



**Naftna industrija Srbije A.D.**

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

30 September 2019

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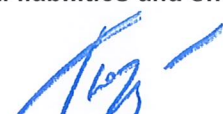
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**NIS Group**  
**Interim Condensed Consolidated Statement of Financial Position**  
*(All amounts are in 000 RSD, unless otherwise stated)*

<b>Assets</b>	<b>Note</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
		<i>(unaudited)</i>	
<b>Current assets</b>			
Cash and cash equivalents	6	14,444,551	15,480,830
Short-term financial assets	7	1,767,441	2,188,488
Trade and other receivables	8	30,337,700	26,933,563
Inventories	9	44,144,042	47,856,312
Current income tax prepayments		562,203	-
Other current assets	10	5,496,540	6,283,241
Non-current assets held for sale		123,724	-
<b>Total current assets</b>		<b>96,876,201</b>	<b>98,742,434</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	299,077,311	286,454,546
Right-of-use assets	3	1,589,154	-
Investment property		1,583,455	1,615,391
Goodwill and other intangible assets		4,009,704	4,653,550
Investments in associates and joint ventures	12	1,851,913	1,980,388
Trade and other non-current receivables		226,228	73,858
Long-term financial assets		270,880	129,345
Deferred tax assets		-	545,497
Other non-current assets	13	1,640,991	1,781,202
<b>Total non-current assets</b>		<b>310,249,636</b>	<b>297,233,777</b>
<b>Total assets</b>		<b>407,125,837</b>	<b>395,976,211</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	6,591,970	6,614,417
Current lease liabilities	19	289,400	-
Trade and other payables	15	37,137,307	30,357,413
Other current liabilities	16	6,507,619	5,956,257
Current income tax payable		-	625,985
Other taxes payable	17	12,668,746	9,575,333
Provisions for liabilities and charges		1,845,832	1,941,795
<b>Total current liabilities</b>		<b>65,040,874</b>	<b>55,071,200</b>
<b>Non-current liabilities</b>			
Long-term debt	18	82,350,743	87,819,202
Non-current lease liabilities	19	1,127,760	-
Deferred tax liabilities		762,210	-
Provisions for liabilities and charges		10,599,306	10,210,005
<b>Total non-current liabilities</b>		<b>94,840,019</b>	<b>98,029,207</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		244,895	77,130
Retained earnings		165,730,606	161,516,302
<b>Equity attributable to the Company's owners</b>		<b>247,505,701</b>	<b>243,123,632</b>
Non-controlling interest		(260,757)	(247,828)
<b>Total equity</b>		<b>247,244,944</b>	<b>242,875,804</b>
<b>Total liabilities and shareholder's equity</b>		<b>407,125,837</b>	<b>395,976,211</b>

