

QUARTERLY REPORT FOR THIRD QUARTER OF 2020



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

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

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

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Business report

Foreword

The business model that NIS opted for in the circumstances of the COVID-19 pandemic and the oil market crisis yielded good results in the third quarter of the current year. Relying on its own resources and improving business efficiency and cost saving measures at all levels, the NIS Group recorded a net profit of RSD 1.9 billion in the period from July to September, despite unfavourable macroeconomic circumstances. This result is even more impressive if we know that the average price of a barrel of Brent crude in this period was \$43, which is 31 percent less than the price of this type of oil in the third quarter of 2019. However, the results achieved in the first half of this year, in the context of a sharp drop in oil prices and a significant decrease in demand due to the coronavirus pandemic, have caused NIS to record a net loss of RSD 8.3 billion in the first nine months of 2020. It is of particular importance that, despite negative market trends, NIS has maintained its EBITDA at a positive level of RSD 10.4 billion, as well as a positive operating cash flow of RSD 19.6 billion. These results were achieved while maintaining complete stability in the petroleum products market, as well as protecting the health of our employees and consumers.

It is important to point out that NIS also implemented a large investment portfolio worth RSD 20.7 billion in nine months in 2020 and thus remained among the leading domestic investors. Among other things, the delayed Coking Unit, a key project of the second phase of the modernization of the Pančevo Oil Refinery, has been completed. This unit's commercial operation will bring numerous environmental and business benefits for NIS, the Republic of Serbia and its citizens. These primarily include the cessation of the production of high-sulphur fuel oil and the reduction of emissions of gases and particulate matter into the atmosphere. In addition, the energy efficiency of the Refinery has been improved, which will further expand the product range by starting the production of petroleum coke, which has so far been imported into Serbia. Also, the new unit will enable the production of larger quantities of the most valuable fuels – diesel, gasoline and liquid petroleum gas. In addition to the modernization of the Refinery, the bulk of NIS investments in nine months in 2020 went into oil and gas exploration and production projects, as well as into the modernization and development of the retail network in Serbia and the region. In the reporting period, the NIS Group's liabilities payable to the state budget amounted to RSD 131.8 billion.

In terms of operational indicators, a total of 952,000 tonnes of oil and gas equivalent were produced in January-September, or one percent less than the nine months of the previous year. The refining output for crude oil and intermediaries amounted to 2.6 million tonnes, which is 14 percent more than in the comparative period in 2019. The total sales of petroleum products reached 2.5 million tonnes, which is three percent less compared to nine months last year, but a good result nevertheless, given the sharp decline in fuel demand due to the restrictions imposed to combat coronavirus. In addition, NIS continued with the modernization of its retail network and launched the state-of-the-art fuel supply station "Novi Sad 16" on the Novi Sad-Belgrade motorway. At the same time, network development in the region continued by opening a petrol station in Prnjavor (Republika Srpska, Bosnia and Herzegovina). In the rest of this year, NIS will remain focused on maintaining liquidity and improving financial results and performance indicators, while protecting the health of its employees and consumers. The company will also insist on implementing a programme of austerity measures, as well as on additional efficiency improvements in all business segments.

In addition to its business activities, NIS continued to provide strong support to the community. Thus, 72 projects worth RSD 114.5 million were selected through an open call within the Together for the Community programme, and NIS will use them to support digitization in schools and contribute to the safety of teachers and students. Also, in cooperation with UNICEF, NIS donated 50 oxygen flow meters to health providers in Belgrade and thus further contributed to the fight against COVID-19. Cooperation with leading domestic educational institutions continued — a common space was opened at the Faculty of Electronic Engineering in Niš, in which NIS' representatives will jointly work with students and professors of this faculty on projects in the field of digitization. It is of particular importance to NIS is that

it was declared the most desirable employer in Serbia by the research of the specialized portal Infostud which included over 10,000 respondents. This recognition for NIS is another praise for its policy in the field of human resources management, but also an obligation to continue improving the satisfaction and motivation of over 11,000 employees.

Business Report

Highlights

January - September



ПРЕЗЕМИТЕ АПЛИКАЦИЈУ



СКЕНИРАЈТЕ QR КОД НА ТОЧИЛИЦИ



НАПОЉИТЕ ГОРИВО



ПЛАТИТЕ



GO!

- The drilling of 34 development and 4 exploration wells completed (3 in Serbia and 1 in Romania)
- 36 development wells and 3 exploration wells commissioned
- Works completed on the 3D Seismic Project "EX-12" in Romania
- Works completed on the reconstruction of PS "Novi Sad 16"
- At the end of March, NIS became 100% owner of Jadran Naftagas
- The regular annual capital workover conducted in the production complex of the PiTNiG Plant in Elemir
- Third Upstream Scientific and Technical Conference was carried out
- Bitumen plant repair
- Activities in cleaning CO boiler
- Activities concerning turnarounds in C-2400 and C-2450
- Start-up of all process units following refurbishment of BA-44501 furnace
- During May 2020, activities on the DCU – pre-commissioning of the Delayed Coker (S-5300) and commissioning of the Sour Water Stripper (S-5900)/Amine Regeneration III (S-595)
- In June, the overhaul of the Sulphur Recovery Unit – Claus (S-2450) was carried out and mechanical completion of the DCU achieved.
- Hydromechanical cleaning of the coiled tubing of the furnace BA-2101
- Delivery of the "Certificate of Approval for the DCU Plant Trial Operation" by the Technical Inspection and Acceptance Committee
- Functional testing of the DCU plant conducted and the first quantity of petroleum coke - high calorific value fuel produced
- After the total reconstruction, 5 PS in Serbia were put in operation: PS Koceljeva 2, PS Leskovac 6, PS Podunavci, PS Leskovac 4 and PS Senta and also returned to the PS network Katićeva
- PS Otopeni was put into operation in Romania
- In Bosnia and Herzegovina, 5 PSs were commissioned and put into operation
- Under conditions of the emergency state Lubricants Department successfully developed the recipe and embarked on production of a new product, NISOTEC Antisepsol disinfectant, to cover the needs of the whole company
- 9 new products (scu) were launched: Fresh Fruit Mix (3 scu), Drive Cafe Ice Coffee Caffe Latte and Drive Cafe Ice Coffee Cappuccino and 4 more as part of Drive Café snacks
- Promotional campaign for the new Drive.Go mobile application service, which allows customers to pay without going to the cash register, by scanning the QR code
- Commissioning of a new CNG installation on SSG Block 45

- A meeting between Kirill Tyurdenev, Chief Executive Officer of NIS, and Siniša Mali, Minister of Finance of the Republic of Serbia, was held
- The Chief Executive Officer of NIS gave an interview for “Politika” daily newspaper
- NIS Science and Technology Centre has acquired the status of a Publically Recognized Adult Education Organiser
- As a result of a survey conducted by Poslovi.infostud.com specialized portal, involving over 10,000 responders, NIS has been declared the Most Attractive Employer in Serbia
- In the “Together for the Community” contest, 72 projects were selected in the field of syllabus digitalisation and safety in schools, which will be supported by NIS’ investment of RSD 114.5 million
- “Together for the Community” caravan toured the healthcare institutions supported by NIS, in partner municipalities and cities, when NIS volunteers embellished the interior of these institutions
- NIS and UNICEF jointly donated 50 flowmeters to healthcare institutions in Serbia; in addition, NIS donated drinking water to Covid hospitals in Belgrade and Zrenjanin, and also to the citizens of Blace and Ivanjica municipalities, which were affected by floods
- The Faculty of Electronic Engineering in Niš and NIS jointly opened the cabinet for the implementation of digitalization and state-of-the-art technology projects at this faculty; Additionally, NIS signed the Memorandum of Cooperation with the Faculty of Technical Sciences in Novi Sad



NIS Group

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

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

Business activities

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

Exploration and production Block

Exploration and production

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

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

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

During the course of 2020, NIS continued to generate power in Romania's Jimbolia gas-field. The current daily production power is over 4 MWh. The power generated in Jimbolia is being sold in Romania's market. Besides, we have continued the pilot oil production in the Teremia North oil field.

NIS is determined to constantly develop its technologies and implement business innovations in every segment of its operations, so modernization is one of the priorities in the exploration and production segment. In the field of exploration and production, scientific and technological support is provided by the Scientific and Technological Centre – STC NIS – Naftagas LLC Novi Sad.

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

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

Services

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

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

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

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

DOWNSTREAM Division

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

Refining

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

At the Pancevo oil Refinery, pre-commissioning and commissioning activities of the Delayed Coker Unit have been completed, a key project of the second phase of modernization of refining capacities. Functional testing of the Delayed Coking Unit has been performed, a high-energy fuel, has been produced. After the completion of this project, the Pančevo Oil Refinery will produce larger quantities of the finest petroleum products (primarily diesel), and also production of petroleum coke was tested, a product which is currently imported into Serbia.

Sales and distribution

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

NIS operates the largest retail network in Serbia but its petrol stations are present in the countries of the region as well – in Bosnia and Herzegovina, Bulgaria and Romania. In Serbia and in the region, NIS manages a network of over 400 retail outlets and has two brands in the market: NIS PETROL and GAZPROM, a premium gas station brand. NIS' separate business operations include aviation fuel supply, bunkering services and sale and distribution of lubricants and bitumen.

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

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

Energy

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

NIS also develops electricity trading and is present on the markets of Serbia, Bosnia and Herzegovina, Romania and Bulgaria, as well as at the borders with Hungary, Croatia, Slovenia, North Macedonia, and Montenegro.

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

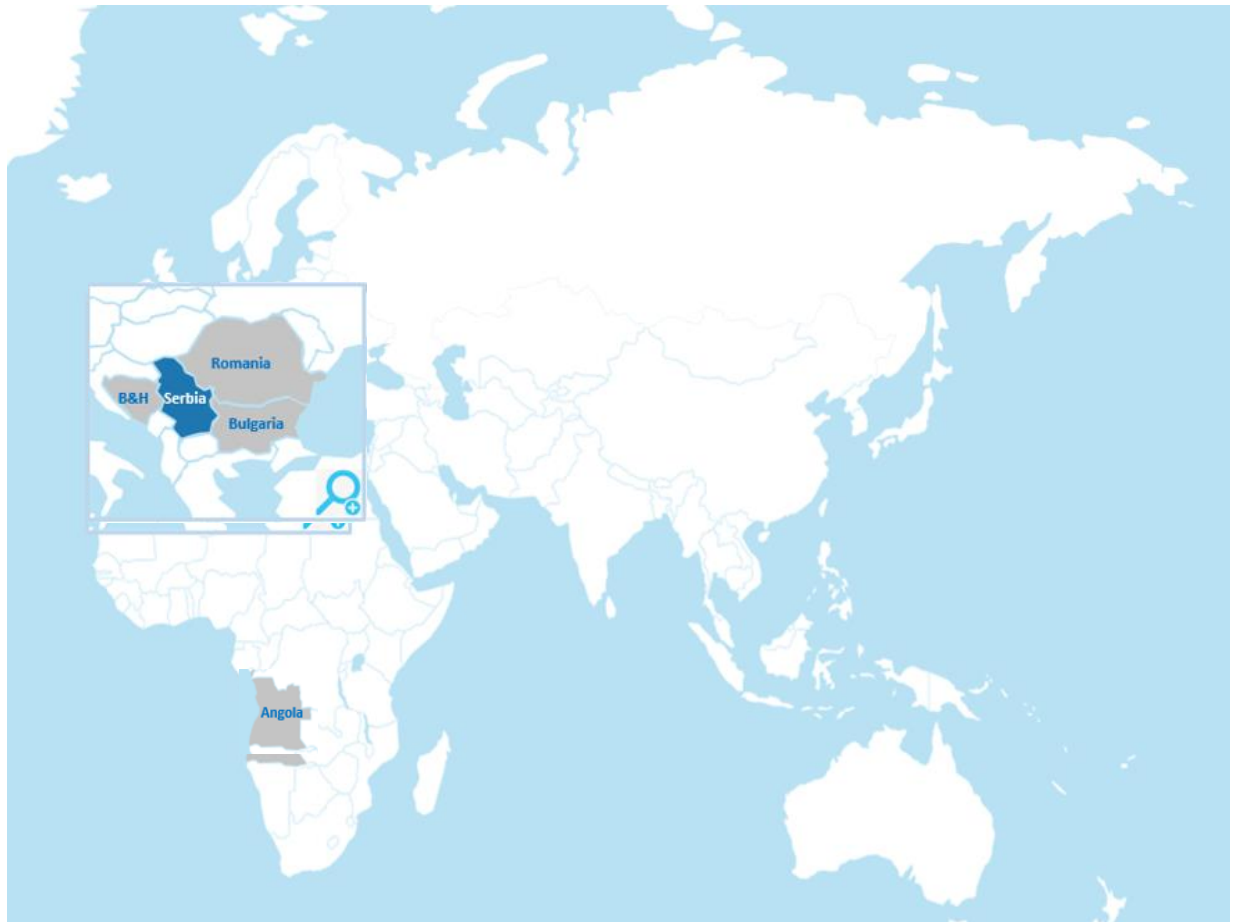
On the Serbian natural gas market, NIS is simultaneously a producer, large consumer and supplier. The management of its natural gas portfolio is an ever-developing process that aims to ensure security of natural gas supply for NIS.

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

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

NIS Worldwide

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



NIS Group Business Structure



Representative Offices and Branch Offices

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

Subsidiaries

- Naftagas – Technical services LLC Zrenjanin
- Naftagas – Oil Services LLC Novi Sad
- Naftagas – Transport LLC Novi Sad
- STC NIS – Naftagas LLC Novi Sad
- NIS Petrol a.d. Belgrade
 - NIS MET Energowind LLC Belgrade
- NIS Overseas o.o.o. Saint Petersburg
- NIS Petrol e.o.o.d. Sofia
- NIS Petrol s.r.l. Bucharest
- NIS Petrol LLC Banja Luka
 - G-Petrol LLC Sarajevo
- Pannon Naftagas kft Budapest in liquidation⁷
- Jadran Naftagas LLC Banja Luka⁸
- NIS-Svetlost LLC Bujanovac

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

⁶ The process of liquidation has been initiated.

⁷ Pannon Naftagas Kft. Budapest was deleted on 14th October 2020 from the court register of business entities.

⁸ On 31st March 2020, NIS j.s.c. Novi Sad increased its stake in the equity from 66% to 100%.

Risk Management

Integrated Risk Management System

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

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

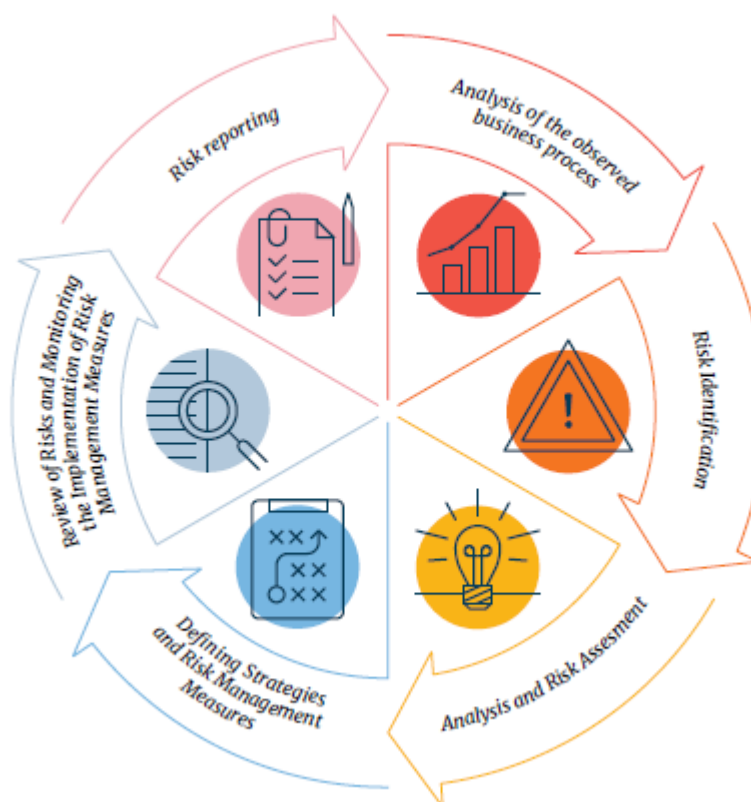
The Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness of managerial decisions by identifying, analysing and assessing related risks, outlining risk management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

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

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

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

IRMS Business Process Flow at NIS



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

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

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

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

IRMS in business planning process

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

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

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

Non-financial risks	
RISK DESCRIPTION	RISK DESCRIPTION
Operational Risks	
Project Risks	
<p>In the area of geological exploration, the NIS Group aims to increase reserves as well as Company's production. This largely depends on the outcome of geological exploration activities, which aim to increase active well stock in the country and abroad.</p> <p>The main risk in oil and gas exploration and production is a potential failure to prove estimated reserves and, consequently, failure on the part of NIS to achieve its planned reserves growth.</p>	<p>Risk mitigation measures include the implementation of new 3D seismic surveys using the latest wireless technology; selection of candidates for exploratory drilling based on complex seismic and geological data interpretation; using the largest shareholder's expertise in geological exploration programs and selecting the most prospective wells using of state-of-the-art exploration methods. To mitigate risks, special attention is paid to a robust preparation of projects for implementation and advanced monitoring during geological exploration operations.</p> <p>In order to reduce licensing risks, exploration research is carried out in line with schedules, defined by geological research programs and provisions of the Law on Mining and Geological Exploration that, among other things, regulates the field of exploration and production of oil and gas.</p>
HSE risks	
<p>Due to the nature of its activity, the Company is exposed to a wide range of health, safety and environmental risks, e.g. drilling incidents, failures in operation of process facilities and accidents in transportation of oil and petroleum products.</p>	<p>The Company continuously monitors working process, employees, operating facilities, working and environmental conditions with a view to protect employees, equipment and plants, the environment, as well and fulfilling legal obligations and it also adapts normative and methodological documents to the changes in legislation of the Republic of Serbia in a timely manner and controls the compliance with it. It carries out timely implementation of corrective measures ordered through the observation system deriving from investigation of HSE incidents, corporate oversight and external inspections. The Company continuously carries out HSE training in the areas of legal regulations, on-the-job training, so as HSE management system, so as emergency response. Numerous campaigns and educational activities, forums and healthy lifestyle training, physical and recreational activities aimed at improving health and well-being of employees were carried out in accordance with the Plan until declaring the state of emergency.</p> <p>Due to the state of emergency caused by the COVID-19 pandemic in the country and in the world, a Crisis Team was formed in the</p>

Company, as well as emergency preparedness and response teams in the organizational parts of the NIS Group. An Operational Plan for Responding to the COVID-19 Situation as well as a Plan for the Implementation of Measures and the Setting of Barriers to Control the Risk of COVID-19 at the Company level were developed and agreed.

Due to the COVID-19 pandemic and the crisis scenario, only statutory health examinations of employees are organized. In accordance with the Decision of the Crisis Staff, the procurement for medical examinations for risk groups of employees was initiated.

The implementation of all measures and the health condition of employees who are positive for the virus, as well as their contacts, are monitored daily and the implementation of the same status is reported at the meetings of the Crisis Team. NIS Group invests huge funds and efforts in order to protect employees and in combating the consequences of coronavirus.

HR risks

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

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

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

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

IT risks

The Company is becoming increasingly aware of the growing dependence of business processes on the quality of IT, automation and telecommunications. Furthermore, oil and gas industry is considerably exposed to cyber threats.

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

Information security risks

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

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

Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organizational and technical solutions and activities aimed at implementation and control of security measures in place.

Political Risks

Risk of EU and US Economic Restrictions on Gazprom Neft Group

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

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

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

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

Financial Risks

RISK DESCRIPTION

RISK MANAGEMENT MEASURES

Credit Risks

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

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

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

Liquidity risk

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

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

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

In order to secure the necessary funds for future transactions, NIS negotiated/contracted over EUR 700 million in new lines of credit with Serbian, Russian and Arabian banks for general purpose funding and with Serbia-based European banks for funding imports from the EU (financing for a period longer than 30 days is allowed if the funds are used to import goods or services from the EU). Thus, in order to

improve its loan portfolio, NIS secured the necessary funds for timely repayment of loans in 2018 and 2019, as well as for early repayment of expensive loans (reducing the average financing cost and maintaining optimum average portfolio maturity). By improving its portfolio and restructuring the loan portfolio (in 2018/2019), NIS has reduced the mandatory loan repayments for the next four years, and redirected the cash flow towards the implementation of planned investments and regular operation of the Company.

