



**QUARTERLY
REPORT
for first quarter
2020**

The Quarterly Report for First Quarter of 2020 presents a factual overview of NIS Group's activities, development and performance in first three months of 2020. The Report covers and presents data for NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to certain individual subsidiaries or only NIS j.s.c. Novi Sad, it is so noted in the Report. The terms: 'NIS j.s.c. Novi Sad' and 'the Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms 'NIS' and 'NIS Group' pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Quarterly Report for first quarter of 2020 is compiled in Serbian, English and Russian. In case of any discrepancy, the Serbian version shall be given precedence.

The Quarterly Report for First Quarter of 2020 is also available online on the corporate website. For any additional information on NIS Group, visit the corporate website www.nis.eu.

Contents

Contents	3
Foreword	4
Highlights.....	6
NIS Group	8
Risk Management.....	13
Business environment.....	20
Performance Analysis.....	24
Securities	45
Corporate Governance.....	48
Human Resources	61
Research and Development	64
Financial Statements	65
Stand-Alone Financial Statements	65
Consolidated Financial Statements.....	86
Statement of Individuals Responsible for the Preparation of Financial Statements	109

Foreword

The NIS Group's operations in the first quarter of 2020 were strongly affected by adverse macroeconomic circumstances beyond the influence of the Company. First of all, it is a very significant fall in demand for oil and petroleum products due to global measures to curb the spread of the Covid-19 virus epidemic. As expected, this trend did not bypass Serbia nor other NIS Group countries and it had significant effect on the Company's financial indicators in the reporting period. At the same time with a sharp slowdown in demand, there was a fall in prices, so that the average value of Brent oil in the first quarter of this year was \$ 50.3 per barrel, which is 20 percent less than the average value of the first quarter of 2019. Taking into account the importance of the NIS Group for the energy system of the Republic of Serbia, in the new circumstances, the priority of NIS was to preserve the production, processing and distribution of oil and petroleum products in order to maintain stability in the domestic market and to continue unhindered supply of citizens and vital state institutions. Considering that this goal cannot be achieved without maintaining the health of employees, external contractors, suppliers and consumers, implementation of all protection and prevention measures will be the focus of NIS as long as the epidemic control measures are in force.

Despite the adverse circumstances, the NIS Group achieved good performance indicators, primarily in the area of refining. In January-March, the Pancevo Oil Refinery processed 860 thousand tons of crude oil and semi-finished products, which is 44 percent more than in the first quarter of last year. The total sales volume of oil products in this reporting period amounted to 778 thousand tons, 7 percent more than last year, with an increase in export volume of 63 percent. In the first quarter of 2020, 319 thousand tons of oil and gas equivalent were produced, a result almost identical to last year.

It is particularly important to emphasize that, despite the adverse circumstances, the NIS Group achieved a significant amount of investments and invested RSD 7.7 billion in further development. At the same time, liabilities of the NIS Group on taxes and other public revenues amounted to RSD 39.9 billion.

Nevertheless, the financial indicators were expected to be influenced by the negative macroeconomic trends. EBITDA in the first quarter of 2020 was RSD 5.2 billion, or 18 percent less than in the same period of last year, while a net loss of RSD 1.1 billion was marked.

Throughout the year, the NIS Group will remain committed to increase operational efficiency and implementing savings programs in the all areas of business. Also, the investment will continue in priority projects, which will give the NIS Group the benefits and greatest financial effects when the market conditions normalize. In this way, NIS will remain a secure supplier for consumers and one of the most important energy entities in Serbia.

It is important to emphasize that in the conditions of the state of emergency and the fight to outbreak the spread of the corona virus epidemic, NIS continued to carry out socially responsible activities. In order to contribute to the efforts of the state authorities to bring the necessary medical equipment to the Republic of Serbia, NIS donated fuel to the national airline Air Serbia for the needs of humanitarian flights. Also, the major shareholder of NIS, the company "Gasprom Neft", donated petroleum products to the police and health system of Serbia. NIS employees, members of the Volunteer Club, were also massively involved in the support actions for Serbian citizens.

Also, NIS has continued to launch innovative solutions and services, insisting on increasing employee and consumer safety. Thus, at selected petrol stations, the company enables payment through the digital application Drive.Go, without going to the cash register, by which NIS continues to implement modern global consumer trends on the domestic market, but also contributes preserving social distance as a basic preventive measure in the new circumstances. In the next period, the focus of NIS will be on maintaining employee and consumer health, market stability, and community support in the challenging time.

Business Report

Highlights

January - March

- 14 development and 1 exploration well were drilled in Serbia and 1 Reentry in Romania;
- A total of 11 development and 2 exploration wells were commissioned in Serbia and 2 wells in Romania;
- Completion of the 3D seismic project EX-12 in Romania;
- Start of reconstruction works of the Novi Sad 16 PSs;
- 2 new XJ-900 workover rig put into operation;
- Meeting held on the occasion of the project "The Great Teremia" with the participation of the delegation from the GPN, 18 - 20 February 2020;
- During March, three decisions on exploitation of existing fields of the Provincial Secretariat for Energy, Construction and Transport were issued to NIS;
- Continuation of the reconstruction of the R5 Mokrin Jug Booster Station reservoir;



NIS signed Memorandums of Cooperation with the Ministry of Interior and the Ministry of Education, Science and Technological Development of the Republic of Serbia, which stipulate their joint efforts and actions in the area of children's safety in schools and in improving the quality of education in Serbia, within NIS's program: "Common Cause Community".



- Bitumen plant repair;
- Participation in Pre/Commissioning of DCU;
- Drafting "Job" Plans for equipment in DCU complex;
- Putting equipment in place into CMMS and testing CMMS;
- Drafting crude refining plan with increased chloride content;
- Activities in cleaning CO boiler;
- Activities concerning turnarounds in C-2400 and C-2450;
- Upon completion of works, the petrol station Koceljeva 2 was put into operation, the petrol station Katiceva was returned to the network. Besides, Otopeni station was commissioned in Romania;
- Upon completion of works, Leskovac 6 petrol station was put into operation;

- Under conditions of the emergency state and lack of disinfectants, Lubricants Department successfully developed the recipe and embarked on production of a new product, NISOTEC Antiseptol disinfectant, to cover the needs of the whole company;
- Mastercard instant win – when paying the bills of or over 5,000 dinars with Master or Maestro contactless cards issued by any bank, a client is entitled to an instant voucher. Every voucher wins;
- 5 new SCUs were launched: fresh fruit mix (3 SCUs), Drive Cafe ice coffee Caffe latte and Drive Cafe ice coffee Cappuccino;
- NIS Company representatives presented their donation to the Health Center of Pancevo, with the help of which its Department of Children's and Preventive Stomatology was completely reconstructed and modern equipment procured;
- With NIS support, the interior of the National Theater in Niš was reconstructed.



- The members of NIS Volunteers Club provided assistance to most vulnerable categories of population in the conditions of emergency due to proclaimed epidemic of coronavirus in Serbia;
 - In Elemir Training Center, NIS started the practical lectures for the students of the second grade of Technical School in Zrenjanin, at the course of study: "Operator of Oil and Gas Exploitation Units";
 - With NIS support, the jubilee, 20th International Mini Basket Festival "Rajko Žižić" was held;
 - Sport club "Red Star" presented the special recognition to Gazprom Neft, majority shareholder of NIS, as a business partner of the year for 2019.
-

NIS Group

NIS Group is one of largest vertically integrated energy systems in Southeast Europe. It employs approximately 11,000 employees in Serbia and the region. NIS' core activities include exploration, production and refining of oil and natural gas, sale and distribution of a wide range of petroleum and gas products, as well as the implementation of energy- and petrochemistry-related projects.

The headquarters and main assets of the NIS Group are located in the Republic of Serbia, but the Group also has subsidiaries and representative offices in several other countries. NIS aims to create new value for its shareholders, employees and the community in which it operates, despite the challenging macroeconomic environment.

Business activities

Business activities of NIS Group are organized within the parent company, NIS j.s.c. Novi Sad, under Exploration and Production Block¹ and DOWNSTREAM² Division.

Exploration and production Block

Exploration and production

NIS is the only company in Republic Serbia engaged in the exploration and production of oil and gas. NIS' activities in this field also include operative support to production, managing oil and gas reserves, managing the development of oil and gas reservoirs, so as major exploration and production projects. Most of NIS' reservoirs are located in Serbia, while exploration is also carried in Bosnia and Herzegovina and Romania, where experimental production began. NIS' oldest concession is in Angola, where oil exploitation started as far back as 1985.

Within Exploration and Production business segment operates an Elemir-based plant for the preparation of natural gas, production of LPG and natural gasoline and CO₂ capture, which has the design capacity of 65,000 tonnes of LPG and natural gasoline per year. An amine plant for natural gas processing, that uses HiPACT technology (High Pressure Acidgas Capture Technology) is also located in Elemir. This plant in Elemir is the first HiPACT plant in Europe, and the gas processing method completely prevents the emission of carbon dioxide into the atmosphere. The "Exploration and Production" Units are involved in generating power and heat, as well as compressed gas output.

Since 2013, in oil and gas fields located in eight different areas throughout Serbia, NIS has launched small-scale power plants, their maximum power totalling 14 MWe. In terms of environment, the operation of this energy source brings the advantage of generating power and heat out of the gas, which had not been used, due to great concentrations of carbon-dioxide and nitrogen, or because it was impossible to valorise it, due to the lack of gas infrastructure.

During the course of 2020, NIS continued to generate power in Romania's Jimbolia gas-field. The current daily production power is over 6 MWh. The power generated in Jimbolia is being sold in Romania's market. Besides, we have continued the pilot oil production in the Teremia North oil field. The produced oil is dispatched by railway to the Pancevo Refinery.

NIS is determined to constantly develop its technologies and implement business innovations in every segment of its operations, so modernization is one of the priorities in the exploration and production

¹ Exploration and production and subsidiary companies – STC NIS – Naftagas LLC Novi Sad, Naftagas – Oil Services LLC Novi Sad, Naftagas – Transport LLC Novi Sad.

² Refining Block, Block Sales and Distribution, Energy Department and subsidiary company Naftagas – Technical Services LLC Zrenjanin.

segment. In the field of exploration and production, scientific and technological support is provided by the Scientific and Technological Centre – STC NIS – Naftagas LLC Novi Sad.

Services

NIS has its own service capacities, which fully meet the Group's demands in the area of oil and gas exploration and production and allow NIS to provide services to third parties. Services provide services such as geophysical surveying, well drilling, outfitting and workover, as well as specialized operations and measurements on wells.

Additionally, they provide maintenance services for the equipment required for work, build, repair and maintain oil and gas systems and facilities, transport goods and passengers and provide heavy machinery.

Owing to its experienced personnel, cutting-edge equipment and continued investment in its modernization, the Services had the opportunity to work in other countries (Egypt, Turkmenistan, UAE, Russia and many others). Currently, Services are engaged in Bosnia and Herzegovina and Romania.

The goal of this business unit is to strengthen its presence in the region and the international market, which is why its priorities include equipment modernization, improving service quality level, and increasing technical and technological efficiency and increase in capacity utilization in NIS and other companies.

DOWNSTREAM Division

The DOWNSTREAM division consists of the Refining Block, Sales and distribution Block and the Energy Area.

Refining

NIS manages the Pančevo Oil Refinery with maximum projected capacity of 4.8 million tonnes of crude oil per year. After the MHC/DHT Complex became operational in 2012, the Pančevo Oil Refinery produces: motor fuel in accordance with the Euro-5 standard³, jet fuel, gas oil, liquid petroleum gas, petrochemical raw materials, fuel oil, bitumen and other petroleum products. The continuous modernization of its refining facilities enabled NIS to locally produce fuels that meet European quality standards. It has also secured the strategically important leading position of the NIS group on the regional market of petroleum products.

The Pančevo Oil Refinery is close to completing operations before commissioning DCU with the delayed coking technology, which is the key project of the second phase of the Refinery's modernization. After the completion of this project, the Pančevo Oil Refinery will produce larger quantities of the finest petroleum products (primarily diesel), and will also start producing coke, a product which is currently imported into Serbia.

Sales and distribution

NIS Sales and Distribution includes export and local wholesale of crude oil, gas and petroleum products, as well as retail of petroleum end products, liquid petroleum gas and other supplementary products. All types of fuel undergo regular, comprehensive laboratory testing and comply with national and international standards.

NIS operates the largest retail network in Serbia but its petrol stations are present in the countries of the region as well – in Bosnia and Herzegovina, Bulgaria and Romania. In Serbia and in the region, NIS

³After the completion of the mild hydrocracking and hydrotreatment plant (MHC/DHT) in 2012, NIS has completely switched to the production of motor fuel that meets the European quality standards.

manages a network of over 400 retail outlets and has two brands in the market: NIS PETROL and GAZPROM, a premium gas station brand. NIS' separate business operations include aviation fuel supply, bunkering services and sale and distribution of lubricants and bitumen.

The lubricants segment is one of the NIS's key "non-fuel" business operations and is crucial for increasing brand recognition and customer loyalty. The lubricant segment business includes production, sale, development and marketing of lubricants and technical fluids.

Energy

NIS produces electricity and thermal energy from both traditional and renewable resources. Other than that, it sells electricity, procures, markets and manages the natural gas portfolio, and sells compressed natural gas, develops and introduces strategically important energy projects. It develops and completes projects aimed at energy efficiency boost.

NIS also trades electricity trade outside Serbia – it is an active market player in Bosnia and Herzegovina, Montenegro, Romania and Hungary, as well as in the Republic of North Macedonia.

The key future project in this business segment will be the construction of additional facilities for the production of electrical energy. Together with the company Gazprom Energoholding, NIS building a Combined-Cycle Power Plant (TE-TO Pančevo) in the vicinity of the Pančevo Oil Refinery (with the maximum capacity up to 200 MW). Development of new projects has also been under way with a view to generate power from renewable energy sources.

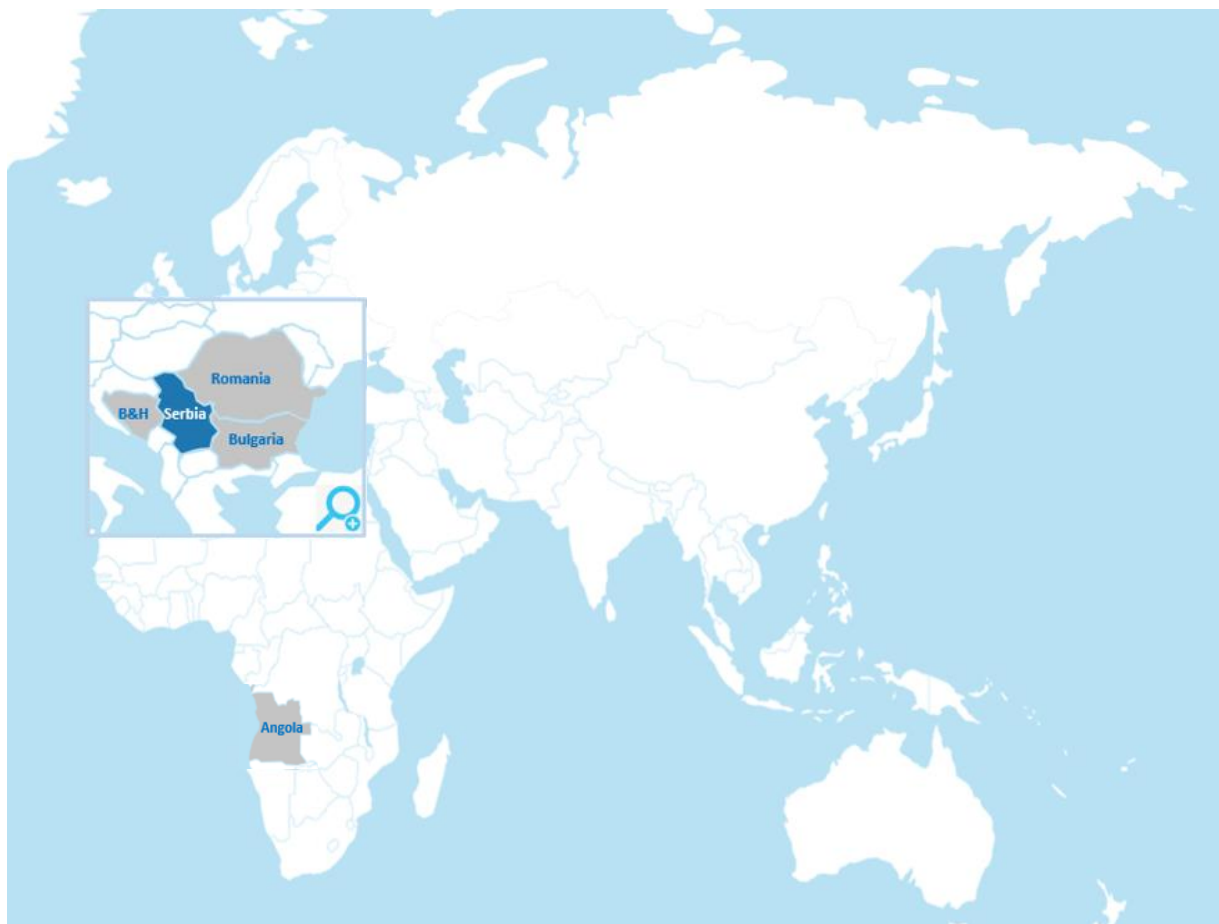
On the Serbian natural gas market, NIS is simultaneously a producer, large consumer and supplier. The management of its natural gas portfolio is an ever-developing process that aims to ensure security of natural gas supply for NIS.

Nine Functions provide support to the core activities of NIS j.s.c. Novi Sad, parent company. These are: Finance, Economics, Planning and Accounting Function; Strategy and Investments Function; Procurement Function; Organizational Affairs Function; HSE Function, Legal and Corporate Affairs Function; Corporate Security Function, Government Relations and Corporate Communications Function and Internal Audit Function⁴. One of the Deputy CEO's is in charge of petrochemicals operations.

⁴ This Function is directly subordinated to the CEO, while the person responsible for internal supervision submits reports to the Audit Commission of the Board of Directors.

NIS Worldwide

Expanding the business and becoming more competitive on the regional market are NIS' strategic goals. Our regional expansion has two main directions – the field of oil and gas exploration and production (in Bosnia and Herzegovina and Romania) and the development of our retail network (in Bulgaria, Bosnia and Herzegovina and Romania). Moreover, NIS is an active trader on the electricity market.



NIS Group Business Structure



Representative Offices and Branch Offices

- Branch Offices in Serbia⁵
- Angola Representative Office
- Bulgaria Representative Office
- Romania Representative Office
- Russian Federation Representative Office
- Turkmenistan Branch Office⁶

Subsidiaries

- Naftagas – Technical services LLC Zrenjanin
- Naftagas – Oil Services LLC Novi Sad
- Naftagas – Transport LLC Novi Sad
- STC NIS – Naftagas LLC Novi Sad
- NIS Petrol a.d. Belgrade
 - NIS MET Energowind LLC Belgrade
- NIS Overseas o.o.o. Saint Petersburg
- NIS Petrol e.o.o.d. Sofia
- NIS Petrol s.r.l. Bucharest⁷
- NIS Petrol LLC Banja Luka
 - G-Petrol LLC Sarajevo
- Pannon Naftagas kft Budapest in liquidation⁸
- Jadran Naftagas LLC Banja Luka⁹
- NIS-Svetlost LLC Bujanovac

⁵ Under the Law on Tourism of the Republic of Serbia, if hospitality services are not the core activity of a company, then such company is obliged to establish a branch (premises outside its registered seat) and register it accordingly, or otherwise establish an organisational unit that is registered in the Tourism Registry. To this end, the Company registered all petrol stations where it provides hospitality services as separate branches. The list of petrol stations which are registered as branches is available at <http://ir.nis.eu/en/corporate-governance/group-structure/>.

⁶ The process of liquidation has been initiated.

⁷ Decision on closing representative office NIS j.s.c. Novi Sad in Romania was made on 03/31/2020. The process of registering the closure of a representative office in the competent registry in Romania is ongoing.

⁸ Pannon Naftagas k.f.t. Budapest from March 1st 2020 is in the process of liquidation.

⁹ On 31st March 2020, NIS j.s.c. Novi Sad increased its stake in the equity from 66% to 100%.

Risk Management

Integrated Risk Management System

Risk is a likely future event that can affect, either positively or adversely, the achievement of the Company's objectives at all management levels. Risk management is a continuous and systematic business process which serves to support management decision-making and the achievement of an organisation's objectives in a risk exposure environment.

The Company's operations involve certain risks which may significantly affect the fulfilment of set objectives, if realised. The Company acknowledges the existence of risks and makes a sustained effort to manage them in a structured manner. An effective risk management is central to ensuring the Company's business continuity and a well-established risk management framework outlines the Company's risk management procedures and lays the groundwork for business decision-making.

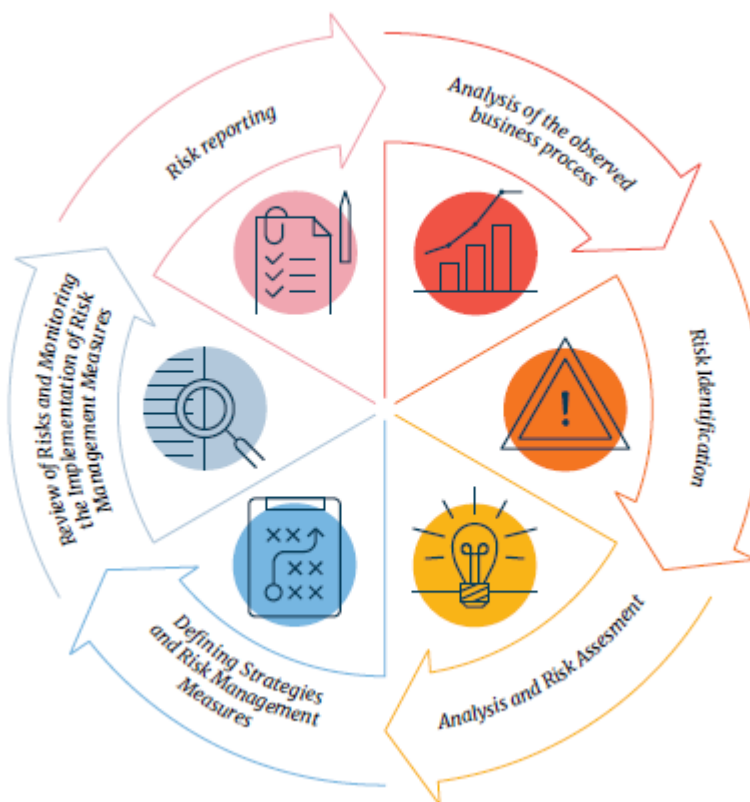
The Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness of managerial decisions by identifying, analysing and assessing related risks, outlining risk management strategies and ensuring the maximum effectiveness of risk management during the implementation of decisions.

The Company's risk management objectives are achieved through the following tasks:

- establishing a risk management culture in the Company in order to ensure that both the management and employees have a full understanding of the basic risk management principles and approaches;
- defining and establishing a systemic approach to identifying and assessing the risks inherent to the Company's operations, both in general and specific business areas;
- encouraging the exchange of risk information between the corporate organizational units, and the collaboration in the identification that risk management measures and
- providing structured information on risks to the corporate governance bodies.

The IRMS is a set of phases, methodologies and instruments aimed at ensuring the efficiency of Company's risk management process.

IRMS Business Process Flow at NIS



The basic principle underpinning this system says that the responsibility for managing risks is assigned to risk owners, namely owners of business processes in the Company. Such approach ensures that the responsibility for risk management and monitoring is identified for all processes of the Company, and that suitable strategies and action plans are prepared in order to manage risks at the level of individual business processes and Company as a whole.

The Company has set up its Section for Risk Management System Monitoring to coordinate and continually improve this business process.

Risks are identified and assessed by analysing data sources (internal and external databases, key risk indicators), through interviews, risk sessions, etc. They are ranked in line the Risk Matrix, defined based on risk propensity. Assessment can be carried out using either the quantitative or the qualitative method.

The Company has implemented key risk indicators aimed at early identification of changes and their potential causes which could subsequently lead to Company's failure to achieve its targets. They demonstrate the risk exposure of certain key indicators and defined time period of monitoring.

IRMS in business planning process

The key risks associated with corporate goals are acknowledged by the Board of Directors through the adoption of business plans. Risk assessment is an integral part of the business planning process, while information on key risks – estimated financial effect of the risks, risk management strategies and measures, financial resources needed to implement the measures – are incorporated in the adopted business plans.

Through its operations, the Group is exposed to the following risk categories, respectively groups:

- Non-financial risks:
 - o Operational risks,
 - o Political risks,
 - o Strategic risks,
 - o Compliance risks,
 - o Reputational risks,
- Financial risks:
 - o Credit risks,
 - o Liquidity risks,
 - o Price risks,
 - o Foreign exchange risks,
 - o Interest rate risks.