  
Kirill Tyurdenev  
Chief Executive Officer  
28 October 2019



  
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 September		Nine month period ended 30 September	
		2019	2018	2019	2018
Sales of petroleum products, oil and gas		75,140,493	81,179,259	186,882,421	193,679,540
Other revenues		3,580,492	5,156,921	9,286,139	13,092,222
<b>Total revenue from sales</b>	5	<b>78,720,985</b>	<b>86,336,180</b>	<b>196,168,560</b>	<b>206,771,762</b>
Purchases of oil, gas and petroleum products		(49,566,744)	(52,926,869)	(123,935,904)	(122,053,855)
Production and manufacturing expenses	20	(6,397,874)	(7,838,803)	(18,691,085)	(20,777,821)
Selling, general and administrative expenses	21	(6,158,222)	(5,648,019)	(17,896,881)	(16,971,996)
Transportation expenses		(333,298)	(347,183)	(780,650)	(911,648)
Depreciation, depletion and amortization		(5,132,036)	(5,131,646)	(15,322,889)	(14,482,335)
Taxes other than income tax		(1,346,361)	(1,349,403)	(3,945,841)	(3,887,590)
Exploration expenses		-	(41,169)	(11,474)	(56,940)
<b>Total operating expenses</b>		<b>(68,934,535)</b>	<b>(73,283,092)</b>	<b>(180,584,724)</b>	<b>(179,142,185)</b>
Other income (expenses), net		108,282	(162,377)	(142,011)	(139,616)
<b>Operating profit</b>		<b>9,894,732</b>	<b>12,890,711</b>	<b>15,441,825</b>	<b>27,489,961</b>
Share of loss of associates and joint ventures		(57,419)	-	(128,475)	-
Net foreign exchange gain (loss)	22	99,463	(256,160)	(6,542)	(253,234)
Finance income	23	51,037	167,301	226,450	555,237
Finance expenses	24	(485,520)	(563,828)	(1,477,153)	(1,725,828)
<b>Total other expense</b>		<b>(392,439)</b>	<b>(652,687)</b>	<b>(1,385,720)</b>	<b>(1,423,825)</b>
<b>Profit before income tax</b>		<b>9,502,293</b>	<b>12,238,024</b>	<b>14,056,105</b>	<b>26,066,136</b>
Current income tax expense		(1,229,083)	(1,549,845)	(2,036,214)	(3,253,795)
Deferred tax expense		(788,150)	(469,602)	(1,307,876)	(1,099,120)
<b>Total income tax expense</b>		<b>(2,017,233)</b>	<b>(2,019,447)</b>	<b>(3,344,090)</b>	<b>(4,352,915)</b>
<b>Profit for the period</b>		<b>7,485,060</b>	<b>10,218,577</b>	<b>10,712,015</b>	<b>21,713,221</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit</b>					
Gains (loss) from investments in equity instruments		570	(364)	8,445	(950)
<b>Items that may be subsequently reclassified to profit</b>					
Currency translation differences		58,256	(30,339)	166,204	12,091
<b>Other comprehensive income for the period</b>		<b>58,826</b>	<b>(30,703)</b>	<b>174,649</b>	<b>11,141</b>
<b>Total comprehensive income for the period</b>		<b>7,543,886</b>	<b>10,187,874</b>	<b>10,886,664</b>	<b>21,724,362</b>
<b>Profit (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		7,491,452	10,222,821	10,726,460	21,725,910
- Non-controlling interest		(6,392)	(4,244)	(14,445)	(12,689)
<b>Profit for the period</b>		<b>7,485,060</b>	<b>10,218,577</b>	<b>10,712,015</b>	<b>21,713,221</b>
<b>Total comprehensive income (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		7,549,397	10,192,877	10,899,593	21,736,956
- Non-controlling interest		(5,511)	(5,003)	(12,929)	(12,594)
<b>Total comprehensive income for the period</b>		<b>7,543,886</b>	<b>10,187,874</b>	<b>10,886,664</b>	<b>21,724,362</b>
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		45.94	62.69	65.78	133.24
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

Nine month period ended 30 September 2019 and 2018

(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		
<i>(unaudited)</i>						
<b>Balance as at 1 January 2018</b>	<b>81,530,200</b>	<b>40,453</b>	<b>143,713,351</b>	<b>225,284,004</b>	<b>(232,496)</b>	<b>225,051,508</b>
<b>Adoption of IFRS 9:</b>						
- remeasurement of expected credit losses, net of tax	-	-	(401,527)	(401,527)	-	(401,527)
<b>Restated total equity at 1 January 2018</b>	<b>81,530,200</b>	<b>40,453</b>	<b>143,311,824</b>	<b>224,882,477</b>	<b>(232,496)</b>	<b>224,649,981</b>
Profit (loss) for the period	-	-	21,725,910	21,725,910	(12,689)	21,713,221
<b>Other comprehensive income (loss)</b>						
Loss from investments in equity instruments	-	(950)	-	(950)	-	(950)
Sale of investments in equity instruments	-	3,455	(3,455)	-	-	-
Currency translation differences	-	11,996	-	11,996	95	12,091
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>14,501</b>	<b>21,722,455</b>	<b>21,736,956</b>	<b>(12,594)</b>	<b>21,724,362</b>
Dividend distribution	-	-	(6,948,004)	(6,948,004)	-	(6,948,004)
<b>Total transaction with owners, recorded in equity</b>	<b>-</b>	<b>-</b>	<b>(6,948,004)</b>	<b>(6,948,004)</b>	<b>-</b>	<b>(6,948,004)</b>
<b>Balance as at 30 September 2018</b>	<b>81,530,200</b>	<b>54,954</b>	<b>158,086,275</b>	<b>239,671,429</b>	<b>(245,090)</b>	<b>239,426,339</b>

	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
<i>(unaudited)</i>						
<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	-	-	10,726,460	10,726,460	(14,445)	10,712,015
<b>Other comprehensive income (loss)</b>						
Gains from investments in equity instruments	-	8,445	-	8,445	-	8,445
Sale of investments in equity instruments	-	(5,368)	5,368	-	-	-
Currency translation differences	-	164,688	-	164,688	1,516	166,204
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>167,765</b>	<b>10,731,828</b>	<b>10,899,593</b>	<b>(12,929)</b>	<b>10,886,664</b>
Dividend distribution	-	-	(6,517,524)	(6,517,524)	-	(6,517,524)
<b>Total transaction with owners, recorded in equity</b>	<b>-</b>	<b>-</b>	<b>(6,517,524)</b>	<b>(6,517,524)</b>	<b>-</b>	<b>(6,517,524)</b>
<b>Balance as at 30 September 2019</b>	<b>81,530,200</b>	<b>244,895</b>	<b>165,730,606</b>	<b>247,505,701</b>	<b>(260,757)</b>	<b>247,244,944</b>