Moreover, in order to further improve its loan portfolio and secure additional lines of funding in 2020 and 2021, Company held a call for proposals in Q1 2020 and improved the conditions (interest rate reduction) for three loans in the total amount of EUR 194.6 million, and secured new credit lines of credit under favourable terms in the amount of about EUR 85 million for loans from EU banks. The use of these sources of funding will ensure early repayment of unfavourable loans and decreased the average portfolio cost in comparison to the end of 2019. In addition, this ensured that the remaining average credit portfolio maturity stayed between target range 2.5 and 3.42 years at the end of 2020.

In the second and third quarter of 2020, the Company was exposed to the risks related to the oil price drop, state of emergency in the Republic of Serbia, and drastically reduced liquidity as the effect of Covid-19 pandemic on businesses. On account of active measures such as: development of different liquidity forecast scenarios, actual decrease in liabilities, prolonged payment term for obligations, drawing short-term RSD credits from commercial banks that do not apply the sanctions – the Company managed to secure sufficient liquidity to maintain the stability of the financial flow, while keeping the level of bank debt within the set limits.

Price Risks

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

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

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

- annual planning based on multiple scenarios, plan follow-up and timely adjustment of operating plans for crude oil procurement;
- regular sessions of NIS j.s.c. Novi Sad Committee in charge of crude oil purchase/sale to discuss all major topics related to crude oil purchase and sale (sale of oil from Angola-Palanca crude oil);
- tendency to enter into long-term crude oil purchase contracts at most favourable commercial terms and with longer payment terms on an open account basis, and sales contracts which would exempt NIS j.s.c. Novi Sad, in line with current intergovernmental agreements, from paying customs duties for imports, based on preferential status;
- expansion of the supplier portfolio, successful cooperation with EU-based companies, stronger competitive advantage in import tenders and more prominent progress regarding purchase prices;
- expansion/diversification of the crude oil basket for prospective import, provision of samples of the crude oil types that have not been used for processing at the Pančevo Oil Refinery;

- constant efforts to optimize processes and achieve the optimum economic effects and indicators;
- occasional benchmarking to survey the market and price trends and to analyze the commercial capacities of major prospective suppliers of crude oil, reputable companies which are dominant and reliable in crude oil trading.

Foreign Exchange Risks

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

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

Interest Rate Risks

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

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

Business environment⁹

The world

At year end, OPEC Plus should decrease production one more time in compliance with the agreement reached in May when OPEC Plus announced an aggressive three-phase production reduction plan: the first and biggest cut of about 10 million barrels a day, a reduction of about 8 million barrels per day from August, and from January a reduction of only 6 million barrels a day.

Global consumption was growing steadily from 84.3 in 2009 to 100.1 million barrels a day worldwide in 2019 (including biofuels). According to International Energy Agency's estimates, this year consumption will fall to 91.7 million barrels a day. Analysts from Goldman Sachs expect that this year consumption will decrease by about 8 %, and will increase next year by 6 %, and fully recover in 2022 and reach its pre-pandemic level. Jet fuel consumption represents the biggest uncertainty (at tourist peak commercial flights are down 90%), along with the fear of eventual contamination until a truly effective vaccine has been developed.

Uncertainties about global oil demand and, consequently, low oil prices force oil giants to put on hold their major decisions: Petrobras has not announced yet the deadlines for binding bids for the sale of seven refineries and shale processing plants SIX (one of the largest shale reserves in the world); Saudi Aramco has put on the back burner its decision to invest 10 billion USD in a refining and petrochemical complex in China; BP will rely on existing resources to resolve the problem of oil revenue compensation underpinned by the lower production without resorting to new exploration or starting new projects in new countries thus cutting exploration costs and staying focused on areas of current presence.

Global energy crisis is affecting the entire supply chain, in particular, by imposing the new supply modes in the downstream sector: meeting market needs without accumulating high stocks under the conditions where business and transport acceleration and slowdown vary not only on a country level but also on a regional level within the same country.

Compared to the average margins in the last five years, this year we have seen the most dramatic refining margin drop due to the effect of COVID -19.

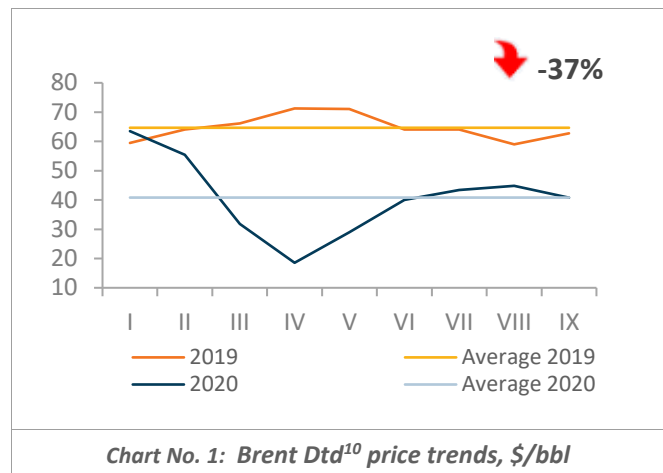
The sharp drop in energy demand and the instability of oil prices have caused turmoil in financial markets and worsened economic projections, forcing the industry to cut capital and operating costs by billions of dollars. IEA experts have estimated that global energy investment will be reduced by 20% or nearly \$ 400 billion this year (e.g., capital investment in Canada's oil and gas sector fell by 54% in the second quarter of 2020).

Reducing operating costs has forced a number of oil companies to cut staff. A new study by Deloitte predicts that 7 out of 10 jobs lost this year as a result of the fall of the oil market in the USA will not return until the end of next year, suggesting that some job losses will be permanent. The U.S. oil, gas and petrochemical sector cut about 107,000 jobs between March and August. As part of the global business cost audit, Exxon Mobil said it plans to lay off up to 1,600 employees in all its sub-firms in Europe by the end of 2021, and all employees in Australia have been offered an agreed termination of employment. Other oil companies affected by the pandemic are starting to cut jobs, cut spending and limit dividends to save money amid bleak prospects for energy prices that are expected to remain volatile for years, with Norway's Equinor laying off 20% of US employees. As part of the organizational changes, INA Group will lay off up to 250 workers, mostly from the Sisak refinery.

⁹ Data sources for World, Oil price and Macroparametres: Reports Wood Mackenzie, IHS, Bloomberg, Reuters, National Petroleum Committee of Serbia, EU Commission. Data sources for Serbia: Reports NBS, newspaper articles: Danas, Bizlife, Blic Business

Oil price

Last quarter, oil price balanced between indications of recovery of demand from the effects of the corona virus and reports stating that leading producers were starting to increase supply; the oil price oscillated around the average of slightly over 40 USD/bbl. Historically, cuts in oil prices have traditionally resulted from oversupply, yet this time the demand was hit by the pandemic and it will not restore to the pre-pandemic level until the recovery of air transport. According to Oilprice.com, under current circumstances it is hard to forecast the growth of oil consumption, which further exacerbates price pressures.



Goldman Sachs expects the oil market to be in deficit of over 3 million barrels a day and Brent price to regain the value of 49 USD/bbl by the end of the year. Vitol group, world's biggest independent oil trader, shares the vision stating that the market will remain in short supply.

Goldman Sachs projects Brent price at 58 USD/bbl till the end of 2021, more optimistic forecasts give 60. At the same time, Iraq expects that oil price pressures will linger through Q1 2021 at least and Brent average in Jan-March 2021 will be around 45 USD/bbl.

Macroparametres

According to World Bank's forecasts, economic meltdown will affect almost all economies this year; moreover, for the first time since the Asian financial crisis, that hit the world more than two decades ago, extreme poverty will increase globally.

IMF and WHO estimate that recovery will be longer and more difficult than initially expected. In October issue, IMF states that the global economy is rekindling from the depression it found itself in during the "Great Lockdown" in April. At the same time, with COVID-19 spreading again, many countries slow reopening and some are reinstating partial lockdowns to protect the most vulnerable population.

According to Eurostat, 2020 is the worst year in economy since 1995. According to official available data of this statistic office, GDP went down 11.4% in 27 countries of the EU in Q2, versus 3.3% drop in Q1.

Among member-states, the most dramatic fall was recorded in Spain (-18.5 %) vs. previous quarter, followed by Croatia (-14.9%), Hungary (-14.5 %), Greece (-14.0%), Portugal (-13.9%) and France (-13.8%), Finland shows the smallest GDP reduction (-4.5%). Compared with Q2 2019, EU's GDP in the second quarter of this year decreased by 14.4 %.

Serbia

The effects of the pandemic on macroeconomic situation in Serbia were most perceptible in Q2 when a 6.4% GDP drop was recorded, the indicator then grew in July and August prompting NBS to review its projection of the GDP growth rate for Q3 to -2.5% and cumulative yearly drop to -1.5%. At the same time, IMF's most recent projections (October 2020) place Serbian GDP drop at the level of -2.5%, and World Bank's -3%. Other expert economic bodies, however (Fiscal Council, Institute of Economy), support forecasts of the National Bank Serbia, with a caveat that a new downturn in the epidemiological situation will result in a higher GDR drop.

Slumping GDP is largely driven by a decline in service sectors and in the industry, as well as by shrinking net taxes. Government spending, on the other hand, recorded significant growth due to heavy expenditure on medical equipment and healthcare salaries. Another source of the budget deficit is a package of additional measures: paying out 60% of the minimal salary to entrepreneurs, micro

¹⁰ Source: Platts.

businesses and SMEs for July and August 2020, one-month deferral of tax and contributions and NBS's moratorium on credits for another two months. Positive contribution came from a faster decline in imports compared to decline in exports.

According to the National Bank of Serbia, the country managed to preserve stability of its banking sector. Owing to the measures undertaken, the share of NPL decreased to 3.6% in July. Credit activity maintained the trend of the stable and sustainable growth, total domestic loans recorded a 13.6% increase; moreover, the credit structure remains favourable to the economic activity. Positive trend in the credit activity is expected to sustain in the forthcoming period. At September's session it was decided to keep the reference rate unchanged at the level 1.25%.

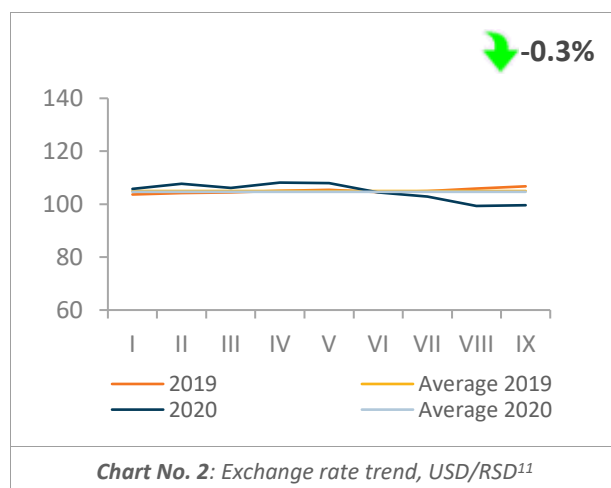
At the same time, IMF points to existing problems and highlights the current account deficit as one of four key indicators of the economic situation in Serbia. As was expected due to a significant decline of imports this year caused by the crisis, the current account deficit will be reduced from 6.9% last year to this year's 6.4% of GDP.

In Q3, inflation developments were consistent with expectations, inflation equaled 1.9% in August and is assessed at 1.8% for September. Basic inflation of 1.9% and stable inflations expectations are indicative of low inflation pressures.

Following a cumulative drop of 38% in March-April, import of goods increased in May-July (+36% cumulatively) driven by intermediary and capital goods. On the yearly basis, the biggest import decline is expected in energy and other industrial resources, as well as in import of services due to overall economic slowdown. Export of goods was recovering, too – following a drop in March-April (-36% cumulatively), exports grew in May-July (+40% cumulatively) driven by the growth in manufacturing exports.

In the period from January to July 2020, formal employment recorded modest growth despite the pandemic, and thanks to measures implemented by the Government the growth was only marginally slowed to 1.7% (from 2.0% in 2019).

In August 2020, industrial manufacture in the Republic of Serbia increased by 4.2% vs. August 2019.



- Average USD/RSD exchange rate in the first nine months of 2020 was higher by RSD0.30 i.e. 0.3% compared to the average exchange rate in the same period of 2019.
- During first nine months of 2020, USD/RSD exchange rate decreased by RSD 4.7 or 4.5%.
- During first nine months of 2019, USD/RSD exchange rate increased by RSD 4.04 or 3.9%.

¹¹ Source: NBS.

Performance Analysis

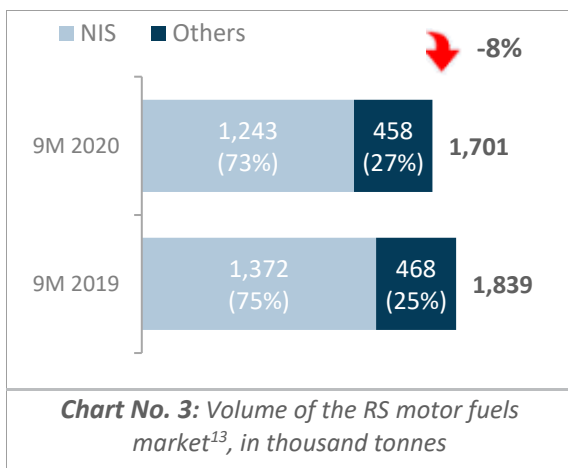
Market Share¹²

Engine fuel consumption is still falling:

- The negative effects of the pandemic have led to a decline in motor fuel consumption.
- After the easing of the measures, consumption began to recover slightly, resulting in a slightly lower decline than in the first six months of this year.

As in the region, after growth and a positive trend in the first two months, the pandemic period started, bringing a significant decline in consumption in the period from March to May, followed by a gradual recovery period.

Market Share in the Serbian Market

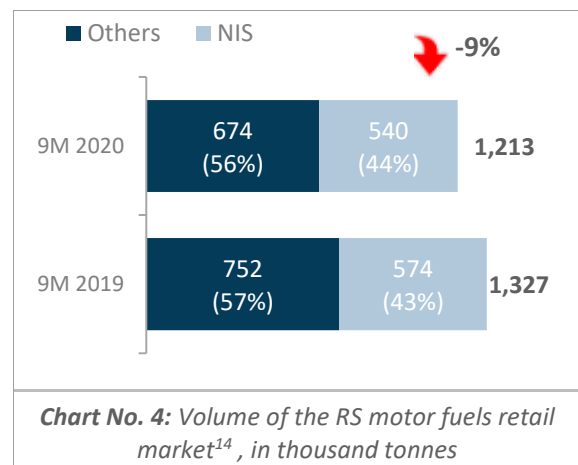


The pandemic has had the same effect on motor fuels – in the first nine months, the market also declined, but the downward trend was slightly less sharp than in the first six months.

Speculative stocks made by certain companies during the period of low prices (predominantly in May and June) have a slightly higher share of imported goods in the structure, which led to a decrease in the share in MF in the same period.

NIS' market share is growing, and this is contributed by the growth of its share in all three segments – diesel, petrol and LPG .

Due to the pandemic, retail sales went down by 9% in the first nine months compared to the same period last year.



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

¹³ Data for Q3 2020 are given on the basis of estimates. Including CNG.

¹⁴ The sales of NIS and other competitors include motor fuels (auto-gas, motor fuels and diesel). LPG cylinders are not included. , Data for Q3 2020 are given on the basis of estimates.

Market Share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

Existing standards for assessing the quality of petroleum products at refuelling stations in Bosnia-Herzegovina are outdated and must be changed due to the conditions of the European Energy Community. A new decision on the quality of liquid petroleum fuels was recently requested to be endorsed, which is a condition for concluding negotiations for accession to the World Trade Organization.

The terminals of the Federation of Bosnia and Herzegovina have opened a newly built terminal of liquid petroleum products in Živinice, which is the beginning of the renewal of mandatory reserves of oil and petroleum products. The first phase of works has been completed at the terminal in Živinice, and the storage capacity is about 6 million liters of oil and oil derivatives. The terminal should be completed by the end of the year, with a capacity of about 46 million liters.

Zarubezneft announced the construction of solar power plants. In parallel with the construction of solar power plants, the gasification process is underway, which, according to the claims from the company's management, is in the final phase. The plan is to expand the business through projects of autonomous gasification of the refinery, expansion of the network of gas stations, construction of gas power plants and hydrogen production.

After six years, the raw material is again delivered to the Modriča Oil Refinery by rail. Modriča Oil Refinery received serious financial support for the procurement of the necessary quantities of raw materials from the parent company from Russia and will soon fill the storage capacity with raw materials necessary for the continuity of the Modriča Oil Refinery, until the end of this year.

The Government of the Federation of Bosnia and Herzegovina has passed a Decree on prescribing a measure of direct price control by determining margins in trade in petroleum products. The Decree determines the existence of conditions for prescribing measures of direct price control in such a way that for wholesalers of petroleum products a maximum wholesale margin of 0.06 KM per liter of derivatives is set, while for retailers of petroleum products a maximum retail margin is set in the amount of 0.25 KM per liter of petroleum products.

Due to the coronavirus epidemic and the implementation of measures to prevent the spread of coronavirus in Bosnia and Herzegovina, there was a significant decline in fuel consumption and a decrease in retail sales in the first 9 months of this year compared to the same period last year.

NIS in Bosnia and Herzegovina has 40 refuelling stations (and 2 gas stations in DODO mode), and in the third quarter it opened 5 gas stations in Bosnia and Herzegovina (Prnjavor, Grude, Veljaci, Gabela, Doljani).

NIS' market share in the total market of motor fuels is 24.3%, while its share in the retail market is 10.6%.

Bulgaria

The Fuel Law has been adopted in Bulgaria - the document is expected to guarantee market competition, limiting the shadow economy and boosting state budget revenue. It prescribes that the minimum capital of wholesale companies shall amount to 1% of the company's net revenue. The Law prescribes the penalty of prohibition of operation for petrol stations and fuel tank farms if they sell illegal fuel, and tank trucks transporting it will be removed from traffic for a year. Farmers are also subject to sanctions if they purchase fuel without registering for the activity.

The Bulgarian Parliament has adopted amendments to the Law on National Emergency Stocks and Storage, thus creating a new National Oil Company which will maintain emergency stocks of oil and petroleum products and operate a network of petrol stations in the country. The new company will take over the warehouses of the National Emergency Stocks Agency and manage the State's minimum stocks in accordance with the requirements of the European Union. The company will not be commercial, but it will be able to establish commercial subsidiaries. It is expected that one such subsidiary will be a company that will manage gas stations on the main roads and motorways. About 100 petrol stations across Bulgaria are scheduled to open in the next year. These stations would also have the infrastructure for charging electric vehicles, in line with Bulgaria's environmental strategy. The impact of the network of

state-owned petrol stations on the retail market is disputable, as Bulgaria is estimated to have more than 3,000 petrol stations in operation. According to the Ministry of Finance, state-owned gas stations will offer the lowest price, which will boost market competition. The state-owned oil company should also provide fuel storage facilities for smaller companies, while private storage facilities will have to offer their spare capacities to third parties, or face fines.

Bulgaria's Commission on Protection of Competition has launched an investigation against the Lukoil refinery in Burgas (Lukoil Neftochim Burgas), suspecting unfair competition, allegedly conducted by this company, and that Lukoil is selling petrol and diesel to distributors at unjustifiably high prices compared to the current global crude oil prices. The regulator says it will investigate the entire refining, storage, wholesale and retail chain of Lukoil Bulgaria, as well as all other fuel distribution chains in the country.

Due to the coronavirus epidemic in Bulgaria, as well as in all surrounding countries, both motor fuel sales and retail sales have decreased.