Non-financial risks

RISK DESCRIPTION	RISK DESCRIPTION
------------------	------------------

Operational Risks

Project Risks

In the area of geological exploration, the NIS Group aims to increase reserves as well as Company's production. This largely depends on the outcome of geological exploration activities, which aim to increase active well stock in the country and abroad.

The main risk in oil and gas exploration and production is a potential failure to prove estimated reserves and, consequently, failure on the part of NIS to achieve its planned reserves growth.

Risk mitigation measures include the implementation of new 3D seismic surveys using the latest wireless technology; selection of candidates for exploratory drilling based on complex seismic and geological data interpretation; using the largest shareholder's expertise in geological exploration programs and selecting the most prospective wells using of state-of-the-art exploration methods. To mitigate risks, special attention is paid to a robust preparation of projects for implementation and advanced monitoring during geological exploration operations.

In order to reduce licensing risks, exploration research is carried out in line with schedules, defined by geological research programs and provisions of the Law on Mining and Geological Exploration that, among other things, regulates the field of exploration and production of oil and gas.

HSE risks

Due to the nature of its activity, the Company is exposed to a wide range of health, safety and environmental risks, e.g. drilling incidents, failures in operation of process facilities and accidents in transportation of oil and petroleum products.

The Company continuously monitors working process, employees, operating facilities, working and environmental conditions with a view to protect employees, equipment and plants, the environment, as well and fulfilling legal obligations and it also adapts normative and methodological documents to the changes in legislation of the Republic of Serbia in a timely manner and controls the compliance with it. It performs timely implementation of corrective measures ordered through the observation system deriving from investigation of HSE incidents, corporate oversight and external inspections. The Company continuously carries out HSE training in the areas of legal regulations, on-the-job training, HSE management system and emergency response. Health check-ups are planned and performed on a regular basis. Numerous campaigns and educational activities, forums and healthy lifestyle training, contractor management events

are organized, as well as physical and recreational activities aimed at improving health and well-being of employees were carried out in accordance with the Plan until declaring the state of emergency. Due to the state of emergency caused by the COVID-19 pandemic in the country and in the world, a Crisis Team was formed in the Company, as well as emergency preparedness and response teams in the organizational parts of the NIS Group. An Operational Plan for Responding to the COVID-19 Situation as well as a Plan for the Implementation of Measures and the Setting of Barriers to Control the Risk of COVID-19 at the Company level were developed and agreed. The implementation of all measures is monitored on a daily basis and reported to the Crisis Team daily meetings on their implementation. The NIS Group is investing enormous resources and efforts to protect employees and counteract the effects of coronavirus.

HR risks

Highly qualified personnel is a key prerequisite of efficient operations of the Company, lack of qualified employees, particularly with engineering and technological expertise, can present a significant challenge to Company's performance.

The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. Early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, Serbia Repatriation are just some of the examples of Company's recruitment effort.

Along with employee motivation program inclusive of management by objectives, quarterly and annual bonuses, bonuses for production and technical units, sales incentives, special and project-based bonuses, continuous implementation and improvement of non-material motivation system and long-term motivation, the Company strives to enhance its image by means of the Employer branding project.

Employee retention programs include Talent management program, Talent development program, professional/specialized courses, management training and introduction of a unique talent management program.

IT risks

The Company is becoming increasingly aware of the growing dependence of business processes on the quality of IT, automation and telecommunications.

Furthermore, oil and gas industry is considerably exposed to cyber threats.

The Company manages these risks applying a number of measures including IT security standards, security tools, monitoring of threat detection and tracking system and testing of its recovery procedures. Continuous staff training programs are put in place in order to build risk awareness, whereas exchange of incident information with management enables continuous learning.

Information security risks

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

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

Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organizational and technical solutions and

activities aimed at implementation and control of security measures in place.

Political Risks

Risk of EU and US Economic Restrictions on Gazprom Neft Group

As a result of the introduction of EU-US economic restrictive measures, Gazprom Neft Group faces limited opportunities for long-term borrowing with commercial banks belonging to banking groups headquartered in the EU and the US.

In addition, the Company is also exposed to the indirect consequences of sanctions, that is, the potential inability to obtain materials, equipment and services from foreign suppliers.

The Company performs continual analysis of possible political and economic risks and evaluates the consequences for the Company. In line with allowed exemption from the sanctions (long-term loans are possible only if intended for funding the import of goods and services from the EU), Company's operations are continuously being adjusted by increasing the volume of imported goods and services from EU suppliers. In this way, funds are provided for financing Company' long-term development despite the limitations of the sanctions regime.

The Company is working to establish strategic reserves for key material and technical resources and identify alternative suppliers from beyond the European Union, and is considering alternative technologies.

Financial Risks

RISK DESCRIPTION

RISK MANAGEMENT MEASURES

Credit Risks

It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.

Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of NIS j.s.c. Novi Sad at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad).

With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators..

Liquidity risk

Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.

NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the maximum loan debt level is not exceeded (the parent company sets the limit) and that all its obligations under commercial bank arrangements (covenants) are met.

Since mid-September 2014, NIS j.s.c. Novi Sad has been exposed to the risk of limited external funding due to the sectoral sanctions imposed by the EU and the US on the largest Russian-owned energy companies and their subsidiaries incorporated outside the EU. The sanctions prevent NIS j.s.c. Novi Sad from borrowing from EU or US banks for a period longer than 30 and 60 days respectively. The exemption from the EU sanctions includes g for a period longer than 30 days from EU

banks exclusively if the loan is intended for the payment of non-sanctioned goods and services imported from the EU.

In order to secure the necessary funds for future transactions, NIS negotiated/contracted over EUR 700 million in new lines of credit with Serbian, Russian and Arabian banks for general purpose funding and with Serbia-based European banks for funding imports from the EU (financing for a period longer than 30 days is allowed if the funds are used to import goods or services from the EU). Thus, in order to improve its loan portfolio, NIS secured the necessary funds for timely repayment of loans in 2018 and 2019, as well as for early repayment of expensive loans (reducing the average financing cost and maintaining optimum average portfolio maturity). By improving its portfolio and restructuring the loan portfolio (in 2018/2019), NIS has reduced the mandatory loan repayments for the next four years, and redirected the cash flow towards the implementation of planned investments and regular operation of the Company.

Moreover, in order to further improve its loan portfolio and secure additional lines of funding in 2020, Company held a call for proposals in Q1 2020 and improved the conditions (interest rate reduction) for three loans in the total amount of EUR 182.2 million, and secured new lines of credit under favourable terms in the amount of about EUR 85 million for loans. The use of these sources of funding will ensure early repayment of unfavourable loans and decreased the average portfolio cost in comparison to the end of 2019. In addition, this ensured that the average portfolio maturity stayed between 2.5 and 3.42 years at the end of 2020.

Price Risks

Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil and petroleum products that affects the value of inventories and the oil refining margin, which in turn affects future cash flows.

These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices. The need to use some of commodity hedging instruments in the Group's subsidiaries, including NIS j.s.c. Novi Sad as a subsidiary, is at the discretion of Gazprom Neft Group.

In addition, the following actions are undertaken to reduce a potentially negative effects of this risk:

- annual planning based on multiple scenarios, plan follow-up and timely adjustment of operating plans for crude oil procurement;
- regular sessions of NIS j.s.c. Novi Sad Committee in charge of crude oil purchase/sale to discuss all major topics related to crude oil purchase and sale (sale of oil from Angola-Palanca crude oil);
- tendency to enter into long-term crude oil purchase contracts at most favourable commercial terms and with longer payment terms on an open account basis, and sales contracts which would exempt NIS j.s.c. Novi Sad, in line with current intergovernmental agreements, from paying customs duties for imports, based on preferential status;
- expansion of the supplier portfolio, successful cooperation with EU-based companies, stronger competitive advantage in import tenders and more prominent progress regarding purchase prices;

- expansion/diversification of the crude oil basket for prospective import, provision of samples of the crude oil types that have not been used for processing at the Pančevo Oil Refinery;
- constant efforts to optimize processes and achieve the optimum economic effects and indicators;
- occasional benchmarking to survey the market and price trends and to analyze the commercial capacities of major prospective suppliers of crude oil, reputable companies which are dominant and reliable in crude oil trading.

Foreign Exchange Risks

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

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

Interest Rate Risks

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

Company takes out loans with commercial banks at either floating or fixed interest rates, depending on the forecasts of base interest rates in the monetary market and the business banks' capability to offer fixed interest rates for loans. Funds in the form of intercompany loans to third parties are taken out at floating or fixed interest rates, whereas funds deposited as term or demand deposits mostly are placed at flat interest rates. Deposits are aligned with the credit limit methodologies of commercial banks (funds are reciprocally placed only with major commercial banks from which Company takes out loans and/or lines of credit/security instruments). In this respect, revenues and cash flows from bank deposits and a section of intercompany loans are predominantly independent of any changes in base interest rates.

Business environment

The world

The first quarter of 2020, both in the experts' and in the public opinion, has been unprecedented. Two simultaneous events that caused a tectonic shift in the oil and gas market are the COVID-19 pandemic and the oil price wars with the abrupt increase in production (specifically in the USA). At this point it is not yet possible to estimate the consequences of these events for the oil and gas industry. It is also unclear, when the petroleum sector will overcome the crisis it is facing at the moment. In late March the Financial Times stated that the industry is facing the biggest challenge in the last 200 years. Goldman Sachs commented: "The unprecedented crisis in the oil demand and consumption will result in a market surplus that cannot be corrected by suspending or cutting down production." The situation is similar to that in 2002, when the 20% decline in the oil price was caused by the SARS virus (another type of coronavirus).

According to the official data, the COVID-19 epidemics started in China in late January, and by February put the entire industry of the country to a standstill. Europe felt the first blow in early March, and the crisis has been deepening ever since. The petroleum market reacted when the virus was still in China, as the country is world's largest energy consumer. Last year Chinese consumption drove 77% of the global oil demand growth. The crisis deepened in March, when European countries introduced the lockdowns, which meant people were no longer allowed to leave their homes. According to some estimates, more than a third of the global population was quarantined, which reduced transport and the demand for all kinds of petroleum fuel.

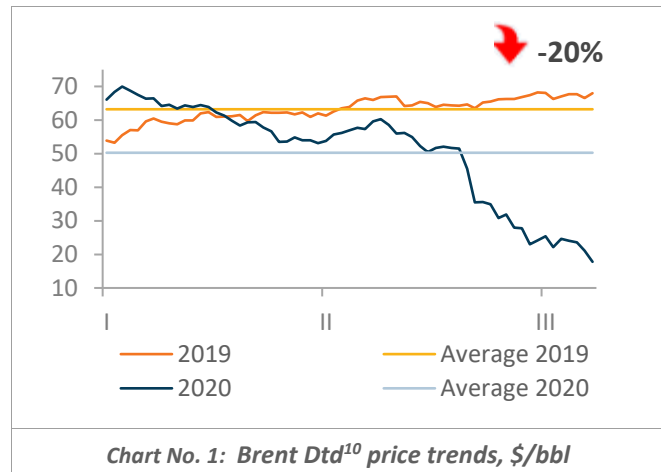
Most experts agree that the problem is not the low oil price, but the collapsed the petroleum product consumption. IHS estimates that in the second quarter the demand will be 21.4 million barrels per day lower than last year, which is a 20% reduction. The surplus of produced oil causes problems with storage. Storages are being filled rapidly, and in some regions like Russia, USA, and Europe will be filled up in 20 or 30 days. Some countries like Nigeria are already out of storage space, so they're selling oil at drastically lower prices. Storage capacity rent has increased by 50 to 100% over the last month. At the end of March Reuters warned that if the surplus persists, filling up of the storage capacities could cause the oil price to drop as low as \$10.

Rystad Energy reports that of the end of March storages contain around 7.2 barrels of crude oil and petroleum products (including 3 or 1.4 billion in ocean tankers). This means that the global storage capacity is 76% full.

JP Morgan recently stated that the covid-19 crisis reserves reasonably soon an increase in demand can be expected only next year.

Oil price

In the first 2 months of the year, even though steadily declining, the Brent oil price was still at the level that could sustain more or less normal operation of petroleum companies (average of 63.5 dollars per barrel in January and 55.4 in February). In March, however, the price plummeted from 51.7 dollars in the beginning of the month to 17.7 on the last day. After the agreement on production cuts, on April 10, the price looked up, but only reached \$24 before the Catholic Easter.



Citigroup Global Markets believes that the resulting agreement will not change the oil price much, and that the Brent price in the second quarter will be \$17, but might drop as low as \$8. By the end of the year it may reach \$20 and then \$30 the next year.

Macroparametres

The world economy will fall 3% this year (2.9% growth noted in 2019), and possibly more as a result of the coronavirus pandemic, the IMF has stated in a report released on 13 April 2020, pointing to the difficulty in making forecasts due to the unprecedented crisis and "considerable uncertainty". If the pandemic is effectively overcome in the second half of this year, global recovery can be expected as early as from 2021, with an expected growth of 5.8%. If the pandemic is not overcome, the recession could be worse, the IMF director warns of a more serious recession than the Great Depression of the 1930s, and called for greater fiscal incentives to prevent economic "scars" from the COVID-19 crisis. The IMF stands ready to mobilize a \$ 3 billion credit facility to help its 189 member countries. It will require coordinated fiscal action at the level of the financial crisis of 2008-2009, when in 2009 alone, the G-20 allocated about 2% of its GDP (about \$ 900 billion in today's money) for stimulus measures.

Serbia

Positive economic trends in Serbia have continued for the first two months of the first quarter of 2020. The strong GDP growth of 4.2% in 2019 was the result of faster investment growth. A similar projection of GDP growth (4-5%) in the first quarter of 2020 is based on high growth in industrial production, domestic demand, continued investment projects, and steady growth in services until mid-March. As the state of emergency was announced on 15 March, no significant effects of the COVID-19 virus pandemic on the economy are expected for this period.

The NBS expects that, as in most other countries, the effects of the COVID-19 pandemic on the economy will be seen in the second quarter, followed by relatively rapid normalization ("V shape"). A comprehensive blockade to curb the spread of COVID-19 will affect and slow down the economic activity, especially in the services sector during the second quarter. The growth dynamics in 2020 and 2021 will depend on the length of the blockade and the pace of recovery immediately after lifting it. Fiscal policy measures adopted (around 11% of GDP) should allow GDP to return to pre-crisis levels by the end of the year and sustainable growth of about 4% in the medium term.

¹⁰ Source: Platts.

At the same time, in its latest report (April 2020), the IMF predicted a 3% drop in Serbia this year and a 7.5% drop next year. Serbia was forecasted to have a 4% economic growth before the virus.

There was a further decline in the share of public debt in GDP in February 2020 (49.1%) compared to the end of 2019. (52.0%).

Lower financing costs and the sustainable growth of GDP support the credit activity. Credit activity continued its trend of steady and sustainable growth also in 2020, which accelerated in February to 10.8%. Credit activity is expected to grow by the end of 2020, as a result of the NBS's monetary policy relaxation, low interest rates in the Euro area, inter-bank competition and the decrease in NPLs (troubled loans).

In April, the NBS reduced its benchmark interest rate by an additional 0.25% to 1.5%, the new lowest level, in order to reduce the negative effects of the pandemic on aggregate demand and at the same time, to ensure that inflation remains within the target over the medium term.

Despite increased global uncertainty and rising risk aversion, the RS dinar remained stable. The rise in risk premiums is the consequence of the global uncertainty caused by the pandemic. Since the beginning of 2020, the value of the RS Dinar against the Euro has remained virtually unchanged, despite rising uncertainty in the international financial market. In order to preserve the relative stability of the RS Dinar, in times of intense and concentrated appreciation pressures, the National Bank of Serbia acted proactively and increased foreign exchange reserves, and thus also the resilience of the domestic financial system to the risks from the international environment and the ability to react when they are realized.

In September 2019, Fitch upgraded Serbia's rating from BB to BB+, and in March 2020, Fitch reaffirmed Serbia's rating and outlooks, despite the recent pandemic crisis, which also sends a positive signal to investors.

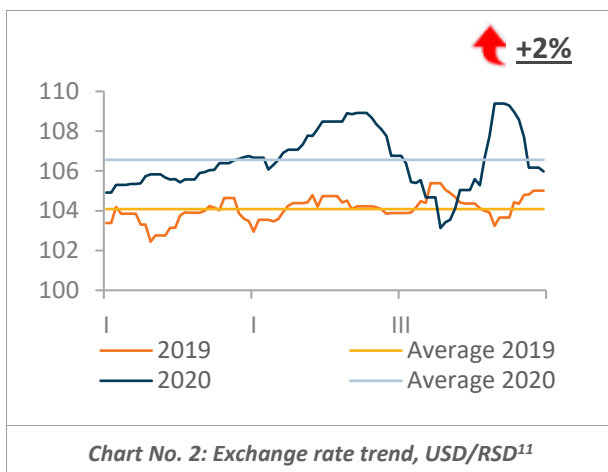
Inflationary pressures have remained low and inflation is firmly under control, with inflation moving about 2% on average over the last six years. The dynamics of inflation in 2019 was driven by the prices of unprocessed food and energy. As a result of the sharp fall in the price of oil, which was reflected in lower prices of petroleum products, as well as the base effect on vegetable prices, inflation slowed to 1.3% in March. Compared to the February projection, which was characterized by symmetric risks, the overall inflation impact risks are now estimated to be asymmetric downwards, due to lower demand and lower oil prices associated with the COVID-19 virus pandemic. Inflation expectations are stable and are in the lower half of the target range (April 2.3%, Blumberg survey).

In March 2020, as compared to February 2020, the prices of the personal consumption of goods and services decreased on average by -0.1%. Consumer prices in March 2020 increased by 1.3% compared to the same month of the previous year, while compared to December 2019 they increased on average by 1.0%.

Industrial production in the Republic of Serbia in February 2020 increased by 7.6% if compared to February 2019 and decreased by 0.8% in comparison with the average in 2019, while was higher by 7.0% in the period January-February 2020, compared to the same period in 2019. Observed by sector, in February 2020, when compared to February 2019, the increase of 15.6% was recorded in the Mining sector, the increase of 8.6%, in the sector of Processing Industry, and in the sector of Electricity gas, steam and air conditioning supply, the growth of 1.1% was noted.

In the first quarter, labor market trends were favorable and productivity growth was recorded in Serbia. The highest wage level was reached in January 2020, the average nominal net earnings amounted to RS dinars 59,941 (EUR 510) and it was 9.9% higher than in January 2019. By sector, the highest growth was recorded in January in manufacturing and construction, as well as in private sector services. Public sector

wage growth (10.4% in January 2020) completely spilled over to private sector wage growth (10.1% in January).



- Average USD/RSD exchange rate in first quarter of 2020 was higher by RSD 2.5, i.e. 2% compared to the average exchange rate in the same period of 2019.
- During first three months of 2020, USD/RSD exchange rate increased by RSD 1.76 or 2%.
- During first three months of 2019, USD/RSD exchange rate increased by RSD 1.6 or 2%.

¹¹Source: NBS.

Performance Analysis

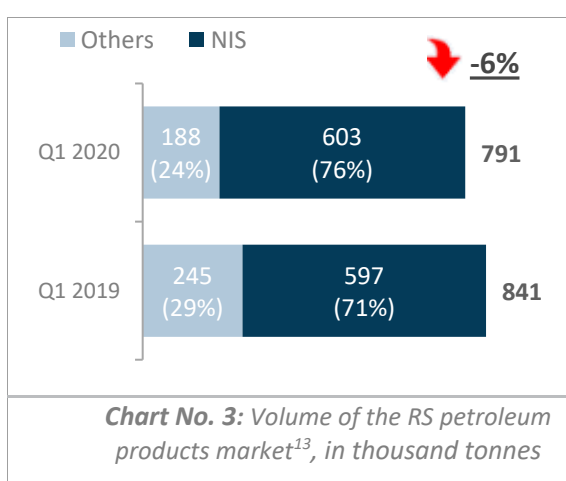
Market Share¹²

Consumption of motor fuels in the region experienced a changing trend in Q1. Till the start of March, the whole region saw a distinct growth trend that resulted both from the low base in the previous year and transport growth; in March, however, due to the pandemic (Covid-19), the trend changed towards the dramatic decline in consumption that followed the virtually simultaneous introduction of measures across the region, which influenced the decreased consumption of petroleum products.

Motor fuel consumption trend was compliant with the regional developments; the decline of 0.9% was recorded in Serbia in Q1 this year.

A more accurate estimate of consequences of the crisis will be available after first 6M 2020.

Market Share in the Serbian Market

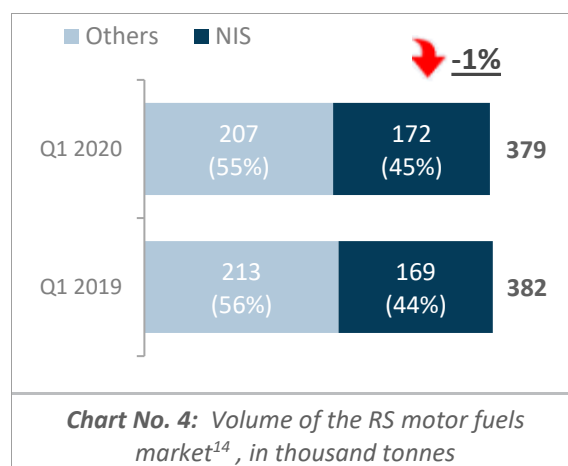


Total consumption of petroleum products in Q1 experienced a changing trend. The growth of the first two months was followed by a sharp decline in March caused by the outbreak of the pandemic (Covid-19).

NIS market share is growing, which is primarily linked to the significantly increased share of bitumen (in the same period last year we had a turnaround of the refinery). At the same time, imports of products that NIS does not sell (coke) were also reduced, which had a positive impact.

NIS market share is growing, the growing share in all three segments – diesel, gasoline and LPG – contributes to that.

The same situation is observed in the retail segment. Following the changing trend and sharp decline in March, Q1 fell by -1%.



¹² Data sources for projections: for Serbia – Sales and Distribution internal analyses and estimates; for Bulgaria and Romania consumption estimates – PFC and Eurostat; For Bosnia-Herzegovina – PFC and internal estimates.

¹³ Data for Q1 2020 are given on the basis of estimates.

¹⁴ The sales of NIS and other competitors include motor fuels (auto-gas, motor fuels and diesel). LPG cylinders are not included. Including CNG. Data for Q1 2020 are given on the basis of estimates.

Market Share in Bosnia-Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

Zarubezhneft, majority shareholder of Petroleum Industry of the Republika Srpska, is willing to stay in B&H in the capacity of investor and to expand its activity. It is noted that company's Brod Refinery employs 676 people with salaries 30% higher than the Republika Srpska's average and that no dismissal is planned; on the contrary, the growing salary trend will continue in the coming period. The focus of the business will reside in the domain of the autonomous gasification projects of the Refinery, expansion of the network of petrol stations, solar plants construction and hydrogen production.

The terminals of the Federation of B&H opened a newly constructed terminal for liquid petroleum products in Zhivanici, which represents a start in the process of upgrade of compulsory oil and petroleum products reserves. The first stage of works is completed in Zhivanici's terminal, the storage capacity is equal to around 6 million litres of oil and petroleum products. The terminal should be completed by the year end, with the capacity of approximately 46 million litres.

House of Representatives of FB&H Government has supported the adoption of the hydrocarbon tax law in the Federation with the aim to introduce an additional 30-percent tax in the oil and gas exploration activity; the activity was introduced by the Oil and gas exploration law of 2013.

The number of petrol stations on the retail market is dynamically growing. Those distributors that until several years ago operated retail chains within entities now slowly saturate the network to reach the national coverage.

In Bosnia and Herzegovina, NIS has 35 petrol stations (and additional 2 are operated in DODO mode).

NIS's market share in the total motor fuel market amounts to 19.5%, whereas company's share in the retail market stands at 9.0%.

Bulgaria

Upon lengthy public hearings, the Fuel law was adopted. It is expected that the document will guarantee market competition and limit the grey sector thus increasing state budget revenues. It establishes the level of the minimum capital for wholesale companies at 1% of company's net profit. It stipulates penalties of suspending the work of petrol stations and storages if they sell illegal fuel, the fuel tankers transporting illegal fuel will be put out of circulation for one year. Besides, farmers will be sanctioned for fuel trade without proper registration for this activity.

Bulgaria's Oil and Gas Association has reported a 40% drop in fuel consumption across Bulgarian petrol stations. The situation is getting increasingly difficult for owners of small petrol stations despite lower prices and decreased staff numbers. The ban for petrol stations to fill LPG bottles interferes with their operation, several stations have been forced to close toilets since they are unable to assure the required disinfection recommended by the Operations centre.