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

**NIS Group**  
**Interim Condensed Consolidated Statement of Cash Flows<sup>1</sup>**

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

	Note	Nine month period ended 30 September	
		2019 <i>(unaudited)</i>	2018 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>14,056,105</b>	<b>26,066,136</b>
<b>Adjustments for:</b>			
Share of loss of associates and joint ventures		128,475	-
Finance expenses	24	1,477,153	1,725,828
Finance income	23	(226,450)	(555,237)
Net unrealised foreign exchange loss, net		(217,481)	479,028
Depreciation, depletion and amortization		15,322,893	14,482,335
Other non-cash items		118,845	336,416
<b>Operating cash flow before changes in working capital</b>		<b>30,659,540</b>	<b>42,534,506</b>
<b>Changes in working capital:</b>			
Accounts receivable		(3,627,301)	(4,390,999)
Inventories		3,764,572	(3,461,446)
Other assets		672,898	(40,490)
Accounts payables and other current liabilities		11,531,586	1,704,200
Taxes payable		3,094,753	2,016,794
<b>Total effect on working capital changes</b>		<b>15,436,508</b>	<b>(4,171,941)</b>
Income taxes paid		(3,230,326)	(4,471,125)
Interest paid		(1,299,505)	(1,591,469)
Interest received		336,242	352,071
<b>Net cash generated from operating activities</b>		<b>41,902,459</b>	<b>32,652,042</b>
<b>Cash flows from investing activities</b>			
Loans issued		-	(47,250)
Loan proceeds received		23,596	-
Capital expenditures <sup>2</sup>		(32,285,734)	(31,875,783)
Proceeds from sale of property, plant and equipment		203,035	188,289
Bank deposits repayment (placements), net		94,563	5,602,430
Other outflow		(61,561)	(26,988)
<b>Net cash used in investing activities</b>		<b>(32,026,101)</b>	<b>(26,159,302)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	18	12,121,120	20,732,743
Repayment of borrowings	18	(16,325,782)	(23,562,365)
Repayment of lease liabilities	19	(250,649)	(75,894)
Dividends paid		(6,517,524)	(6,948,004)
<b>Net cash used in financing activities</b>		<b>(10,972,835)</b>	<b>(9,853,520)</b>
Net decrease in cash and cash equivalents		(1,096,477)	(3,360,780)
Effect of foreign exchange on cash and cash equivalents		60,198	71,449
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>15,480,830</b>	<b>27,075,370</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>14,444,551</b>	<b>23,786,039</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 3,4 bln RSD (2018: 4,6 bln RSD)

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019**

*(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 2018, 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 2018.

Subsequent events occurring after 30 September 2019 were evaluated through 28 October 2019, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the nine month period ended 30 September 2019 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 2018, except for those described in the Application of new IFRS paragraph.

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)***3. APPLICATION OF NEW IFRS****Accounting policies applied from 1 January 2019**

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

**Adjustments recognised on adoption of IFRS 16**

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

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

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

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

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

	<b>30 September 2019</b>	<b>1 January 2019</b>
Property (land and buildings)	1,227,318	1,414,558
Plant and equipment	283,778	335,712
Motor vehicles	78,058	85,151
<b>Total right-of-use assets</b>	<b>1,589,154</b>	<b>1,835,421</b>



**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019**

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

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

Property, plant and equipment and intangible assets – decrease	(972,531)
Right-of-use assets – increase	1,835,421
Prepayments – decrease	(71,944)
Borrowings – decrease	828,104
Lease liabilities – increase	(1,619,050)

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

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

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

### **Accounting policy**

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019**

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

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

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

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

#### **4. NEW ACCOUNTING STANDARDS**

The following other new standards and pronouncements which became effective did not have any material impact on the Group:

- IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Annual improvements 2015-2017 Cycle (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019);
- Plan amendment, Curtailment or Settlement – Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

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

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

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 nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)***5. SEGMENT INFORMATION**

Presented below is information about the Group's operating segments for the nine month periods ended 30 September 2019 and 2018. 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 nine month period ended 30 September 2019 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	36,534,742	196,199,278	(36,565,460)	196,168,560
Intersegment	35,782,025	783,435	(36,565,460)	-
External	752,717	195,415,843	-	196,168,560
<b>EBITDA (Segment results)</b>	<b>26,610,736</b>	<b>4,550,921</b>	<b>-</b>	<b>31,161,657</b>
Depreciation, depletion and amortization	(8,406,520)	(6,916,369)	-	(15,322,889)
Reversal (Impairment) of non-financial assets	(572)	378,249	-	377,677
Share of loss of associates and joint ventures	-	(128,475)	-	(128,475)
Net foreign exchange (loss) gain	(183,004)	176,462	-	(6,542)
Finance expenses, net	(107,300)	(1,143,403)	-	(1,250,703)
Income tax	(198,047)	(3,146,043)	-	(3,344,090)
<b>Segment profit (loss)</b>	<b>17,342,759</b>	<b>(6,630,744)</b>	<b>-</b>	<b>10,712,015</b>

