



**Naftna industrija Srbije A.D.**

**Interim Condensed Financial Statements (Unaudited)**

**30 September 2020**

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

<b>Assets</b>	Note	<b>30 September 2020</b>	<b>31 December 2019</b>
		<i>(unaudited)</i>	
<b>Current assets</b>			
Cash and cash equivalents	5	14,003,692	13,501,827
Short-term financial assets	6	4,703,832	6,445,937
Trade and other receivables	7	23,579,678	28,649,729
Inventories	8	24,054,417	44,092,319
Current income tax prepayments		865,959	647,660
Other current assets	9	4,834,651	4,430,038
Non-current assets held for sale		72,946	91,901
<b>Total current assets</b>		<b>72,115,175</b>	<b>97,859,411</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	278,072,654	276,244,341
Right-of-use assets	11	1,345,628	943,835
Investment property		1,688,837	1,694,307
Intangible assets		2,845,514	2,811,560
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		13,425,627	13,425,586
Trade and other non-current receivables		78,076	227,491
Long-term financial assets	12	25,348,595	23,316,659
Deferred tax assets		1,582,510	962,197
Other non-current assets	13	1,109,439	1,283,233
<b>Total non-current assets</b>		<b>326,535,680</b>	<b>321,948,009</b>
<b>Total assets</b>		<b>398,650,855</b>	<b>419,807,420</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	8,584,024	7,451,531
Current lease liabilities	19	272,462	159,332
Trade and other payables	15	26,673,887	40,811,541
Other current liabilities	16	5,763,172	5,951,561
Other taxes payable	17	10,720,400	8,909,634
Provisions for liabilities and charges		2,332,795	1,572,542
<b>Total current liabilities</b>		<b>54,346,740</b>	<b>64,856,141</b>
<b>Non-current liabilities</b>			
Long-term debt	18	82,933,561	82,583,969
Non-current lease liabilities	19	1,007,742	652,092
Other non-current financial liabilities	20	841,848	-
Long-term trade and other payables		4,348	-
Provisions for liabilities and charges		10,233,914	11,251,613
<b>Total non-current liabilities</b>		<b>95,021,413</b>	<b>94,487,674</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		93,700	93,959
Retained earnings		167,658,802	178,839,446
<b>Total equity</b>		<b>249,282,702</b>	<b>260,463,605</b>
<b>Total liabilities and shareholder's equity</b>		<b>398,650,855</b>	<b>419,807,420</b>

  
 Kirill Tyurdenev  
 Chief Executive Officer  
 27 October 2020

  
 Anton Cherepanov  
 Chief Financial Officer

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**Interim Condensed Statement of Profit and Loss and Other Comprehensive Income**

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

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>	2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		42,903,123	67,710,470	117,958,121	167,980,814
Other revenues		2,751,417	2,541,323	7,020,549	6,724,431
<b>Total revenue from sales</b>	<b>4</b>	<b>45,654,540</b>	<b>70,251,793</b>	<b>124,978,670</b>	<b>174,705,245</b>
Purchases of oil, gas and petroleum products		(26,241,554)	(43,191,169)	(80,507,714)	(107,613,502)
Production and manufacturing expenses	21	(5,946,804)	(6,003,630)	(16,346,145)	(18,141,632)
Selling, general and administrative expenses	22	(5,363,618)	(5,391,132)	(15,598,816)	(15,894,930)
Transportation expenses		(252,704)	(303,812)	(721,681)	(698,391)
Depreciation, depletion and amortization		(5,116,951)	(4,645,471)	(15,290,492)	(13,818,039)
Taxes other than income tax		(974,845)	(1,132,835)	(2,999,973)	(3,312,297)
Exploration expenses		-	-	(3,579)	(11,474)
<b>Total operating expenses</b>		<b>(43,896,476)</b>	<b>(60,668,049)</b>	<b>(131,468,400)</b>	<b>(159,490,265)</b>
Other expenses, net		485,443	12,319	30,787	(172,674)
<b>Operating profit (loss)</b>		<b>2,243,507</b>	<b>9,596,063</b>	<b>(6,458,943)</b>	<b>15,042,306</b>
Net foreign exchange gain (loss)	23	36,733	181,363	(106,604)	310,696
Finance income	24	199,969	212,994	592,777	705,252
Finance expenses	25	(412,596)	(462,317)	(1,352,257)	(1,417,461)
<b>Total other expense</b>		<b>(175,894)</b>	<b>(67,960)</b>	<b>(866,084)</b>	<b>(401,513)</b>
<b>Profit (loss) before income tax</b>		<b>2,067,613</b>	<b>9,528,103</b>	<b>(7,325,027)</b>	<b>14,640,793</b>
Current income tax expense		-	(1,168,241)	(50,472)	(1,869,552)
Deferred tax income (expense)		142,780	(783,339)	620,314	(1,302,405)
<b>Total income tax</b>		<b>142,780</b>	<b>(1,951,580)</b>	<b>569,842</b>	<b>(3,171,957)</b>
<b>Profit (loss) for the period</b>		<b>2,210,393</b>	<b>7,576,523</b>	<b>(6,755,185)</b>	<b>11,468,836</b>
<b>Other comprehensive income (loss):</b>					
<b>Items that will not be reclassified to profit (loss)</b>					
Gains (losses) from investments in equity instruments		916	569	(259)	8,444
<b>Other comprehensive income (loss) for the period</b>		<b>916</b>	<b>569</b>	<b>(259)</b>	<b>8,444</b>
<b>Total comprehensive income (loss) for the period</b>		<b>2,211,309</b>	<b>7,577,092</b>	<b>(6,755,444)</b>	<b>11,477,280</b>
Earnings (Loss) per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		13.56	46.46	(41.43)	70.33
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

