



**QUARTERLY
REPORT FOR
SECOND QUARTER
OF 2020**

The Quarterly Report for Second Quarter of 2020 presents a factual overview of NIS Group's activities, development and performance in second 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 Second 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 Second 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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Foreword

In the first half of 2020, the NIS Group achieved good operating indicators, in particular in crude oil refining and sales and distribution of petroleum products. However, the financial results remained significantly affected by downward trends, primarily the COVID-19 epidemic, drastic decline of demand for petroleum products, and low oil prices in the global market. Under such conditions, protecting health of its employees and customers, social stability of employees, and providing regular supply of the domestic market were NIS' top priorities. As a result of considerable efforts, these priorities were fulfilled, provided significant organisational and logistic resources in order to adapt the NIS' system comprising over 11,000 employees to the newly created circumstances. In addition to its efforts to achieve savings, NIS continued making significant investments in capital projects, seeking to contribute to the further development of the Group once the crisis period is over.

As for operating indicators, in spite of numerous challenges, the oil and gas production was preserved at practically the same level as in the first six months last year. 636 thousand tons of oil equivalent of oil and gas were produced, which is by one percent lower than in the reference period last year. The crude oil and semi-finished product refining volumes were increased by 35 percent compared to the first half of the previous year, and Pančevo Oil Refinery processed 1,630 million tons. In spite of the dramatic drop of demand as opposed to the expected levels, the NIS Group marked higher sales volumes than on the year before. Hence the total sales in the first half of 2020 was 1.556 million tons, which is by two percent higher compared to the reference period. Nevertheless, considering that the average Brent price in the previous six months amounted to 39.7 dollar, i.e. 40 percent lower than on the year before, the NIS Group's sales revenues in the first six months were by 27 percent lower than in 2019, or RSD 85.9 billion.

Notwithstanding the adverse macroeconomic climate, NIS managed to maintain the EBITDA indicator at a positive level of RSD 2.3 billion, as well as a positive cash flow of RSD 6.3 billion. However, the negative trends did affect the final financial result of the NIS Group, leading to a net loss of RSD 10.2 billion. Still, the crisis did not prevent NIS from making capital investments and, in the period from January to June, RSD 14.5 billion was invested in further development. In the aforesaid period, the NIS Group's obligations based on public revenues amounted to RSD 83.9 billion RSD, which is by 5 percent higher than in the first six months of 2019. Furthermore, the NIS j.s.c. Novi Sad Shareholders Assembly at the session on June 30, 2020 made a decision to pay out dividends from 2019 profit, pursuant to which the shareholders will be paid out the total of RSD 4.4 billion.

As regards capital investments, major investments were made in the field of oil and gas exploration and production, end of construction of the DCU in Pančevo Oil Refinery, and retail network modernisation. The implementation of digital projects continued, and GAZPROM and NIS Petrol petrol station customers, for the first time in Serbia, had an opportunity to pay fuel without going to the payment terminal by using Drive.Go digital application. Additionally, modernisation and development of the retail network continued, and the 19th NIS' petrol station started operating in Romania - Otopeni, while an A-format modern city petrol station was opened in Leskovac.

In the condition of crisis, NIS continued contributing to the welfare of the community. For one thing, the Company donated 270 tons of aviation fuel to national airways company "Air Serbia", for the flights delivering humanitarian aid to Serbia for treatment of COVID-19 patients. Secondly, NIS' majority shareholder, a Russian company Gazprom Neft, provided in April and May fuel for the Ministry of Interior of Serbia, Emergency Medical Services, and Firefighting Brigade. In addition, NIS provided 33 thousand litres of "Jazak" drinking water, produced by the Company, to the residents of Ivanjica and Blace municipalities that were affected by floods. In the first half of 2020, NIS marked an important anniversary. The 10th in sequence verified sustainability report was presented to the public, transparently demonstrating, to all stakeholders, NIS' efforts in 2019 to improve financial results, strengthen the human resources, give further contribution to environmental protection and occupational safety, and allocate a part of its positive results into community development.

For the remainder of the year, which is also expected to be under the influence of adverse macroeconomic circumstances, NIS focus will remain on protection of health of its employees and customers, including improvement of financial results. Relying on its own strengths, NIS is determined to preserve social stability of its employees. Therefore, the priorities of the NIS Group will be cost reduction at all levels, maintaining liquidity, further investments in the key development projects, and improvement of operational efficiency. The combination of these measures will represent the NIS' efficient response to the challenges presented to the oil sector in 2020.

Business report

Highlights

January - June



- Since second half of March of 2020, NIS's operations were strongly affected by the new coronavirus epidemic and the oil market crisis. Under the circumstances, NIS's priorities were maintaining liquidity, stability in the petroleum products market and the health of employees and consumers
- The company drilled 27 production and 4 exploration wells, including 3 in Serbia and 1 in Romania

- 25 production and 3 exploration wells were put in operation, including 2 in Serbia and 1 in Romania
- At the end of March, NIS became a full owner of Jadran Naftagas
- The company completed the annual major overhaul of the production facilities of the Oil and Gas Treatment Unit in Elemir
- Bitumen plant repair
- Drafting crude refining plan with increased chloride content
- Activities in cleaning CO boiler
- Activities concerning turnarounds in C-2400 and C-2450
- 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-5950)

- Start-up of all process units following refurbishment of BA-44501 furnace
- Overhaul of the Sulphur Recovery Unit – Claus (S-2450)
- Mechanical completion of the DCU achieved
- After the total reconstruction, 5 PS in Serbia (NIS brand) were put in operation: PS Koceljeva 2, PS Leskovac 6, PS Podunavci, PS Leskovac 4 and PS Senta
- 1 PS Otopeni was put into operation in Romania
- 5 new products were introduced in the domain of private label





- Under conditions of the emergency state Lubricants Department successfully developed the recipe and embarked on production of a new product, NISOTEC Antiseptol disinfectant, to cover the needs of the whole company
- Promotional campaign for the new Drive GO mobile application service that enables payment without going to the cash register, by scanning the QR code

- Start-up of a new CNG installation on Blok 45 petrol station
- Image campaign - new mobile Drive Cafe facilities set up on Ada Ciganlija, in an effort to increase brand awareness in the market
- NIS became the first retail chain in Serbia to provide the service of picking up and paying for ordered shipments at certain NIS Petrol and GAZPROM petrol stations, in cooperation with the D-Express courier service
- Over the course of the state of emergency in Serbia, NIS facilitated national airline "Air Serbia" deliveries of medical aid to our country with 270 tons of aviation fuel
- Within the cooperation with leading domestic faculties, NIS signed a Memorandum of Cooperation in the field of education, research and knowledge transfer with the Faculty of Electrical Engineering, University of Belgrade
- NIS donated more than 33 thousand liters of drinking water to the municipalities of Ivanjica and Blace, whose residents were without drinking water from the city water supply for days due to the floods
- The jubilee 10th report on sustainable business of NIS was published - Report on sustainable development for 2019.



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 6 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 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.

Pre-commissioning is almost complete at the Pančevo Refinery and launching activities started within the DCU based on delayed coking technology, which is the key project of the second phase of the Refinery's modernization. After the completion of this project, the Pančevo Oil Refinery will produce larger quantities of the finest petroleum products (primarily diesel), and will also start producing coke, 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, and Romania, 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.

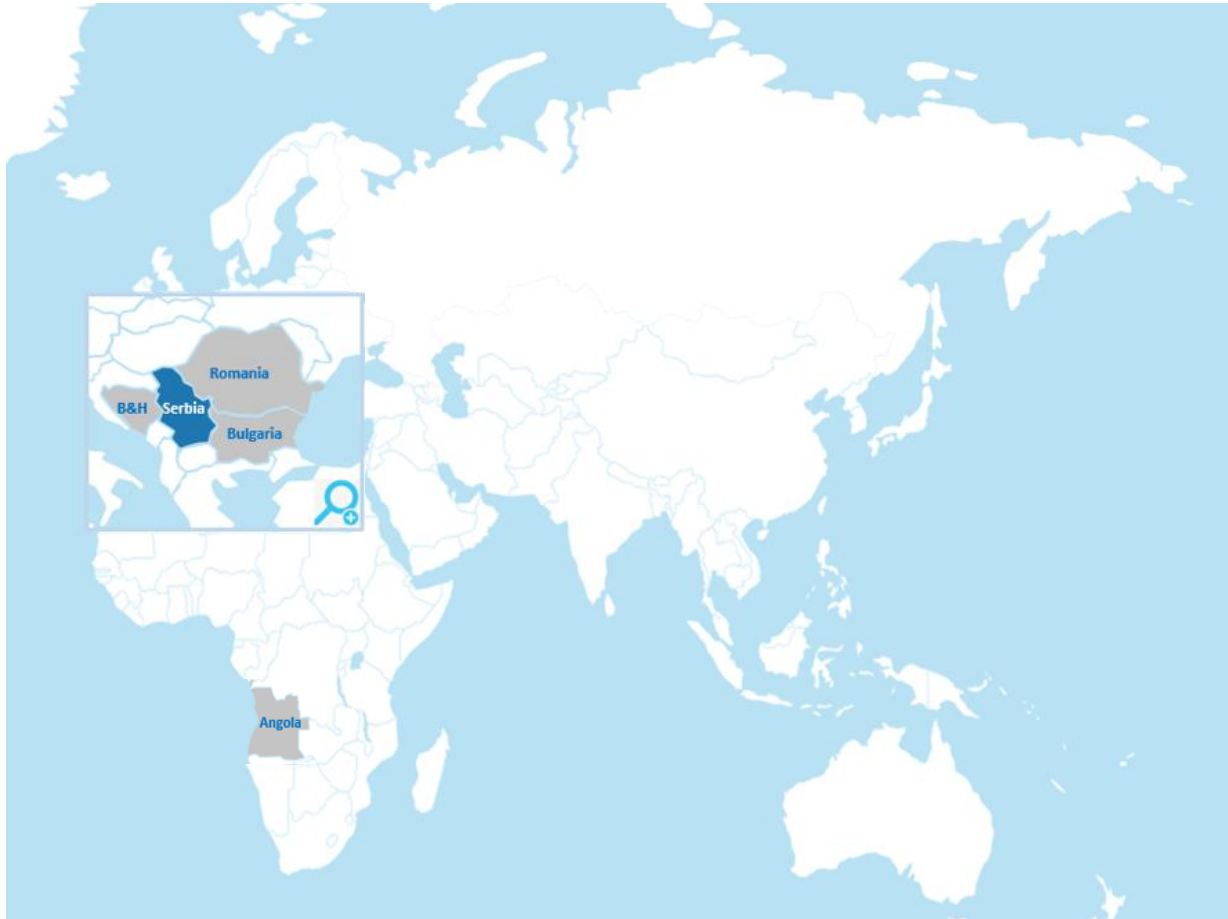
On the Serbian natural gas market, NIS is simultaneously a producer, large consumer and supplier. The management of its natural gas portfolio is an ever-developing process that aims to ensure security of natural gas supply for NIS.

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
- Bulgaria 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 Panon Naftagas k.f.t. Budapest in liquidation from March 1st 2020 is in the process of liquidation.

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.

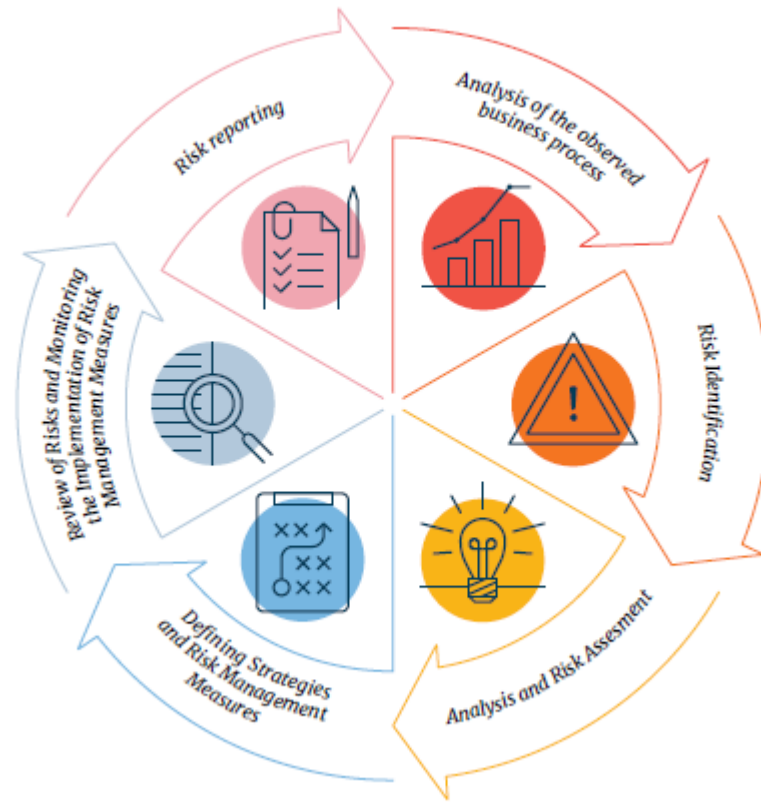
The Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness of managerial decisions by identifying, analysing and assessing related risks, outlining risk management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

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.

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.

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.

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.

HSE risks

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.

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 and emergency response. Given the crisis scenario due to the COVID-19 pandemic, only the medical examinations required by the legal regulations are planned and organized. Numerous campaigns and educational activities, forums and healthy lifestyle training, contractor management events are organized, as well as 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. 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 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. The implementation of all measures is monitored on a daily basis and reported to the Crisis Team daily meetings on their implementation. The NIS Group is investing enormous resources and efforts to protect employees and counteract the effects 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 and 60 days respectively. 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 182.2 million, and secured new credit lines of credit under favourable terms in the amount of about EUR 85 million for loans. 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 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 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

After the turbulent first quarter of the year, in April oil supply exceeded the demand by 25 million barrels per day and the storage crisis deepened even further. The International Energy Agency, IEA, reports that in the second quarter, the average daily oil demand was lower than 17.8 million barrels lower YoY. The IEA expects the 2020 average daily demand to be 8.1 million barrels lower YoY and to then increase by 5.7 barrels in 2021. Even such moderate growth is contingent upon at least three factors: China's strong performance after the blockade, coordinated efforts of the OPEC+ members, and decreased production in the USA, Canada, and other G20 countries.

By the end of June storage capacities worldwide were almost filled up, so if the epidemic persists or comes back with a second wave and the demand remains low this may become a serious problem. China, the largest global crude oil importer, is expected to reduce imports in the third quarter after a peak in the second. India, the world's third-largest importer, has already reduced imports dramatically, to the level that is lower than that of November 2011. Indian refineries report to have sufficient oil stocks and will keep buying less.

Another challenge the world faced in the second quarter of the year was the storage of finished petroleum products. In Russia, for example, the refineries were forced to rent tanks from railway companies, as they were out of storage capacities but could not stop production for technical reasons.

In order to stop the oil price drop and relieve the pressure on storage capacities, the OPEC countries, Russia, and partners held another meeting in early April. The participants agreed to decrease daily production during May and June by 9.7 billion barrels and to implement stricter controls to make sure all member countries honor the commitment. In early June this restriction was extended to last until the end of July.

Unrelated to this deal, but caused by the global recession, a number of U.S. shale oil producers have begun closing their wells and declaring bankruptcy.

Rystad Energy reports that due to events of the first half of 2020, the discovery of conventional resources on a global level amounted to only 4.9 billion barrels of oil equivalent, less than ever before in the century. The number of discovered fields was 42% lower and the number of discoveries was 31% lower YoY. Wood Mackenzie called this period the worst in the history of the oil production sector, reducing this year's forecast for global investments in the sector by 30% and the appraised value of the global oil industry by 1,600 billion dollars. Petroleum companies worldwide are cutting costs dramatically. British Petroleum, for example, announced layoffs of 10,000 employees worldwide, out of the total of 71,000, to adapt to the oil consumption decline caused by the COVID-19 epidemic. Most of these layoffs will be completed by the end of the year.