Reportable segment results for the nine month period ended 30 September 2018 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	38,739,966	207,302,660	(39,270,864)	206,771,762
Intersegment	37,576,442	1,694,422	(39,270,864)	-
External	1,163,524	205,608,238	-	206,771,762
<b>EBITDA (Segment results)</b>	<b>28,766,037</b>	<b>13,253,230</b>	<b>-</b>	<b>42,019,267</b>
Depreciation, depletion and amortization	(7,296,139)	(7,186,196)	-	(14,482,335)
Net of impairment of non-financial assets	(3,477)	(21,164)	-	(24,641)
Net foreign exchange loss	(53,776)	(199,458)	-	(253,234)
Finance expenses, net	(6,205)	(1,164,386)	-	(1,170,591)
Income tax	(216,557)	(4,136,358)	-	(4,352,915)
<b>Segment profit (loss)</b>	<b>21,075,219</b>	<b>638,002</b>	<b>-</b>	<b>21,713,221</b>

**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019**

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

EBITDA for the three and nine month period ended 30 September 2019 and 2018 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2019	2018	2019	2018
Profit for the period	7,485,060	10,218,577	10,712,015	21,713,221
Income tax expenses	2,017,233	2,019,447	3,344,090	4,352,915
Finance expenses	485,520	563,828	1,477,153	1,725,828
Finance income	(51,037)	(167,301)	(226,450)	(555,237)
Depreciation, depletion and amortization	5,132,036	5,131,646	15,322,889	14,482,335
Share of loss of associates and joint ventures	57,419	-	128,475	-
Net foreign exchange (gain) loss	(99,463)	256,160	6,542	253,234
Other expense (income), net	(108,282)	162,377	142,011	139,616
Other non-operating expense (income), net	341,992	(121,590)	254,932	(92,645)
<b>EBITDA</b>	<b>15,260,478</b>	<b>18,063,144</b>	<b>31,161,657</b>	<b>42,019,267</b>

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

	Nine month period ended 30 September 2019		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	663,496	663,496
Sale of gas	1,319,477	-	1,319,477
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,319,477	-	1,319,477
Sale of petroleum products	134,437,949	50,461,499	184,899,448
<i>Through a retail network</i>	48,495,357	13,128,085	61,623,442
<i>Wholesale activities</i>	85,942,592	37,333,414	123,276,006
Sale of electricity	578,390	150,734	729,124
Lease revenue	485,659	10,146	495,805
Other sales	5,409,079	2,652,131	8,061,210
<b>Total sales</b>	<b>142,230,554</b>	<b>53,938,006</b>	<b>196,168,560</b>

	Nine month period ended 30 September 2018		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,056,256	1,056,256
Sale of gas	1,410,169	-	1,410,169
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,410,169	-	1,410,169
Sale of petroleum products	141,366,475	49,846,640	191,213,115
<i>Through a retail network</i>	46,145,292	12,847,141	58,992,433
<i>Wholesale activities</i>	95,221,183	36,999,499	132,220,682
Sale of electricity	478,885	4,453,682	4,932,567
Other sales	5,464,714	2,694,941	8,159,655
<b>Total sales</b>	<b>148,720,243</b>	<b>58,051,519</b>	<b>206,771,762</b>

Out of the amount of 123,276,006 RSD (2018: 132,220,683 RSD) revenue from sale of petroleum products (wholesale), the amount of 13,043,228 RSD (2018: 19,494,776 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019

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

Sales of electricity mainly relates to trading with Network For Trading doo Beograd in the amount of 238,775 RSD (2018: Gazprom Marketing & Trading Co., Ltd. in the amount of 3,988,435 RSD).

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 6,648,080 RSD (2018: 6,256,032 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 142,230,554 RSD (2018: 148,720,243 RSD), and the total revenue from external customer from other countries is 53,938,006 RSD (2018: 58,051,519 RSD).

