



NIS

GAZPROM NEFT

**Quarterly
Report**
for first quarter
of 2014

The Quarterly Report of NIS j.s.c. Novi Sad for first quarter of 2014 represents a credible review of NIS Group's development and performance in first quarter of 2014. The report includes and discloses information about NIS Group, which is consisted of NIS j.s.c. Novi Sad and its subsidiaries. If information in this report refers to specific subsidiar(y)ies or just NIS j.s.c. Novi Sad itself that is particularly indicated in the report. The terms "NIS j.s.c. Novi Sad" and "The Company" are used to designate parent company NIS j.s.c. Novi Sad, while the terms "NIS", "NIS Group" and "the Group" refer to the NIS j.s.c. Novi Sad with its subsidiaries. Report, in compliance with the Law on Capital Market, comprises of three chapters: business report, stand-alone and consolidated financial statements, as well as the statement of persons responsible for preparation of the report

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FOREWORD

The results we achieved in the first three months in 2014 follow the same trend as the business operations at the end of last year. Economic crisis in the Balkans has not abated, negatively affecting the citizens' standard of living, as well as their purchasing power. Petroleum product market has declined in almost all neighbouring countries, including the markets where NIS conducts its operations. It goes without saying that the company could not resist the challenges in its environment. Our business result was achieved primarily owing to the improvement of internal efficiency and further introduction of new technologies in all business processes. Admittedly, a stable dinar exchange rate against the euro and the dollar, as well as the relatively stable crude oil prices in the global market has also contributed to the Company's good results.

With RSD 24,15 billion of accrued tax liabilities and other duties, NIS has remained the biggest taxpayer in Serbia this year as well.

Net profit at the end of the first quarter this year was RSD 8.6 billion, which represents 19% year-over-year growth. EBITDA was RSD 15.5 billion, which is 31% up year-over-year. Sales revenues also increased by 14%, i.e. from RSD 49.5 billion in the first quarter in 2013 to RSD 56.6 billion at the end of March 2014. Investments in the first three months amounted to RSD 9.6 billion, with the largest share invested in our main business activity - exploration and production, increase of the resource base, refining and domestic and foreign sales development. In the same period - first three months this year, total bank indebtedness was USD 593 million. The Group's operative cash flow was RSD 2.2 billion.

In the first three months this year, domestic oil and gas production volume remained at the level similar to the one in the same period last year, amounting to 406 thousand of tons of oil equivalent. Crude oil and semi-finished product refining volume increased by almost a quarter to 724 thousand tons. Moreover, the result achieved by the Refining Block was among the best ones in all production units. Pančevo Refinery is one of the most modern units in South-East Europe. According to the Solomon technological efficiency index, we have joined the first third of the refineries with the best results. More than EUR 540 million invested in modernization of the unit in Pančevo and domestic and foreign retail network development have enabled the recovery of the sector which is slowly taking over the leading role from the exploration and production sector in terms of profit as a resource for further capital investments.

We have also recorded sales growth in all areas, both in the country and abroad, and in retail as well as in wholesale. Total petroleum product sales volume in the first three months this year was 643 thousand tons, which is a 14% year-on-year increase. We have achieved a very good result in foreign sales, thus retaining the second position among the largest exporters in Serbia for the second successive year. Petroleum product sales volume in the domestic market has increased by 11% to 512 thousand tons. In retail, we have achieved a modest growth of 2%, from 122 thousand tons to 124 thousand tons, while the sales volume of the white, highest-quality petroleum products which have the best price in the market have grown by 13%, from 396 thousand tons to 448 thousand tons.

It is our intention that by the end of this year, we continue the trend of increasing operational efficiency in all parts of the Group and all-round business. We plan to implement a series of long-term projects through the continued introduction of new technologies, especially in the field of exploration and production and development of retail network. This will also be the main strategy to compete with other competitors in the Balkans.

BUSINESS REPORT

KEY EVENTS

2014

January	February	March
<ul style="list-style-type: none"> ↪ Chain of NIS' petrol stations won first place according the votes of Serbian consumers in the survey for "Best Buy" Award, conducted by the Swiss organization ICERTIAS (International Certification Association) ↪ NIS won Virtus Award for Corporate Philanthropy - main VIRTUS award for contribution at national level. ↪ Kirill Kravchenko, CEO of NIS, Serbia's most powerful foreigner according to traditional survey of the daily newspaper "Blic" ↪ First "cash pooling" system successfully started operating in Serbia. The system includes NIS j.s.c. Novi Sad and its subsidiaries in Serbia¹. The system provides better management of Group's funds (lower borrowing rates, higher return on invested funds) ↪ Liquidation of the subsidiary SP Ranis, Moscow region. 	<ul style="list-style-type: none"> ↪ 2013 business results announced ↪ NIS was the general sponsor of FEST ↪ Introduction of a new drilling method, applying the principle of "dry locations" 	<ul style="list-style-type: none"> ↪ Cooperation agreement signed with local communities and a public competition announced for the best projects of the associations of citizens in the 11 municipalities in which NIS conducts its business operations ↪ NIS participated at the Car Fair and awarded for the best fair presentation ↪ A GAZPROM petrol station opened in Arad as the 15th petrol station in Romania managed by NIS ↪ NIS opened a modernized petrol station in Sremska Mitrovica

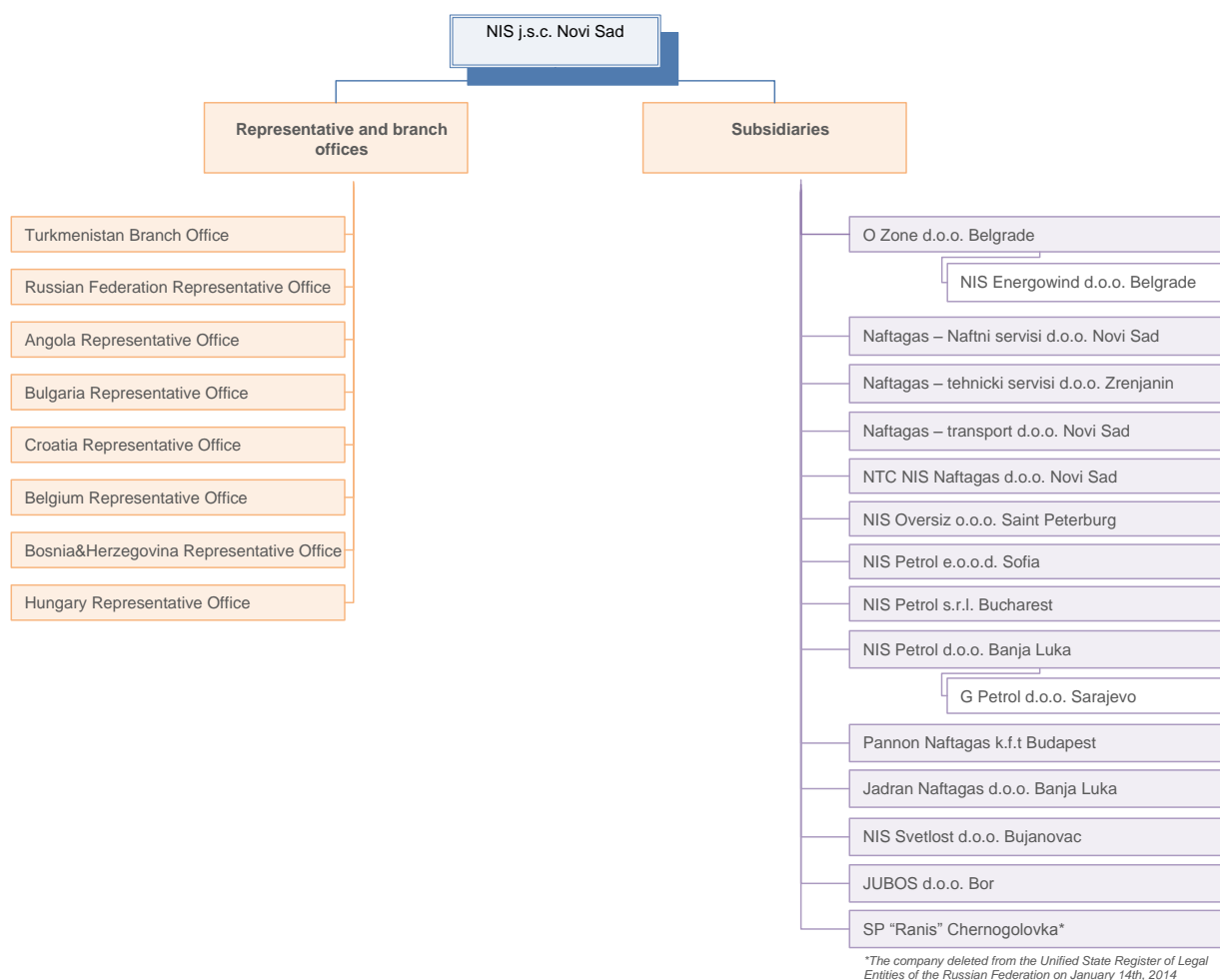
¹ "NTC NIS Naftagas" d.o.o. Novi Sad, "Naftagas – Naftni servisi" d.o.o. Novi Sad, "Naftagas – Tehnički servisi" d.o.o. Zrenjanin and "Naftagas – Transport" d.o.o. Novi Sad

NIS GROUP PROFILE

NIS Group is one of the largest vertically integrated energy systems in South-East Europe. It engages in the exploration, production, refining and sales and distribution of crude oil and natural gas, petroleum products and natural gas products. The Group's headquarters and its basic production capacities are located in the Republic of Serbia which is the centre of trade and investments in the Balkans owing to its geographic position.

In accordance with the long-term development strategy envisaging the expansion of business activities outside Serbian borders, the parent company within NIS Group started the activities in that respect in 2011. Subsidiary companies were established in Bosnia and Herzegovina, Bulgaria, Hungary and Romania, and a representative office was established in Brussels as a support to the European integrations of Serbia. NIS representative offices operate in Russia, Angola, Bulgaria, Hungary, Bosnia and Herzegovina and Croatia.

NIS GROUP STRUCTURE²



² Representative office of NIS j.s.c. Novi Sad in Bucharest, Romania was founded on April 15th 2014

GENERAL INFORMATION ON NIS J.S.C. NOVI SAD

Business name:	NIS j.s.c. Novi Sad
Company ID No.:	20084693
Address:	Novi Sad, 12 Narodnog fronta St.
Tax identification number:	104052135
Web site:	www.nis.eu
e-mail address:	office@nis.eu
Business activity:	0610 - crude oil exploitation
Number and date of registration within SBRA:	BD 92142, 29.09.2005
Total capital as of March 31 st , 2014	177,521,980,000 RSD
Share capital as at 31.12.2013.	81,530,200,000 RSD
Headcount as at 31.12.2013.	4,357 ³
Auditing Company to have audited the last financial statement (of 31.12.2013.):	PricewaterhouseCoopers d.o.o. 88a Omladinskih brigada St., Novi Beograd
Organized market for trading with issuers' shares	Beogradska berza a.d. Belgrade 1 Omladinskih brigada St. 11070 Novi Beograd

DATA ON SUBSIDIARIES

Subsidiary's name	% of interest in the capital of the subsidiary held by the parent company
"O Zone" a.d., Belgrade	100.00%
"Naftagas – Naftni servisi" d.o.o., Novi Sad	100.00%
"Naftagas – Tehnicki servisi" d.o.o., Zrenjanin	100.00%
"NTC NIS – Naftagas" d.o.o., Novi Sad	100.00%
"Naftagas – Transport" d.o.o., Novi Sad	100.00%
OOO "NIS Oversiz", Sankt Petersburg, Russian Federation	100.00%
"NIS Petrol" e.o.o.d., Sofia, Bulgaria	100.00%
„NIS Petrol“ s.r.l. Bucharest, Romania	100.00%
„NIS Petrol“ d.o.o. Banja Luka, Bosnia and Herzegovina	100.00%
„Pannon Naftagas“ Kft, Budapest, Hungary	100.00%
"Jadran Naftagas" d.o.o. Banja Luka, Bosnia and Herzegovina	66.00%
"NIS Svetlost" Bujanovac	51.32%
"JUBOS" d.o.o. Bor	51.00%
OOO "SP Ranis", Chernogolovka, Russian Federation ⁴	51.00%

NIS j.s.c. Novi Sad has ownership stakes of less than 51% in subsidiaries other than stated, but due to the fact that these stakes are not materially relevant they are not included in the consolidated financial statements.

In accordance with International Financial Reporting Standards (IFRS) in the consolidated financial statements include data for the company G-Petrol d.o.o. Sarajevo, Bosnia and Herzegovina, whose parent company is NIS Petrol d.o.o. Banja Luka, Bosnia and Herzegovina with 100% participation in the capital.

"O Zone" a.d., Belgrade as member of NIS Group owns 50% of interest in a joint venture, Energowind d.o.o. which is intended to be used as a vehicle for operation of future wind farm "Plandiste". The control over Energowind is divided equally between NIS Group and Asportia Limited, Cyprus, and in consolidated financial statements it is represented as joint-venture

³ Without staff engaged through leasing companies and employees in subsidiaries and representative offices

⁴ The company is deleted from the Unified State Register of Legal Entities of the Russian Federation as of January 14th 2014

NIS GROUP ACTIVITY

The business activities of NIS Group are organized within the parent company NIS j.s.c. Novi Sad as: five blocks

- “Exploration and Production” Block
- “Services” Block
- “Refining” Block
- “Sales and Distribution” Block
- “Energy” Block

partially decentralized functions

- Function for Strategy and Investments
- Function for Finance, Economics, Planning and Accounting
- Function for Material-Technical and Service Support and Capital Construction
- Function for Organizational Affairs
- Function for HSE

and centralized functions

- Function for Legal and Corporate Affairs
- Function for Corporate Security
- Function for External Connections and Government Relations
- Function for Internal Audit
- Function for Public Relations and Communications

“Exploration and Production” Block conducts the activities in the area of exploration and production of oil and gas, including exploration, production, infrastructure and operational support to production, oil and gas reserves management, oil and gas reservoirs development management, major projects in the area of exploration and production.

“Services” Block provide main support to exploration and production in all processes of oil and gas exploration and production, from geophysical services, drilling and well workover, transportation of resources and crews, equipment maintenance, and construction and maintenance of oil and gas systems and facilities.

“Refining” Block engages in production of petroleum products (euro standard of quality). NIS produces a wide range of petroleum products: motor fuel, raw materials for petrochemical industry, motor oils and other petroleum products. The maximum capacity of refining facilities of both refineries (in Pančevo and Novi Sad) amounts to over 5⁵ million tons of crude oil on the annual basis.

“Sales and Distribution” Block includes foreign and domestic trade, wholesale trade, retail trade of petroleum products and related goods.

“Energy” Block engages in the production of electricity and thermal energy from traditional and renewable energy sources, trading of gas, electricity trade, development and implementation of energy projects of strategic importance, development and implementation of projects for energy efficiency improvement.

PRODUCTS AND SERVICES

1. Fuels for internal combustion engines
2. Liquid Petroleum Gas
3. Aviation gasoline
4. Jet fuels
5. Oil and lubricants
6. Heating oils
7. Bitumen
8. Raffinates and distillates
9. Petrochemical products (primary gasoline, propylene)
10. Other products (kerosene, benzene, toluene, liquid sulphur, special gasoline)

⁵ Capacity of RNP is 4.8 million tons per year, while capacity of RNS is 0.5 million tons per year

COMPANY MANAGEMENT SYSTEM

In accordance with the provisions of the Company Law, a new Statute of NIS j.s.c. was adopted at the 4th Regular Session of the Shareholders' Assembly held on 25 June 2012, in order to ensure the compliance with statutory requirements. In accordance with the new Statute, NIS j.s.c. Novi Sad has been organized as one-tier Management Company with:

- The Shareholders' Assembly;
- Board of Directors and
- Chief Executive Officer.

The Company also has:

- The Shareholders' Assembly Board for Monitoring Business Operations and Reporting to Company Shareholders (Shareholders' Assembly Board) and
- The CEO Advisory Board.

SHAREHOLDERS' ASSEMBLY

The Shareholders' Assembly is the body exercising the highest competence in NIS j.s.c. Novi Sad, through which shareholders adopt and approve basic corporate decisions.

BOARD OF DIRECTORS

The Board of Directors plays a central role in the corporate governance system and is collectively responsible for the long-term success of the Company. The Board of Directors sets basic business goals and directions of further development of the Company, as well as controls the efficiency of implementation of the corporate business strategy.

The Board of Directors consists of eleven members appointed by the Shareholders' Assembly. Elected members appoint Chairman of the Board of Directors, and the position of Chairman of the Board of Directors and Chief Executive Officer are separated. Members of the Board of Directors have the required knowledge and experiences relevant to the type and scope of activities performed by NIS j.s.c. Novi Sad.

MEMBERS OF BOARD OF DIRECTORS AS OF MARCH 31ST 2014



Vadim Vladisavovich Yakovlev,
Chairman of the Board of Directors of NIS j.s.c. Novi Sad
Deputy Chairman of the Executive Board of „Gazprom Neft” j.s.c.
First CEO Deputy, in charge of exploration and production, strategic planning and mergers and acquisitions

He was born on September 30th, 1970.

He graduated from Moscow Engineering Physics Institute (in applied nuclear physics) in 1993. From High School of Finance at the International University in Moscow he graduated in 1995. As of 1999, he qualified as a member of the ACCA (Chartered Association of Certified Accountants). In 2009, he gained a diploma of the British Institute of Directors (ID). From 1995 to 2000 he worked with PricewaterhouseCoopers, starting his career as a consultant and being promoted to audit manager in 2000. From 2001 – 2002 he worked as Deputy Head of Financial and Economics Department, CJSC YUKOS EP. From 2003 to 2004 he was Financial Director in JSC Yugansk Neftegaz (NK Yukos). From 2005 – 2006 he was Deputy General Director, LLC SIBUR-Russian Tyres.



