	(3)
Other income	-	40,230	-
Other expenses	-	(111,235)	(593)
	<b>18,883,693</b>	<b>(51,812,815)</b>	<b>(80,337)</b>
<b>Year ended 31 December 2018</b>			
Sales revenue	26,699,964	961	690,509
Other operating income	6,565	-	-
Cost of goods sold	-	-	(333,240)
Cost of material	-	(68,928,066)	-
Cost of production services	(213,106)	-	-
Non-material expense	-	(3,000)	(78,590)
Finance expense	-	(496,774)	-
Other income	-	59,847	-
Other expenses	-	(198,412)	(1,291)
	<b>26,493,423</b>	<b>(69,565,444)</b>	<b>277,388</b>

Main balances and transactions with state and state owned companies are shown below:

	<b>Associates and joint venture</b>	<b>Other</b>
<b>As at 31 December 2019</b>		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	1,183,648	-
• <i>Srbijagas</i>	-	418,784
• <i>AIR Serbia</i>	-	371,395
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,208,375)	-
• <i>Srbijagas</i>	-	(361,934)
Other current liabilities		
• <i>HIP Petrohemija</i>	(3,064)	-
	<b>(27,791)</b>	<b>428,245</b>
<b>As at 31 December 2018</b>		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	1,222,764	-
• <i>Srbijagas</i>	-	17,547
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,250,402)	-
• <i>Srbijagas</i>	-	(126,092)
Other current liabilities		
• <i>HIP Petrohemija</i>	(1,852)	-
	<b>(29,490)</b>	<b>(108,545)</b>

**NIS Group****Notes to Consolidated Financial Statements for the year ended 31 December 2019***(All amounts are in RSD 000 unless otherwise stated)*

	<b>Associates and joint venture</b>	<b>Other</b>
<b>As at 31 December 2019</b>		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	19,070,224	-
• <i>Srbijagas</i>	-	1,419,220
• <i>AIR Serbia</i>	-	5,124,131
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(198,691)	-
• <i>Srbijagas</i>	-	(912,530)
	<b>18,871,533</b>	<b>5,630,821</b>
<b>As at 31 December 2018</b>		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	26,679,415	-
• <i>Srbijagas</i>	-	755,157
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(213,106)	-
• <i>Srbijagas</i>	-	(963,917)
	<b>26,466,309</b>	<b>(208,760)</b>

Transactions with state and state owned companies controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties. Transaction with HIP Petrohemija are included in Associates and joint venture in related party transactions.

***Transactions with Key Management Personnel***

In the year ended 31 December 2019 and 2018 the Group recognized RSD 943,715 and RSD 1,018,152; respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.



## **NIS Group**

### **Notes to Consolidated Financial Statements for the year ended 31 December 2019**

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

## **NIS Group**

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