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

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**Interim Condensed Statement of Changes in Shareholders' Equity**

Nine month period ended 30 September 2020 and 2019

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

	Share capital	Reserves	Retained earnings	Total
<i>(unaudited)</i>				
<b>Balance as at 1 January 2019</b>	<b>81,530,200</b>	<b>92,060</b>	<b>167,681,372</b>	<b>249,303,632</b>
Profit for the period	-	-	11,468,836	11,468,836
<b>Other comprehensive income (loss)</b>				
Gains from investments in equity instruments	-	8,444	-	8,444
Sale of investments in equity instruments	-	(5,367)	5,367	-
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>3,077</b>	<b>11,474,203</b>	<b>11,477,280</b>
Dividend distribution	-	-	(6,517,524)	(6,517,524)
<b>Balance as at 30 September 2019</b>	<b>81,530,200</b>	<b>95,137</b>	<b>172,638,051</b>	<b>254,263,388</b>
<i>(unaudited)</i>				
<b>Balance as at 1 January 2020</b>	<b>81,530,200</b>	<b>93,959</b>	<b>178,839,446</b>	<b>260,463,605</b>
Loss for the period	-	-	(6,755,185)	(6,755,185)
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(259)	-	(259)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>(259)</b>	<b>(6,755,185)</b>	<b>(6,755,444)</b>
Dividend distribution	-	-	(4,425,459)	(4,425,459)
<b>Balance as at 30 September 2020</b>	<b>81,530,200</b>	<b>93,700</b>	<b>167,658,802</b>	<b>249,282,702</b>

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

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

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

	Note	Nine month period ended 30 September	
		2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		<b>(7,325,027)</b>	<b>14,640,793</b>
<b>Adjustments for:</b>			
Finance expenses	25	1,352,257	1,417,461
Finance income	24	(592,777)	(705,252)
Net unrealised foreign exchange (gain) loss		118,546	(311,739)
Depreciation, depletion and amortization		15,290,492	13,818,039
Other non-cash items		(307,234)	(92,494)
<b>Operating cash flow before changes in working capital</b>		<b>8,536,257</b>	<b>28,766,808</b>
<b>Changes in working capital:</b>			
Accounts receivables		5,266,057	(3,738,435)
Inventories		20,040,645	3,675,879
Other assets		(545,356)	1,300,367
Accounts payables and other current liabilities		(14,982,304)	4,217,239
Taxes payable		2,710,853	9,678,466
<b>Total effect on working capital changes</b>		<b>12,489,895</b>	<b>15,133,516</b>
Income taxes paid		(1,162,365)	(3,003,913)
Interest paid		(1,276,430)	(1,334,931)
Interest received		316,480	610,194
<b>Net cash generated from operating activities</b>		<b>18,903,837</b>	<b>40,171,674</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of subsidiaries		(41)	-
Loans issued		(4,866,980)	(5,533,105)
Loan proceeds received		5,660,508	4,307,707
Capital expenditures <sup>2</sup>		(21,061,814)	(29,329,489)
Proceeds from sale of property, plant and equipment		434,365	318,514
Bank deposits placements, net		-	1,986,458
Dividends received		4,274	258
Other inflow		-	26,968
<b>Net cash used in investing activities</b>		<b>(19,829,688)</b>	<b>(28,222,689)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,18	26,429,421	23,043,914
Repayment of borrowings	14,18	(24,940,041)	(27,980,202)
Repayment of lease liabilities	19	(135,662)	(86,684)
Dividends paid		-	(6,517,524)
<b>Net cash generated (used) in financing activities</b>		<b>1,353,718</b>	<b>(11,540,496)</b>
Net decrease in cash and cash equivalents		427,867	408,489
Effect of foreign exchange on cash and cash equivalents		73,998	68,151
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>13,501,827</b>	<b>12,222,578</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>14,003,692</b>	<b>12,699,218</b>

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

<sup>2</sup> CF from investing activities includes VAT in the amount of 2.2 bln RSD (2019: 3.0 bln RSD)

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

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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## **1. GENERAL INFORMATION**

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

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

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

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1. Basis of preparation**

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

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

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

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

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 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 Company performed stress sensitivity analysis of its impact on recoverability of the Company 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, as well as when determining the discount rate.