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

	Nine month period ended 30 September	
	2019	2018
Sale of crude oil	663,496	1,056,256
Sale of petroleum products (retail and wholesale)		
Bulgaria	10,450,955	13,471,675
Bosnia and Herzegovina	20,392,093	13,059,904
Romania	9,284,533	10,827,763
Croatia	1,815,734	2,366,149
Switzerland	1,253,379	1,755,558
Hungary	1,158,455	1,210,430
Great Britain	857,339	1,292,002
Northern Macedonia	819,890	1,371,827
All other markets	4,429,121	4,491,333
	50,461,499	49,846,641
Sale of electricity	150,734	4,453,682
Lease revenue	10,146	-
Other sales	2,652,131	2,694,940
	<b>53,938,006</b>	<b>58,051,519</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 September 2019	31 December 2018
Serbia	281,046,967	269,381,825
Romania	10,685,384	9,103,409
Bosnia and Herzegovina	7,385,036	7,304,192
Bulgaria	7,142,237	6,934,061
	<b>306,259,624</b>	<b>292,723,487</b>

## 6. CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
Cash in bank and in hand	11,375,195	6,930,192
Deposits with original maturity of less than three months	2,785,349	6,926,396
Cash held on escrow account	30,224	1,407,735
Cash equivalents	253,783	216,507
	<b>14,444,551</b>	<b>15,480,830</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)***7. SHORT-TERM FINANCIAL ASSETS**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Short-term loans	2,210	27,433
Deposits with original maturity more than 3 months less than 1 year	1,767,442	2,123,007
Other short-term financial assets	45	40,304
Less impairment loss provision	(2,256)	(2,256)
	<b>1,767,441</b>	<b>2,188,488</b>

As at 30 September 2019 deposits with original maturity more than 3 months less than 1 year amounting to 1,767,442 RSD (31 December 2018: 2,123,007 RSD) relates to bank deposits placements with interest rates to 3.5% p.a. denominated in RSD (2018: 4.65% p.a.).

**8. TRADE AND OTHER RECEIVABLES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Trade receivables	39,754,100	36,154,738
Other receivables	521,491	450,274
Accrued assets	54,620	370,858
<i>Less credit loss allowance for trade receivables</i>	(9,936,373)	(9,982,695)
<i>Less credit loss allowance for other receivables</i>	(56,138)	(59,612)
<b>Total trade and other receivables</b>	<b>30,337,700</b>	<b>26,933,563</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 September 2019</b>	<b>31 December 2018</b>
RSD	27,145,628	23,712,198
EUR	1,310,987	1,053,529
USD	355,135	698,248
Other	1,525,950	1,469,588
	<b>30,337,700</b>	<b>26,933,563</b>

**9. INVENTORIES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Crude oil	24,167,010	24,596,883
Petroleum products	17,066,666	20,155,760
Materials and supplies	6,603,330	6,959,371
Other	1,114,513	1,091,372
<i>Less impairment provision</i>	(4,807,477)	(4,947,074)
	<b>44,144,042</b>	<b>47,856,312</b>

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019**

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

**10. OTHER CURRENT ASSETS**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Advances paid	767,108	834,950
VAT receivables	581,903	295,900
Deferred VAT	2,062,854	1,774,863
Prepaid expenses	411,743	270,456
Prepaid custom duties	6,553	4,935
Prepaid excise	1,500,177	2,818,462
Other current assets	7,811,498	7,920,632
Less impairment provision	(7,645,296)	(7,636,957)
	<b>5,496,540</b>	<b>6,283,241</b>

Deferred VAT as at 30 September 2019 amounting to 2,062,854 RSD (31 December 2018: 1,774,863 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 September 2019 amounting to 1,500,177 RSD (31 December 2018: 2,818,462 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.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019