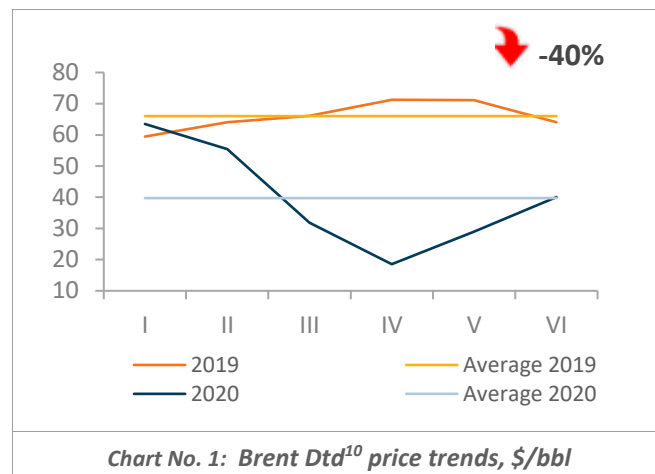
Shell also plans a comprehensive restructuring, including layoffs as part of the cost-cutting measures, and the first reduction of dividends since the 1940s.

Reduced oil demand, redundancy of production capacities, and budget cuts will make the next couple of years extremely challenging for the refining industry. Wood Mackenzie forecasts a significant excess of refinery capacities, which only the strongest will survive. Excess capacity was a concern even before the COVID-19 epidemic, and due to the recent events, gross refinery margins on the global level are significantly lower than before.

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

The low oil price the world saw at the end of March persisted throughout April, with Brent selling for 18.5 dollars per barrel. The lowest Brent price of 13.2 dollars, however, was still higher than the price of WTI, a light American oil. April 20th was dubbed the Black Monday for the WTI oil. The price for May supplies fell to below zero for the first time in trading history (at one point there was a bid under 40 \$/bbl) and reached -37,63 dollars per barrel by the end of the day. The negative price means that the holders of futures contracts for oil supplies have to pay third parties for oil storage, as all tanks of America's main storage were filled up. This bizarre situation did not significantly affect the global market, as the price did recover the next day during the trading for June's supplies. Some experts, however, warn that this phenomenon might happen again if the WTI consumption does not recover and the storages remain full, as the coronavirus pandemic is practically paralyzing the global industry and transport.



Traders worldwide are buying the cheapest oil in hopes of a future price increase with over 160 barrels of crude stored on tankers. Much of the oil is being stored on 60 supertankers, also known as very large crude carriers (VLCCs), which have a capacity to hold more than 2 million barrels each. The freight of supertankers has reached an all-time high of \$300,000 per day. Under the agreement with the Energy Ministry, several American companies are now storing oil in strategic reserve storage.

Additional pressure on the USA all market in April came out from the contracted import of over 40 million barrels of crude oil from Saudi Arabia. Most of the oil ended up in China, which used the opportunity to fill its storages with cheap oil and petroleum products.

Brent price in May recovered to 28.98 dollars and then to 40.1 dollars per barrel in June. According to experts, as the demand recovers in the second half of 2020, the price will grow further. Goldman Sachs's average yearly forecast for Brent price is 40.4 dollars per barrel.

Macroparametres

According to the statement released at the end of June, the IMF is forecasting the recession to be even deeper than initially expected, as industry restrictions lockdown and social distancing measures persist in most countries. The latest IMF forecast includes the global 2020 GDP reduction of 4.9% and the total loss of production of 12 billion dollars by the end of 2021. The EU economy will expectedly reduce by 8.3% in 2020.

It has been mentioned that the global economic crisis caused by the coronavirus pandemic may eventually exhaust the IMF's 1-billion-dollar emergency lending fund, but the IMF member countries are prepared to provide additional support to the fund if necessary, as around three-quarters of the IMF lending capacity is still available.

Both the OECD and the European Commission pointed out in the recently released special reports that it will most likely take years for the economy to recover from the blow of the pandemic and the recession in Europe will be much deeper than forecasted a few months ago. Experts agree that the virus spreads unpredictably, which makes forecasting very difficult. The loss of jobs is already 10 times higher than during the first months

¹⁰ Source: Platts.

of the global financial crisis of 2008. The OECD economists state that the employment rates in Europe, the USA, and other developed economies are not likely to return to the pre-pandemic levels before 2022.

Serbia

COVID-19 and the global recession will leave their mark on Serbia, as well as on other European countries, although the National Bank of Serbia believes the effects will be less severe due to the microeconomic stability, favourable growth momentum in the previous period and fiscal space, favourable structure of the economy, and a timely introduction of lockdown measures, which consequently allowed earlier easing of the restrictions.

NBS expects to see the most significant impacts of the pandemic in Q2; it further anticipates the overall decline of GDP in 2020 at the level of -1.5%, with estimated +6% in 2021. It is predicted that economic policy measures that have been and will be adopted will enable GDP recovery to the pre-crisis level and its sustainable growth of around 4% in the medium term.

The economic aid package of EUR 5.1 bn (around 11% of GDP, 50% of budget), approved in April, was in line with other countries' measures to alleviate the effects of the pandemic: deferred payment of payroll taxes and contributions and income tax advances; setting a credit fund of the Government and banks worth EUR 2 billion, including that the Government will warrant around EUR 550 million of loans during a three-year period; the Government will buy off corporate bonds, including possible capital increase in EPS and Telekom; micro- and macro-sized enterprises received EUR 250 monthly for each employee over the period of three months, provided they did not dismiss over 10% of employees; all citizens of Serbia over the age of 18 received one-time assistance of EUR 100.

In May, a seven-year Eurobond of EUR 2 bn was issued at an interest rate of 3.375%, while public debt is estimated to remain below the Maastricht criteria of 60% of GDP. Public debt stood at 57.2% of GDP at the end of May. The Government program for mitigation of negative effects of coronavirus will increase the budget deficit in 2020, as well as the public debt.

In June, the NBS made a decision to continue alleviating the monetary policy and cut the benchmark interest rate to 1.25%.

The inflation remains stable, moving around 2% on average, over a longer period. Because of a sharp decrease in oil prices, which reflected on lower petroleum product prices, as well as the base effect in vegetable prices, the inflation slowed down since the start of 2020.

The projection risks and uncertainty are mainly associated with the trends in the international environment, primarily global trade and economic growth, capital flows to emerging economies and the global prices of oil and other primary commodities. The inflation trend will also depend on the pace of recovery of domestic demand and administered prices. The NBS expects the average inflation of 1.5% and 1.8% in 2020 and 2021 respectively.

The industrial production in the Republic in Serbia, in May 2020, was lower by 9.3% as opposed to May 2019, and lower by 8.8% as opposed to the 2019 average. The overall current growth of the industrial production in May 2020, compared to April 2020, was 15.2%. The current growth of the processing industry in May 2020, compared to April 2020, was 24.2%. Observed by sectors, in May 2020, compared to May 2019, the mining sector marked a 3.9% decrease, the processing industry a 9.3% decrease, and the sector for electricity, gas, steam and air-conditioning an 11.5% decrease.

Exports of goods and services are 3.3% lower in the first half of 2020. Following a decline in March-April (33% cumulatively), the recovery in export of goods began in May (+9.0%) driven by the recovery in manufacturing industry exports (+7.9%) – primarily, cars, machinery and textiles. Following a cumulative fall of 35% in March-April, imports of goods also increased in May (11%) driven by intermediate products and capital goods. The major reduction in imports in the current year is expected in energy and other industrial inputs,

due to price drop and reduction in the overall economic activity. The oil price drop will have a further delayed effect on lower natural gas import prices throughout 2021.

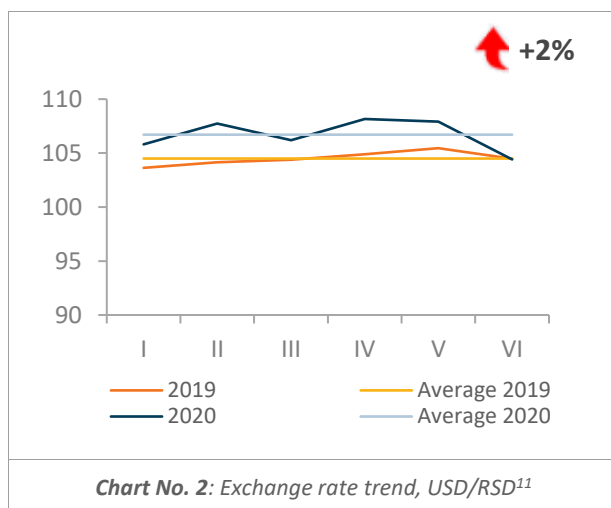
In spite of the NBS' positive projections, many economic analysts advise that the March/April forecasts on duration of pandemic have drastically changed and that with every new issued report and projection the degree of caution and pessimism is higher. In July already, the health situation in Serbia was more drastic than during the state of emergency, and new measures are discussed, which could deliver a new blow to the industry.

After only four months, the deficit in the state coffers reached almost one billion euro, with May being no less successful, given a further decline in industrial production and import (this has a special importance, considering that the VAT charge for import goods is one of the highest budget inflows). The mid-year budget balance is not promising, and yet another round of crisis is possible, which could, in the autumn, strike the economy, consequently calling for another cycle of Government aid for the industry. The deficit could reach 8% of GDP, and even if the economic recovery comes in the next year, it will require a decrease of the budget deficit, given that the public debt will, to all appearances, exceed 60% of GDP by the end of the current year.

Economic analysts point out that, currently, it is impossible to make any prognosis about the epidemics in the autumn; will there be any new restrictions imposed on the economy and deepening of the crisis.

The unemployment trend is growing in Serbia. According to the records of the National Employment Agency, over 10,000 people reported to this institution in May, while this number was increased by around 3,000 newly reported cases in June, which is drastically higher compared to the beginning of the year.

As a result of the growing economic crisis, a number of foreign companies have postponed their investments in Serbia, or have suspended the production until the market conditions are met to continue producing. According to the "2019 World Investment Report" of the UN Conference on Trade and Development (UNCTAD), Serbia experienced the highest inflow of foreign direct investments in the region (4.1 billion dollar), marking a growth of 44 percent in 2018. However, currently there is no industry that was not affected by the pandemic and no business that did not record a decline in income in the previous months.



- Average USD/RSD exchange rate in the first six months of 2020 was higher by RSD 2.2, i.e. 2% compared to the average exchange rate in the same period of 2019.
- During first six months of 2020, USD/RSD exchange rate decreased by RSD 0.3 or 0.3%.
- During first six months of 2019, USD/RSD exchange rate increased by RSD 0.4 or 0.4%.

¹¹Source: NBS.

Performance Analysis

Market Share¹²

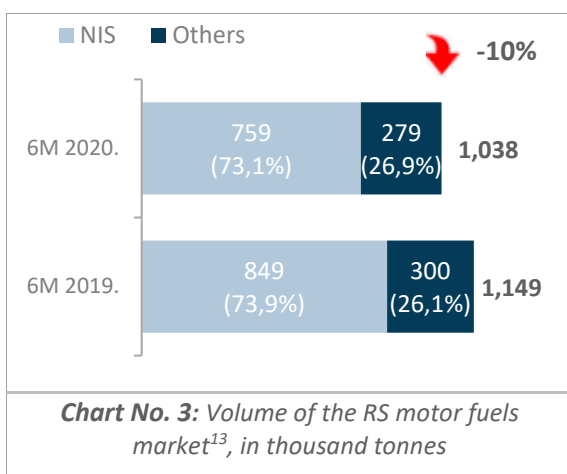
Consumption of motor fuels in the region is declining.

- High growth rates at the start of the year mitigated a larger decline triggered by the pandemic on the consumption trend, which resulted in a negative effect on the entire first half of the year.
- Price volatility in the world market.

Negative effects of the pandemic contributed to a significant decline in motor fuel consumption in Serbia.

Accumulation of stocks in the period of falling and low prices partially mitigated the actual consumption decline which will be more clearly visible in autumn.

Market Share in the Serbian Market

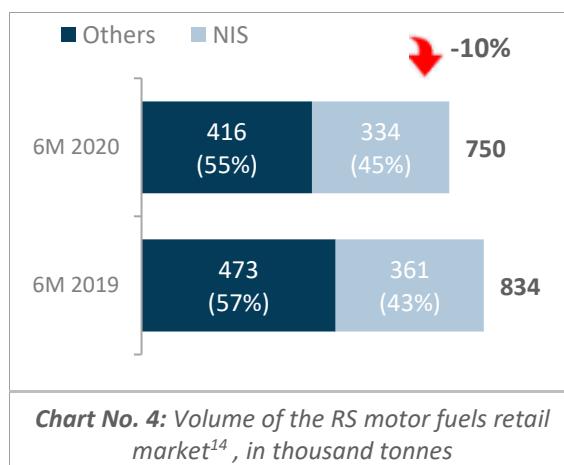


The motor fuels consumption drop is yet another consequence of the pandemic. After the growth in the first two months, there was a sharp decline in the period from mid-March to June.

Speculative stocks made by certain clients and traders during the period of falling and low prices (predominantly May) have a slightly higher share of imported goods in the structure, which led to a smaller decrease in the share in motor fuel market compared to the first 6 months of the previous year.

NIS retail market share is growing, the growing share in all three segments – diesel, gasoline and LPG – contributes to that.

The same situation is in the retail segment. After growing in the first two months from mid-March to early June due to the pandemic, in the first half of the year the retail recorded a 10% decline 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 Q2 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 Q2 2020 are given on the basis of estimates.

Market Share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

Zarubezhneft, the majority owner of the Oil Industry of Republika Srpska, considers that this company remains in B&H as an investor and that it seeks to expand its business. It was pointed out that the Brod Oil Refinery employs 676 workers, their monthly salaries being 30% higher than the average salary in the Republika Srpska, that there will be no layoffs and the salary growth trend will continue in the coming period. Emphasis in the business will be put on projects of autonomous gasification of the Brod Refinery, expansion of the network of refuelling stations, construction of solar power plants, gas power plants and hydrogen production.

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 crude 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 crude oil and oil products. The terminal should be completed by the end of the year, with a capacity of about 46 million liters.

The Government of the Federation of Bosnia and Herzegovina passed the Decree on prescribing the measure of direct price control by determining margins in the trade of petroleum products with the envisaged fines of 5,000 to 10,000 BAM with the possibility of imposing measures of confiscation of property gained in murky deals. 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 BAM per liter of oil products is set, while for retailers of petroleum products a maximum retail margin is set in the amount of 0.25 BAM per liter of oil product.

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 6 months of this year compared to the same period last year.

NIS in Bosnia and Herzegovina has 35 petrol stations (and 2 petrol stations in DODO mode), and in the second half of the year it is planned to expand the network.

NIS' market share in the total market of motor fuels is 21.7%, while its share in the retail market is 10.0%.

Bulgaria

In the wake of a protracted heated public debate, the Fuel Law was adopted. This document is expected to guarantee market competition, limiting the shadow economy and increasing state budget revenues. The level of minimum capital of wholesale companies is prescribed in the amount of 1% of the company's net income. Penalties for refuelling stations and fuel depots are threatened if they sell illegal fuel, and tanks that transport it will be excluded from traffic for a year. Farmers are also subject to sanctions if they trade in fuel without registration for that activity.

Bulgaria's Finance Ministry has proposed the establishment of a "State Oil Company" to optimize reserve management. With a view to increase competition in the market and provide the lowest prices for consumers, the state-owned company will build refuelling stations across the country next year, and they will also enable filling of electric vehicles. Furthermore, licensed storekeepers will not be able to refuse to store fuel from other companies, and it is also envisaged that a state-owned company will have warehouses in which to store fuel for others.

Bulgaria's Commission for 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 selling gasoline and diesel to distributors at unreasonably high prices compared to current crude oil prices in the world. The regulator says it will inspect the entire processing, as well as storage, wholesale and retail chain of Lukoil Bulgaria as a whole, as well as all other fuel distribution chains in the country.

Due to the coronavirus epidemic in Bulgaria, as in all surrounding countries, there was a decline in the turnover of motor fuels and a decline in the turnover on the retail market.

NIS in Bulgaria has 34 petrol stations and a petroleum products warehouse in Kostin Brod. NIS's market share in the total market of motor fuels is 4.7%, while its share in the retail market is 4.2%

Romania

After the reduction of excise duties from January 1, 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 bans (6.5 euro cents per liter) (including VAT) was fully reflected in fuel prices at refuelling stations, the Competitiveness Council concluded, following monitoring conducted by Price Monitoring.

