



**Naftna industrija Srbije A.D.**

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

30 June 2020

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

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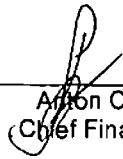
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**NIS Group**  
**Interim Condensed Consolidated Statement of Financial Position**  
*(All amounts are in 000 RSD, unless otherwise stated)*

<b>Assets</b>	Note	<b>30 June 2020</b>	<b>31 December 2019</b>
		<i>(unaudited)</i>	
<b>Current assets</b>			
Cash and cash equivalents	5	7,298,621	15,295,810
Short-term financial assets	6	168,115	1,766,518
Trade and other receivables	7	20,319,923	26,298,314
Inventories	8	28,798,368	47,479,934
Current income tax prepayments		926,581	602,249
Other current assets	9	7,097,545	5,475,677
Non-current assets held for sale		81,200	88,416
<b>Total current assets</b>		<b>64,690,353</b>	<b>97,006,918</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	309,029,188	305,934,567
Right-of-use assets	11	2,381,102	1,873,799
Investment property		1,574,550	1,579,798
Goodwill and other intangible assets		4,462,417	4,461,623
Investments in associates and joint ventures	12	1,808,484	1,851,101
Trade and other non-current receivables		153,336	227,491
Long-term financial assets		267,035	269,551
Deferred tax assets		1,127,689	697,689
Other non-current assets	13	1,147,974	1,291,407
<b>Total non-current assets</b>		<b>321,951,775</b>	<b>318,187,026</b>
<b>Total assets</b>		<b>386,642,128</b>	<b>415,193,944</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	6,719,082	6,612,777
Current lease liabilities	19	584,833	377,005
Trade and other payables	15	22,266,182	39,463,261
Other current liabilities	16	6,811,676	7,198,105
Other taxes payable	17	12,361,437	9,794,045
Provisions for liabilities and charges		2,382,478	1,591,898
<b>Total current liabilities</b>		<b>51,125,688</b>	<b>65,037,091</b>
<b>Non-current liabilities</b>			
Long-term debt	18	82,070,395	82,716,496
Non-current lease liabilities	19	1,720,885	1,326,436
Other non-current financial liabilities	20	841,817	-
Long-term trade and other payables		4,348	-
Provisions for liabilities and charges		10,782,751	11,419,129
<b>Total non-current liabilities</b>		<b>95,420,196</b>	<b>95,462,061</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		347,096	271,614
Retained earnings		158,199,270	173,153,889
<b>Equity attributable to the Company's owners</b>		<b>240,076,566</b>	<b>254,955,703</b>
Non-controlling interest		19,678	(260,911)
<b>Total equity</b>		<b>240,096,244</b>	<b>254,694,792</b>
<b>Total liabilities and shareholder's equity</b>		<b>386,642,128</b>	<b>415,193,944</b>