Based on the currently available information and crude oil price forecast, management believe that recoverable amount of Company's PPE exceed its carrying value at reporting date (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 Company, including the economic profitability of production, which is affected by the dynamics of oil prices and future capital and operating expenses. The macroeconomic factors mentioned above may lead to a downward revision of the inventory estimate. The Company intention is to assess the macroeconomic factors impact on the amount of reserves in the next reporting periods.

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

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

Subsequent events occurring after 30 September 2020 were evaluated through 27 October 2020, the date these Interim Condensed Financial Statements were authorised for issue.

The results for the nine month period ended 30 September 2020 are not necessarily indicative of the results expected for the full year.

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

**2.2. Changes in significant accounting policies**

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

**3. NEW ACCOUNTING STANDARDS**

**Application of new IFRS**

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

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business – Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);



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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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- 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 Company 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 amended in July 2020, effective for annual periods beginning on or after January 2023).
- 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;
  - Taxation in Fair Value Measurements - Amendment to IAS 41;
- Interest Rate Benchmark Reform (Phase 2) – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021).

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

**4. SEGMENT INFORMATION**

Presented below is information about the Company's operating segments for the nine month period ended 30 September 2020 and 2019. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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

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

Reportable segment results for the nine month period ended 30 September 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	22,467,675	124,933,668	(22,422,673)	124,978,670
Intersegment	21,985,728	436,945	(22,422,673)	-
External	481,947	124,496,723	-	124,978,670
<b>EBITDA (Segment results)</b>	<b>12,325,036</b>	<b>(2,985,010)</b>	<b>-</b>	<b>9,340,026</b>
Depreciation, depletion and amortization	(8,504,714)	(6,785,778)	-	(15,290,492)
Net foreign exchange loss	(22,478)	(84,126)	-	(106,604)
Finance expenses, net	(56,073)	(703,407)	-	(759,480)
Income tax	(44,786)	614,628	-	569,842
<b>Segment profit /(loss)</b>	<b>3,679,729</b>	<b>(10,434,914)</b>	<b>-</b>	<b>(6,755,185)</b>

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	36,333,304	174,759,374	(36,387,433)	174,705,245
Intersegment	35,633,111	754,322	(36,387,433)	-
External	700,193	174,005,052	-	174,705,245
<b>EBITDA (Segment results)</b>	<b>25,728,701</b>	<b>3,569,925</b>	<b>-</b>	<b>29,298,626</b>
Depreciation, depletion and amortization	(7,660,592)	(6,157,447)	-	(13,818,039)
Net foreign exchange gain (loss)	(45,511)	356,207	-	310,696
Finance expenses, net	(88,378)	(623,831)	-	(712,209)
Income tax	(74,444)	(3,097,513)	-	(3,171,957)
<b>Segment profit /(loss)</b>	<b>17,783,034</b>	<b>(6,314,198)</b>	<b>-</b>	<b>11,468,836</b>

EBITDA for the three and nine month period ended 30 September 2020 and 2019 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Profit (loss) for the period	2,210,393	7,576,523	(6,755,185)	11,468,836
Income tax	(142,780)	1,951,580	(569,842)	3,171,957
Finance expenses	412,596	462,317	1,352,257	1,417,461
Finance income	(199,969)	(212,994)	(592,777)	(705,252)
Depreciation, depletion and amortization	5,116,951	4,645,471	15,290,492	13,818,039
Net foreign exchange loss (gain)	(36,733)	(181,363)	106,604	(310,696)
Other income (expense), net	(485,443)	(12,319)	(30,787)	172,674
Other non-operating income, net	524,661	335,047	539,264	265,607
<b>EBITDA</b>	<b>7,399,676</b>	<b>14,564,262</b>	<b>9,340,026</b>	<b>29,298,626</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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