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

#### 11. 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 2018</b>						
Cost	147,452,224	114,239,048	65,305,683	20,338,124	36,549,810	383,884,889
Depreciation and impairment	(37,114,232)	(40,818,582)	(29,653,958)	(10,189,787)	(2,058,833)	(119,835,392)
<b>Net book value</b>	<b>110,337,992</b>	<b>73,420,466</b>	<b>35,651,725</b>	<b>10,148,337</b>	<b>34,490,977</b>	<b>264,049,497</b>
<b>Period ended 30 September 2018</b>						
Additions	-	-	1	996	30,321,808	30,322,805
Acquisitions through business combinations	-	-	-	-	217,660	217,660
Changes in decommissioning obligations	158,576	-	-	-	-	158,576
Transfer from assets under construction	12,017,033	1,386,171	3,610,329	286,764	(17,300,297)	-
Transfer to investment property	-	-	(81,328)	-	-	(81,328)
Impairment	-	-	(23,931)	-	(13,419)	(37,350)
Depreciation	(6,980,077)	(4,182,159)	(1,880,370)	(576,370)	(3,606)	(13,622,582)
Disposals and write-off	(36,445)	(72,932)	(17,725)	(11,919)	(780,408)	(919,429)
Other transfers	1,980,026	(1,400,947)	20,705	(610,504)	4,423	(6,297)
Translation differences	(3)	(1)	(9,519)	64	(6,160)	(15,619)
	<b>117,477,102</b>	<b>69,150,598</b>	<b>37,269,887</b>	<b>9,237,368</b>	<b>46,930,978</b>	<b>280,065,933</b>
<b>As at 30 September 2018</b>						
Cost	162,078,885	113,765,056	69,303,362	18,998,144	49,006,803	413,152,250
Depreciation and impairment	(44,601,783)	(44,614,458)	(32,033,475)	(9,760,776)	(2,075,825)	(133,086,317)
<b>Net book value</b>	<b>117,477,102</b>	<b>69,150,598</b>	<b>37,269,887</b>	<b>9,237,368</b>	<b>46,930,978</b>	<b>280,065,933</b>
<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 September 2019</b>						
Additions	-	-	-	153	28,461,280	28,461,433
Changes in decommissioning obligations	104,542	-	-	-	-	104,542
Transfer from assets under construction	9,855,632	1,862,125	1,041,824	558,334	(13,317,915)	-
Impairment	-	(3,488)	(55,783)	-	(28,048)	(87,319)
Depreciation	(8,137,059)	(4,051,541)	(1,821,915)	(606,636)	(3,565)	(14,620,716)
Disposals and write-off	(36,376)	(16,928)	(29,358)	(10,450)	(111,999)	(205,111)
Transfer to right-of-use assets	(54,331)	-	(918,200)	-	-	(972,531)
Other transfers	(154,484)	(3,167)	1,514	(44,040)	280,583	80,406
Translation differences	156	2	26,635	195	(164,927)	(137,939)
	<b>120,365,542</b>	<b>66,661,498</b>	<b>35,597,157</b>	<b>9,164,964</b>	<b>67,288,150</b>	<b>299,077,311</b>
<b>As at 30 September 2019</b>						
Cost	176,124,452	116,818,024	69,462,605	19,293,462	69,354,533	451,053,076
Depreciation and impairment	(55,758,910)	(50,156,526)	(33,865,448)	(10,128,498)	(2,066,383)	(151,975,765)
<b>Net book value</b>	<b>120,365,542</b>	<b>66,661,498</b>	<b>35,597,157</b>	<b>9,164,964</b>	<b>67,288,150</b>	<b>299,077,311</b>

Capitalized borrowing costs for the nine months ended 30 September 2019 include interest expense in the amount of 104,898 RSD (30 September 2018: 83,833 RSD).



## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019

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

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

The carrying values of the investments in associates and joint ventures as of 30 September, 2019 and 31 December, 2018 are summarised below:

		<b>Ownership percentage</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	978,031	1,003,491
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	873,882	976,897
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>1,851,913</b>	<b>1,980,388</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.

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

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

#### **HIP Petrohemija**

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the condition 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% (12,72%) per cent of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory board.

#### 13. OTHER NON-CURRENT ASSETS

	<b>30 September 2019</b>	<b>31 December 2018</b>
Advances paid for PPE	706,491	799,493
Prepaid expenses	143,630	151,070
Other financial assets	1,192,384	1,240,438
Less allowance of other financial assets	(363,563)	(371,817)
Less allowance for advances paid	(37,951)	(37,982)
	<b>1,640,991</b>	<b>1,781,202</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)***14. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Interest liabilities	235,333	219,326
Current portion of long-term loans (note 18)	6,356,637	6,322,562
Current portion of finance lease liabilities (note 19)	-	72,529
	<b>6,591,970</b>	<b>6,614,417</b>

**15. TRADE AND OTHER PAYABLES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Trade payables	33,328,868	26,573,555
Dividends payable	3,772,308	3,772,308
Other accounts payable	36,131	11,550
	<b>37,137,307</b>	<b>30,357,413</b>

As at 30 September 2019 trade payables amounting to 33,328,868 RSD (31 December 2018: 26,573,555 RSD) mainly relate to payables for crude oil in the amount of 19,456,621 RSD (31 December 2018: 10,240,742 RSD), to the suppliers Glencore Energy, Great Britain in the amount of 5,705,905 RSD (31 December 2018: 0 RSD) and Gazprom Neft, St Petersburg in the amount of 10,706,518 RSD (31 December 2018: 10,240,742 RSD).

**16. OTHER CURRENT LIABILITIES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Contract liabilities arising from contracts with customers:		
- Advances received	2,250,086	1,456,981
- Customer loyalty	647,462	545,945
Payables to employees	3,443,451	3,888,062
Other current non-financial liabilities	166,620	65,269
	<b>6,507,619</b>	<b>5,956,257</b>

Revenue in the amount of 1,542,140 RSD was recognized in the current reporting period related to the contract liabilities as at 1 January 2019, of which 1,220,211 RSD related to advances and 321,929 RSD to customer loyalty programme.