  
 Kirill Tyurdenev  
 Chief Executive Officer  
 27 July 2020

  
 Anton Cherepanov  
 Chief Financial Officer

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

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

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

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>	2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		30,662,403	60,905,430	80,440,556	111,741,928
Other revenues		2,714,053	3,030,953	5,502,838	5,705,647
<b>Total revenue from sales</b>	<b>4</b>	<b>33,376,456</b>	<b>63,936,383</b>	<b>85,943,394</b>	<b>117,447,575</b>
Purchases of oil, gas and petroleum products		(24,066,232)	(39,860,481)	(58,088,192)	(74,369,160)
Production and manufacturing expenses	21	(5,105,816)	(6,785,079)	(10,654,450)	(12,293,211)
Selling, general and administrative expenses	22	(5,517,289)	(6,088,671)	(11,728,919)	(11,738,659)
Transportation expenses		(233,852)	(199,245)	(512,307)	(447,352)
Depreciation, depletion and amortization		(5,634,657)	(5,095,881)	(11,124,691)	(10,190,853)
Taxes other than income tax		(1,369,870)	(1,336,125)	(2,710,434)	(2,599,480)
Exploration expenses		-	-	(3,579)	(11,474)
<b>Total operating expenses</b>		<b>(41,927,716)</b>	<b>(59,365,482)</b>	<b>(94,822,572)</b>	<b>(111,650,189)</b>
Other expenses, net		(322,531)	(182,637)	(398,611)	(250,293)
<b>Operating profit (loss)</b>		<b>(8,873,791)</b>	<b>4,388,264</b>	<b>(9,277,789)</b>	<b>5,547,093</b>
Share of gain (loss) of associates and joint ventures		13,121	(51,850)	(42,617)	(71,056)
Net foreign exchange gain (loss)	23	(62,965)	98,355	(381,729)	(106,005)
Finance income	24	26,727	67,607	63,181	175,413
Finance expenses	25	(551,869)	(497,233)	(988,244)	(991,633)
<b>Total other expense</b>		<b>(574,986)</b>	<b>(383,121)</b>	<b>(1,349,409)</b>	<b>(993,281)</b>
<b>Profit (loss) before income tax</b>		<b>(9,448,777)</b>	<b>4,005,143</b>	<b>(10,627,198)</b>	<b>4,553,812</b>
Current income tax (expense) income		977	(620,990)	(51,370)	(807,131)
Deferred tax income (expense)		261,029	(315,325)	429,997	(519,726)
<b>Total income tax</b>		<b>262,006</b>	<b>(936,315)</b>	<b>378,627</b>	<b>(1,326,857)</b>
<b>Profit (loss) for the period</b>		<b>(9,186,771)</b>	<b>3,068,828</b>	<b>(10,248,571)</b>	<b>3,226,955</b>
<b>Other comprehensive income (loss):</b>					
<b>Items that will not be reclassified to profit (loss)</b>					
Gains (loss) from investments in equity instruments		(194)	1,465	(1,175)	7,875
<b>Items that may be subsequently reclassified to profit (loss)</b>					
Currency translation differences		14,019	(18,685)	76,657	107,948
<b>Other comprehensive income (loss) for the period</b>		<b>13,825</b>	<b>(17,220)</b>	<b>75,482</b>	<b>115,823</b>
<b>Total comprehensive income (loss) for the period</b>		<b>(9,172,946)</b>	<b>3,051,608</b>	<b>(10,173,089)</b>	<b>3,342,778</b>
<b>Profit (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		(9,186,771)	3,072,700	(10,248,571)	3,235,008
- Non-controlling interest		-	(3,872)	-	(8,053)
<b>Profit (loss) for the period</b>		<b>(9,186,771)</b>	<b>3,068,828</b>	<b>(10,248,571)</b>	<b>3,226,955</b>
<b>Total comprehensive income (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		(9,172,946)	3,055,344	(10,173,089)	3,350,196
- Non-controlling interest		-	(3,736)	-	(7,418)
<b>Total comprehensive income (loss) for the period</b>		<b>(9,172,946)</b>	<b>3,051,608</b>	<b>(10,173,089)</b>	<b>3,342,778</b>
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		(56.34)	18.84	(62.85)	19.84
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

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

## NIS Group

### Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Six month period ended 30 June 2020 and 2019

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

	Equity attributable to the Company's owners			Non-controlling interest	Total equity	
	Share capital	Reserves	Retained earnings			Total
<b>Balance as at 1 January 2019</b>	<b>81,530,200</b>	<b>77,130</b>	<b>161,516,302</b>	<b>243,123,632</b>	<b>247,828</b>	<b>242,875,804</b>
Profit (loss) for the period	-	-	3,235,008	3,235,008	(8,053)	3,226,955
<b>Other comprehensive income (loss)</b>						
Gains from investments in equity instruments	-	7,875	-	7,875	-	7,875
Sale of investments in equity instruments	-	8,158	(8,158)	-	-	-
Currency translation differences	-	107,313	-	107,313	635	107,948
<b>Total comprehensive income (loss) for the period</b>						
Dividend distribution	-	-	(6,517,524)	(6,517,524)	(7,418)	(6,517,524)
<b>Balance as at 30 June 2019</b>	<b>81,530,200</b>	<b>200,476</b>	<b>158,225,628</b>	<b>239,956,304</b>	<b>(255,246)</b>	<b>239,701,058</b>

	Equity attributable to the Company's owners			Non-controlling interest	Total equity	
	Share capital	Reserves	Retained earnings			Total
<b>Balance as at 1 January 2020</b>	<b>81,530,200</b>	<b>271,614</b>	<b>173,153,889</b>	<b>254,955,703</b>	<b>(260,911)</b>	<b>254,694,792</b>
Profit (loss) for the period	-	-	(10,248,571)	(10,248,571)	-	(10,248,571)
<b>Other comprehensive income (loss)</b>						
Loss from investments in equity instruments	-	(1,175)	-	(1,175)	-	(1,175)
Currency translation differences	-	76,657	-	76,657	-	76,657
<b>Total comprehensive income (loss) for the period</b>						
New investments in shares	-	-	(280,589)	(280,589)	280,589	-
Dividend distribution	-	-	(4,425,459)	(4,425,459)	-	(4,425,459)
<b>Balance as at 30 June 2020</b>	<b>81,530,200</b>	<b>347,096</b>	<b>158,199,270</b>	<b>240,076,566</b>	<b>19,678</b>	<b>240,096,244</b>