	Nine month period ended 30 September 2020		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	445,567	445,567
Sale of gas	323,161	-	323,161
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	323,161	-	323,161
Sale of petroleum products	93,534,081	23,655,313	117,189,394
<i>Through a retail network</i>	36,781,829	-	36,781,829
<i>Wholesale activities</i>	56,752,252	23,655,313	80,407,565
Sale of electricity	603,673	35,965	639,638
Lease revenue	236,075	3,405	239,480
Other sales	5,980,984	160,446	6,141,430
<b>Total sales</b>	<b>100,677,974</b>	<b>24,300,696</b>	<b>124,978,670</b>

	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	1,332,552	-	1,332,552
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,332,552	-	1,332,552
Sale of petroleum products	134,826,612	31,158,154	165,984,766
<i>Through a retail network</i>	48,495,359	-	48,495,359
<i>Wholesale activities</i>	86,331,253	31,158,154	117,489,407
Sale of electricity	578,390	154,044	732,434
Lease revenue	284,055	799	284,854
Other sales	5,581,119	126,024	5,707,143
<b>Total sales</b>	<b>142,602,728</b>	<b>32,102,517</b>	<b>174,705,245</b>

Out of the amount of 80,407,565 RSD (2019: 117,489,407 RSD) revenue from sale of petroleum products (wholesale), the amount of 11,572,961 RSD (2019: 13,043,228 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 4,691,267 RSD (2019: 4,561,052 RSD).

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

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 100,677,974 RSD (2019: 142,602,728 RSD), and the total revenue from external customer from other countries is 24,300,696 RSD (2019: 32,102,517 RSD).

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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	
	2020	2019
Sale of crude oil	445,567	663,496
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	7,426,560	11,024,572
Bulgaria	5,230,520	5,149,623
Romania	3,432,961	3,693,011
Croatia	1,235,983	1,815,734
Switzerland	441,009	1,253,379
Hungary	595,251	1,158,455
Great Britain	578,586	857,339
Northern Macedonia	596,691	819,890
All other markets	4,117,752	5,386,151
	23,655,313	31,158,154
Sale of electricity	35,965	154,044
Lease revenue	3,405	799
Other sales	160,446	126,024
	<b>24,300,696</b>	<b>32,102,517</b>

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

**5. CASH AND CASH EQUIVALENTS**

	30 September	31 December
	2020	2019
Cash in bank and in hand	3,863,757	9,730,151
Deposits with original maturity of less than three months	9,900,000	3,493,453
Cash held on escrow account	9,712	13,715
Cash equivalents	230,223	264,508
	<b>14,003,692</b>	<b>13,501,827</b>

**6. SHORT-TERM FINANCIAL ASSETS**

	30 September	31 December
	2020	2019
Short-term loans	2,087	50,950
Current portion of long-term investments (note 12)	11,090,978	14,126,730
Less impairment loss provision	(6,389,233)	(7,731,743)
	<b>4,703,832</b>	<b>6,445,937</b>

**7. TRADE AND OTHER RECEIVABLES**

	30 September	31 December
	2020	2019
Trade receivables	32,587,438	38,323,574
Other receivables	106,297	110,474
Less credit loss allowance for trade receivables	(9,065,093)	(9,731,488)
Less credit loss allowance for other receivables	(48,964)	(52,831)
<b>Total trade and other receivables</b>	<b>23,579,678</b>	<b>28,649,729</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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

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

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
RSD	19,944,501	23,143,779
EUR	3,378,981	5,213,349
USD	256,196	292,580
Other	-	21
	<b>23,579,678</b>	<b>28,649,729</b>

**8. INVENTORIES**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Crude oil	12,752,918	29,839,954
Petroleum products	11,333,682	13,076,388
Materials and supplies	3,821,772	5,003,954
Other	770,937	842,655
Less impairment provision	(4,624,892)	(4,670,632)
	<b>24,054,417</b>	<b>44,092,319</b>

**9. OTHER CURRENT ASSETS**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Advances paid	393,947	461,016
Deferred VAT	2,087,476	1,713,617
Prepaid expenses	285,798	259,101
Prepaid custom duties	77,297	62,071
Prepaid excise	1,838,778	1,705,199
Other current assets	7,706,821	7,780,183
Less impairment provision	(7,555,466)	(7,551,149)
	<b>4,834,651</b>	<b>4,430,038</b>

Deferred VAT as at 30 September 2020 amounting to 2,087,476 RSD (31 December 2019: 1,713,617 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2020 amounting to 1,838,778 RSD (31 December 2019: 1,705,199 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

## Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 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	156,367,336	115,028,154	51,380,912	16,193,480	45,864,852	384,834,734
Depreciation and impairment	(42,498,555)	(46,153,659)	(27,626,321)	(8,300,778)	(2,003,304)	(126,580,617)
<b>Net book value</b>	<b>113,870,781</b>	<b>68,874,495</b>	<b>23,754,591</b>	<b>7,892,702</b>	<b>43,861,548</b>	<b>258,254,117</b>
<b>Period ended 30 September 2019</b>						
Additions	-	-	-	-	26,332,523	26,332,523
Changes in decommissioning obligations	104,542	-	-	-	-	104,542
Transfer from assets under construction	9,873,390	1,862,125	1,003,196	440,433	(13,179,144)	-
Transfer to non-current assets held for sale	(19,663)	(11,959)	(26)	(74,151)	-	(105,799)
Impairment	-	(3,488)	(55,783)	-	(16,405)	(75,676)
Depreciation	(7,621,144)	(4,051,541)	(1,259,938)	(418,193)	-	(13,350,816)
Disposals and write-off	(122,080)	(16,927)	(29,359)	(5,972)	(110,305)	(284,643)
Transfer to right of use assets	(54,331)	-	(765,074)	-	-	(819,405)
Other transfers	(28,832)	(3,167)	1,541	30,469	170,151	170,162
	<b>116,002,663</b>	<b>66,649,538</b>	<b>22,649,148</b>	<b>7,865,288</b>	<b>57,058,368</b>	<b>270,225,005</b>
<b>As at 30 September 2019</b>						
Cost	165,905,912	116,797,043	51,074,751	16,228,154	59,078,077	409,083,937
Depreciation and impairment	(49,903,249)	(50,147,505)	(28,425,603)	(8,352,866)	(2,019,709)	(138,858,932)
<b>Net book value</b>	<b>116,002,663</b>	<b>66,649,538</b>	<b>22,649,148</b>	<b>7,865,288</b>	<b>57,058,368</b>	<b>270,225,005</b>
<b>As at 1 January 2020</b>						
Cost	174,428,161	119,078,761	51,810,197	16,384,499	58,002,489	419,704,107
Depreciation and impairment	(52,478,788)	(51,705,166)	(28,785,148)	(8,504,734)	(1,985,930)	(143,459,766)
<b>Net book value</b>	<b>121,949,373</b>	<b>67,373,595</b>	<b>23,025,049</b>	<b>7,879,765</b>	<b>56,016,559</b>	<b>276,244,341</b>
<b>Period ended 30 September 2020</b>						
Additions	-	-	-	-	16,669,378	16,669,378
Changes in decommissioning obligations	223,136	-	-	-	-	223,136
Transfer from assets under construction	11,735,559	2,890,972	2,620,437	183,351	(17,430,319)	-
Impairment	-	-	(3,031)	-	(31,098)	(34,130)
Depreciation	(8,425,916)	(4,537,136)	(1,351,367)	(417,540)	-	(14,731,959)
Disposals and write-off	(43,328)	(12,131)	(33,834)	(7,906)	(44,142)	(141,341)
Transfer to non-current assets held for sale	(45,468)	-	(24,467)	(79,008)	-	(148,941)
Other transfers	(44,023)	(272,139)	28,952	287,210	(7,830)	(7,830)
	<b>125,349,333</b>	<b>65,443,161</b>	<b>24,261,739</b>	<b>7,845,874</b>	<b>55,172,547</b>	<b>278,072,654</b>
<b>As at 30 September 2020</b>						
Cost	185,977,366	121,472,490	54,061,403	16,546,804	57,187,580	435,245,643
Depreciation and impairment	(60,628,033)	(56,029,329)	(29,799,664)	(8,700,930)	(2,015,033)	(157,172,989)
<b>Net book value</b>	<b>125,349,333</b>	<b>65,443,161</b>	<b>24,261,739</b>	<b>7,845,874</b>	<b>55,172,547</b>	<b>278,072,654</b>

Capitalized borrowing costs for the nine months ended 30 September 2020 include interest expense in the amount of 107,184 RSD (30 September 2019: 104,898 RSD).

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

**11. RIGHT-OF-USE ASSETS**

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

	Land	Property	Plant and equipment	Vehicles	Total
<b>As at 1 January 2019</b>	-	-	-	-	-
Changes in opening balance	-	540,388	324,713	54,331	919,432
Additions	-	30	11,403	-	11,433
Depreciation	-	(38,671)	(52,338)	(8,269)	(99,278)
Effect of contract modifications and changes in estimates	-	130	-	-	130
<b>As at 30 September 2019</b>	-	<b>501,877</b>	<b>283,778</b>	<b>46,062</b>	<b>831,717</b>
<b>As at 1 January 2020</b>	-	<b>489,299</b>	<b>274,626</b>	<b>179,910</b>	<b>943,835</b>
Additions	7,509	83,270	-	495,425	586,204
Depreciation	(1,877)	(38,821)	(33,519)	(104,863)	(179,080)
Disposals	-	(1,355)	-	(3,976)	(5,331)
<b>As at 30 September 2020</b>	<b>5,632</b>	<b>532,393</b>	<b>241,107</b>	<b>566,496</b>	<b>1,345,628</b>