The Association of Oil Companies in Romania, ROPEPCA, announced that one of the priorities this year will be to amend the Oil Exploration Law to allow companies access to land for seismic testing. This initiative was launched after several court decisions in the western part of the country that resulted in the owners of agricultural land included in the oil perimeters not wanting oil companies to have access to their land for seismic testing.

In Romania, during the state of emergency, military decree no. 4 which determines the upper limit of prices of certain products and services during the state of emergency, which includes fuels whose prices can no longer increase above the level on the day of the adoption of this military regulation, but prices can only be reduced. The restrictions were in effect during the state of emergency and were lifted in mid-May, and applied only to retail prices.

In Romania, in the first six months of this year, there was a decline in the turnover of motor fuels and a decline in sales of motor fuels on the retail market due to the coronavirus epidemic and restrictive measures taken to curb the spread of the epidemic.

NIS has 19 petrol stations in Romania. NIS's market share in the total market of motor fuels is 1.1%, while its share in the retail market is 1.4%.

Key Performance Indicators

Q2 2020	Q2 2019	Δ^{15}	Indicator	Unit of measure	6M 2020	6M 2019	Δ^{16}
29.2	68.8	-58%	Brent Dtd	\$/bbl	39.7	66.0	-40%
33.4	63.9	-48%	Sales revenue¹⁷	RSD billion	85.9	117.4	-27%
-9.2	3.1	-399%	Net profit/loss	RSD billion	-10.2	3.2	-418%
2.9	9.6	-130%	EBITDA¹⁸	RSD billion	2.3	15.9	-85%
7.8	4.7	+68%	OCF	RSD billion	6.3	16.0	-61%
6.8	10.1	-33%	CAPEX¹⁹	RSD billion	14.5	18.4	-21%
44.1	39.8	+11%	Accrued liabilities for taxes and other public revenue²⁰	RSD billion	83.9	79.8	+5%
616	592	+4%	Total bank indebtedness²¹	EUR million	616	592	+4%
1.6	1.8	-8%	LTIF²²	number	1.6	1.8	-8%

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 June 2020, this was EUR 615.6 million of total debt to banks + EUR 0.05 million letter of credit.

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 6M and Q2.

Operating indicators

Exploration and production

Q2 2020	Q2 2019	Δ^{23}	Indicator	Unit of measure	6M 2020	6M 2019	Δ^{24}
317	320	-0.9%	Oil and gas output ²⁵	Thousand t.o.e.	636	641	-1%
211	215	-2.1%	Domestic oil output ²⁶	Thousand tonnes	421	429	-2%
2.1	3.0	-30%	LTIF ²⁷	number	2.1	3.0	-30%
2.8	9.8	-72%	EBITDA	RSD billion	8.0	18.1	-56%
4.5	5.1	-10%	CAPEX ²⁸	RSD billion	9.2	9.3	-1%

The Exploration and Production Block's pivotal objective in Q2 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 six months of this year the total production volume of 611.4 thousand t.o.e. was carried out in reservoirs in Serbia, that is, including the concessions of 635.5 thousand t.o.e.

In terms of reservoir geology and development, the emphasis is on maintaining high quality of GTAs and testing new 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 made it possible to schedule drilling of ten new wells.

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

The company has completed workshop testing of the polymer solution for water inflow control. The testing was successful, so the use of the polymer solution was included into the production plan.

As for the project documentation, during the 6 months of 2020 the company has completed the assessment of proven reserves for one reserves estimate, finalized two reserves estimates and is currently working on six more. Nine feasibility studies and seven master field development plans have been prepared.

Exploratory drilling and well testing

According to the geological exploration plan, in the second quarter of 2020 the Upstream Block drilled two exploration wells.

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 6M and Q2.

²⁸ Financing, exclusive of VAT.

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 and has started the interpretation.

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.

Q2 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.

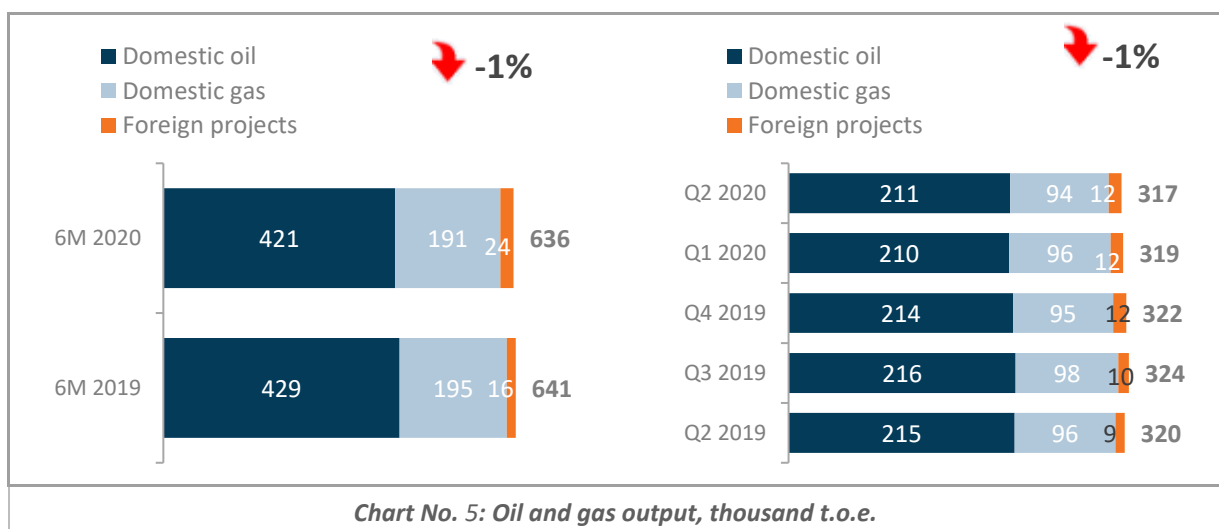
All upstream operations of the Company in Republika Srpska (Bosnia and Herzegovina) are handled by the company Jadran Naftagas from Banja Luka.

Q2 2020 Key events in Bosnia and Herzegovina:

- On March 26, 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.

Operating indicators

In the first half of 2020, the total production was 636 thousand tonnes of oil equivalent of oil and gas.



Refining

Q2 2020	Q2 2019	Δ ²⁹	Key indicators	Unit of measure	6M 2020	6M 2019	Δ ³⁰
770	604	+27%	Volume of refining of crude oil and semi-finished products	Thousand tonnes	1,630	1,204	+35%
3.4	1.1	+221%	LTIF³¹	number	3.4	1.1	+221%
-7.4	-1.0	+675%	EBITDA³²	RSD billion	-11.8	-1.6	+620%
1.8	4.4	-60%	CAPEX³³	RSD billion	4.4	7.9	-44%

The first half 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.

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).

²⁹ 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.

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.

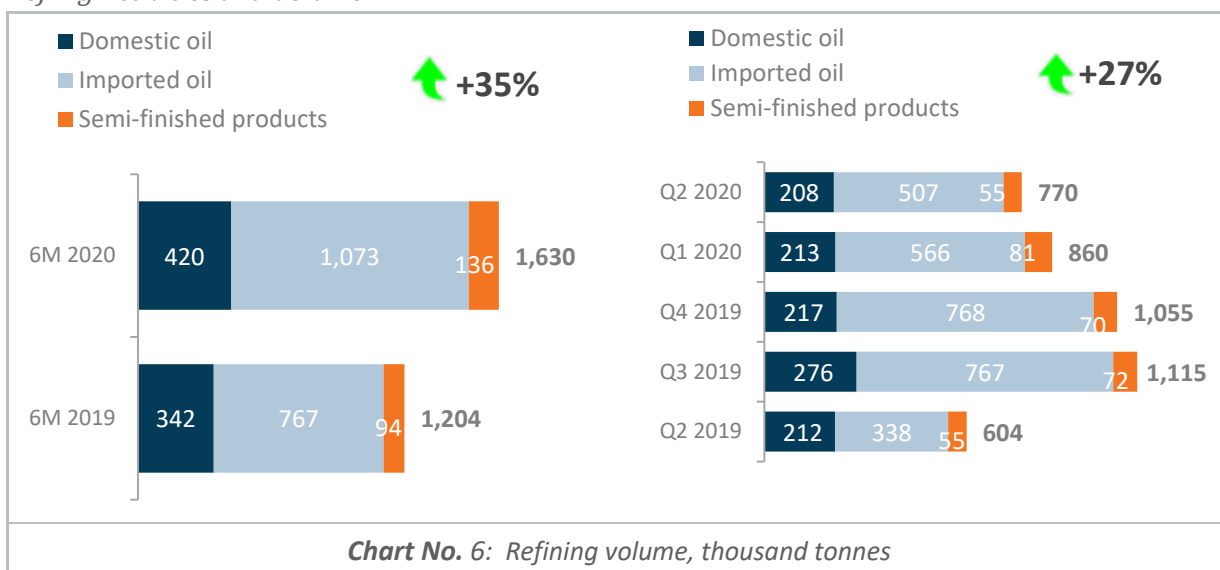
³¹ Lost Time Injury Frequency – injury indicator with lost time (days). The ratio of the number of employees' injuries to the total number of work hours multiplied by a million. The stated indicator has been calculated cumulatively since the beginning of the year, and the presented data represents the current situation as of 30 June and consequently there is no difference between 6M and Q2.

³² EBITDA of the Refining Block includes the power plant in RNP.

³³ 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.

Refining Activities and Volume



In the first half of 2020 the production of petroleum products increased, compared to the first half of 2019 by 35%, 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 June 2020 is as follows:

- the detailed design was completed and all licences obtained;
- 100% of equipment and material were delivered;
- the prestart-up and start-up activities at the complex are underway;
- we recorded 7 million man hours.

Taking into account the restrictions caused by the pandemic of COVID-19 (entrance of foreign specialists into the country – representatives of equipment suppliers, license owners, delivery of spare parts and materials), active measures are being put in place to minimize delays in pre-commissioning and commissioning operations of the Delayed Coker Unit (DCU project).

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 CCPP, Feeding Natural Gas to C-2450
- Reconstruction of FB-2003, FB-0711, and FB-0714.

In the first half of 2020, the focus was also on the activities concerning digitalisation projects. The tender was implemented and the contractor selected for the APC Monitoring Project (APC – Advanced Process Control). The contracting and preparation for the start of implementation are underway. The tender for pilot project Activity Time Monitoring (RTLS - Real Time Location System) was implemented. The Terms of Reference and the procurement strategy for Predictive Maintenance and Real Time Optimizer (Master APC) were developed. The intensive exploration of new possibilities for the application of digital technologies as the permanent task is underway.

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 half of the year, 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

Q2 2020	Q2 2019	Δ^{34}	Key indicators	Unit of measure	6M 2020	6M 2019	Δ^{35}
778	793	-2%	Total sales volume of petroleum products ³⁶	Thousand tonnes	1,556	1,519	+2%
89	92	-2%	Sales volume – foreign assets ³⁷	Thousand tonnes	175	177	-1%
565	605	-7%	Sales volume of petroleum products in the domestic market ³⁸	Thousand tonnes	1,149	1,179	-3%
123	96	+28%	Export	Thousand tonnes	232	163	+42%
504	579	-13%	Motor fuels ³⁹	Thousand tonnes	1,008	1,070	-6%
197	245	-19%	Retail ⁴⁰	Thousand tonnes	414	459	-10%
3.7	4.2	-13%	Internal sales	Thousand tonnes	6.9	7.6	-9%
1.5	1.2	+26%	LTIF ⁴¹	number	1.5	1.2	+26%
3.1	3.8	-18%	EBITDA	RSD billion	6.7	7.1	-6%
0.4	0.6	-34%	CAPEX ⁴²	RSD billion	0.8	0.9	-16%

Points of Sale⁴³ and Logistics

NIS Groups owns more than 400 active retail facilities. The majority of them, more precisely 326 retail facilities, are located in the Republic of Serbia. In addition to 10 internal petrol stations, NIS owns 316 public petrol stations (23 of them are GAZPROM-branded). In the regional countries, NIS owns 37 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 six months of 2020, 5 petrol stations were put into operation: Koceljeva 2 (NIS brand), Podunavci (NIS brand), Leskovac 4 (NIS brand) and Senta 1 (NIS 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).

³⁴ 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.

³⁵ 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.

³⁶ Excluding the internal sales volume (6M 2020: 6.9 thousand tonnes; 6M 2019: 7.6 thousand tonnes). The data don'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.

³⁷ The sales volume of foreign assets includes sales generated by the subsidiaries of NIS abroad (retail and wholesale).

³⁸ 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.

³⁹ Total sales of motor fuels in Serbia and in foreign assets.

⁴⁰ Total retail in Serbia and in foreign assets.

⁴¹ 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 June and consequently there is no difference between 6M and Q2.

⁴² Financing, exclusive of VAT.

⁴³ As at 30 June 2020.

Besides, 32 new trucks for white goods transportation, as well as 3 sets (semi-trailer trucks) for white goods transportation were procured to enhance technological transport capacities.

Loyalty and Marketing Activities Programmes

In the first half of 2020, 50 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.

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 Q1, 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 second quarter saw continuation of the implementation of Drive.Go application in the retail network.

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).

5 new SCUs were launched: fresh fruit mix (3SCUs), Drive Cafe ice coffee Caffe latte and Drive Cafe ice coffee Cappuccino.

In January, Jazak water promotions were carried out with gift-for-purchase mechanism in order to uphold distributor's sales (Tempo markets).

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.

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 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.

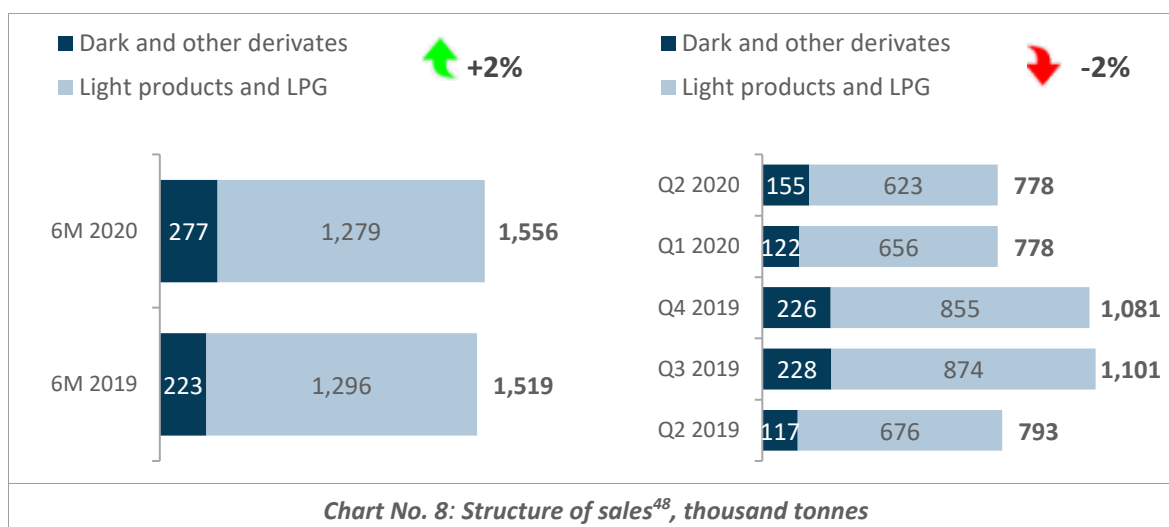
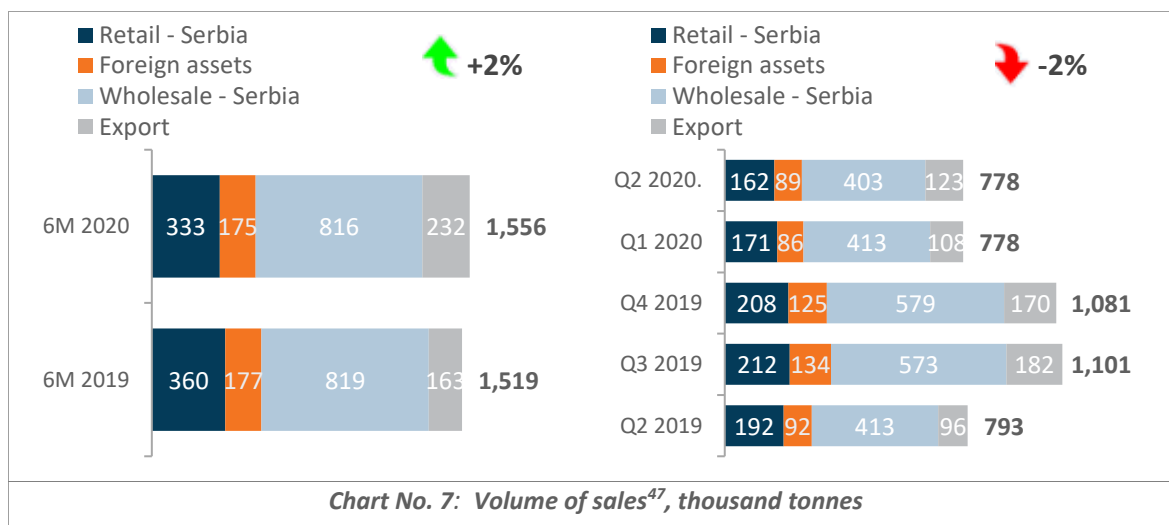
Our company took participation in the 54th Counselling for Agronomists and Farmers of Serbia, where it promoted the Agro programme, including activation of the "wheel of fortune" and giving out gifts for the existing and new programme uses.