NIS operates 34 petrol stations in Bulgaria and a petroleum products warehouse in Kostin Brod. NIS' share in the total motor fuel market is 4.6 %, and its retail market share is 4.2%.

Romania

Following the reduction of excise duties on 1 January 2020, Romania became the country with the lowest fuel prices in the entire European Union, according to official statistics. The reduction of excise duties by 32 bani (6.5 eurocents) per litre (including VAT) has fully reflected on fuel prices at petrol stations, the Council for Protection of Competition concluded following the inspection by Price Monitoring.

The draft law on the sale of agricultural land in Romania establishes new conditions and affects the oil industry, as it requires that agricultural land be sold only to companies and individuals who have carried out agricultural activities in the last 5 years. The Romanian Association of Oil Companies (ROPEPCA) is demanding a revision of the law because it prevents investments in energy production and development projects - oil companies will not be able to acquire or lease land for oil operations or fulfill concession agreements they have signed with the Romanian government.

Romania's Parliament has adopted a legislative proposal that would affect about 1,000 wholesalers of diesel, as it stipulates special storage facilities that require certification, which would also indirectly affect farmers supplied by them. The Government and the Council for Protection of Competition rejected the legislation, estimating that it would unbalance the wholesale diesel market. Representatives of the Romanian Farmers' Club believe that agriculture in Romania will be affected as the law eliminates over 980 companies selling petroleum products.

Romp petrol Rafinare has implemented a modern \$4.6m system for the renewal of LPG at Petromidia refinery, which ensures increased production and a significant reduction in sulphur dioxide emissions. It is part of the company's strategy to modernize operational processes at Petromidia Navodari and Vega Ploiesti refineries and affirm its strategic commitment to protect the environment and reduce impact on local communities.

Negotiations on the sale of the Arpechim Pitesti refinery have failed and it will be dismantled and demolished. The refinery shut down production in March 2011 due to inefficiency, outdated technology, lack of access to the sea and the need for large investments.

During the state of emergency, Romania issued Military Decree no. 4, setting a price cap for certain products and services during a state of emergency, which also includes fuels whose prices can no longer increase above the price valid on the date of adoption of this military regulation, and prices can only be reduced. The restrictions, which applied only to retail prices, were in force during the state of emergency and were lifted in mid-May.

In Romania, motor fuel sales and retail sales have decreased in the first nine months of this year due to the coronavirus epidemic and restrictive measures taken to curb the spread of the epidemic.

NIS operates 19 petrol stations in Romania. NIS' market share in the total motor fuel market is 1.1%, while its retail market share is 1.3%.

Key Performance Indicators

Q3 2020	Q3 2019	Δ^{15}	Indicator	Unit of measure	9M 2020	9M 2019	Δ^{16}
43.0	61.9	-31%	<i>Brent Dtd</i>	\$/bbl	40.8	64.7	-37%
49.4	78.7	-37%	Sales revenue ¹⁷	RSD billion	135.3	196.2	-31%
1.9	7.5	-74%	Net profit/loss	RSD billion	-8.3	10.7	-178%
8.0	15.3	-47%	EBITDA ¹⁸	RSD billion	10.4	31.2	-67%
13.4	25.9	-48%	OCF	RSD billion	19.6	41.9	-53%
6.3	10.6	-41%	CAPEX ¹⁹	RSD billion	20.7	29.0	-28%
47.9	56.8	-16%	Accrued liabilities for taxes and other public revenue ²⁰	RSD billion	131.8	136.6	-4%
636	574	+11%	Total bank indebtedness ²¹	EUR million	636	574	+11%
1.7	1.7	-1%	LTIF ²²	number	1.7	1.7	-1%

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

¹⁶ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

¹⁷ Consolidated operating income.

¹⁸ EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – Operating Expenses (OPEX) – other costs that may be controlled by the management.

¹⁹ CAPEX amounts are exclusive of VAT.

²⁰ Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.

²¹ Total bank indebtedness = Total debt to banks + Letters of Credit. As at 30 September 2020, this was EUR 636 million of total debt to banks.

²² Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator shown refers to NIS j.s.c. Novi Sad with its subsidiaries: Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical services LLC Zrenjanin and Naftagas – Transport LLC Novi Sad. The stated indicator has been calculated cumulatively since the beginning of the year, and the presented data represents the current situation as of 30 June and consequently there is no difference between 9M and Q3.

Operating indicators

Exploration and production

Q3 2020	Q3 2019	Δ^{23}	Indicator	Unit of measure	9M 2020	9M 2019	Δ^{24}
317	324	-2%	Oil and gas output ²⁵	Thousand t.o.e.	952	965	-1%
210	216	-3%	Domestic oil output ²⁶	Thousand tonnes	631	646	-2%
2.2	2.9	-24%	LTIF ²⁷	number	2.2	2,94	-24%
4.6	8.5	-46%	EBITDA	RSD billion	12.6	26,6	-52%
3.8	5.7	-35%	CAPEX ²⁸	RSD billion	13.0	15,1	-14%

The Exploration and Production Block's pivotal objective in Q3 2020 was to fulfill the hydrocarbon production plan, carry out geological exploration projects, and consistently increase the efficiency of exploration and production.

In the first nine months of this year the total production volume of 916.7 thousand t.o.e. was carried out in reservoirs in Serbia, that is, including the concessions of 952.2 thousand t.o.e.

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

Geological and exploratory works and reservoir development

The company has discovered five new collectors in the northern part of the Kikinda oilfield, which will enable drilling of new wells in the coming period.

At the Palić oil field, drilling results showed a positive effect on the further development of the oil field.

Repairs and isolation works have been successfully completed in the Velebit, Kikinda, Kikinda Varos, and Kelebija oilfields.

Exploratory drilling and well testing

According to the geological exploration plan, from the beginning of the year in Serbia in Upstream Block two oil exploration wells were drilled and put into operations.

2/3D seismics

The company has completed comprehensive interpretation of 3D seismic records from the Turija IV exploration block, has processed 3D seismic data from the Ada exploration block. A complex interpretation of seismic and geological data is ongoing. The implementation of the Oil and Gas Further Exploration Project in the exploration area section of North Bačka Palić, Žednik and Kelebija has been completed. A complex interpretation of seismic and geological data for the exploration areas of Kikinda – Mokrin has begun, as well as the merging of the 3D polygons Majdan - Srpski Krstur, Martonoš-Velebit and Čoka.

²³ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

²⁴ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

²⁵ Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

²⁶ With natural gasoline.

²⁷ Lost Time Injury Frequency - ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data refers to the Exploration and Production Block (including Services). The stated indicator has been calculated cumulatively since the beginning of the year, and the presented data represents the current situation as of 30 June and consequently there is no difference between 9M and Q3.

²⁸ Financing, exclusive of VAT.

Projects abroad

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

Q3 2020 Key events in Romania:

- EX-2 Block: There has been a continuation of the processing of 3D data collected during seismic surveys carried out in Q3 2019 from the area of the total surface of 170 km²;
- EX-7&8 Block: Experimental production has been under way from two wells at the Teremia field;
- EX-12 Block: The processing started of 3D data collected during seismic surveys carried out in Q4 last year from the area of the total surface of 165 km²;
- The Jimbolia Block: Experimental production of natural gas (two wells in operation) is ongoing, which is further used for the production of electricity in the generator.

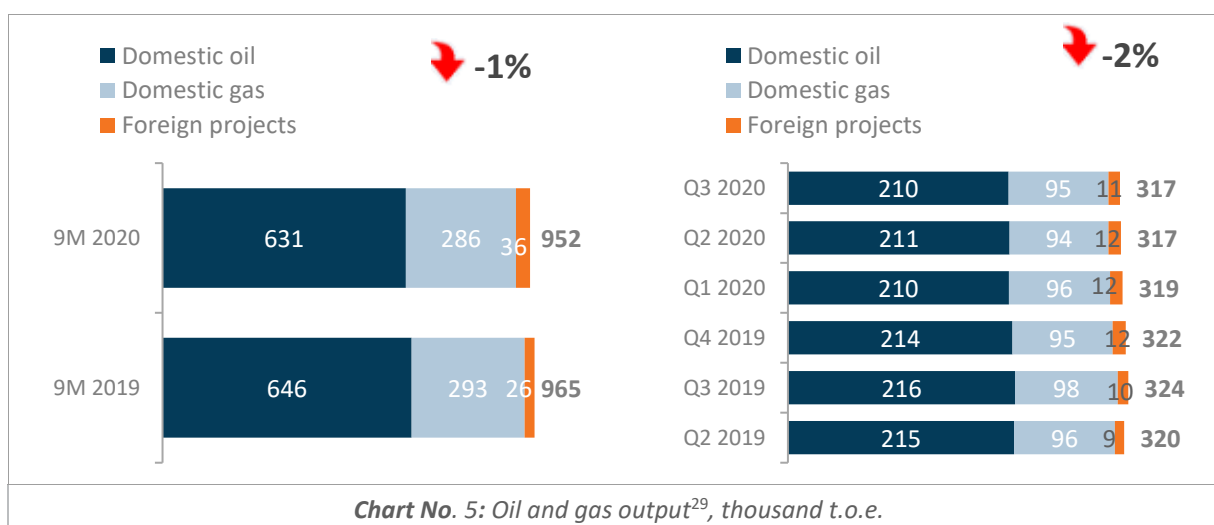
All upstream operations of the Company in Republika Srpska (Bosnia and Herzegovina) are handled by the company Jadran Naftagas from Banja Luka.

Q3 2020 Key events in Bosnia and Herzegovina:

- In March 2020, NIS became an owner 100% stake in Jadran Naftagas. All the documents were signed in Banja Luka and Zarubezhneft officially left the Jadran Naftagas project the same day.
- Defined program of geological research works.

Operating indicators

In the first nine months of 2020, the total production was 952 thousand tonnes of oil equivalent of oil and gas.



²⁹ Any potential deviations in percentages and aggregate values result from rounding

Refining

Q3 2020	Q3 2019	Δ^{30}	Key indicators	Unit of measure	9M 2020	9M 2019	Δ^{31}
1,007	1,115	-10%	Volume of refining of crude oil and semi-finished products	Thousand tonnes	2,637	2,318	+14%
2.95	1.4	+105%	LTIF ³²	number	2.95	1.44	+105%
-1.2	1.0	-211%	EBITDA ³³	RSD billion	-13.0	-0.6	-2,046%
1.6	3.8	-59%	CAPEX ³⁴	RSD billion	6.0	11.7	-49%

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

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

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

In the period from March to June 2020, the Refining Block focused all its efforts on the adaptation of operations in the climate of low oil prices and ongoing health and safety situation created by the Covid-19 pandemic which continued during the third quarter of 2020.

All necessary measures were taken, due to the appearance of the coronavirus, in order to maintain the health and safety situation - maintaining enhanced hygiene, contact with the contractor company was reduced to a minimum, employees were provided with protective equipment with continuous notification to employees of the rules of conduct in the given conditions. In addition, in the aforesaid period, the crises scenario was developed concerning the conduct of operational and investment activities in the Company during the state of emergency and liquidity crisis caused by the Covid-19 pandemic.

Due to the observed irregularities in the operation of Claus unit, being a part of MHC/DHT complex, the unit shutdown procedure was initiated on 20 April. Following the overhaul of Claus sulphur recovery unit, all process units in the Oil Refinery were started up early in May. Through joint activities of Production Directorate, Technical Directorate, HSE Sector and Naftagas – Technical Services, the overhaul activity was efficiently completed, observing strict procedures and all HSE standards. Furthermore, while working on these units, all coronavirus protection measures were applied. During the Refinery downtime, the market was supplied with all types of petroleum products on a regular basis.

During May 2020, the DCU underwent the activities related to pre-commissioning of the Delayed Coker (S-5300) and commissioning of the Sour Water Stripper (S-5900)/Amine Regeneration III (S-5950).

³⁰ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

³¹ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

³² Lost Time Injury Frequency – injury indicator with lost time (days). The ratio of the number of employees' injuries to the total number of work hours multiplied by a million. The stated indicator has been calculated cumulatively since the beginning of the year, and the presented data represents the current situation as of 30 September and consequently there is no difference between 9M and Q3.

³³ EBITDA of the Refining Block includes the power plant in RNP.

³⁴ Financing, exclusive of VAT.

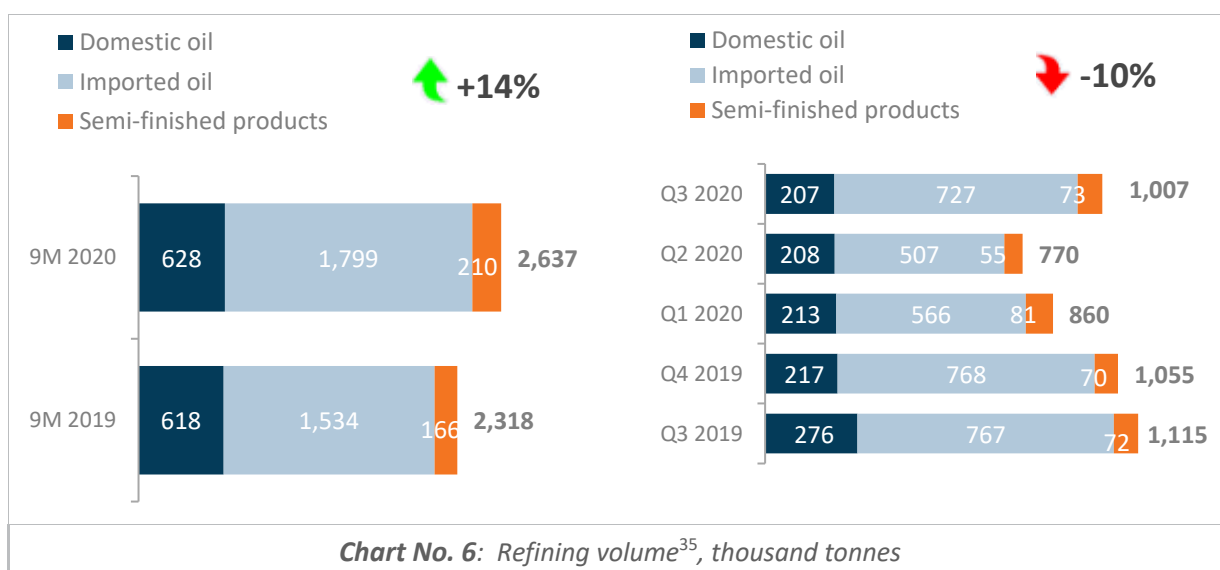
In June 2020, the overhaul of the Sulphur Recovery Unit – Claus (S-2450) was carried out and mechanical completion of the DCU achieved.

At the end of August, the "Certificate of Approval for the DCU Plant Trial Operation" was officially handed to the Pančevo Oil Refinery. This means that our company was granted the certificate of approval for the DCU trial operation valid for the period of one year. After months of work by our colleagues in difficult conditions due to the coronavirus, the Technical Inspection and Acceptance Committee completed the review of the technical documentation and works on the facility, on the basis of which it concluded that the "Bottom of the Barrel" project is ready for trial operation. In addition, the technical inspection was conducted by experts from the Serbian Ministry of Interior, who confirmed by the Decision that all fire protection measures were implemented. Furthermore, representatives of the Provincial Secretariat from Novi Sad confirmed that all environmental protection measures envisaged in the Environmental Impact Study were implemented.

After obtaining the Certificate of Approval for Trial Operation, the functional testing of the DCU plant was conducted from 24 to 28 August and the first quantity of petroleum coke – high calorific value fuel was produced. The coke produced will be shipped through an automated system that ensures efficient and safe loading of the product into trucks. The whole process will take place at the Transportation, Storage and Dispatch Plant located within the DCU plant. During the construction of the new facility, special attention was paid to environmental protection so that the plant is equipped with special dust collectors and a truck washing unit.

Critical equipment for the DCU plant was defined, spare parts lists were created, and an optimal structure of the training system was agreed between the DCU and Technical Services.

Refining Activities and Volume



In the first nine months of 2020 the production of petroleum products increased, compared to the first nine months of 2019 by 14%, as a result of capital overhaul conducted in the first half of 2019.

The Bottom-of-the-barrel Project

Progress of the Bottom-of-the-Barrel Project as at 30 September 2020 is as follows:

- Construction completed and mechanical readiness of the DCU complex achieved on 22 June, 2020.
- Functional testing of the DCU and all ancillary facilities completed. During the testing operations, the units were brought to a stable technological regime and the first products were obtained.

³⁵ Any potential deviations in percentages and aggregate values result from rounding

- Readiness for commercial operation of the DCU and the entire complex was achieved on 24 August, 2020.

Other Projects

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

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

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

- Reconstruction of the FCC and construction of the new ETBE unit
- Harmonisation of the Jet Fuel System Against JIG 153 Standard Requirements, Reconstruction of the Filtered Water System in RNP for Purposes of the C-2450
- Reconstruction of FB-2003, FB-0711, and FB-0714.

In the period of 9 months in 2020, the focus was also on digitalisation projects activities. A tender was conducted and a contractor selected for the realization of the APC (Advanced Process Control) project. A kick-off meeting was held and the process of implementation commenced. A tender for the RTLS (Real Time Location System) pilot project was conducted. The Project Assignment was prepared, a procurement strategy adopted and a tender for the realization of the projects Predictive Maintenance and Real Time Optimizer (Master APC) was announced. Activities aimed at improvement and digitalisation of the KPI reporting process in the domain of operational reliability commenced. Intense work is being done as a permanent task to explore new possibilities for the application of digital technologies.

In February 2020, Pančevo Oil Refinery hosted the third workshop on gender equality. We attended the opening of the Children's and Preventive Dental Medicine Ward in Pančevo, which was fully refurbished and furnished with advanced equipment with NIS' support, as part of Common Cause - Community Programme.

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

During this period, the implementation of the third element of the OMS Etalon "Production Process Control" continued, being among the priority elements in our company, which comprised the key projects "Structured Operator Tours" and "Shift Handover". Last year, the methodology, training and application were developed, and currently the advanced tools are being activated – tablets and electronic shift logs.

Sales and Distribution

Q3 2020	Q3 2019	Δ^{36}	Key indicators	Unit of measure	9M 2020	9M 2019	Δ^{37}
984	1,101	-11%	Total sales volume of petroleum products ³⁸	Thousand tonnes	2,540	2,621	--3%
108	134	-19%	Sales volume – foreign assets ³⁹	Thousand tonnes	283	311	-9%
698	785	-11%	Sales volume of petroleum products in the domestic market ⁴⁰	Thousand tonnes	1,847	1,965	-6%
178	182	-2%	Export	Thousand tonnes	410	345	19%
614	710	-14%	Motor fuels ⁴¹	Thousand tonnes	1,622	1,781	-9%
255	273	-7%	Retail ⁴²	Thousand tonnes	669	732	-9%
3.5	4.2	-15%	Internal sales	Thousand tonnes	10.4	11.7	-11%
1.7	1.1	+50%	LTIF ⁴³	number	1.7	1.1	+50%
6.1	5.4	+13%	EBITDA	RSD billion	12.8	12.5	+2%
0.7	0.8	-18%	CAPEX ⁴⁴	RSD billion	1.4	1.7	-17%

Points of Sale⁴⁵ and Logistics

NIS Groups owns more than 400 active retail facilities. The majority of them, more precisely 325 retail facilities, are located in the Republic of Serbia. In addition to 10 internal petrol stations, NIS owns 315 public petrol stations (24 of them are GAZPROM-branded). In the regional countries, NIS owns 42 petrol stations in Bosnia and Herzegovina (27 GAZPROM-branded), 34 petrol stations in Bulgaria (all GAZPROM-branded) and 19 petrol stations in Romania (all GAZPROM-branded).

Upon completion of works in Serbia, in the first nine months of 2020, 7 petrol stations were put into operation: Koceljeva 2 (NIS brand), Podunavci (NIS brand), Leskovac 4 (NIS brand) and Senta 1 (NIS brand) Bor 4 (NIS branded), Novi Sad 16 — highway (GAZPROM brand) - following a complete reconstruction and Leskovac 6 (NB), long-term lease agreement and rebranding (NIS brand). New Otopeni petrol station was put into operation in Romania (GAZPROM brand). In Bosnia and Herzegovina, 5 PSs were commissioned and were taken into lease.

