



Naftna industrija Srbije A.D.

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

30 September 2020

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

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NIS Group

Interim Condensed Consolidated Statement of Financial Position

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

Assets	Note	30 September 2020	31 December 2019
		<i>(unaudited)</i>	
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

Kirill Tyurdenev
Chief Executive Officer
27 October 2020



Anton Cherepanov
Chief Financial Officer

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

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

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

	Note	Three month period ended 30 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		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

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

NIS Group
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
 Nine month period ended 30 September 2020 and 2019

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

	Equity attributable to the Company's owners			Non-	Total
	Share capital	Reserves	Retained earnings	controlling interest	equity
<i>(unaudited)</i>					
Balance as at 1 January 2019	81,530,200	77,130	161,516,302	243,123,632	242,875,804
Profit (loss) for the period	-	-	10,726,460	(14,445)	10,712,015
Other comprehensive income (loss)					
Gains from investments in equity instruments	-	8,445	-	-	8,445
Sale of investments in equity instruments	-	(5,368)	5,368	-	-
Currency translation differences	-	164,688	-	1,516	166,204
Total comprehensive income (loss) for the period	-	167,765	10,731,828	(12,929)	10,886,664
Dividend distribution	-	-	(6,517,524)	-	(6,517,524)
Total transaction with owners, recorded in equity	-	-	(6,517,524)	-	(6,517,524)
Balance as at 30 September 2019	81,530,200	244,895	165,730,606	(260,757)	247,244,944

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

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Interim Condensed Consolidated Statement of Cash Flows¹

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

	Note	Nine month period ended 30 September	
		2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
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 ²		(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

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

¹ Group policy is to present cash flow inclusive of related VAT.

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

NIS Group

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

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

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 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.

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

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

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

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	
	30 September	
	2020	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
	<u>32,302,057</u>	<u>50,461,499</u>
Sale of electricity	186,222	150,734
Lease revenue	7,145	10,146
Other sales	2,115,063	2,652,131
	<u>35,056,054</u>	<u>53,938,006</u>

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	31 December
	2020	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
	<u>316,471,616</u>	<u>313,849,787</u>

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2020***(All amounts are in 000 RSD, unless otherwise stated)***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
<i>Less credit loss allowance for trade receivables</i>	(8,971,375)	(9,639,286)
<i>Less credit loss allowance for other receivables</i>	(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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
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)
As at 30 September 2019	120,365,542	66,661,498	35,597,157	9,164,964	67,288,150	299,077,311
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)
As at 30 September 2020	130,244,789	65,443,161	36,721,722	9,025,643	66,480,681	307,915,996
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).

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2020***(All amounts are in 000 RSD, unless otherwise stated)***11. RIGHT-OF-USE ASSETS**

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

	Land	Property	Plant and equipment	Vehicles	Total
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.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2020***(All amounts are in 000 RSD, unless otherwise stated)***Gazprom Energoholding Serbia d.o.o. Novi Sad**

In 2015, the Group and Centrenergoholding JSC Russian Federation established the holding company Serbskaya Generaciya, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years. Handing over CHP TE-TO Pancevo is expected to be completed 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
<i>Less allowance of other assets</i>	(369,120)	(354,626)
<i>Less allowance for advances paid</i>	(26,741)	(26,742)
	1,207,936	1,291,407

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

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

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

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

	30 September 2020	31 December 2019
USD	165,295	209,292
EUR	74,242,860	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

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

Other non-current financial liabilities in the amount of 841,848 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

NIS Group

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

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

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 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 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.

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

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

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 30 September 2020			
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

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
As at 31 December 2019			
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

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

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

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Nine month period ended 30 September 2020			
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

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Nine month period ended 30 September 2019			
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.

NIS Group

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

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

NIS Group

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