**17. OTHER TAXES PAYABLE**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Mineral extraction tax	347,075	378,481
VAT	3,550,315	1,424,142
Excise tax	6,082,111	5,173,979
Contribution for buffer stocks	274,548	260,905
Custom duties	218,318	323,623
Energy efficiency fee	32,727	-
Other taxes	2,163,652	2,014,203
	<b>12,668,746</b>	<b>9,575,333</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)***18. LONG-TERM DEBT**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Long-term loan - Gazprom Neft	20,499,122	24,738,405
Bank and other long term loans	68,155,634	68,605,682
Finance lease liabilities (note 19)	-	828,104
Other long-term borrowings	52,624	42,102
Less Current portion (note 14)	(6,356,637)	(6,395,091)
	<b>82,350,743</b>	<b>87,819,202</b>

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

	<b>Nine month period ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
<b>Long-term loans at 1 January</b>	<b>93,344,087</b>	<b>96,103,445</b>
Proceeds	12,121,120	20,732,743
Repayment	(16,325,782)	(23,562,365)
Foreign exchange difference (note 22)	(484,669)	140,775
<b>Long-term loans at 30 September</b>	<b>88,654,756</b>	<b>93,414,598</b>

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

As at 30 September 2019 long-term loan - Gazprom Neft amounting to 20,499,122 RSD (2018: 24,738,405 RSD), with current portion of 5,466,432 RSD (2018: 5,497,423 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 and other long-term loans**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Domestic	45,678,564	50,621,092
Foreign	22,477,070	17,984,590
	68,155,634	68,605,682
Current portion of long-term loans	(890,205)	(825,139)
	<b>67,265,429</b>	<b>67,780,543</b>

The maturity of bank and other long-term loans was as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Between 1 and 2 years	1,249,144	1,479,321
Between 2 and 5 years	62,758,662	61,371,002
Over 5 years	3,257,623	4,930,220
	<b>67,265,429</b>	<b>67,780,543</b>

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
USD	214,301	361,695
EUR	67,667,338	67,947,394
RSD	548	628
JPY	273,447	295,965
	<b>68,155,634</b>	<b>68,605,682</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)*

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 September 2019 and 31 December 2018, respectively.

**19. LEASE LIABILITIES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Non-current lease liabilities	1,127,760	-
Current lease liabilities	289,400	-
	<b>1,417,160</b>	<b>-</b>

At 31 December 2018 finance lease liabilities were recognised within balance sheet lines Long-term debt (note 18) and Current portion of long-term debt (note 14) in total amount of 828,104 RSD.

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

	<b>Nine month period ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
As at 1 January	828,104	432,562
Changes in opening balance	790,946	-
Repayment	(250,649)	(75,894)
Non-cash transactions	45,328	513,916
Foreign exchange difference (note 22)	3,431	(435)
<b>As at 30 September</b>	<b>1,417,160</b>	<b>870,149</b>

**20. PRODUCTION AND MANUFACTURING EXPENSES**

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Employee costs	1,702,819	1,583,507	4,933,727	4,739,464
Cost of service organization	620,948	628,523	1,980,048	1,840,960
Materials and supplies (other than oil and gas and petroleum products)	683,293	587,043	2,020,690	1,717,557
Repair and maintenance services	1,160,642	902,947	4,548,793	2,772,206
Electricity for resale	119,355	1,875,717	295,677	4,475,377
Electricity and utilities	965,556	1,089,313	2,597,981	2,595,651
Safety and security expense	135,173	133,364	398,844	361,828
Insurance services	75,750	68,018	213,740	206,272
Transportation services for production	445,764	478,944	1,212,105	1,382,711
Other	488,574	491,427	489,480	685,795
	<b>6,397,874</b>	<b>7,838,803</b>	<b>18,691,085</b>	<b>20,777,821</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)***21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2019	2018	2019	2018
Employee costs	2,868,602	2,731,976	8,684,944	8,265,796
Cost of service organization	924,367	909,555	2,708,061	2,642,955
Commission and agency fees	272,164	295,852	757,350	822,672
Legal, audit and consulting services	265,467	203,343	651,258	574,768
Current repair cost	233,147	199,148	638,920	574,470
Costs on advertising and marketing	114,661	89,022	259,164	272,593
Rent expense	54,274	95,711	175,835	285,225
Business trips expense	95,003	75,446	207,125	222,987
Safety and security expense	153,651	126,773	421,929	385,695
Insurance expense	33,564	31,422	95,711	85,355
Transportation and storage	33,991	42,341	113,718	120,013
Allowance for doubtful accounts	(43,627)	(164,280)	(67,861)	(300,564)
Other	1,152,958	1,011,710	3,250,727	3,020,031
	<b>6,158,222</b>	<b>5,648,019</b>	<b>17,896,881</b>	<b>16,971,996</b>