**12. LONG-TERM FINANCIAL ASSETS**

	30 September 2020	31 December 2019
LT loans issued	39,146,220	39,632,071
Financial assets at FVTPL (note 20)	841,848	-
Financial assets at FVTOCI	164,063	164,322
Other LT placements	30,325	26,389
<i>Less Current portion of LT loans issued (note 6)</i>	(11,090,978)	(14,126,730)
<i>Less provision of other LT placements</i>	(3,742,883)	(2,379,393)
	<b>25,348,595</b>	<b>23,316,659</b>

**13. OTHER NON-CURRENT ASSETS**

	30 September 2020	31 December 2019
Advances paid for PPE	223,497	358,552
Prepaid expenses	133,102	146,711
Other assets	1,143,323	1,153,959
<i>Less allowance for Other assets</i>	(369,120)	(354,626)
<i>Less allowance for advances paid</i>	(21,363)	(21,363)
	<b>1,109,439</b>	<b>1,283,233</b>

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

	30 September 2020	31 December 2019
Short-term loans	1,748,696	1,594,072
Interest liabilities	105,457	90,923
Current portion of long-term loans (note 18)	6,729,871	5,766,536
	<b>8,584,024</b>	<b>7,451,531</b>

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

	Nine month period ended 30 September	
	2020	2019
<b>Short-term loans at 1 January</b>	<b>1,594,072</b>	<b>2,218,378</b>
Proceeds	20,246,637	10,922,793
Repayment	(20,092,013)	(11,654,418)
<b>Short-term loans at 30 September</b>	<b>1,748,696</b>	<b>1,486,753</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

**15. TRADE AND OTHER PAYABLES**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Trade payables	18,413,732	36,940,204
Dividends payable	8,205,206	3,780,692
Other accounts payable	54,949	90,645
	<b>26,673,887</b>	<b>40,811,541</b>

As at 30 September 2020 trade payables amounting to 18,413,732 RSD (31 December 2019: 36,940,204 RSD) mainly relate to payables for crude oil in the amount of 8,196,728 RSD (31 December 2019: 19,989,597 RSD), to the most significant suppliers Gazprom Neft, St Petersburg in the amount of 3,346,480 RSD (31 December 2019: 10,498,354 RSD), Vitol Netherdlans B.V. in the amount of 2,658,686 RSD (31 December 2019 0 RSD) and Petraco Oil Company LLP, London in the amount of 2,187,101 RSD (31 December 2019 0 RSD).

**16. OTHER CURRENT LIABILITIES**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Contract liabilities arising from contracts with customers:		
- Advances received	1,941,880	1,699,250
- Customer loyalty	731,934	635,355
Payables to employees	3,076,941	3,257,059
Other current non-financial liabilities	12,417	359,897
	<b>5,763,172</b>	<b>5,951,561</b>

As at 30 September 2020 revenue in the amount of 1,829,743 RSD (30 September 2019: 1,451,120 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2020, of which 1,432,819 RSD (30 September 2019: 1,129,191 RSD) related to advances and 396,924 RSD (30 September 2019: 321,929 RSD) to customer loyalty programme.

**17. OTHER TAXES PAYABLE**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Mineral extraction tax	215,761	243,396
VAT	2,121,061	984,449
Excise tax	6,049,216	5,301,814
Contribution for buffer stocks	283,807	280,070
Custom duties	22,396	178,054
Energy efficiency fee	30,651	32,299
Other taxes	1,997,508	1,889,552
	<b>10,720,400</b>	<b>8,909,634</b>

**18. LONG-TERM DEBT**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Long-term loan - Gazprom Neft	15,039,341	19,143,014
Bank loans	74,624,091	69,207,491
Less Current portion (note 14)	(6,729,871)	(5,766,536)
	<b>82,933,561</b>	<b>82,583,969</b>



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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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

	Nine month period ended 30 September	
	2020	2019
<b>Long-term loans at 1 January</b>	<b>88,350,506</b>	<b>92,646,847</b>
Proceeds	6,182,784	12,121,121
Repayment	(4,848,028)	(16,325,784)
Foreign exchange difference (note 23)	(21,830)	(480,776)
<b>Long-term loans at 30 September</b>	<b>89,663,432</b>	<b>87,961,408</b>

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

As at 30 September 2020 long-term loan - Gazprom Neft amounting to 15,039,341 RSD (31 December 2019: 19,143,014 RSD), with current portion of 5,468,851 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*