Besides, 32 new trucks for white goods transportation, as well as 7 sets (semi-trailer trucks) for white goods transportation were procured to enhance technological transport capacities.

³⁶ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

³⁷ Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

³⁸ Excluding the internal sales volume (9M 2020: 10.4 thousand tonnes; 9M 2019: 11.7 thousand tonnes). Total sales volume doesn't include the volume of sales of CNG to third parties of the Energy Directorate and contain volume of sales for own consumption of road tanks of the Sales and distribution Block.

³⁹ The sales volume of foreign assets includes sales generated by the subsidiaries of NIS abroad (retail and wholesale).

⁴⁰ Domestic market sales includes sales volumes invoiced in local currency (RSD) and does not include sales volumes sold to foreign customers and invoiced in foreign currency.

⁴¹ Total sales of motor fuels in Serbia and in foreign assets.

⁴² Total retail in Serbia and in foreign assets.

⁴³ Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The stated indicator has been calculated cumulatively since the beginning of the year, and the presented data represents the current situation as of 30 September and consequently there is no difference between 9M and Q3.

⁴⁴ Financing, exclusive of VAT.

⁴⁵ As at 30 September 2020.

Loyalty and Marketing Activities Programmes

In the first nine months of 2020, 90 marketing activities are carried out in Serbia aimed at developing consumer brands, loyalty programs and boosting fuel and non-fuel sales.

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

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

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

To compensate for withdrawal of GO on specific petrol stations, premium G-Drive was introduced, retail facilities were rebranded, and marketing materials distributed, and the petrol station employees were familiarised with fuel properties, with a purpose of stimulating sales of premium petroleum products.

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

In order to promote and increase revenues from the sale of coffee drinks, marketing activities were organized in the form of sending personalized messages containing personalized offers aimed at reactivating consumers and upsell (increasing consumption).

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

At the end of March, mobile application Drive.Go was launched. With this new mobile application, customers are able to pay for fuel at refueling point without entering the station; for the first time in Serbia, it is widely available to all clients of NIS Petrol and GAZPROM stations. Besides staying true to the application of innovations and innovative solutions in its operations, by the introduction of this new service in the newly emerging circumstances, NIS enabled its customers to make fast, efficient, and safe payment, without going to the cash register. The use of the Drive.Go application in the retail network continued in the second and third quarters and, currently, we have 145 petrol stations where it is possible to pay for fuel purchases in this way.

In an effort to increase the number of "On the road with us" loyalty card users, a campaign was launched to communicate how "On the road with us" loyalty card can be activated without spending additional time at the petrol station. To activate the card, the customers should simply access the "On the road with us" webpage and, following registration, enter the code that they received upon registering their phone number.

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

New products (scu) were launched: Fresh Fruit Mix (3 types), Drive Cafe Ice Coffee (2 types) - Caffe Latte and Drive Cafe Ice Coffee Cappuccino, Drive Cafe snacks (4 types).

In January, Jazak water promotions were carried out with gift-for-purchase mechanism in order to uphold distributor's sales (Tempo markets). Through the achieved partner cooperation with Apatin Brewery, "Jazak" water will be present in over 5,000 retail facilities ("traditional trade" channel).

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

We have also held reactivation activities for "On the road with us" program participants: they were offered bonus point per 1 l for every transaction.

The redeem programmes within the customer retention channel were designed for increasing sales volumes and the share of non-fuel products in the total sales, by offering "Fiksar" (gardening tools set), Vitapur, Capacabana (summer footwear), and spend&get Gianini (collection of dishes).

A new service, "Paketomati", was introduced for our customers within the offer at some petrol stations, where it is possible to have packages and other consignments delivered to the petrol stations, enabling customers to take over their consignments in the period that suits them best and without waiting at the post office. In the third quarter, we continued to expand the network of petrol stations at which it is possible to use the "Paketomat" service to 30 new petrol stations in 6 more cities.

An image campaign was launched within which two mobile Drive cafe facilities were set up on Ada Ciganlija. This campaign is intended to familiarize the market with our offer and PL products.

Within "Agro Card" program designed for agricultural producers, we carried on with volume-sustaining activities: principal discount with Agro Card (3 dinars for gasoil, 5 dinars for Eurodiesel, G-Drive Diesel and OPTI diesel, 20% for NISOTEC), with a possibility of an additional volume-based discount for one-off fuel purchase with NIS Agro Card. Since 1 January 2020, agricultural producers have been able to purchase LPG household bottles with the discount of 10 RSD/kg with Agro Card. The AGRO loyalty card users are granted a 40% discount on Nisotec oils for agricultural machinery.

To further support the Agricultural program, a range of promotional activities took place during spring agricultural works: from 10 March, till 30 April 2020, agricultural households from the Silver segment are entitled to a maximum discount in the amount of 12 RSD/l for purchases over 100 l (Eurodiesel, OPTI diesel and G-Drive Diesel), and from 12 March till 20 March 2020, agricultural households from the Diamond segment are entitled to a maximum discount in the amount of 15 RSD/l for purchases over 600 l (Eurodiesel, OPTI diesel and G-Drive Diesel).

In the third quarter, the Autumn Agro Campaign was organized for farmers who were allowed an additional discount with the Agro Card. The discounts vary depending on the segment an Agro Card user belongs to (Standard, Silver or Diamond).

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

The spend&get 3+1 campaign was organised - by purchasing 3 NISOTEC 2T SINT, the customer was entitled to 1 bottle of oil of this type free of charge; and 4+1 campaign - by purchasing 4 litres of NISOTEC AUTOLINE, the customer was entitled to 1 litre free of charge.

Our company took participation in the 54th Counselling for Agronomists and Farmers of Serbia, where it promoted the Agro programme, including activation of the "wheel of fortune" and giving out gifts for the existing and new programme uses.

In the countries of the region where our company operates, in the first nine months of 2020, 40 marketing campaigns were organised, designed to develop the consumer brand, loyalty programmes, and to boost sales of fuel and non-fuel products.

Operating indicators⁴⁶

The first nine months of 2020 saw a sales drop of 3% comparing to the first nine months of 2019, with the total sales of 2,540 thousand tonnes.

- Retail in Serbia – a retail decrease by 6% is a result of diesel fuel sales decrease⁴⁷

⁴⁶ Without internal sales (9M 2020: 10.4 thous. tonnes, 9M 2019: 11.7 thousand tonnes). Total sales volume doesn't include the volume of sales of CNG to third parties of the Energy Directorate and contain volume of sales for own consumption of road tanks of the Sales and distribution Block.

⁴⁷ Decrease in sales due to the declared state of emergency in March 2020 (epidemic COVID-19).

- Wholesale in Serbia – a decrease of 6% mostly due to energy fuel sales
- Exports – an increase of 19% as a result of increasing energy and non-energy fuel exports⁴⁸
- Foreign assets – a decrease of 9% in sales volume (a decrease of 19% through retail channel and an increase of 1% through wholesale channel).

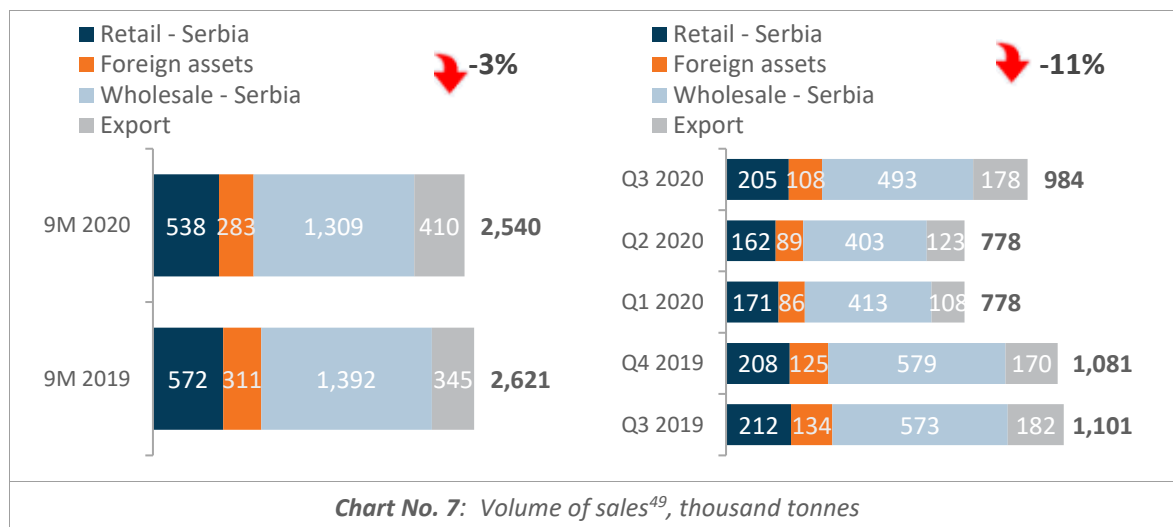


Chart No. 7: Volume of sales⁴⁹, thousand tonnes

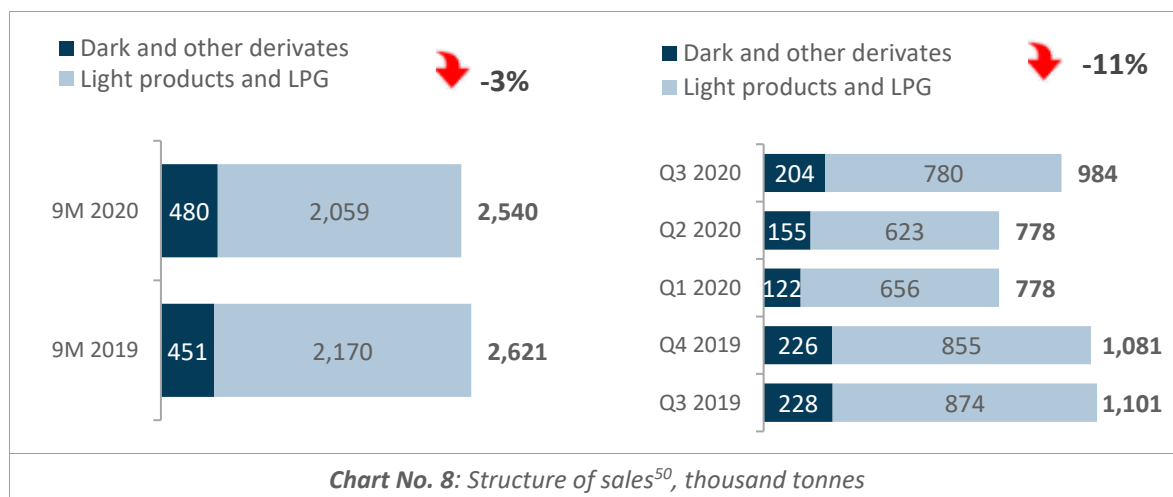


Chart No. 8: Structure of sales⁵⁰, thousand tonnes

⁴⁸ In March 2020, capital turnaround of the Pancevo Refinery started, which was another reason for increased fuel exports in first nine months of 2020.

⁴⁹ Without internal sales (9M 2020: 10.4 thousand tonnes, 9M 2019: 11.7 thousand tonnes). Total sales volume doesn't include the volume of sales of CNG to third parties of the Energy Directorate and contain volume of sales for own consumption of road tanks of the Sales and distribution Block. Any potential deviations in percentages and aggregate values result from rounding

⁵⁰ Without internal sales (9M 2020: 10.4 thousand tonnes, 9M 2019: 11.7 thousand tonnes). Total sales volume doesn't include the volume of sales of CNG to third parties of the Energy Directorate and contain volume of sales for own consumption of road tanks of the Sales and distribution Block. Any potential deviations in percentages and aggregate values result from rounding

Energy

CCPP Pančevo

As of 30th, September, 2020, design implementation stands at 90.16%. Cumulative implementation of engineering activities (design and other documentation) is equal to 91.58%. Mechanical, electrical and construction works on power plant's facilities are under way, as well as connecting pipes with the power block of the Pancevo Refinery and connecting to the electrical grid, with the degree of implementation of 84.58%. Principal equipment of the power plant is mostly delivered, the degree of implementation equals 98.92%. Commissioning activities have started (implementation: 10%). Overall degree of implementation is 90.16%.

The COVID-19 pandemics still has a certain effect on the implementation, namely:

- During the state of emergency, only 170 workers were present at the construction site, which is on the average 175 workers less than envisaged under the mobilisation plan of Shanghai Electric Group Co. Ltd.
- Following the recommendations of the Serbian Government, the measures to reduce the number of employees – Serbian citizens at work places were implemented and the possibility of working from home was arranged;
- In the second half of August, the arrival of 110 workers of Shanghai Electric Group Co. Ltd. from China was organised, including representatives of equipment manufacturers and team members for start-up activities. Following the two-week quarantine period, the workers started working at the construction site in early September;
- Yet, in spite of the arrival of the additional number of workers in August, the total number of workers at the construction site is still significantly lower than planned under the mobilisation plan, hence the deficit of labour remains the most critical issue under the Project.

CNG – commercial aspect

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

Currently, production at CNG Ostrovo is around 21,000 cm³/day at maximum available pressure. In the third quarter of 2020, the negotiations with the wholesale customer were successfully closed. The contract was renewed for the additional three years.

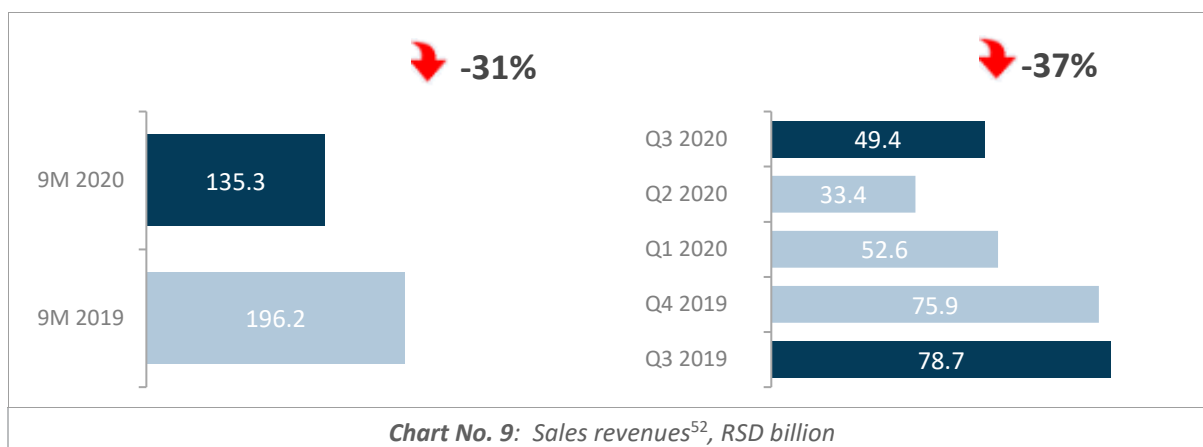
Trade of electricity

NIS is from before present on markets of Serbia, Bosnia and Herzegovina and Romania, as well as on the border with Hungary, Croatia, Slovenia, North Macedonia and Montenegro. As of 5 August of the current year, NIS is also licenced to trade in Bulgaria. NIS trades on the electricity markets in Serbia (SEPEX) and Romania (OPCOM). The first phase of implementation of ETRM software has been completed.

Financial indicators

Sales Revenues

During the first nine months of 2020, NIS achieved a 31-percent drop in sales revenue⁵¹ compared to the same period previous year.

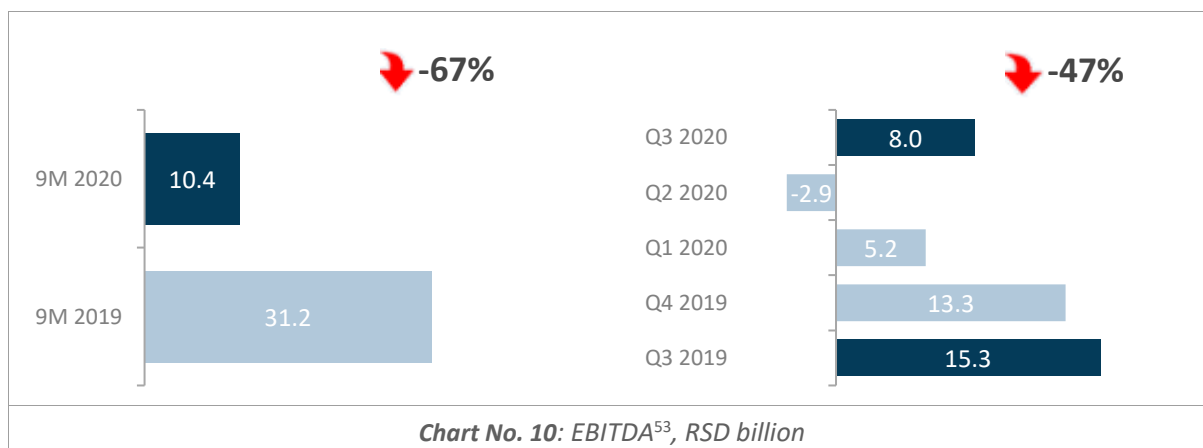


EBITDA

EBITDA for the first nine months of 2020 was 67% lower than in the same period previous year and amounted to RSD 10.4 billion.

The main reasons for the decrease are:

- The decrease in EBITDA indicator reflects the drastic fall of oil prices and and petroleum products in the global market and effects of the higher feedstock prices on refining.



⁵¹ Consolidated operating revenue.

⁵² Consolidated operating revenue. Any potential deviations in percentages and aggregate values result from rounding

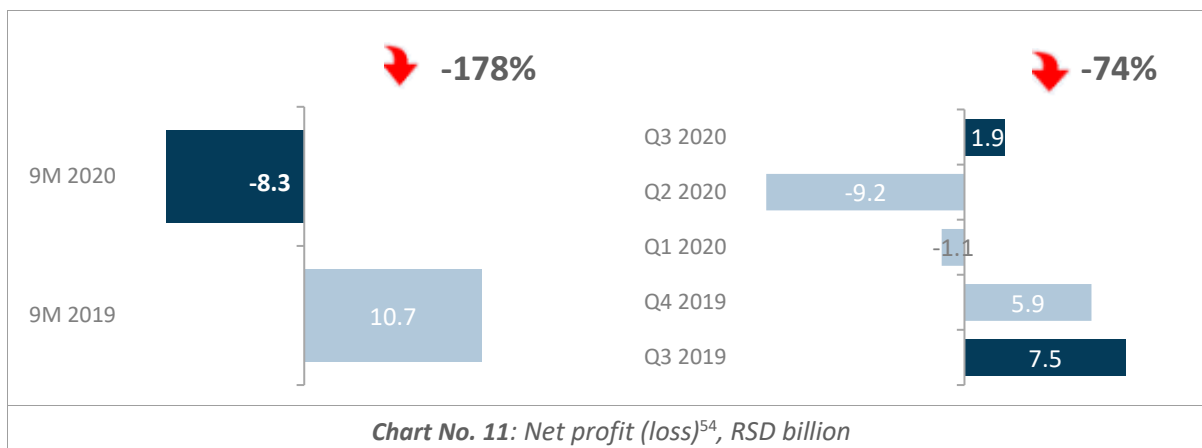
⁵³ Any potential deviations in percentages and aggregate values result from rounding

Net loss (profit)

During the first nine months of this year, the Company realized net losses in the amount of RSD 8.3 billion, which is nearly 178% less than the net result in the same period in 2019.