In Bulgaria, NIS has 35 petrol stations and a storage in Kostin Brod. NIS's market share in the total fuel market amounts to 5.0%, whereas company's share in the retail market stands at 4.5%.

Romania

Following the excise reduction from 1 January 2020, Romania has become the country with the lowest fuel prices in the whole European Union, according to official statistics. The reduction of 32 bans (6.5 euro cents) per litre (including VAT) has been fully reflected in fuel prices at petrol stations, stated the Competition Council following the survey of Price Monitoring. This had a positive impact on the growth of demand in Romania in Q1, until the start of the crisis triggered by the pandemic of Corona virus.

Romania's Association of Petroleum Companies, ROPEPCA, announced that one of the priorities this year will be to amend the Oil exploration law and to enable companies the land access for seismic surveying. This initiative followed several court rulings in the west of the country where landowners from the oil perimeter were not willing to grant access to their land to oil companies for seismic surveying.

The Ministry of Economy of Romania discussed the draft emergency rulebook to amend and modify the Oil law whereby the transfer of sale of shares in oil agreements can no longer be carried out without preliminary approval of the Government. The draft act stipulates that if a company assumes control over the holder of an oil agreement, the company in question is obliged to notify the competent authority; the oil agreement may remain valid by the Government's decision, may be revised under new terms and conditions or may be terminated for national security reasons.

OMV Petrom developed new marine fuel oil in its Petrobrazi Refinery, with low sulfur content of 0.5%, that fulfills the requirements of the International Maritime Organization (IMO) that came into effect in 2020. The first delivery took place in the port of Constanta late last year. Prior to this product launch, Romanian market was supplied exclusively from export. The capacity of the Petrobrazi Refinery is at least 70 kt of this fuel subject to optimization of the production in order to meet the demand and maximize added value.

Due to the drop in global market quotes and outbreak of Corona virus, there is a reduction in retail fuel prices led by OMV Petrom and followed by Lukoil and others.

In Romania, NIS has 19 petrol stations. NIS's market share in the total motor fuel market amounts to 1.2%, whereas company's share in the retail market stands at 1.6%.

Key Performance Indicators

Indicator	Unit of measure	Q1 2020	Q1 2019	Δ ¹⁵
Brent Dtd	\$/bbl	50.3	63.2	-20%
Sales revenue¹⁶	RSD billion	52.6	53.5	-2%
Net profit	RSD billion	-1.1	0.2	-8x
EBITDA¹⁷	RSD billion	5.2	6.3	-18%
OCF	RSD billion	-1.6	11.3	-114%
CAPEX¹⁸	RSD billion	7.7	8.3	-7%
Accrued liabilities for taxes and other public revenue¹⁹	RSD billion	39.90	39.96	-0.2%
Total bank indebtedness²⁰	EUR million	619	575	+8%
LTIF²¹	number	1.68	1.42	+18%

¹⁵ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

¹⁶ Consolidated operating income.

¹⁷ EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – Operating Expenses (OPEX) – other costs that may be controlled by the management.

¹⁸ CAPEX amounts are exclusive of VAT.

¹⁹ Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.

²⁰ Total bank indebtedness = Total debt to banks + Letters of Credit. As at 31 March 2020, this was EUR 619 million of total debt to banks.

²¹ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator shown refers to NIS j.s.c. Novi Sad with its subsidiaries: Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical services LLC Zrenjanin and Naftagas – Transport LLC Novi Sad.

Operating indicators

Exploration and production

Indicator	Unit of measure	Q1 2020	Q1 2019	Δ^{22}
Oil and gas output²³	Thousand t.o.e.	319	321	-0.7%
Domestic oil output²⁴	Thousand tonnes	210	214	-2%
LTIF²⁵	number	2.34	1.09	+115%
EBITDA	RSD billion	5.3	8.3 ²⁶	-37%
CAPEX²⁷	RSD billion	4.7	4.3	+10.3%

The Exploration and Production Block's pivotal objective in Q1 2020 was to fulfil hydrocarbon production plan, implement geological prospecting projects, increase the efficiency of geological-technical activities, find and test labs for new well-fitting technologies and methods for increasing production.

The total production volume of 306.6 thousand conditional tons was carried out in reservoirs in Serbia, that is, including the concessions of 318.6 thousand conditional tons.

In terms of reservoir geology and development, the emphasis is on maintaining high quality of GTAs and testing new technologies aimed at increasing oil and gas production.

Geological and exploratory works and reservoir development

Additional exploration and determination of the limits of oil saturation on active beds and the deepening of the well network were actively carried out as part of the development drilling.

Successful operations in the Velebit field were carried out in the part of repair and isolation works.

Other than that, we are currently testing the polymer composition of our services for the purpose of performing repair and insulation work on WFR (water flow restrictions).

Concerning the project documentation, 1 was submitted to the state authorities for certification of the reserve, 8 studies are under development, 8 feasibility studies and 7 major mining projects have been made.

Exploratory drilling and well testing

As part of geological exploration activities Exploration and Production Block drilled 1 exploration well in Q1 2020.

2/3D seismics

The processing of 3D seismic data from the Ada exploration area and the complex seismogeological interpretation of 3D seismic data collected at the Turia IV exploration are in the final stages.

²² Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

²³ Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

²⁴ With natural gasoline.

²⁵ Lost Time Injury Frequency - ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers to the Exploration and Production Block (including Services).

²⁶ The data refers to the Exploration and Production Block (including Services).

²⁷ Financing, exclusive of VAT.

Projects abroad

The "NIS Petrol" s.r.l. Company, based in Romania, carries out Upstream operations in Romania for the Company (NIS j.s.c. is the sole owner of this subsidiary) in six concession blocks operated by "NIS Petrol" s.r.l.

Q1 2020 Key Developments in Romania:

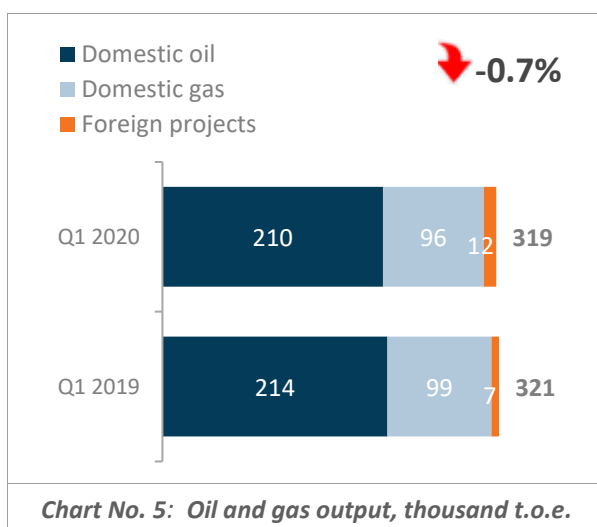
- EX-2 Block: There has been a continuation of the processing of 3D data collected during seismic surveys carried out in Q3 2019 from the area of the total surface of 170 km²;
- EX-7&8 Block: Experimental production has been under way from two wells at the Teremia field.
- EX-12 Block. The processing started of 3D data collected during seismic surveys carried out in Q4 2019 from the area of the total surface of 165 km²;
- The Jimbolia Block: Drilling side-track completed. Experimental production from two wells is ongoing, producing electricity.

The Jadran Naftagas Company, based in the town of Banja Luka, carries out Upstream operations in the Republic of Srpska (Bosnia-Herzegovina) for the Company.

Q1 2020 Key Developments in Bosnia-Herzegovina:

- On March 26, 2020, NIS became 100% owner of Jadran Naftagas. All the documents were signed in Banja Luka and Zarubezhneft officially left the Jadran Naftagas project the same day;
- Due to the emergency with regard to the coronavirus and problems with the transportation of oil from Obudovac to Serbia, the well was closed on March 17, 2020, since hydro-dynamic measurements have been made there.

Operating indicators



In the first quarter of 2020, the total production was 318.6 thousand tonnes of oil equivalent of oil and gas.

Refining

Key indicators	Unit of measure	Q1 2020	Q1 2019	Δ^{28}
Volume of refining of crude oil and semi-finished products	Thousand tonnes	860	599	+44%
LTIF²⁹	number	2.23	0.00	+100%
EBITDA³⁰	RSD billion	-4.4	-0.7	-543%
CAPEX³¹	RSD billion	2.6	3.5	-26%

The first quarter of 2020 in the Refining Block was marked by operations in an extremely volatile environment, as a result of the drastic fall in the world oil price and the emergence of the virus corona.

The planned bitumen plant repair was carried out during January 2020. The revision of energy consumption norms was done. The activities of reconciling training books for the DCU complex were carried out, as well as the preparation of Alarm management.

In February 2020, the emphasis was on cleaning the CO boiler. Activities were undertaken to develop Job Plans for equipment, as well as instructions for operation and maintenance of DCU complex equipment. equipment manufacturers continued training the operators on the semi-portable coke crane and OTS training. The focus was also on performing pre-commissioning on the Group III Units / DCU plant. A plan for refining crude oil with increased chloride content has been prepared. Activities on electronic shift logs on the test module were carried out, as well as work on translating structural tours of the plant into an electronic module via tablets.

Over the course of March, all Refining Block activities were aimed at adapting work in low oil conditions and with the current health and safety situation.

All necessary measures were taken, due to the appearance of the coronavirus, in order to maintain the health and safety situation - maintaining enhanced hygiene, contact with the contractor company was reduced to a minimum, employees were provided with protective equipment with continuous notification to employees of the rules of conduct in the given conditions.

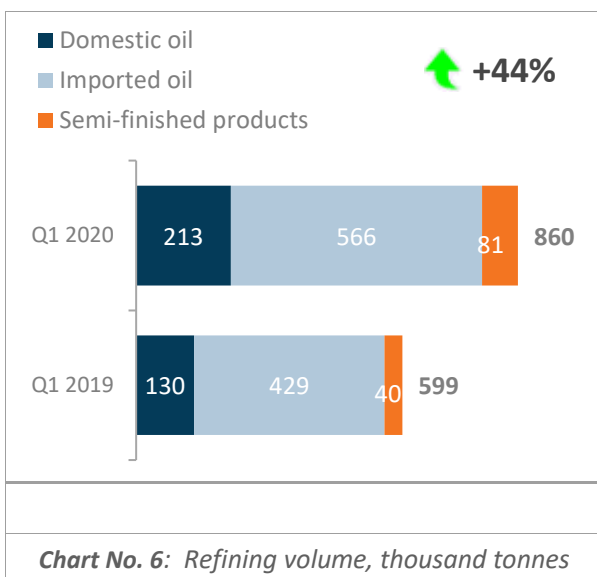
²⁸ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

²⁹ Lost Time Injury Frequency – injury indicator with lost time (days). The ratio of the number of employees' injuries to the total number of work hours multiplied by a million.

³⁰ EBITDA of the Refining Block includes the power plant in RNP.

³¹ Financing, exclusive of VAT.

Refining Activities and Volume



In Q1 of 2020 the production of petroleum products increased, compared to the Q1 of 2019 by 44% as a result of capital overhaul conducted in the first half of 2019.

The Bottom-of-the-barrel Project

Progress of the Bottom-of-the-Barrel Project as at 31 March 2020 is as follows:

- approximately EUR 298.5 million was invested in the project;
- the detailed design was completed and all licences obtained;
- 100% of equipment and material were delivered;
- the foundations, steel structures, pipelines and equipment in the entire complex were completed/installed;
- the construction and installation works on the complex are at 98.62%;
- pre-start works on the complex have commenced;
- we recorded 6.9 million man hours, 12 contractors working on site, and, on average, 612 workers on site per day.

Other Projects

Environment is the focus of all business segments of the Refining Block. On January 30, the Government of Serbia adopted an updated text of the National Plan for the Reduction of Major Pollutant Emissions from Old, Large Combustion Plants (NERPs).

Processing plant facilities such as Pancevo Power Plant, Atmospheric Distillation II are included in NERP. In order to reduce pollutant emissions and reach the statutory limit values, a monthly fuel consumption plan was implemented at the Pancevo Refinery in 2019 with an increased share of natural gas use relative to liquid fuel. During the first quarter of 2020, in addition to using natural gas as the predominant fuel, a number of projects are being implemented whose implementation has a significant impact on improving air quality.

Within the scope of the investment activity, the following activities are continued within the projects of the Refining Block:

- "Harmonization of the jet fuel system with the requirements of the JIG 153 standard", "Replacement of control systems and measuring equipment on the islands 5,6,7 and 10 on the AP", "Reconstruction of the filtered water system in the Pancevo Refinery for the needs of CCPP", "Bringing natural gas on the S-2450";
- works on reservoirs FB-2003 and FB-0807;
- publication of a tender for the selection of a general contractor for the reconstruction of the Laboratory building;
- technical evaluation of tenders for the selection of a general contractor for the reconstruction of the hydrant network at the Pancevo Refinery.

In the first quarter activities in 2020 also focused on digitization projects. A technical assignment for the APC Monitoring project has been signed, a 3D modeling & OTS workshop has been agreed. Project preparation activities continue, APC Monitoring Project (external / internal solution), Real Time Optimizer (Master APC), RTLS active pilot monitoring (pilot project realization), Predictive maintenance (research phase, contracting strategy), as well as exploration of new opportunities to apply digital technologies as a constant task.

During the first quarter of 2020, the Pancevo Oil Refinery hosted a third workshop on gender equality. We participated in the inauguration of the Department of Pediatric and Preventive Dentistry in Pancevo, whose complete reconstruction and procurement of modern equipment was supported by NIS, as part of the Common Cause - Community programme.

Other than that, with the active participation of the Refining Block, the "Job shadowing" pilot programme was carried out in early March, which arose out of the specific need to improve the results of cross-sector cooperation.

Sales and Distribution

Key indicators	Unit of measure	Q1 2020	Q1 2019	Δ ³²
Total sales volume of petroleum products³³	Thousand tonnes	778	726	+7%
Sales volume – foreign assets³⁴	Thousand tonnes	86	85	+1%
Sales volume of petroleum products in the domestic market³⁵	Thousand tonnes	584	575	+2%
Export		108	66	+63%
Motor fuels³⁶	Thousand tonnes	503	491	+2%
Retail³⁷	Thousand tonnes	217	214	+1%
Internal Sales	Thousand tonnes	3.7	3.3	+11%
LTIF³⁸	number	1.7	2.3	-27%
EBITDA	RSD billion	3.6	3.3	+8%
CAPEX³⁹	RSD billion	0.3	0.3	+23%

Points of Sale⁴⁰ and Logistics

NIS Groups owns more than 400 active retail facilities. The majority of them, more precisely 327 retail facilities, are located in the Republic of Serbia. In addition to 10 internal petrol stations, NIS owns 317 public petrol stations (23 of them are GAZPROM-branded). In the regional countries, NIS owns 37 petrol stations in Bosnia and Herzegovina (27 GAZPROM-branded), 35 petrol stations in Bulgaria (all GAZPROM-branded) and 19 petrol stations in Romania (all GAZPROM-branded).

Upon completion of works in Serbia, in Q1 2020, 2 petrol stations were put into operation: Koceljeva 2 following a complete reconstruction (NIS brand) and Leskovac 6 (NB) following a long-term lease agreement and rebranding (NIS brand). Otopeni petrol station was put into operation in Romania (GAZPROM brand).

Besides, 32 new trucks for white goods transportation, as well as 3 sets (semi-trailer trucks) for white goods transportation were procured to enhance technological transport capacities.

Loyalty and Marketing Activities Programmes

In Q1 2020, 34 marketing activities are carried out in Serbia aimed at developing consumer brands, loyalty programs and boosting fuel and non-fuel sales.

Commissioning of new petrol stations was accompanied by POS promotions and special offers for consumers – equal prices for petroleum products of standard and premium product lines, as well as gifts with every purchase.

³² Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

³³ Excluding the internal sales volume (3M 2020: 3.7 thousand tonnes; 3M 2019: 3.3 thousand tonnes).

³⁴ The sales volume of foreign assets includes sales generated by the subsidiaries of NIS abroad (retail and wholesale).

³⁵ Domestic market sales includes sales volumes invoiced in local currency (RSD) and does not include sales volumes sold to foreign customers and invoiced in foreign currency.

³⁶ Total sales of motor fuels in Serbia and in foreign assets.

³⁷ Total retail in Serbia and in foreign assets.

³⁸ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million.

³⁹ Financing, exclusive of VAT.

⁴⁰ As at 31 March 2020.

On occasion of the start of reconstruction of Novi Sad 16 petrol station, a number of tactical promotions was implemented with a view to retaining consumers of our retail network, referring them to other stations in Novi Sad, as well as offering a discount of or over 3 RSD/l.

The winter diesel campaign was launched with the goal of boosting G-Drive diesel sales in wintertime and communicating the benefits and characteristics of the fuel to consumers.

Along with withdrawal of GU at certain stations, premium G-Drive products were introduced, retail facilities were rebranded and marketing materials were distributed; at the same time, training was provided for PS staff to enhance their knowledge of fuel characteristics and promote sales of premium products.

In order to improve Gastro segment sales (hot drinks and food) and drive sales of petroleum products through lower retail prices, special promotion was carried out offering fuel discounts for purchases of gastro articles (hot drinks, sandwiches, pastry and desserts) throughout the network.

The beginning of March saw the start of Mastercard instant win promotion: paying the bills in the amount of or over 5,000 dinars with Master or Maestro cards issued by any bank, the clients are entitled to an instant voucher.

At the end of Q1, mobile application Drive.Go was launched. With this new mobile application, customers are able to pay for fuel at refueling point without entering the station; for the first time in Serbia, it is widely available to all clients of NIS Petrol and GAZPROM stations. Besides being committed to innovations and introduction of cutting-edge solutions, the company has enabled a fast, safe and efficient payment method for its clients under these new circumstances.

In the domain of Private Label, several promotional activities were held at petrol stations with a view to boosting sales and reinforcing brand recognition (equalizing prices of L and M coffee, free Drive Cafe cookie for every purchase of L and M coffee, free coffee of choice for all ladies on International Women's Day).

5 new SCUs were launched: fresh fruit mix (3SCUs), Drive Cafe ice coffee Caffe latte and Drive Cafe ice coffee Cappuccino.

In January, Jazak water promotions were carried out with gift-for-purchase mechanism in order to uphold distributor's sales (Tempo markets).

In 2020, we continue the loyalty program partnership with Tehnomanija, Gigatron and Intersport: holders of "Together On The Road" accumulate bonus points for every purchase. Bonus points can be redeemed solely at NIS Petrol and Gazprom petrol stations.

We have also held reactivation activities for "Together On The Road" program participants: they were offered 1 bonus point per 1 l for every transaction in the period from 14.2. till 31.3.2020.

Within the scope of "consumer retention" channel, Fiskars redeem program (collection of garden tools) and spend&get Gianini (kitchenware collection) were carried with the aim of boosting sales and increasing the share of non-fuel goods in total sales.

In Q1 2020, in the regional countries of Company's presence, a total of 14 marketing activities were implemented with the goal of developing consumer brands, loyalty programs and boosting sales of fuel and non-fuel range of products.

Within "Agro Card" program designed for agricultural producers, we carried on with volume-sustaining activities: principal discount with Agro Card (3 dinars for gasoil, 5 dinars for Eurodiesel, G-Drive Diesel and OPTI diesel, 20% for NISOTEC), with a possibility of an additional volume-based discount for one-off fuel purchase with NIS Agro Card. Since 1.1.2020, agricultural producers have been able to purchase LPG household bottles with the discount of 10 din/kg with Agro Card.

In January, the 54th Agricultural Forum of Serbia was held. Our company participated and promoted its Agro program with "Wheel of fortune" activity and gift distribution among existing and new program users.

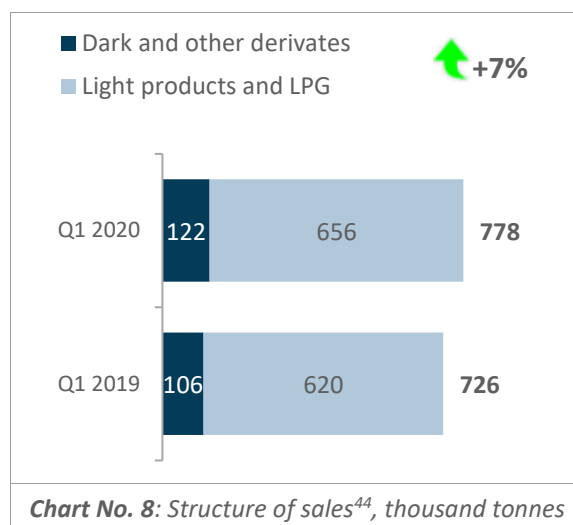
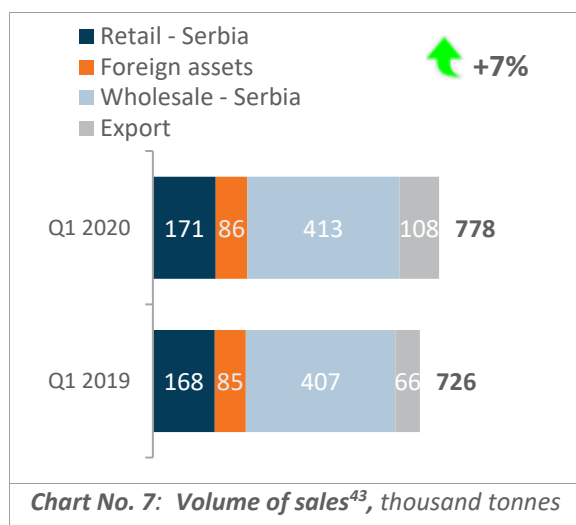
To further support the Agricultural program, a range of promotional activities took place during spring agricultural works: from 10.03 till 30.04.2020, agricultural households from the Silver segment are entitled to a maximum discount in the amount of 12 RSD/l for purchases over 100 l (Eurodiesel, OPTI diesel and G-Drive Diesel), and from 12.03 till 20.03.2020, agricultural households from the Diamond segment are entitled to a maximum discount in the amount of 15 RSD/l for purchases over 600 l (Eurodiesel, OPTI diesel and G-Drive Diesel).

In the channel of lubricants sales, we implemented a variety of promotional activities aimed at increasing the margin and driving sales (NISOTEC Antifriz Long Life 100 and 40 - 50% for the second article; buying 4 l of certain engine oil with SNNP (Together On The Road) card, you get 1 l of the same oil for free, buying 3 packages of NISOTEC 2T SINT 0,1 lit with SNNP card, you get the fourth pack for free, discounts of up to 40% for individual kinds of oil for agricultural machinery with Agro Card).

Operating indicators⁴¹

The first quarter of 2020 saw a sales growth of 7% comparing to Q1 2019, with the total sales of 778 thousand tonnes.

- Retail in Serbia – a retail growth by 2% stemming from diesel fuel sales growth
- Wholesale in Serbia – an increase of 1% mostly due to non-energy fuels
- Exports – an increase of 63% as a result of increasing energy and non-energy fuel exports⁴²
- Foreign assets – an increase of 1% in sales volume (a decrease of 2% through retail channel and an increase of 3% through wholesale channel).



Energy

CCPP Pančevo

Activities have been under way to outfit electricity plants and units with the required mechanical, electricity and construction equipment, and put into operation connecting pipelines with the Pančevo Refinery Powerplant, and connect them with the power supply (connecting and distribution unit and overhead powerlines). The power plant equipment is mainly already supplied, some of the units being now in transportation.

Due to the coronavirus pandemic, the arrival of new workers from China as well as the return of workers from vacations is either made difficult or hindered, the delivery of equipment is hindered and there is a real danger of delays in supplies, and the normal work is hindered due to pandemic-countering measures undertaken in Serbia. Delayed delivery of transmission line equipment from Croatia and Germany is at risk. Work on the switchgear facility (PRP) has slowed down due to a reduced number of workers from China, but the PRP facility is expected to be ready to receive long-distance ropes as of 10th May 2020. A

⁴¹ Without internal sales (3M 2020: 3.7 thous. tonnes, 3M 2019: 3.3 thousand tonnes).

⁴² In March 2020, capital turnaround of the Pancevo Refinery started, which was another reason for increased fuel exports in Q1 2020.

⁴³ Without internal sales (3M 2020: 3.7 thous. tonnes, 3M 2019: 3.3 thousand tonnes).

⁴⁴ Without internal sales (3M 2020: 3.7 thous. tonnes, 3M 2019: 3.3 thousand tonnes).

reorganization was carried out on the part of the contractor to allow domestic subcontractors to take over part of the contract from the contractor due to the inability to transport labour force from China.

CNG – commercial aspect

NIS is currently producing and conducting the wholesale of compressed natural gas extracted from the Ostrovo gas field. Production of gas at the Ostrovo exploitation field is done from four wells of the gas reservoir and, after the compression process, is transported by trailer to the final industrial consumers.