Kirill Albertovich Kravchenko
CEO of NIS j.s.c. Novi Sad
Member of Nomination Committee
Deputy CEO for Overseas Asset Management of “Gazprom Neft” j.s.c.

He was born on May 13th, 1976 in Moscow.

He graduated in sociology from Moscow State University “M.V. Lomonosov” with the highest grades in 1998. In 2001 he received post-graduate education at the same university. From 2002 to 2003 he studied at the Open British University (financial management), and from 2003 to 2004 at IMD Business School. He holds a PhD in Economic Science, professor. Mr Kravchenko worked in consulting until 2000, and from 2000 to 2004 he worked in YUKOS Company on various positions in Moscow and Western Siberia. From 2001 to 2002, Mr Kravchenko was employed with Schlumberger (under partnership program with NK Yukos) in Europe and Latin America. In the period 2004-2007 he

performed the function of an administrative director at JSC MHK Eurohim. Mr Kravchenko was elected member to the Board of Directors several times in major Russian and international companies like "Slavneft", "Tomskneft", "Lifosa", "M Alliance", "ITSK", etc... In April 2007, he was appointed Vice-Chairman, "Gazprom Neft" j.s.c., and in January 2008 – Deputy Chairman of Management Board of "Gazprom Neft" j.s.c., Deputy General Manager for Organization. In February 2009 Kirill Kravchenko was appointed CEO of the Serbian petroleum company NIS j.s.c. Novi Sad controlled by "Gazprom Neft" j.s.c. and member of the NIS j.s.c. Novi Sad Board of Directors. As of March 2009, he performs the function of Deputy General Director for Overseas Assets Management in "Gazprom Neft" j.s.c.. He is professor in the department "International Institute of Logistics and International Informatics" of Russian Chemical Technology (RHTU) University "D. I. Mendeleev". He is professor at the University of Mining and Geology of oil and gas "I. M. Gubkin", and a professor at the University of Novi Sad. He is an associate professor in the School of International Businesses in Bled, Slovenia.



Alexander Arturovich Bobkov
Member of the Board of Directors of NIS j.s.c. Novi Sad
Advisor of CEO of „Gazprom Neft” j.s.c.

Born on October 18th 1966 in the city of Vinnica.

He graduated in the field of politic economy in 1988 from the "Zhdanov" Leningrad State University. On 17.06.2001 he obtained PhD degree in Economy and on 16.06.2006 he obtained MBA degree in Economy. From 1991 to 2010 he worked at managing positions in the following fields: civil engineering, production, real estate and sales with the Leningrad Centre of Business Co-operation "Perekryostok", "Proxima" j.s.c., "General Civil Engineering Corporation" Ltd.

From 2010 to the present he is working as Executive director of Public Business Centre "Okhta" c.j.s.c. and from 2012 to the present he is an Advisor to CEO of "Gazprom Neft" j.s.c.



Alexey Victorovich Yankevich
Member of the Board of Directors of NIS j.s.c. Novi Sad
Deputy CEO for Economics and Finance „Gazprom Neft” j.s.c.

Born on December 19th 1973. In 1997 he 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. From 1998 to 2001 he worked at CARANA, a consulting company. From 2001 to 2005 he has performed the function of Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM (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 has performed the function of Head of Budgeting and Planning Department, Head of Economics and Corporate Planning Directorate at "Gazprom Neft" j.s.c.. Since August 2011 he is acting Deputy CEO for Economics and Finance at "Gazprom Neft" j.s.c.. Since March 2012 he is a member of the Management Board of "Gazprom Neft" j.s.c. and Deputy CEO for Economics and Finance.



Alexander Vladimirovich Krilov
Member of the Board of Directors of NIS j.s.c. Novi Sad
Director of Division for regional sales in „Gazprom Neft” j.s.c.

Born on March 17th 1971. in Leningrad.

In 1992 he graduated from LMU (Saint Petersburg), in 2004 graduated from SpbGU Faculty of Law, and in 2007 Moscow International Business School „MIRBIS" MBA, specializing in: Strategic management and entrepreneurship. From 1994 to 2005 he performed management functions in the area 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 LLC "Sibur". Since April 2007 until present he performs the function of a manager in the Department for the supply of petroleum products, Head of Department for regional sales and Director of Division for regional sales in „Gazprom Neft" j.s.c. .



Nikola Martinović
Member of the Board of Directors of NIS j.s.c. Novi Sad
Chairman of Nomination Committee

Born on December 3rd 1947.

He completed primary education in Feketić, and secondary in Srbobran. Graduated from Faculty of Economics in Subotica, where he also defended his Master Thesis titled "Transformation of Tax System in Serbia by implementing VAT". From 1985 to 1990 he performed the function of the CEO of "Solid" company from Subotica, and from 1990 to 1992 he performed the function of Assistant Minister of Internal Affairs of the Republic of Serbia. From 1992 to 2000 he performed the function of Assistant CEO of the Serbian Petroleum Industry in charge of financial affairs, and as CEO of "Naftagas promet" from 1996 to 2000. As of 2005, until 31 August 2013 Mr Martinović performs the function of a special advisor in NIS j.s.c. Novi Sad. From 1 September until 15 December 2013 he performed a function of

special advisor of CEO of O Zone j.s.c. Belgrade, and from 15 December 2013 he performs a function of an advisor of CEO of NTC NIS Naftagas Ltd. Novi Sad He was a member of NIS j.s.c. Novi Sad BoD from 2004 to 2008 and re-appointed to the function in February 2009. He currently performs the function of a member of the NBS Governor Council.



Nenad Mijailović
Member of the Board of Directors of NIS j.s.c. Novi Sad
Member of Audit Committee

Born on October 14th 1980 in Čačak.

In 2003 graduated from the Faculty of Economy, University of Belgrade, in 2007 obtained MBA degree from the University of Lausanne, Switzerland. In 2010 started doctorate studies at the Faculty of Economy, University of Belgrade. As from 2011, he holds an international CFA license in the field of Finance. From 2003 to 2009 he worked as consultant and manager in the field of finance and banking in the following companies: Deloitte, Belgrade, AVS Fund de Compensation, Geneva, JP Morgan, London, KBC Securities Corporate Finance, Belgrade. From December 2009 to August 2012 he worked at the position of Minister Consultant in the Ministry of Economy and Regional Development, Department of Economy and Privatization. Since August 2012 to the present is working at the position of Deputy Minister of Finance and Economy of Republic of Serbia.



Negica Rajakov
Member of the Board of Directors of NIS j.s.c. Novi Sad
Member of Remuneration Committee

Born on February 4th, 1969 in Pančevo.

She graduated from Faculty for electrical engineering of Belgrade University in 1994 (master of electrical engineering)

She started the career as teaching assistant at the Department of Electrical Machinery at the Faculty of Electrical Engineering in Belgrade. Her professional work started in 1996 on the post of Electrical Engineer –trainee in JP Elektrovojvodina, ED Pančevo.

From 1997 to the present day she works in HIP Petrohemija a.d. Pančevo on the following posts: Engineer for Technical Safety, Chief Engineer of Technical Safety, Manager of Occupational Safety Department in OU Safety, Department Manager in OU Kibernetika, Director and Deputy Director of OU Electricity Supply.

Since 2010 until March 28th 2014 she was Assistant Director of OU Elektrosnabdevanje HIP-Petrohemija, a.d. Pančevo.

Since 2011 she is a Court expert in the field of Electrical Engineering.



Wolfgang Ruttenstorfer
Independent Member of the Board of Directors of NIS j.s.c. Novi Sad
Chairman of Audit Committee

Born on October 15th 1950 in Vienna, Austria.

His career started in the Austrian company OMV in 1976. In 1985 he was transferred to the Planning and Control Department and in 1989 he assumed the responsibility for the strategic development of OMV Group. Since he was appointed Marketing Manager in 1990, he assumed the function of a member of the Executive Board in 1992 in charge of finance and chemical products.

He was a member in OMV EB by early 1997, when he assumed the function of Deputy Minister of Finance. On 1 January 2000 he was re-appointed to the function of a member to OMV EB in charge of finance, which function he performed by April 2002. He was in charge of gas affairs by December 2006. During the period from 1.1.2002. to 31.3.2011. he performed the function of Chairman of the Executive Board of OMV Group.



Anatoly Moyseyevich Cherner
Member of Board of Directors of NIS j.s.c. Novi Sad
Member of Remuneration Committee

Deputy Chairman of the Executive Board, Deputy CEO for logistics, refining and sales in j.s.c. "Gazprom Neft"

Born in 1954.

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" j.s.c.) as Vice-Chairman for refining and marketing in April 2006.



Stanislav Vladimirovich Shekshnia
Independent Member of the Board of Directors of NIS j.s.c. Novi Sad
Chairman of Remuneration Committee
Member of Nomination Committee
Professor at the International Business School INSEAD

He was born on May 29th, 1964. He is French citizen.

Chief of practice in the Talent Performance and Leadership Development Consulting department. Director of Talent Equity Institute. Senior partner in the company Ward Howell. Professor teaching the course "Entrepreneur Leadership" at the International Business School INSEAD. He has more than 10 years of practical experience in management. He performed the following functions: CEO of Alfa Telecom, chairman and CEO of Millicom International Cellular, Russia and ZND, Chief Operational Director of Vimpelkom, Director of Personnel Management in OTIS Elevator, Central and East Europe. He has been a member of LLC SUEK and c.j.s.c. Vimpelkom-R Boards of Directors.

MEMBERSHIP IN THE BOARD OF DIRECTORS OR SUPERVISORY BOARDS OF OTHER COMPANIES

Vadim Vladislavovich Yakovlev	<ul style="list-style-type: none"> • JSC NGK "Slavneft" • JSC "SN-MNG" • LTD "Gazprom Neft Development" • JSC "Gazprom Neft-NNG" • LTD "Gazprom Neft-East" • LTD "Gazprom Neft-Hantos" • LTD "Gazprom Neft-NTC" • LTD "Gazprom Neft-Angara" • FLLC "NK Magma" • FLLC "Gazprom Neft-Orenburg" • LTD "Gazprom Neft-Sahalin" • Salim Petroleum Development N.V. (Supervisory Board member)
Kirill Albertovich Kravchenko	<ul style="list-style-type: none"> • Member of FC Red Star Club Council • Vice-Chairman of the National Oil Committee of the Republic of Serbia • Serbian Tennis Federation BoD Member • SAM BoD Member – Serbian Association of Managers
Alexandar Arturovich Bobkov	<ul style="list-style-type: none"> • LLC "Social Business Centre Okhta"
Alexey Viktorovich Yankevich	<ul style="list-style-type: none"> • JSC "NGK Slavneft" • LLC "Gazprom Neft – Aero" • LTD "Gazprom Neft – SM" • LTD "Gazprom Neft Biznis-Servis" • "Gazprom Neft Lubricants" Italy • LTD "Gazprom Neft Marin Bunker" • FLLC "Gazprom Neft – Orenburg"
Alexander Vladimirovich Krilov	<ul style="list-style-type: none"> • FLLC "Gazprom Neft Kuzbas" • JSC "Gazprom Neft Novosibirsk" • JSC "Gazprom Neft Omsk" • JSC "Gazprom Neft Tumen" • JSC "Gazprom Neft Ural" • JSC "Gazprom Neft Yaroslavl" • LLC "Gazprom Neft Northwest" • LTD "Gazprom Neft Asia" • LTD "Gazprom Neft Tajikistan" • LTD "Gazprom Neft Kazakhstan" • LTD "Gazprom Neft Centre" • LTD "MTK" • LTD "Gazprom Neft Terminal" • LTD "Gazprom Neft Chelyabinsk" • LTD "Gazprom Neft – regional sales"
Nikola Matrinović	-
Nenad Mijailović	-
Negica Rajakov	-
Wolfgang Rutenstorfer	<ul style="list-style-type: none"> • "CA Immobilien" AG, Vienna, Chairman of the Supervisory Board • "Vienna Insurance Group" AG, Vienna, Chairman of the Supervisory Board • "Telekom Austria" AG, Vienna, Member of the Supervisory Board • "Flughafen Wien" AG, Vienna, Member of the Supervisory Board

Anatoly Moyseyevich Cherner	<ul style="list-style-type: none"> • "RHI" AG, Vienna, Member of the Supervisory Board • JSC NGK "Slavneft" • JSC "Gazprom Neft-ONPZ" • JSC "Slavneft-JANOS" • JSC "Gazprom Neft –MNPZ" • C.J.S.C. "Gazprom Neft-Aero" • C.J.S.C. "St. Petersburg's international commodities and resources Exchange" • LLC "GazpromNeft-Belnefteprodukt" • LTD "Gazprom Neft –SM" • LTD "Gazprom Neft Marin Bunker" • LTD "Gazprom Neft – Logistics" • JSC "Mozirski NPZ"
Stanislav Vladimirovich Shekshnia	-

NUMBER AND % OF NIS J.S.C. NOVI SAD SHARES OWNED BY THE BOD MEMBERS

Name and surname	Number of shares	% in total number of shares
Nikola Martinović	224	0.0001%
Negica Rajakov	5	0.00003066%
Nenad Mijailović	5	0.00003066%

THE TOTAL AMOUNT OF REMUNERATIONS PAID TO THE BOD MEMBERS IN Q1 2014⁶

CEO	5,917,912
Other BoD members	19,561,826

BOARD OF DIRECTORS COMMITTEES

In order to ensure fast and efficient performance of its activities, the Board of Directors has established 3 standing committees as its advisory and expert bodies providing assistance to its work, especially in terms of deliberating on issues within its scope of competence, preparation and monitoring of enforcement of decisions and acts it adopts and to perform certain specialized tasks for the Board of Directors' needs.

The Board of Directors has established:

- Audit Committee,
- Remuneration Committee and
- Nomination Committee.

As appropriate, the Board of Directors may establish other standing or ad hoc committees to deal with the issues relevant for the activities of the Board of Directors.

SHAREHOLDERS' ASSEMBLY BOARD

The Shareholders' Assembly Board for the Supervision of Operations and the Procedure for Reporting to the Company's Shareholders (hereinafter Shareholders' Assembly Board) is an advisory and expert body of the NIS j.s.c. Novi Sad Shareholders' Assembly, which provides assistance to the Shareholders' Assembly in its activities and deliberation on issues within its scope of competence.

⁶ Net, in RSD

MEMBERS OF THE SHAREHOLDERS' ASSEMBLY BOARD (SAB) AS OF MARCH 31ST 2014**Ljubomir Aksentijević**

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

Born on July 9th, 1940 in Belgrade.

Graduated from the Faculty of Economics, Belgrade University in 1963. In the period from 1964 – 1997 he worked at various positions in the field of trading and banking, in the following companies: Interexport, Belgrade; Societe Generale bank Paris, Representative Office for former Yugoslavia; Societe Generale Yugoslav Bank, Belgrade, Commercial Director.

In the period from 1997-2005 he was Representative of Societe Generale Bank, Paris, in Alma-Aty, Kazakhstan; Director of Societe Generale Bank, Paris, Representative Office in Baku, Azerbaijan. From 2005 - 2009 - Investment banking development Director for Southeast Europe, Societe Generale Bank, Paris, and Counsellor to CEO Societe Generale bank Srbija a.d.

As from May 2010 to September 2011 - Counsellor to Deputy Prime Minister of Republic of Serbia for economics and international finance issues. From 2012 - Special Counsellor for development and finance issues to the Minister of energy, development and environmental protection of Republic of Serbia.

**Radoslav Striković**

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

Born on October 7th, 1956 in Crvenka.

In 1980. graduated from the Faculty of Economy in Subotica, University of Novi Sad. Since 1982 to 1987 worked as an economist for plan and analysis in the area of economics and finance in RZZP, in Metalelektro, Agrovovodina. In the period 1987 – 1989 Mr Strikovic was the CFO on Tehnicka Roba, Agrovovodina, and during 1989 – 2000, General Manager of D.D. ShiponS, Agrovovodina. He was also a member of City Council of the city of Novi Sad from 2004 – 2006, and from 2006 – 2008 he was the chief expert in the area of industry in the city of Novi Sad. From 2008 to 2012 he was a member of the government of Vojvodina as the Secretary for Energy and Mineral Resources.

**Alexey Alexandrovich Urusov**

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

Director of Economics and Corporate Planning Department in "Gazprom Neft" j.s.c.

Born on November 17th 1974. He graduated from the Tyumen State Oil and Gas University (major in finance and loans) and the University of Wolver Hampton in the United Kingdom (major in business administration).

From 2006 to 2008 he worked as executive vice-president for planning and business management in the Integra Group. From 2002 to 2006 he worked in TNK-VR. From 2002 to 2003 he is a member of TNK BoD's Group for monitoring and control, and in period from 2004 to 2006 he worked as CFO in TNK-VR Ukraine. From 2009 to 2012 he was employed at NIS j.s.c. Novi Sad as CFO.

MEMBERSHIP IN THE BOARD OF DIRECTORS OR SUPERVISORY BOARDS OF OTHER COMPANIES

Ljubomir Aksentijević	-
Radoslav Striković	-
Alexey Alexandrovich Urusov	• Supervisory Board member in Gazpromneft Marine Bunker Balkan S.A.