The main reasons for the decrease was influenced by:

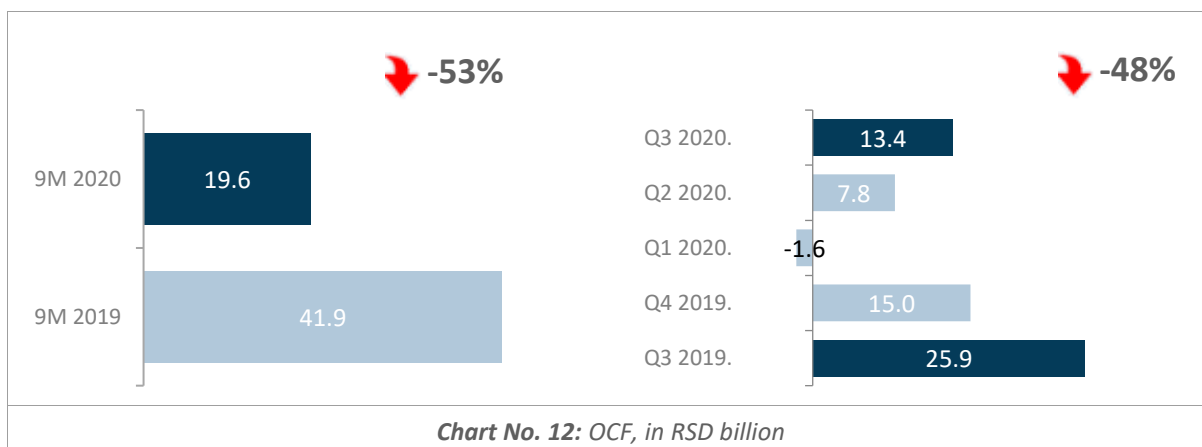
- Lower EBITDA
- Greater amortization costs



OCF

In the first nine months of 2020, the operating cash flow amounted to RSD 19.6 billion and was 53% lower than the OCF in the same period in 2019, mostly due to:

- Lower inflow
- Higher payments arising from liabilities towards the state.



⁵⁴ Any potential deviations in percentages and aggregate values result from rounding

CAPEX

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

During the first nine months of 2020, RSD 20.7 billion was allocated to finance investments, which is 28% less than the amount that was allocated in the same period of 2019.

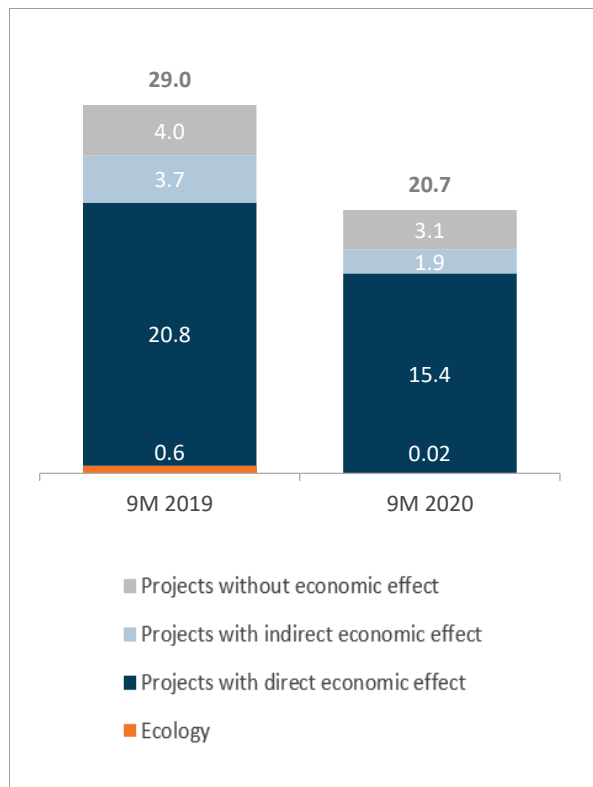


Chart No. 13: CAPEX by project type⁵⁵, in RSD billions

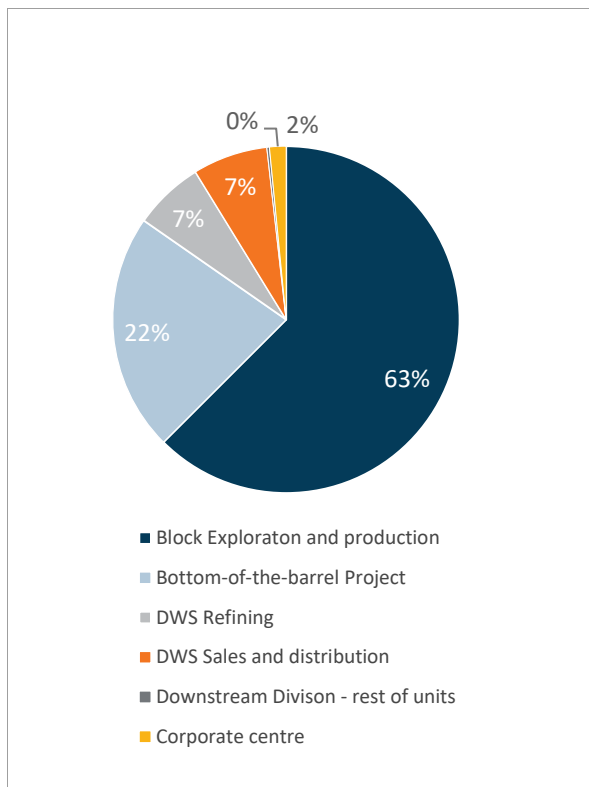


Chart No. 14: Investments by segment

⁵⁵ The amounts are in RSD billions, and excluding VAT. Any potential deviations in percentages and aggregate values result from rounding.

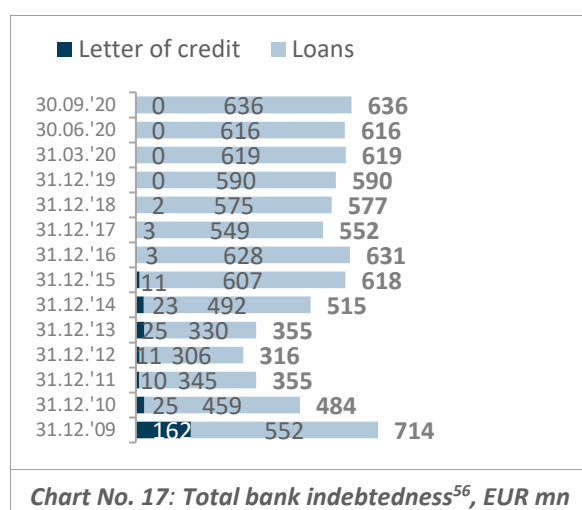
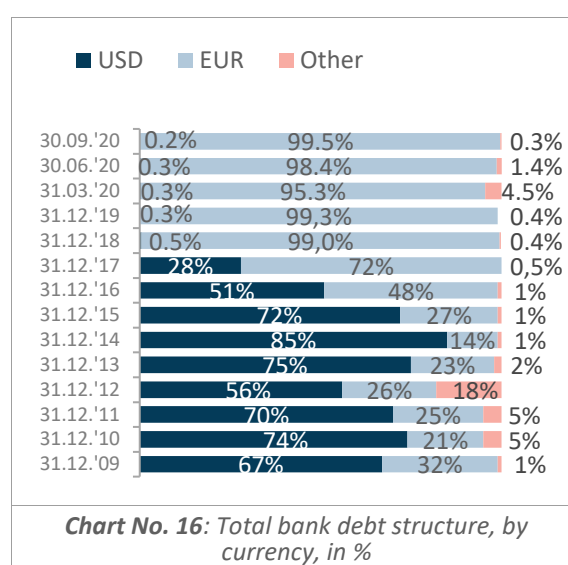
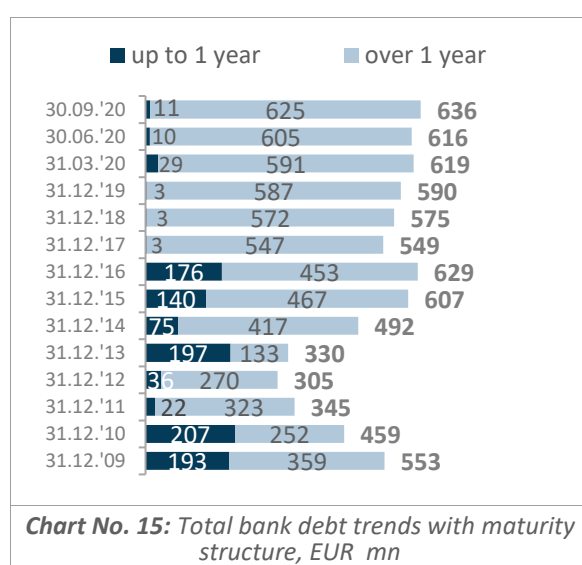
Organisational unit	Major projects
Exploration and production	<ul style="list-style-type: none"> • drilling of development wells • investments in geological and technical activities • program of drilling of exploration wells in the Republic of Serbia • investments in concession rights • investments in basic infrastructure
Services	<ul style="list-style-type: none"> • outfitting repair facilities according to technical and HSE requirements • equipping the S-3 plant • procurement of operational tubing and drilling rods
Bottom-of-the-barrel Project	<ul style="list-style-type: none"> • modernization of refining - continuation of implementation according to Bottom of the Barrel project
Refining	<ul style="list-style-type: none"> • FCC reconstruction and new ETBE Plant construction • projects for comply with legal norms and regulations • projects to increase production efficiency • program of investment maintaining of Refining Block • investments in environmental projects
Sales and Distribution	<ul style="list-style-type: none"> • retail network development in Serbia (petrol station construction and reconstruction) • logistics projects (transport, NB reconstruction and other projects) • other retail projects in Serbia • development of retail network in the region (other retail projects) • business unit projects (aero, bunkering, lubricants)
Other downstream projects (Energy, Technical Services)	<ul style="list-style-type: none"> • equipment replacement: universal lathe, 1 vertical drill • procurement of specialized software for electricity trading, gas and risk management (ETRM)
Corporate Centre	<ul style="list-style-type: none"> • projects with IT component (Cloud infrastructure improvement SAP success factor) • replacement of the PS video surveillance system • further development of a branch Multifunctional shared service center • financial Reporting Automation (SAP BPC) • business centres projects (workplace remodelling, reconstruction of the condensate drainage network in the Novi Sad business centre) • electronic processing of incoming invoices

Indebtedness

By the end of the third quarter of 2020, bank debt was increased compared to the previous quarter's level and made EUR 635.9 million. This is EUR 46.1 million more than at the end of 2019, when the debt amounted to EUR 589.8 million.

The bank debt has increased as the company drew down the most favorable euro loans from the credit portfolio restructuring tender in order to pay back the less favorable loans during the fourth quarter of 2020. Namely, the withdrawal of these loans is conditioned and it depends on the dynamics of import from the EU, while the moment of the loan repayment has been defined by the terms of early repayment and schedule from contracts with the bank, and the debt increase is the consequence of disharmony between the schedule of the loan withdrawal and of its repayment. The average price of credit portfolio (base rate w/o) at the end of September 2020 is lower than the same indicator from late 2019, which is a successful result of management activities, given the tendency of rising interest rates for the oil sector, in the loan market.

Besides, the debt to Gazprom neft p.j.s.c. was reduced to the current level of EUR 127.9 million.



⁵⁶ In addition to debt to banks and Letters of Credit NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of EUR 33.2 million, corporate guarantees in the amount of EUR 40.4 million and Letters of Intent signed with banks in the amount of EUR 4.2 million and financial leasing in the amount of EUR 20.3 million.

Taxes and Other Public Revenue⁵⁷

NIS j.s.c. Novi Sad	9M 2020	9M 2019	% ⁵⁸
Social insurance contributions paid by employer	1.41	1.23	14%
Energy efficiency fee ⁵⁹	0.25	0.10	+141%
Corporate tax	0.05	1.81	-97%
Value-added tax	18.20	16.45	11%
Excise duties	88.92	92.00	-3%
Commodity reserves fee	4.28	4.59	-7%
Customs duties	0.43	0.48	-11%
Royalty	0.66	1.06	-38%
Other taxes	1.02	1.07	-4%
Total	115.21	118.79	-3%
NIS subsidiaries in Serbia⁶⁰			
Social insurance contributions paid by employer	0.86	0.45	89%
Corporate tax	0.00	0.12	-100%
Value-added tax	1.19	0.93	29%
Excise duties	-	-	-
Customs duties	0.08	0.04	115%
Royalty	-	-	-
Other taxes	0.07	0.04	56%
Total	2.19	1.58	39%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	117.41	120.38	-2%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.04	0.04	15%
Corporate tax	0.00	0.12	-99%
Value-added tax	0.74	1.15	-36%
Excise duties	8.89	10.05	-12%
Customs duties	4.65	4.79	-3%
Royalty	0.02	0.01	253%
Other taxes	0.06	0.10	-42%
Total	14.41	16.25	-11%
Deferred taxes (total for Group)			
Total NIS Group⁶¹	131.81	136.63	-4%

Accrued liabilities for public revenue payable by NIS j.s.c. Novi Sad along with its subsidiaries deriving from its organisational structure in Serbia totalled 117.41 RSD billion for the first nine months of 2020.

The amount of accrued liabilities for public revenue payable by NIS Group for the first nine months of 2020 totalled 131.81 RSD billion, an increase of 4% on the same period in 2019.

⁵⁷ In RSD billion.

⁵⁸ Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

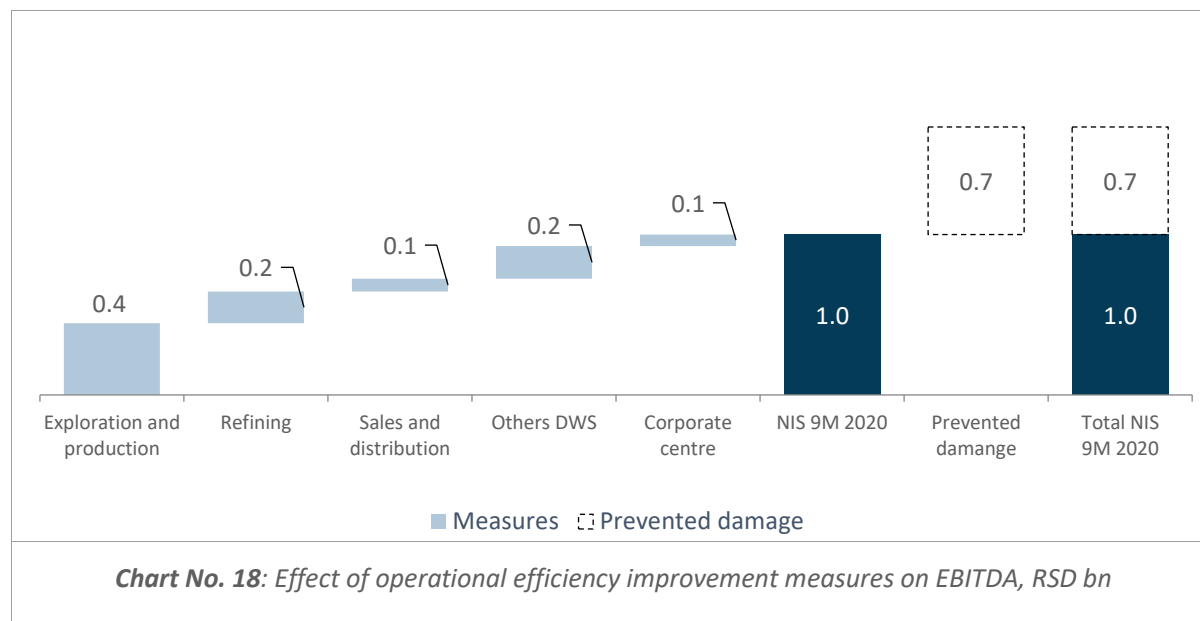
⁵⁹ Calculated from 1 July 2019.

⁶⁰ Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS Naftagas LLC Novi Sad, O Zone a.d. Belgrade.

⁶¹ Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

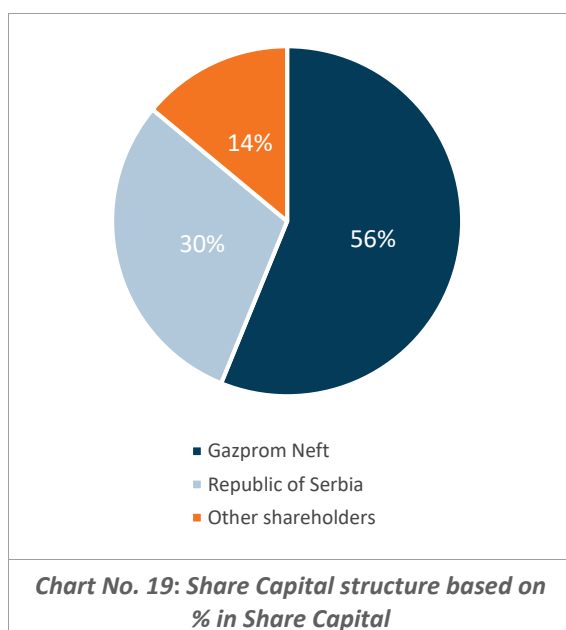
Operational Efficiency Improvement

The effect of operational efficiency improvement measures on EBITDA in the first nine months of 2020 is RSD 1.0 billion.



Securities

Share Capital Structure



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

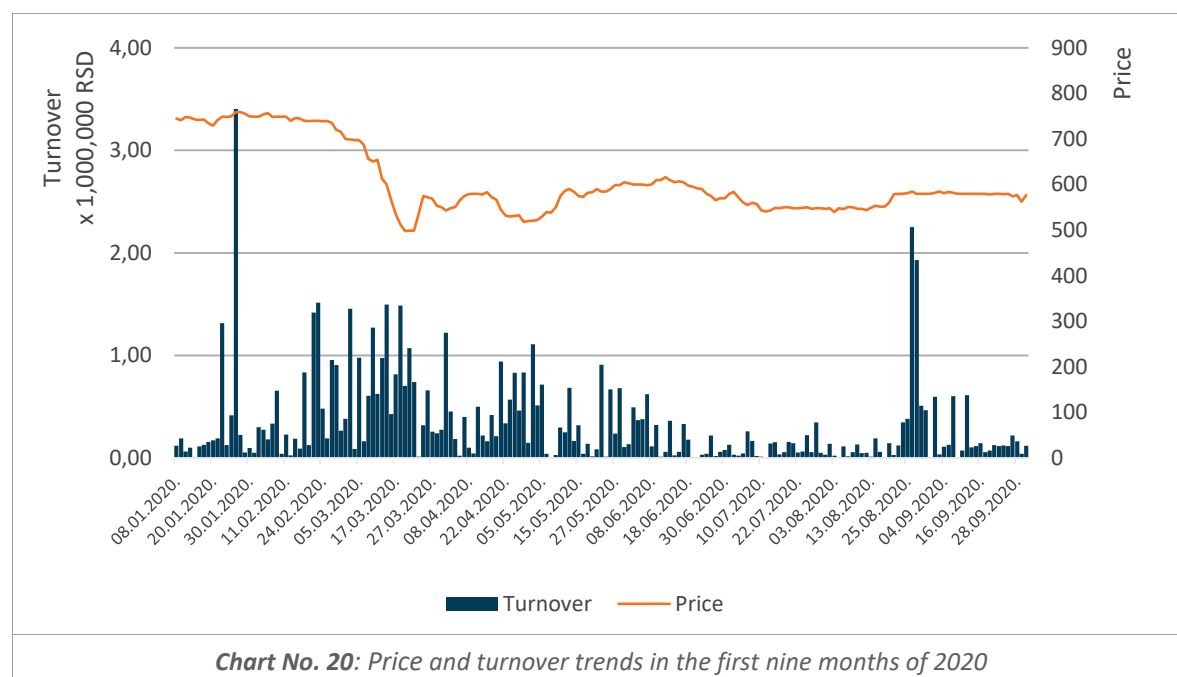
- Right to participate and vote at the shareholders' assembly meetings, according to one-share-one vote rule;
- Right to dividend in compliance with applicable legislation;
- Right to participate in the distribution of the liquidation remainder or bankruptcy estate in compliance with the bankruptcy law;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

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

Shareholder	Number of shares	% in share capital
PJSC 'Gazprom Neft'	91,565,887	56.15%
Republic of Serbia	48,712,129	29.87%
OTP bank Srbija – custody account - fund	2,330,529	1.43%
OTP bank Srbija – custody account - fund	874,109	0.54%
Dunav Osiguranje a.d.o. Beograd	394,229	0.24%
Global Macro Capital Opportunities	309,854	0.19%
Convest a.d. Novi Sad - collective account	227,208	0.14%
Aktiv-fond d.o.o.	182,098	0.11%
Unicredit bank Srbija a.d. – custody account	164,796	0.10%
Raiffeisen banka a.d. – custody account	158,638	0.10%
Other shareholders	18,140,923	11.13%
Total number of shareholders as at 30 September 2020:		2,069,982

Share Trading and Indicators per Share

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



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in the first nine months of 2020	
Last price (30 September 2020)	577 RSD
High (28 January 2020)	760 RSD
Low (23 March 2020)	490 RSD
Total turnover	631,225,858 RSD
Total volume (number of shares)	1,036,409 shares
Total number of transactions	5,515 transactions
Market capitalization as at 30 September 2020	94,085,850,800 RSD
EPS	-41.43 RSD
Consolidated EPS	-50.93 RSD
P/E ratio	-13.93
Consolidated P/E ratio	-11.33
Book value as at 30 September 2020	1,528.78 RSD
Consolidated book value as at 30 September 2020	1,484.59 RSD
P/BV ratio	0.38
Consolidated P/BV ratio	0.39

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

Dividends

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

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

The XII regular session of the Assembly of Shareholders of NIS j.s.c. Novi Sad was held. Among other things, the Decision on the distribution of profits for 2019, the payment of dividends and the determination of the total amount of retained earnings of the Company was made. Based on this Decision, NIS will pay 4,425,459,256 dinars to shareholders as dividends.