**22. NET FOREIGN EXCHANGE GAIN (LOSS)**

	Three month period ended 30 September		Nine month period ended 30 September	
	2019	2018	2019	2018
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain (note 18 and 19)	471,616	860,120	1,200,696	1,579,410
- foreign exchange loss (note 18 and 19)	(201,196)	(1,181,303)	(719,458)	(1,719,750)
Net foreign exchange gain (loss) on operating activities	(170,957)	65,023	(487,780)	(112,894)
	<b>99,463</b>	<b>(256,160)</b>	<b>(6,542)</b>	<b>(253,234)</b>

**23. FINANCE INCOME**

	Three month period ended 30 September		Nine month period ended 30 September	
	2019	2018	2019	2018
Interest on bank deposits	48,497	138,833	218,266	521,096
Interest income on loans issued	2,282	3,337	7,926	9,010
Dividend income	258	25,131	258	25,131
	<b>51,037</b>	<b>167,301</b>	<b>226,450</b>	<b>555,237</b>

**24. FINANCE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2019	2018	2019	2018
Interest expense	463,520	575,288	1,475,416	1,793,988
Decommissioning provision: unwinding of the present value discount	38,005	23,155	110,436	66,839
Financial assets: unwinding of discount	9,117	-	2,767	(44,661)
Less: interest expense capitalised on qualifying assets	(25,122)	(34,615)	(111,466)	(90,338)
	<b>485,520</b>	<b>563,828</b>	<b>1,477,153</b>	<b>1,725,828</b>

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019**

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

#### **25. FAIR VALUE MEASUREMENT**

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties and financial investments classified as available for sale. 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 2018. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 30 September 2019 the carrying value of financial assets approximates their fair value.

#### **26. CONTINGENCIES AND COMMITMENTS**

##### *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 560,671 RSD (31 December 2018: 657,686 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.

##### *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 September 2019.

##### *Capital commitments*

As of 30 September 2019 the Group has entered into contracts to purchase property, plant and equipment 5,311,607 RSD (31 December 2018: 15,944,407 RSD) and drilling and exploration works estimated to 60.27 USD million (31 December 2018: 69.01 USD million).

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

#### **27. 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 nine month period ended 30 September 2019 and in the same period in 2018, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019***(All amounts are in 000 RSD, unless otherwise stated)*

As at 30 September 2019 and 31 December 2018 the outstanding balances 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 September 2019</b>			
Trade and other receivables	-	272,828	1,677,422
Investments in joint venture and associates	-	-	1,851,913
Other current assets	-	18,315	-
Trade and other payables	(10,706,518)	(351,271)	(962,647)
Other current liabilities	-	(2)	(7,525)
Short-term debt and current portion of long-term debt	(5,466,432)	-	-
Long-term debt	(15,032,690)	-	-
	<b>(31,205,640)</b>	<b>(60,130)</b>	<b>2,559,163</b>
<b>As at 31 December 2018</b>			
Trade and other receivables	99	645,804	1,556,276
Investments in joint venture and associates	-	-	1,980,388
Other current assets	-	337,220	-
Trade and other payables	(10,243,742)	(684,856)	(1,251,648)
Other current liabilities	-	(90)	(2,051)
Short-term debt and current portion of long-term debt	(5,497,423)	-	-
Long-term debt	(19,240,982)	-	-
	<b>(34,982,048)</b>	<b>298,078</b>	<b>2,282,965</b>

For the nine month period ended 30 September 2019 and 2018 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>Nine month period ended 30 September 2019</b>			
Petroleum products and oil and gas sales	-	378,261	13,044,407
Other revenues	-	42,840	8,291
Purchases of oil, gas and petroleum products	(35,443,305)	(3,205)	-
Production and manufacturing expenses	-	(197,690)	(146,451)
Selling, general and administrative expenses	-	(27,679)	(1,484)
Other income (expenses), net	14,610	(463)	-
Finance expense	(309,072)	-	-
	<b>(35,737,767)</b>	<b>192,064</b>	<b>12,904,763</b>
<b>Nine month period ended 30 September 2018</b>			
Petroleum products and oil and gas sales	-	436,604	19,495,240
Other revenues	462	3,988,432	18,605
Purchases of oil, gas and petroleum products	(45,583,790)	(8,608)	-
Production and manufacturing expenses	-	(4,136,345)	(158,269)
Selling, general and administrative expenses	-	(6,198)	-
Transportation expenses	-	-	(1,555)
Other expenses, net	(4,985)	(809)	-
Finance expense	(379,285)	-	-
	<b>(45,967,598)</b>	<b>273,076</b>	<b>19,354,021</b>

**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2019**

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

***Transactions with Key Management Personnel***

For the nine month period ended on 30 September 2019 and 2018 the Group recognized 679,623 RSD and 740,326 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.



**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month**  
**period ended 30 September 2019**

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

**NIS Group**  
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