NUMBER AND % OF NIS J.S.C. NOVI SAD SHARES OWNED BY THE SAB MEMBERS

Name and surname	Number of shares	% in total number of shares
Ljubomir Aksentijević	5	0.000003066%

TOTAL AMOUNT OF FEES PAID TO SAB MEMBERS⁷

Members of SAB	772,612
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⁷ Net, in RSD

CHIEF EXECUTIVE OFFICER

Chief Executive Officer is appointed by the Board of Directors out of its executive members. Chief Executive Officer coordinates the work of the executive members of the Board of Directors and organizes the Company's activities, performs daily management activities and i decides on matters which do not fall within the competence of the Shareholders' Assembly and the Board of Directors. Chief Executive Officer is a legal representative of the NIS j.s.c. Novi Sad.

Mr Kirill Albertovich Kravchenko is the Chief Executive Officer of NIS j.s.c Novi Sad.

CEO'S ADVISORY BOARD

The NIS j.s.c. Novi Sad CEO's Advisory Board as an expert body provides assistance to the CEO in his activities and consideration of issues within its scope of competence. Composition of CEO's Advisory Board is determined by the CEO's decision and it is composed of directors of all blocks and functions within the Company, CEO's deputy for petrochemical business and regional directors of NIS j.s.c. Novi Sad for Romania and Adriatic. The Advisory Board has a Council composed of block directors and Deputy CEO in charge of petrochemical affairs. The CEO Advisory Board is managed by the CEO and provides him assistance in relation to the issues concerning the Company's business operations management.

In addition to issues concerning the Company's current operations (monthly and quarterly operating results, annual business plans, monthly investment plans), the Advisory Board deals with issues of strategy and policy development whose basic principles are defined by the Shareholders' Assembly and the Company's Board of Directors.

RISK MANAGEMENT

The objective in the area of risk management is to provide additional guarantees for the achievement of strategic objectives by timely identification/risk prevention, definition of effective measures and ensuring maximum efficiency of risk management measures.

Risk management has become an integral part of internal environment owing to the implementation of the following processes:

- Adoption of the approach focused on risks in all aspects of management activity
- Systematic analysis of identified risks
- Establishment of the risk control system and monitoring the effectiveness and efficiency of risk management measures
- Introducing all employees with adopted basic principles and approaches in risk management process
- Ensuring required normative and methodological support
- Distribution of authorizations and responsibilities in risk management among organizational parts.

Risk assessment is an integral part of the business planning process and information on key risks constitute an integral part of business plans. Risks are identified and assessed in parallel with the business planning process. Management strategy is defined for key risks as well as measures for risk management, required financial resources for the implementation of measures and persons responsible for their implementation.

INDUSTRIAL RISKS

Since the main area of business is production, refining and sales and distribution of oil and gas, the Group is particularly exposed to risks in the area of oil exploration and production.

RISKS IN THE AREA OF OIL EXPLORATION AND PRODUCTION

One of the important goals of NIS Group is the increase in the resource base of the Group by intensifying the exploration. This largely depends on the success of geological and exploratory activities aimed at the development of oil well fund in the country and abroad.

The main risk in the field of exploration and production is the non-confirmation of estimated reserves and consequently failure to achieve the planned increase in the resource base.

NIS Group has extensive experience in conducting geological and exploratory works, it conducts the expertise of the program for geological and exploratory works internally and by the largest shareholder and uses the state-of-the-art methods of exploration, which all contributes to reduced probability of this risk. In order to increase the efficiency and quality of geological exploration works, fleet of drilling rigs has been further modernized.

FINANCIAL RISKS

The Group is exposed to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. Risk management in the Group ensures that the potential negative impacts on the Group's financial performance due to the unpredictability of financial markets are minimized.

MARKET RISK

Foreign exchange risk – NIS Group operates internationally and is exposed to foreign exchange risk arising from transactions in different currencies, primarily USD and EURO. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The portion of risk relating to the impact of the national currency exchange rate against USD is neutralized through natural hedging of petroleum products sales price which adapts to changes in the exchange rate. Risk management instruments are also used and include forward foreign exchange transactions on the market which contribute to the reduction of currency losses in case of depreciation of the national currency against USD or EUR.

Price change risk – Due to its basic business activities, NIS Group is exposed to the risk of changes in price of crude oil and petroleum products, which affects the value of inventories and margins in the refining of oil, which further affects future cash flows. A portion of these risks is eliminated through petroleum products sales price adjustments to these price changes of crude oil and petroleum products. Until 2013, legal regulations of the Republic of Serbia did not allow the use of non-deliverable petroleum products for hedging the prices of oil and other goods, but this was made possible as of mid-2013. The needs for using certain goods hedging instruments for subsidiaries within the group are assessed at the level of Gazprom Neft Group, including NIS j.s.c. Novi Sad as a subsidiary. Additionally, in order to reduce the potential negative impact of the above risks, the following activities are carried out:

- annual planning approach based on scenarios, plans monitoring and timely adjustments to operational plans for the procurement of crude oil
- regular sessions of the Committee for crude oil procurement
- tendency to enter into long-term contracts for crude oil procurement at favourable market and commercial terms, with longer payment deadlines based on open account, daily monitoring of publications crude oil, and contacts with foreign partners.

Interest rate risk – NIS Group is exposed to interest rate change risk both from the aspect of taking loans from banks and from the aspect of investing assets. NIS j.s.c. Novi Sad takes loans from commercial banks at variable interest rates and performs the sensitivity analysis for interest rate changes and assesses whether loans at fixed interest rates should be taken to a certain extent. Furthermore, investments in cash assets are also made. Cash assets are invested only with key commercial banks that have granted loans, and/or credit/documentary lines to NIS j.s.c. Novi Sad. Also, assets deposited for a fixed term in RSD or foreign currency, are deposited for a short period of time (up to 90 days) at fixed interest rates. Based on the foregoing, the Group's income and cash flows are substantially independent of changes in market interest rates on invested funds in the form of time deposits, although the level of interest rates that the Group could realize in the market depends largely on the amount of the basic interest rate at the time of depositing (Belibor, which is NBS reference interest rate).

During first quarter of 2014, NIS j.s.c. Novi Sad granted subordinated loans to foreign subsidiary companies in the majority ownership of the Company (members of NIS Group), as a method for financing business activities abroad. Loans granted for this purpose have been granted at variable interest rates (Euribor). Loans granted at variable rates expose the Group to cash flow interest rate risk. Depending on the net debt at certain period of time, any change in the basic interest rate (Euribor or Libor) has a proportional impact on the performance of the Group.

CREDIT RISK

Credit risk is managed on the Group level. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, intercompany loans granted to foreign and domestic affiliated legal persons, as well as due to exposure to the wholesale and retail trade, including outstanding receivables and assumed liabilities. As regards credit limits, banks are ranked based on defined methodologies for key and other banks in view of compliance of security instruments.

As regards receivables from clients, there is a developed methodology of credit limits based on which the exposure level towards certain clients is defined depending on their financial indicators.

LIQUIDITY RISK

NIS Group continuously monitors liquidity to ensure sufficient cash to meet operational needs while maintaining a level of unused credit lines, so as not to exceed the allowed credit limit from banks or the terms of the loan. This design takes into consideration the Group's plans with respect to the settlement of debts, compliance with contractual terms, compliance with internally set goals, and is based on daily forecasts of cash flows for the whole NIS Group based on which decisions on potential additional loans are adopted for which appropriate bank funding sources are provided within the restrictions set by "Gazprom Neft" j.s.c..

BUSINESS ENVIRONMENT

GLOBAL

The global economy experiences a gradual acceleration, led by stronger growth in mature economies as fiscal headwinds become smaller (except for Japan) and household balance sheet adjustments are progressing (in particular in the U.S.). However, high unemployment is still a challenge in many mature economies. Growth in emerging economies, by contrast, has decelerated and many countries are facing structural challenges. The need to correct external and internal imbalances, combined with the prospect of tighter monetary policy conditions in mature economies, is contributing to increased volatility of capital flows into these economies. Volatile funding conditions in international markets are often affecting lending conditions in emerging markets. In emerging economies inflation rates have recently slowed somewhat, but are projected to reaccelerate modestly in 2014.

SERBIA

According to IMF estimates economic growth in Serbia this year will be modest, and IMF reduced its growth forecast for real GDP from 2% to 1%. At the same time the unemployment forecast is not positive either, and in 2014 forecasted unemployment rate is 21.6%.

The indebtedness is still very high, and according to data from the Ministry of Finance at the end of February of 2014 (updated on March 20th 2014) participation of Serbia's public debt in GDP is 62.9%, which is 1.7% more than at the end of 2013.

In the first two months of this year, exports grew by 18.2% and imports by 3.5% compared to the same period last year, which led to a reduction in the Serbia's trade deficit by 22.6%.

As expected, Serbia began accession negotiations with the EU on January 21st thereby obtaining a long-awaited boost in the direction of EU integration and harmonization process which is expected to facilitate structural reforms and to increase the economic potential of the country.

Trends in USD/RSD and EUR/RSD exchange rate

USD/RSD exchange rate

— 2014
- - - 2013

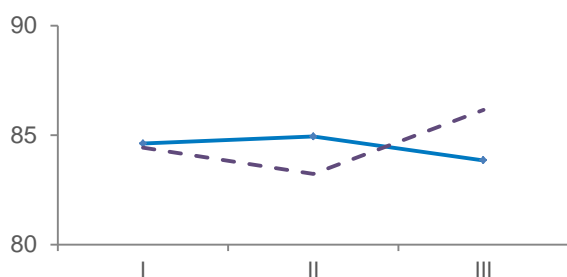


Chart no. 1: USD/RSD exchange rate trend

EUR/RSD exchange rate

— 2014
- - - 2013

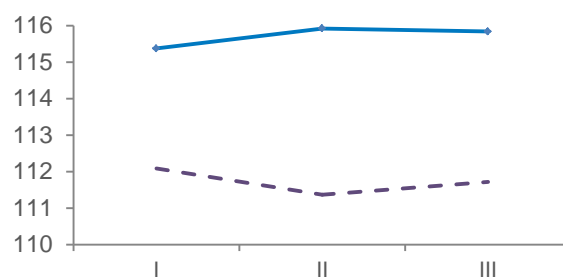


Chart no. 2: EUR/ RSD exchange rate trend

- Increase of USD/RSD exchange rate in first quarter of 2014 was 0.9% or 0.7573 RSD (from 83.1282 RSD as of January 1st, 2014 to 83.8855 RSD as of March 31st, 2014)
- Increase of EUR/RSD exchange rate in first quarter of 2014 was 0.6% or 0.7424 RSD (from 114.6421 RSD as of January 1st, 2014 to 115.3845 RSD as of March 31st, 2014)
- Increase of USD/RSD exchange rate in first quarter of 2013 was 1.45% or 1.25 RSD (from 86.1763 RSD as of January 1st, 2013 to 87.4258 RSD as of March 31st, 2013)
- Decrease of EUR/RSD exchange rate in first quarter of 2013 was -1.55% or -1.76 RSD (from 113.7183 RSD as of January 1st, 2013 to 111.9575 RSD as of March 31st, 2013)

**Urals crude oil price trends,
in USD/bbl.**

— 2014
- - - 2013

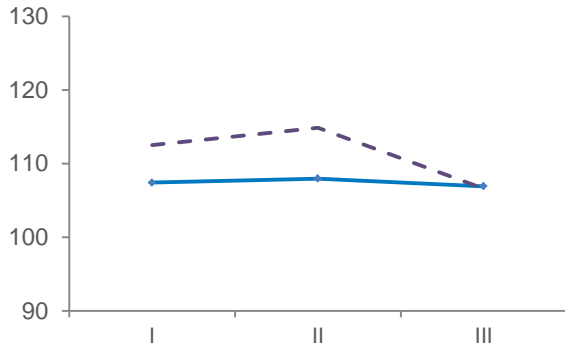


Chart no. 3: Urals crude oil price trends

**Brent crude oil price trends,
in USD/bbl.**

— 2014
- - - 2013

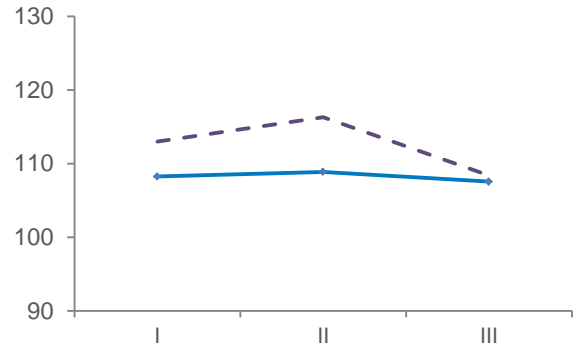


Chart no. 4: Brent crude oil price trends

Average Urals crude oil price in first quarter of 2014 was 107.43 USD/bbl.

MARKET SHARE

SERBIAN MARKET

- Increase in naphtha and coke consumption proved to be the main consumption growth drivers in the oil products market.
- The main reason for growing consumption in the overall oil products market in Serbia is the increased consumption of naphtha and coke. Jet fuel consumption exceeds the last year's due to more „Air Serbia“ and other airlines flights, with increased refuelling of some other carriers at the Nikola Tesla Airport. Mild winter reduced the fuel oil consumption along with an interannual increase in bitumen consumption.
- NIS market share is based on the fact that the revamped Pančevo Refinery partially supplanted imported goods by its domestic products, along with an efficient pricing policy and a sprawling logistics network.
- Fuel's improved quality and assortment resulted in a stepped-up retail market competition. Increasing numbers of players in addition to traditional products offers improved fuels with additives as well. NIS included EBMB 98 in its offer, which is currently sold in around 150 petrol stations, with 100 Octane premium gasoline sales launching under consideration.
- NIS market share emerges in the wake of modernised petrol stations, which now offer better service, sell more vibrantly and benefit from positive effects of rebranding and marketing activities.

The volume of overall petroleum products market in Republic of Serbia, in thousand tons

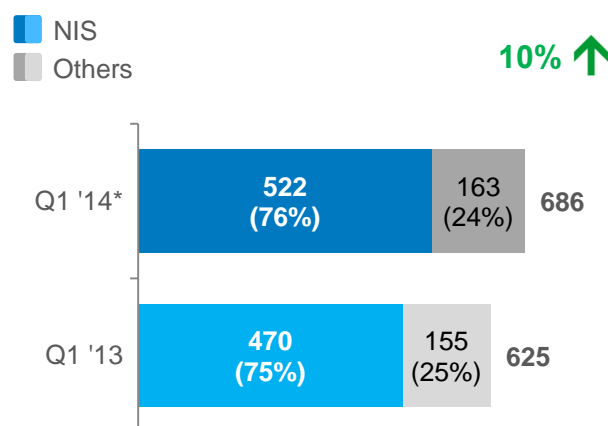


Chart no. 5: The volume of overall petroleum products market in Republic of Serbia⁸

Retail market in Republic of Serbia, in thousand tons

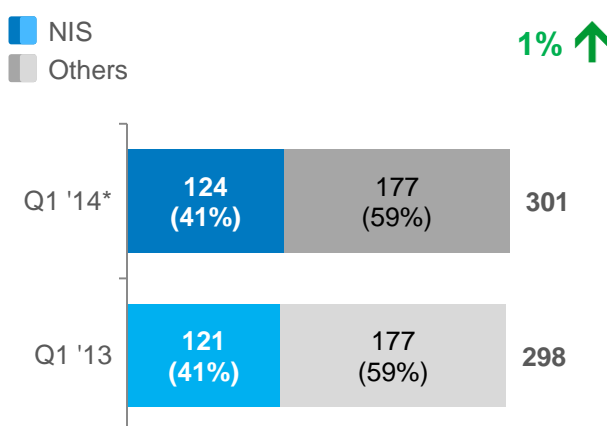


Chart no. 6: The volume of retail market⁹ in Republic of Serbia⁸

* March 2014 is an estimate

⁸ Source: Serbian Chamber of Commerce, National Oil Committee of Serbia, reports from Sales and Distribution Blok

⁹ NIS sales include motor fuels, heating oil EL, while other retailers include: motor fuels, heating oil EL and Euro EL

MARKETS OF BOSNIA AND HERZEGOVINA, ROMANIA AND BULGARIA

BOSNIA AND HERZEGOVINA

- Motor-fuel market posts a moderate growth driven by an increased Diesel consumption. Outlook for this year's market recovery is quite plausible, hinging mostly on the economic activity growth.
- NIS owns 36 petrol stations, 28 out of them under Gazprom brand, while 8 petrol stations are under NIS brand.
- Estimated NIS share in the motor-fuel market in Q1 2014 accounts for 5,4%, with retail market share of 7,3%

BULGARIA

- Bulgaria's motor-fuel market has greatly shrunk since the outset of global economic crisis. Its gradual recovery started last year and has kept the pace throughout this year's Q1. The growth is primarily driven by an increased Diesel consumption, which, in the long run, is poised to be the pivotal growth engine. The retail market is also moderately growing.
- NIS retail network includes 30 petrol stations – 23 under Gazprom brand and 7 petrol stations under white brand. NIS also owns a storage facility in Kostin Brod.
- Estimated NIS share in the motor-fuel market (gasoline and Diesel) in Q1 2014 accounts for 3,9%, with retail market share of (gasoline and Diesel) 2,2%.

ROMANIA

- Motor-fuel market posts mild recovery due to an increased Diesel consumption. This trend was unequivocally affected by putting off the introduction of additional 7 euro cent excise duty per litre of Diesel and gasoline until April 1, which will invariably have a negative impact on consumption trends in Q2.
- The increased Diesel consumption is the pivotal driver of mild retail market growth. The motor gasoline consumption from one year to another is also on the increase, while LPG consumption is unchanged since last year.
- NIS retail network includes 17 petrol stations under Gazprom brand.
- Estimated NIS share in the motor-fuel market in Q1 2014 accounts for 0,5%, with retail market share of 0,6%.