	30 September 2020	31 December 2019
Domestic	51,973,913	46,880,636
Foreign	22,650,178	22,326,855
	74,624,091	69,207,491
Current portion of long-term loans	(1,261,020)	(297,104)
	<b>73,363,071</b>	<b>68,910,387</b>

The maturity of bank loans was as follows:

	30 September 2020	31 December 2019
Between 1 and 2 years	18,039,059	10,845,263
Between 2 and 5 years	53,386,838	54,737,906
Over 5 years	1,937,174	3,327,218
	<b>73,363,071</b>	<b>68,910,387</b>

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

	30 September 2020	31 December 2019
USD	165,295	209,292
EUR	74,242,858	68,732,684
RSD	379	498
JPY	215,559	265,017
	<b>74,624,091</b>	<b>69,207,491</b>

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

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

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

**19. LEASE LIABILITIES**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Non-current lease liabilities	1,007,742	652,092
Current lease liabilities	272,462	159,332
	<b>1,280,204</b>	<b>811,424</b>

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

	<b>Nine month period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
<b>As at 1 January</b>	<b>811,424</b>	<b>644,611</b>
Changes in opening balance	-	100,027
Repayment	(135,662)	(86,684)
Non-cash transactions	604,202	31,276
Foreign exchange difference (note 23)	240	596
<b>As at 30 September</b>	<b>1,280,204</b>	<b>689,826</b>

Amounts recognized in profit and loss:

	<b>Nine month period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
Interest expense (included in finance cost)	23,507	17,683
Expense relating to short-term leases	322,472	216,572
Expense relating to leases of low value assets that are not shown above as short-term leases	87,627	77,213
Expense relating to variable lease payments not included in lease liabilities	831,603	985,416

**20. OTHER NON-CURRENT FINANCIAL LIABILITIES**

Other non-current financial liabilities in amount of 841,848 RSD in total represents deferred consideration to PJSC Zarubeznejft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obligation depends on occurrence of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignment agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and 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**

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Employee costs	910,625	877,507	2,743,907	2,570,868
Materials and supplies (other than purchased oil, petroleum products and gas)	167,760	239,480	415,307	728,841
Repair and maintenance services	1,089,648	1,057,433	2,906,914	4,854,568
Electricity for resale	183,431	119,436	295,633	302,388
Electricity and utilities	708,553	645,174	1,936,979	1,576,007
Safety and security expense	92,094	135,125	304,237	398,796
Insurance services	84,026	75,750	243,360	213,740
Transportation services for production	456,187	446,265	1,389,358	1,273,512
Other	2,254,480	2,407,460	6,110,450	6,222,912
	<b>5,946,804</b>	<b>6,003,630</b>	<b>16,346,145</b>	<b>18,141,632</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Employee costs	2,594,740	2,435,124	7,993,223	7,352,575
Commission and agency fees	1,021,621	81,015	2,105,459	220,776
Legal, audit and consulting services	384,565	407,588	935,285	1,132,771
Current repair cost	207,315	221,029	564,744	599,665
Costs on advertising and marketing	32,338	98,306	114,708	222,735
Rent expense	76,373	59,635	163,541	186,203
Business trips expense	7,510	89,469	55,665	199,014
Safety and security expense	126,950	133,782	336,261	365,195
Insurance expense	16,179	29,174	48,240	86,314
Transportation and storage	22,898	78,428	88,837	238,849
Allowance for doubtful accounts	(15,772)	(179,843)	(112,274)	(248,078)
Other	888,901	1,937,425	3,305,127	5,538,911
	<b>5,363,618</b>	<b>5,391,132</b>	<b>15,598,816</b>	<b>15,894,930</b>

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain	190,757	452,341	1,310,070	1,058,351
- foreign exchange loss	(191,397)	(180,133)	(1,288,480)	(578,171)
Net foreign exchange gain (loss) on operating activities	37,373	(90,845)	(128,194)	(169,484)
	<b>36,733</b>	<b>181,363</b>	<b>(106,604)</b>	<b>310,696</b>

**24. FINANCE INCOME**

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Interest on bank deposits	22,882	37,772	70,542	194,198
Interest income on loans issued	172,813	174,964	517,961	510,796
Dividend income	4,274	258	4,274	258
	<b>199,969</b>	<b>212,994</b>	<b>592,777</b>	<b>705,252</b>

**25. FINANCE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Interest expense	428,154	438,147	1,424,056	1,409,156
Decommissioning provision: unwinding of the present value discount	22,362	38,005	66,189	110,436
Financial assets: unwinding of discount	(1,274)	9,117	(30,804)	2,767
Less: interest expense capitalised on qualifying assets	(36,646)	(22,952)	(107,184)	(104,898)
	<b>412,596</b>	<b>462,317</b>	<b>1,352,257</b>	<b>1,417,461</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

Interest expense includes expenses on lease liabilities in amount of 23,507 RSD for the nine months ended 30 September 2020 (17,683 RSD for the nine months ended 30 September 2019, accordingly).