	Net profit (loss), RSD bn ⁶²	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in % ⁶³
2009	-4.4	0	-	-	0	-	-
2010	16.5 ⁶⁴	0	-	101.1	0	475	-
2011	40.6 ⁶⁵	0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6
2015	16.1	4	25%	98.8	24.69	600	4.1
2016	16.1	4	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3,6

Overview of Financial Instruments Used by the Group

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

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

⁶² Net profit of NIS j.s.c. Novi Sad.

⁶³ Calculated as the ratio of gross dividend and year-end share price.

⁶⁴ Net profit used to cover accumulated losses.

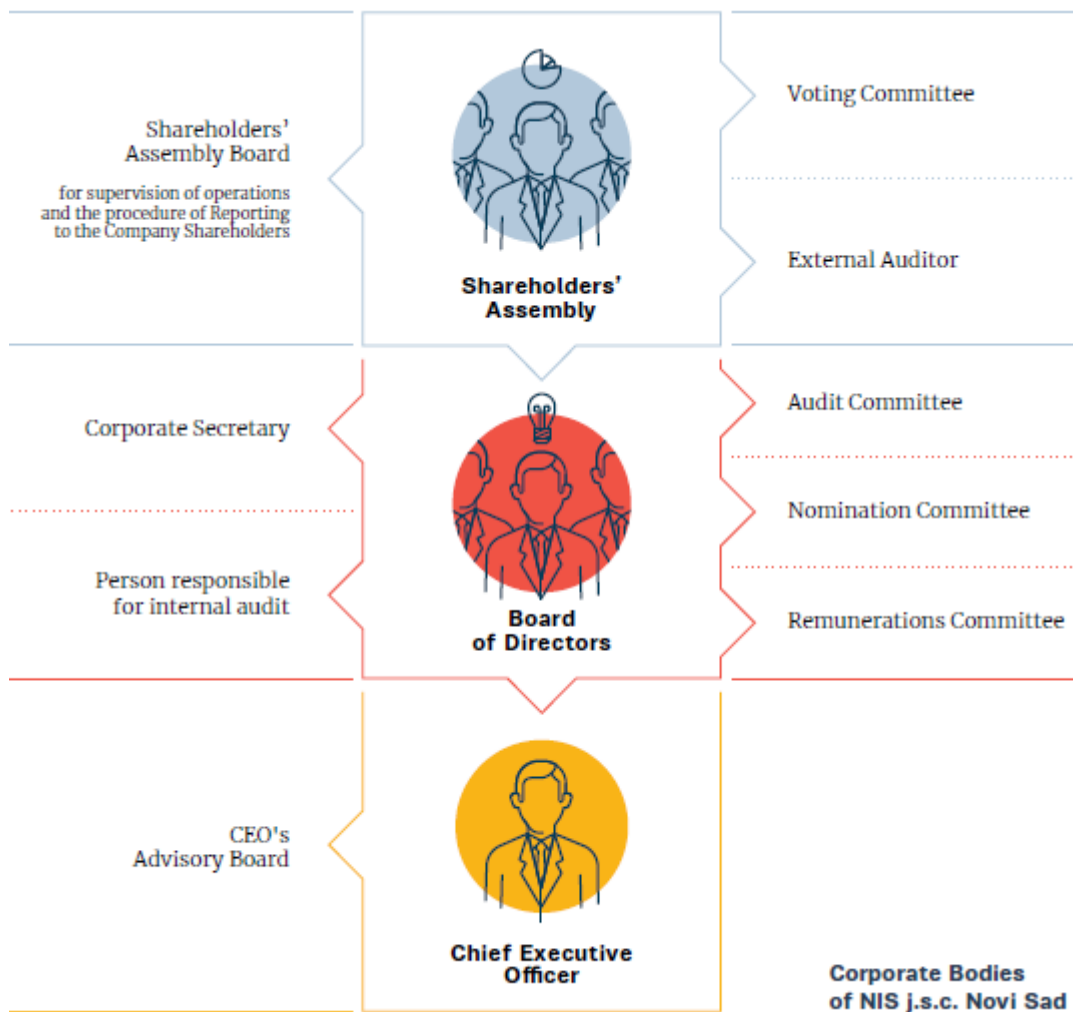
⁶⁵ Net profit used to cover accumulated losses.

Corporate Governance

Corporate Governance System

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

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



Shareholders' Assembly and Shareholders' Rights

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

Board of Directors

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

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

Members of the Board of Directors

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

At the 12th Ordinary Meeting of NIS' Shareholders' Assembly, held on 30 June 2020, Vadim Yakovlev, Kirill Tyurdenev, Danica Drašković, Alexey Yankevich, Pavel Oderov, Alexander Krylov, Dragutin Matanović, Dejan Radenković, Alexander Chepurin, Anatoly Cherner and Olga Vysotskaia were appointed as members of the Board of Directors.

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

Board of Directors' Members as of 30 September 2020



Vadim Yakovlev

**Chairman of NIS j.s.c. Novi Sad Board of Directors
Deputy Chairman of PJSC "Gazprom Neft" Executive Board,
Deputy of PJSC "Gazprom Neft" CEO in charge of exploration and production
including offshore, strategic planning and mergers and acquisitions**

Born in 1970.

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

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

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

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



Kirill Tyurdenev

CEO of NIS j.s.c. Novi Sad

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

Member of the Appointment and Government Commission

Born in 1977.

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

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

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

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



Danica Drašković

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

Born in 1945.

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

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

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



Alexey Yankevich

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

Deputy CEO for Economics and Finance PJSC "Gazprom Neft"

Born in 1973.

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

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

Since August 2011 he has served as acting Deputy CEO for Economics and Finance at "Gazprom Neft" PJSC. Mr. Yankevich has been a member of the Management Board of "Gazprom Neft" PJSC and Deputy CEO "Gazprom Neft" PJSC for Economics and Finance since March 2012.

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



Pavel Oderov

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

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

Born in 1979.

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

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

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

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

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

From February 2020 to the present he has served as JSC Gazprom Neft Deputy CEO for Foreign economic activities, since the May 2020 he is a member of Management board of PJSC "Gazprom – Neft"

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



Alexander Krylov

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

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

Born in 1971.

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

From 1994 to 2005 Mr. Krylov held managerial positions in the field of real estate sales (Chief Executive Officer, Chairman) in the following companies: Russian-Canadian SP "Petrobild"; c.j.s.c. "Alpol". From 2005 – 2007 he was deputy director in the Division for implementation in "Sibur" Ltd. In April 2007,

Mr. Krylov was appointed Head of the Division for Petroleum Product Supply, head of the Regional Sales Division and Director of the Regional Sales Department at "Gazprom Neft" PJSC.

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



Dragutin Matanović
Member of NIS j.s.c. Novi Sad Board of Directors
Chairman of the Appointment and Government Commission

Born in 1954.

Batchelor of Electric Engineering (BEE).

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

Director of the Company "Lola računari" in Belgrade.

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



Dejan Radenković
Member of NIS j.s.c. Novi Sad Board of Directors
Member of the Audit Commission

Born in 1971.

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

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

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

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

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



Alexander Chepurin
Independent Member of NIS j.s.c. Novi Sad Board of Directors
Member of Appointment and Government Commission

Born in 1952.

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

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

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

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

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

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

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

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



Anatoly Cherner

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

Chairman of the Remuneration Commission

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

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

Born in 1954.

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

In the same year he was employed at the Sheripov Grozny Refinery, starting as an operator to become refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of the company. He joined SibNeft (from June 2006 – "Gazprom Neft" PJSC) as Vice-Chairman for refining and marketing in April 2006. In December 2007 he was appointed Deputy CEO for logistics, refining and sales in "Gazprom Neft" PJSC.

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



Olga Vysotskaia

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

Chairman of the Audit Commission

Member of the Remuneration Commission

Born in 1961.

Graduated cum laude from the Leningrad State University in 1984, from the Department of Economy Cybernetics, with specialisation in economic mathematics. Post-graduate studies in mathematical cybernetics at the

Institute of social and economic studies of the USSR Academy of science, Leningrad division, in 1987. Completed the MBA at Bristol University in 1998. Earned the Professional independent director diploma from the London Institute of Directors in 2009.

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

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

Total amount paid to Board of Directors members in first nine months of 2020, net RSD

BoD Members	176,618,311
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Membership in Other Companies' Boards of Directors or Supervisory Boards

Vadim Yakovlev	<ul style="list-style-type: none"> • PJSC NGK "Slavneft" • Salym Petroleum Development N.V. (Chairman of Supervisory Board) • FGAOU "Tyumen State University (member of the Supervisory board) • LTD "UT IT "Novaya Industriya" (Chairman of the BoD)
Kirill Tyurdenev	-
Danica Drašković	-
Alexey Yankevich	<ul style="list-style-type: none"> • PJSC "NGK Slavneft" • "Gazprom Neft Lubricants s.p.a." Italy (Chairman of the BoD)
Pavel Oderov	<ul style="list-style-type: none"> • South Stream Serbia AG (Chairman of the BoD) • Overgaz Inc. AD • Shtokman Development AG (Chairman of the BoD) • South Stream Bulgaria JSC (Chairman of the BoD) • SOUTH STREAM GREECE NATURAL GAS PIPELINE S.A. (Chairman of the BoD) • South Stream Hungary Ltd. (Deputy Chairman of the BoD) • TÜRKAKIM GAZ TAŞIMA ANONİM ŞİRKETİ • JSC „System of transit gas pipelines“ „EuRoPol GAZ s.a." (SGT EuRoPol GAZ s.a.)“ • JSC „Football club „Zenit“ • LTD „Basketball club „Zenit“

Alexander Krylov	<ul style="list-style-type: none">• Association Hockey Club “Avangard” (Chairman of the BoD)• LTD “KHL”
Dragutin Matanović	-
Dejan Radenković	-
Alexander Chepurin	-
Anatoly Cherner	<ul style="list-style-type: none">• PJSC NGK “Slavneft”• PJSC “Slavneft-YANOS”• Saint Petersburg International Mercantile Exchange• “Gazprom Neft Lubricants Italia s.p.a.”
Olga Vysotskaia	<ul style="list-style-type: none">• Nonprofit organization «Serebryanoie vremya» (Chair of the Supervisory Board, Director)• LTD INK (independent member of the BoD, Chair of the Audit Commission)

Board of Directors' Committees

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

The Board of Directors at 6th August, 2020 appointed members of the Committees of the Board of Directors for the current term of mandate in the following composition:

- Audit Committee:
 - Olga Vysotskaia, Chairperson of Audit Committee;
 - Dejan Radenković, Audit Committee member and
 - Alexey Urusov, Audit Committee member.
- Remuneration Committee:
 - Anatoly Cherner, Chairman of Remuneration Committee;
 - Olga Visocka, Remuneration Committee member and
 - Zoran Grujičić, Remuneration Committee member.
- Nomination Committee:
 - Dragutin Matanović, Chairman of Nomination Committee;
 - Alexander Chepurin, Nomination Committee member and
 - Kirill Turdenev, Nomination Committee member.

The Board of Directors may, if necessary, form other standing or ad hoc commissions that will address issues pertaining to the operation of the Board of Directors.

Shareholders' Assembly Board

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

At the XII regular session of NIS's Assembly of Shareholders held on 30 June 2020, the following members of the NIS's Shareholders Assembly Board were appointed: Zoran Grujičić, Dragan Bračika and Alexey Urusov.

Members of the Shareholders' Assembly Board as at 30 September 2020



Zoran Grujičić

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

Born in 1955.

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

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

employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department in Jugopetrol, Head of RC Čačak at the Retail Department – Čačak Region, Manager of Retail Network Development in the Development Department, Sales and Distribution. From October 2012 to January 2016, he had served as Advisor to the Sales and Distribution Director and from February 2016 to October 2017 has been an Advisor to the Function for External Affairs and Government Relations Director.

From 30.06.2014 to 27.06.2019, Mr Grujičić was a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders. As of 27 June 2019 he was appointed as a Chairman of the the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders.



Dragan Bračika

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

Born in 1982.

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

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

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

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



Alexey Urusov

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

Member of the Audit Commission

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

Born in 1974.

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

From 2006 to 2008, he worked as Executive Vice-President for planning and performance management in the Integra Group. From 2002 to 2006, he was employed at TNK-BP, being a member of TNK BoD's Group for Monitoring and Control from 2002 to 2003, and CFO of TNK-BP Ukraine from 2004 to 2006. From 2009 to 2012, Mr Urusov was employed with NIS j.s.c. Novi Sad as Chief Finance Officer. From 2012, he has been employed as a Director for economics and corporate planning with PJSC "Gazprom Neft".

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

Total amount of fees paid to SAB members in the first nine months of 2020, net in RSD	
Members of SAB	13,848,630

Membership in Other Companies' Boards of Directors or Supervisory Boards

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

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

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

Chief executive officer

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

Advisory Board of the CEO

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

Related-Party Transactions

In the nine month period ended 30 September 2020 and in the same period in 2019, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy. An outline of related-party transactions is part of the Notes to the Financial Statements.

Human Resources

The company NIS was declared the most desirable employer in Serbia, according to the respondents who participated in the research of the portal Poslovi.infostud.com, "TalentX".

In a one-month survey, in which 10,000 responders participated, in addition to the selection of top employers, the participants also answered the question what makes an employer attractive and said that they most appreciated the employer's financially stable business. When it comes to the top employer criteria, according to the responder's rating, the second and third-ranking were supportive and pleasant work environment and clearly defined and fair reward system.

In order to keep up with the company's strategic goals, market developments, and employee expectations, the company continued developing several dozens of projects striving to make NIS even a better employer. Flexible working arrangements have been introduced and manager education programme launched with an aim to increase employee commitment and create a more positive and pleasant working environment. Additionally, a large number of colleagues have joint „Internal Trainers“ programme, designed to enable knowledge exchange in the company and mutual support of colleagues to knowledge and competence development.

In consideration of the situation in the country and globally due to COVID-19 virus, the company's priorities in the future period, the same as in the previous, shall remain health and safety at work and social security of employees.

Employee Number and Structure

Organisational unit	9/30/2020			9/30/2019		
	Direct	Leasing	Total	Direct	Leasing	Total
NIS j.s.c Novi Sad	5,200	47	5,247	4,198	3,655	7,853
Exploration and Production Block	1,101	0	1,101	913	180	1,093
Downstream Division	2,540	47	2,587	2,103	3,099	5,202
Refining Block	985	0	985	938	17	955
Sales and Distribution Block	1,388	47	1,435	1,019	3,066	4,085
Energy Directorate	41	0	41	39	4	43
the rest of Downstream Division ⁶⁶	126	0	126	107	12	119
Corporate Centre	1,034	0	1,034	1,142	376	1,518
Multifunctional Shared Service Center ⁶⁷	520	0	520	-	-	-
Representative and Branch Offices	5	0	5	40	0	40
Local subsidiaries	5,766	0	5,766	1,718	1,534	3,252
Naftagas – Oil Services LLC Novi Sad	1,899	0	1,899	1,108	1,062	2,170
Naftagas – Technical Services LLC Zrenjanin	392	0	392	184	127	311
Naftagas – Transport LLC Novi Sad	373	0	373	84	315	399
STC NIS – Naftagas LLC Novi Sad	366	0	366	342	30	372
NIS Petrol j.s.c. Belgrade ⁶⁸	2,736	0	2,736			
Subsidiaries abroad	130	0	130	74	2	76
NIS Petrol e.o.o.d. Sofia (Bulgaria)	50	0	50	37	0	37
NIS Petrol s.r.l. Bucharest (Romania)	73	0	73	29	0	29
NIS Petrol LLC Banja Luka (Bosnia and Herzegovina)	4	0	4	5	0	5
Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina)	3	0	3	3	0	3
Panon Naftagas k.f.t. Budapest (Hungary)	0	0	0	0	2	2
Other subsidiaries included in consolidation	504	0	504	461	114	575
O Zone j.s.c. Belgrade			0	4	114	118
NIS Overseas o.o.o. Saint Petersburg (Russian Federation)	3	0	3	4		4
NIS Svetlost LLC Bujanovac			0			0
G Petrol LLC Sarajevo (Bosnia and Herzegovina)	501	0	501	453	0	453
TOTAL:	11,600	47	11,647	6,451	5,305	11,756

⁶⁶ The rest of the Downstream Division consists of: Director of Division's Office, Department for Crude Oil, Department of Planning, Optimization and Analysis of Production and Sales, Department of Metrology and Group for Administration and Documentation Support and Department of procurement DWS and the Project Office for the implementation of the program of new projects DWS.

⁶⁷ At the end of 2019, the Multifunctional Share Service Center is set to be established, which is particularly prominent because of its specificity.

⁶⁸ O zone a.d. Belgrade changes its business name from March 2020 and becomes NIS Petrol j.s.c. Belgrade. Considering that part of the Sales and distribution Block from NIS j.s.c. (retail) transferred to NIS Petrol j.s.c. Belgrade, we are showing it with other subsidiaries in the country.

Causes of Employment Termination

In first nine months of 2020, a total of 585 employees left NIS⁶⁹: 57 employees retired, 117 employees left NIS after termination of employment by mutual agreement, while the employment of 411 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy, death of employee, etc).

Cause of employment termination	NIS j.s.c. Novi Sad⁷⁰	Subsidiaries⁷¹
Retirement	31	26
Termination by mutual agreement	70	47
Other	128	283
Total	229	356

⁶⁹ NIS j.s.c. Novi Sad with the subsidiaries Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

⁷⁰ Including Representative Offices and Branches. Out of the total number of departures, 43 departures from representative offices and branches.