RESULTS ANALYSIS

KEY INDICATORS¹⁰

Key Indicators	Measurement unit	Q1 2014	Q1 2013	$\Delta \frac{Q1\ 2014}{Q1\ 2013}$ (%) ¹¹
Urals	\$/bbl.	107,4	111,3	-4%
Net profit	bn РСД	8,6	7,3	19%
EBITDA ¹²	bn РСД	15,5	11,8	31%
Sales	bn РСД	56,6	49,5	14%
OCF	bn РСД	2,2	10,2	-79%
Accrued taxes and other public revenues ¹³	bn РСД	25,9	20,2	28%
Domestic oil and gas production ¹⁴	thou. t.o.e.	406	411	-1%
Oil and semi-finished products refining volume	thou. tons	643	566	14%
Total sales of petroleum products	thou. tons	35	5	551%
Sales – abroad asset	thou. tons	512	461	11%
Petroleum products domestic market sales	thou. tons	124	122	2%
Retail	thou. tons	448	396	13%
Light oil products sales	thou. tons	9,6	12,2	-21%
CAPEX ¹⁵	bn РСД	593	441	34%
Total bank indebtedness ¹⁶	m USD	107,4	111,3	-4%

¹⁰ Results, financial and operational indicators are shown for NIS group

¹¹ All possible discrepancies in percentage values and total values are due to rounding errors

¹² EBITDA = Sales (without excise tax)– inventories (of oil, oil products and other products) – operational expenditure (OPEX) – other costs, which management cannot affect

¹³ Accrued taxes and other public revenues includes taxes, duties, fees and other public revenues for reporting period. The review includes NIS j.s.c. Novi Sad and its subsidiaries in Serbia („NTC NIS Naftagas” d.o.o., „Naftagas – Transport” d.o.o., „Naftagas – Tehnicki servisi” d.o.o. and „Naftagas – naftni servisi” d.o.o.) and in region, as well as deferred tax assets. The tax for Q1 2014 that is to be paid in Serbia amounted to RSD 24.2 billion (Q1 2013: 20.2).

¹⁴ Due to changes in methodology domestic oil production includes gasoline and light condensate, and for gas production commodity production of gas is used.

¹⁵ Financing, without VAT

¹⁶ Total bank indebtedness = Total debt to banks + letters of credit. As of March 31st 2014 this amounts to 562 millions of USD of total debt to banks and 31 millions of USD of letters of credit

FINANCIAL INDICATORS

EBITDA

EBITDA,
bn RSD

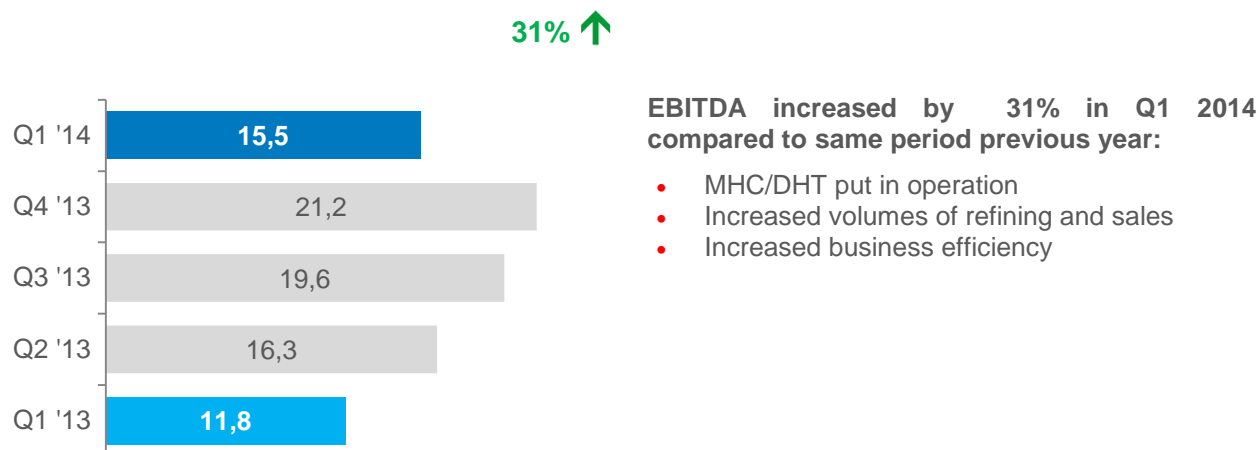


Chart no. 7: EBITDA

Net profit

Net profit,
bn RSD

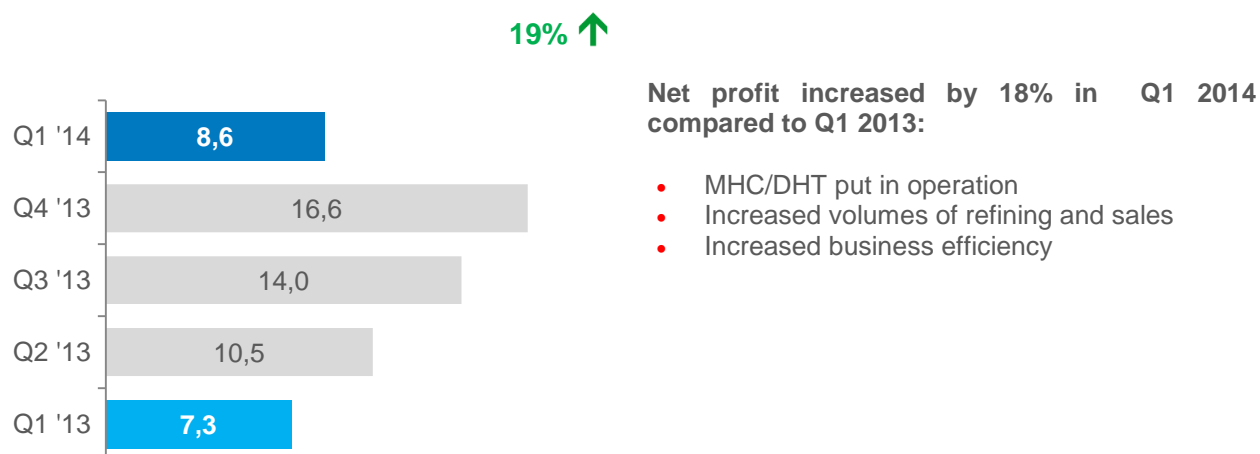
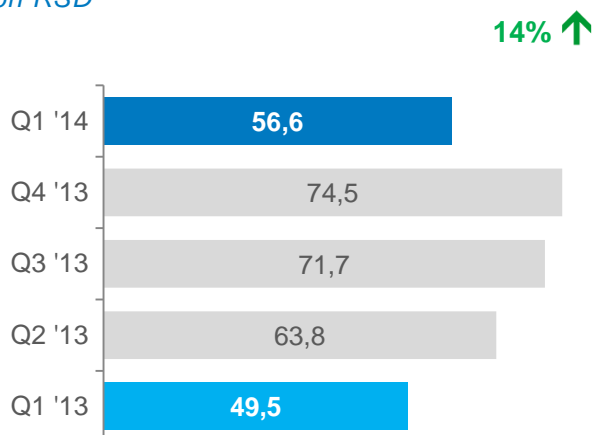


Chart no. 8: Net profit

Sales

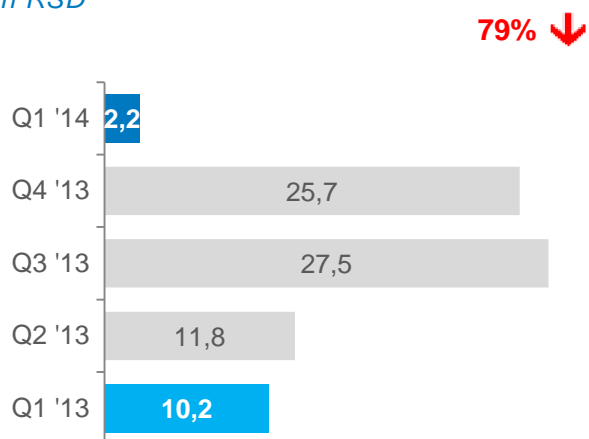
Sales,
bn RSD

Incline of retail prices of oil derivatives in Q1 2014 is app. 0.9% compared to Q1 2013:

Changes in retail prices	$\Delta \frac{Q1\ 2014}{Q1\ 2013}$ (%)
Euro premium BMB 95	-1.15%
Euro diesel	1.34%

Chart no. 9: Sales

OCF

OCF,
bn RSD

Decrease of OCF:

- Increased payments for the purchase of crude oil

Chart no. 10: OCF

OPERATING INDICATORS

Exploration and Production

In Q1 2014 domestic oil and gas production is 406 thousand of tons of oil equivalent, which is a 1% decrease compared to Q1 2013.

Domestic oil and gas production¹⁷,
thou. t.o.e.

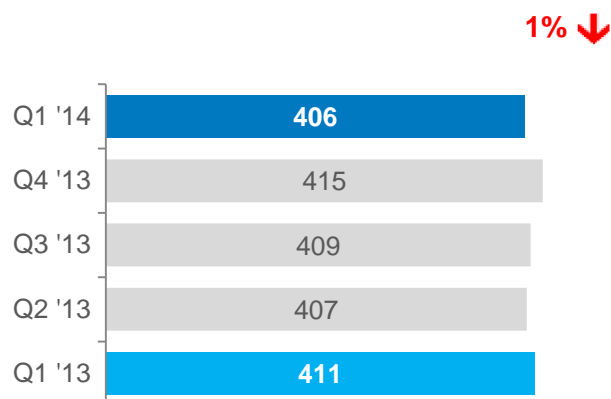


Chart no. 11: Domestic oil and gas production

Domestic oil production¹⁸,
thou. tons

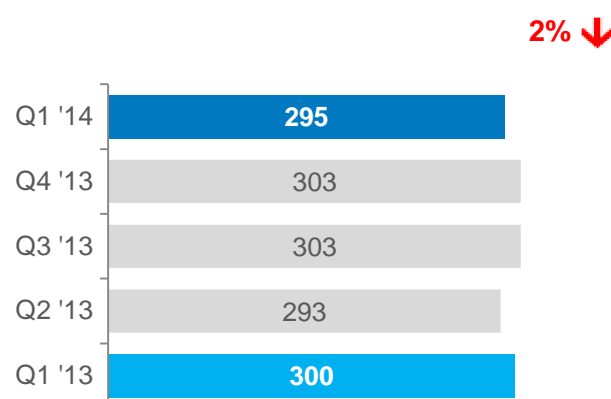


Chart no. 12: Domestic oil production

Refining

In Q1 2014 refined oil volumes and reprocessing of semi-finished products¹⁹ recorded 23% increase compared to the previous year:

- Increase of crude oil refining volumes
- Continuous operation of the MHC/DHT (in 2013 there was a short delay due to overhaul in the operation of this plant)
- Oil refining and semi-finished products reprocessing within the operational plans developed to meet market requirements

Refining volume,
thou. tons

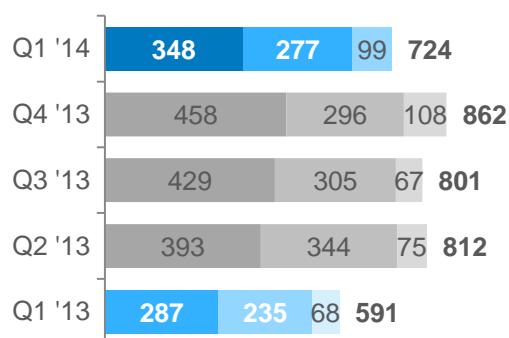
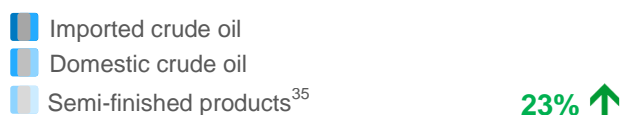


Chart no. 13: Refining volume

¹⁷ Due to changes in methodology domestic oil production includes gasoline and light condensate, and for gas production commodity production of gas is used.

¹⁸ Including gasoline and light condensate

¹⁹ Semi-finished products include internal semi-finished products undergoing further processing or blending, and slop and gas condensate.

Sales and Distribution

14% rise in the total oil derivatives sales in Q1 2014 compared to same period previous year:

- Retail – 2% sales increase:
 - Increase in gasoline and diesel
- Foreign assets sales – 7x growth
 - The larger the number of active of petrol stations
- Wholesale – 15% growth:
 - Diesel fuel sales increase
- Exports – 4% decrease
 - Decreased export volume of gasoline components

Sales volumes, thou. tons

- Retail
- Wholesale
- Foreign assets sales
- Export

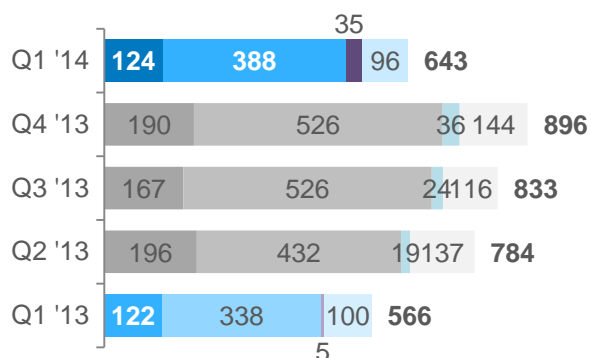


Chart no. 14: Sales volume²⁰

Sales structure, thou. tons

- Black and other derivatives
- White derivatives

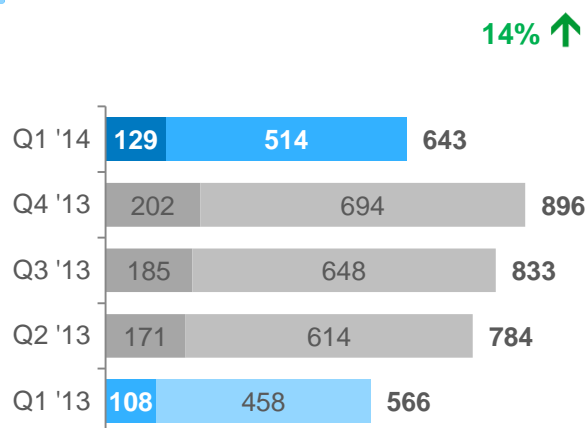


Chart no. 15: Sales structure

Ratio Indicators

	Q1 2014	Q1 2013
Return on total capital (Gross profit/total capital)	5%	6%
Net return on equity²¹ (Net profit/shareholders equity ²¹)	9%	11%
Operating net profit (operating profit/net sales income)	21%	23%
Degree of leverage (short term and long term liabilities/equity)	94%	89%
Degree of leverage (short term and long term liabilities/ shareholders equity ²¹)	195%	193%
1st degree liquidity (cash and cash equivalents/short term liabilities)	9%	8%
2nd degree liquidity (current assets - inventories/short term liabilities)	74%	71%
Net working fund ratio (current assets – current liabilities/current assets)	30%	34%

²⁰ Foreign assets sales are quantities sold by NIS' subsidiaries. NIS delivered to its subsidiaries 27 thousand tons in Q1 2014, the remaining quantities were delivered by other suppliers