In the countries of the region where our company operates, in the first half of 2020, 15 marketing campaigns were organised, designed to develop the consumer brand, loyalty programmes, and to boost sales of fuel and non-fuel products.

Operating indicators⁴⁴

The first half of 2020 saw a sales growth of 2% comparing to the first half of 2019, with the total sales of 1,556 thousand tonnes.

- Retail in Serbia – a retail decrease by 8% is a result of diesel fuel sales decrease⁴⁵
- Wholesale in Serbia – a decrease of 0.4 % mostly due to fuel sales
- Exports – an increase of 42% as a result of increasing energy and non-energy fuel exports⁴⁶
- Foreign assets – a decrease of 1% in sales volume (a decrease of 19% through retail channel and an increase of 21% through wholesale channel).



⁴⁴ Without internal sales (6M 2020: 6.9 thous. tonnes, 6M 2019: 7.6 thousand tonnes). The data don'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.

⁴⁵ Decrease in sales due to the declared state of emergency in March 2020 (epidemic COVID-19).

⁴⁶ In March 2020, capital turnaround of the Pancevo Refinery started, which was another reason for increased fuel exports in first half of 2020.

⁴⁷ Without internal sales (6M 2020: 6.9 thous. tonnes, 6M 2019: 7.6 thousand tonnes).

⁴⁸ Without internal sales (6M 2020: 6.9 thous. tonnes, 6M 2019: 7.6 thousand tonnes).

Energy

CCPP Pančevo

Activities have been under way to outfit electricity plants and units with the required mechanical, electricity and construction equipment, and put into operation connecting pipelines with the Pančevo Refinery Powerplant, and connect them with the power supply (connecting and distribution unit and overhead powerlines). The power plant equipment is mainly already supplied, some of the units being now in transportation. The key power plant equipment has already been delivered (98.88% complete), commissioning of the plant is in progress (6% complete). The overall implementation status is 88.43%.

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

- There are not enough personnel on site. There are currently 175 less workers. The contractor's personnel mobilization plan could not be implemented in full as Serbia had implemented lockdown measures and banned foreign citizens from entering the country. Furthermore, according to the government's recommendations the company minimized the presence of employees in the workplace and organized working from home where possible
- Arrival of the commissioning experts has been postponed indefinitely
- Arrival of equipment manufacturer representatives from China and Italy has been postponed indefinitely.

An analysis was conducted and it was determined that due to the factors listed above the Project completion can be expected to be postponed.

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. Negotiations with a wholesale buyer are expected to begin in the next period with the aim of extending the Contract on the sale of CNG extracted from the Ostrovo gas reservoir.

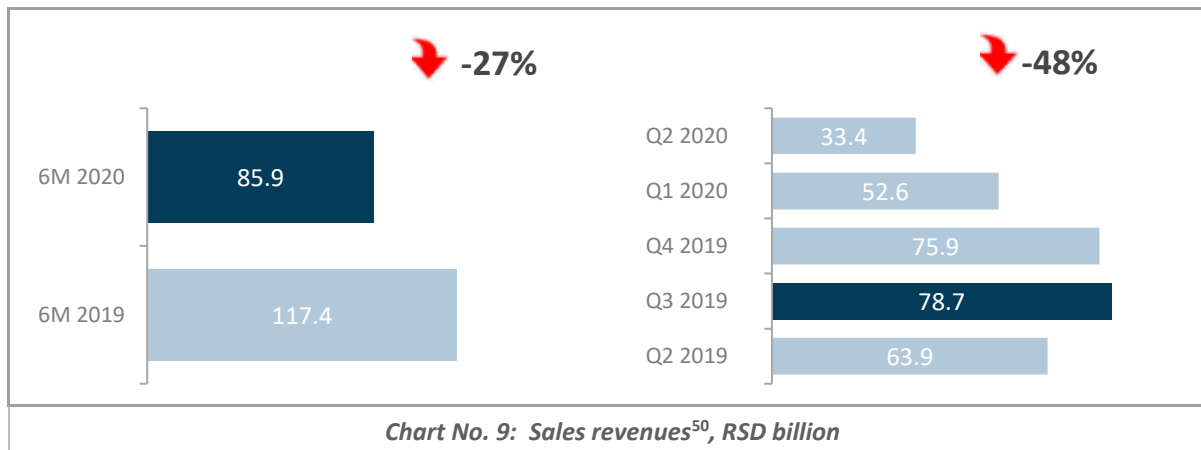
Trade of electricity

NIS is present on markets of Serbia, Bosnia and Herzegovina and Romania, as well as on the border with Hungary, Croatia, Slovenia, North Macedonia and Montenegro. NIS trades on the electricity markets in Serbia (SEEPEx) and Romania (OPCOM). The first phase of implementation of ETRM software has been completed.

Financial indicators

Sales Revenues

During the first six months of 2020, NIS achieved a 27-percent drop in sales revenue⁴⁹ compared to the same period previous year.

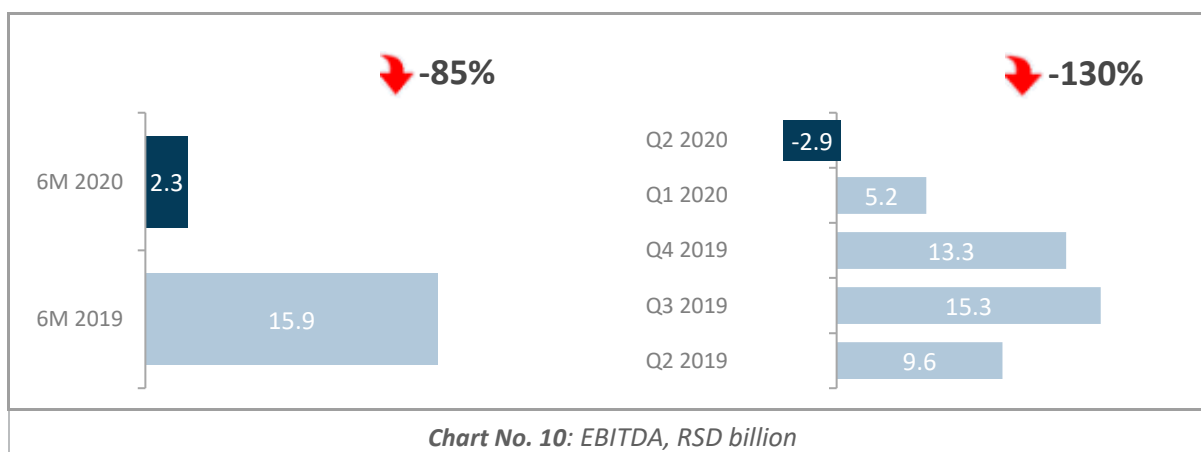


EBITDA

EBITDA for the first six months of 2020 was 85% lower than in the same period previous year and amounted to RSD 2.3 billion.

The main reasons for the decrease are:

- The decrease in EBITDA indicator reflects the drastic fall of oil prices and petroleum products in the global market and effects of the higher feedstock prices on refining
- The sharp fall in oil prices was partially offset by reducing cost and improving the efficiency of petroleum product sale



⁴⁹ Consolidated operating revenue.

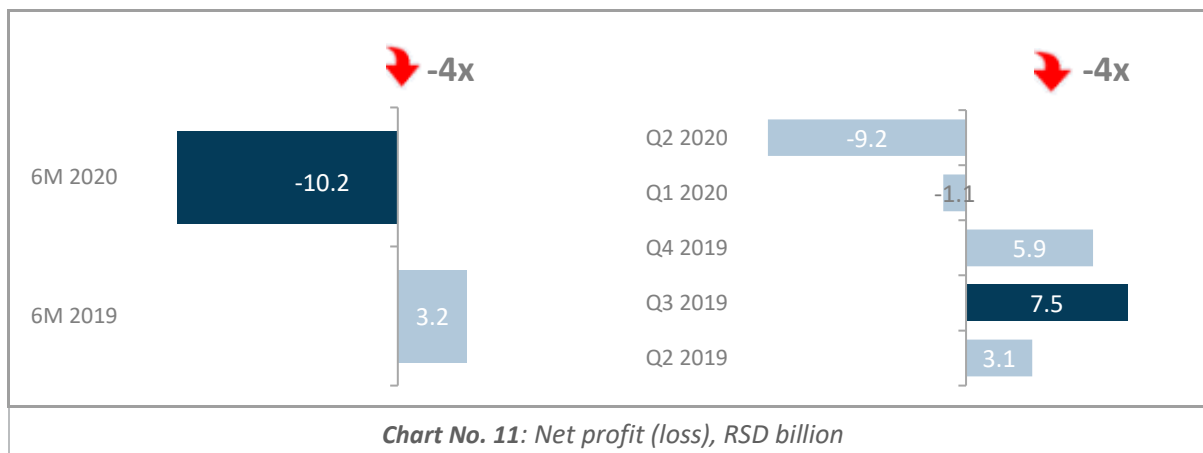
⁵⁰ Consolidated operating revenue.

Net loss (profit)

During the first six months of this year, the Company realized net losses in the amount of RSD 10.2 billion, which is nearly 4x less than the net result in the same period in 2019.

The main reasons for the decrease was influenced by:

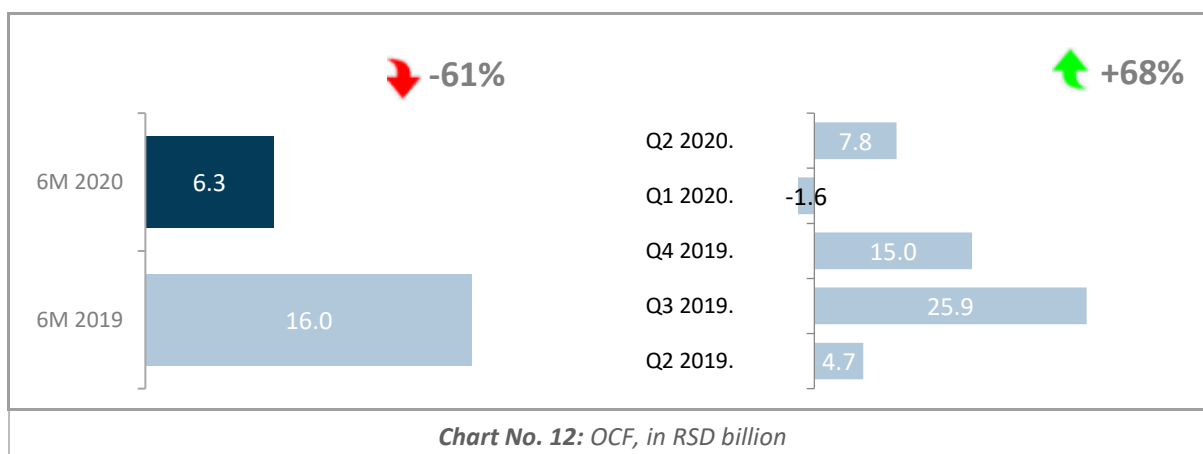
- Lower EBITDA



OCF

In the first six months of 2020, the operating cash flow amounted to RSD 6.3 billion and was 61% lower than the OCF in the same period in 2019, mostly due to:

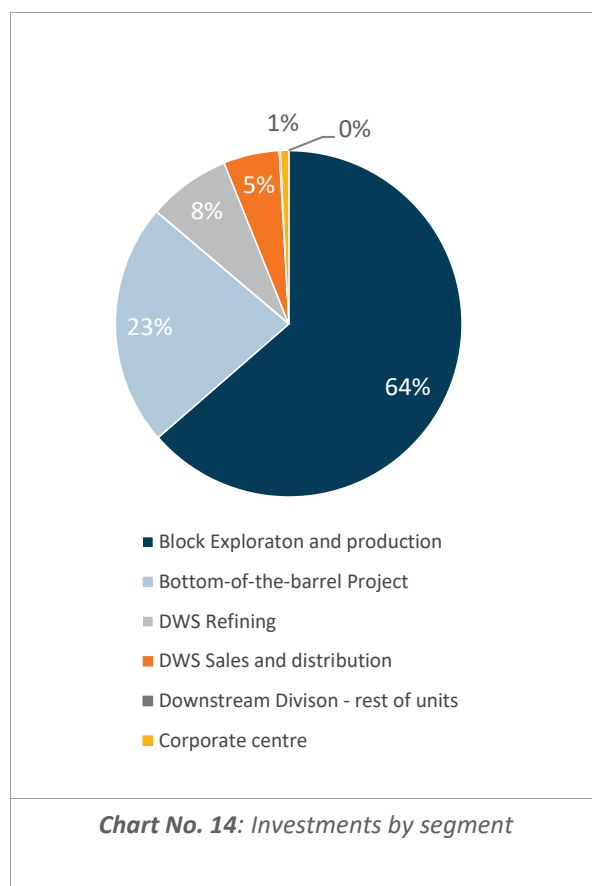
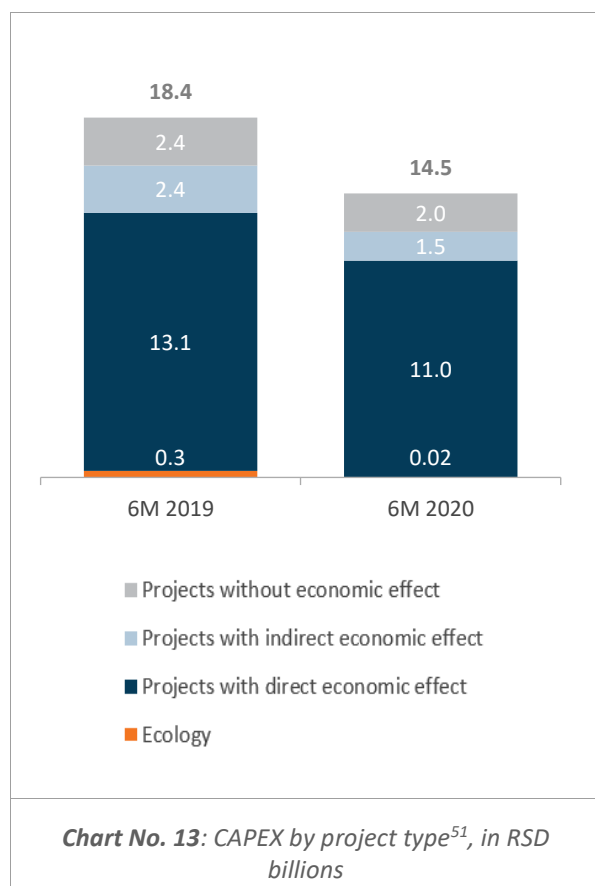
- Lower inflow
- Higher payments arising from liabilities towards the state.



CAPEX

In the first six 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 half 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 half of 2020, RSD 14.5 billion was allocated to finance investments, which is 21% less than the amount that was allocated in the same period of 2019.