**NIS Group**  
**Interim Condensed Consolidated Statement of Cash Flows<sup>1</sup>**  
*(All amounts are in 000 RSD, unless otherwise stated)*

	Note	Six month period ended 30 June	
		2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		<b>(10,627,198)</b>	<b>4,553,812</b>
<b>Adjustments for:</b>			
Share of loss of associates and joint ventures		42,617	71,056
Finance expenses	25	988,244	991,633
Finance income	24	(63,181)	(175,413)
Net unrealised foreign exchange loss (gain), net		(20,094)	63,243
Depreciation, depletion and amortization		11,124,691	10,190,857
Other non-cash items		214,653	300,541
<b>Operating cash flow before changes in working capital</b>		<b>1,659,732</b>	<b>15,995,729</b>
<b>Changes in working capital:</b>			
Accounts receivable		6,084,214	(2,504,328)
Inventories		18,678,841	(1,048,050)
Other assets		(1,631,230)	452,653
Accounts payables and other current liabilities		(19,906,086)	5,069,740
Taxes payable		3,466,068	672,401
<b>Total effect on working capital changes</b>		<b>6,691,807</b>	<b>2,642,416</b>
Income taxes paid		(1,274,858)	(2,131,049)
Interest paid		(872,237)	(826,675)
Interest received		62,809	294,562
		<b>(2,084,286)</b>	<b>(2,663,162)</b>
<b>Net cash generated from operating activities</b>		<b>6,267,253</b>	<b>15,974,983</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of subsidiaries	20	(41)	-
Loan proceeds received		-	23,596
Capital expenditures <sup>2</sup>		(16,224,011)	(20,446,998)
Proceeds from sale of property, plant and equipment		183,011	103,913
Bank deposits repayment, net		1,598,297	598,196
Other outflow		(17,641)	(18,591)
<b>Net cash used in investing activities</b>		<b>(14,460,385)</b>	<b>(19,739,884)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,18	13,949,244	9,866,658
Repayment of borrowings	14,18	(13,655,944)	(10,816,006)
Repayment of lease liabilities	19	(179,728)	(166,279)
<b>Net cash generated from (used in) financing activities</b>		<b>113,572</b>	<b>(1,115,627)</b>
Net decrease in cash and cash equivalents		(8,079,560)	(4,880,528)
Effect of foreign exchange on cash and cash equivalents		82,371	(6,070)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>15,295,810</b>	<b>15,480,830</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>7,298,621</b>	<b>10,594,232</b>

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

<sup>1</sup> Group policy is to present cash flow inclusive of related VAT.

<sup>2</sup> CF from investing activities includes VAT in the amount of 1,7 bln RSD (2019: 2,1 bln RSD)

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020**

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

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#### **1. GENERAL INFORMATION**

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

- Exploration, 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 and continued during the second 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.

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020**

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

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#### **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.

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 at reporting date (note 10).

#### ***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 30 June 2020 were evaluated through 27 July 2020, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the six month period ended 30 June 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.



## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020**

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

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#### **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 Materiality – 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:

- COVID-19-Related Rent Concessions - Amendments to IFRS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 June 2020);
  - IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
  - Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and effective for annual periods beginning on or after 1 January 2022).
  - Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
  - Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
  - Updating References to the Conceptual Framework - Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
  - Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
    - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2022);
    - Lease Incentives (Amendment to Illustrative Example 13 accompanying IFRS 16);
    - Subsidiary as a First-time Adopter - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 January 2022);
    - Taxation in Fair Value Measurements - Amendment to IAS 41 (effective for annual periods beginning on or after 1 January 2022).
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Unless otherwise described above, the new standards and interpretations are not expected to have significant impact on the Group's Interim Condensed Consolidated Financial Statements.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020

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

#### 4. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the six month periods ended 30 June 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 six month period ended 30 June 2020 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	15,542,505	85,742,246	(15,341,357)	85,943,394
Intersegment	15,014,540	326,817	(15,341,357)	-
External	527,965	85,415,429	-	85,943,394
EBITDA (Segment results)	8,039,455	(5,724,680)	-	2,314,775
Depreciation, depletion and amortization	(6,108,080)	(5,016,611)	-	(11,124,691)
Share of loss of associates and joint ventures	-	(42,617)	-	(42,617)
Net foreign exchange loss	(169,594)	(212,135)	-	(381,729)
Finance expenses, net	(46,783)	(878,280)	-	(925,063)
Income tax	(62,196)	440,823	-	378,627
Segment profit (loss)	<b>1,387,981</b>	<b>(11,636,552)</b>	-	<b>(10,248,571)</b>