²¹ shareholders equity = share capital

BANK INDEBTEDNESS

Total bank indebtedness, million USD

Letters of credit
Total debt

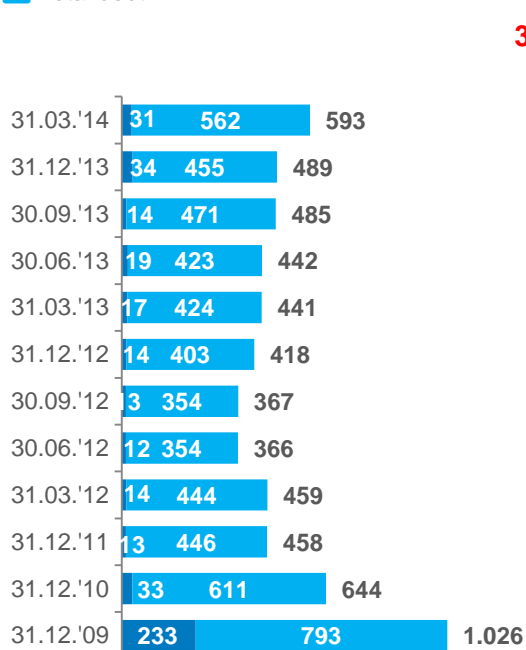


Chart no. 16: Total bank indebtedness

GPN loan, million EUR

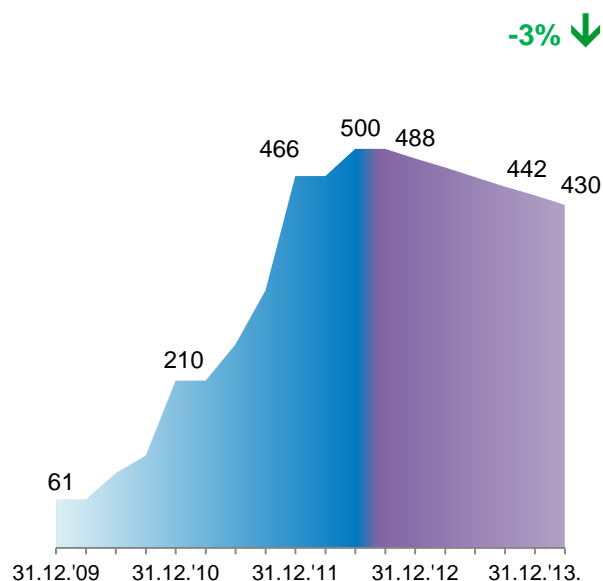


Chart no. 17: GPN loan

Total debt to banks²², m USD

Short-term
Mid-term
Long-term

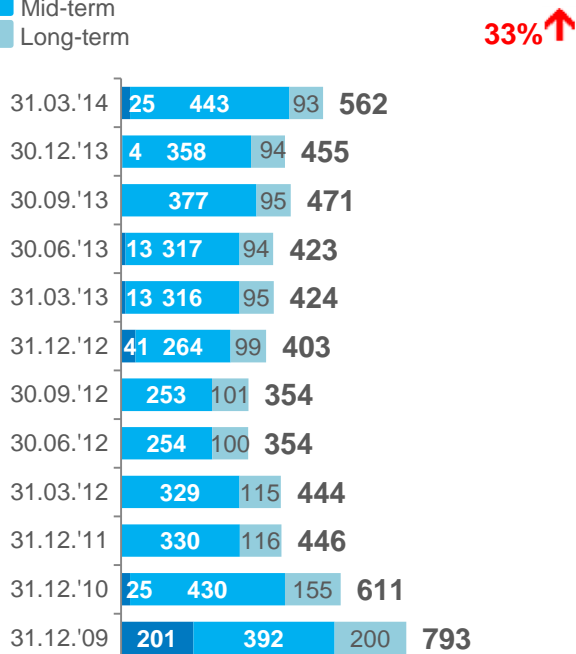


Chart no. 18: Total debt to banks

Structure of total debt to banks, by currency, in%

USD
EUR
Other

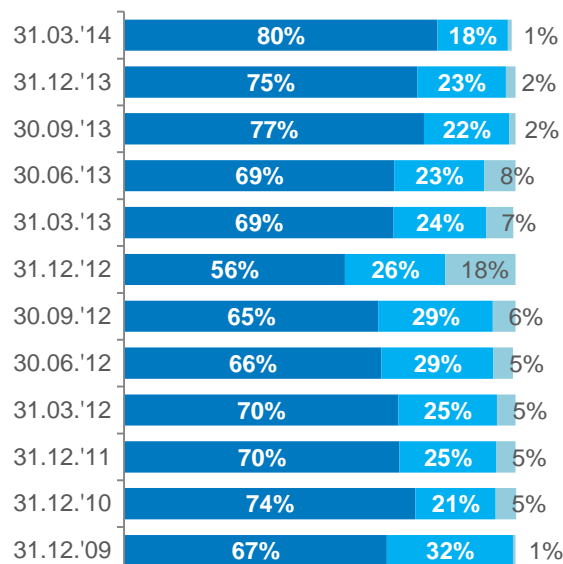


Chart no. 19: Structure of total debt to banks

²² The structure of debt by maturity is displayed as per agreements signed with the banks, and not according to debt maturity as of March 31st 2014.

CHANGES ON ASSETS AND LIABILITIES OF MORE THAN 10%

Assets	Change (in %)	Explanation
Intangible assets	10%	Increase in intangible assets as of March 31 st 2014 compared to December 31 st 2013 mostly relates to new investments in research and development in total amount of 1,608,091 thousand RSD.
Investment property	-17%	Decrease in investment properties as of March 31 st 2014 compared to December 31 st 2013 is mainly related to the fair valuation of investment properties (impairment in the amount of 96,865 thousand RSD) and transfer to fixed assets in the amount of 80,317 thousand RSD.
Inventories	18%	Increase in inventories as of March 31 st 2014 compared to December 31 st mainly relates to the increase in crude oil inventories in the amount of 4,896,768 thousand RSD and petroleum products in the amount of 2,355,814 thousand RSD.
Cash and cash equivalents	-15%	Decrease in cash and cash equivalents as of March 31 st 2014 compared to December 31 st 2013 is mainly related to the decrease in cash on a dedicated account in the bank earmarked for the purchase of foreign currency in the amount of 1,242,191 thousand RSD.
VAT and prepaid expenses	-31%	Reduction of VAT and prepaid expenses as of March 31 st 2014 compared to December 31 st is mainly related to the reduction of deferred VAT in the amount of 1,380,821 thousand RSD. Deferred value added tax is the value added tax on received invoices accounted for in the current accounting period, and the right to deduct previous tax is carried out in the subsequent accounting period.

Liabilities	Change (in %)	Explanation
Unrealized gains from securities	16%	Increase of the unrealized gains on securities as of March 31 st 2014 compared to December 31 st 2013 is entirely related to the increase in value of investments in securities available for sale on the basis of calculating the value of the investment at fair (market) value.
Unrealized losses from securities	36%	Increase in the amount of unrealized losses on securities as of March 31 st 2014 compared to December 31 st 2013 is mainly related to losses arising from translation of financial statements of foreign operations in the amount of 38,672 thousand RSD.
Long-term loans	27%	Increase of long-term loans and respective increase in short-term financial liabilities as of March 31 st 2014 compared to December 31 st 2013 is mainly related to the allocation of current maturities of long-term liabilities and withdrawal of new loans from Alpha Bank London in amount of 3,001,088 thousand RSD, Sberbank Europe AG, Vienna in the amount of 2,501,829 thousand RSD and NBG Bank, Greece in the amount of 1,681,282 thousand RSD.
Short-term financial liabilities	18%	Increase of long-term loans and respective increase in short-term financial liabilities as of March 31 st 2014 compared to December 31 st 2013 is mainly related to the allocation of current maturities of long-term liabilities and withdrawal of new loans from Alpha Bank London in amount of 3,001,088 thousand RSD, Sberbank Europe AG, Vienna in the amount of 2,501,829 thousand RSD and NBG Bank, Greece in the amount of 1,681,282 thousand RSD.
Trade and other payables	-27%	Decrease in trade and other payables as of March 31 st 2014 compared to December 31 st 2013 is mainly related to reduction of commitments for crude oil in the amount of 9,197,477 thousand RSD.
Other short-term liabilities	29%	Increase in other short-term liabilities as of March 31 st 2014 compared to December 31 st 2013 is mainly related to the increase in liabilities to employees in the amount of 898,403 thousand RSD.
Income tax liabilities	16%	Income tax liabilities as of March 31 st 2014 is entirely related to liabilities for income taxes for 2013 and accrued income tax for the three months period ended March 31 st 2014 (1,258,878 thousand RSD).

MAJOR BUYERS AND SUPPLIERS²³

Buyer	Turnover in million RSD ²⁴	Share in total income from buyers
HIP Petrohemija a.d. Pančevo in restructuring	9.629.256	14%
Knez Petrol d.o.o	5.728.798	8%
EKO Serbia a.d.	4.272.111	6%
Petrobart d.o.o.	2.924.217	4%
Total:	22.554.382	32%
Other buyers:	47.779.842	68%
Total:	70.334.224	100%

Suppliers	Total debt In million RSD ²⁵	Share in total liabilities to suppliers
Gazprom Neft Trading Gmbh	19.373	50%
Gazprom neft j.s.c.	9.242	24%
HIP Petrohemija a.d. Pančevo in restructuring	952	2%
Grasis	704	2%
Naftagas – Naftni servisi d.o.o.	559	1%
Total:	30.830	79%
Other suppliers:	7.895	21%
Total:	38.725	100%

Major buyers

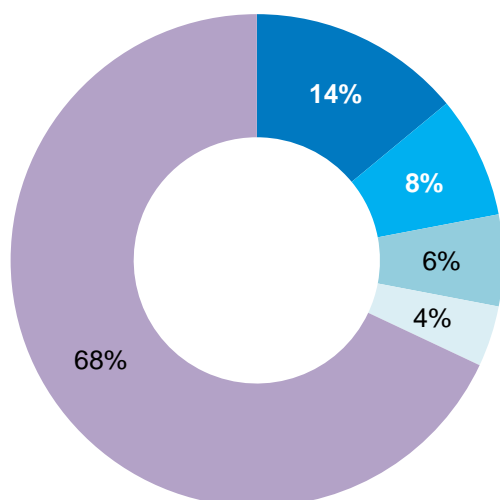


Chart no. 20: Major buyers

Major suppliers

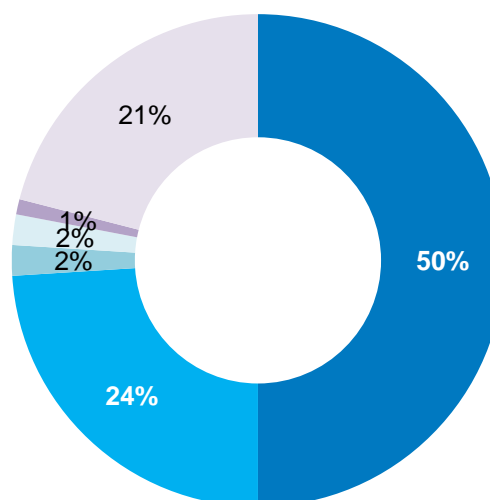
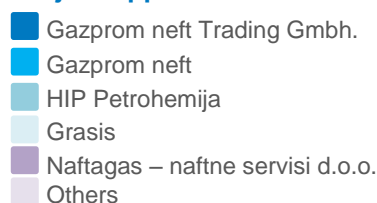


Chart no. 21: Major suppliers

²³ Data for NIS j.s.c Novi Sad

²⁴ in period from January 1st until March 31st 2014

²⁵ As of March 31st 2014

INTERSEGMENT PRICES

Intersegment prices are defined in accordance with:

- Methodology of prices calculation for crude oil and natural gas domestically produced in NIS j.s.c. Novi Sad for the purposes of management accounting.
- Methodology of prices calculation for petroleum products and natural gas products domestically produced in NIS j.s.c. Novi Sad for the purposes of management accounting.

The intersegment price methodology concept is based on the market principle and principle "one product, one price".

The principle "one product, one price" means that the "movement" of one product between different profit centres within NIS has been valued at one price, irrespective of between which profit centres the movement has taken place.

Prices used for generating internal income between NIS business segments have been determined to reflect the market position of each business segment.

The intersegment prices are as follows:

- Price for domestic oil (between Exploration and Production Block and Refining Block) which is determined based on the so-called "export parity"
- Natural gas price (between Exploration and Production Block and Refining Block and between Exploration and Production Block and Energy Block) which is equal to natural gas sales price at which NIS j.s.c. Novi Sad sells natural gas to "Srbijagas"
- Prices of petroleum products and natural gas products (between Refining Block and Sales and Distribution Block, between Exploration and Production Block and Sales and distribution Block and between Refining Block and Energy Block) are defined based on the following principles:
 - Import parity – principle used in prices of petroleum products subject to free import and products which are their direct substitutes
 - Export parity is used for products subject to exports or whose certain quantities are exported
 - Other petroleum products include the products which do not fall within these two groups (import parity, export parity). These products are usually sold to a small number of recognized clients whose sales prices are defined under annual or long-term contracts or are alternative to other products production (primary gasoline, jet fuel, raffinates, propylene).

CASES OF UNCERTAINTY (UNCERTAINTY OF COLLECTION)

As a part of the financial reports, the NIS Group management makes accounting estimates and assumptions related to the future. As a rule, the resulting estimations will hardly correspond to the accomplished results. The most significant estimations and assumptions are the estimated provisions for decrease in value of trade receivables, provisions for expected effects of negative litigation outcomes as well as provisions for environment protection.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

The book value of receivables is decreased through provisions while the decreased value is recorded in the profit and loss account within the position 'other expenses'. When a receivable cannot be collected, it is written off and charged to the provisions for receivables. As at March 31st 2014, the Group made provisions for approximately 45% of gross value of total receivables.

In compliance with valid legislation, the Group has liabilities in respect of environmental protection. At balance sheet date the Group has made provisions on that basis in the amount of RSD 647.212 thousand. (December 31st 2013: 690.094 thousand RSD) based on management's estimates of the amount necessary costs of cleaning and remediation of contaminated sites of the Group. As at March 31st 2014, the Group made provisions for potential loss which could emerge from tax liabilities evaluation by the Ministry of Finances of Angola to which the Group is to pay the difference in tax assessment including interest in the amount of 81 million USD related to additional profit oil for the period from 2002 to 2009. The management believes that, based on the terms set forth in the concession contracts with Angola and the opinions of legal consultants from Angola, such a request is not in accordance with the valid legal framework in Angola due to the fact that the government did not make correct oil profit calculations and that oil profit is a contractual obligation towards the national concessionaire which is opposite to the opinion of the Ministry of Finances of Angola. The management will file a complaint against any action of enforced tax collection by the Ministry of Finances of Angola and take all the necessary steps in order to postpone the collection of tax until the court in Angola reaches a final decision regarding the issue. Based on the experience of other concessionaires, the court in Angola has not yet reached a decision related to their complaints against the decision of the Ministry of Finances even though the complaints were filed three years ago. Taking all the previously stated into consideration, the management believes that as at March 31st 2014, there is a significant level of uncertainty as regards the time required to settle the request of the Ministry of Finances of Angola and the amount of additional tax on profit oil, if any.

TAXES AND OTHER PUBLIC REVENUES

Analytical overview of accrued liabilities for taxes and other public revenues²⁶

NIS j.s.c. Novi Sad	Q1 2014	Q1 2013	$\Delta \frac{Q1 2014}{Q1 2013}$ (%)
Contributions for social insurance paid by the employer	0,41	0,48	-14%
Income tax	1,25	1,08	16%
VAT	2,62	2,20	19%
Excise tax	18,43	14,97	23%
Custom duty	0,29	0,20	49%
Royalties	0,59	0,65	-9%
Other taxes	0,25	0,31	-19%
Total:	23,85	19,88	20%
NIS subsidiaries in Serbia²⁷,			
Contributions for social insurance paid by the employer	0,13	0,17	-21%
Income tax	0,01	0,00	n/a
VAT	0,13	0,06	114%
Excise tax	0,00	0,00	n/a
Custom duty	0,02	0,01	223%
Royalties	0,00	0,00	n/a
Other taxes	0,01	0,03	-70%
Total:	0,30	0,26	14%
Total NIS with subsidiaries in Serbia	24,15	20,15	20%
Total NIS Group²⁸	25,86	20,21	28%

The total amount of accrued liabilities for public revenues for Q1 2014 that NIS j.s.c. Novi Sad with its subsidiaries originating from NIS j.s.c. Novi Sad³⁹ organizational structure pays in Serbia amounts to 24,15 billion, up by 4 billion i.e. 20% more than the same period last year.

Overall amount of accrued liabilities for public revenues for Q1 2014 NIS Group pays amounts to 24,86 billion, up by 5.65 billion i.e.28% more than the same period last year.

²⁶ In billion RSD

²⁷ Subsidiaries include: "NTC NIS Naftagas" d.o.o., "Naftagas – Transport" d.o.o., "Naftagas – Tehnički servisi" d.o.o. and "Naftagas – Naftni servisi" d.o.o., and do not include the "O Zone" a.d., "NIS Svetlost" d.o.o. and "Jubos" d.o.o..

²⁸ Including taxes and other public revenues for subsidiaries in region, income tax for Angola and deferred tax assets

INVESTMENTS

INVESTMENT PROJECTS

The Business Plan of NIS j.s.c. Novi Sad for 2014 and the Mid-term Investment Plan (hereinafter: the MIP) which laid down planned CAPEX investments in 2014 – 2016 were adopted at the Board of Directors' 2nd session held on December 10th 2013.

According to the MIP, main investments in 2014 will be aimed at implementing the following groups of projects: environmental projects, projects in refining, sales and distribution, oil and gas production and a number of projects in corporate units.

In Q1 2014 total of 9.6 billion dinars²⁹ was allocated to finance the investments, which is by 21% less than in the same period in 2013.

The largest investments in oil and gas production in Q1 2014 were in:

- Programme of 3D seismic scanning and drilling of exploration wells in the Republic of Serbia
- Geological exploration of unconventional gas
- Drilling of development wells
- Separation of CO₂ from natural gas
- Project of hydraulic fracturing (oil)

Major capital investments in environmental protection in 2013 were in the Pančevo Refinery through the following projects:

- Loading Terminal reconstruction
- Closed drainage system construction project (S-100/ 300/ 400/ 500/ 2100/ 2300/ 2400/ 2500/ 2600)
- Reducing NO_x emissions from the Energy Plant fuel gas
- Blending of diesel fuel with biodiesel

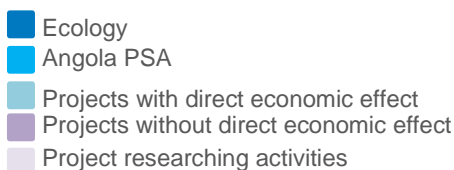
Sources of investment financing ³⁰	Q1 2014.	Q1 2013.
Ecology	0,18	0,37
Angola	0,06	0,21
Projects with direct economic effects	6,51	9,88
Projects without direct economic effects	2,25	1,42
Project researching activities	0,63	0,29
TOTAL:	9,62	12,16

CAPEX per segments	Q1 2014.	Q1 2013.
Exploration and production	6,0	4,3
Refining	2,6	2,6
Sales and distribution	0,6	4,2
Services	0,1	0,5
Energy	0,1	0,3
Corporate centre	0,2	0,2

²⁹ NIS j.s.c. Novi Sad with subsidiaries, excluding "Jubos" d.o.o. Bor, "NIS Oversiz" o.o.o., Sankt Petersburg, "SP Ranis" o.o.o., Chernogolavka and "NIS Svetlost" d.o.o., Bujanovac.