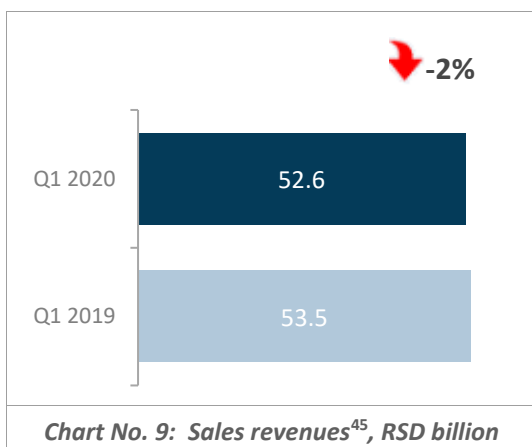
Currently, production at CNG Ostrovo is around 21,000 cm³/day at maximum available pressure. Negotiations with a wholesale buyer are expected to begin in the next period with the aim of extending the Contract on the sale of CNG extracted from the Ostrovo gas reservoir.

Trade of electricity

NIS is present on the electricity markets of Serbia, Bosnia and Herzegovina, Romania, Slovenia and Hungary. Apart from these markets, NIS trades with North Macedonia, Bulgaria and Croatia as well. NIS trades on the electricity markets in Serbia (SEPEX) and Romania (OPCOM). The process of registration of NIS Petrol Eood, for electricity trade in Bulgaria, is ongoing. The first phase of implementation of ETRM software has been completed.

Financial indicators

Sales Revenues



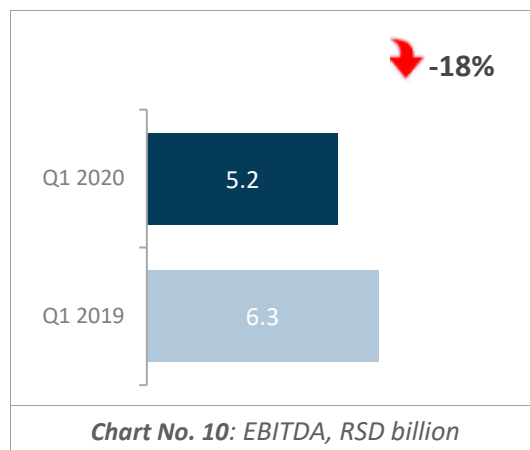
During the first three months of 2020, NIS achieved a 2-percent drop in sales revenue⁴⁶ compared to the same period previous year.

EBITDA

EBITDA for first quarter of 2020 was 18% lower than in the previous year and amounted to RSD 5.2 billion.

The main reasons for the decrease include:

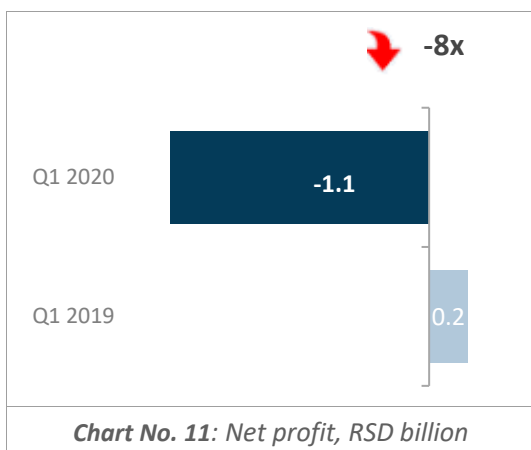
- The fall of oil prices had the impact on the price of petroleum products, which is disproportionately lower than the price at which oil was purchased and inventory reserves provided
- In the second half of March, due to the state of emergency (Covid-19), the sales volume of petroleum products decreased



⁴⁵ Consolidated operating revenue.

⁴⁶ Consolidated operating revenue.

Net loss (profit)



During first three months of this year, the Company realized net losses in the amount of 1.1 billion dinars, which is nearly 8 times less than the net result in the same period in 2019.

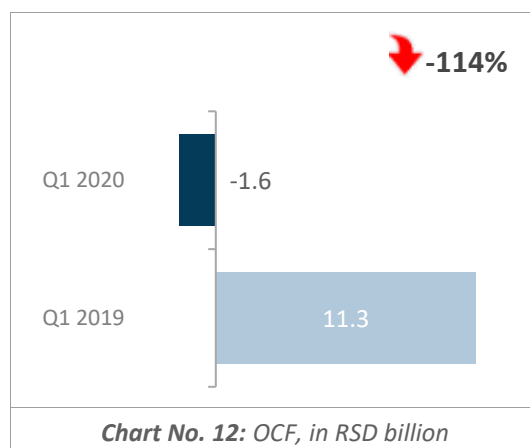
The main reasons for the decrease was influenced by:

- Lower EBITDA
- Greater amortization
- Greater negative exchange differences

OCF

In the first quarter of 2020, the operating cash flow amounted to -1.6 billion dinars and was 114% lower than the OCF in the same period in 2019:

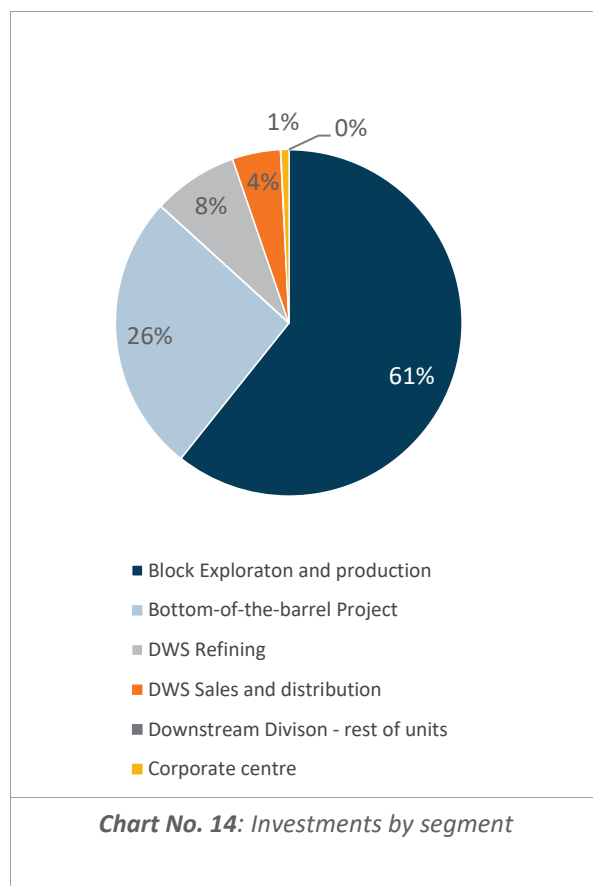
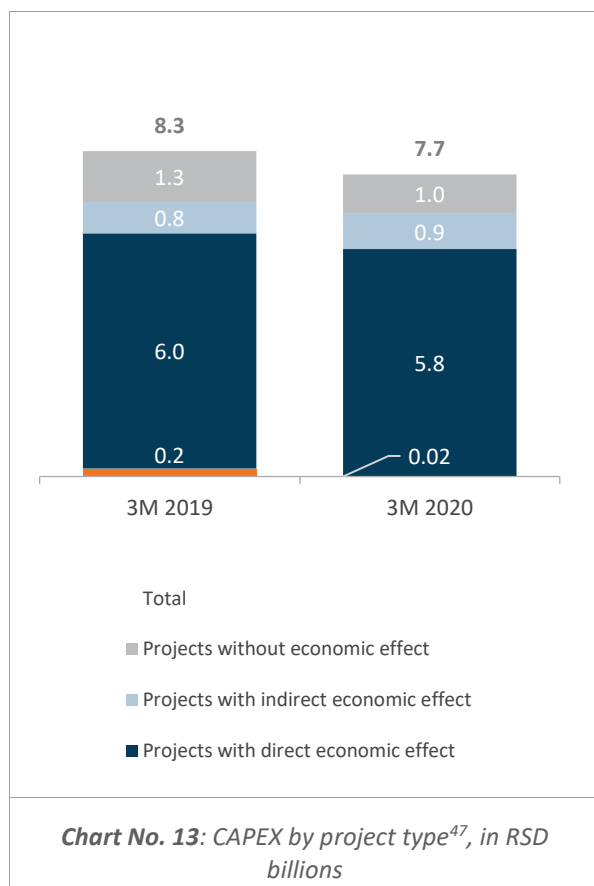
- higher liabilities for the import of crude oil
- higher liabilities towards the state.



CAPEX

In the first quarter of 2020, the main investment directions were oriented towards the implementation of projects in the production of oil and gas, as well as the project for improving the refining depth. In addition, during the first quarter 2020, NIS invested in sales and distribution, energy, and service projects, as well as a number of projects in the corporate center.

During the first quarter of 2020, RSD 7.7 billion was allocated to finance investments, which is 7% less than the amount that was allocated in the same period of 2019.



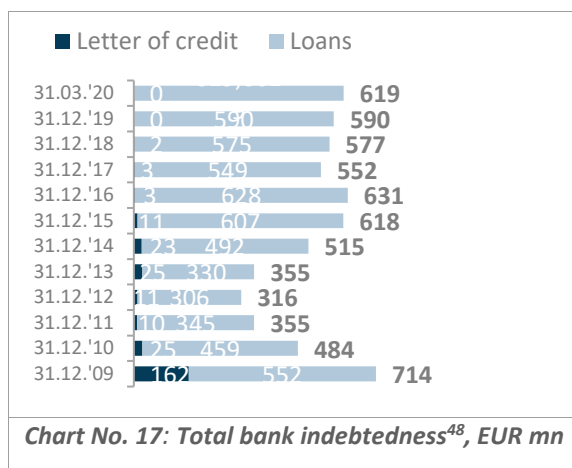
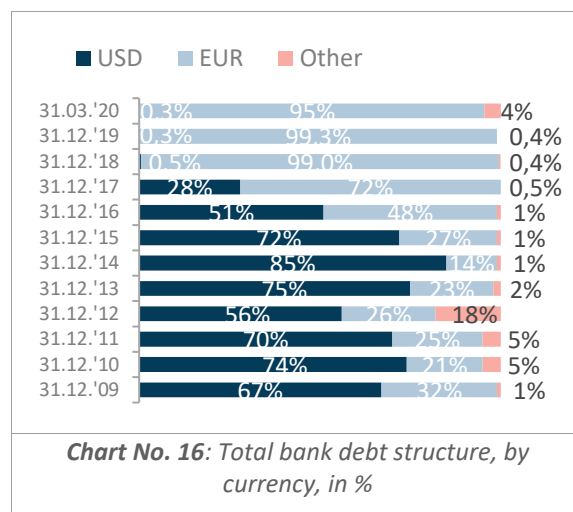
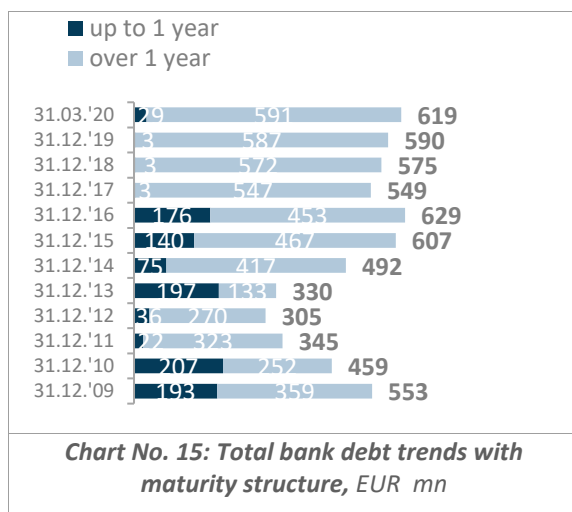
⁴⁷ The amounts are in RSD billions, and excluding VAT.

Organisational unit	Major projects
Exploration and production	<ul style="list-style-type: none"> • drilling of development wells • investments in geological and technical activities • program of drilling of exploration wells in the Republic of Serbia • investments in basic infrastructure • investments in concession rights
Services	<ul style="list-style-type: none"> • outfitting repair facilities according to technical and HSE requirements • equipping the S-3 plant
Bottom-of-the-barrel Project	<ul style="list-style-type: none"> • modernization of refining - continuation of implementation according to Bottom of the Barrel project
Refining	<ul style="list-style-type: none"> • projects for comply with legal norms and regulations • projects to increase production efficiency • program of investment maintaining of Refining Block • corporate production automation projects
Sales and Distribution	<ul style="list-style-type: none"> • retail network development in Serbia (petrol station construction and reconstruction) • Logistics projects (transport, NB reconstruction and other projects) • other retail projects in Serbia • development of retail network in the region (other retail projects) • business unit projects (aero, bunkering, lubricants)
Energy	<ul style="list-style-type: none"> • procurement of specialized software for electricity trading, gas and risk management (ETRM)
Corporate Centre	<ul style="list-style-type: none"> • projects with IT component (SAP success factor, HSEnet, O3 implementation) • business center projects (work space adaptation) • financial Reporting Automation (SAP BPC)

Indebtedness

At the end of Q1 2020, bank debt increased to the level of 619.0 million euro, as compared to the end of 2019's level of 589.8 million euro. The increase of bank debt is due to withdrawal of short term RSD loans required to maintain the current liquidity under emergency conditions in Serbia.

Besides, the debt to Gazprom neft p.j.s.c. was reduced to the current level of 152.9 million euro.



⁴⁸ In addition to debt to banks and Letters of Credit NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of EUR 28.4 million, corporate guarantees in the amount of EUR 43.2 million and Letters of Intent signed with banks in the amount of EUR 1.4 million and financial leasing in the amount of EUR 19.6 million as at 31 March 2020.

Taxes and Other Public Revenue⁴⁹

NIS j.s.c. Novi Sad	Q1 2020	Q1 2019	% ⁵⁰
Social insurance contributions paid by employer	0.43	0.39	10%
Energy efficiency fee⁵¹	0.08	-	-
Corporate tax	0.00	0.13	-100%
Value-added tax	4.13	5.66	-27%
Excise duties	28.05	26.69	5%
Commodity reserves fee	1.42	1.42	0%
Customs duties	0.17	0.05	243%
Royalty	0.27	0.34	-19%
Other taxes	0.35	0.35	2%
Total	34.91	35.01	0%
NIS subsidiaries in Serbia⁵²			
Social insurance contributions paid by employer	0.21	0.14	51%
Corporate tax	-0.01	0.04	-123%
Value-added tax	0.29	0.19	47%
Excise duties	0.00	0.00	
Customs duties	0.02	0.01	66%
Royalty	0.00	-	-
Other taxes	0.02	0.02	-6%
Total	0.53	0.41	28%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	35.44	35.43	0%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.01	0.01	9%
Corporate tax	0.05	0.01	596%
Value-added tax	0.25	0.37	-33%
Excise duties	2.82	3.02	-7%
Customs duties	1.29	1.10	18%
Royalty	0.01	0.00	-
Other taxes	0.03	0.03	6%
Total	4.46	4.53	-2%
Deferred taxes (total for Group)	-	-	-
Total NIS Group⁵³	39.90	39.96	-0.2%

⁴⁹ In RSD billion.

⁵⁰ Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

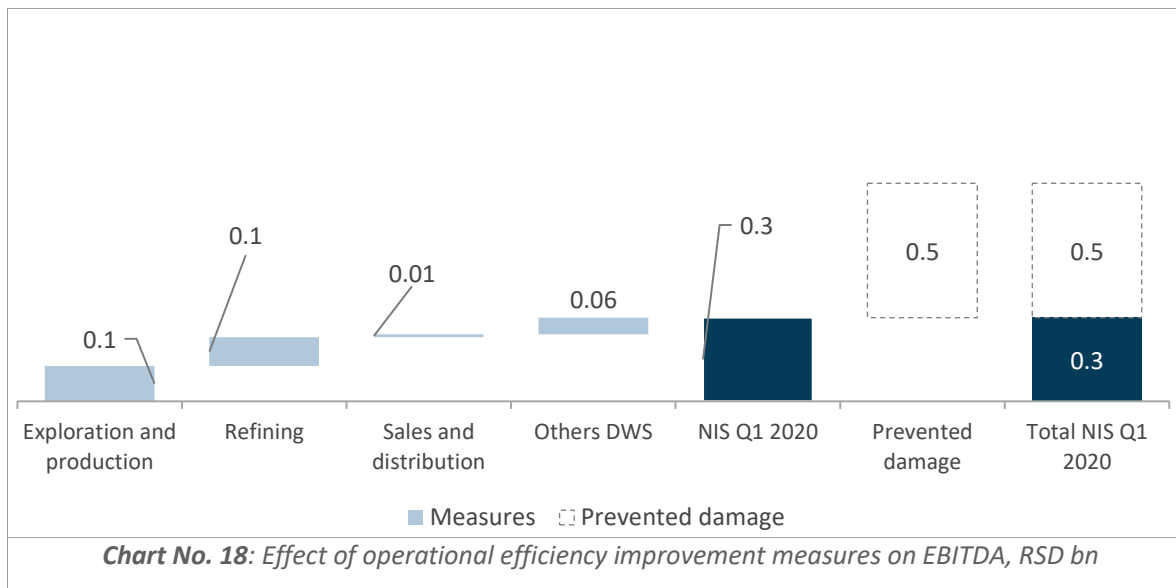
⁵¹ Calculated from 1 July 2019.

⁵² Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS Naftagas LLC Novi Sad, O Zone a.d. Belgrade.

⁵³ Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

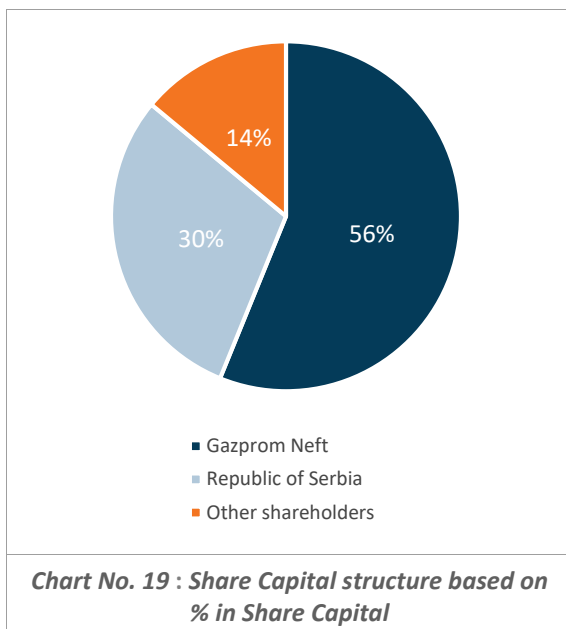
Operational Efficiency Improvement

The effect of operational efficiency improvement measures on EBITDA in first quarter of 2020 is RSD 0.3 billion.



Securities

Share Capital Structure



NIS j.s.c. Novi Sad share capital is RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of 500.00 RSD. All issued shares are ordinary shares, vesting their holders with the following rights:

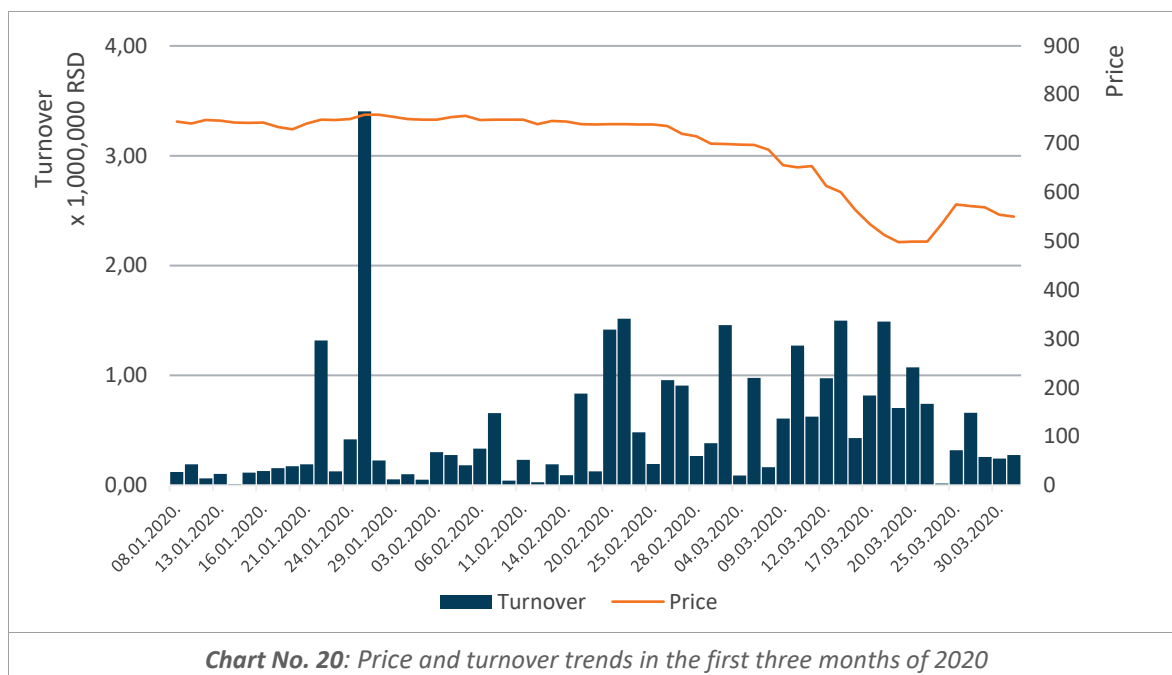
- Right to participate and vote at the shareholders' assembly meetings, according to one-share-one vote rule;
- Right to dividend in compliance with applicable legislation;
- Right to participate in the distribution of the liquidation remainder or bankruptcy estate in compliance with the bankruptcy law;
- Pre-emption right to buy a new issue of ordinary shares and other financial instruments tradable for ordinary shares, out of new issue;
- Other rights in accordance with the Company Law and corporate documents.

The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

Shareholder	Number of shares	% in share capital
PJSC 'Gazprom Neft'	91,565,887	56.15%
Republic of Serbia	48,712,129	29.87%
OTP bank Srbija – custody account - fund	2,204,684	1.35%
OTP bank Srbija – custody account - fund	833,007	0.51%
Dunav Osiguranje a.d.o. Beograd	390,081	0.24%
Global Macro Capital Opportunities	361,854	0.22%
Convest a.d. Novi Sad - collective account	226,634	0.14%
Aktiv-fond d.o.o.	182,098	0.11%
Unicredit bank Srbija a.d. – custody account	164,796	0.10%
Raiffeisen banka a.d. – custody account	161,838	0.10%
Other shareholders	18,257,392	11.20%
Total number of shareholders as at 31 March 2020:		2,072,649

Share Trading and Indicators per Share

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



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in first quarter of 2020	
Last price (31 March 2020)	550 RSD
High (28 January 2020)	760 RSD
Low (23 March 2020)	490 RSD
Total turnover	310,576,973 RSD
Total volume (number of shares)	471,138 shares
Total number of transactions	2,202 transactions
Market capitalization as at 31 March 2020	89,683,220,000 RSD
EPS	-0.76 RSD
Consolidated EPS	-6.51 RSD
P/E ratio	-728.18
Consolidated P/E ratio	-84.46
Book value as at 31 March 2020	1,596.58 RSD
Consolidated book value as at 31 March 2020	1,555.83 RSD
P/BV ratio	0.34
Consolidated P/BV ratio	0.35

In first three months of 2020, there were no acquisitions of treasury shares by the Company.

Dividends

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

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

	Net profit (loss), RSD bn ⁵⁴	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in % ⁵⁵
2009	-4.4	0	-	-	0	-	-
2010	16.5 ⁵⁶	0	-	101.1	0	475	-
2011	40.6 ⁵⁷	0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6
2015	16.1	4	25%	98.8	24.69	600	4.1
2016	16.1	4	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8

Overview of Financial Instruments Used by the Group

Due to its exposure to foreign exchange risk, NIS Group practises forward transactions in the foreign exchange market as an instrument for managing this type of risk.

Being the parent company of the entire Gazprom Neft Group, which includes NIS j.s.c. Novi Sad and its subsidiaries, PJSC 'Gazprom Neft' manages commodity-hedging instruments at the level of Gazprom Neft Group and decides if it is necessary to use specific commodity hedging instruments.

⁵⁴ Net profit of NIS j.s.c. Novi Sad.

⁵⁵ Calculated as the ratio of gross dividend and year-end share price.

⁵⁶ Net profit used to cover accumulated losses.