Reportable segment results for the six month period ended 30 June 2019 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	24,731,275	117,313,447	(24,597,147)	117,447,575
Intersegment	24,006,171	590,976	(24,597,147)	-
External	725,104	116,722,471	-	117,447,575
EBITDA (Segment results)	18,115,357	(2,214,178)	-	15,901,179
Depreciation, depletion and amortization	(5,590,063)	(4,600,790)	-	(10,190,853)
Share of loss of associates and joint ventures	-	(71,056)	-	(71,056)
Net foreign exchange loss	(103,827)	(2,178)	-	(106,005)
Finance expenses, net	(62,515)	(753,705)	-	(816,220)
Income tax	(156,248)	(1,170,609)	-	(1,326,857)
Segment profit (loss)	<b>11,978,963</b>	<b>(8,752,008)</b>	-	<b>3,226,955</b>



## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020

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

Out of the amount of 50,619,225 RSD (2019: 71,168,553 RSD) revenue from sale of petroleum products (wholesale), the amount of 6,688,373 RSD (2019: 7,268,496 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 3,882,312 RSD (2019: 4,051,352 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 64,101,782 RSD (2019: 87,746,895 RSD), and the total revenue from external customer from other countries is 21,841,612 RSD (2019: 29,700,680 RSD).

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

	Six month period ended	
	30 June	
	2020	2019
Sale of crude oil	445,567	663,496
Sale of petroleum products (retail and wholesale)		
Bulgaria	4,842,681	6,298,910
Bosnia and Herzegovina	6,245,702	10,347,916
Romania	4,624,820	4,962,750
Croatia	790,710	802,683
Great Britain	447,001	618,466
Northern Macedonia	425,770	375,199
Hungary	414,385	658,384
Switzerland	360,100	719,690
All other markets	1,870,799	2,557,614
	20,021,968	27,341,612
Sale of electricity	95,409	68,802
Lease revenue	2,815	3,815
Other sales	1,275,853	1,622,955
	<b>21,841,612</b>	<b>29,700,680</b>

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

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

	30 June	31 December
	2020	2019
Serbia	291,392,098	287,838,628
Bulgaria	6,677,785	6,881,442
Bosnia and Herzegovina	7,173,972	7,276,613
Romania	12,203,402	11,853,104
	<b>317,447,257</b>	<b>313,849,787</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020***(All amounts are in 000 RSD, unless otherwise stated)***5. CASH AND CASH EQUIVALENTS**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Cash in bank and in hand	6,382,449	10,953,751
Deposits with original maturity of less than three months	682,104	4,063,573
Cash held on escrow account	11,240	13,978
Cash equivalents	222,828	264,508
	<b>7,298,621</b>	<b>15,295,810</b>

**6. SHORT-TERM FINANCIAL ASSETS**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Short-term loans	2,210	2,210
Deposits with original maturity more than 3 months less than 1 year	168,115	1,766,564
Less impairment loss provision	(2,210)	(2,256)
	<b>168,115</b>	<b>1,766,518</b>

As at 30 June 2020 deposits with original maturity more than 3 months less than 1 year amounting to 168,115 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**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade receivables	29,215,790	35,392,271
Other receivables	99,882	556,593
Accrued assets	36,736	41,567
<i>Less credit loss allowance for trade receivables</i>	(8,981,921)	(9,639,286)
<i>Less credit loss allowance for other receivables</i>	(50,564)	(52,831)
<b>Total trade and other receivables</b>	<b>20,319,923</b>	<b>26,298,314</b>

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:

	<b>30 June 2020</b>	<b>31 December 2019</b>
RSD	18,477,674	23,304,560
EUR	512,239	1,111,884
USD	236,834	292,580
Other	1,093,176	1,589,290
	<b>20,319,923</b>	<b>26,298,314</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020***(All amounts are in 000 RSD, unless otherwise stated)***8. INVENTORIES**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Crude oil	14,528,459	29,866,109
Petroleum products	11,943,447	14,407,981
Materials and supplies	5,988,633	6,773,096
Other	1,081,081	1,208,732
Less impairment provision	(4,743,252)	(4,775,984)
	<b>28,798,368</b>	<b>47,479,934</b>

**9. OTHER CURRENT ASSETS**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Advances paid	509,814	582,560
VAT receivables	51,423	452,571
Deferred VAT	2,286,719	1,929,283
Prepaid expenses	441,261	288,181
Prepaid custom duties	64,154	62,342
Prepaid excise	2,896,028	1,771,927
Other current assets	8,416,862	7,956,935
Less impairment provision	(7,568,716)	(7,568,122)
	<b>7,097,545</b>	<b>5,475,677</b>

Deferred VAT as at 30 June 2020 amounting to 2,286,719 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 30 June 2020 amounting to 2,896,028 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.

## Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020

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

## 10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2019</b>						
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)
<b>Net book value</b>	<b>118,787,462</b>	<b>68,874,495</b>	<b>37,352,440</b>	<b>9,267,408</b>	<b>52,172,741</b>	<b>286,454,546</b>
<b>Period ended 30 June 2019</b>						
Additions	-	-	-	-	19,043,099	19,043,099
Changes in decommissioning obligations	58,729	-	-	-	-	58,729
Transfer from assets under construction	7,169,416	997,065	583,491	490,164	(9,240,136)	-
Impairment	-	-	(55,762)	-	(27,858)	(83,620)
Depreciation	(5,405,927)	(2,689,754)	(1,218,078)	(406,118)	(2,382)	(9,722,259)
Disposals and write-off	(12,993)	(1,539)	(9,645)	(7,994)	(77,779)	(109,950)
Transfer to right-of-use assets	(54,331)	-	(918,200)	-	-	(972,531)
Other transfers	(154,767)	(14,699)	154,439	(14,210)	245,239	216,002
Translation differences	(6)	(1)	(75,050)	194	(108,157)	(183,020)
<b>As at 30 June 2019</b>	<b>120,387,583</b>	<b>67,165,567</b>	<b>35,813,635</b>	<b>9,329,444</b>	<b>62,004,767</b>	<b>294,700,996</b>
<b>As at 1 January 2020</b>						
Cost	173,408,030	115,990,014	69,263,977	19,562,905	64,069,928	442,294,854
Depreciation and impairment	(53,020,447)	(48,824,447)	(33,450,342)	(10,233,461)	(2,065,161)	(147,593,858)
<b>Net book value</b>	<b>120,387,583</b>	<b>67,165,567</b>	<b>35,813,635</b>	<b>9,329,444</b>	<b>62,004,767</b>	<b>294,700,996</b>
<b>Period ended 30 June 2020</b>						
Additions	-	-	-	-	13,824,318	13,824,318
Changes in decommissioning obligations	158,782	-	-	-	-	158,782
Transfer from assets under construction	8,547,460	2,599,400	1,778,340	122,859	(13,048,059)	-
Impairment	-	-	(3,031)	-	(18,494)	(21,525)
Depreciation	(5,927,926)	(3,040,435)	(1,234,343)	(369,145)	(2,363)	(10,574,212)
Disposals and write-off	(8,967)	(5,005)	(29,518)	(6,434)	(44,032)	(93,956)
Other transfers	(106,272)	(272,783)	34,600	205,951	92,456	(46,048)
Translation differences	(22)	-	(36,709)	1	(116,008)	(152,738)
<b>As at 30 June 2020</b>	<b>129,297,967</b>	<b>66,654,772</b>	<b>36,311,718</b>	<b>9,037,992</b>	<b>67,726,739</b>	<b>309,029,188</b>
Cost	193,746,870	121,344,116	71,730,611	19,505,816	69,781,824	476,109,237
Depreciation and impairment	(64,448,903)	(54,689,344)	(35,418,893)	(10,467,824)	(2,055,085)	(167,080,049)
<b>Net book value</b>	<b>129,297,967</b>	<b>66,654,772</b>	<b>36,311,718</b>	<b>9,037,992</b>	<b>67,726,739</b>	<b>309,029,188</b>

Capitalized borrowing costs for the six months ended 30 June 2020 include interest expense in the amount of 71,911 RSD (30 June 2019: 86,344 RSD).

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020

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

#### 11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the six months ended 30 June 2020 and 2019 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
<b>As at 1 January 2019</b>	-	-	-	-	-
Change in opening balance	153,119	1,261,439	335,712	85,151	1,835,421
Additions	-	-	13,172	-	13,172
Depreciation of right-of-use assets	-	(119,479)	(36,053)	(11,672)	(167,204)
Foreign currency translation	(2,663)	(2,299)	(191)	(59)	(5,212)
<b>As at 30 June 2019</b>	<b>150,456</b>	<b>1,139,661</b>	<b>312,640</b>	<b>73,420</b>	<b>1,676,177</b>
<b>As at 1 January 2020</b>	<b>148,676</b>	<b>1,023,199</b>	<b>438,495</b>	<b>263,429</b>	<b>1,873,799</b>
Additions	7,509	149,575	-	603,883	760,967
Depreciation of right-of-use assets	(1,252)	(121,498)	(35,902)	(78,591)	(237,243)
Disposals	-	(541)	-	(6,666)	(7,207)
Effect of contract modifications and changes in estimates	-	(5,050)	-	(60)	(5,110)
Foreign currency translation	(185)	(1,665)	(2,222)	(32)	(4,104)
<b>As at 30 June 2020</b>	<b>154,748</b>	<b>1,044,020</b>	<b>400,371</b>	<b>781,963</b>	<b>2,381,102</b>

#### 12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying values of the investments in associates and joint ventures as of 30 June 2020 and 31 December 2019 are summarised below:

		Ownership percentage	30 June 2020	31 December 2019
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	931,592	946,208
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	876,892	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)
<b>Total investments</b>			<b>1,808,484</b>	<b>1,851,101</b>

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.



## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020

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

#### 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 30 June 2020 and 31 December 2019 and for the six month periods ended 30 June 2020 and 30 June 2019 is presented in the table below:

	<b>NIS MET Energowind</b>	<b>Gazprom Energoholding Serbia</b>
<b>30 June 2020</b>		
Current assets	66,067	302,490
Non-current assets	3,156,679	14,132,254
Current liabilities	(944,299)	(42,111)
Non-current liabilities	-	(12,631,558)
<b>31 December 2019</b>		
Current assets	132,063	698,256
Non-current assets	3,151,318	12,154,427
Current liabilities	(975,707)	(71,219)
Non-current liabilities	-	(10,963,037)
	<b>NIS MET Energowind</b>	<b>Gazprom Energoholding Serbia</b>
<b>30 June 2020</b>		
Other income	1,783	6,153
Loss for the year	(29,232)	(57,144)
<b>30 June 2019</b>		
Other income	137	14,062
Loss for the year	(10,838)	(133,954)

### 13. OTHER NON-CURRENT ASSETS

	<b>30 June 2020</b>	<b>31 December 2019</b>
Advances paid for PPE	251,376	372,107
Prepaid expenses	133,099	146,711
Other assets	1,159,348	1,153,957
<i>Less allowance of other assets</i>	(369,108)	(354,626)
<i>Less allowance for advances paid</i>	(26,741)	(26,742)
	<b>1,147,974</b>	<b>1,291,407</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020***(All amounts are in 000 RSD, unless otherwise stated)***14. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Short-term loans	750,000	-
Interest liabilities	93,405	227,885
Current portion of long-term loans (note 18)	5,875,677	6,384,892
	<b>6,719,082</b>	<b>6,612,777</b>

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

	<b>Six month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<b>Short-term loans at 1 January</b>	-	-
Proceeds	11,500,000	-
Repayment	(10,750,000)	-
<b>Short-term loans at 30 June</b>	<b>750,000</b>	-

**15. TRADE AND OTHER PAYABLES**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade payables	13,614,741	35,535,376
Dividends payable	8,205,243	3,780,692
Other accounts payable	446,198	147,193
	<b>22,266,182</b>	<b>39,463,261</b>

As at 30 June 2020 trade payables amounting to 13,614,741 RSD (31 December 2019: 35,535,376 RSD) mainly relate to payables for crude oil in the amount of 4,538,107 RSD (31 December 2019: 19,989,597 RSD), to the most significant suppliers Petraco Oil Company LLP, London in the amount of 4,538,107 RSD (31 December 2019: 0 RSD) and Gazprom Neft, St Petersburg in the amount of 0 RSD (31 December 2019: 10,498,354 RSD).

**16. OTHER CURRENT LIABILITIES**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Contract liabilities arising from contracts with customers:		
- Advances received	2,187,229	1,982,331
- Customer loyalty	786,131	722,239
Payables to employees	3,824,093	4,130,242
Other current non-financial liabilities	14,223	363,293
	<b>6,811,676</b>	<b>7,198,105</b>

Revenue in the amount of 1,859,770 RSD was recognized in the current reporting period (30 June 2019: 1,419,420 RSD) related to the contract liabilities as at 1 January 2020, of which 1,539,532 RSD (30 June 2019: 1,169,329 RSD) related to advances and 320,238 RSD (30 June 2019: 250,091 RSD) to customer loyalty programme.