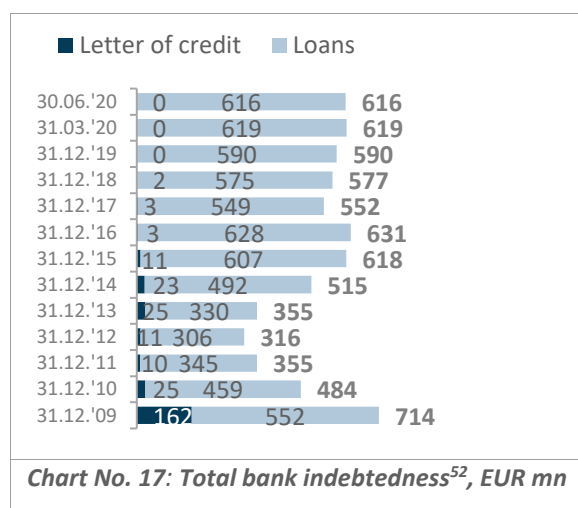
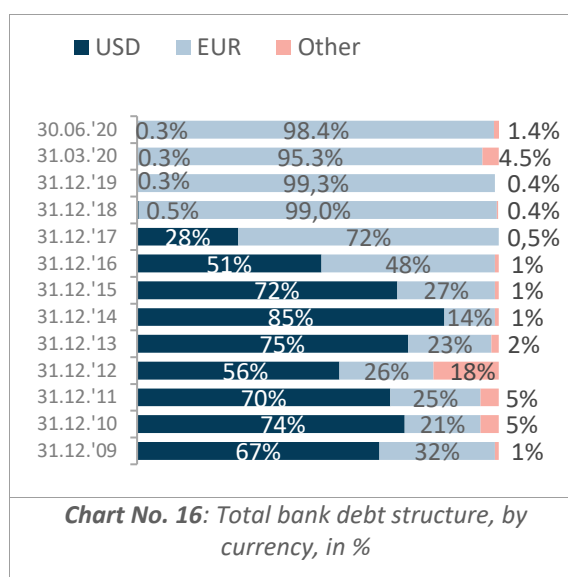
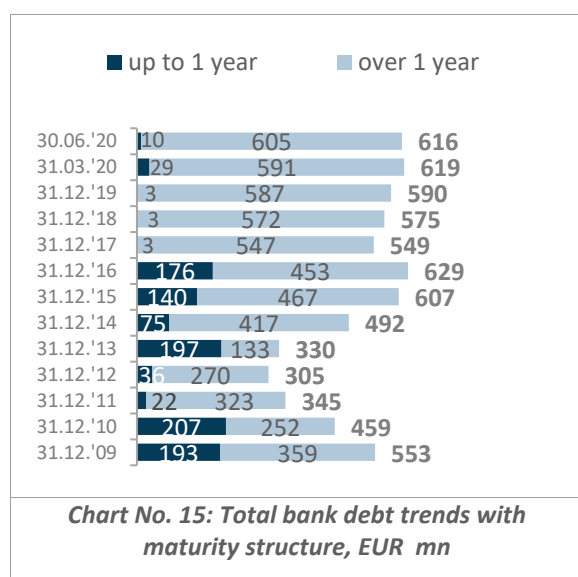
⁵¹ The amounts are in RSD billions, and excluding VAT.

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"> • projects for comply with legal norms and regulations • projects to increase production efficiency • FCC reconstruction and new ETBE Plant construction • program of investment maintaining of Refining Block • investments into 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) • procurement of gear for drilling rods control
Corporate Centre	<ul style="list-style-type: none"> • replacement of CCTV system at petrol stations • projects with IT component (SAP success factor, HSEnet, O3 implementation) • 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 second quarter of 2020, bank debt was reduced compared to the previous quarter's level and made EUR 615.6 million. This is EUR 25.8 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 of the first quarter of 2020 in order to pay back the less favorable loans during the second half of the year, and used short-term dinar loans in order to maintain current liquidity during the state of emergency in the Republic of Serbia. By using part of the loans from the credit portfolio restructuring tender, the company has optimized its credit portfolio and reduced the average portfolio price (without the standard rate) compared to the end of 2019. The portfolio maturity remained stable in the range from 2.5 to 3.4 years.

Besides, the debt to Gazprom neft p.j.s.c. was reduced to the current level of EUR 139.5 million.



⁵² 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 29.5 million, corporate guarantees in the amount of EUR 41.7 million and Letters of Intent signed with banks in the amount of EUR 1.1 million and financial leasing in the amount of EUR 19.6 million as at 30 June 2020.

Taxes and Other Public Revenue⁵³

NIS j.s.c. Novi Sad	6M		% ⁵⁴
	2020	6M 2019	
Social insurance contributions paid by employer	0.96	0.83	+17%
Energy efficiency fee⁵⁵	0.16	-	-
Corporate tax	0.95	0.62	+52%
Value-added tax	10.86	9.17	+18%
Excise duties	56.57	55.93	+1%
Commodity reserves fee	2.76	2.82	-2%
Customs duties	0.25	0.22	+10%
Royalty	0.45	0.71	-38%
Other taxes	0.69	0.70	-1%
Total	73.64	71.00	+4%
NIS subsidiaries in Serbia⁵⁶			
Social insurance contributions paid by employer	0.55	0.29	+87%
Corporate tax	-0.00	0.09	-100%
Value-added tax	0.76	0.58	+30%
Excise duties	0.00	0.00	-
Customs duties	0.04	0.03	+40%
Royalty	0.00	0.00	-
Other taxes	0.04	0.02	+154%
Total	1.39	1.01	+38%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	75.03	72.01	+4%
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.03	0.03	+14%
Corporate tax	0.00	0.10	-100%
Value-added tax	0.47	0.80	-41%
Excise duties	5.55	4.63	+20%
Customs duties	2.80	2.13	+32%
Royalty	0.01	0.00	+334%
Other taxes	0.05	0.07	-32%
Total	8.92	7.76	+15%
Deferred taxes (total for Group)	-	-	-
Total NIS Group⁵⁷	83.95	79.76	+5%

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 75.03 RSD billion for the first six months of 2020.

The amount of accrued liabilities for public revenue payable by NIS Group for the first six months of 2020 totalled 83.95 RSD billion, an increase of 5% on the same period in 2019.

⁵³ In RSD billion.

⁵⁴ Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

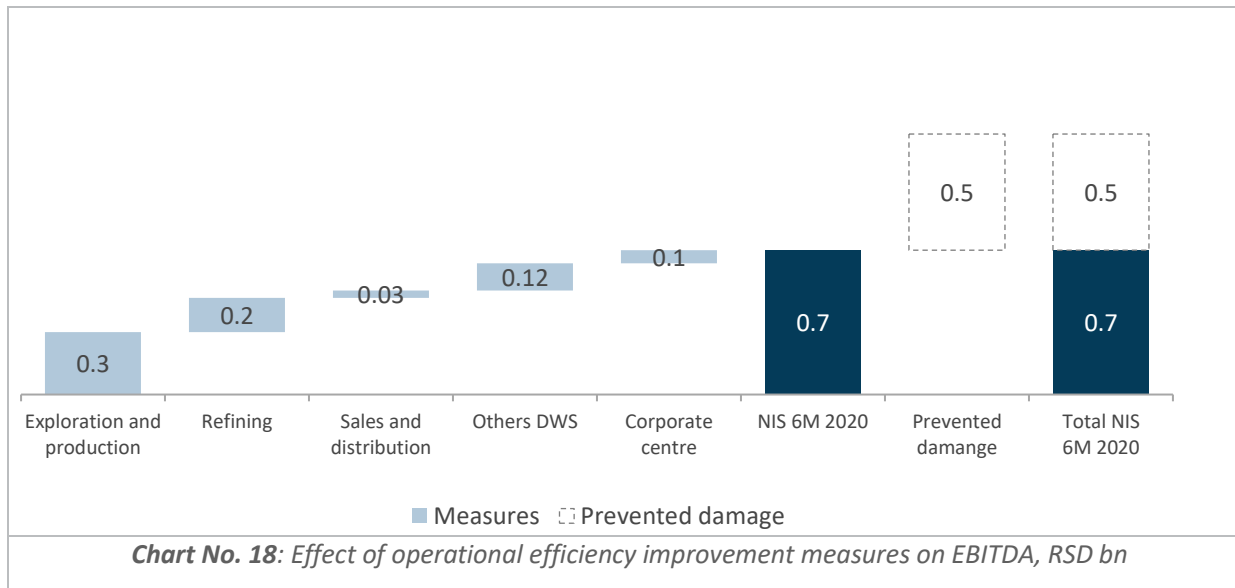
⁵⁵ Calculated from 1 July 2019.

⁵⁶ 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.

⁵⁷ Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

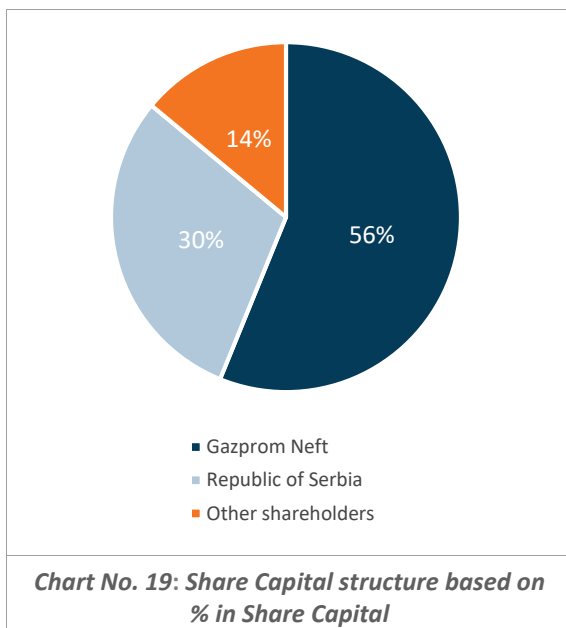
Operational Efficiency Improvement

The effect of operational efficiency improvement measures on EBITDA in the first six months of 2020 is RSD 0.7 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:

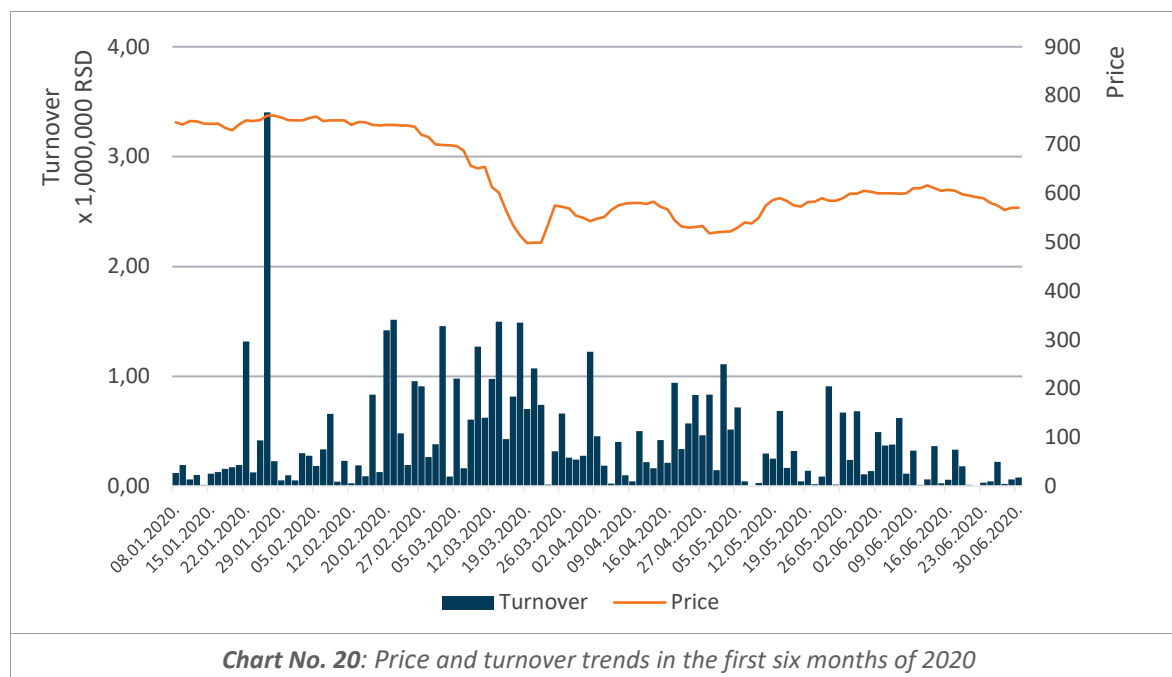
- Right to participate and vote at the shareholders' assembly meetings, according to one-share-one vote rule;
- Right to dividend in compliance with applicable legislation;
- Right to participate in the distribution of the liquidation remainder or bankruptcy estate in compliance with the bankruptcy law;
- 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	2,241,184	1.37%
OTP bank Srbija – custody account - fund	833,007	0.51%
Dunav Osiguranje a.d.o. Beograd	394,229	0.24%
Global Macro Capital Opportunities	361,854	0.22%
Convest a.d. Novi Sad - collective account	220,634	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	18,225,944	11.18%
Total number of shareholders as at 30 June 2020:		2,071,601

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 six months of 2020

Last price (30 June 2020)	570 RSD
High (28 January 2020)	760 RSD
Low (23 March 2020)	490 RSD
Total turnover	501,252,914 RSD
Total volume (number of shares)	809,817 shares
Total number of transactions	4,139 transactions
Market capitalization as at 30 June 2020	92,944,428,000 RSD
EPS	-54.98 RSD
Consolidated EPS	-62.85 RSD
P/E ratio	-10.37
Consolidated P/E ratio	-9.07
Book value as at 30 June 2020	1,515.21 RSD
Consolidated book value as at 30 June 2020	1,472.44 RSD
P/BV ratio	0.38
Consolidated P/BV ratio	0.39

In the first six 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 ⁵⁸	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 % ⁵⁹
2009	-4.4	0	-	-	0	-	-
2010	16.5 ⁶⁰	0	-	101.1	0	475	-
2011	40.6 ⁶¹	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

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.

⁵⁸ Net profit of NIS j.s.c. Novi Sad.

⁵⁹ Calculated as the ratio of gross dividend and year-end share price.

⁶⁰ Net profit used to cover accumulated losses.

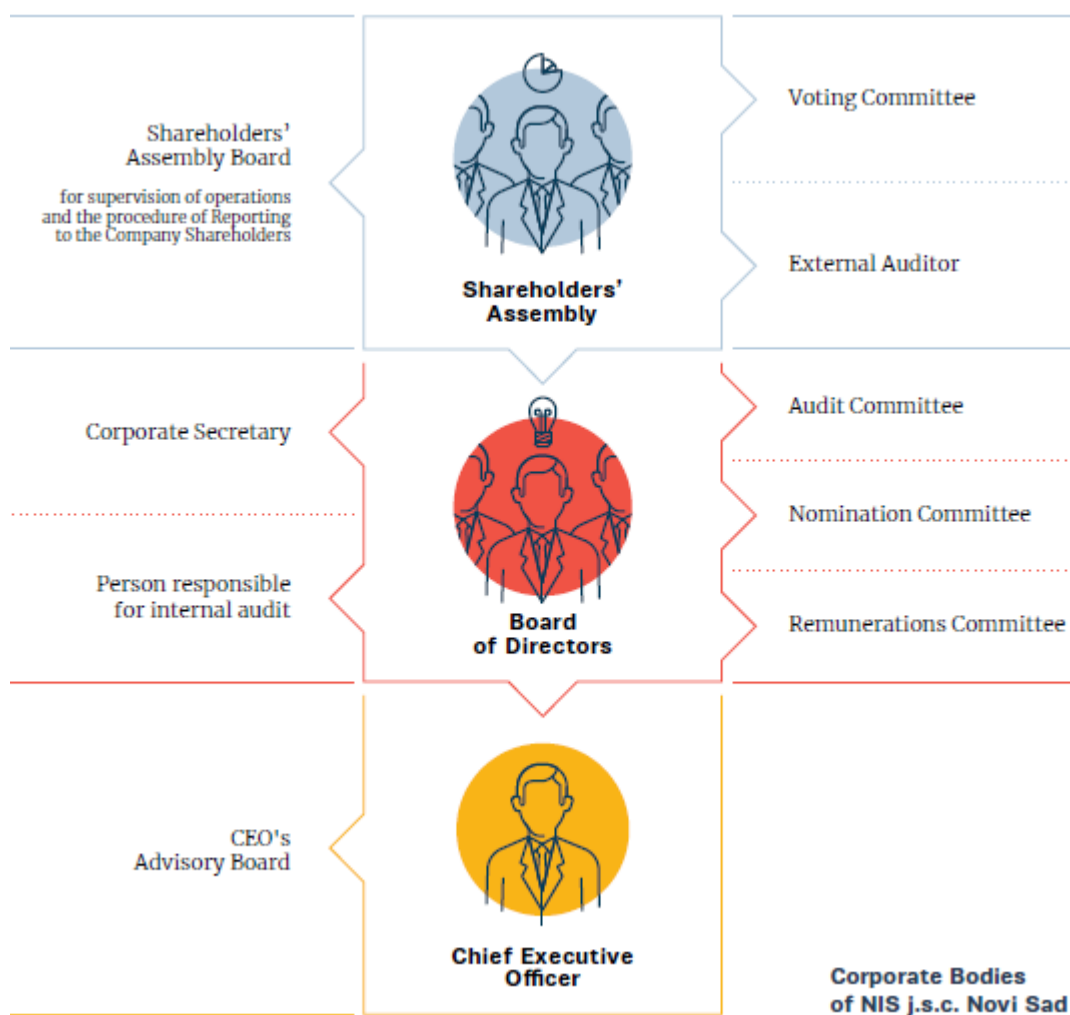
⁶¹ Net profit used to cover accumulated losses.