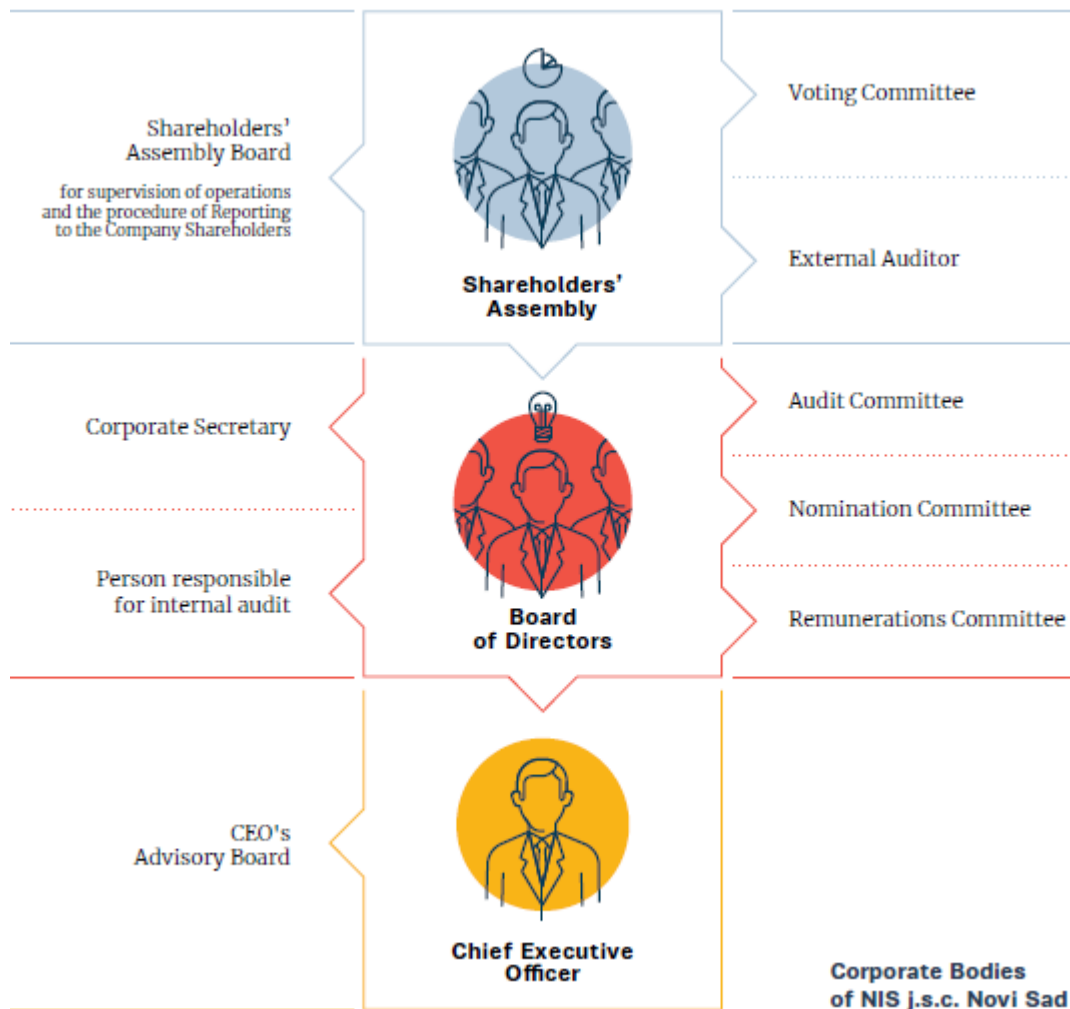
⁵⁷ Net profit used to cover accumulated losses.

Corporate Governance

Corporate Governance System

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

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



Shareholders' Assembly and Shareholders' Rights

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

Board of Directors

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

The Board of Directors has 11 members appointed by the Shareholders Assembly. The members elect the Chairperson of the Board of Directors, while the responsibilities of the Board of Directors' Chairperson and the CEO are clearly divided.

Members of the Board of Directors

Members of the Board of Directors are appointed and dismissed by the Shareholders' Assembly.

At the 11th Ordinary Meeting of NIS' Shareholders' Assembly, held on 27 June 2019, Vadim Yakovlev, Kirill Tyurdenev, Danica Drašković, Alexey Yankevich, Sergey Papenko, Alexander Krylov, Dejan Radenković, Alexander Chepurin, Anatoly Cherner and Olga Vysotskaia were appointed as members of the Board of Directors, while the 11th member, Dragutin Matanović was appointed as member of the Board of Directors on the 43rd Extraordinary Meeting of NIS' Shareholders' Assembly, held on 6 September 2019.

On 5 March 2020, on the basis of his resignation, the term of office of a member of the Board of Directors, Mr. Sergei Papenko, ceased, and on 25 March 2020, Mr. Pavel Oderov was appointed to the vacancy of the Board of Directors of NIS.

The Board of Directors consists of executive and non-executive directors. The Board of Directors consists of one executive member, while all the other members are non-executive. Two of these non-executive members are also independent members of the Board of Directors who meet special criteria prescribed by the Law.

Board of Directors' Members as of 31 March 2020



Vadim Yakovlev

Chairman of NIS j.s.c. Novi Sad Board of Directors

Deputy Chairman of PJSC "Gazprom Neft" Executive Board,

Deputy of PJSC "Gazprom Neft" CEO in charge of exploration and production including offshore, strategic planning and mergers and acquisitions

Born in 1970.

In 1993, Mr. Yakovlev graduated from the Moscow Engineering Physics Institute, Department of Applied Nuclear Physics. Mr. Yakovlev graduated from the Faculty of Finance at the International University in Moscow in 1995. Since 1999, he has been a qualified member of the ACCA (Chartered Association of Certified Accountants). In 2009, he earned a degree from the British Institute of Directors (IoD).

During his employment with PricewaterhouseCoopers from 1995 to 2000, Mr. Yakovlev held various positions, starting from a Consultant to being promoted to Audit Manager. In the period from 2001 to 2002, he served as Deputy Head of Financial and Economics Department, YUKOS EP c.j.s.c. From 2003 to 2004, he was Financial Director of Yugansk Neftegaz, NK Yukos. From 2005 to 2006, Mr. Yakovlev held the position of Deputy General Director in charge of economy and finance at SIBUR-Russian Tyres. From 2007 to 2010 – „Gazprom neft“ PJSC Deputy CEO in charge for economics and finance. From 2007 – Deputy Chairman of the Executive Board of „Gazprom neft“ PJSC. From 2010 to 2011 – First Deputy CEO – „Gazprom neft“ PJSC Financial Director. From 2011 he was at the post of the „Gazprom neft“ PJSC First Deputy CEO.

As of 2019 he holds the post of the „Gazprom neft“ PJSC Deputy CEO in charge of exploration and production.

Mr. Yakovlev was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10 February 2009. and he was elected Chairman of the NIS j.s.c. Novi Sad Board of Directors as of 31 July 2009.

именован је 10.02.2009. године, а на функцију председника Одбора директора НИС а.д. Нови Сад именован је 31.07.2009. године.



Kirill Tyurdenev

CEO of NIS j.s.c. Novi Sad

Member of NIS j.s.c. Novi Sad Board of Directors

Member of the Appointment and Government Commission

Born in 1977.

He graduated with honors from Faculty of International Relations with a bachelor's degree and later with a master degree in International Law (with specialization) at the Moscow State Institute of International Relations (MGIMO). He also obtained a Master of Laws (LL.M) degree from the University of Manchester. Completed executive education programme at international business school INSEAD and London Business School.

From 2000 to 2004, worked for A.T. Kearney and Unilever. In 2004 he joined McKinsey & Co. From 2007 through 2012, he worked for Sibur Mineral Fertilizers as Deputy CEO for Strategy and Corporate Development. From 2012 he served as Executive Vice President and Board member in JSFC Sistema. Before joining NIS j.s.c. Novi Sad Kirill Tyurdenev occupied the position of the President and Board Chair in United Petrochemical Company which, at that

moment, was part of the JSFC Sistema group, and as Chairman of the Board of Directors of Ufaorgsintez.

On April 2016 Kirill Tyurdenev joined NIS j.s.c. Novi Sad as First Deputy CEO for Refining and Sales.

On December 8, 2016, he was elected as member of the Board of Directors, and on March 22, 2017 he was appointed as CEO of NIS j.s.c. Novi Sad.

Danica Drašković

Member of NIS j.s.c. Novi Sad Board of Directors



Born in 1945.

Ms. Drašković graduated from the Faculty of Law, University of Belgrade in 1968.

From 1968 to 1990, she worked in the field of finance in the banking sector, and in the field of law and commerce within the economy sector, and as a Belgrade City Magistrate. Ms. Drašković is the owner of the publishing house "Srpska reč", founded in 1990. She is the author of three books written in the opinion journalism style.

From 1 April 2009 to 18 June 2013, Ms. Danica Drašković was a member of the NIS j.s.c. Novi Sad Board of Directors, being re-elected on 30 June 2014.

Alexey Yankevich

Member of NIS j.s.c. Novi Sad Board of Directors

Deputy CEO for Economics and Finance "Gazprom Neft" PJSC



Born in 1973.

In 1997, Mr. Yankevich graduated from Saint-Petersburg State Electrical Engineering University ("LETI"), majoring in optical and electronic instruments and systems. In 1998, he completed a course at LETI-Lovanium International School of Management in Saint-Petersburg.

Mr. Yankevich was employed with CARANA, a consulting company from 1998 to 2001. In the period from 2001 to 2005 he served as Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM o.j.s.c. (business unit responsible for logistics and downstream operations). In 2004, he became a Certified Management Accountant (CMA). From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group). From 2007 to 2011 he held the post of Head of the Planning and Budgeting Department, and was Head of Economics and Corporate Planning Department at "Gazprom Neft" PJSC.

Since August 2011 he has served as acting Deputy CEO for Economics and Finance at "Gazprom Neft" PJSC. Mr. Yankevich has been a member of the

Management Board of "Gazprom Neft" PJSC and Deputy CEO "Gazprom Neft" PJSC for Economics and Finance since March 2012.

Mr. Yankevich was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 18 June 2013.



Pavel Oderov

Member of NIS j.s.c. Novi Sad Board of Directors

Deputy CEO for Foreign Economic Affairs of "Gazprom Neft" PJSC

Born in 1979.

In 2000, Mr. Oderov graduated from the National University of Oil and Gas "Gubkin University", Faculty of Economics;

In 2002, he graduated from the National University of Oil and Gas "Gubkin University", Faculty of Management;

In the period from October 2002 to June 2007 he held positions such as leading expert, head of a section, deputy head of Department in the field of marketing of Lukoil-Neftekhim ZAO.

From September 2007 to February 2020 he held various managerial positions within the „Gazprom“ Group.

Since 23.06.2017, Mr. Oderov is Chairman of the Board of Directors of South Stream Serbia AG.

From February 2020 to the present he has served as JSC Gazprom Neft Deputy CEO for Foreign economic activities.

Mr. Oderov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 25 March 2020.



Alexander Krylov

Member of NIS j.s.c. Novi Sad Board of Directors

Director of the Division for Regional Sales in PJSC "Gazprom Neft"

Born in 1971.

In 1992, Mr. Krylov graduated from LMU (Leningrad) and graduated from the Faculty of Law of Saint Petersburg State University in 2004. In 2007, he earned MBA degree from Moscow International Business School MIRBIS, specializing in Strategic management and Entrepreneurship.

From 1994 to 2005 Mr. Krylov held managerial positions in the field of real estate sales (Chief Executive Officer, Chairman) in the following companies: Russian-Canadian SP "Petrobild"; c.j.s.c. "Alpol".

From 2005 – 2007 he was deputy director in the Division for implementation in "Sibur" Ltd. In April 2007, Mr. Krylov was appointed Head of the Division for Petroleum Product Supply, head of the Regional Sales Division and Director of the Regional Sales Department at "Gazprom Neft" PJSC.

Mr. Krylov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 29 November 2010.



Dragutin Matanović

Member of NIS j.s.c. Novi Sad Board of Directors

Chairman of the Appointment and Government Commission

Born in 1954.

Batchelor of Electric Engineering (BEE).

He was employed at the position of electric engineer at the Company „Lola računari“ in Belgrade.

Director of the Company „Lola računari“ in Belgrade.

He was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 06.09.2019.



Dejan Radenković

Member of NIS j.s.c. Novi Sad Board of Directors

Member of the Audit Commission

Born in 1971.

Elementary and high education completed in Priština, graduated from the Economy faculty in Priština and awarded a Master degree in the field of Economy from the EDUCONS University.

Mr Radenković has started his professional experience with Company for trade and services „Balkan auto“ in Priština and CC PTT „Serbia“. As of 2005 he was at the post of Director of „Orbita“ j.s.c. and from 2010 he was with the „Ratko Mitrović“ j.s.c., at the post of General manager, Executive manager and member of the Board of Directors. He held the post of member of the Board of Directors of the Economy faculty in Priština, Deputy General manager of the First Global Brokers company from Belgrade. He was Chairman of the Board for supervision of operations and Member of the Board of Directors of Dunav Bank j.s.c. Zvečan, where he also held the post of the Chairman of the Board of Directors. From 2013 to 2017 he was a member of the Supervisory Board of the JV „Lasta“ j.s.c. Belgrade.

He is a member of the Board for supervision of operations of the „MTS bank“ j.s.c. Belgrade at the present.

He was elected member of the Parliament of Republic of Serbia in 2008, 2012, 2014 and 2016.

He was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 27.06.2019.



Alexander Chepurin

Independent Member of NIS j.s.c. Novi Sad Board of Directors

Member of Appointment and Government Commission

Born in 1952.

Graduated from the Moscow State Institute of International Relations (MGIMO University) in 1975.

A career diplomat, from 1975 onwards Mr. Chepurin worked at the Ministry of Foreign Affairs of the USSR and later, the Ministry of Foreign Affairs of the Russian Federation.

From 1986 to 1992, he headed the Economy group of the Embassy of the USSR (Russia) in Italy. From 1994 to 1996, he was Director of one of the leading Departments in the Ministry, the Human Resources Department. From 1994 to 1997 he was also a member of the United Nations International Civil Service Commission in New York (ICSC). As from 1996 to 2000 he was Ambassador Extraordinary and Plenipotentiary of the Russian Federation in Denmark.

From 2005 to 2012, Mr. Chepurin was Director of the Russian Federation Ministry of Foreign Affairs Department for Relations with Compatriots Abroad.

From 2012 to June 2019, he served as Ambassador of the Russian Federation to Serbia. He has the rank of Ambassador Extraordinary and Plenipotentiary and several Russian and Serbian state orders and medals.

In 2009, he was awarded a PhD Degree in Political Science.

From 2012 to 2019 Mr. Chepurin closely dealt with issues of cooperation development between Russian energy companies and the Republic of Serbia, focusing on strengthening cooperation between Russian and Serbian energy companies.

Mr. Chepurin was elected independent member of the NIS j.s.c. Novi Sad Board of Directors as of 27.06.2019.



Anatoly Cherner

Member of NIS j.s.c. Novi Sad Board of Directors

Chairman of the Remuneration Commission

Deputy Chairman of the PJSC "Gazprom Neft" Executive Board,

Deputy CEO for Logistics, Refining and Sales at PJSC "Gazprom Neft"

Born in 1954.

Mr. Cherner graduated from Grozny Oil Institute in 1976 with a degree in chemical oil and gas engineering.

In the same year he was employed at the Sheripov Grozny Refinery, starting as an operator to become refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of the company. He joined SibNeft (from June 2006

– “Gazprom Neft” PJSC) as Vice-Chairman for refining and marketing in April 2006. In December 2007 he was appointed Deputy CEO for logistics, refining and sales in “Gazprom Neft” PJSC.

Mr. Cherner was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10 February 2009.



Olga Vysotskaia

Independent Member of NIS j.s.c. Novi Sad Board of Directors

Chairman of the Audit Commission

Member of the Remuneration Commission

Born in 1961.

Graduated cum laude from the Leningrad State University in 1984, from the Department of Economy Cybernetics, with specialisation in economic mathematics. Post-graduate studies in mathematical cybernetics at the Institute of social and economic studies of the USSR Academy of science, Leningrad division, in 1987. Completed the MBA at Bristol University in 1998. Earned the Professional independent director diploma from the London Institute of Directors in 2009.

She held the position of Chair of the Board of Directors (BoD), CEO, Chair of science and production companies from 1988 to 1995, and she was Director of many private companies. From 1995 to 2003 she held various partner positions with KPMG in New York and Moscow. From 2003 to 2005 she was person in charge of Internal audit Directorate of "Yukos", Moscow. From 2005 to 2008 she was Consulting services Executive partner of Deloitte&Touche, From 2006 to 2013 she held positions of independent member of the BoD, Chair of the Audit Commission, member of the Strategy Commission, member of the Remuneration Commission of "EM - alliance" and "KIT Finance", as well as independent member of the Audit Commission of OJSC "Baltika". From 2012 to 2013 she was a partner in PricewaterhouseCoopers (PwC) and from 2013 to 2014 - independent member of the CJSC "NefteTransService" Board of Directors, Chair of the Audit Commission, member of Remuneration Commission. As of 2013 she is holding position of independent member of LTD "İNK" BoD and from 2015 to 2018 she held position of independent member of BoD of JSC "SUEK".

Ms Vysotskaia was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 21 June 2018.

Total amount paid to Board of Directors members in first quarter of 2020, net RSD	
BoD Members	62,491,991

Membership in Other Companies' Boards of Directors or Supervisory Boards

Vadim Yakovlev	<ul style="list-style-type: none"> • PJSC NGK "Slavneft" • LTD "Gazprom Neft-Sahalin" • Salym Petroleum Development N.V. (Chairman of Supervisory Board) • FGAOU "Tyumen State University (member of the Supervisory board) • LTD "UT IT "Novaya Industriya" (Chairman of the BoD)
Kirill Tyurdenev	-
Danica Drašković	-
Alexey Yankevich	<ul style="list-style-type: none"> • PJSC "NGK Slavneft" • "Gazprom Neft Lubricants s.p.a." Italy (Chairman of the BoD)
Pavel Oderov	<ul style="list-style-type: none"> • South Stream Serbia AG (Chairman of the BoD)
Alexander Krylov	<ul style="list-style-type: none"> • Association Hockey Club "Avangard" (Chairman of the BoD) • LTD "KHL"
Dragutin Matanović	-
Dejan Radenković	-
Alexander Chepurin	-
Anatoly Cherner	<ul style="list-style-type: none"> • PJSC NGK "Slavneft" • PJSC "Slavneft-YANOS" (Chairman of the BoD) • Saint Petersburg International Mercantile Exchange • OJSC "Mozirski NPZ" • "Gazprom Neft Lubricants s.p.a." Italy
Olga Vysotskaia	<ul style="list-style-type: none"> • Nonprofit organization «Serebryanoe vremya» (Chair of the Supervisory Board, Director) • LTD INK (independent member of the BoD, Chair of the Audit Commission)

Board of Directors' Committees

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

On 12 December 2019, the Board of Directors appointed members of the Committees of the Board of Directors as follows:

- Audit Committee:
 - Olga Vysotskaia, Chairperson of Audit Committee;
 - Dejan Radenković, Audit Committee member and
 - Alexey Urusov, Audit Committee member.

- Remuneration Committee:
 - Anatoly Cherner, Chairman of Remuneration Committee;
 - Olga Visocka, Remuneration Committee member and
 - Zoran Grujičić, Remuneration Committee member.
- Nomination Committee:
 - Dragutin Matanović, Chairman of Nomination Committee;
 - Alexander Chepurin, Nomination Committee member and
 - Kirill Turdenev, Nomination Committee member

As appropriate, the Board of Directors may establish other standing or ad hoc committees to deal with the issues relevant for the activities of the Board of Directors.

Shareholders' Assembly Board

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

At the XI regular session of NIS's Assembly of Shareholders held on 27 June 2019, the following members of the NIS's Shareholders Assembly Board were appointed: Zoran Grujičić, Dragan Bračika and Alexey Urusov.

Members of the Shareholders' Assembly Board as at 31 March 2020



Zoran Grujičić

Chairman of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad
Member of the Remuneration Commission

Born in 1955.

Mr Grujičić graduated from the Faculty of Mechanical Engineering of the University of Belgrade.

From 1980 to 1994, he was employed by the "Cer" heat transfer appliances plant in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of Interkomerc, Belgrade. From February 1998 to June 2004, he was Managing Director of MNG Group d.o.o., Čačak. From June 2004 to February 2007, he was Director of the trading company Agrostroj j.s.c. Čačak, Director of the limited partnership company Leonardo from Čačak and Director of the Vojvodina Highway Centre. Since February 2007, Mr. Grujičić has been employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department in Jugopetrol, Head of RC Čačak at the

Retail Department – Čačak Region, Manager of Retail Network Development in the Development Department, Sales and Distribution. From October 2012 to January 2016, he had served as Advisor to the Sales and Distribution Director and since February 2016 has been an Advisor to the Function for External Affairs and Government Relations Director. He has served as Advisor to the General Director since October 2017.

From 30.06.2014 to 27.06.2019, Mr Grujičić was a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders.

As of 27 June 2019 he was appointed as a Chairman of the the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders.



Dragan Bračika

Member of the Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

Born in 1982.

Mr Bračika graduated from the Faculty for business and industrial management of the Union University in Belgrade, Department for industrial and economy management and holds a BSc degree in management.

From 2013 to 2015, he was Advisor to General manager of the Novi Sad Fair.

From 2016 to the present he serves as Director of Ceptor Andrevlje.

Mr Bračika was appointed as a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 27.06.2019.



Alexey Urusov

Member of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

Member of the Audit Commission

Director of Economics and Corporate Planning Department in "Gazprom Neft" PJSC

Born in 1974.

Mr Urusov graduated from the Tyumen State University (specializing in finance) and the University of Wolverhampton in the United Kingdom (BA (Hons) Business Administration). He furthermore holds an MSc degree in Sociology.

From 2006 to 2008, he worked as Executive Vice-President for planning and performance management in the Integra Group. From 2002 to 2006, he was employed at TNK-BP, being a member of TNK BoD's Group for Monitoring and Control from 2002 to 2003, and CFO of TNK-BP Ukraine from 2004 to 2006.

From 2009 to 2012, Mr Urusov was employed with NIS j.s.c. Novi Sad as Chief Finance Officer. From 2012, he has been employed as a Director for economics and corporate planning with PJSC "Gazprom Neft".

He was appointed member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 25 June 2012.

Total amount of fees paid to SAB members in first quarter of 2020, net in RSD	
Members of SAB	4,820,526

Membership in Other Companies' Boards of Directors or Supervisory Boards

Zoran Grujičić	-
Dragan Bračika	<ul style="list-style-type: none"> • Board of Directors member, Specialized hospital for prevention, treatment of lung diseases and rehabilitation Sokobanja; • Director, Center for economy and technology development Ceptor Andrevlje.
Alexey Urusov	<ul style="list-style-type: none"> • Board of Directors member, Gazpromneft - Catalytic systems LLC; • Board of Directors member Gazpromneft – Energoservice LLC; • Board of Directors member, ITSK LLC • Board of Directors member, Noyabrskneftegazsvyaz LLC.

Number and Percentage of NIS j.s.c. Novi Sad Shares Owned by SAB members

Name and surname	Number of shares	% in total number of shares
Dragan Bračika	5	0,000003066%

Chief executive officer

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

Advisory Board of the CEO

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities. The composition of the Advisory Board was determined by the Decision of the CEO, and it includes the First Deputy CEO – Head of Downstream Division, the First Deputy CEO – Head of Exploration and Production Block, Heads of the Refining and Sales and Distribution Blocks, heads of the Company's Functions, as well as head of the Naftagas – Oil Services LLC Novi Sad. In addition to issues related to the business management of the Company, the

Advisory Board deals with the strategy and development policy whose basis is set by the Shareholders' Assembly and the Board of Directors of the Company.

Related-Party Transactions

In the year ended 31 March 2020 and in the same period in 2019, 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. An outline of related-party transactions is part of the Notes to the Financial Statements.

Human Resources

Based on the adopted HR strategy in 2019, as well as the plan to transform the corporate culture and development of NIS brand as an employer, the first quarter of 2020 was along the lines of planning and development of projects defined in the previous year. The pillar of the company's corporate culture transformation is the new corporate values on the basis of which two workshops were organized in the first quarter, for different groups of our employees in Serbia and Bosnia and Herzegovina. The aim of the workshops was to present new values to employees and integrate them into business and processes.

In the first quarter of this year, the process of making our company's operations compliant with the Law on Agency Employment was carried out, within which 5,500 employees from employment contracts with leasing companies switched to employment contracts within the staffing plan of NIS Group companies.

The new NIS Collective Agreement became effective on 3 March and will apply for the next three years. Other than that, new collective agreements have been defined in the subsidiaries of Naftagas - Oil Services LLC Novi Sad, Naftagas - Technical Services LLC Zrenjanin, NTC NIS Naftagas LLC Novi Sad and Naftagas - Transport LLC Novi Sad. In defining collective agreements, the goal of our company as a responsible employer was to provide employees with the best possible working conditions, and special attention was paid to socially disadvantaged categories.