## **26. FAIR VALUE MEASUREMENT**

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

As of 30 September 2020 the carrying value of financial assets approximates their fair value.

## **27. CONTINGENCIES AND COMMITMENTS**

### *Economic environment in the Republic of Serbia*

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

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

### *Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 440,066 RSD (31 December 2019: 488,857 RSD).

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

### *Taxes*

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 September 2020.

### *Capital commitments*

As of 30 September 2020 the Company has entered into contracts to purchase property, plant and equipment for 2,659,629 RSD (31 December 2019: 2,818,801 RSD).

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

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

**28. RELATED PARTY TRANSACTIONS**

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

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

In the nine month period ended 30 September 2020 and in the same period in 2019, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

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

			Joint ventures, associates and parent's subsidiaries and associates
	Subsidiaries	Parent company	
<b>As at 30 September 2020</b>			
Short-term financial assets	4,703,832	-	-
Trade and other receivables	3,003,728	-	1,269,533
Other current assets	13,782	-	5,978
Right of use assets	47,066	-	172
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	25,236,770	-	-
Trade and other payables	(3,152,201)	(3,346,480)	(1,093,897)
Other current liabilities	(17,408)	-	(17,837)
Short-term debt and current portion of long-term debt	(1,750,298)	(5,468,851)	-
Current lease liabilities	(2,231)	-	(119)
Long-term debt	-	(9,570,490)	-
Non-current lease liabilities	(46,566)	-	-
	<b>41,462,101</b>	<b>(18,385,821)</b>	<b>1,202,630</b>
			Joint ventures, associates and parent's subsidiaries and associates
	Subsidiaries	Parent company	
<b>As at 31 December 2019</b>			
Short-term financial assets	6,445,937	-	-
Trade and other receivables	4,542,457	-	1,281,002
Other current assets	15,998	-	34,371
Right of use assets	52,049	-	-
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	23,205,186	-	-
Trade and other payables	(4,488,356)	(10,498,354)	(1,711,826)
Other current liabilities	(2,443)	-	(3,784)
Short-term debt and current portion of long-term debt	(1,596,354)	(5,469,432)	-
Current lease liabilities	(5,075)	-	(159)
Long-term debt	-	(13,673,582)	-
Non-current lease liabilities	(48,010)	-	(128)
	<b>41,546,975</b>	<b>(29,641,368)</b>	<b>638,276</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2020**

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

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

		<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries, and associates</b>
<b>Nine month period ended 30 September 2020</b>	<b>Subsidiaries</b>		
Petroleum products and oil and gas sales	9,069,244	-	11,804,450
Other revenues	557,931	-	18,683
Purchases of oil, gas and petroleum products	(343,272)	(27,028,061)	(850,203)
Production and manufacturing expenses	(2,687,265)	-	(314,427)
Selling, general and administrative expenses	(2,747,073)	-	(9,222)
Transportation expenses	(925)	-	-
Depreciation	(3,403)	-	(125)
Other income (expenses), net	(17,806)	5,769	(220)
Finance income	510,953	-	-
Finance expense	(19,552)	(236,390)	-
	<b>4,318,832</b>	<b>(27,258,682)</b>	<b>10,648,936</b>

		<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries, and associates</b>
<b>Nine month period ended 30 September 2019</b>	<b>Subsidiaries</b>		
Petroleum products and oil and gas sales	12,812,825	-	13,422,530
Other revenues	320,013	-	45,586
Purchases of oil, gas and petroleum products	(175,768)	(35,443,305)	(3,205)
Production and manufacturing expenses	(3,154,844)	-	(324,319)
Selling, general and administrative expenses	(806,712)	-	(29,163)
Transportation expenses	(1,956)	-	-
Depreciation	(6,857)	-	-
Other income (expenses), net	(86,751)	14,610	(463)
Finance income	502,870	-	-
Finance expense	(37,043)	(309,072)	-
	<b>9,365,777</b>	<b>(35,737,767)</b>	<b>13,110,966</b>

***Transactions with Key Management Personnel***

For the nine month period ended on 30 September 2020 and 2019 the Company recognized 686,728 RSD and 679,623 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.

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**Notes to the Interim Condensed Financial Statements for the nine month period ended  
30 September 2020**

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

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