³⁰ VAT excluded

CAPEX by investment projects, bn RSD



21% ↓

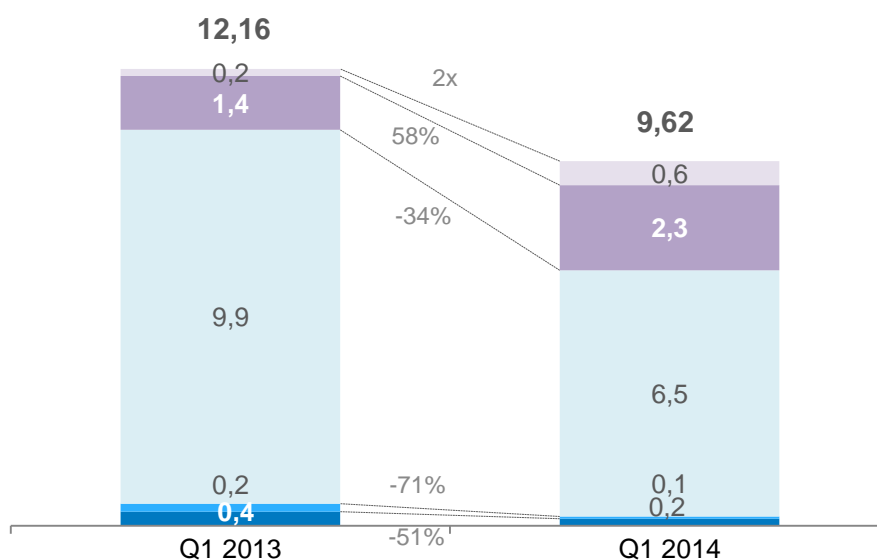


Chart no. 22: CAPEX by investment projects

THE MOST SIGNIFICANT INVESTMENTS IN EXPLORATION AND PRODUCTION, REFINING AND SALES AND DISTRIBUTION

Segment	Exploration and Production	Refining	Sales and Distribution
Main targets	<ul style="list-style-type: none"> ↪ Seismic scanning ↪ Oil and gas production increase 	<ul style="list-style-type: none"> ↪ Base oil production 	<ul style="list-style-type: none"> ↪ Retail network development
The biggest investments	<ul style="list-style-type: none"> • 3D seismic scanning and drilling of exploration wells in the Republic of Serbia • Geological exploration of unconventional gas • Drilling of wells • Separation of CO₂ from natural gas 	<ul style="list-style-type: none"> • Base oils production • Reconstruction of the reservoir for oil in the RNS • System of stationary vibration measurements on rotating equipment in the RNP • Automation and production control 	<ul style="list-style-type: none"> • Regional Sales Development in Bulgaria and Romania • Reconstruction of petrol stations in Serbia • Rebranding of petrol stations in Serbia
Total investments	RSD 6 billion	RSD 2.6 billion	RSD 0.6 billion

SECURITIES

SHARE CAPITAL STRUCTURE

NIS j.s.c. Novi Sad share capital in the amount of 81.5 billion RSD is distributed in 163,060,400 shares of nominal value of 500 RSD per share. All shares are dematerialized and registered within the Central Securities Depository and Clearing House of the Republic of Serbia with the CFI code ESVUFR and ISIN number RSNISHE79420.

Custody accounts dominate the structure of the first 10 shareholders.

Shareholders	Number of shares	% in share capital
Gazprom Neft	91,565,887	56.15%
Republic of Serbia	48,712,159	29.87%
Unicredit Bank Srbija a.d. – custody account	664,354	0.41%
East Capital (Lux) - Balkan Fund	428,989	0.26%
Raiffeisen Bank a.d. Belgrade – custody account	269,831	0.17%
Unicredit Bank Srbija a.d. – collective account	194,538	0.12%
Erste Bank – custody account	185,804	0.11%
Keramika Jovanović d.o.o. Zrenjanin	181,243	0.11%
Societe Genera Bank Serbia – collective account	178,682	0.11%
AWLL Communications d.o.o.	158,056	0.10%
Other shareholders	20,520,857	12.58%
Total number of shareholders as of December 31st 2013:		2,289,855

The Company did not acquire its own shares (treasury shares).

SHARE TRADING

NIS j.s.c. Novi Sad shares are traded with at Belgrade Stock Exchange and listed within the Prime Listing and they are constituent of the leading index - BELEX15, which describes price trends of the most liquid Serbian shares.

Trading with NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in 2013	
Last price (March 31 st 2014)	895 RSD
Highest price (January 15 th 2014)	949 RSD
Lowest price (February 5 th and 6 rd 2014)	887 RSD
Total turnover	548,753,579 RSD
Total volume (number of shares)	597,958 shares
Total number of transactions	32,368 transactions
Market capitalization as of December 31 st 2013	145,939,058,000 RSD
EPS (for period from January 1 st until March 31 st 2014)	60.02
Consolidated EPS (for period from January 1 st until March 31 st 2014)	52.84
EPS (for period from January 1 st until December 31 st 2013)	320.89 RSD
Consolidated EPS (for period from January 1 st until December 31 st 2013)	296.50 RSD
P/E ratio ³¹	2.9
Consolidated P/E ratio ³²	3.1
Book value as of March 31 st 2014	1,144,79 RSD
Consolidated book value as of March 31 st 2014	1,088.69 RSD
P/BV ratio	0.8
Consolidated P/BV ratio	0.8

³¹ Price as of March 31st 2014 compared to EPS for period from January 1st 2013 until December 31st 2013

³² Price as of March 31st 2014 compared to consolidated EPS for period from January 1st 2013 until December 31st 2013

Price and volume for NIS j.s.c. Novi Sad shares in 2013, In RSD and number of shares

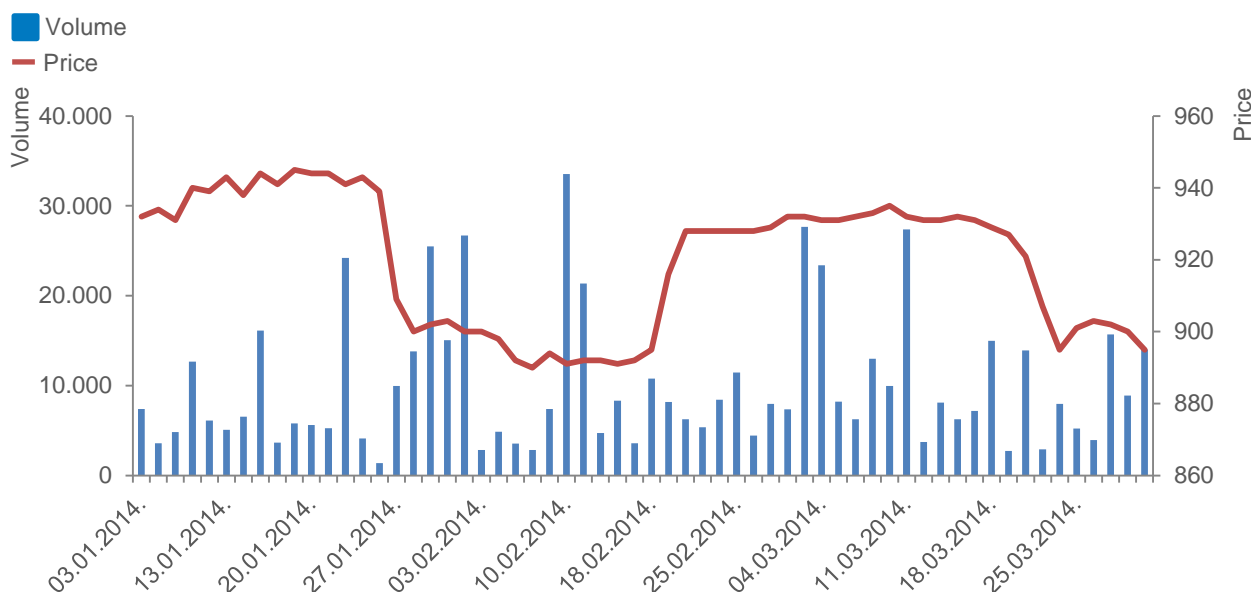


Chart no. 23: Price and volume trends for NIS j.s.c. Novi Sad shares

DIVIDENDS

NIS j.s.c. Novi Sad dividend policy stipulates a long-term dividend payment in the amount of at least 15% of net profit. The dividend policy is based on a balanced approach which takes into account the need to retain earnings for future investments funding as well as the rate of return on invested capital and the amount of dividend payments.

Dividend policy stipulates that when drafting motions for profit distribution and dividend payment, the Company management should take into account a number of factors, including the financial standing, investment plans, loan repayment obligations, macroeconomic environment and legal regulations.

Decisions on profit distribution and dividend payment are passed by the Shareholders' Assembly at regular annual sessions, and dividend is paid on the annual basis in RSD.

Dividend payments

2008	The Company operated with loss and there was no dividend payment.
2009	The Company operated with loss and there was no dividend payment.
2010	The Parent company operated with profit. On July 27 th 2011, the Board of Directors ³³ adopted the Decision on Profit Distribution and loss coverage for 2010, based on which the whole generated profit should be distributed for covering losses transferred from previous years, therefore there was no dividend payment.
2011	The Parent company operated with profit. On June 25 th 2012, the Shareholders' Assembly adopted the Decision on Profit Distribution and loss coverage for 2011, based on which the whole generated profit should be distributed for covering losses transferred from previous years, therefore there was no dividend payment.
2012	The Parent company operated with profit. On June 18 th 2013, the Shareholders' Assembly adopted the Decision on Profit Distribution for 2012, dividend payment and determination of the total amount of retained earnings of NIS j.s.c. Novi Sad, stipulating the dividend payment in the gross amount of 25% of net profit generated in 2012, which amounts to 12,36 bn RSD and/or 75.83 RSD gross per share. The dividend for 2012 was paid on August 20 th 2013.
2013	The Parent company operated with profit. Decision on Profit Distribution was not yet discussed by Board of Directors and Shareholders' Assembly.

³³ in accordance with NIS j.s.c. Novi Sad memorandum of association effective at the moment of adoption of the decision, the decision on profit distribution and loss coverage was within the scope of competence of the board of directors

DESCRIPTION OF FINANCIAL INSTRUMENTS USED BY THE GROUP

Due to exposure to currency risk, NIS Group uses forward transactions at foreign exchange market as an instrument for managing this type of risk.

As the parent company for the entire Gazprom Neft Group within which NIS j.s.c. Novi Sad with its subsidiaries operates, "Gazprom Neft" j.s.c. manages commodity hedging instruments at the level of Gazprom Neft Group and evaluates whether it is necessary to use appropriate instruments of commodity hedging.

TRANSACTIONS WITH AFFILIATES

The majority owner of the NIS j.s.c. Novi Sad is "Gazprom Neft" j.s.c., St Petersburg, Russian Federation, with 56.15% shares of NIS j.s.c. Novi Sad. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest is owned by various minority shareholders. "Gazprom" j.s.c., Russian Federation is the ultimate owner of 56.15% of NIS Group.

In the period ended March 31th 2014 and in the same period in 2013, 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, geophysical research and interpretation services.

Activities in which the personal interest is involved are subject to the approval of the NIS j.s.c. Novi Sad's Board of Directors.³⁴

The overview of transactions with the affiliates is shown in the notes to the financial statements.

³⁴ Board of Directors of NIS j.s.c. Novi Sad approves only transactions that NIS j.s.c. Novi Sad concludes with shareholders (GPN), or their related parties, and not other transactions concluded by affiliates of NIS group

NUMBER OF EMPLOYEES

Total number of employees of NIS j.s.c. Novi Sad as of March 31st, 2014 was 4,357, number of employees from servicing organizations as of March 31st, 2014 is 3,629, which makes total of 7,986 employees. In addition there are 40 more employees who work in representative offices.

Organizational unit	March 31 st 2014			March 31 st 2013		
	Directly ³⁵	Servicing organizations	Total	Directly ³⁵	Servicing organizations	Total
NIS j.s.c. Novi Sad	4,357	3,629	7,986	5,756	2,529	8,285
Exploration and production Block	736	198	934	808	120	928
Refining Block	912	54	966	1,050	25	1,075
Sales and Distribution Block	1,052	2,927	3,979	2,131	2,153	4,284
Services Block	131	10	141	75	5	80
Energy Block	232	7	239	214	2	216
Corporate centre	1,294	433	1,727	1,478	224	1,702
Representative offices	40	0	40	29	0	29
Subsidiaries in Serbia	1,459	1,527	2,986	1,947	836	2,783
Naftagas – Naftni servisi	614	694	1,308	744	569	1,313
Naftagas – Tehnicki servisi	427	550	977	648	169	817
Naftagas – Transport	113	249	362	254	85	339
NTC NIS Naftagas	305	34	339	301	13	314
Subsidiaries abroad	349	9	358	182	4	186
NIS Petrol Bulgaria	209	0	209	35	0	35
NIS Petrol Romania	57	5	62	39	4	43
NIS Petrol Bosnia and Herzegovina	69	3	72	100	0	100
Jadran Naftagas B&H	7	0	7	8	0	8
Pannon Naftagas- Hungary	7	1	8	0	0	0
Other subsidiaries	162	13	175	112	15	127
Jubos d.o.o. Bor	0	0	0	0	0	0
O Zone a.d. Belgrade	4	0	4	5	0	5
NIS Oversiz o.o.o. Sankt Petersburg	105	0	105	67	0	67
SP Ranis o.o.o. Chernoglavka	0	0	0	1	0	1
NIS Svetlost d.o.o. Bujanovac	15	7	22	16	7	23
G Petrol d.o.o. Sarajevo	38	6	44	23	8	31
Total:	6,367	5,178	11,545	8,026	3,384	11,410

GROUNDS FOR TERMINATION OF EMPLOYMENT

During first quarter of 2014, totally 65 employees left the Company.

	Q1 2014	
	NIS j.s.c. Novi Sad	NIS j.s.c. Novi Sad and its subsidiaries in Serbia ³⁶
Retirement	0	1
Consensual termination of employment ³⁷	37	13
Other	28	23
Total:	65	37

³⁵ „NIS chance” included, vacancies excluded

³⁶ NIS j.s.c. Novi Sad with subsidiaries formed in 2012 originating from NIS j.s.c. Novi Sad organizational structure (“NTC NIS Naftagas” d.o.o., „Naftagas – Transport” d.o.o., “Naftagas – tehnicki servisi” d.o.o. and “Naftagas – naftni servisi” d.o.o.)

³⁷ Number includes the number of employees who accepted voluntary departure program with the formal termination of employment as of March 31st 2014 (who are thus employed on March 31st 2014, but not employed on April 1st 2014).

RESEARCH AND DEVELOPMENT

Introduction and efficient use of new technologies is the priority of NIS development in all areas of business operations, from production and refining to human resources. Modernisation of equipment, innovative approach and application of cutting-edge technologies are prerequisite to progress, competitiveness and regional leadership. NIS business operations undergo modernisation in terms of oil and gas business, new oil and gas exploitation methods are introduced and improved, new refining plants are build up, operation automated and retail network developed and modernised.

As regards research and development, NIS has adopted NIS j.s.c. Novi Sad Rulebook on Planning, Application and Monitoring of Innovation, Science and Research, Development and Technology Studies (SR&D), the Science and Technical Council was set up within NIS j.s.c. CEO Office which convenes quarterly, whereas the Research and Development Section was established within the Scientific and Technological Centre to monitor the coordination and execution of science and research projects.

Goals of expanding NIS innovation and science and research activities are:

- Supporting the implementation of 2020 Strategy
- Achieving competitive edge so as to ensure regional leadership
- Supporting the image of NIS as an innovation company.

In NIS Group, research and development is organised within its subsidiary "NTC NIS Naftagas" d.o.o. Novi Sad which in synergy with "Gazprom Neft" j.s.c., using resources and technology of the parent company, has a dual role:

- acts as research and development coordinator, and
- acts as research and development executor.