Employee Number and Structure

Organisational unit	3/31/2020			3/31/2019		
	Direct	Leasing	Total	Direct	Leasing	Total
NIS j.s.c Novi Sad	5.234	75	5.309	4.055	3.647	7.702
Exploration and Production Block	1.103	0	1103	862	214	1.076
Downstream Division	2.522	75	2.597	2.073	3.001	5.074
Refining Block	960	0	960	948	21	969
Sales and Distribution Block	1.403	75	1.478	983	2.960	3.943
Energy Directorate	41	0	41	41	5	46
the rest of Downstream Division ⁵⁸	118	0	118	101	15	116
Corporate Centre	1.164	0	1.164	1.076	432	1.508
Multifunctional Shared Service Center ⁵⁹	414	0	414			
Representative and Branch Offices	31	0	31	44	0	44
Local subsidiaries	5.784	0	5.784	1.578	1.779	3.357
Naftagas – Oil Services LLC Novi Sad	1.991	0	1.991	990	1.290	2.280
Naftagas – Technical Services LLC Zrenjanin	343	0	343	176	124	300
Naftagas – Transport LLC Novi Sad	367	0	367	85	326	411
STC NIS – Naftagas LLC Novi Sad	373	0	373	327	39	366
NIS Petrol j.s.c. Belgrade ⁶⁰	2.710	0	2.710	0	0	0
Subsidiaries abroad	112	2	114	71	1	72
NIS Petrol e.o.o.d. Sofia (Bulgaria)	49	0	49	35	0	35
NIS Petrol s.r.l. Bucharest (Romania)	56	0	56	27	0	27
NIS Petrol LLC Banja Luka (Bosnia and Herzegovina)	4	0	4	6	0	6
Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina)	3	0	3	3	0	3
Panon Naftagas k.f.t. Budapest (Hungary)	0	2	2	0	1	1
Other subsidiaries included in consolidation	459	0	459	445	134	579
O Zone j.s.c. Belgrade ⁶¹	0	0	0	4	134	138
NIS Overseas o.o.o. Saint Petersburg (Russian Federation)	4	0	4	4	0	4
NIS Svetlost LLC Bujanovac	0	0	0	0	0	0
G Petrol LLC Sarajevo (Bosnia and Herzegovina)	455	0	455	437	0	437
TOTAL:	11.589	77	11.666	6.149	5.561	11.710

⁵⁸ The rest of the Downstream Division consists of: Director of Division's Office, Department for Crude Oil, Department of Planning, Optimization and Analysis of Production and Sales, Department of Metrology and Group for Administration and Documentation Support and Department of procurement DWS.

⁵⁹ At the end of 2019, the Multifunctional Share Service Center is set to be established, which is particularly prominent because of its specificity.

⁶⁰ O zone a.d. Belgrade changes its business name from March 2020 and becomes NIS Petrol j.s.c. Belgrade. Considering that part of the Sales and distribution Block from NIS j.s.c. (retail) transferred to NIS Petrol j.s.c. Belgrade, we are showing it with other subsidiaries in the country.

⁶¹ O zone a.d. Belgrade changes its business name from March 2020 and becomes NIS Petrol j.s.c. Belgrade. Considering that part of the Sales and distribution Block from NIS j.s.c. (retail) transferred to NIS Petrol j.s.c. Belgrade, we are showing it with other subsidiaries in the country.

Causes of Employment Termination

In first three months of 2020, a total of 171 employees left NIS⁶²: 13 employees retired, 68 employees left NIS after termination of employment by mutual agreement, while the employment of 90 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy).

Cause of employment termination	NIS j.s.c. Novi Sad ⁶³	Subsidiaries ⁶⁴
Retirement	7	6
Termination by mutual agreement	28	40
Other	44	46
Total	79	92

⁶² NIS j.s.c. Novi Sad with the subsidiaries Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

⁶³ Including Representative Offices and Branches. Out of the total number of departures, 18 departures from representative offices and branches.

⁶⁴ Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC, Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

Research and Development

In all segments of its business, NIS is dedicated to continuous technological development and introducing innovations into business.

STC NIS-Naftagas LLC Novi Sad, a daughter company fully owned by NIS, provides its parent company with scientific, technical and innovational support in the field of oil and gas exploration and production. The research and development activities within STC NIS-Naftagas have a dual role – coordinating and performing scientific and research work.

Implementation and development of new technologies, scientific and research activities, as well as increasing the efficiency of exploration, production and refining of oil and gas remain in focus of the STC management and employees. It is oriented towards several directions. In the field of geological exploration, STC is implementing a regional project, whose aim is the discovery of hydrocarbons in Paleozoic or intra-Paleozoic rocks, and, in the case of discovery, their efficient production. In the field of exploration and production of oil and gas, we are working on finding the optimal solution for preventing the removal of sand from low-bonded rock collectors, the right choice of polymers for heavy and viscous oil reservoirs in order to increase the coefficient of utilization as well as agents for preventing the formation of chemical deposits on equipment production in wells. To prepare produced crude oil for transport to the refinery, STC is optimizing a demulsifier which will separate the water produced together with oil as quickly as possible and shorten the production process. The laboratory is introducing new methods of testing petroleum products and having them accredited in accordance with EU standards. It is also extensively preparing for the application of completely new methods for testing botom-of-the-barrel products.

Apart from these directions, STC is actively engaged in the development and application of new technologies, including information and communication technologies in its core activity. In this direction, STC has made large steps in the field of improving user software support, database maintenance, implementation and maintenance of a virtual platform. It also provides support and maintains software for processing seismic data, coordinates and leads projects with IT elements, and implements new infrastructural and software solutions in accordance with the Company's core activity.

The realization of these activities was made possible by constant improvement of our employees' expertise and by investment in information technologies, both of which represent key prerequisites for development of NIS j.s.c.

Financial Statements

Stand-Alone Financial Statements

Statement of Financial Position

<i>Assets</i>	Note	31 March 2020	31 December 2019
Current assets		<i>(unaudited)</i>	
Cash and cash equivalents	5	7,916,512	13,501,827
Short-term financial assets	6	7,099,325	6,445,937
Trade and other receivables	7	24,679,846	28,649,729
Inventories	8	37,048,703	44,092,319
Current income tax prepayments		1,656,210	647,660
Other current assets	9	5,792,106	4,430,038
Non-current assets held for sale		142,807	91,901
Total current assets		84,335,509	97,859,411
Non-current assets			
Property, plant and equipment	10	277,471,509	276,244,341
Right-of-use assets	11	1,479,992	943,835
Investment property		1,694,241	1,694,307
Intangible assets		2,892,742	2,811,560
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		13,425,627	13,425,586
Trade and other non-current receivables		152,472	227,491
Long-term financial assets	12	22,385,339	23,316,659
Deferred tax assets		1,161,227	962,197
Other non-current assets	13	1,318,912	1,283,233
Total non-current assets		323,020,861	321,948,009
Total assets		407,356,370	419,807,420
<i>Liabilities and shareholder's equity</i>			
Current liabilities			
Short-term debt and current portion of long-term debt	14	10,720,997	7,451,531
Current lease liabilities	19	269,853	159,332
Trade and other payables	15	24,822,104	40,811,541
Other current liabilities	16	6,173,369	5,951,561
Other taxes payable	17	8,495,296	8,909,634
Provisions for liabilities and charges		1,546,826	1,572,542
Total current liabilities		52,028,445	64,856,141
Non-current liabilities			
Long-term debt	18	81,577,732	82,583,969
Non-current lease liabilities	19	1,085,820	652,092
Other non-current financial liabilities	20	841,303	-
Long-term trade and other payables		9,856	-
Provisions for liabilities and charges		11,473,751	11,251,613
Total non-current liabilities		94,988,462	94,487,674
Equity			
Share capital		81,530,200	81,530,200
Reserves		92,978	93,959
Retained earnings		178,716,285	178,839,446
Total equity		260,339,463	260,463,605
Total liabilities and shareholder's equity		407,356,370	419,807,420

in 000 RSD

Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 March	
		2020	2019
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		46,521,229	46,306,335
Other revenues		2,146,057	1,989,293
Total revenue from sales	4	48,667,286	48,295,628
Purchases of oil, gas and petroleum products		(31,681,888)	(30,727,433)
Production and manufacturing expenses	21	(5,265,695)	(5,373,377)
Selling, general and administrative expenses	22	(5,238,020)	(5,055,750)
Transportation expenses		(255,424)	(221,398)
Depreciation, depletion and amortization		(5,014,810)	(4,573,839)
Taxes other than income tax		(1,046,132)	(1,060,399)
Exploration expenses		(3,579)	(11,474)
Total operating expenses		(48,505,548)	(47,023,670)
Other income (expenses), net		(83,102)	(75,443)
Operating profit		78,636	1,196,515
Net foreign exchange gain (loss)	23	(142,031)	115,101
Finance income	24	198,645	265,818
Finance expenses	25	(412,656)	(477,788)
Total other expense		(356,042)	(96,869)
Profit (loss) before income tax		(277,406)	1,099,646
Current income tax expense		(44,786)	(134,828)
Deferred tax income (expense)		199,031	(205,097)
Total income tax expense		154,245	(339,925)
Profit (loss) for the period		(123,161)	759,721
Other comprehensive income (loss):			
Items that will not be reclassified to profit (loss)			
Gains (losses) from investments in equity instruments		(981)	6,410
Other comprehensive income (loss) for the period		(981)	6,410
Total comprehensive income (loss) for the period		(124,142)	766,131
Earnings (Loss) per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		(0.76)	4.66
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2020 and 2019

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2019	81,530,200	92,060	167,681,372	249,303,632
Profit for the period	-	-	759,721	759,721
Other comprehensive income (loss)				
Gains from investments in equity instruments	-	6,410	-	6,410
Total comprehensive income (loss) for the period	-	6,410	759,721	766,131
Balance as at 31 March 2019	81,530,200	98,470	168,441,093	250,069,763
Balance as at 1 January 2020	81,530,200	93,959	178,839,446	260,463,605
Profit (loss) for the period	-	-	(123,161)	(123,161)
Other comprehensive income (loss)				
Loss from investments in equity instruments	-	(981)	-	(981)
Total comprehensive income (loss) for the period	-	(981)	(123,161)	(124,142)
Balance as at 31 March 2020	81,530,200	92,978	178,716,285	260,339,463

in 000 RSD

Statement of Cash Flows⁶⁵

	Note	Three month period ended	
		2020	2019
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit (loss) before income tax		(277,406)	1,099,646
Adjustments for:			
Finance expenses	25	412,656	477,788
Finance income	24	(198,645)	(265,818)
Net unrealised foreign exchange (gain) loss		142,031	(146,157)
Depreciation, depletion and amortization		5,014,810	4,573,839
Other non-cash items		124,190	101,426
Operating cash flow before changes in working capital		5,217,636	5,840,724
Changes in working capital:			
Accounts receivables		4,088,634	649,956
Inventories		7,045,225	8,101,884
Other assets		(1,458,159)	551,043
Accounts payables and other current liabilities		(13,969,691)	(3,098,747)
Taxes payable		(414,370)	620,123
Total effect on working capital changes		(4,708,361)	6,824,259
Income taxes paid		(1,056,265)	(925,404)
Interest paid		(374,605)	(396,259)
Interest received		99,799	154,095
Net cash (used in) generated from operating activities		(821,796)	11,497,415
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries		(41)	-
Loans issued		(541,265)	(1,609,341)
Loan proceeds received		1,724,140	1,362,078
Capital expenditures ⁶⁶		(8,230,919)	(8,284,828)
Proceeds from sale of property, plant and equipment		92,698	37,672
Net cash used in investing activities		(6,955,387)	(8,494,419)
Cash flows from financing activities			
Proceeds from borrowings	14,18	6,940,175	8,297,900
Repayment of borrowings	14,18	(4,646,603)	(10,291,551)
Repayment of lease liabilities	19	(36,878)	(22,953)
Net cash generated from (used in) financing activities		2,256,694	(2,016,604)
Net increase (decrease) in cash and cash equivalents		(5,520,489)	986,392
Effect of foreign exchange on cash and cash equivalents		(64,826)	20,627
Cash and cash equivalents as of the beginning of the period		13,501,827	12,222,578
Cash and cash equivalents as of the end of the period		7,916,512	13,229,597

in 000 RSD

⁶⁵ Company's policy is to present cash flow inclusive of related VAT.

⁶⁶ CF from investing activities includes VAT in the amount of 0,9 bln RSD (2019: 1,0 bln RSD)

Notes to the Financial Statements⁶⁷

1. GENERAL INFORMATION

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Company does not disclose information which would substantially duplicate the disclosures contained in its audited Financial Statements for 2019, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Company believes that the disclosures in these Interim Condensed Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Financial Statements are read in conjunction with the Company's Financial Statements for 2019.

⁶⁷ All amounts are in 000 RSD, unless otherwise stated

However, the spread of the coronavirus pandemic (COVID-19) and the preventive measures which led to decrease in the economic activity of market participants in the first quarter of 2020, as well as significant volatility in the commodity markets (including the decrease in oil prices) while, on the other hand, local currency RSD maintained a relatively stable against the US dollar (USD) and EURO (EUR), since March 2020, have impacted the accounting estimates used by the Company in the Condensed Interim Financial Statements preparation and bear the risk of adjustments to the carrying amounts of assets and liabilities. Information on the effect of these macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Condensed Interim Financial Statements is provided below.

Recoverability of carrying amount of Property, Plant and Equipment

In the line with changes of macroeconomic parameters, management of the Company performed stress sensitivity analysis of its impact on recoverability of the Company PPE and overall business performance (note 10).

The macroeconomic factors mentioned above were taken into account when preparing business plans (models), which are the main source of information for measuring the value in use of non-current assets, including when preparing oil price dynamics, as well as when determining the discount rate.

Based on the currently available information and crude oil price forecast, management believe that recoverable amount of Company's PPE exceed its carrying value at reporting date.

Estimation of oil and gas reserves

The estimation of proved reserves of oil and gas reserves is used to calculate depreciation, depletion and amortization of oil and gas assets. In addition, the assessment of proved oil and gas reserves is used to calculate future cash flows, which are one of the main indicators of whether an asset is impaired. Oil and gas reserves are estimated based on certain assumptions of the Company, including the economic profitability of production, which is affected by the dynamics of oil prices and future capital and operating expenses. The macroeconomic factors mentioned above may lead to a downward revision of the inventory estimate. The Company intention is to assess the macroeconomic factors impact on the amount of reserves in the next reporting periods.

These macroeconomic factors also affected the fair value of financial assets and financial liabilities that are carried at fair value or amortised cost (note 26).

While this is still an evolving situation at the time of issuing these financial statements and the future effects cannot be predicted, the management expects a negative impact. Management will continue to monitor the potential impact in order to adequately take measure to mitigate impact if the negative trends on the market continue.

Subsequent events occurring after 31 March 2020 were evaluated through 24 April 2020, the date these Interim Condensed Financial Statements were authorised for issue.

The results for the three month period ended 31 March 2020 are not necessarily indicative of the results expected for the full year.

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2019, except for those described in the Application of new IFRS paragraph.

3. NEW ACCOUNTING STANDARDS

Application of new IFRS

The following amendments to the existing standards which become effective did not have any material impact on the Company:

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business – Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Material – Amendments to IAS 1 and IAS 8 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and effective for annual periods beginning on or after January 2020).

New accounting standards

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

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021);
- 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);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and effective for annual periods beginning on or after January 2022).

Unless otherwise described above, the new standards and interpretations are not expected to have significant impact on the Company's Interim Condensed Financial Statements.

4. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the three month period ended 31 March 2020 and 2019. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the three month period ended 31 March 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	9,576,349	48,393,961	(9,303,024)	48,667,286
Intersegment	9,144,573	158,451	(9,303,024)	-
External	431,776	48,235,510	-	48,667,286
EBITDA (Segment results)	5,372,006	(199,232)	-	5,172,774
Depreciation, depletion and amortization	(2,821,383)	(2,193,427)	-	(5,014,810)
Net foreign exchange loss	(30,090)	(111,941)	-	(142,031)
Finance expenses, net	(13,533)	(200,478)	-	(214,011)
Income tax	(44,786)	199,031	-	154,245
Segment profit /(loss)	2,462,524	(2,585,685)	-	(123,161)

Reportable segment results for the three month period ended 31 March 2019 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	11,275,869	48,608,803	(11,589,044)	48,295,628
Intersegment	11,262,768	326,276	(11,589,044)	-
External	13,101	48,282,527	-	48,295,628
EBITDA (Segment results)	8,413,708	(2,607,187)	-	5,806,521
Depreciation, depletion and amortization	(2,855,936)	(1,717,903)	-	(4,573,839)
Net foreign exchange gain (loss)	(160,397)	275,498	-	115,101
Finance expenses, net	(55,405)	(156,565)	-	(211,970)
Income tax	(43,095)	(296,830)	-	(339,925)
Segment profit /(loss)	5,301,788	(4,542,067)	-	759,721

EBITDA for the three month period ended 31 March 2020 and 2019 is reconciled below:

	Three month period ended	
	2020	31 March 2019
Profit (loss) for the period	(123,161)	759,721
Income tax	(154,245)	339,925
Finance expenses	412,656	477,788
Finance income	(198,645)	(265,818)
Depreciation, depletion and amortization	5,014,810	4,573,839
Net foreign exchange loss (gain)	142,031	(115,101)
Other expense, net	83,102	75,443
Other non-operating income, net	(3,774)	(39,276)
EBITDA	5,172,774	5,806,521

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

	Three month period ended 31 March 2020		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	416,925	416,925
Sale of gas	61,206	-	61,206
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	61,206	-	61,206
Sale of petroleum products	37,190,477	8,852,621	46,043,098
<i>Through a retail network</i>	14,165,063	-	14,165,063
<i>Wholesale activities</i>	23,025,414	8,852,621	31,878,035
Sale of electricity	192,663	12,658	205,321
Lease revenue	79,784	1,155	80,939
Other sales	1,805,017	54,780	1,859,797
Total sales	39,329,147	9,338,139	48,667,286

	Three month period ended 31 March 2019		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	-	-
Sale of gas	828,086	-	828,086
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	828,086	-	828,086
Sale of petroleum products	38,236,996	7,241,253	45,478,249
<i>Through a retail network</i>	13,774,276	-	13,774,276
<i>Wholesale activities</i>	24,462,720	7,241,253	31,703,973
Sale of electricity	218,307	38,800	257,107
Lease revenue	110,987	-	110,987
Other sales	1,576,228	44,971	1,621,199
Total sales	40,970,604	7,325,024	48,295,628

Out of the amount of 31,878,035 RSD (2019: 31,703,973 RSD) revenue from sale of petroleum products (wholesale), the amount of 4,873,751 RSD (2019: 3,827,301 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations for 1,383,162 RSD (2019: 1,278,144 RSD).

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

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 39,329,147 RSD (2019: 40,970,604 RSD), and the total revenue from external customer from other countries is 9,338,139 RSD (2019: 7,325,024 RSD).

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

	Three month period ended	
	2020	31 March 2019
Sale of crude oil	416,925	-
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	2,861,714	2,469,001
Bulgaria	1,841,499	1,704,833
Romania	784,411	476,917
Croatia	536,471	222,866
Switzerland	154,486	493,165
Hungary	335,237	364,029
Great Britain	361,929	344,711
Northern Macedonia	272,431	91,020
All other markets	1,704,443	1,074,711
	8,852,621	7,241,253
Sale of electricity	12,658	38,800
Lease revenue	1,155	-
Other sales	54,780	44,971
	9,338,139	7,325,024

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

5. CASH AND CASH EQUIVALENTS

	31 March 2020	31 December 2019
Cash in bank and in hand	5,617,086	9,730,151
Deposits with original maturity of less than three months	2,080,000	3,493,453
Cash held on escrow account	12,290	13,715
Cash equivalents	207,136	264,508
	7,916,512	13,501,827

6. SHORT-TERM FINANCIAL ASSETS

	31 March 2020	31 December 2019
Short-term loans	33,278	50,950
Current portion of long-term investments (note 12)	14,806,961	14,126,730
Less impairment loss provision	(7,740,914)	(7,731,743)
	7,099,325	6,445,937

7. TRADE AND OTHER RECEIVABLES

	31 March 2020	31 December 2019
Trade receivables	34,250,219	38,323,574
Other receivables	103,977	110,474
<i>Less credit loss allowance for trade receivables</i>	(9,623,046)	(9,731,488)
<i>Less credit loss allowance for other receivables</i>	(51,304)	(52,831)
Total trade and other receivables	24,679,846	28,649,729

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

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

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

	31 March 2020	31 December 2019
RSD	20,754,975	23,143,779
EUR	3,193,301	5,213,349
USD	731,531	292,580
Other	39	21
	24,679,846	28,649,729

8. INVENTORIES

	31 March 2020	31 December 2019
Crude oil	19,637,593	29,839,954
Petroleum products	16,160,514	13,076,388
Materials and supplies	5,116,317	5,003,954
Other	785,282	842,655
<i>Less impairment provision</i>	(4,651,003)	(4,670,632)
	37,048,703	44,092,319

9. OTHER CURRENT ASSETS

	31 March 2020	31 December 2019
Advances paid	506,872	461,016
Deferred VAT	1,909,083	1,713,617
Prepaid expenses	254,678	259,101
Prepaid custom duties	63,180	62,071
Prepaid excise	2,818,300	1,705,199
Other current assets	7,791,238	7,780,183
<i>Less impairment provision</i>	(7,551,245)	(7,551,149)
	5,792,106	4,430,038

Deferred VAT as at 31 March 2020 amounting to 1,909,083 RSD (31 December 2019: 1,713,617 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2020 amounting to 2,818,300 RSD (31 December 2019: 1,705,199 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2019						
Cost	156,367,336	115,028,154	51,380,912	16,193,480	45,864,855	384,834,737
Depreciation and impairment	(42,496,555)	(46,153,659)	(27,626,321)	(8,300,778)	(2,003,304)	(126,580,617)
Net book value	113,870,781	68,874,495	23,754,591	7,892,702	43,861,551	258,254,120
Period ended 31 March 2019						
Additions	-	-	-	-	8,622,629	8,622,629
Changes in decommissioning obligations	26,481	-	-	-	-	26,481
Transfer from assets under construction	5,099,651	88,979	292,519	294,962	(5,776,111)	-
Transfer to non-current assets held for sale	-	-	-	(31,293)	-	(31,293)
Impairment	-	-	(14,249)	-	(13,039)	(27,288)
Depreciation	(2,516,132)	(1,349,519)	(420,487)	(136,909)	-	(4,423,047)
Disposals and write-off	9,699	(614)	(5,898)	(1,965)	(66,736)	(65,514)
Transfer to right of use assets	(54,331)	-	(765,074)	-	-	(819,405)
Other transfers	(29,417)	757	1,212	27,448	35,387	35,387
	116,406,732	67,614,098	22,842,614	8,044,945	46,663,681	261,572,070
As at 31 March 2019						
Cost	161,297,562	115,109,144	50,580,516	16,484,453	48,680,024	392,151,699
Depreciation and impairment	(44,890,830)	(47,495,046)	(27,737,902)	(8,439,508)	(2,016,343)	(130,579,629)
Net book value	116,406,732	67,614,098	22,842,614	8,044,945	46,663,681	261,572,070
As at 1 January 2020						
Cost	174,428,161	119,078,761	51,810,197	16,384,499	58,002,489	419,704,107
Depreciation and impairment	(52,478,788)	(51,705,166)	(28,785,148)	(8,504,734)	(1,985,930)	(143,459,766)
Net book value	121,949,373	67,373,595	23,025,049	7,879,765	56,016,559	276,244,341
Period ended 31 March 2020						
Additions	-	-	-	-	6,123,069	6,123,069
Changes in decommissioning obligations	65,848	-	-	-	-	65,848
Transfer from assets under construction	4,116,683	1,333,748	506,285	100,067	(6,056,783)	-
Impairment	-	-	(3,031)	-	(10,206)	(13,237)
Depreciation	(2,799,466)	(1,459,296)	(431,731)	(145,017)	-	(4,835,510)
Disposals and write-off	(208)	(4,431)	(24,713)	(3,142)	(10,326)	(42,820)
Transfer to non-current assets held for sale	-	-	-	(70,558)	-	(70,558)
Other transfers	(43,445)	(272,780)	34,666	281,560	375	376
	123,288,785	66,970,836	23,106,525	8,042,675	56,062,688	277,471,509
As at 31 March 2020						
Cost	178,451,775	120,095,527	52,330,135	16,488,269	58,056,828	425,422,534
Depreciation and impairment	(55,162,990)	(53,124,691)	(29,223,610)	(8,445,594)	(1,994,140)	(147,951,025)
Net book value	123,288,785	66,970,836	23,106,525	8,042,675	56,062,688	277,471,509

Capitalized borrowing costs for the three months ended 31 March 2020 include interest expense in the amount of 34,877 RSD (31 March 2019: 38,888 RSD).