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 June 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 Executive 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 Commission⁶²

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.

⁶² The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

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 Commission⁶³

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 Commission⁶⁴

Born in 1971.

⁶³ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

⁶⁴ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

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 Commission⁶⁵

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.

⁶⁵ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

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 Commission⁶⁶

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 Commission⁶⁷

Member of the Remuneration Commission⁶⁸

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.

⁶⁶ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

⁶⁷ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

⁶⁸ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

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 six months of 2020, net RSD	
BoD Members	120,592,551

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)• LTD "Achim Development"• JSC "Achim Development" (Chairman of the BoD)• Nord Stream 2 AG• 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 Transport B.V.• JSC "Gazprom Yurgm Development" (Chairman of the BoD)• CJSC "Gazprom Yurgm Trading" (Chairman of the BoD)• JSC "System of transit gas pipelines" "EuRoPol GAZ s.a." (SGT EuRoPol GAZ s.a.)"• Bulgarian- russian JSC "Overgas Inc"• 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 «Serebryanoe 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 mandate of the members of the formed Commissions lasted until the day of the XII regular annual Shareholders' Assembly of the Company held on June 30, 2020, and the Commissions' make-up was as follows:

- 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 will appoint members of the Board of Directors' Commissions for the next term, while it 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 June 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 Commission⁶⁹

Born in 1955.

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

⁶⁹ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

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 since February 2016 has been an Advisor to the Function for External Affairs and Government Relations Director. He has served as Advisor to the General Director since October 2017.

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 Commission⁷⁰

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

⁷⁰ The mandate of the members of the Board of Directors' Commissions lasted until June 30, 2020.

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 six months of 2020, net in RSD	
Members of SAB	9,640,875

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	0,00003066%

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

Human Resources

Adjusting the company's operations and processes to the new circumstances of the COVID-19 pandemics and the emergency state in the Republic of Serbia was one of the biggest challenges NIS has faced as an employer. The priority was to protect health, safety, and social stability of the employees.

The company managed to preserve business continuity and adapt to the new conditions, taking special care to protect high-risk groups of workers.

One of the first steps the company took after the state of emergency was declared in the country, was to adjust working times and transfer administrative staff to work from home. In addition, the company provided paid leave to employees who are at potential health risk from coronavirus, with a salary compensation of 100 percent of the employee's regular salary.

All employees who got sick with COVID-19 retained full pay during their sick leaves, with the company covering the difference between the standard sick pay (65% of the employee's monthly salary over the last 12 months) and the full amount of regular salary.

During the state of emergency and thereafter, the Company took all efforts to make sure all employees retain their normal pay despite the changed working conditions.

Employee Number and Structure

Organisational unit	6/30/2020			6/30/2019		
	Direct	Leasing	Total	Direct	Leasing	Total
NIS j.s.c Novi Sad	5,200	75	5,275	4,060	3,661	7,721
Exploration and Production Block	1,103	0	1,103	870	203	1,073
Downstream Division	2,518	75	2,593	2,071	3,030	5,101
Refining Block	965	0	965	937	20	957
Sales and Distribution Block	1,393	75	1,468	988	2,991	3,979
Energy Directorate	41	0	41	39	4	43
the rest of Downstream Division ⁷¹	119	0	119	107	15	122
Corporate Centre	1,056	0	1,056	1,079	428	1,507
Multifunctional Shared Service Center ⁷²	517	0	517			
Representative and Branch Offices	6	0	6	40	0	40
Local subsidiaries	5,678	0	5,678	1,657	1,688	3,345
Naftagas – Oil Services LLC Novi Sad	1,933	0	1,933	1,067	1,191	2,258
Naftagas – Technical Services LLC Zrenjanin	348	0	348	179	126	305
Naftagas – Transport LLC Novi Sad	367	0	367	84	326	410
STC NIS – Naftagas LLC Novi Sad	363	0	363	327	45	372
NIS Petrol j.s.c. Belgrade ⁷³	2,667	0	2,667			
Subsidiaries abroad	130	2	132	74	2	76
NIS Petrol e.o.o.d. Sofia (Bulgaria)	49	0	49	37	0	37
NIS Petrol s.r.l. Bucharest (Romania)	73	0	73	28	0	28
NIS Petrol LLC Banja Luka (Bosnia and Herzegovina)	4	0	4	6	0	6
Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina)	4	0	4	3	0	3
Panon Naftagas k.f.t. Budapest (Hungary)	0	2	2	0	2	2
Other subsidiaries included in consolidation	457	0	457	458	122	580
O Zone j.s.c. Belgrade	0	0	0	4	122	126
NIS Overseas o.o.o. Saint Petersburg (Russian Federation)	4	0	4	4	0	4
NIS Svetlost LLC Bujanovac	0	0	0	0	0	0
G Petrol LLC Sarajevo (Bosnia and Herzegovina)	453	0	453	450	0	450
TOTAL:	11,465	77	11,542	6,249	5,473	11,722

⁷¹ 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.

⁷² At the end of 2019, the Multifunctional Share Service Center is set to be established, which is particularly prominent because of its specificity.

⁷³ 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 six months of 2020, a total of 383 employees left NIS⁷⁴: 37 employees retired, 105 employees left NIS after termination of employment by mutual agreement, while the employment of 241 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy, death of employee, etc).

Cause of employment termination	NIS j.s.c. Novi Sad ⁷⁵	Subsidiaries ⁷⁶
Retirement	18	19
Termination by mutual agreement	59	46
Other	74	167
Total	151	232

⁷⁴ 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.

⁷⁵ Including Representative Offices and Branches. Out of the total number of departures, 43 departures from representative offices and branches.

⁷⁶ 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 bottom-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

Assets	Note	30 June 2020	31 December 2019
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	5	6,158,918	13,501,827
Short-term financial assets	6	9,386,415	6,445,937
Trade and other receivables	7	22,121,959	28,649,729
Inventories	8	25,391,055	44,092,319
Current income tax prepayments		859,071	647,660
Other current assets	9	5,937,028	4,430,038
Non-current assets held for sale		84,684	91,901
Total current assets		69,939,130	97,859,411
Non-current assets			
Property, plant and equipment	10	279,204,842	276,244,341
Right-of-use assets	11	1,412,698	943,835
Investment property		1,689,059	1,694,307
Intangible assets		2,871,469	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		153,336	227,491
Long-term financial assets	12	20,712,377	23,316,659
Deferred tax assets		1,439,730	962,197
Other non-current assets	13	1,166,578	1,283,233
Total non-current assets		323,114,516	321,948,009
Total assets		393,053,646	419,807,420
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	8,057,857	7,451,531
Current lease liabilities	19	321,183	159,332
Trade and other payables	15	24,164,216	40,811,541
Other current liabilities	16	5,256,173	5,951,561
Other taxes payable	17	11,319,503	8,909,634
Provisions for liabilities and charges		2,352,264	1,572,542
Total current liabilities		51,471,196	64,856,141
Non-current liabilities			
Long-term debt	18	82,006,913	82,583,969
Non-current lease liabilities	19	1,030,140	652,092
Other non-current financial liabilities	20	841,817	-
Long-term trade and other payables		4,348	-
Provisions for liabilities and charges		10,627,839	11,251,613
Total non-current liabilities		94,511,057	94,487,674

Equity		
Share capital	81,530,200	81,530,200
Reserves	92,784	93,959
Retained earnings	165,448,409	178,839,446
Total equity	247,071,393	260,463,605
Total liabilities and shareholder's equity	393,053,646	419,807,420

in 000 RSD

Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2020	2019	2020	2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		28,533,769	53,964,009	75,054,998	100,270,344
Other revenues		2,123,075	2,193,815	4,269,132	4,183,108
Total revenue from sales	4	30,656,844	56,157,824	79,324,130	104,453,452
Purchases of oil, gas and petroleum products		(22,584,272)	(33,694,900)	(54,266,160)	(64,422,333)
Production and manufacturing expenses	21	(5,133,646)	(6,764,625)	(10,399,341)	(12,138,002)
Selling, general and administrative expenses	22	(4,997,178)	(5,448,048)	(10,235,198)	(10,503,798)
Transportation expenses		(213,553)	(173,181)	(468,977)	(394,579)
Depreciation, depletion and amortization		(5,158,731)	(4,598,729)	(10,173,541)	(9,172,568)
Taxes other than income tax		(978,996)	(1,119,063)	(2,025,128)	(2,179,462)
Exploration expenses		-	-	(3,579)	(11,474)
Total operating expenses		(39,066,376)	(51,798,546)	(87,571,924)	(98,822,216)
Other income (expenses), net		(371,554)	(109,550)	(454,656)	(184,993)
Operating profit (loss)		(8,781,086)	4,249,728	(8,702,450)	5,446,243
Net foreign exchange gain (loss)	23	(1,306)	14,232	(143,337)	129,333
Finance income	24	194,163	226,440	392,808	492,258
Finance expenses	25	(527,005)	(477,356)	(939,661)	(955,144)
Total other expense		(334,148)	(236,684)	(690,190)	(333,553)
Profit (loss) before income tax		(9,115,234)	4,013,044	(9,392,640)	5,112,690
Current income tax expense		(5,686)	(566,483)	(50,472)	(701,311)
Deferred tax income (expense)		278,503	(313,969)	477,534	(519,066)
Total income tax		272,817	(880,452)	427,062	(1,220,377)
Profit (loss) for the period		(8,842,417)	3,132,592	(8,965,578)	3,892,313
Other comprehensive income (loss):					
Items that will not be reclassified to profit (loss)					
Gains (losses) from investments in equity instruments		(194)	1,465	(1,175)	7,875
Other comprehensive income (loss) for the period		(194)	1,465	(1,175)	7,875
Total comprehensive income (loss) for the period		(8,842,611)	3,134,057	(8,966,753)	3,900,188
Earnings (Loss) per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		(54.23)	19.21	(54.98)	23.87
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

Statement of Changes in Shareholders' Equity

<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	-	-	3,892,313	3,892,313
Other comprehensive income (loss)				
Gains from investments in equity instruments	-	7,875	-	7,875
Sale of investments in equity instruments	-	8,158	(8,158)	-
Total comprehensive income (loss) for the period	-	16,033	3,884,155	3,900,188
Dividend distribution	-	-	(6,517,524)	(6,517,524)
Balance as at 30 June 2019	81,530,200	108,093	165,048,003	246,686,296

<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	-	-	(8,965,578)	(8,965,578)
Other comprehensive income (loss)				
Loss from investments in equity instruments	-	(1,175)	-	(1,175)
Total comprehensive income (loss) for the period	-	(1,175)	(8,965,578)	(8,966,753)
Dividend distribution	-	-	(4,425,459)	(4,425,459)
Balance as at 30 June 2020	81,530,200	92,784	165,448,409	247,071,393

in 000 RSD

Statement of Cash Flows⁷⁷

	Note	Six month period ended 30 June	
		2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
Cash flows from operating activities			
Profit (loss) before income tax		(9,392,640)	5,112,690
Adjustments for:			
Finance expenses	25	939,661	955,144
Finance income	24	(392,808)	(492,258)
Net unrealised foreign exchange (gain) loss		229,216	(54,838)
Depreciation, depletion and amortization		10,173,541	9,172,568
Other non-cash items		182,091	229,919
Operating cash flow before changes in working capital		1,739,061	14,923,225
Changes in working capital:			
Accounts receivables		6,633,393	(2,847,989)
Inventories		18,705,504	(974,712)
Other assets		(1,791,946)	1,031,630
Accounts payables and other current liabilities		(20,012,894)	5,295,274
Taxes payable		3,309,874	756,956
Total effect on working capital changes		6,843,931	3,261,159
Income taxes paid		(1,162,365)	(1,947,648)
Interest paid		(885,664)	(853,504)
Interest received		228,276	488,995
Net cash generated from operating activities		6,763,239	15,872,227
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries		(41)	-
Loans issued		(3,629,477)	(3,324,839)
Loan proceeds received		4,276,196	2,018,690
Capital expenditures ⁷⁸		(14,962,617)	(18,650,943)
Proceeds from sale of property, plant and equipment		139,573	124,965
Bank deposits placements, net		-	1,986,458
Other inflow		-	5,246
Net cash used in investing activities		(14,176,366)	(17,840,423)
Cash flows from financing activities			
Proceeds from borrowings	14,18	19,092,041	18,250,098
Repayment of borrowings	14,18	(19,055,485)	(20,283,331)
Repayment of lease liabilities	19	(53,288)	(56,963)
Net cash used in financing activities		(16,732)	(2,090,196)
Net decrease in cash and cash equivalents		(7,429,859)	(4,058,392)
Effect of foreign exchange on cash and cash equivalents		86,950	(1,585)
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		6,158,918	8,162,601

in 000 RSD

⁷⁷ Company's policy is to present cash flow inclusive of related VAT.

⁷⁸ CF from investing activities includes VAT in the amount of 1.5 bln RSD (2019: 1.9 bln RSD).

Notes to the Consolidated Financial Statements⁷⁹

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 an open joint stock company, listed on the prime market 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 quarter of 2020, as well as significant volatility in the commodity markets (including the decrease in oil prices) while, on the other hand, local currency RSD maintained a relatively stable against the US dollar (USD) and EURO (EUR), since March 2020, have impacted the accounting estimates used by the Company in the Condensed Interim Financial Statements preparation and bear the risk of adjustments to the carrying amounts of assets and

⁷⁹ All amounts are in 000 RSD, unless otherwise stated.

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

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

The 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 effective for annual periods beginning on or after January 2022).
- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework - Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
 - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2022);
 - Lease Incentives (Amendment to Illustrative Example 13 accompanying IFRS 16);
 - Subsidiary as a First-time Adopter - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 January 2022);
 - Taxation in Fair Value Measurements - Amendment to IAS 41 (effective for annual periods beginning on or after 1 January 2022).