⁷¹ Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC, Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

Research and Development

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

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

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

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

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

Financial Statements

Stand-Alone Financial Statements

Statement of Financial Position

<i>Assets</i>	Note	30 September 2020	31 December 2019
Current assets		<i>(unaudited)</i>	
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
Total current assets		72,115,175	97,859,411
Non-current assets			
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
Total non-current assets		326,535,680	321,948,009
Total assets		398,650,855	419,807,420
<i>Liabilities and shareholder's equity</i>			
Current liabilities			
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
Total current liabilities		54,346,740	64,856,141
Non-current liabilities			
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
Total non-current liabilities		95,021,413	94,487,674
Equity			
Share capital		81,530,200	81,530,200
Reserves		93,700	93,959
Retained earnings		167,658,802	178,839,446
Total equity		249,282,702	260,463,605
Total liabilities and shareholder's equity		398,650,855	419,807,420

in 000 RSD

Statement of Profit and Loss and Other Comprehensive Income

	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
Total revenue from sales	4	45,654,540	70,251,793	124,978,670	174,705,245
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)
Total operating expenses		(43,896,476)	(60,668,049)	(131,468,400)	(159,490,265)
Other expenses, net		485,443	12,319	30,787	(172,674)
Operating profit (loss)		2,243,507	9,596,063	(6,458,943)	15,042,306
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)
Total other expense		(175,894)	(67,960)	(866,084)	(401,513)
Profit (loss) before income tax		2,067,613	9,528,103	(7,325,027)	14,640,793
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)
Total income tax		142,780	(1,951,580)	569,842	(3,171,957)
Profit (loss) for the period		2,210,393	7,576,523	(6,755,185)	11,468,836
Other comprehensive income (loss):					
Items that will not be reclassified to profit (loss)					
Gains (losses) from investments in equity instruments		916	569	(259)	8,444
Other comprehensive income (loss) for the period		916	569	(259)	8,444
Total comprehensive income (loss) for the period		2,211,309	7,577,092	(6,755,444)	11,477,280
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

in 000 RSD

Statement of Changes in Shareholders' Equity

Nine month period ended 30 September 2020 and 2019

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2019	81,530,200	92,060	167,681,372	249,303,632
Profit for the period	-	-	11,468,836	11,468,836
Other comprehensive income (loss)				
Gains from investments in equity instruments	-	8,444	-	8,444
Sale of investments in equity instruments	-	(5,367)	5,367	-
Total comprehensive income (loss) for the period	-	3,077	11,474,203	11,477,280
Dividend distribution	-	-	(6,517,524)	(6,517,524)
Balance as at 30 September 2019	81,530,200	95,137	172,638,051	254,263,388

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2020	81,530,200	93,959	178,839,446	260,463,605
Loss for the period	-	-	(6,755,185)	(6,755,185)
Other comprehensive income (loss)				
Loss from investments in equity instruments	-	(259)	-	(259)
Total comprehensive income (loss) for the period	-	(259)	(6,755,185)	(6,755,444)
Dividend distribution	-	-	(4,425,459)	(4,425,459)
Balance as at 30 September 2020	81,530,200	93,700	167,658,802	249,282,702

in 000 RSD

Statement of Cash Flows⁷²

	Note	Nine month period ended 30 September	
		2020	2019
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Profit (loss) before income tax		(7,325,027)	14,640,793
Adjustments for:			
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)
Operating cash flow before changes in working capital		8,536,257	28,766,808
Changes in working capital:			
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
Total effect on working capital changes		12,489,895	15,133,516
Income taxes paid		(1,162,365)	(3,003,913)
Interest paid		(1,276,430)	(1,334,931)
Interest received		316,480	610,194
Net cash generated from operating activities		18,903,837	40,171,674
Cash flows from investing activities			
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 ⁷³		(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
Net cash used in investing activities		(19,829,688)	(28,222,689)
Cash flows from financing activities			
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)
Net cash generated (used) in financing activities		1,353,718	(11,540,496)

in 000 RSD

⁷² Company's policy is to present cash flow inclusive of related VAT.

⁷³ CF from investing activities includes VAT in the amount of 2.2 bln RSD (2019: 3,0 bln RSD)

Net decrease in cash and cash equivalents	427,867	408,489
Effect of foreign exchange on cash and cash equivalents	73,998	68,151
Cash and cash equivalents as of the beginning of the period	13,501,827	12,222,578
Cash and cash equivalents as of the end of the period	14,003,692	12,699,218

in 000 RSD

Notes to the Financial Statements⁷⁴

1. GENERAL INFORMATION

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

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

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

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

The Company is 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

⁷⁴ All amounts are in 000 RSD, unless otherwise stated.

of assets and liabilities. Information on the effect of these macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Condensed Interim Financial Statements is provided below.

Recoverability of carrying amount of Property, Plant and Equipment

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

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);
- 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.

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
EBITDA (Segment results)	12,325,036	(2,985,010)	-	9,340,026
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
Segment profit /(loss)	3,679,729	(10,434,914)	-	(6,755,185)

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
EBITDA (Segment results)	25,728,701	3,569,925	-	29,298,626
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)
Segment profit /(loss)	17,783,034	(6,314,198)	-	11,468,836

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
EBITDA	7,399,676	14,564,262	9,340,026	29,298,626

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
Total sales	100,677,974	24,300,696	124,978,670

	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
Total sales	142,602,728	32,102,517	174,705,245

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).

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
	24,300,696	32,102,517

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

5. CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 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
	14,003,692	13,501,827

6. SHORT-TERM FINANCIAL ASSETS

	30 September 2020	31 December 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)
	4,703,832	6,445,937

7. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

8. INVENTORIES

	30 September 2020	31 December 2019
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)
	24,054,417	44,092,319

9. OTHER CURRENT ASSETS

	30 September 2020	31 December 2019
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)
	4,834,651	4,430,038

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.

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2019						
Cost	156,367,336	115,028,154	51,380,912	16,193,480	45,864,852	384,834,734
Depreciation and impairment	(42,496,555)	(46,153,659)	(27,626,321)	(8,300,778)	(2,003,304)	(126,580,617)
Net book value	113,870,781	68,874,495	23,754,591	7,892,702	43,861,548	258,254,117
Period ended 30 September 2019						
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
	116,002,663	66,649,538	22,649,148	7,865,288	57,058,368	270,225,005
As at 30 September 2019						
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)	(8,362,866)	(2,019,709)	(138,858,932)
Net book value	116,002,663	66,649,538	22,649,148	7,865,288	57,058,368	270,225,005
As at 1 January 2020						
Cost	174,428,161	119,078,761	51,810,197	16,384,499	58,002,489	419,704,107
Depreciation and impairment	(52,478,788)	(51,705,166)	(28,785,148)	(8,504,734)	(1,985,930)	(143,459,766)
Net book value	121,949,373	67,373,595	23,025,049	7,879,765	56,016,559	276,244,341
Period ended 30 September 2020						
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)	-	(31,099)	(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)	(79,006)	-	(148,941)
Other transfers	(44,023)	(272,139)	28,952	287,210	(7,830)	(7,830)
	125,349,333	65,443,161	24,261,739	7,845,874	55,172,547	278,072,654
As at 30 September 2020						
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)
Net book value	125,349,333	65,443,161	24,261,739	7,845,874	55,172,547	278,072,654

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).

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
As at 1 January 2019	-	-	-	-	-
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
As at 30 September 2019	-	501,877	283,778	46,062	831,717
As at 1 January 2020	-	489,299	274,626	179,910	943,835
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)
As at 30 September 2020	5,632	532,393	241,107	566,496	1,345,628

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)
	25,348,595	23,316,659

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)
	1,109,439	1,283,233

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
	8,584,024	7,451,531

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

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

15. TRADE AND OTHER PAYABLES

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

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

	30 September 2020	31 December 2019
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
	5,763,172	5,951,561

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

	30 September 2020	31 December 2019
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
	10,720,400	8,909,634

18. LONG-TERM DEBT

	30 September 2020	31 December 2019
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)
	82,933,561	82,583,969

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

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

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)
	73,363,071	68,910,387

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
	73,363,071	68,910,387

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
	74,624,091	69,207,491

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

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

19. LEASE LIABILITIES

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

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

	Nine month period ended 30 September	
	2020	2019
As at 1 January	811,424	644,611
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
As at 30 September	1,280,204	689,826

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2020	2019
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 Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obligation depends on occurrence of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignment agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

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

21. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
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
	5,946,804	6,003,630	16,346,145	18,141,632

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
	5,363,618	5,391,132	15,598,816	15,894,930

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)
	36,733	181,363	(106,604)	310,696

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
	199,969	212,994	592,777	705,252

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)
	412,596	462,317	1,352,257	1,417,461

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 stabile 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.

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:

As at 30 September 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
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)	-	-
	41,462,101	(18,385,821)	1,202,630

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

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

Nine month period ended 30 September 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
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)	-
	4,318,832	(27,258,682)	10,648,936

Nine month period ended 30 September 2019	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
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)	-
	9,365,777	(35,737,767)	13,110,966

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.

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Note	30 September 2020 (unaudited)	31 December 2019
Assets			
Current assets			
Cash and cash equivalents	5	14,840,220	15,295,810
Short-term financial assets	6	260,949	1,766,518
Trade and other receivables	7	21,912,127	26,298,314
Inventories	8	27,826,154	47,479,934
Current income tax prepayments		951,527	602,249
Other current assets	9	6,009,413	5,475,677
Non-current assets held for sale		69,461	88,416
Total current assets		71,869,851	97,006,918
Non-current assets			
Property, plant and equipment	10	307,915,996	305,934,567
Right-of-use assets	11	2,566,333	1,873,799
Investment property		1,574,329	1,579,798
Goodwill and other intangible assets		4,414,958	4,461,623
Investments in associates and joint ventures	12	1,787,912	1,851,101
Trade and other non-current receivables		78,076	227,491
Long-term financial assets		111,825	269,551
Deferred tax assets		1,269,137	697,689
Other non-current assets	13	1,207,936	1,291,407
Total non-current assets		320,926,502	318,187,026
Total assets		392,796,353	415,193,944
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	6,833,726	6,612,777
Current lease liabilities	19	532,378	377,005
Trade and other payables	15	25,642,237	39,463,261
Other current liabilities	16	7,398,189	7,198,105
Other taxes payable	17	11,851,192	9,794,045
Provisions for liabilities and charges		2,358,826	1,591,898
Total current liabilities		54,616,548	65,037,091
Non-current liabilities			
Long-term debt	18	83,002,003	82,716,496
Non-current lease liabilities	19	1,857,684	1,326,436
Other non-current financial liabilities	20	841,848	-
Long-term trade and other payables		4,348	-
Provisions for liabilities and charges		10,396,517	11,419,129
Total non-current liabilities		96,102,400	95,462,061
Equity			
Share capital		81,530,200	81,530,200
Reserves		383,683	271,614
Retained earnings		160,143,844	173,153,889
Equity attributable to the Company's owners		242,057,727	254,955,703
Non-controlling interest		19,678	(260,911)
Total equity		242,077,405	254,694,792
Total liabilities and shareholder's equity		392,796,353	415,193,944

in 000 RSD

Consolidated statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Sales of petroleum products, oil and gas		45,741,550	75,140,493	126,182,106	186,882,421
Other revenues		3,635,804	3,580,492	9,138,642	9,286,139
Total revenue from sales	4	49,377,354	78,720,985	135,320,748	196,168,560
Purchases of oil, gas and petroleum products		(28,242,260)	(49,566,744)	(86,330,452)	(123,935,904)
Production and manufacturing expenses	21	(6,437,662)	(6,397,874)	(17,092,112)	(18,691,085)
Selling, general and administrative expenses	22	(5,581,614)	(6,158,222)	(17,310,533)	(17,896,881)
Transportation expenses		(279,524)	(333,298)	(791,831)	(780,650)
Depreciation, depletion and amortization		(5,610,529)	(5,132,036)	(16,735,220)	(15,322,889)
Taxes other than income tax		(1,316,901)	(1,346,361)	(4,027,335)	(3,945,841)
Exploration expenses		-	-	(3,579)	(11,474)
Total operating expenses		(47,468,490)	(68,934,535)	(142,291,062)	(180,584,724)
Other income (expenses), net		413,719	108,282	15,108	(142,011)
Operating profit (loss)		2,322,583	9,894,732	(6,955,206)	15,441,825
Share of loss of associates and joint ventures		(20,572)	(57,419)	(63,189)	(128,475)
Net foreign exchange gain (loss)	23	(74,153)	99,463	(455,882)	(6,542)
Finance income	24	30,346	51,037	93,527	226,450
Finance expenses	25	(438,911)	(485,520)	(1,427,155)	(1,477,153)
Total other expense		(503,290)	(392,439)	(1,852,699)	(1,385,720)
Profit (loss) before income tax		1,819,293	9,502,293	(8,807,905)	14,056,105
Current income tax expense		(16,169)	(1,229,083)	(67,539)	(2,036,214)
Deferred tax income (expense)		141,450	(788,150)	571,447	(1,307,876)
Total income tax		125,281	(2,017,233)	503,908	(3,344,090)
Profit (loss) for the period		1,944,574	7,485,060	(8,303,997)	10,712,015
Other comprehensive income (loss):					
Items that will not be reclassified to profit (loss)					
Gains (loss) from investments in equity instruments		916	570	(259)	8,445
Items that may be subsequently reclassified to profit (loss)					
Currency translation differences		35,671	58,256	112,328	166,204
Other comprehensive income (loss) for the period		36,587	58,826	112,069	174,649
Total comprehensive income (loss) for the period		1,981,161	7,543,886	(8,191,928)	10,886,664
Profit (loss) attributable to:					
- Shareholders of Naftna Industrija Srbije		1,944,574	7,491,452	(8,303,997)	10,726,460
- Non-controlling interest		-	(6,392)	-	(14,445)
Profit (loss) for the period		1,944,574	7,485,060	(8,303,997)	10,712,015

Total comprehensive income (loss) attributable to:				
- Shareholders of Naftna Industrija Srbije	1,981,161	7,549,397	(8,191,928)	10,899,593
- Non-controlling interest	-	(5,511)	-	(12,929)
Total comprehensive income (loss) for the period	1,981,161	7,543,886	(8,191,928)	10,886,664
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije				
Basic earnings (RSD per share)	11.93	45.94	(50.93)	65.78
Weighted average number of ordinary shares in issue (in millions)	163	163	163	163

in 000 RSD

Consolidated statement of Changes in Shareholders' Equity

	Equity attributable to the Company's owners				Non-controlling interest	Total equity	
	(unaudited)	Share capital	Reserves	Retained earnings			Total
Balance as at 1 January 2019		81,530,200	77,130	161,516,302	243,123,632	(247,828)	242,875,804
Profit (loss) for the period		-	-	10,726,460	10,726,460	(14,445)	10,712,015
Other comprehensive income (loss)							
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
Total comprehensive income (loss) for the period		-	167,765	10,731,828	10,899,593	(12,929)	10,886,664
Dividend distribution		-	-	(6,517,524)	(6,517,524)	-	(6,517,524)
Total transaction with owners, recorded in equity		-	-	(6,517,524)	(6,517,524)	-	(6,517,524)
Balance as at 30 September 2019		81,530,200	244,895	165,730,606	247,505,701	(260,757)	247,244,944

	Equity attributable to the Company's owners				Non-controlling interest	Total equity	
	(unaudited)	Share capital	Reserves	Retained earnings			Total
Balance as at 1 January 2020		81,530,200	271,614	173,153,889	254,955,703	(260,911)	254,694,792
Profit (loss) for the period		-	-	(8,303,997)	(8,303,997)	-	(8,303,997)
Other comprehensive income (loss)							
Loss from investments in equity instruments		-	(259)	-	(259)	-	(259)
Currency translation differences		-	112,328	-	112,328	-	112,328
Total comprehensive income (loss) for the period		-	112,069	(8,303,997)	(8,191,928)	-	(8,191,928)
New investments in shares		-	-	(280,589)	(280,589)	280,589	-
Dividend distribution		-	-	(4,425,459)	(4,425,459)	-	(4,425,459)
Total transaction with owners, recorded in equity		-	-	(4,706,048)	(4,706,048)	280,589	(4,425,459)
Balance as at 30 September 2020		81,530,200	383,683	160,143,844	242,057,727	19,678	242,077,405

in 000 RSD

Consolidated Statement of Cash Flows⁷⁵

	Note	Nine month period ended 30 September	
		2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities			
Profit (loss) before income tax		(8,807,905)	14,056,105
Adjustments for:			
Share of loss of associates and joint ventures		63,189	128,475
Finance expenses	25	1,427,155	1,477,153
Finance income	24	(93,527)	(226,450)
Net unrealised foreign exchange loss (gain), net		90,306	(217,481)
Depreciation, depletion and amortization		16,735,220	15,322,893
Other non-cash items		(186,414)	118,845
Operating cash flow before changes in working capital		9,228,024	30,659,540
Changes in working capital:			
Accounts receivable		4,582,630	(3,627,301)
Inventories		19,647,716	3,764,572
Other assets		(696,780)	672,898
Accounts payables and other current liabilities		(13,591,691)	11,531,586
Taxes payable		2,955,860	3,094,753
Total effect on working capital changes		12,897,735	15,436,508
Income taxes paid		(1,309,039)	(3,230,326)
Interest paid		(1,258,144)	(1,299,505)
Interest received		79,895	336,242
Net cash generated from operating activities		19,638,471	41,902,459
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries	20	(41)	-
Loan proceeds received		-	23,596
Capital expenditures ⁷⁶		(23,224,435)	(32,285,734)
Proceeds from sale of property, plant and equipment		423,074	203,035
Bank deposits repayment, net		1,661,911	94,563
Dividends received		4,274	258
Other outflow		(17,643)	(61,819)
Net cash used in investing activities		(21,152,860)	(32,026,101)
Cash flows from financing activities			
Proceeds from borrowings	14,18	17,682,783	12,121,120
Repayment of borrowings	14,18	(16,348,028)	(16,325,782)
Repayment of lease liabilities	19	(342,244)	(250,649)
Dividends paid		-	(6,517,524)
Net cash generated from (used in) financing activities		992,511	(10,972,835)
Net decrease in cash and cash equivalents		(521,878)	(1,096,477)
Effect of foreign exchange on cash and cash equivalents		66,288	60,198
Cash and cash equivalents as of the beginning of the period		15,295,810	15,480,830
Cash and cash equivalents as of the end of the period		14,840,220	14,444,551

in 000 RSD

⁷⁵ Group policy is to present cash flow inclusive of related VAT.

⁷⁶ CF from investing activities includes VAT in the amount of 2,5 bln RSD (2019: 3,4 bln RSD)

Notes to the Consolidated Financial Statements⁷⁷

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

However, the spread of the coronavirus pandemic (COVID-19) and the preventive measures which led to decrease in the economic activity of market participants in the first and continued during the second 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 Group in the Condensed Interim Consolidated Financial Statements preparation and bear the risk of adjustments to the carrying amounts of assets and liabilities. Information on the effect of these macroeconomic factors on the estimates

⁷⁷ All amounts are in 000 RSD, unless otherwise stated.

with the greatest impact on the amounts reflected in these Condensed Interim Consolidated Financial Statements is provided below.

Recoverability of carrying amount of Property, Plant and Equipment

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

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

Based on the currently available information and crude oil price forecast obtained from a reputable firms management believe that at reporting date recoverable amount of Group's PPE exceed its carrying value at reporting date (note 10).

Estimation of oil and gas reserves

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

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

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

Subsequent events occurring after 30 September 2020 were evaluated through 27 October 2020, the date these Interim Condensed Consolidated 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 Group as a whole is not subject to significant seasonal fluctuations.

2.2. Changes in significant accounting policies

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

3. NEW ACCOUNTING STANDARDS

Application of new IFRS

- The following amendments to the existing standards which become effective did not have any material impact on the Group:
- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business – Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Materiality – Amendments to IAS 1 and IAS 8 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and effective for annual periods beginning on or after January 2020).

New accounting standards

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

- COVID-19-Related Rent Concessions - Amendments to IFRS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 June 2020);
- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after 1 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
 - 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 Group’s Interim Condensed Consolidated Financial Statements.

4. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the nine month periods 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 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 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	23,042,505	135,140,649	(22,862,406)	135,320,748
Intersegment	22,410,084	452,322	(22,862,406)	-
External	632,421	134,688,327	-	135,320,748
EBITDA (Segment results)	12,649,336	(2,299,203)	-	10,350,133
Depreciation, depletion and amortization	(9,230,101)	(7,505,119)	-	(16,735,220)
Share of loss of associates and joint ventures	-	(63,189)	-	(63,189)
Net foreign exchange loss	(225,787)	(230,095)	-	(455,882)
Finance expenses, net	(74,814)	(1,258,814)	-	(1,333,628)
Income tax	(63,057)	566,965	-	503,908
Segment profit (loss)	2,663,555	(10,967,552)	-	(8,303,997)

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	36,534,742	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
EBITDA (Segment results)	26,610,736	4,550,921	-	31,161,657
Depreciation, depletion and amortization	(8,406,520)	(6,916,369)	-	(15,322,889)
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)
Segment profit (loss)	17,342,759	(6,630,744)	-	10,712,015

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	1,944,574	7,485,060	(8,303,997)	10,712,015
Income tax expenses (income)	(125,281)	2,017,233	(503,908)	3,344,090
Finance expenses	438,911	485,520	1,427,155	1,477,153
Finance income	(30,346)	(51,037)	(93,527)	(226,450)
Depreciation, depletion and amortization	5,610,529	5,132,036	16,735,220	15,322,889
Share of loss of associates and joint ventures				
	20,572	57,419	63,189	128,475
Net foreign exchange (gain) loss	74,153	(99,463)	455,882	6,542
Other expense (income), net	(413,719)	(108,282)	(15,108)	142,011
Other non-operating expense, net	515,965	341,992	585,227	254,932
EBITDA	8,035,358	15,260,478	10,350,133	31,161,657

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	311,257	-	311,257
Through a retail network	-	-	-
Wholesale activities	311,257	-	311,257
Sale of petroleum products	93,123,225	32,302,057	125,425,282
Through a retail network	36,781,829	8,309,629	45,091,458
Wholesale activities	56,341,396	23,992,428	80,333,824
Sale of electricity	603,673	186,222	789,895
Lease revenue	220,814	7,145	227,959
Other sales	6,005,725	2,115,063	8,120,788
Total sales	100,264,694	35,056,054	135,320,748

	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
Through a retail network	-	-	-
Wholesale activities	1,319,477	-	1,319,477
Sale of petroleum products	134,437,949	50,461,499	184,899,448
Through a retail network	48,495,357	13,128,085	61,623,442
Wholesale activities	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
Total sales	142,230,554	53,938,006	196,168,560

Out of the amount of 80,333,824 RSD (2019: 123,276,006 RSD) revenue from sale of petroleum products (wholesale), the amount of 11,570,590 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 6,461,800 RSD (2019: 6,648,080 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 100,264,694 RSD (2019: 142,230,554 RSD), and the total revenue from external customer from other countries is 35,056,054 RSD (2019: 53,938,006 RSD).

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

	Nine month period ended	
	2020	30 September 2019
Sale of crude oil	445,567	663,496
Sale of petroleum products (retail and wholesale)		
Bulgaria	7,783,449	10,450,955
Bosnia and Herzegovina	9,792,474	20,392,093
Romania	8,279,592	9,284,533
Croatia	1,235,983	1,815,734
Great Britain	578,586	857,339
Northern Macedonia	596,691	819,890
Hungary	595,251	1,158,455
Switzerland	441,009	1,253,379
All other markets	2,999,022	4,429,121
	32,302,057	50,461,499
Sale of electricity	186,222	150,734
Lease revenue	7,145	10,146
Other sales	2,115,063	2,652,131
	35,056,054	53,938,006

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 2020	31 December 2019
Serbia	290,368,091	287,838,628
Bulgaria	6,483,784	6,881,442
Bosnia and Herzegovina	7,457,555	7,276,613
Romania	12,162,186	11,853,104
	316,471,616	313,849,787

5. CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Cash in bank and in hand	4,438,924	10,953,751
Deposits with original maturity of less than three months	10,161,102	4,063,573
Cash held on escrow account	9,971	13,978
Cash equivalents	230,223	264,508
	14,840,220	15,295,810

6. SHORT-TERM FINANCIAL ASSETS

	30 September 2020	31 December 2019
Short-term loans	2,210	2,210
Deposits with original maturity more than 3 months less than 1 year	260,949	1,766,564
Less impairment loss provision	(2,210)	(2,256)
	260,949	1,766,518

As at 30 September 2020 deposits with original maturity more than 3 months less than 1 year amounting to 260,949 RSD (31 December 2019: 1,766,564 RSD) relates to bank deposits placements with interest rates to 0.50% to 2.80% p.a. denominated in RSD and EUR (2019: 0.02% monthly to 3.5% p.a. denominated in RSD and EUR).

7. TRADE AND OTHER RECEIVABLES

	30 September 2020	31 December 2019
Trade receivables	30,788,244	35,392,271
Other receivables	98,428	556,593
Accrued assets	45,794	41,567
Less credit loss allowance for trade receivables	(8,971,375)	(9,639,286)
Less credit loss allowance for other receivables	(48,964)	(52,831)
Total trade and other receivables	21,912,127	26,298,314

The Management of the Group regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Group. Management believes that not impaired trade and other receivables and other current assets are fully recoverable.

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

	30 September 2020	31 December 2019
RSD	19,656,497	23,304,560
EUR	793,809	1,111,884
USD	256,196	292,580
Other	1,205,625	1,589,290
	21,912,127	26,298,314

8. INVENTORIES

	30 September 2020	31 December 2019
Crude oil	12,764,628	29,866,109
Petroleum products	12,550,339	14,407,981
Materials and supplies	6,097,983	6,773,096
Other	1,139,219	1,208,732
Less impairment provision	(4,726,015)	(4,775,984)
	27,826,154	47,479,934

9. OTHER CURRENT ASSETS

	30 September 2020	31 December 2019
Advances paid	523,874	582,560
VAT receivables	44,521	452,571
Deferred VAT	2,351,048	1,929,283
Prepaid expenses	308,158	288,181
Prepaid custom duties	77,886	62,342
Prepaid excise	1,904,811	1,771,927
Other current assets	8,371,834	7,956,935
Less impairment provision	(7,572,719)	(7,568,122)
	6,009,413	5,475,677

Deferred VAT as at 30 September 2020 amounting to 2,351,048 RSD (31 December 2019: 1,929,283 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2020 amounting to 1,904,811 RSD (31 December 2019: 1,771,927 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2019						
Cost	166,462,451	115,028,154	69,909,749	19,153,698	54,204,141	424,758,193
Depreciation and impairment	(47,674,989)	(46,153,659)	(32,557,309)	(9,886,290)	(2,031,400)	(138,303,647)
Net book value	118,787,462	68,874,495	37,352,440	9,267,408	52,172,741	286,454,546
Period ended 30 September 2019						
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)
	120,365,542	66,661,498	35,597,157	9,164,964	67,288,150	299,077,311
As at 30 September 2019						
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)
Net book value	120,365,542	66,661,498	35,597,157	9,164,964	67,288,150	299,077,311
As at 1 January 2020						
Cost	185,208,089	119,078,761	70,157,189	19,406,385	69,075,268	462,925,692
Depreciation and impairment	(58,573,177)	(51,705,166)	(34,354,810)	(10,321,625)	(2,036,347)	(156,991,125)
Net book value	126,634,912	67,373,595	35,802,379	9,084,760	67,038,921	305,934,567
Period ended 30 September 2020						
Additions	-	-	-	-	18,244,365	18,244,365
Changes in decommissioning obligations	223,136	-	-	-	-	223,136
Transfer from assets under construction	12,492,045	2,890,972	2,974,494	283,004	(18,640,515)	-
Impairment	-	-	(48,805)	-	(31,304)	(80,109)
Depreciation	(8,955,652)	(4,537,136)	(1,864,093)	(539,414)	(3,542)	(15,899,837)
Disposals and write-off	(43,327)	(12,041)	(95,510)	(8,225)	(44,052)	(203,155)
Other transfers	(106,290)	(272,229)	4,383	205,514	82,159	(86,463)
Translation differences	(35)	-	(51,126)	4	(165,351)	(216,508)
	130,244,789	65,443,161	36,721,722	9,025,643	66,480,681	307,915,996
As at 30 September 2020						
Cost	197,684,876	121,472,490	72,594,795	19,544,986	68,549,686	479,846,833
Depreciation and impairment	(67,440,087)	(56,029,329)	(35,873,073)	(10,519,343)	(2,069,005)	(171,930,837)
Net book value	130,244,789	65,443,161	36,721,722	9,025,643	66,480,681	307,915,996

Capitalized borrowing costs for the nine months ended 30 September 2020 include interest expense in the amount of 108,557 RSD (30 September 2019: 111,466 RSD).

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
As at 1 January 2019	-	-	-	-	-
Change in opening balance	153,119	1,261,439	335,712	85,151	1,835,421
Additions	-	55	11,403	1,788	13,246
Depreciation of right-of-use assets	-	(179,056)	(52,338)	(19,479)	(250,873)
Effect of contract modifications and changes in estimates	-	130	-	-	130
Transfers	-	-	(10,999)	10,999	-
Foreign currency translation	(3,657)	(4,712)	-	(401)	(8,770)
As at 30 September 2019	149,462	1,077,856	283,778	78,058	1,589,154
As at 1 January 2020	148,676	1,023,199	438,495	263,429	1,873,799
Additions	7,509	511,897	-	603,820	1,123,226
Depreciation of right-of-use assets	(1,877)	(187,809)	(38,934)	(142,851)	(371,471)
Disposals	-	(41,300)	-	(6,416)	(47,716)
Effect of contract modifications and changes in estimates	-	(5,170)	-	-	(5,170)
Foreign currency translation	(185)	(173)	(5,945)	(32)	(6,335)
As at 30 September 2020	154,123	1,300,644	393,616	717,950	2,566,333

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

		Ownership percentage	30 September 2020	31 December 2019
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	924,037	946,208
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	863,875	904,893
HIP Petrohemija a.d. Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
Total investments			1,787,912	1,851,101

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

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

NIS MET Energowind d.o.o. Beograd

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

Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding JSC Russian Federation established the holding company Serbskaya Generaciya, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years. Handing over CHP TE-TO Pancevo is expected to be completed during first quarter 2021. Analysis of the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

HIP Petrohemija

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

The summarised financial information for the joint ventures as of 30 September 2020 and 31 December 2019 and for the nine month periods ended 30 September 2020 and 30 September 2019 is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia
30 September 2020		
Current assets	52,820	357,431
Non-current assets	3,156,508	14,379,013
Current liabilities	(945,989)	(106,402)
Non-current liabilities	-	(12,895,533)
31 December 2019		
Current assets	132,063	698,256
Non-current assets	3,151,318	12,154,427
Current liabilities	(975,707)	(71,219)
Non-current liabilities	-	(10,963,037)

	NIS MET Energowind	Gazprom Energoholding Serbia
30 September 2020		
Other income	2,822	15,140
Loss for the year	(44,342)	(83,710)
30 September 2019		
Other income	254	18,378
Loss for the year	(50,921)	(210,234)

13. OTHER NON-CURRENT ASSETS

	30 September 2020	31 December 2019
Advances paid for PPE	327,371	372,107
Prepaid expenses	133,102	146,711
Other assets	1,143,324	1,153,957
Less allowance of other assets	(369,120)	(354,626)
Less allowance for advances paid	(26,741)	(26,742)
	1,207,936	1,291,407

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

	30 September 2020	31 December 2019
Interest liabilities	103,855	227,885
Current portion of long-term loans (note 18)	6,729,871	6,384,892
	6,833,726	6,612,777

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

	Nine month period ended 30 September	
	2020	2019
Short-term loans at 1 January	-	-
Proceeds	11,500,000	-
Repayment	(11,500,000)	-
Short-term loans at 30 September	-	-

15. TRADE AND OTHER PAYABLES

	30 September 2020	31 December 2019
Trade payables	17,361,982	35,535,376
Dividends payable	8,205,206	3,780,692
Other accounts payable	75,049	147,193
	25,642,237	39,463,261

As at 30 September 2020 trade payables amounting to 17,361,982 RSD (31 December 2019: 35,535,376 RSD) mainly relate to payables for crude oil in the amount of 8,192,267 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

	30 September 2020	31 December 2019
Contract liabilities arising from contracts with customers:		
Advances received	2,160,626	1,982,331
Customer loyalty	823,495	722,239
Payables to employees	4,400,824	4,130,242
Other current non-financial liabilities	13,244	363,293
	7,398,189	7,198,105

Revenue in the amount of 2,069,935 RSD was recognized in the current reporting period (30 September 2019: 1,542,140 RSD) related to the contract liabilities as at 1 January 2020, of which 1,673,011 RSD (30 September 2019: 1,220,211 RSD) related to advances and 396,924 RSD (30 September 2019: 321,929 RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	30 September 2020	31 December 2019
Mineral extraction tax	228,280	248,864
VAT	2,349,579	1,137,119
Excise tax	6,407,778	5,750,900
Contribution for buffer stocks	283,807	280,070
Custom duties	108,754	180,224
Energy efficiency fee	30,651	32,299
Other taxes	2,442,343	2,164,569
	11,851,192	9,794,045

18. LONG-TERM DEBT

	30 September 2020	31 December 2019
Long-term loan - Gazprom Neft	15,039,341	19,143,014
Bank loans	74,624,097	69,901,198
Other long-term borrowings	68,436	57,176
Less Current portion (note 14)	(6,729,871)	(6,384,892)
	83,002,003	82,716,496

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

	Nine month period ended 30 September	
	2020	2019
Long-term loans at 1 January	89,044,212	93,344,087
Proceeds	6,182,783	12,121,120
Repayment	(4,848,028)	(16,325,782)
Non-cash transactions	(693,252)	-
Foreign exchange difference (note 23)	(22,277)	(484,669)
Long-term loans at 30 September	89,663,438	88,654,756

(a) Long-term loan - Gazprom Neft

As at 30 September 2020 long-term loan - Gazprom Neft amounting to 15,039,341 RSD (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	51,973,919	46,832,409
Foreign	22,650,178	23,068,789
	74,624,097	69,901,198
Current portion of long-term loans	(1,261,020)	(915,460)
	73,363,077	68,985,738

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	54,813,261
Over 5 years	1,937,180	3,327,214
	73,363,077	68,985,738

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

	30 September 2020	31 December 2019
USD	165,295	209,292
EUR	74,242,860	69,426,390
RSD	383	499
JPY	215,559	265,017
	74,624,097	69,901,198

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

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

19. LEASE LIABILITIES

	30 September 2020	31 December 2019
Non-current lease liabilities	1,857,684	1,326,436
Current lease liabilities	532,378	377,005
	2,390,062	1,703,441

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2020	2019
Interest expense (included in finance cost)	62,931	52,923
Expense relating to short-term leases	706,753	513,216
Expense relating to leases of low value assets that are not shown above as short-term leases	142,089	103,016
Expense relating to variable lease payments not included in lease liabilities	1,204,262	1,453,512

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

	Nine month period ended 30 September	
	2020	2019
As at 1 January	1,703,441	828,104
Changes in opening balance	-	790,946
Repayment	(342,244)	(250,649)
Non-cash transactions	1,038,388	45,328
Foreign exchange difference (note 23)	(9,523)	3,431
As at 30 September	2,390,062	1,417,160

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in the amount of 841,848 RSD in total represents deferred consideration to PJSC Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obligation depends on occurrence of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignment agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

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

21. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Employee costs	2,107,619	1,702,819	6,229,645	4,933,727
Cost of service organization	(2,441)	620,948	413,583	1,980,048
Materials and supplies (other than oil and gas and petroleum products)	376,363	683,293	1,214,765	2,020,690
Repair and maintenance services	829,405	1,160,642	2,423,112	4,548,793
Electricity for resale	195,789	119,355	312,030	295,677
Electricity and utilities	895,169	965,556	2,667,721	2,597,981
Safety and security expense	92,177	135,173	304,342	398,844
Insurance services	84,284	75,750	243,618	213,740
Transportation services for production	339,634	445,764	1,105,518	1,212,105
Other	1,519,663	488,574	2,177,778	489,480
	6,437,662	6,397,874	17,092,112	18,691,085

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Employee costs	3,699,426	2,868,602	11,037,918	8,684,944
Cost of service organization	14,621	924,367	702,400	2,708,061
Commission and agency fees	218,524	272,164	642,901	757,350
Legal, audit and consulting services	161,651	265,467	578,060	651,258
Current repair cost	218,704	233,147	612,132	638,920
Costs on advertising and marketing	40,852	114,661	131,297	259,164
Rent expense	84,535	54,274	193,517	175,835
Business trips expense	10,023	95,003	64,058	207,125
Safety and security expense	143,217	153,651	388,908	421,929
Insurance expense	20,542	33,564	57,739	95,711
Transportation and storage	21,928	33,991	93,725	113,718
Allowance for doubtful accounts	(16,101)	(43,627)	(113,925)	(67,861)
Other	963,692	1,152,958	2,921,803	3,250,727
	5,581,614	6,158,222	17,310,533	17,896,881

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 (note 18 and 19)	329,323	471,616	1,479,398	1,200,696
foreign exchange loss (note 18 and 19)	(315,961)	(201,196)	(1,447,598)	(719,458)
Net foreign exchange gain (loss) on operating activities	(87,515)	(170,957)	(487,682)	(487,780)
	(74,153)	99,463	(455,882)	(6,542)

24. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Interest on bank deposits	23,965	48,497	82,245	218,266
Interest income on loans issued	2,107	2,282	7,008	7,926
Dividend income	4,274	258	4,274	258
	30,346	51,037	93,527	226,450

25. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	2020	2019
Interest expense	454,469	463,520	1,500,327	1,475,416
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)	(25,122)	(108,557)	(111,466)
	438,911	485,520	1,427,155	1,477,153

Interest expense includes expenses on lease liabilities in the amount of 62,931 RSD for the nine months ended 30 September 2020 (52,923 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 Consolidated Financial Statements: investment properties, financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2019. There were no transfers between the levels of the fair value hierarchy during the interim period.

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

27. CONTINGENCIES AND COMMITMENTS*Taxes*

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

Economic environment in the Republic of Serbia

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

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 460,338 RSD (31 December 2019: 509,129 RSD).

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

Capital commitments

As of 30 September 2020 the Group has entered into contracts to purchase property, plant and equipment 2,654,406 RSD (31 December 2019: 2,809,071 RSD) and drilling and exploration works estimated to 55.65 USD million (31 December 2019: 56.89 USD million).

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

28. RELATED PARTY TRANSACTIONS

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

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

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

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

As at 30 September 2020	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	-	158,571	1,143,707
Investments in joint venture and associates	-	-	1,787,912
Other current assets	-	5,978	-
Right of use assets	-	172	-
Trade and other payables	(3,346,480)	(142,155)	(954,893)
Other current liabilities	-	(2)	(17,835)
Current lease liabilities	-	(119)	-
Short-term debt and current portion of long-term debt	(5,468,851)	-	-
Long-term debt	(9,570,490)	-	-
Non-current lease liabilities	-	-	-
	(18,385,821)	22,445	1,958,891

As at 31 December 2019	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Trade and other receivables	-	100,451	1,600,151
Investments in joint venture and associates	-	-	1,851,101
Other current assets	-	34,371	-
Trade and other payables	(10,500,427)	(543,563)	(1,208,375)
Other current liabilities	-	(2)	(3,782)
Short-term debt and current portion of long-term debt	(5,469,432)	-	-
Current lease liabilities	-	(159)	-
Long-term debt	(13,673,582)	-	-
Non-current lease liabilities	-	(128)	-
	(29,643,441)	(409,030)	2,239,095

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

Nine month period ended 30 September 2020	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Petroleum products and oil and gas sales	-	232,836	11,571,614
Other revenues	-	65,594	29,744
Purchases of oil, gas and petroleum products	(27,028,061)	(849,517)	-
Production and manufacturing expenses	-	(192,939)	(140,088)
Selling, general and administrative expenses	-	(7,603)	(1,619)
Depreciation, depletion and amortization	-	(125)	-
Other income (expenses), net	5,769	(220)	-
Finance expense	(236,390)	(1)	-
	(27,258,682)	(751,975)	11,459,651

Nine month period ended 30 September 2019	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
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)	-	-
	(35,737,767)	192,064	12,904,763

Transactions with Key Management Personnel

For the nine month period ended on 30 September 2020 and 2019 the Group 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.

Other information

As at 14 October 2020, the process of voluntary liquidation of the subsidiary Pannon Naftagas KFT Hungary ended. No significant impact is expected on Group Consolidated Financial statements.

Statement of Individuals Responsible for the Preparation of Financial Statements

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

Anton Cherepanov



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Glossary

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

Abbreviation	Meaning
OECD	The Organisation for Economic Co-operation and Development
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RNP	Pančevo Oil Refinery
RSD	Serbian Dinar
SNNP	Sa nama na putu cart (On the road with us card)
s.r.l.	Limited liability company (in Romania)
STC	Scientific and Technological Centre
t.o.e.	Tonnes of oil equivalent
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax
YoY	Year on year
WTI	West Texas Intermediate

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