11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the three months ended 31 March 2020 and 2019 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2019	-	-	-	-	-
Changes in opening balance	-	540,388	324,713	54,331	919,432
Depreciation	-	(12,872)	(17,319)	(2,757)	(32,948)
As at 31 March 2019	-	527,516	307,394	51,574	886,484
As at 1 January 2020	-	489,299	274,626	179,910	943,835
Additions	7,509	83,270	-	495,176	585,955
Depreciation	(626)	(13,400)	(15,192)	(15,248)	(44,466)
Disposals	-	(1,356)	-	(3,976)	(5,332)
As at 31 March 2020	6,883	557,813	259,434	655,862	1,479,992

12. LONG-TERM FINANCIAL ASSETS

	31 March 2020	31 December 2019
LT loans issued	38,538,821	39,632,071
Financial assets at FVTPL (note 20)	841,303	-
Financial assets at FVTOCI	163,341	164,322
Other LT placements	26,495	26,389
<i>Less Current portion of LT loans issued (note 6)</i>	(14,806,961)	(14,126,730)
<i>Less provision of other LT placements</i>	(2,377,660)	(2,379,393)
	22,385,339	23,316,659

13. OTHER NON-CURRENT ASSETS

	31 March 2020	31 December 2019
Advances paid for PPE	408,904	358,552
Prepaid expenses	139,537	146,711
Other assets	1,159,871	1,153,959
<i>Less allowance for Other assets</i>	(368,037)	(354,626)
<i>Less allowance for advances paid</i>	(21,363)	(21,363)
	1,318,912	1,283,233

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

	31 March 2020	31 December 2019
Short-term loans	4,623,623	1,594,072
Interest liabilities	117,656	90,923
Current portion of long-term loans (note 18)	5,979,718	5,766,536
	10,720,997	7,451,531

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

	Three month period ended 31 March	
	2020	2019
Short-term loans at 1 January	1,594,072	2,218,378
Proceeds	6,474,222	6,087,653
Repayment	(3,444,671)	(6,523,919)
Short-term loans at 31 March	4,623,623	1,782,112

15. TRADE AND OTHER PAYABLES

	31 March 2020	31 December 2019
Trade payables	20,978,525	36,940,204
Dividends payable	3,779,813	3,780,692
Other accounts payable	63,766	90,645
	24,822,104	40,811,541

As at 31 March 2020 trade payables amounting to 20,978,525 RSD (31 December 2019: 36,940,204 RSD) mainly relate to payables for crude oil in the amount of 8,099,127 RSD (31 December 2019: 19,989,597 RSD), to the most significant suppliers Gazprom Neft, St Petersburg in the amount of 5,251,934 RSD (31 December 2019: 10,240,742 RSD) and Petraco Oil Company LLP, London in the amount of 1,518,247 RSD (31 December 2019 0 RSD).

16. OTHER CURRENT LIABILITIES

	31 March 2020	31 December 2019
Contract liabilities arising from contracts with customers:		
- Advances received	1,616,062	1,699,250
- Customer loyalty	645,445	635,355
Payables to employees	3,893,280	3,257,059
Other current non-financial liabilities	18,582	359,897
	6,173,369	5,951,561

Revenue in the amount of 1,500,154 RSD (31 March 2019: 1,016,662 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2020, of which 1,257,775 RSD (31 March 2019: 904,073 RSD) related to advances and 242,379 RSD (31 March 2019: 112,589 RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	31 March 2020	31 December 2019
Mineral extraction tax	273,408	243,396
VAT	855,977	984,449
Excise tax	5,020,136	5,301,814
Contribution for buffer stocks	250,620	280,070
Custom duties	83,226	178,054
Energy efficiency fee	27,913	32,299
Other taxes	1,984,016	1,889,552
	8,495,296	8,909,634

18. LONG-TERM DEBT

	31 March 2020	31 December 2019
Long-term loan - Gazprom Neft	17,971,791	19,143,014
Bank loans	69,585,659	69,207,491
Less Current portion (note 14)	(5,979,718)	(5,766,536)
	81,577,732	82,583,969

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

	Three month period ended 31 March	
	2020	2019
Long-term loans at 1 January	88,350,505	92,646,847
Proceeds	465,953	2,210,247
Repayment	(1,201,932)	(3,767,632)
Foreign exchange difference (note 23)	(57,076)	(163,358)
Long-term loans at 31 March	87,557,450	90,926,104

(a) Long-term loan - Gazprom Neft

As at 31 March 2020 long-term loan - Gazprom Neft amounting to 17,971,791 RSD (31 December 2019: 19,143,014 RSD), with current portion of 5,674,839 RSD (2019: 5,469,432 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) Bank loans

	31 March 2020	31 December 2019
Domestic	47,292,689	46,880,636
Foreign	22,292,970	22,326,855
	69,585,659	69,207,491
Current portion of long-term loans	(304,879)	(297,104)
	69,280,780	68,910,387

The maturity of bank loans was as follows:

	31 March 2020	31 December 2019
Between 1 and 2 years	10,934,656	10,845,263
Between 2 and 5 years	55,110,012	54,737,906
Over 5 years	3,236,112	3,327,218
	69,280,780	68,910,387

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

	31 March 2020	31 December 2019
USD	195,034	209,292
EUR	69,142,408	68,732,684
RSD	462	498
JPY	247,755	265,017
	69,585,659	69,207,491

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

The loan agreements contain financial covenants that require the Company's ratio of Indebtedness to EBITDA. Management believes the Company is in compliance with these covenants as of 31 March 2020 and 31 December 2019, respectively.

19. LEASE LIABILITIES

	31 March 2020	31 December 2019
Non-current lease liabilities	1,085,820	652,092
Current lease liabilities	269,853	159,332
	1,355,673	811,424

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

	Three month period ended 31 March	
	2020	2019
As at 1 January	811,424	644,611
Changes in opening balance	-	100,027
Repayment	(36,878)	(22,953)
Non-cash transactions	592,852	5,617
Foreign exchange difference (note 23)	(11,725)	2,429
As at 31 March	1,355,673	729,731

Amounts recognized in profit and loss:

	Three month period ended 31 March	
	2020	2019
Interest expense (included in finance cost)	6,210	5,616
Expense relating to short-term leases	102,401	112,048
Expense relating to leases of low value assets that are not shown above as short-term leases	37,266	8,910
Expense relating to variable lease payments not included in lease liabilities	287,189	285,701

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in amount of 841,303 RSD in total represents deferred consideration to PJSC Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obligation depends on occurrence of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignment agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

In addition, Company acquired additional 34% of shares in Jadran Naftagas for consideration of 41 RSD. These transactions of shares acquisition and transfer of liabilities should be consider together.

21. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2020	2019
Employee costs	897,617	849,677
Materials and supplies (other than purchased oil, petroleum products and gas)	182,459	284,277
Repair and maintenance services	910,227	1,286,054
Electricity for resale	82,247	103,077
Electricity and utilities	622,501	449,498
Safety and security expense	116,103	154,339
Insurance services	61,460	62,241
Transportation services for production	501,442	413,750
Other	1,891,639	1,770,464
	5,265,695	5,373,377

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 March	
	2020	2019
Employee costs	2,745,329	2,410,437
Commission and agency fees	283,967	68,419
Legal, audit and consulting services	219,501	286,457
Current repair cost	187,716	158,154
Costs on advertising and marketing	49,420	45,051
Rent expense	45,998	50,495
Business trips expense	33,933	49,636
Safety and security expense	114,741	113,143
Insurance expense	17,133	29,350
Transportation and storage	43,194	73,005
Allowance for doubtful accounts	(119,968)	(5,137)
Other	1,617,056	1,776,740
	5,238,020	5,055,750

23. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 31 March	
	2020	2019
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain	258,912	352,489
- foreign exchange loss	(190,111)	(191,560)
Net foreign exchange gain (loss) on operating activities	(210,832)	(45,828)
	(142,031)	115,101

24. FINANCE INCOME

	Three month period ended 31 March	
	2020	2019
Interest on bank deposits	24,153	100,934
Interest income on loans issued	174,492	164,884
	198,645	265,818

25. FINANCE EXPENSES

	Three month period ended	
	2020	31 March 2019
Interest expense	446,173	485,760
Decommissioning provision: unwinding of the present value	20,803	36,134
Financial assets: unwinding of discount	(19,443)	(5,217)
Less: interest expense capitalised on qualifying assets	(34,877)	(38,889)
	412,656	477,788

Interest expense includes expenses on lease liabilities in amount of 6,210 RSD for the three months ended 31 March 2020 (5,616 RSD for the three months ended 31 March 2019, accordingly).

26. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Financial Statements: investment properties and financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Financial Statements as of 31 December 2019. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2020 the carrying value of financial assets approximates their fair value.

27. CONTINGENCIES AND COMMITMENTS*Economic environment in the Republic of Serbia*

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 478,746 RSD (31 December 2019: 488,857 RSD).

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

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some

transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 March 2020.

Capital commitments

As of 31 March 2020 the Company has entered into contracts to purchase property, plant and equipment for 1,752,920 RSD (31 December 2019: 2,818,801 RSD).

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

28. RELATED PARTY TRANSACTIONS

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

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

In the three month period ended 31 March 2020 and in the same period in 2019, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 31 March 2020 and 31 December 2019 the outstanding balances, net of impairment, with related parties were as follows:

As at 31 March 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	7,099,325	-	-
Trade and other receivables	2,862,837	-	522,731
Other current assets	11,209	-	11,786
Right of use assets	48,407	-	-
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	22,274,742	-	-
Other non-current assets	76,002	-	-
Trade and other payables	(4,162,507)	(5,251,934)	(1,085,955)
Other current liabilities	(5,813)	-	(3,305)
Short-term debt and current portion of long-term debt	(1,626,027)	(5,687,492)	-
Current lease liabilities	(2,065)	-	(139)
Long-term debt	-	(12,296,952)	-
Non-current lease liabilities	(47,500)	-	(63)
	39,954,237	(23,236,378)	483,855

As at 31 December 2019	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	6,445,937	-	-
Trade and other receivables	4,542,457	-	1,281,002
Other current assets	15,998	-	34,371
Right of use assets	52,049	-	-
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	23,205,186	-	-
Trade and other payables	(4,488,356)	(10,498,354)	(1,711,826)
Other current liabilities	(2,443)	-	(3,784)
Short-term debt and current portion of long-term debt	(1,596,354)	(5,469,432)	-
Current lease liabilities	(5,075)	-	(159)
Long-term debt	-	(13,673,582)	-
Non-current lease liabilities	(48,010)	-	(128)
	41,546,975	(29,641,368)	638,276

For the three month period ended 31 March 2020 and 31 March 2019 the following transaction occurred with related parties:

Three month period ended 31 March 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Petroleum products and oil and gas sales	3,596,452	-	5,000,740
Other revenues	190,271	-	5,628
Purchases of oil, gas and petroleum products	(331,539)	(14,647,442)	(5,265,753)
Production and manufacturing expenses	(911,324)	-	(89,195)
Selling, general and administrative expenses	(458,548)	-	(2,301)
Transportation expenses	(722)	-	-
Depreciation	(2,286)	-	-
Other income (expenses), net	(15,071)	5,233	(104)
Finance income	171,812	-	-
Finance expense	(8,272)	(82,536)	-
	2,230,773	(14,724,745)	(350,985)

Three month period ended 31 March 2019	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Petroleum products and oil and gas sales	3,684,151	-	3,948,948
Other revenues	101,963	-	20,084
Purchases of oil, gas and petroleum products	(3,709,417)	(16,170,749)	(3,950,761)
Production and manufacturing expenses	(967,862)	-	(97,306)
Selling, general and administrative expenses	(141,668)	-	(7,055)
Transportation expenses	(264)	-	-
Depreciation	(2,268)	-	-
Other income (expenses), net	-	13,320	(94)
Finance income	162,171	-	-
Finance expense	(15,230)	(110,753)	-
	(888,424)	(16,268,182)	(86,184)

Transactions with Key Management Personnel

For the three month period ended on 31 March 2020 and 2019 the Company recognized 228,485 RSD and 225,797 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets	Note	31 March 2020 <i>(unaudited)</i>	31 December 2019
Current assets			
Cash and cash equivalents	5	8,884,586	15,295,810
Short-term financial assets	6	168,076	1,766,518
Trade and other receivables	7	23,750,316	26,298,314
Inventories	8	40,384,267	47,479,934
Current income tax prepayments		1,646,888	602,249
Other current assets	9	6,701,736	5,475,677
Non-current assets held for sale		139,322	88,416
Total current assets		81,675,191	97,006,918
Non-current assets			
Property, plant and equipment	10	307,225,487	305,934,567
Right-of-use assets	11	2,456,091	1,873,799
Investment property		1,579,733	1,579,798
Goodwill and other intangible assets		4,510,977	4,461,623
Investments in associates and joint ventures	12	1,795,363	1,851,101
Trade and other non-current receivables		152,472	227,491
Long-term financial assets		266,547	269,551
Deferred tax assets		866,673	697,689
Other non-current assets	13	1,246,054	1,291,407
Total non-current assets		320,099,397	318,187,026
Total assets		401,774,588	415,193,944
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	9,094,971	6,612,777
Current lease liabilities	19	511,524	377,005
Trade and other payables	15	23,661,804	39,463,261
Other current liabilities	16	7,957,211	7,198,105
Other taxes payable	17	9,364,096	9,794,045
Provisions for liabilities and charges		1,557,386	1,591,898
Total current liabilities		52,146,992	65,037,091
Non-current liabilities			
Long-term debt	18	81,639,667	82,716,496
Non-current lease liabilities	19	1,791,734	1,326,436
Other non-current financial liabilities	20	841,303	-
Long-term trade and other payables		9,856	-
Provisions for liabilities and charges		11,650,387	11,419,129
Total non-current liabilities		95,932,947	95,462,061
Equity			
Share capital		81,530,200	81,530,200
Reserves		333,271	271,614
Retained earnings		171,811,500	173,153,889
Equity attributable to the Company's owners		253,674,971	254,955,703
Non-controlling interest		19,678	(260,911)
Total equity		253,694,649	254,694,792
Total liabilities and shareholder's equity		401,774,588	415,193,944

in 000 RSD

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 March	
		2020	2019
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		49,778,153	50,836,498
Other revenues		2,788,785	2,674,694
Total revenue from sales	4	52,566,938	53,511,192
Purchases of oil, gas and petroleum products		(34,021,960)	(34,508,679)
Production and manufacturing expenses	21	(5,548,634)	(5,508,132)
Selling, general and administrative expenses	22	(6,211,630)	(5,649,988)
Transportation expenses		(278,455)	(248,107)
Depreciation, depletion and amortization		(5,490,034)	(5,094,972)
Taxes other than income tax		(1,340,564)	(1,263,355)
Exploration expenses		(3,579)	(11,474)
Total operating expenses		(52,894,856)	(52,284,707)
Other income (expenses), net		(76,080)	(67,656)
Operating profit (loss)		(403,998)	1,158,829
Share of loss of associates and joint ventures		(55,738)	(19,206)
Net foreign exchange gain (loss)	23	(318,764)	(204,360)
Finance income	24	36,454	107,806
Finance expenses	25	(436,375)	(494,400)
Total other expense		(774,423)	(610,160)
Profit (loss) before income tax		(1,178,421)	548,669
Current income tax expense		(52,347)	(186,141)
Deferred tax income (expense)		168,968	(204,401)
Total income tax expense		116,621	(390,542)
Profit (loss) for the period		(1,061,800)	158,127
Other comprehensive income (loss):			
Items that will not be reclassified to profit			
Gains (loss) from investments in equity instruments		(981)	6,410
		(981)	6,410
Items that may be subsequently reclassified to profit			
Currency translation differences		62,638	126,633
		62,638	126,633
Other comprehensive income (loss) for the period		61,657	133,043
Total comprehensive income (loss) for the period		(1,000,143)	291,170
Profit (loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		(1,061,800)	162,308
- Non-controlling interest		-	(4,181)
Profit (loss) for the period		(1,061,800)	158,127
Total comprehensive income (loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		(1,000,143)	294,852
- Non-controlling interest		-	(3,682)
Total comprehensive income (loss) for the period		(1,000,143)	291,170
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		(6.51)	1.00
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Consolidated Statement of Changes in Shareholders' Equity

<i>(unaudited)</i>	Equity attributable to the Company's owners					Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total			
Balance as at 1 January 2019	81,530,200	77,130	161,516,302	243,123,632	(247,828)	242,875,804	
Profit (loss) for the period	-	-	162,308	162,308	(4,181)	158,127	
Other comprehensive income (loss)							
Gains from investments in equity instruments	-	6,410	-	6,410	-	6,410	
Currency translation differences	-	126,134	-	126,134	499	126,633	
Total comprehensive income (loss) for the period	-	132,544	162,308	294,852	(3,682)	291,170	
Balance as at 31 March 2019	81,530,200	209,674	161,678,610	243,418,484	(251,510)	243,166,974	
Balance as at 1 January 2020	81,530,200	271,614	173,153,889	254,955,703	(260,911)	254,694,792	
Profit (loss) for the period	-	-	(1,061,800)	(1,061,800)	-	(1,061,800)	
Other comprehensive income (loss)							
Loss from investments in equity instruments	-	(981)	-	(981)	-	(981)	
Currency translation differences	-	62,638	-	62,638	-	62,638	
Total comprehensive income (loss) for the period	-	61,657	(1,061,800)	(1,000,143)	-	(1,000,143)	
New investments in shares	-	-	(280,589)	(280,589)	280,589	-	
Total transactions with owners	-	-	(280,589)	(280,589)	280,589	-	
Balance as at 31 March 2020	81,530,200	333,271	171,811,500	253,674,971	19,678	253,694,649	

in 000 RSD

Consolidated Statement of Cash Flows⁶⁸

	Note	Three month period ended	
		31 March	
		2020	2019
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit (loss) before income tax		(1,178,421)	548,669
Adjustments for:			
Share of loss of associates and joint ventures		55,738	19,206
Finance expenses	25	436,375	494,400
Finance income	24	(36,454)	(107,806)
Net unrealised foreign exchange loss, net		83,610	(188,305)
Depreciation, depletion and amortization		5,490,034	5,094,972
Other non-cash items		131,919	100,653
Operating cash flow before changes in working capital		4,982,801	5,961,789
Changes in working capital:			
Accounts receivable		2,666,301	436,629
Inventories		7,090,131	8,007,653
Other assets		(1,233,739)	476,382
Accounts payables and other current liabilities		(13,206,458)	(2,852,629)
Taxes payable		(430,634)	555,685
Total effect on working capital changes		(5,114,399)	6,623,720
Income taxes paid		(1,099,279)	(960,457)
Interest paid		(367,384)	(382,469)
Interest received		38,980	60,962
Net cash (used in)/generated from operating activities		(1,559,281)	11,303,545
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries	20	(41)	-
Capital expenditures ⁶⁹		(8,621,734)	(9,263,303)
Proceeds from sale of property, plant and equipment		88,416	15,103
Bank deposits repayment (placements), net		1,598,297	(1,481,707)
Other outflow		(17,638)	(23,855)
Net cash used in investing activities		(6,952,700)	(10,753,762)
Cash flows from financing activities			
Proceeds from borrowings	14,18	3,465,953	2,210,246
Repayment of borrowings	14,18	(1,201,932)	(3,767,631)
Repayment of lease liabilities	19	(96,626)	(82,588)
Net cash generated from (used in) financing activities		2,167,395	(1,639,973)
Net decrease in cash and cash equivalents		(6,344,586)	(1,090,190)
Effect of foreign exchange on cash and cash equivalents		(66,638)	19,713
Cash and cash equivalents as of the beginning of the period		15,295,810	15,480,830
Cash and cash equivalents as of the end of the period		8,884,586	14,410,353

in 000 RSD

⁶⁸ Group policy is to present cash flow inclusive of related VAT.

⁶⁹ CF from investing activities includes VAT in the amount of 0,9 bln RSD (2019: 1,0 bln RSD)

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2019, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group’s Consolidated Financial Statements for 2019.

However, the spread of the coronavirus pandemic (COVID-19) and the preventive measures which led to decrease in the economic activity of market participants in the first quarter of 2020, as well as significant volatility in the commodity markets (including the decrease in oil prices) while, on the other hand, local

currency RSD maintained a relatively stable against the US dollar (USD) and EURO (EUR)), since March 2020, have impacted the accounting estimates used by the Group in the Condensed Interim Consolidated Financial Statements preparation and bear the risk of adjustments to the carrying amounts of assets and liabilities. Information on the effect of these macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Condensed Interim Consolidated Financial Statements is provided below.

Recoverability of carrying amount of Property, Plant and Equipment

In the line with changes of macroeconomic parameters, management of the Group performed stress sensitivity analysis of its impact on recoverability of the Group PPE and overall business performance (note 10).

The macroeconomic factors mentioned above were taken into account when preparing business plans (models), which are the main source of information for measuring the value in use of non-current assets, including when preparing oil price dynamics.

Based on the currently available information and crude oil price forecast obtained from a reputable firms management believe that at reporting date recoverable amount of Group's PPE exceed its carrying value.

Estimation of oil and gas reserves

The estimation of proved reserves of oil and gas reserves is used to calculate depreciation, depletion and amortization of oil and gas assets. In addition, the assessment of proved oil and gas reserves is used to calculate future cash flows, which are one of the main indicators of whether an asset is impaired. Oil and gas reserves are estimated based on certain assumptions of the Group, including the economic profitability of production, which is affected by the dynamics of oil prices and future capital and operating expenses. The macroeconomic factors mentioned above may lead to a downward revision of the inventory estimate. The Group intention is to assess the macroeconomic factors impact on the amount of reserves in the next reporting periods.

These macroeconomic factors also affected the fair value of financial assets and financial liabilities that are carried at fair value or amortised cost (note 26).

While this is still an evolving situation at the time of issuing these financial statements and the future effects cannot be predicted, the management expects a negative impact. Management will continue to monitor the potential impact in order to adequately take measure to mitigate impact if the negative trends on the market continue.

Subsequent events occurring after 31 March 2020 were evaluated through 24 April 2020, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the three month period ended 31 March 2020 are not necessarily indicative of the results expected for the full year.

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2019, except for those described in the Application of new IFRS paragraph.

3. NEW ACCOUNTING STANDARDS

Application of new IFRS

The following amendments to the existing standards which become effective did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business – Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Material – Amendments to IAS 1 and IAS 8 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and effective for annual periods beginning on or after January 2020).

New accounting standards

The following new standards and amendments to the existing standards 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);
- 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);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and effective for annual periods beginning on or after January 2022).

Unless otherwise described above, the new standards and interpretations are not expected to have significant impact on the Company's Interim Condensed Financial Statements.

4. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the three month periods ended 31 March 2020 and 2019. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the three month period ended 31 March 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	9,789,657	52,284,778	(9,507,497)	52,566,938
Intersegment	9,341,420	166,077	(9,507,497)	-
External	448,237	52,118,701	-	52,566,938
EBITDA (Segment results)	5,276,808	(105,091)	-	5,171,717
Depreciation, depletion and amortization	(3,055,082)	(2,434,952)	-	(5,490,034)
Share of loss of associates and joint ventures	-	(55,738)	-	(55,738)
Net foreign exchange (loss) gain	(131,312)	(187,452)	-	(318,764)
Finance expenses, net	(20,688)	(379,233)	-	(399,921)
Income tax	(44,834)	161,455	-	116,621
Segment profit (loss)	1,892,562	(2,954,362)	-	(1,061,800)

Reportable segment results for the three month period ended 31 March 2019 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	11,285,187	53,826,691	(11,600,686)	53,511,192
Intersegment	11,262,768	337,918	(11,600,686)	-
External	22,419	53,488,773	-	53,511,192
EBITDA (Segment results)	8,319,250	(2,029,671)	-	6,289,579
Depreciation, depletion and amortization	(2,855,936)	(2,239,036)	-	(5,094,972)
Share of loss of associates and joint ventures	-	(19,206)	-	(19,206)
Net foreign exchange loss	(160,743)	(43,617)	-	(204,360)
Finance expenses, net	(55,405)	(331,189)	-	(386,594)
Income tax	(43,096)	(347,446)	-	(390,542)
Segment profit (loss)	5,207,329	(5,049,202)	-	158,127

EBITDA for the three month period ended 31 March 2020 and 2019 is reconciled below:

	Three month period ended	
	2020	2019
Profit (Loss) for the period	(1,061,800)	158,127
Income tax	(116,621)	390,542
Finance expenses	436,375	494,400
Finance income	(36,454)	(107,806)
Depreciation, depletion and amortization	5,490,034	5,094,972
Share of loss of associates and joint ventures	55,738	19,206
Net foreign exchange (gain) loss	318,764	204,360
Other expense (income), net	76,080	67,656
Other non-operating expense (income), net	9,601	(31,878)
EBITDA	5,171,717	6,289,579

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

	Three month period ended 31 March 2020		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	416,925	416,925
Sale of gas	50,928	-	50,928
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	50,928	-	50,928
Sale of petroleum products	36,982,975	12,327,325	49,310,300
<i>Through a retail network</i>	14,165,063	3,565,133	17,730,196
<i>Wholesale activities</i>	22,817,912	8,762,192	31,580,104
Sale of electricity	192,663	45,223	237,886
Lease revenue	75,097	1,054	76,151
Other sales	1,792,161	682,587	2,474,748
Total sales	39,093,824	13,473,114	52,566,938

	Three month period ended 31 March 2019		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	-	-
Sale of gas	817,154	-	817,154
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	817,154	-	817,154
Sale of petroleum products	38,127,130	11,892,214	50,019,344
<i>Through a retail network</i>	13,774,276	3,720,381	17,494,657
<i>Wholesale activities</i>	24,352,854	8,171,833	32,524,687
Sale of electricity	218,308	33,338	251,646
Lease revenue	105,683	2,454	108,137
Other sales	1,549,994	764,917	2,314,911
Total sales	40,818,269	12,692,923	53,511,192

Out of the amount of 31,580,104 RSD (2019: 32,524,687 RSD) revenue from sale of petroleum products (wholesale), the amount of 4,873,751 RSD (2019: 3,827,301 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 1,914,541 RSD (2019: 1,856,484 RSD).