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

The 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 six month period ended 30 June 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	15,217,488	79,168,131	(15,061,489)	79,324,130
Intersegment	14,746,593	314,896	(15,061,489)	-
External	470,895	78,853,235	-	79,324,130
EBITDA (Segment results)	7,893,657	(5,953,307)	-	1,940,350
Depreciation, depletion and amortization	(5,636,092)	(4,537,449)	-	(10,173,541)
Net foreign exchange loss	(32,961)	(110,376)	-	(143,337)
Finance expenses, net	(33,591)	(513,262)	-	(546,853)
Income tax	(44,786)	471,848	-	427,062
Segment profit /(loss)	2,137,834	(11,103,412)	-	(8,965,578)

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	24,693,850	104,336,850	(24,577,248)	104,453,452
Intersegment	24,006,171	571,077	(24,577,248)	-
External	687,679	103,765,773	-	104,453,452
EBITDA (Segment results)	18,374,712	(3,640,348)	-	14,734,364
Depreciation, depletion and amortization	(5,083,574)	(4,088,994)	-	(9,172,568)
Net foreign exchange gain (loss)	(1,509)	130,842	-	129,333
Finance expenses, net	(50,384)	(412,502)	-	(462,886)
Income tax	(156,248)	(1,064,129)	-	(1,220,377)
Segment profit /(loss)	12,238,317	(8,346,004)	-	3,892,313

EBITDA for the three and six month period ended 30 June 2020 and 2019 is reconciled below:

	Three month period ended		Six month period ended	
	30 June		30 June	
	2020	2019	2020	2019
Profit (loss) for the period	(8,842,417)	3,132,592	(8,965,578)	3,892,313
Income tax	(272,817)	880,452	(427,062)	1,220,377
Finance expenses	527,005	477,356	939,661	955,144
Finance income	(194,163)	(226,440)	(392,808)	(492,258)
Depreciation, depletion and amortization	5,158,731	4,598,729	10,173,541	9,172,568
Net foreign exchange loss (gain)	1,306	(14,232)	143,337	(129,333)
Other expense, net	371,554	109,550	454,656	184,993
Other non-operating income, net	18,377	(30,164)	14,603	(69,440)
EBITDA	(3,232,424)	8,927,843	1,940,350	14,734,364

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

	Six month period ended 30 June 2020		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	445,567	445,567
Sale of gas	287,992	-	287,992
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	287,992	-	287,992
Sale of petroleum products	60,009,719	14,311,720	74,321,439
<i>Through a retail network</i>	23,675,110	-	23,675,110
<i>Wholesale activities</i>	36,334,609	14,311,720	50,646,329
Sale of electricity	313,732	15,132	328,864
Lease revenue	159,748	2,195	161,943
Other sales	3,680,489	97,836	3,778,325
Total sales	64,451,680	14,872,450	79,324,130

	Six month period ended 30 June 2019		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	663,497	663,497
Sale of gas	1,264,613	-	1,264,613
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,264,613	-	1,264,613
Sale of petroleum products	82,683,106	15,659,128	98,342,234
<i>Through a retail network</i>	30,491,602	-	30,491,602
<i>Wholesale activities</i>	52,191,504	15,659,128	67,850,632
Sale of electricity	396,678	73,306	469,984
Lease revenue	197,612	-	197,612
Other sales	3,440,822	74,690	3,515,512
Total sales	87,982,831	16,470,621	104,453,452

Out of the amount of 50,646,329 RSD (2019: 67,850,632 RSD) revenue from sale of petroleum products (wholesale), the amount of 6,688,373 RSD (2019: 7,268,469 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 for 2,842,677 RSD (2019: 2,785,690 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 64,451,680 RSD (2019: 87,982,831 RSD), and the total revenue from external customer from other countries is 14,872,450 RSD (2019: 16,470,621 RSD).

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

	Six month period ended 30 June	
	2020	2019
Sale of crude oil	445,567	663,497
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	4,705,985	4,934,709
Bulgaria	3,105,687	2,900,492
Romania	1,511,755	1,470,890
Croatia	790,710	802,683
Switzerland	360,100	719,690
Hungary	414,385	658,384
Great Britain	447,001	618,466
Northern Macedonia	425,770	375,199
All other markets	2,550,327	3,178,615
	14,311,720	15,659,128
Sale of electricity	15,132	73,306
Lease revenue	2,195	-
Other sales	97,836	74,690
	14,872,450	16,470,621

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

5. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash in bank and in hand	5,625,110	9,730,151
Deposits with original maturity of less than three months	300,000	3,493,453
Cash held on escrow account	10,980	13,715
Cash equivalents	222,828	264,508
	6,158,918	13,501,827

6. SHORT-TERM FINANCIAL ASSETS

	30 June 2020	31 December 2019
Short-term loans	209,376	50,950
Current portion of long-term investments (note 12)	16,925,503	14,126,730
Less impairment loss provision	(7,748,464)	(7,731,743)
	9,386,415	6,445,937

7. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
Trade receivables	31,142,131	38,323,574
Other receivables	105,570	110,474
Less credit loss allowance for trade receivables	(9,075,178)	(9,731,488)
Less credit loss allowance for other receivables	(50,564)	(52,831)
Total trade and other receivables	22,121,959	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 June 2020	31 December 2019
RSD	18,873,369	23,143,779
EUR	3,011,716	5,213,349
USD	236,834	292,580
Other	40	21
	22,121,959	28,649,729

8. INVENTORIES

	30 June 2020	31 December 2019
Crude oil	14,484,705	29,839,954
Petroleum products	10,889,656	13,076,388
Materials and supplies	3,910,203	5,003,954
Other	747,814	842,655
Less impairment provision	(4,641,323)	(4,670,632)
	25,391,055	44,092,319

9. OTHER CURRENT ASSETS

	30 June 2020	31 December 2019
Advances paid	403,904	461,016
Deferred VAT	2,043,797	1,713,617
Prepaid expenses	404,346	259,101
Prepaid custom duties	63,463	62,071
Prepaid excise	2,837,497	1,705,199
Other current assets	7,735,556	7,780,183
Less impairment provision	(7,551,535)	(7,551,149)
	5,937,028	4,430,038

Deferred VAT as at 30 June 2020 amounting to 2,043,797 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 June 2020 amounting to 2,837,497 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 June 2019						
Additions	-	-	-	-	17,762,090	17,762,090
Changes in decommissioning obligations	58,729	-	-	-	-	58,729
Transfer from assets under construction	7,215,129	997,065	546,722	372,263	(9,131,179)	-
Transfer to non-current assets held for sale	(19,652)	(12,273)	(4)	(44,358)	-	(76,287)
Impairment	-	-	(55,762)	-	(16,405)	(72,167)
Depreciation	(5,058,011)	(2,689,754)	(840,923)	(272,170)	-	(8,860,858)
Disposals and write-off	(98,698)	(1,540)	(9,647)	(3,842)	(77,778)	(191,505)
Transfer to right of use assets	(54,331)	-	(765,074)	-	-	(819,405)
Other transfers	(29,397)	(2,426)	1,318	30,506	145,674	145,675
	115,884,550	67,165,567	22,631,221	7,975,101	52,543,950	266,200,389
As at 30 June 2019						
Cost	163,272,014	115,990,014	50,804,504	16,490,219	54,563,659	401,120,410
Depreciation and impairment	(47,387,464)	(48,824,447)	(28,173,283)	(8,515,118)	(2,019,709)	(134,920,021)
Net book value	115,884,550	67,165,567	22,631,221	7,975,101	52,543,950	266,200,389
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 June 2020						
Additions	-	-	-	-	12,803,182	12,803,182
Changes in decommissioning obligations	158,782	-	-	-	-	158,782
Transfer from assets under construction	8,338,622	2,599,400	1,449,398	122,647	(12,510,067)	-
Impairment	-	-	(3,031)	-	(18,289)	(21,320)
Depreciation	(5,586,212)	(3,040,435)	(889,398)	(289,118)	-	(9,805,163)
Disposals and write-off	(8,967)	(5,005)	(27,695)	(5,491)	(44,050)	(91,208)
Transfer to non-current assets held for sale	(45,468)	-	-	(76,235)	-	(121,703)
Other transfers	(44,005)	(272,783)	34,600	282,187	37,932	37,931
	124,762,125	66,654,772	23,588,923	7,913,755	56,285,267	279,204,842
As at 30 June 2020						
Cost	182,651,993	121,344,116	53,118,823	16,493,020	58,287,490	431,895,442
Depreciation and impairment	(57,889,868)	(54,689,344)	(29,529,900)	(8,579,265)	(2,002,223)	(152,690,600)
Net book value	124,762,125	66,654,772	23,588,923	7,913,755	56,285,267	279,204,842

Capitalized borrowing costs for the six months ended 30 June 2020 include interest expense in the amount of 70,538 RSD (30 June 2019: 81,946 RSD).

11. RIGHT-OF-USE ASSETS

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

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2019	-	-	-	-	-
Changes in opening balance	-	540,388	324,713	54,331	919,432
Additions	-	-	11,403	-	11,403
Depreciation	-	(25,745)	(34,733)	(5,513)	(65,991)
As at 30 June 2019	-	514,643	301,383	48,818	864,844

As at 1 January 2020	-	489,299	274,626	179,910	943,835
Additions	7,509	83,270	-	495,176	585,955
Depreciation	(1,251)	(26,111)	(30,385)	(54,014)	(111,761)
Disposals	-	(1,355)	-	(3,976)	(5,331)
As at 30 June 2020	6,258	545,103	244,241	617,096	1,412,698

12. LONG-TERM FINANCIAL ASSETS

	30 June 2020	31 December 2019
LT loans issued	38,985,608	39,632,071
Financial assets at FVTPL (note 20)	841,817	-
Financial assets at FVTOCI	163,147	164,322
Other LT placements	30,593	26,389
<i>Less Current portion of LT loans issued (note 6)</i>	(16,925,503)	(14,126,730)
<i>Less provision of other LT placements</i>	(2,383,285)	(2,379,393)
	20,712,377	23,316,659

13. OTHER NON-CURRENT ASSETS

	30 June 2020	31 December 2019
Advances paid for PPE	264,602	358,552
Prepaid expenses	133,099	146,711
Other assets	1,159,348	1,153,959
<i>Less allowance for Other assets</i>	(369,108)	(354,626)
<i>Less allowance for advances paid</i>	(21,363)	(21,363)
	1,166,578	1,283,233

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

	30 June 2020	31 December 2019
Short-term loans	2,087,328	1,594,072
Interest liabilities	94,851	90,923
Current portion of long-term loans (note 18)	5,875,678	5,766,536
	8,057,857	7,451,531

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

	Six month period ended 30 June	
	2020	2019
Short-term loans at 1 January	1,594,072	2,218,378
Proceeds	16,642,798	8,383,439
Repayment	(16,149,542)	(9,467,325)
Short-term loans at 30 June	2,087,328	1,134,492

15. TRADE AND OTHER PAYABLES

	30 June 2020	31 December 2019
Trade payables	15,543,203	36,940,204
Dividends payable	8,205,243	3,780,692
Other accounts payable	415,770	90,645
	24,164,216	40,811,541

As at 30 June 2020 trade payables amounting to 15,543,203 RSD (31 December 2019: 36,940,204 RSD) mainly relate to payables for crude oil in the amount of 4,542,356 RSD (31 December 2019: 19,989,597 RSD), to the most significant suppliers Petraco Oil Company LLP, London in the amount of 4,538,107 RSD (31 December 2019: 0 RSD) and Gazprom Neft, St Petersburg in the amount of 0 RSD (31 December 2019: 10,498,354 RSD).

16. OTHER CURRENT LIABILITIES

	30 June 2020	31 December 2019
Contract liabilities arising from contracts with customers:		
Advances received	1,958,221	1,699,250
Customer loyalty	701,691	635,355
Payables to employees	2,583,028	3,257,059
Other current non-financial liabilities	13,233	359,897
	5,256,173	5,951,561

As at 30 June 2020 revenue in the amount of 1,685,920 RSD (30 June 2019: 1,320,450 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2020, of which 1,365,682 RSD (30 June 2019: 1,070,359 RSD) related to advances and 320,238 RSD (30 June 2019: 250,091 RSD) to customer loyalty programme.

17. OTHER TAXES PAYABLE

	30 June 2020	31 December 2019
Mineral extraction tax	172,447	243,396
VAT	2,675,808	984,449
Excise tax	6,152,924	5,301,814
Contribution for buffer stocks	296,492	280,070
Custom duties	22,967	178,054
Energy efficiency fee	31,709	32,299
Other taxes	1,967,156	1,889,552
	11,319,503	8,909,634

18. LONG-TERM DEBT

	30 June 2020	31 December 2019
Long-term loan - Gazprom Neft	16,405,954	19,143,014
Bank loans	71,476,637	69,207,491
Less Current portion (note 14)	(5,875,678)	(5,766,536)
	82,006,913	82,583,969

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

	Six month period ended 30 June	
	2020	2019
Long-term loans at 1 January	88,350,506	92,646,847
Proceeds	2,449,243	9,866,659
Repayment	(2,905,943)	(10,816,006)
Foreign exchange difference (note 23)	(11,215)	(210,178)
Long-term loans at 30 June	87,882,591	91,487,322

Long-term loan - Gazprom Neft

As at 30 June 2020 long-term loan - Gazprom Neft amounting to 16,405,954 RSD (31 December 2019: 19,143,014 RSD), with current portion of 5,468,651 RSD (2019: 5,469,432 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

Bank loans

	30 June 2020	31 December 2019
Domestic	49,052,514	46,880,636
Foreign	22,424,123	22,326,855
	71,476,637	69,207,491
Current portion of long-term loans	(407,027)	(297,104)
	71,069,610	68,910,387

The maturity of bank loans was as follows:

	30 June 2020	31 December 2019
Between 1 and 2 years	12,546,387	10,845,263
Between 2 and 5 years	55,400,044	54,737,906
Over 5 years	3,123,179	3,327,218
	71,069,610	68,910,387

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

	30 June 2020	31 December 2019
USD	191,298	209,292
EUR	71,040,614	68,732,684
RSD	422	498
JPY	244,303	265,017
	71,476,637	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 June 2020 and 31 December 2019, respectively.

19. LEASE LIABILITIES

	30 June 2020	31 December 2019
Non-current lease liabilities	1,030,140	652,092
Current lease liabilities	321,183	159,332
	1,351,323	811,424

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

	Six month period ended 30 June	
	2020	2019
As at 1 January	811,424	644,611
Changes in opening balance	-	100,027
Repayment	(53,288)	(56,963)
Non-cash transactions	604,202	25,437
Foreign exchange difference (note 23)	(11,015)	2,206
As at 30 June	1,351,323	715,318

Amounts recognized in profit and loss:

	Six month period ended	
	2020	30 June 2019
Interest expense (included in finance cost)	15,473	11,843
Expense relating to short-term leases	193,465	219,805
Expense relating to leases of low value assets that are not shown above as short-term leases	66,079	54,056
Expense relating to variable lease payments not included in lease liabilities	550,445	574,045

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in amount of 841,817 RSD in total represents deferred consideration to PJSC Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obligation depends on occurrence of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignment agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

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

21. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended		Six month period ended	
	2020	30 June 2019	2020	30 June 2019
Employee costs	935,665	843,684	1,833,282	1,693,361
Materials and supplies (other than purchased oil, petroleum products and gas)	65,088	205,084	247,547	489,361
Repair and maintenance services	907,039	2,511,081	1,817,266	3,797,135
Electricity for resale	29,955	79,875	112,202	182,952
Electricity and utilities	605,925	481,335	1,228,426	930,833
Safety and security expense	96,040	109,332	212,143	263,671
Insurance services	97,874	75,749	159,334	137,990
Transportation services for production	431,729	413,497	933,171	827,247
Other	1,964,331	2,044,988	3,855,970	3,815,452
	5,133,646	6,764,625	10,399,341	12,138,002

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Employee costs	2,653,154	2,507,014	5,398,483	4,917,451
Commission and agency fees	799,871	71,342	1,083,838	139,761
Legal, audit and consulting services	331,219	438,726	550,720	725,183
Current repair cost	169,713	220,482	357,429	378,636
Costs on advertising and marketing	32,950	79,378	82,370	124,429
Rent expense	41,170	76,073	87,168	126,568
Business trips expense	14,222	59,909	48,155	109,545
Safety and security expense	94,570	118,270	209,311	231,413
Insurance expense	14,928	27,790	32,061	57,140
Transportation and storage	22,745	87,416	65,939	160,421
Allowance for doubtful accounts	23,466	(63,098)	(96,502)	(68,235)
Other	799,170	1,824,746	2,416,226	3,601,486
	4,997,178	5,448,048	10,235,198	10,503,798

23. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Foreign exchange gain (loss) on financing activities including:				
foreign exchange gain	860,401	253,521	1,119,313	606,010
foreign exchange loss	(906,972)	(206,478)	(1,097,083)	(398,038)
Net foreign exchange gain (loss) on operating activities	45,265	(32,811)	(165,567)	(78,639)
	(1,306)	14,232	(143,337)	129,333

24. FINANCE INCOME

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Interest on bank deposits	23,507	55,492	47,660	156,426
Interest income on loans issued	170,656	170,948	345,148	335,832
	194,163	226,440	392,808	492,258

25. FINANCE EXPENSES

	Three month period ended		Six month period ended	
	2020	30 June 2019	2020	30 June 2019
Interest expense	549,729	485,249	995,902	971,009
Decommissioning provision: unwinding of the present value discount	23,024	36,297	43,827	72,431
Financial assets: unwinding of discount	(10,087)	(1,133)	(29,530)	(6,350)
Less: interest expense capitalised on qualifying assets	(35,661)	(43,057)	(70,538)	(81,946)
	527,005	477,356	939,661	955,144

Interest expense includes expenses on lease liabilities in amount of 15,473 RSD for the six months ended 30 June 2020 (11,843 RSD for the six months ended 30 June 2019, accordingly).

26. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed 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 June 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 468,018 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 June 2020.

Capital commitments

As of 30 June 2020 the Company has entered into contracts to purchase property, plant and equipment for 2,602,699 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 Six month period ended 30 June 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 June 2020 and 31 December 2019 the outstanding balances, net of impairment, with related parties were as follows:

As at 30 June 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	9,386,415	-	-
Trade and other receivables	3,000,492	-	474,386
Other current assets	13,971	-	8,287
Right of use assets	47,737	-	219
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	20,601,583	-	-
Other non-current assets	31,670	-	-
Trade and other payables	(4,077,992)	-	(629,767)
Other current liabilities	(15,987)	-	(3,964)
Short-term debt and current portion of long-term debt	(1,338,774)	(5,468,651)	-
Current lease liabilities	(2,208)	-	(154)
Long-term debt	-	(10,937,303)	-
Non-current lease liabilities	(47,049)	-	(28)
	41,025,485	(16,405,954)	887,779

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

Six month period ended 30 June 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Petroleum products and oil and gas sales	5,800,286	-	6,820,375
Other revenues	357,634	-	10,550
Purchases of oil, gas and petroleum products	(231,572)	(20,144,958)	(510,638)
Production and manufacturing expenses	(1,752,696)	-	(156,212)
Selling, general and administrative expenses	(1,455,134)	-	(7,066)
Transportation expenses	(806)	-	-
Depreciation	(2,956)	-	-
Other income (expenses), net	(17,855)	5,233	(142)
Finance income	340,248	-	-
Finance expense	(14,031)	(163,378)	-
	3,023,118	(20,303,103)	6,156,867

Six month period ended 30 June 2019	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Petroleum products and oil and gas sales	6,564,858	-	7,530,901
Other revenues	185,502	-	33,596
Purchases of oil, gas and petroleum products	(21,864)	(22,202,884)	(1,969)
Production and manufacturing expenses	(2,619,454)	-	(195,354)
Selling, general and administrative expenses	(231,609)	-	(20,323)
Transportation expenses	(669)	-	-
Depreciation	(4,536)	-	-
Other income (expenses), net	(1,089)	13,831	(349)
Finance income	330,188	-	-
Finance expense	(27,664)	(215,592)	-
	4,173,663	(22,404,645)	7,346,502

Transactions with Key Management Personnel

For the six month period ended on 30 June 2020 and 2019 the Company recognized 456,072 RSD and 456,698 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

Consolidated Financial Statements

Consolidated Statement of Financial Position

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

in 000 RSD

Consolidated Statement of Profit and Loss and Other Comprehensive Income

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

Total comprehensive income (loss)				
attributable to:				
- Shareholders of Naftna Industrija Srbije	(9,172,946)	3,055,344	(10,173,089)	3,350,196
- Non-controlling interest	-	(3,736)	-	(7,418)
Total comprehensive income (loss) for the period	(9,172,946)	3,051,608	(10,173,089)	3,342,778
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije				
Basic earnings (RSD per share)	(56.34)	18.84	(62.85)	19.84
Weighted average number of ordinary shares in issue (in millions)	163	163	163	163

in 000 RSD

Consolidated Statement of Changes in Shareholders' Equity

<i>(unaudited)</i>	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	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	-	-	3,235,008	3,235,008	(8,053)	3,226,955
Other comprehensive income (loss)						
Gains from investments in equity instruments	-	7,875	-	7,875	-	7,875
Sale of investments in equity instruments	-	8,158	(8,158)	-	-	-
Currency translation differences	-	107,313	-	107,313	635	107,948
Total comprehensive income (loss) for the period	-	123,346	3,226,850	3,350,196	(7,418)	3,342,778
Dividend distribution	-	-	(6,517,524)	(6,517,524)	-	(6,517,524)
Balance as at 30 June 2019	81,530,200	200,476	158,225,628	239,956,304	(255,246)	239,701,058

<i>(unaudited)</i>	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	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	-	-	(10,248,571)	(10,248,571)	-	(10,248,571)
Other comprehensive income (loss)						
Loss from investments in equity instruments	-	(1,175)	-	(1,175)	-	(1,175)
Currency translation differences	-	76,657	-	76,657	-	76,657
Total comprehensive income (loss) for the period	-	75,482	(10,248,571)	(10,173,089)	-	(10,173,089)
New investments in shares	-	-	(280,589)	(280,589)	280,589	-
Dividend distribution	-	-	(4,425,459)	(4,425,459)	-	(4,425,459)
Balance as at 30 June 2020	81,530,200	347,096	158,199,270	240,076,566	19,678	240,096,244

in 000 RSD

Consolidated Statement of Cash Flows⁸⁰

	Note	Six month period ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities			
Profit (loss) before income tax		(10,627,198)	4,553,812
Adjustments for:			
Share of loss of associates and joint ventures		42,617	71,056
Finance expenses	25	988,244	991,633
Finance income	24	(63,181)	(175,413)
Net unrealised foreign exchange loss (gain), net		(20,094)	63,243
Depreciation, depletion and amortization		11,124,691	10,190,857
Other non-cash items		214,653	300,541
Operating cash flow before changes in working capital		1,659,732	15,995,729
Changes in working capital:			
Accounts receivable		6,084,214	(2,504,328)
Inventories		18,678,841	(1,048,050)
Other assets		(1,631,230)	452,653
Accounts payables and other current liabilities		(19,906,086)	5,069,740
Taxes payable		3,466,068	672,401
Total effect on working capital changes		6,691,807	2,642,416
Income taxes paid		(1,274,858)	(2,131,049)
Interest paid		(872,237)	(826,675)
Interest received		62,809	294,562
		(2,084,286)	(2,663,162)
Net cash generated from operating activities		6,267,253	15,974,983
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries	20	(41)	-
Loan proceeds received		-	23,596
Capital expenditures ⁸¹		(16,224,011)	(20,446,998)
Proceeds from sale of property, plant and equipment		183,011	103,913
Bank deposits repayment, net		1,598,297	598,196
Other outflow		(17,641)	(18,591)
Net cash used in investing activities		(14,460,385)	(19,739,884)
Cash flows from financing activities			
Proceeds from borrowings	14,18	13,949,244	9,866,658
Repayment of borrowings	14,18	(13,655,944)	(10,816,006)
Repayment of lease liabilities	19	(179,728)	(166,279)
Net cash generated from (used in) financing activities		113,572	(1,115,627)
Net decrease in cash and cash equivalents		(8,079,560)	(4,880,528)
Effect of foreign exchange on cash and cash equivalents		82,371	(6,070)
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		7,298,621	10,594,232

in 000 RSD

⁸⁰ Group policy is to present cash flow inclusive of related VAT.⁸¹ CF from investing activities includes VAT in the amount of 1,7 bln RSD (2019: 2,1 bln RSD).

Notes to the Consolidated Financial Statements⁸²

1. GENERAL INFORMATION

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

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

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

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

The Company is an open joint stock company, listed on the prime market on the Belgrade Stock Exchange.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

However, the spread of the coronavirus pandemic (COVID-19) and the preventive measures which led to decrease in the economic activity of market participants in the first and continued during the second quarter of 2020, as well as significant volatility in the commodity markets (including the decrease in oil prices) while, on

⁸² All amounts are in 000 RSD, unless otherwise stated.

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

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

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

2.2. Changes in significant accounting policies

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

3. NEW ACCOUNTING STANDARDS

Application of new IFRS

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

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business – Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Materiality – Amendments to IAS 1 and IAS 8 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and effective for annual periods beginning on or after January 2020).

New accounting standards

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

- COVID-19-Related Rent Concessions - Amendments to IFRS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 June 2020);
- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and effective for annual periods beginning on or after January 2022).
- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework - Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
 - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2022);
 - Lease Incentives (Amendment to Illustrative Example 13 accompanying IFRS 16);
 - Subsidiary as a First-time Adopter - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 January 2022);
 - Taxation in Fair Value Measurements - Amendment to IAS 41 (effective for annual periods beginning on or after 1 January 2022).

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 six month periods ended 30 June 2020 and 2019. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

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

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

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

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

EBITDA for the three and six month period ended 30 June 2020 and 2019 is reconciled below:

	Three month period ended 30 June		Six month period ended 30 June	
	2020	2019	2020	2019
Profit (loss) for the period	(9,186,771)	3,068,828	(10,248,571)	3,226,955
Income tax expenses (income)	(262,006)	936,315	(378,627)	1,326,857
Finance expenses	551,869	497,233	988,244	991,633
Finance income	(26,727)	(67,607)	(63,181)	(175,413)
Depreciation, depletion and amortization	5,634,657	5,095,881	11,124,691	10,190,853
Share of loss (gain) of associates and joint ventures	(13,121)	51,850	42,617	71,056
Net foreign exchange (gain) loss	62,965	(98,355)	381,729	106,005
Other expense, net	322,531	182,637	398,611	250,293
Other non-operating expense (income), net	59,661	(55,182)	69,262	(87,060)
EBITDA	(2,856,942)	9,611,600	2,314,775	15,901,179

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

	Six month period ended 30 June 2020		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	445,567	445,567
Sale of gas	276,144	-	276,144
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	276,144	-	276,144
Sale of petroleum products	59,696,877	20,021,968	79,718,845
<i>Through a retail network</i>	23,675,110	5,424,510	29,099,620
<i>Wholesale activities</i>	36,021,767	14,597,458	50,619,225
Sale of electricity	313,732	95,409	409,141
Lease revenue	149,562	2,815	152,377
Other sales	3,665,467	1,275,853	4,941,320
Total sales	64,101,782	21,841,612	85,943,394

	Six month period ended 30 June 2019		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	663,496	663,496
Sale of gas	1,251,721	-	1,251,721
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,251,721	-	1,251,721
Sale of petroleum products	82,485,099	27,341,612	109,826,711
<i>Through a retail network</i>	30,491,602	8,166,556	38,658,158
<i>Wholesale activities</i>	51,993,497	19,175,056	71,168,553
Sale of electricity	396,677	68,802	465,479
Lease revenue	187,056	3,815	190,871
Other sales	3,426,342	1,622,955	5,049,297
Total sales	87,746,895	29,700,680	117,447,575

Out of the amount of 50,619,225 RSD (2019: 71,168,553 RSD) revenue from sale of petroleum products (wholesale), the amount of 6,688,373 RSD (2019: 7,268,496 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 3,882,312 RSD (2019: 4,051,352 RSD).

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

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 64,101,782 RSD (2019: 87,746,895 RSD), and the total revenue from external customer from other countries is 21,841,612 RSD (2019: 29,700,680 RSD).

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

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

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

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

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

5. CASH AND CASH EQUIVALENTS

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

6. SHORT-TERM FINANCIAL ASSETS

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

As at 30 June 2020 deposits with original maturity more than 3 months less than 1 year amounting to 168,115 RSD (31 December 2019: 1,766,564 RSD) relates to bank deposits placements with interest rates to 0.30% to 2.80% monthly denominated in RSD and EUR (2019: 0.02% monthly to 3.5% p.a. denominated in RSD and EUR).

7. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
Trade receivables	29,215,790	35,392,271
Other receivables	99,882	556,593
Accrued assets	36,736	41,567
<i>Less credit loss allowance for trade receivables</i>	(8,981,921)	(9,639,286)
<i>Less credit loss allowance for other receivables</i>	(50,564)	(52,831)
Total trade and other receivables	20,319,923	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 June 2020	31 December 2019
RSD	18,477,674	23,304,560
EUR	512,239	1,111,884
USD	236,834	292,580
Other	1,093,176	1,589,290
	20,319,923	26,298,314

8. INVENTORIES

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

9. OTHER CURRENT ASSETS

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

Deferred VAT as at 30 June 2020 amounting to 2,286,719 RSD (31 December 2019: 1,929,283 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 June 2020 amounting to 2,896,028 RSD (31 December 2019: 1,771,927 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

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

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

11. RIGHT-OF-USE ASSETS

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

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

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

		Ownership percentage	30 June 2020	31 December 2019
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	931,592	946,208
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	876,892	904,893
HIP Petrohemija a.d. Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
Total investments			1,808,484	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 by the 30th August 2020. Analysis of the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the conditions were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds, directly more than 20,86% per cent of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory board.

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

	NIS MET Energowind	Gazprom Energoholding Serbia
30 June 2020		
Current assets	66,067	302,490
Non-current assets	3,156,679	14,132,254
Current liabilities	(944,299)	(42,111)
Non-current liabilities	-	(12,631,558)
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 June 2020		
Other income	1,783	6,153
Loss for the year	(29,232)	(57,144)
30 June 2019		
Other income	137	14,062
Loss for the year	(10,838)	(133,954)

13. OTHER NON-CURRENT ASSETS

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

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

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

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

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

15. TRADE AND OTHER PAYABLES

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

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

16. OTHER CURRENT LIABILITIES

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

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

17. OTHER TAXES PAYABLE

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

18. LONG-TERM DEBT

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

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

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

(a) Long-term loan - Gazprom Neft

As at 30 June 2020 long-term loan - Gazprom Neft amounting to 16,405,954 RSD (2019: 19,143,014 RSD), with current portion of 5,468,651 RSD (2019: 5,469,432 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

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

The maturity of bank loans was as follows:

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

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

	30 June 2020	31 December 2019
USD	191,298	209,292
EUR	71,040,614	69,426,390
RSD	422	499
JPY	244,303	265,017
	71,476,637	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 June 2020 and 31 December 2019, respectively.

19. LEASE LIABILITIES

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

Amounts recognized in profit and loss:

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

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

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

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities in the amount of 841,817 RSD in total represents deferred consideration to PJSC Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obligation depends on occurrence of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignment agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

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

21. PRODUCTION AND MANUFACTURING EXPENSES

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

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

23. NET FOREIGN EXCHANGE GAIN (LOSS)

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

24. FINANCE INCOME

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

25. FINANCE EXPENSES

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

Interest expense includes expenses on lease liabilities in the amount of 41,643 RSD for the six months ended 30 June 2020 (35,658 RSD for the six months ended 30 June 2019 accordingly).

26. FAIR VALUE MEASUREMENT

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

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

27. CONTINGENCIES AND COMMITMENTS

Taxes

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

Economic environment in the Republic of Serbia

The Group operates primarily in the Republic of Serbia and is therefore exposed to risks related to the state of the economy and financial markets of the Republic of Serbia. Before the pandemic crisis, the country's credit rating was at BB+ level with 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 488,290 RSD (31 December 2019: 509,129 RSD).

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

Capital commitments

As of 30 June 2020 the Group has entered into contracts to purchase property, plant and equipment 2,597,476 RSD (31 December 2019: 2,809,071 RSD) and drilling and exploration works estimated to 55.85 USD million (31 December 2019: 56.89 USD million).

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

28. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

Transactions with Key Management Personnel

For the six month period ended on 30 June 2020 and 2019 the Group recognized 456,072 RSD and 465,698 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

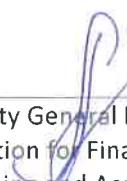
Other information

As at 27 February 2020, the process of voluntary liquidation of the subsidiary Pannon Naftagas KFT Hungary started. No significant impact is expected on Group Consolidated Financial statements.

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



Deputy General Director,
Head of Function for Finance, Economics,
Planning and Accounting
NIS j.s.c. Novi Sad



Branko Mitrović



Head of Accounting and Financial
Services
Multifunctional Shared Service Center
NIS j.s.c. Novi Sad

Contacts

NIS j.s.c. Novi Sad

E-mail: office@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia
(+381 21) 481 1111

1, Milentija Popovića St.
11000 Belgrade, Serbia
(+381 11) 311 3311

Investor Relations Services

E-mail: Investor.Relations@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia

Sector for Minority Shareholders Affairs

E-mail: servis.akcionara@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia
Info Service: (+381 11) 22 000 55

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.