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020***(All amounts are in 000 RSD, unless otherwise stated)***17. OTHER TAXES PAYABLE**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Mineral extraction tax	184,672	248,864
VAT	2,937,154	1,137,119
Excise tax	6,473,855	5,750,900
Contribution for buffer stocks	296,492	280,070
Custom duties	24,332	180,224
Energy efficiency fee	31,709	32,299
Other taxes	2,413,223	2,164,569
	<b>12,361,437</b>	<b>9,794,045</b>

**18. LONG-TERM DEBT**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Long-term loan - Gazprom Neft	16,405,954	19,143,014
Bank loans	71,476,637	69,901,198
Other long-term borrowings	63,482	57,176
Less Current portion (note 14)	(5,875,678)	(6,384,892)
	<b>82,070,395</b>	<b>82,716,496</b>

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

	<b>Six month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<b>Long-term loans at 1 January</b>	<b>89,044,212</b>	<b>93,344,087</b>
Proceeds	2,449,244	9,866,658
Repayment	(2,905,944)	(10,816,006)
Non-cash transactions	(693,251)	-
Foreign exchange difference (note 23)	(11,672)	(211,830)
<b>Long-term loans at 30 June</b>	<b>87,882,589</b>	<b>92,182,909</b>

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

As at 30 June 2020 long-term loan - Gazprom Neft amounting to 16,405,954 RSD (2019: 19,143,014 RSD), with current portion of 5,468,651 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**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Domestic	49,004,299	46,832,409
Foreign	22,472,338	23,068,789
	71,476,637	69,901,198
Current portion of long-term loans	(407,027)	(915,460)
	<b>71,069,610</b>	<b>68,985,738</b>

The maturity of bank loans was as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Between 1 and 2 years	12,546,387	10,845,263
Between 2 and 5 years	55,400,044	54,813,261
Over 5 years	3,123,179	3,327,214
	<b>71,069,610</b>	<b>68,985,738</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020

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

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
USD	191,298	209,292
EUR	71,040,614	69,426,390
RSD	422	499
JPY	244,303	265,017
	<b>71,476,637</b>	<b>69,901,198</b>

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 30 June 2020 and 31 December 2019, respectively.

## 19. LEASE LIABILITIES

	<b>30 June 2020</b>	<b>31 December 2019</b>
Non-current lease liabilities	1,720,885	1,326,436
Current lease liabilities	584,833	377,005
	<b>2,305,718</b>	<b>1,703,441</b>

Amounts recognized in profit and loss:

	<b>Six month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Interest expense (included in finance cost)	41,643	35,658
Expense relating to short-term leases	468,681	393,287
Expense relating to leases of low value assets that are not shown above as short-term leases	100,459	66,928
Expense relating to variable lease payments not included in lease liabilities	840,708	852,663

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

	<b>Six month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
As at 1 January	1,703,441	828,104
Changes in opening balance	-	790,946
Repayment	(179,728)	(166,279)
Non-cash transactions	788,771	39,623
Foreign exchange difference (note 23)	(6,766)	1,012
<b>As at 30 June</b>	<b>2,305,718</b>	<b>1,493,406</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020***(All amounts are in 000 RSD, unless otherwise stated)***20. OTHER NON-CURRENT FINANCIAL LIABILITIES**

Other non-current financial liabilities in the amount of 841,817 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 share 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 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Employee costs	2,199,083	1,654,915	4,122,026	3,230,908
Cost of service organization	1,141	704,102	416,024	1,359,100
Materials and supplies (other than oil and gas and petroleum products)	329,569	707,507	838,402	1,337,397
Repair and maintenance services	634,546	2,108,245	1,593,707	3,388,151
Electricity for resale	32,770	78,691	116,241	176,322
Electricity and utilities	804,831	856,919	1,772,552	1,632,425
Safety and security expense	96,062	109,332	212,165	263,671
Insurance services	97,874	75,749	159,334	137,990
Transportation services for production	337,724	408,099	765,884	766,341
Other	572,216	81,520	658,115	906
	<b>5,105,816</b>	<b>6,785,079</b>	<b>10,654,450</b>	<b>12,293,211</b>

**22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Employee costs	3,765,125	2,959,024	7,338,492	5,816,342
Cost of service organization	14,260	896,262	687,779	1,783,694
Commission and agency fees	196,142	244,055	424,377	485,186
Legal, audit and consulting services	192,732	255,544	416,409	385,791
Current repair cost	185,411	227,775	393,428	405,773
Costs on advertising and marketing	35,382	91,761	90,445	144,503
Rent expense	53,380	74,129	108,982	121,561
Business trips expense	16,975	62,322	54,035	112,122
Safety and security expense	106,544	138,280	245,691	268,278
Insurance expense	16,697	30,123	37,197	62,147
Transportation and storage	29,931	47,049	71,797	79,727
Allowance for doubtful accounts	22,278	(10,286)	(97,824)	(24,234)
Other	882,432	1,072,633	1,958,111	2,097,769
	<b>5,517,289</b>	<b>6,088,671</b>	<b>11,728,919</b>	<b>11,738,659</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020