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

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 39,093,824 RSD (2019: 40,818,269 RSD), and the total revenue from external customer from other countries is 13,473,114 RSD (2019: 12,692,923 RSD).

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

	Three month period ended	
	31 March	
	2020	2019
Sale of crude oil	416,925	-
Sale of petroleum products (retail and wholesale)		
Bulgaria	2,962,760	3,067,992
Bosnia and Herzegovina	3,724,476	4,487,477
Romania	2,551,924	2,070,255
Switzerland	154,486	493,165
Croatia	536,471	222,866
Northern Macedonia	272,431	91,020
Hungary	335,237	364,029
Great Britain	361,929	344,711
All other markets	1,427,611	750,699
	12,327,325	11,892,214
Sale of electricity	45,223	33,338
Lease revenue	1,054	2,454
Other sales	682,587	764,917
	13,473,114	12,692,923

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

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

	31 March	31 December
	2020	2019
Serbia	289,689,748	287,838,628
Bulgaria	6,776,130	6,881,442
Bosnia and Herzegovina	7,182,935	7,276,613
Romania	12,123,475	11,853,104
	315,772,288	313,849,787

5. CASH AND CASH EQUIVALENTS

	31 March	31 December
	2020	2019
Cash in bank and in hand	6,136,690	10,953,751
Deposits with original maturity of less than three months	2,528,210	4,063,573
Cash held on escrow account	12,550	13,978
Cash equivalents	207,136	264,508
	8,884,586	15,295,810

6. SHORT-TERM FINANCIAL ASSETS

	31 March 2020	31 December 2019
Short-term loans	2,210	2,210
Deposits with original maturity more than 3 months less than 1 year	168,076	1,766,564
Less impairment loss provision	(2,210)	(2,256)
	168,076	1,766,518

As at 31 March 2020 deposits with original maturity more than 3 months less than 1 year amounting to 168,076 RSD (31 December 2019: 1,766,564 RSD) relates to bank deposits placements with interest rates to 0.30% to 2.80% monthly denominated in RSD and EUR (2019: 0.02% monthly to 3.5% p.a. denominated in RSD and EUR).

7. TRADE AND OTHER RECEIVABLES

	31 March 2020	31 December 2019
Trade receivables	32,691,237	35,392,271
Other receivables	568,800	556,593
Accrued assets	72,345	41,567
<i>Less credit loss allowance for trade receivables</i>	(9,530,762)	(9,639,286)
<i>Less credit loss allowance for other receivables</i>	(51,304)	(52,831)
Total trade and other receivables	23,750,316	26,298,314

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

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

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

	31 March 2020	31 December 2019
RSD	20,842,873	23,304,560
EUR	842,042	1,111,884
USD	731,531	292,580
Other	1,333,870	1,589,290
	23,750,316	26,298,314

8. INVENTORIES

	31 March 2020	31 December 2019
Crude oil	19,655,881	29,866,109
Petroleum products	17,274,408	14,407,981
Materials and supplies	7,060,750	6,773,096
Other	1,147,616	1,208,732
<i>Less impairment provision</i>	(4,754,388)	(4,775,984)
	40,384,267	47,479,934

9. OTHER CURRENT ASSETS

	31 March 2020	31 December 2019
Advances paid	623,086	582,560
VAT receivables	243,706	452,571
Deferred VAT	2,131,256	1,929,283
Prepaid expenses	300,218	288,181
Prepaid custom duties	63,414	62,342
Prepaid excise	2,888,227	1,771,927
Other current assets	8,020,244	7,956,935
<i>Less impairment provision</i>	(7,568,415)	(7,568,122)
	6,701,736	5,475,677

Deferred VAT as at 31 March 2020 amounting to 2,131,256 RSD (31 December 2019: 1,929,283 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2020 amounting to 2,888,227 RSD (31 December 2019: 1,771,927 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2019						
Cost	166,462,451	115,028,154	69,909,749	19,153,698	54,204,141	424,758,193
Depreciation and impairment	(47,674,989)	(46,153,659)	(32,557,309)	(9,886,290)	(2,031,400)	(138,303,647)
Net book value	118,787,462	68,874,495	37,352,440	9,267,408	52,172,741	286,454,546
Period ended 31 March 2019						
Additions	-	-	-	194	9,496,438	9,496,632
Changes in decommissioning obligations	26,481	-	-	-	-	26,481
Transfer from assets under construction	5,132,646	88,979	296,230	394,373	(5,912,228)	-
Impairment	-	-	(14,249)	-	(13,039)	(27,288)
Depreciation	(2,693,931)	(1,349,519)	(610,853)	(204,355)	(1,192)	(4,859,850)
Disposals and write-off	9,699	(614)	(5,899)	(6,057)	(66,972)	(69,843)
Transfer to right-of-use assets	(54,331)	-	(765,074)	-	-	(819,405)
Other transfers	(29,417)	757	1,212	(4,204)	32,593	941
Translation differences	(7)	-	(83,244)	197	(143,473)	(226,527)
	121,178,602	67,614,098	36,170,563	9,447,556	55,564,868	289,975,687
As at 31 March 2019						
Cost	171,478,052	115,109,143	68,993,896	19,539,085	57,613,992	432,734,168
Depreciation and impairment	(50,299,450)	(47,495,045)	(32,823,333)	(10,091,529)	(2,049,124)	(142,758,481)
Net book value	121,178,602	67,614,098	36,170,563	9,447,556	55,564,868	289,975,687
As at 1 January 2020						
Cost	185,208,089	119,078,761	70,157,189	19,406,385	69,075,268	462,925,692
Depreciation and impairment	(58,573,177)	(51,705,166)	(34,354,810)	(10,321,625)	(2,036,347)	(156,991,125)
Net book value	126,634,912	67,373,595	35,802,379	9,084,760	67,038,921	305,934,567
Period ended 31 March 2020						
Additions	-	-	-	-	6,700,315	6,700,315
Changes in decommissioning obligations	65,848	-	-	-	-	65,848
Transfer from assets under construction	4,257,704	1,333,748	745,777	100,279	(6,437,508)	-
Impairment	-	-	(3,031)	-	(10,411)	(13,442)
Depreciation	(2,969,420)	(1,459,296)	(604,760)	(187,259)	(1,182)	(5,221,917)
Disposals and write-off	(207)	(4,431)	(26,218)	(4,087)	(10,322)	(45,265)
Other transfers	(43,603)	(272,780)	34,666	211,001	4,202	(66,514)
Translation differences	(3)	-	(36,162)	(13)	(91,927)	(128,105)
	127,945,231	66,970,836	35,912,651	9,204,681	67,192,088	307,225,487
As at 31 March 2020						
Cost	189,437,548	120,095,527	70,855,460	19,501,064	69,226,846	469,116,445
Depreciation and impairment	(61,492,317)	(53,124,691)	(34,942,809)	(10,296,383)	(2,034,758)	(161,890,958)
Net book value	127,945,231	66,970,836	35,912,651	9,204,681	67,192,088	307,225,487

Capitalized borrowing costs for the three months ended 31 March 2020 include interest expense in the amount of 36,250 RSD (31 March 2019: 41,081 RSD).

11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the three months ended 31 March 2020 and 2019 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2019	-	-	-	-	-
Change in opening balance	153,119	1,261,439	335,712	85,151	1,835,421
Depreciation of right-of-use assets	-	(64)	(18)	(6)	(88)
Foreign currency translation	-	(6)	-	-	(6)
As at 31 March 2019	153,119	1,192,150	317,550	79,322	1,742,141
As at 1 January 2020	148,676	1,023,199	438,495	263,429	1,873,799
Additions	7,509	86,155	-	601,560	695,224
Depreciation of right-of-use assets	(626)	(60,425)	(17,938)	(25,633)	(104,622)
Disposals	-	(1,897)	-	(4,518)	(6,415)
Foreign currency translation	(1,531)	1,694	(1,995)	(63)	(1,895)
As at 31 March 2020	154,028	1,048,726	418,562	834,775	2,456,091

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying values of the investments in associates and joint ventures as of 31 March 2020 and 31 December 2019 are summarised below:

		Ownership percentage	31 March 2020	31 December 2019
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	938,712	946,208
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	856,651	904,893
HIP Petrohemija a.d. Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
Total investments			1,795,363	1,851,101

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

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

NIS MET Energowind d.o.o. Beograd

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

Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding JSC 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 CHP TE-TO Pancevo is expected to be completed by the 30th August 2020. Analysis of

the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

HIP Petrohemija

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

The summarised financial information for the joint ventures as of 31 March 2019 and 31 December 2019 and for the years ended 31 March 2020 and 31 March 2019 is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia
31 March 2020		
Current assets	89,085	741,529
Non-current assets	3,157,412	13,303,954
Current liabilities	(953,809)	(345,370)
Non-current liabilities	-	(11,980,349)
31 December 2019		
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)

	NIS MET Energowind	Gazprom Energoholding Serbia
31 March 2020		
Other income	1,014	1,583
Loss for the year	(14,992)	(98,454)
31 March 2019		
Other income	-	8,717
Loss for the year	(2,381)	(36,766)

13. OTHER NON-CURRENT ASSETS

	31 March 2020	31 December 2019
Advances paid for PPE	341,420	372,107
Prepaid expenses	139,537	146,711
Other assets	1,159,870	1,153,957
<i>Less allowance of other assets</i>	(368,036)	(354,626)
<i>Less allowance for advances paid</i>	(26,737)	(26,742)
	1,246,054	1,291,407

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

	31 March 2020	31 December 2019
Short-term loans	3,000,000	-
Interest liabilities	115,253	227,885
Current portion of long-term loans (note 18)	5,979,718	6,384,892
	9,094,971	6,612,777

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

	Three month period ended 31 March	
	2020	2019
Short-term loans at 1 January	-	-
Proceeds	3,000,000	-
Short-term loans at 31 March	3,000,000	-

15. TRADE AND OTHER PAYABLES

	31 March 2020	31 December 2019
Trade payables	19,811,707	35,535,376
Dividends payable	3,779,813	3,780,692
Other accounts payable	70,284	147,193
	23,661,804	39,463,261

As at 31 March 2020 trade payables amounting to 19,811,707 RSD (31 December 2019: 35,535,376 RSD) mainly relate to payables for crude oil in the amount of 8,099,127 RSD (31 December 2019: 19,989,597 RSD), to the most significant suppliers Gazprom Neft, St Petersburg in the amount of 5,251,934 RSD (31 December 2019 10,240,742 RSD) and Petraco Oil Company LLP, London in the amount of 1,518,247 RSD (31 December 2019 0 RSD).

16. OTHER CURRENT LIABILITIES

	31 March 2020	31 December 2019
Contract liabilities arising from contracts with customers:		
- Advances received	1,834,165	1,982,331
- Customer loyalty	732,113	722,239
Payables to employees	5,371,304	4,130,242
Other current non-financial liabilities	19,629	363,293
	7,957,211	7,198,105

Revenue in the amount of 1,648,542 RSD was recognized in the current reporting period (31 March 2019: 1,101,497 RSD) related to the contract liabilities as at 1 January 2020, of which 1,406,163 RSD (31 March 2019: 988,908 RSD) related to advances and 242,379 RSD (31 March 2019: 112,589 RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	31 March 2020	31 December 2019
Mineral extraction tax	281,801	248,864
VAT	1,004,124	1,137,119
Excise tax	5,274,172	5,750,900
Contribution for buffer stocks	250,620	280,070
Custom duties	84,578	180,224
Energy efficiency fee	27,913	32,299
Other taxes	2,440,888	2,164,569
	9,364,096	9,794,045

18. LONG-TERM DEBT

	31 March 2020	31 December 2019
Long-term loan - Gazprom Neft	17,971,791	19,143,014
Bank loans	69,585,670	69,901,198
Other long-term borrowings	61,924	57,176
Less Current portion (note 14)	(5,979,718)	(6,384,892)
	81,639,667	82,716,496

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

	Three month period ended 31 March	
	2020	2019
Long-term loans at 1 January	89,044,212	93,344,087
Proceeds	465,953	2,210,246
Repayment	(1,201,932)	(3,767,631)
Non-cash transactions	(693,188)	-
Foreign exchange difference (note 23)	(57,584)	(143,326)
Long-term loans at 31 March	87,557,461	91,643,376

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

As at 31 March 2020 long-term loan - Gazprom Neft amounting to 17,971,791 RSD (2019: 19,143,014 RSD), with current portion of 5,674,839 RSD (2019: 5,469,432 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(d) *Bank loans*

	31 March 2020	31 December 2019
Domestic	47,244,514	46,832,409
Foreign	22,341,156	23,068,789
	69,585,670	69,901,198
Current portion of long-term loans	(304,879)	(915,460)
	69,280,791	68,985,738

The maturity of bank loans was as follows:

	31 March	
	2020	31 December 2019
Between 1 and 2 years	10,934,656	10,845,263
Between 2 and 5 years	55,110,012	54,813,261
Over 5 years	3,236,123	3,327,214
	69,280,791	68,985,738

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

	31 March	
	2020	31 December 2019
USD	195,034	209,292
EUR	69,142,408	69,426,390
RSD	473	499
JPY	247,755	265,017
	69,585,670	69,901,198

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 31 March 2020 and 31 December 2019, respectively.

19. LEASE LIABILITIES

	31 March	31 December
	2020	2019
Non-current lease liabilities	1,791,734	1,326,436
Current lease liabilities	511,524	377,005
	2,303,258	1,703,441

Amounts recognized in profit and loss:

	Three month period ended	
	31 March	
	2020	2019
Interest expense (included in finance cost)	20,584	17,757
Expense relating to short-term leases	250,116	196,146
Expense relating to leases of low value assets that are not shown above as short-term leases	57,125	12,853
Expense relating to variable lease payments not included in lease liabilities	436,886	376,190

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

	Three month period ended 31 March	
	2020	2019
As at 1 January	1,703,441	828,104
Changes in opening balance	-	790,946
Repayment	(96,626)	(82,588)
Non-cash transactions	704,073	12,713
Foreign exchange difference (note 23)	(7,630)	3,599
As at 31 March	2,303,258	1,552,774

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in amount of 841,303 RSD in total represents deferred consideration to PJSC Zarubeznejft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obligation depends on occurrence of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignment agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftgazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

In addition, Company acquired additional 34% of shares in Jadran Naftagas for consideration of 41 RSD. These transactions of shares acquisition and transfer of liabilities should be consider together.

21. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2020	2019
Employee costs	1,922,943	1,575,993
Cost of service organization	414,883	654,998
Materials and supplies (other than oil and gas and petroleum products)	508,833	629,890
Repair and maintenance services	959,161	1,279,906
Electricity and utilities	1,051,192	775,506
Safety and security expense	116,103	154,339
Transportation services for production	428,160	358,242
Other	147,359	79,258
	5,548,634	5,508,132

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	2020	31 March 2019
Employee costs	3,573,367	2,857,318
Cost of service organization	673,519	887,432
Commission and agency fees	228,235	241,131
Legal, audit and consulting services	223,677	130,247
Current repair cost	208,017	177,998
Costs on advertising and marketing	55,063	52,742
Rent expense	55,602	47,432
Business trips expense	37,060	49,800
Safety and security expense	139,147	129,998
Insurance expense	20,500	32,024
Transportation and storage	41,866	32,678
Allowance for doubtful accounts	(120,102)	(13,948)
Other	1,075,679	1,025,136
	6,211,630	5,649,988

23. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended	
	2020	31 March 2019
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain (note 18 and 19)	272,366	402,935
- foreign exchange loss (note 18 and 19)	(207,152)	(263,208)
Net foreign exchange gain (loss) on operating activities	(383,978)	(344,087)
	(318,764)	(204,360)

24. FINANCE INCOME

	Three month period ended	
	2020	31 March 2019
Interest on bank deposits	33,774	105,093
Interest income on loans issued	2,680	2,713
	36,454	107,806

25. FINANCE EXPENSES

	Three month period ended	
	2020	31 March 2019
Interest expense	471,265	504,564
Decommissioning provision: unwinding of the present value discount	20,803	36,134
Financial assets: unwinding of discount	(19,443)	(5,217)
Less: interest expense capitalised on qualifying assets	(36,250)	(41,081)
	436,375	494,400

Interest expense includes expenses on lease liabilities in the amount of 20,584 RSD for the three months ended 31 March 2020 (17,757 RSD for the three months ended 31 March 2019 accordingly).

26. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties, financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2019. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2020 the carrying value of financial assets approximates their fair value.

27. CONTINGENCIES AND COMMITMENTS

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 March 2020.

Economic environment in the Republic of Serbia

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

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

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 499,018 RSD (31 December 2019: 509,129 RSD).

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

Capital commitments

As of 31 March 2020 the Group has entered into contracts to purchase property, plant and equipment 1,747,700 RSD (31 December 2019: 2,809,071 RSD) and drilling and exploration works estimated to 56.04 USD million (31 December 2019: 56.89 USD million).

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

28. RELATED PARTY TRANSACTIONS

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

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

In the three month period ended 31 March 2020 and in the same period in 2019, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 31 March 2020 and 31 December 2019 the outstanding balances, presented net of impairment, with related parties were as follows:

As at 31 March 2020	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	-	47,118	946,862
Investments in joint venture and associates	-	-	1,795,363
Other current assets	-	11,786	-
Trade and other payables	(5,251,934)	(196,145)	(893,024)
Other current liabilities	-	(2)	(3,303)
Current lease liabilities	-	(139)	-
Short-term debt and current portion of long-term debt	(5,687,492)	-	-
Long-term debt	(12,296,952)	-	-
Non-current lease liabilities	-	(63)	-
	(23,236,378)	(137,445)	1,845,898
As at 31 December 2019	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	-	100,451	1,600,151
Investments in joint venture and associates	-	-	1,851,101
Other current assets	-	34,371	-
Trade and other payables	(10,500,427)	(543,563)	(1,208,375)
Other current liabilities	-	(2)	(3,782)
Short-term debt and current portion of long-term debt	(5,469,432)	-	-
Current lease liabilities	-	(159)	-
Long-term debt	(13,673,582)	-	-
Non-current lease liabilities	-	(128)	-
	(29,643,441)	(409,030)	2,239,095

For the three month period ended 31 March 2020 and 2019 the following transaction occurred with related parties:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Three month period ended 31 March 2020			
Petroleum products and oil and gas sales	-	126,586	4,874,154
Other revenues	-	1,341	10,067
Purchases of oil, gas and petroleum products	(14,647,442)	(264,096)	-
Production and manufacturing expenses	-	(48,494)	(43,914)
Selling, general and administrative expenses	-	(1,707)	(594)
Other income (expenses), net	5,233	(104)	-
Finance expense	(82,536)	-	-
	(14,724,745)	(186,474)	4,839,713

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Three month period ended 31 March 2019			
Petroleum products and oil and gas sales	-	121,459	3,827,489
Other revenues	-	17,195	4,136
Purchases of oil, gas and petroleum products	(16,170,749)	(29,765)	-
Production and manufacturing expenses	-	(49,012)	(48,294)
Selling, general and administrative expenses	-	(6,408)	(647)
Other expenses, net	13,320	(94)	-
Finance expense	(110,753)	-	-
	(16,268,182)	53,375	3,782,684

Transactions with Key Management Personnel

For the three month period ended on 31 March 2020 and 2019 the Group recognized 228,485 RSD and 225,797 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

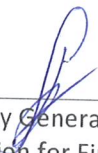
Other informations

As at 27 February 2020, the process of voluntary liquidation of the subsidiary Pannon Naftagas KFT Hungary started. No significant impact is expected on Group Consolidated Financial statements.

Statement of Individuals Responsible for the Preparation of Financial Statements

We hereby state that, to our best knowledge, the interim financial reports have been prepared in compliance with the international financial reporting standards and that they show true and objective information on the assets, liabilities, profit and loss, financial position and operations of the Company, including subsidiaries encompassed by the consolidated statements.

Anton Cherepanov



Deputy General Director,
Head of Function for Finance, Economics,
Planning and Accounting
NIS j.s.c. Novi Sad



Branko Mitrović



Head of Accounting and Financial
Services
Multifunctional Shared Service Center
NIS j.s.c. Novi Sad

Contacts

NIS j.s.c. Novi Sad

E-mail: office@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia
(+381 21) 481 1111

1, Milentija Popovića St.
11000 Belgrade, Serbia
(+381 11) 311 3311

Investor Relations Services

E-mail: Investor.Relations@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia

Sector for Minority Shareholders Affairs

E-mail: servis.akcionara@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia
Info Service: (+381 11) 22 000 55

Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
ALARP	As low as reasonably possible
B&H	Bosnia and Herzegovina
BC	Business Centre
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CMMS	Computerized maintenance management system
CNG	Compressed natural gas
CO	Carbon Oxide
CO₂	Carbon Dioxide
DCU	Delayed Coking Unit
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offer Rate
GDP	Gross Domestic Product
GPN	PJSC Gazprom Neft
GTA	Geological-technical activities
GU	Gasoline unleaded
GWh	Gigawatt hours
HiPACT	High Pressure Acid Gas Capture Technology
HR	Human Resources
HSE	Health, Safety and the Environment
IMF	International Monetary Fund
IRMS	Integrated Risk Management System
IT	Information Technology
j.s.c. or JSC	Joint Stock Company
k.f.t.	Limited liability company (in Hungary)
km	kilometre
LIBOR	London Interbanking Offer Rate
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTIF	Lost Time Injury Frequency
m²	Square meter
m³	Cubic meter
MHC/DHT	Mild hydrocracking and hydro treating unit
mn	million
MW	Megawatt, SI unit of electricity
MWh	Megawatt hour, unit of electricity
N₂	Nitrogen
NBS	National Bank of Serbia
NMD	Regulatory methodology document
OCF	Operating Cash Flow
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure

Abbreviation	Meaning
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RNP	Pančevo Oil Refinery
RSD	Serbian Dinar
SNNP	Sa nama na putu cart (On the road with us card)
s.r.l.	Limited liability company (in Romania)
STC	Scientific and Technological Centre
t.o.e.	Tonnes of oil equivalent
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax

The Report contains statements on uncertain future events. Statements on uncertain future events involve statements which are not historical facts, statements with regard to the NIS Group's intentions, beliefs or current expectations related to, inter alia, the NIS Group's business results, financial standing and liquidity, prospects, growth, strategies and industrial sectors in which the NIS Group does business. For the reason that they relate to the events and depend on the circumstances which may or may not realize in the future, statements on uncertain future events by their nature involve risks and uncertainty, including, but without limitation to risks and uncertainties that the NIS Group has identified in other publicly available documents. NIS Group hereby warns that there are no guarantees that the statements on uncertain future events will be realized in the future and that actual business results, financial standing and liquidity, as well as the development of the industrial sector in which the NIS Group does business, may considerably differ from the ones represented or assumed by statements on uncertain future events. In addition, even if the NIS Group's business results, its financial standing and liquidity, and the development of the industrial sector in which the NIS Group does business happen to comply with the statements on uncertain future events contained herein, the results and development are not indicative of the results and development in upcoming periods. The information contained herein has been presented on the date of the Report and may be changed without prior announcement.