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

#### 23. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain (note 18 and 19)	877,709	326,145	1,150,075	729,080
- foreign exchange loss (note 18 and 19)	(924,485)	(255,054)	(1,131,637)	(518,262)
Net foreign exchange gain (loss) on operating activities	(16,189)	27,264	(400,167)	(316,823)
	<b>(62,965)</b>	<b>98,355</b>	<b>(381,729)</b>	<b>(106,005)</b>

#### 24. FINANCE INCOME

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Interest on bank deposits	24,506	64,676	58,280	169,769
Interest income on loans issued	2,221	2,931	4,901	5,644
	<b>26,727</b>	<b>67,607</b>	<b>63,181</b>	<b>175,413</b>

#### 25. FINANCE EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Interest expense	574,593	507,332	1,045,858	1,011,896
Decommissioning provision: unwinding of the present value discount	23,024	36,297	43,827	72,431
Financial assets: unwinding of discount	(10,087)	(1,133)	(29,530)	(6,350)
Less: interest expense capitalised on qualifying assets	(35,661)	(45,263)	(71,911)	(86,344)
	<b>551,869</b>	<b>497,233</b>	<b>988,244</b>	<b>991,633</b>

Interest expense includes expenses on lease liabilities in the amount of 41,643 RSD for the six months ended 30 June 2020 (35,658 RSD for the six months ended 30 June 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 30 June 2020 the carrying value of financial assets approximates their fair value.

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020**

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

#### **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 30 June 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 488,290 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 30 June 2020 the Group has entered into contracts to purchase property, plant and equipment 2,597,476 RSD (31 December 2019: 2,809,071 RSD) and drilling and exploration works estimated to 55.85 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 six month period ended 30 June 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.

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020***(All amounts are in 000 RSD, unless otherwise stated)*

As at 30 June 2020 and 31 December 2019 the outstanding balances, presented net of impairment, with related parties were as follows:

	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
<b>As at 30 June 2020</b>			
Trade and other receivables	-	54,981	448,215
Investments in joint venture and associates	-	-	1,808,484
Other current assets	-	8,287	-
Right of use assets	-	219	-
Trade and other payables	-	(48,531)	(590,552)
Other current liabilities	-	(2)	(3,962)
Current lease liabilities	-	(154)	-
Short-term debt and current portion of long-term debt	(5,468,651)	-	-
Long-term debt	(10,937,303)	-	-
Non-current lease liabilities	-	(28)	-
	<b>(16,405,954)</b>	<b>14,772</b>	<b>1,662,185</b>

	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
<b>As at 31 December 2019</b>			
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)	-
	<b>(29,643,441)</b>	<b>(409,030)</b>	<b>2,239,095</b>



**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020***(All amounts are in 000 RSD, unless otherwise stated)*

For the six month period ended 30 June 2020 and 2019 the following transaction occurred with related parties:

	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
<b>Six month period ended 30 June 2020</b>			
Petroleum products and oil and gas sales	-	131,322	6,689,053
Other revenues	-	2,191	8,359
Purchases of oil, gas and petroleum products	(20,144,958)	(510,638)	-
Production and manufacturing expenses	-	(69,533)	(86,679)
Selling, general and administrative expenses	-	(6,000)	(1,066)
Other income (expenses), net	5,233	(142)	-
Finance expense	(163,378)	(1)	-
	<b>(20,303,103)</b>	<b>(452,801)</b>	<b>6,609,667</b>

	<b>Parent company</b>	<b>Parent's subsidiaries and associates</b>	<b>Associates and joint ventures</b>
<b>Six month period ended 30 June 2019</b>			
Petroleum products and oil and gas sales	-	263,347	7,267,554
Other revenues	-	31,112	7,405
Purchases of oil, gas and petroleum products	(22,202,884)	(1,969)	-
Production and manufacturing expenses	-	(108,439)	(95,267)
Selling, general and administrative expenses	-	(20,323)	(1,022)
Other income (expenses), net	13,831	(349)	-
Finance expense	(215,592)	-	-
	<b>(22,404,645)</b>	<b>163,379</b>	<b>7,178,670</b>

**Transactions with Key Management Personnel**

For the six month period ended on 30 June 2020 and 2019 the Group recognized 456,072 RSD and 465,698 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 information**

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.

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2020**

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

## **NIS Group**

### **Contact Information**

The Group's office is:

Narodnog Fronta 12,  
21000 Novi Sad,  
Republic of Serbia

Telephone: (+ 381 21) 481 1111

e-mail: [office@nis.eu](mailto:office@nis.eu)

[www.nis.eu](http://www.nis.eu)

Investor relations

e-mail: [investor.relations@nis.eu](mailto:investor.relations@nis.eu)