FINANCIAL STATEMENTS

STAND-ALONE FINANCIAL STATEMENTS

STATEMENT ON FINANCIAL POSITION

	Notes	31 March 2014 (unaudited)	31 December 2013 (unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	5	5,000,349	5,180,156
Short-term financial assets		2,032,516	2,176,381
Trade and other receivables	6	55,157,585	59,380,882
Inventories	7	46,061,439	38,409,866
Current income tax prepayments		100,320	-
Other current assets	8	3,908,113	5,638,830
Assets classified as held for sale		866,062	1,272,306
Total current assets		113,126,384	112,058,421
Non-current assets			
Property, plant and equipment	9	184,281,767	178,003,944
Investment property		1,120,984	1,363,353
Other intangible assets		3,923,123	3,890,416
Investments in subsidiaries		7,556,020	7,556,542
Trade and other non-current receivables		2,434,606	2,434,588
Long-term financial assets		30,196,823	29,169,824
Deferred tax assets		9,160,042	9,776,709
Other non-current assets	10	6,355,832	6,247,455
Total non-current assets		245,029,197	238,442,831
Total assets		358,155,581	350,501,252
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	11	33,172,912	28,054,370
Trade and other payables	12	42,571,011	54,507,915
Other current liabilities	13	3,787,252	2,964,691
Current income tax payable		3,006,875	2,626,080
Other taxes payable	14	8,641,064	8,418,130
Provisions for liabilities and charges		2,634,000	2,739,909
Total current liabilities		93,813,114	99,311,095
Non-current liabilities			
Long-term debt	15	63,818,617	60,626,546
Deferred tax liabilities		2,242,920	2,153,482
Provisions for liabilities and charges		11,611,230	11,527,436
Total non-current liabilities		77,672,767	74,307,464
Equity			
Share capital		81,530,200	81,530,200
Reserves		(60,682)	(59,885)
Retained earnings		105,200,182	95,412,378
Total equity		186,669,700	176,882,693
Total liabilities and shareholder's equity		358,155,581	350,501,252

All amounts are in 000 RSD, unless otherwise stated

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

STATEMENT ON PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Three month period ended 31 March		
	Notes	2014 (unaudited)	2013 (unaudited)
Sales of petroleum products and oil and gas sales		53,521,437	47,418,782
Other revenues		1,158,643	1,180,405
Total revenue from sales	4	54,680,080	48,599,187
Purchases of oil, gas and petroleum products	16	(28,589,503)	(25,858,917)
Production and manufacturing expenses	17	(4,428,427)	(4,153,077)
Selling, general and administrative expenses	18	(4,438,819)	(4,591,810)
Transportation expenses		(231,453)	(257,718)
Depreciation, depletion and amortization		(2,580,726)	(2,188,424)
Taxes other than income tax		(1,251,699)	(1,433,851)
Exploration expenses		(32,084)	(34,965)
Total operating expenses		(41,552,711)	(38,518,762)
Other expenses, net		(53,819)	(87,806)
Operating profit		13,073,550	9,992,619
Net foreign exchange (loss) gain		(795,141)	46,237
Finance income		487,699	332,798
Finance expenses		(818,371)	(902,872)
Total other expense		(1,125,813)	(523,837)
Profit before income tax		11,947,737	9,468,782
Current income tax expense		(1,453,828)	(1,081,721)
Deferred income tax expense		(706,105)	(96,549)
Total income tax expense		(2,159,933)	(1,178,270)
Profit for the period		9,787,804	8,290,512
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		(797)	(1,040)
Other comprehensive loss for the period		(797)	(1,040)
Total comprehensive income for the period		9,787,007	8,289,472
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		60.02	50.84
Weighted average number of ordinary shares in issue (in millions)		163	163

All amounts are in 000 RSD, unless otherwise stated

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

STATEMENT OF CHANGES IN EQUITY

THREE MONTH PERIOD ENDED 31 MARCH 2014 AND 2013

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2013	81,530,200	814,908	54,658,053	137,003,161
Profit for the period	-	-	8,290,512	8,290,512
Other comprehensive loss				
Change in value of available-for-sale financial assets	-	(1,040)	-	(1,040)
Total comprehensive income (loss) for the period	-	(1,040)	8,290,512	8,289,472
Balance as at 31 March 2013	81,530,200	813,868	62,948,565	145,292,633
Balance as at 1 January 2014	81,530,200	(59,885)	95,412,378	176,882,693
Profit for the period	-	-	9,787,804	9,787,804
Other comprehensive loss				
Change in value of available-for-sale financial assets	-	(797)	-	(797)
Total comprehensive income (loss) for the period	-	(797)	9,787,804	9,787,007
Balance as at 31 March 2014	81,530,200	(60,682)	105,200,182	186,669,700

All amounts are in 000 RSD, unless otherwise stated

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

STATEMENT OF CASH FLOWS

	Three month period ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Cash flows from operating activities		
Profit before income tax	11,947,737	9,468,782
Adjustments for:		
Finance costs	818,371	902,872
Finance income	(487,699)	(332,798)
Depreciation, depletion and amortization	2,580,726	2,188,424
Adjustments for other provisions	99,251	297,902
Allowance for doubtful accounts	710,207	73,192
Net unrealised foreign exchange losses (gain), net	719,697	(310,051)
Other non-cash items	107,856	571
	4,548,409	2,820,112
Changes in working capital:		
Trade and other receivables	4,222,456	1,406,751
Inventories	(7,651,573)	(4,503,794)
Other current assets	844,489	1,571,040
Trade payables and other current liabilities	(9,753,342)	933,123
Other taxes payable	217,735	(18,822)
	(12,120,235)	(611,702)
Income taxes paid	(1,170,774)	(1,177,706)
Interest paid	(635,323)	(856,093)
Interest received	176,860	179,661
	(1,629,237)	(1,854,138)
Net cash generated by operating activities	2,746,674	9,823,054
Cash flows from investing activities		
Loan issued	(2,153,001)	(4,048,014)
Loan proceeds received	1,699,285	134,462
Capital expenditures	(10,110,432)	(10,269,902)
Proceeds from sale of property, plant and equipment	90,335	77,258
Net cash used in investing activities	(10,473,813)	(14,106,196)
Cash flows from financing activities		
Proceeds from borrowings	10,378,676	5,722,848
Repayment of borrowings	(2,773,683)	(4,986,541)
Net cash generated by financing activities	7,604,993	736,307
Net decrease in cash and cash equivalents	(122,146)	(3,546,835)
Effect of foreign exchange on cash and cash equivalents	(57,661)	167,085
Cash and cash equivalents as of the beginning of the period	5,180,156	8,311,266
Cash and cash equivalents as of the end of the period	5,000,349	4,931,516

All amounts are in 000 RSD, unless otherwise stated

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

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the "Company") is a vertically integrated oil company operating predominantly in 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.

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 OAO 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%.

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 CEO and will be presented to Board of Directors for approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Financial Statements for 2013, 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 2013.

The results for the three month period ended 31 March 2014 are not necessarily indicative of the results expected for the full year.

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 2013, except for those described in Application of new IFRS paragraph.

Application of new IFRS

A number of amendments to current IFRS and new IFRIC became effective for the periods beginning on or after 1 January 2014:

- amendments regarding set off rules to IAS 32 Financial Instruments,
- amendments in respect of Investment entities to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other entities and IAS 27 Separate Financial Statements,
- amendments to IAS 36 Impairment of Assets, regarding additional disclosure
- amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding novation of derivatives and hedge accounting,

- IFRIC 21 – Levies, Annual improvements 2013.

The Company has initially applied amended standards and new IFRIC while preparing these Interim Condensed Financial statements. It has no significant impact on the Company's Interim Condensed Financial Statements.

3. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after July 1, 2014 or later, and that the Company has not early adopted.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 and November 2013 to address the classification and measurement of financial liabilities. Key features of the standard:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The amendment made to IFRS 9 in November 2013 allows an entity to continue to measure its financial instruments in accordance with IAS 39 but at the same time to benefit from the improved accounting for own credit in IFRS 9.
- A substantial overhaul of hedge accounting was introduced that will enable entities to better reflect their risk management activities in their financial statements. In particular amendments to IFRS 9 increase the scope of hedged items eligible for hedge accounting (risk components of non-financial items may be designated provided they are separately identifiable and reliable measurable; derivatives may be included as part of the hedged item; groups and net positions may be designated hedged items, etc). The amendments to IFRS 9 also increase eligibility of hedging instruments allowing financial instruments at fair value through profit or loss to be designated as hedging instruments. A fundamental difference to the IAS 39 hedge accounting model is the lack of the 80-125 per cent bright line threshold for effective hedges and the requirement to perform retrospective hedge effectiveness testing. Under the IFRS 9 model, it is necessary for there to be an economic relationship between the hedged item and hedging instrument, with no quantitative threshold.
- Increased disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements.

The mandatory effective date of IFRS 9 is to be determined once the standard is complete. The standard is available for early adoption. The Company does not plan to adopt the standard before the mandatory effective date and is currently assessing the impact of the new standard on its Financial Statements.

The amendments to IAS 19 – Employee Benefits (issued in November 2013 and effective for annual periods beginning on or after July 1, 2014) on contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's Interim Condensed Financial Statements.

4. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the three month period ended 31 March 2014 and 2013. 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 into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized 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 three month period ended 31 March 2014 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	21,470,427	53,563,527	(20,353,874)	54,680,080
Intersegment	20,167,658	186,216	(20,353,874)	-
External	1,302,769	53,377,311	-	54,680,080
EBITDA (Segment results)	17,876,320	(2,068,379)	-	15,807,941
Depreciation, depletion and amortization	(696,887)	(1,883,839)	-	(2,580,726)
Impairment losses	(1,989)	(126,202)	-	(128,191)
Finance expenses, net	(67,493)	(263,177)	-	(330,670)
Income tax	(201,700)	(1,958,233)	-	(2,159,933)
Segment profit (loss)	16,872,045	(7,084,241)	-	9,787,804

Reportable segment results for the three month period ended 31 March 2013 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	21,783,030	48,560,932	(21,744,775)	48,599,187
Intersegment	21,705,004	39,771	(21,744,775)	-
External	78,026	48,521,161	-	48,599,187
EBITDA (Segment results)	19,256,497	(7,187,511)	-	12,068,986
Depreciation, depletion and amortization	(552,141)	(1,636,283)	-	(2,188,424)
Impairment losses	-	(356)	-	(356)
Finance expenses, net	(84,909)	(485,165)	-	(570,074)
Income tax	(3,641)	(1,174,629)	-	(1,178,270)
Segment profit (loss)	18,724,508	(10,433,996)	-	8,290,512

EBITDA for the three month period ended 31 March 2014 and 2013 is reconciled below:

	Three month period ended 31 March	
	2014	2013
Profit for the period	9,787,804	8,290,512
Income tax expenses	2,159,933	1,178,270
Finance expenses	818,371	902,872
Other finance income	(487,699)	(332,798)
Depreciation, depletion and amortization	2,580,726	2,188,424
Net foreign exchange loss/(profit)	795,141	(46,237)
Other expense, net	53,819	87,806
Other non-operating expense (income), net*	99,846	(199,863)
EBITDA	15,807,941	12,068,986

*Other non-operating expenses (income), net mainly relate to litigation provisions and other.

Total revenue from sales comprise the following (based on the country of customer incorporation):

	Three month period ended 31 March 2014		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,248,245	1,248,245
Sale of gas	1,679,055	-	1,679,055
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,679,055	-	1,679,055
Sale of petroleum products	42,453,630	8,140,507	50,594,137
<i>Through a retail network</i>	12,186,227	-	12,186,227
<i>Wholesale activities</i>	30,267,403	8,140,507	38,407,910
Other sales	1,140,027	18,616	1,158,643
Total sales	45,272,712	9,407,368	54,680,080

	Three month period ended 31 March 2013		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	26,650	26,650
Sale of gas	1,707,913	-	1,707,913
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,707,913	-	1,707,913
Sale of petroleum products	38,678,001	7,006,218	45,684,219
<i>Through a retail network</i>	11,828,552	-	11,828,552
<i>Wholesale activities</i>	26,849,449	7,006,218	33,855,667
Other sales	1,178,474	1,931	1,180,405
Total sales	41,564,388	7,034,799	48,599,187

Out of the amount of 50,594,137 RSD (2013: 45,684,219 RSD) revenue from sale of petroleum products (wholesale), the amount of 8,024,380 RSD (2013: 7,315,142 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

5. CASH AND CASH EQUIVALENTS

	31 March 2014	31 December 2013
Cash in bank and in hand	3,508,961	4,961,288
Deposits with original maturity of less than three months	1,265,873	-
Cash equivalents	225,515	218,868
	5,000,349	5,180,156

6. TRADE AND OTHER RECEIVABLES

	31 March 2014	31 December 2013
Trade receivables:		
- related parties	4,479,161	3,790,384
- third parties	70,424,182	74,223,194
	74,903,343	78,013,578
Accrued assets	17,850	1,362,235
Other receivables	9,886,873	9,823,260
	84,808,066	89,199,073
Less impairment provision	(29,650,481)	(29,818,191)
Total trade and other receivables	55,157,585	59,380,882

The ageing of trade receivables is as follows:

	31 March 2014	31 December 2013
Up to 3 months	40,201,699	41,334,538
Over 3 months	34,701,644	36,679,040
	74,903,343	78,013,578

As at 31 March 2014 out of 34,701,644 RSD of overdue receivables (31 December 2013: 36,679,040 RSD), trade receivables in amount of 21,772,177 RSD (31 December 2013: 21,990,577 RSD) were fully provided for. The remaining amount of 12,929,467 RSD (31 December 2013: 14,688,463 RSD) relates to a number of independent customers for whom management believes that will be recovered in the near future.

The ageing of trade receivables provided for is as follows:

	31 March 2014	31 December 2013
Up to 3 months	1,005,878	1,002,942
Over 3 months	20,766,299	20,987,635
	21,772,177	21,990,577

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

	31 March 2014	31 December 2013
RSD	71,741,485	74,910,652
EUR	10,468,025	10,431,944
USD	2,598,534	3,856,453
Other	22	24
	84,808,066	89,199,073

Movements on the Company's provision for impairment of trade receivables and other receivables are as follows:

	Trade receivables	Other receivables	Total
As at 1 January 2013	21,560,538	5,820,064	27,380,602
Provision for receivables impairment (note 18)	291,504	-	291,504
Unused amounts reversed (note 18)	(335,841)	-	(335,841)
Other	(149)	548,005	547,856
As at 31 March 2013	21,516,052	6,368,069	27,884,121
As at 1 January 2014	21,990,577	7,827,614	29,818,191
Provision for receivables impairment (note 18)	132,480	-	132,480
Unused amounts reversed (note 18)	(332,228)	-	(332,228)
Other	(18,652)	50,690	32,038
As at 31 March 2014	21,772,177	7,878,304	29,650,481

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Statement of Profit and Loss and Other Comprehensive Income. The amounts charged to provision for impairment are written off when their collection is not expected.

7. INVENTORIES

	31 March 2014	31 December 2013
Crude oil	30,387,719	25,490,951
Gas	-	98,558
Petroleum products	15,299,114	12,780,938
Materials and supplies	6,047,474	5,582,457
Other	413,453	593,212
Less impairment provision	(6,086,321)	(6,136,250)
	46,061,439	38,409,866

8. OTHER CURRENT ASSETS

	31 March 2014	31 December 2013
Advances paid	407,637	700,072
VAT receivables	-	621,864
Deferred VAT	1,059,873	2,466,870
Prepaid expenses	62,214	114,807
Prepaid custom duties	62,554	52,378
Prepaid excise	1,511,101	1,431,422
Other current assets	19,602,498	18,198,978
Less impairment provision	(18,797,764)	(17,947,561)
	3,908,113	5,638,830

Deferred VAT as at 31 March 2014 amounting to 1,059,873 RSD (31 December 2013: 2,466,870 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 31 March 2014 amounting to 1,511,101 RSD (31 December 2013: 1,431,422 RSD) relates to the excise paid to the State for finished products stored in non-excise warehouse.

Movements on the Company's provision for impairment of other current assets are as follows:

	Advances paid	Other current assets	Total
As at 1 January 2013	373,071	13,188,420	13,561,491
Provision for other current assets impairment (note 18)	-	173,064	173,064
Unused amounts reversed (note 18)	(449)	(55,099)	(55,548)
Other	-	(18,315)	(18,315)
As at 31 March 2013	372,622	13,288,070	13,660,692
As at 1 January 2014	248,347	17,699,214	17,947,561
Provision for other current assets impairment (note 18)	13	964,737	964,750
Unused amounts reversed (note 18)	(8,888)	(46,730)	(55,618)
Other	6	(58,935)	(58,929)
As at 31 March 2014	239,478	18,558,286	18,797,764

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2013						
Cost	42,567,439	96,895,807	27,042,790	16,318,460	25,997,306	208,821,802
Depreciation and impairment	(14,450,260)	(23,887,053)	(13,010,240)	(6,848,950)	(4,315,892)	(62,512,395)
Net book value	28,117,179	73,008,754	14,032,550	9,469,510	21,681,414	146,309,407
Period ended 31 March 2013						
Additions	1,795,166	2,624,789	311,888	207,136	3,101,134	8,040,113
Impairment	-	-	-	-	(356)	(356)
Depreciation	(550,058)	(1,151,523)	(202,818)	(110,111)	-	(2,014,510)
Transfer to intangible assets	-	-	-	-	(23,614)	(23,614)
Disposals and write-off	(701,982)	(4,309)	(11,908)	(1,287)	(175,513)	(894,999)
Other transfers	1,276	184,546	8,277	(194,099)	-	-
	28,661,581	74,662,257	14,137,989	9,371,149	24,583,065	151,416,041
As at 31 March 2013						
Cost	43,115,889	99,324,820	27,319,238	16,534,630	28,897,611	215,192,188
Depreciation and impairment	(14,454,308)	(24,662,563)	(13,181,249)	(7,163,481)	(4,314,546)	(63,776,147)
Net book value	28,661,581	74,662,257	14,137,989	9,371,149	24,583,065	151,416,041
As at 1 January 2014						
Cost	51,949,129	108,204,314	29,704,322	16,939,009	39,760,624	246,557,398
Depreciation and impairment	(16,356,852)	(28,192,781)	(12,440,063)	(7,519,610)	(4,044,148)	(68,553,454)
Net book value	35,592,277	80,011,533	17,264,259	9,419,399	35,716,476	178,003,944
Period ended 31 March 2014						
Additions	3,711,841	193,193	822,740	78,151	4,224,414	9,030,339
Impairment	-	-	(29,907)	-	(2,431)	(32,338)
Depreciation	(692,821)	(1,295,073)	(281,372)	(121,610)	-	(2,390,876)
Transfer from investment property	35,121	1,316	36,481	7,399	-	80,317
Disposals and write-off	(129,158)	-	(47,134)	(21,271)	(125,275)	(322,838)
Other transfers	(44,373)	(236,340)	(13,643)	301,905	-	7,549
	38,472,887	78,674,629	17,751,424	9,663,973	39,718,854	184,281,767
As at 31 March 2014						
Cost	55,443,181	108,077,914	30,395,884	17,331,059	43,760,093	255,008,131
Depreciation and impairment	(16,970,294)	(29,403,285)	(12,644,460)	(7,667,086)	(4,041,239)	(70,726,364)
Net book value	38,472,887	78,674,629	17,751,424	9,663,973	39,718,854	184,281,767

Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2013						
Cost	5,304,044	5,097,738	10,401,782	42,567,439	112,666	53,081,887
Depreciation and impairment	-	(304,214)	(304,214)	(14,450,260)	(110,630)	(14,865,104)
Net book amount	5,304,044	4,793,524	10,097,568	28,117,179	2,036	38,216,783
Period ended 31 March 2013						
Additions	1,076,030	3,038,247	4,114,277	-	-	4,114,277
Transfer from asset under construction	-	(1,795,166)	(1,795,166)	1,795,166	-	-
Other transfers	-	(133)	(133)	1,276	(16)	1,127
Depreciation and depletion	-	-	-	(550,058)	-	(550,058)
Disposals and write-off	-	(2,759)	(2,759)	(701,982)	-	(704,741)
	6,380,074	6,033,713	12,413,787	28,661,581	2,020	41,077,388
As at 31 March 2013						
Cost	6,380,074	6,336,877	12,716,951	43,115,889	110,850	55,943,690
Depreciation and impairment	-	(303,164)	(303,164)	(14,454,308)	(108,830)	(14,866,302)
Net book amount	6,380,074	6,033,713	12,413,787	28,661,581	2,020	41,077,388
As at 1 January 2014						
Cost	10,248,631	11,674,429	21,923,060	51,949,129	22,241	73,894,430
Depreciation and impairment	-	(238,059)	(238,059)	(16,356,852)	(20,266)	(16,615,177)
Net book amount	10,248,631	11,436,370	21,685,001	35,592,277	1,975	57,279,253
Period ended 31 March 2014						
Additions	1,946,988	5,107,839	7,054,827	-	-	7,054,827
Transfer from asset under construction	(4,503)	(3,707,338)	(3,711,841)	3,711,841	-	-
Other transfers	-	31,742	31,742	(9,252)	(82)	22,408
Impairment	-	(1,989)	(1,989)	-	-	(1,989)
Depreciation and depletion	-	-	-	(692,821)	-	(692,821)
Disposals and write-off	(24,067)	(161,500)	(185,567)	(129,158)	-	(314,725)
	12,167,049	12,705,124	24,872,173	38,472,887	1,893	63,346,953
As at 31 March 2014						
Cost	12,167,049	12,945,172	25,112,221	55,443,181	22,159	80,577,561
Depreciation and impairment	-	(240,048)	(240,048)	(16,970,294)	(20,266)	(17,230,608)
Net book amount	12,167,049	12,705,124	24,872,173	38,472,887	1,893	63,346,953

10. OTHER NON-CURRENT ASSETS

	31 March 2014	31 December 2013
Advances paid for PPE	4,275,822	4,160,931
Prepaid expenses	1,027,902	1,033,330
Other assets	1,082,007	1,083,093
Less impairment provision	(29,899)	(29,899)
	6,355,832	6,247,455

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

	31 March 2014	31 December 2013
Short-term loans	2,146,301	300,000
Interest liabilities	200,228	136,403
Current portion of long-term loans (note 15)	30,813,077	27,596,333
Current portion of finance lease liabilities (note 15)	13,306	21,634
	33,172,912	28,054,370

12. TRADE AND OTHER PAYABLES

	31 March 2014	31 December 2013
Trade payables		
- related parties	30,133,489	38,997,863
- third parties	8,594,478	11,667,964
Dividends payable	3,772,308	3,772,308
Other accounts payable	70,736	69,780
	42,571,011	54,507,915

As at 31 March 2014 payables to related parties amounting to 30,133,489 RSD (31 December 2013: 38,997,863 RSD) mainly relate to payables to the supplier Gazprom Neft Trading Austria in the amount of 19,373,027 RSD (31 December 2013: 28,139,826 RSD), mostly for the purchase of crude oil.

13. OTHER CURRENT LIABILITIES

	31 March 2014	31 December 2013
Advances received	860,224	864,997
Payables to employees	2,884,547	2,069,305
Accruals and deferred income	20,326	24,013
Other current non-financial liabilities	22,155	6,376
	3,787,252	2,964,691

14. OTHER TAXES PAYABLE

	31 March 2014	31 December 2013
Mineral extraction tax	589,910	522,953
VAT	1,712,304	461,212
Excise tax	3,815,427	4,294,766
Custom duties	637,162	1,623,065
Other taxes	1,886,261	1,516,134
	8,641,064	8,418,130

15. LONG-TERM DEBT

	31 March 2014	31 December 2013
Long-term loans - Gazprom Neft	49,642,169	50,655,813
Bank loans	44,988,315	37,565,857
Finance lease liabilities	13,306	21,634
Other long-term borrowings	1,210	1,209
Less Current portion	(30,826,383)	(27,617,967)
	63,818,617	60,626,546

Bank loans

	31 March 2014	31 December 2013
Domestic	12,072,460	12,048,569
Foreign	32,915,855	25,517,288
	44,988,315	37,565,857
Current portion of long-term loans	(25,446,356)	(22,264,141)
	19,541,959	15,301,716

The maturity of bank loans was as follows:

	31 March 2014	31 December 2013
Between 1 and 2 years	10,095,410	2,926,308
Between 2 and 5 years	4,048,331	6,871,962
Over 5 years	5,398,218	5,503,446
	19,541,959	15,301,716

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

	31 March 2014	31 December 2013
USD	35,725,541	28,343,857
EUR	8,617,975	8,579,494
RSD	280,690	280,783
JPY	364,109	361,723
	44,988,315	37,565,857

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, Belibor and Libor.

Management expects that the Company will be able to fulfil its obligations within agreed timeframe.

The carrying amounts of the Company's bank loans as at 31 March 2014 and 31 December 2013 are presented in the table below:

Creditor	Currency	31 March 2014	31 December 2013
Domestic long-term loans			
Erste bank, Novi Sad	USD	276,062	279,719
Erste bank, Novi Sad	EUR	447,639	454,900
Bank Postanska stedionica, Belgrade	EUR	219,929	225,341
Bank Postanska stedionica, Belgrade	USD	1,493,909	1,526,400
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,488,872	4,459,990
UniCredit bank, Belgrade	USD	4,865,359	4,821,436
UniCredit bank, Belgrade	RSD	278,900	278,900
Other loans	RSD	1,790	1,883
		12,072,460	12,048,569
Foreign long-term loans			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	510,421	518,612
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	364,109	361,723
Erste bank, Holland	EUR	3,461,535	3,439,263
Erste bank, Holland	USD	5,452,558	5,403,333
VUB (Bank Intesa), Slovakia	USD	8,388,550	8,312,820
NBG bank, Great Britain	USD	4,194,275	2,493,846
Alpha bank, Great Britain	USD	6,350,132	3,325,128
Piraeus bank, Great Britain	USD	1,677,710	1,662,563
Sberbank Europe AG, Беч, Аустрија	USD	2,516,565	-
		32,915,855	25,517,288
Less current portion of long-term loans		(25,446,356)	(22,264,141)
		19,541,959	15,301,716

	Currency	Current portion		Long-term	
		31 March 2014	31 December 2013	31 March 2014	31 December 2013
Domestic long - term loans					
Erste bank, Novi Sad	USD	14,099	13,070	261,963	266,649
Erste bank, Novi Sad	EUR	22,604	20,972	425,035	433,928
Bank Postanska stedionica, Belgrade	EUR	11,105	12,148	208,824	213,193
Bank Postanska stedionica, Belgrade	USD	75,436	82,030	1,418,473	1,444,370
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	249,875	248,267	4,238,997	4,211,723
UniCredit bank, Belgrade	USD	4,865,359	4,821,436	-	-
UniCredit bank, Belgrade	RSD	278,900	278,900	-	-
Other loans	RSD	365	369	1,425	1,514
		5,517,743	5,477,192	6,554,717	6,571,377
Foreign long-term loans					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	32,300	30,197	478,121	488,415
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	18,386	16,978	345,723	344,745
Erste bank, Holland	EUR	3,461,535	3,439,263	-	-
Erste bank, Holland	USD	-	-	5,452,558	5,403,333
VUB (Bank Intesa), Slovakia	USD	8,388,550	8,312,820	-	-
NBG bank, Great Britain	USD	-	-	4,194,275	2,493,846
Alpha bank, Great Britain	USD	6,350,132	3,325,128	-	-
Piraeus bank, Great Britain	USD	1,677,710	1,662,563	-	-
Sberbank Europe AG, Беч, Аустрија	USD	-	-	2,516,565	-
		19,928,613	16,786,949	12,987,242	8,730,339
		25,446,356	22,264,141	19,541,959	15,301,716

16. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Three month period ended 31 March	
	2014	2013
Crude oil	24,726,406	22,826,540
Petroleum products	3,826,216	2,991,042
Other	36,881	41,335
	28,589,503	25,858,917

17. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2014	2013
Employee costs	910,976	972,823
Materials and supplies (other than purchased oil, petroleum products and gas)	154,993	153,359
Repair and maintenance services	725,522	616,035
Electricity and utilities	561,251	319,750
Other	2,075,685	2,091,110
	4,428,427	4,153,077

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 March	
	2014	2013
Employee costs	2,269,611	2,652,754
Legal, audit, and consulting services	218,806	214,245
Rent expense	19,750	35,892
Business trips expense	48,125	78,899
Safety and security expense	84,619	152,230
Insurance expense	58,821	43,437
Transportation and storage	287,119	224,796
Allowance for doubtful accounts	709,384	73,179
Other	742,584	1,116,378
	4,438,819	4,591,810

19. CONTINGENT LIABILITIES*Finance Guarantees*

As at 31 March 2014 the total amount of outstanding finance guarantees given by the Company amounted to 2,959,626 RSD mostly related to customs duties in the amount of 1,602,400 RSD (2013: 1,603,960 RSD).

Environmental protection

As at the reporting date, the Company's management made an environmental provision amounting to 647,212 RSD (31 December 2013: 690,094 RSD), based on an internal assessment of compliance with the Republic of Serbia environmental legislation.

The Company's Management believes that based on current environmental legislation costs associated with environmental issues 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.

Other contingent liabilities

As at 31 March 2014, the Company did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Company has to pay the difference in tax calculation of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Company's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Company's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed four years ago. Taking all of the above into consideration, the Company's Management is of the view that as at 31 March 2014 outflow of resources embodying economic benefits is remote due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

20. 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. Gazprom, Russian Federation is the ultimate owner of the Company.

In the three month period ended 31 March 2014 and in the same period in 2013, 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 and petroleum products.

As at 31 March 2014 and 31 December 2013 the outstanding balances with related parties were as follows:

	Subsidiaries	Parent company	Entities under common control	Total
As at 31 March 2014				
Short-term financial assets	1,970,311	-	-	1,970,311
Trade and other receivables	4,469,800	-	9,361	4,479,161
Other current assets	10,513	-	7	10,520
Investments in subsidiaries	8,729,187	-	-	8,729,187
Long-term financial assets	32,407,160	-	-	32,407,160
Other non-current assets	159,524	-	-	159,524
Trade and other payables	(1,497,220)	(9,246,927)	(19,389,342)	(30,133,489)
Other current liabilities	(666)	-	(15,704)	(16,370)
Short-term debt and current portion of long-term debt	(24,366)	(5,366,721)	-	(5,391,087)
Long-term debt	-	(44,275,448)	-	(44,275,448)
	46,224,243	(58,889,096)	(19,395,678)	(32,060,531)
As at 31 December 2013				
Short-term financial assets	2,114,286	-	-	2,114,286
Trade and other receivables	3,786,847	-	3,537	3,790,384
Other current assets	12,222	-	-	12,222
Investments in subsidiaries	8,729,709	-	-	8,729,709
Long-term financial assets	31,380,003	-	-	31,380,003
Other non-current assets	159,524	-	-	159,524
Trade and other payables	(1,072,804)	(9,338,240)	(28,586,819)	(38,997,863)
Other current liabilities	(163)	-	-	(163)
Short-term debt and current portion of long-term debt	-	(5,332,191)	-	(5,332,191)
Long-term debt	-	(45,323,622)	-	(45,323,622)
	45,109,624	(59,994,053)	(28,583,282)	(43,467,711)

For the three month period ended 31 March 2014 and 2013 the following transaction occurred with related parties:

	Subsidiaries	Parent company	Entities under common control	Total
Three month period ended 31 March 2014				
Petroleum products and oil and gas sales	2,422,084	-	718,136	3,140,220
Other revenues	127,262	-	-	127,262
Purchases of oil, gas and petroleum products	(1,025,573)	-	(25,682,902)	(26,708,475)
Production and manufacturing expenses	(761,371)	(1,849)	(4,907)	(768,127)
Selling, general and administrative expenses	(223,044)	(7,229)	-	(230,273)
Transportation expenses	(5,191)	-	-	(5,191)
Other expenses, net	(1,882)	(4,556)	3,909	(2,529)
Finance income	421,996	-	-	421,996
Finance expense	(3,382)	(299,073)	-	(302,455)
	950,899	(312,707)	(24,965,764)	(24,327,572)

	Subsidiaries	Parent company	Entities under common control	Total
Three month period ended 31 March 2013				
Petroleum products and oil and gas sales	232,571	-	-	232,571
Other revenues	171,281	-	40,463	211,744
Purchases of oil, gas and petroleum products	(272,973)	-	(20,563,269)	(20,836,242)
Production and manufacturing expenses	(654,229)	(923)	(25,202)	(680,354)
Selling, general and administrative expenses	(145,997)	(7,218)	-	(153,215)
Transportation expenses	(1,467)	-	-	(1,467)
Exploration expenses	(22,986)	-	-	(22,986)
Other expenses, net	(2,484)	(4,437)	(43,472)	(50,393)
Finance income	256,652	-	-	256,652
Finance expense	-	(308,064)	-	(308,064)
	(439,632)	(320,642)	(20,591,480)	(21,351,754)

21. TAX RISKS

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 31 March 2014.

22. EVENTS AFTER THE REPORTING DATE

No significant events, which required disclosure in these Interim Condensed Financial Statements, occurred after the reporting date.

Subsequent events occurring after 31 March 2014 were evaluated through 23 April 2014, the date these Interim Condensed Financial Statements were authorised for issue.

NIS a.d.

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Novi Sad, 23 April 2014

Kirill Kravchenko

CEO

Anton Fyodorov

**CEO Deputy,
Head of Function for Finance, Economics,
Planning and Accounting**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT ON FINANCIAL POSITION

	Notes	31 March 2014 (unaudited)	31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	5	7,430,292	8,707,775
Short-term financial assets		68,751	68,358
Trade and other receivables	6	51,506,513	56,117,886
Inventories	7	48,328,116	40,659,980
Current income tax prepayments		146,842	38,865
Other current assets	8	5,665,234	7,365,761
Total current assets		113,145,748	112,958,625
Non-current assets			
Property, plant and equipment	9	212,178,269	204,932,521
Investment property		1,172,146	1,414,364
Goodwill and other intangible assets		6,707,873	6,678,646
Investments in joint venture		1,008,221	1,008,221
Trade and other non-current receivables		76,682	76,219
Long-term financial assets		216,923	217,081
Deferred tax assets		9,160,042	9,776,756
Other non-current assets	10	8,455,736	8,567,539
Total non-current assets		238,975,892	232,671,347
Total assets		352,121,640	345,629,972
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	11	33,149,027	28,054,845
Trade and other payables	12	42,956,074	55,276,015
Other current liabilities	13	4,644,818	3,559,331
Current income tax payable		3,016,479	2,630,312
Other taxes payable	14	9,130,946	8,701,055
Provisions for liabilities and charges		2,671,448	2,789,910
Total current liabilities		95,568,792	101,011,468
Non-current liabilities			
Long-term debt	15	64,337,551	61,133,878
Deferred tax liabilities		2,395,340	2,337,281
Provisions for liabilities and charges		12,297,977	12,194,243
Total non-current liabilities		79,030,868	75,665,402
Equity			
Share capital		81,530,200	81,530,200
Reserves		(137,364)	(98,174)
Retained earnings		96,180,952	87,564,495
Equity attributable to the Company's owners		177,573,788	168,996,521
Non-controlling interest		(51,808)	(43,419)
Total equity		177,521,980	168,953,102
Total liabilities and shareholder's equity		352,121,640	345,629,972

All amounts are in 000 RSD, unless otherwise stated

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

CONSOLIDATED STATEMENT ON PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three month period ended 31 March	
		2014 <i>(unaudited)</i>	2013 <i>(unaudited)</i>
Sales of petroleum products and oil and gas sales		55,111,004	48,066,955
Other revenues		1,488,949	1,383,785
Total revenue from sales	4	56,599,953	49,450,740
Purchases of oil, gas and petroleum products	16	(29,830,871)	(26,242,892)
Production and manufacturing expenses	17	(4,551,374)	(4,653,643)
Selling, general and administrative expenses	18	(5,082,759)	(4,584,368)
Transportation expenses		(228,104)	(263,304)
Depreciation, depletion and amortization		(3,027,643)	(2,489,473)
Taxes other than income tax		(1,459,571)	(1,692,485)
Exploration expenses		(32,084)	(11,979)
Total operating expenses		(44,212,406)	(39,938,144)
Other expenses, net		(88,402)	(278,788)
Operating profit		12,299,145	9,233,808
Net foreign exchange loss		(765,671)	(21,032)
Finance income		67,180	142,304
Finance expenses		(857,490)	(921,226)
Total other expense		(1,555,981)	(799,954)
Profit before income tax		10,743,164	8,433,854
Current income tax expense		(1,460,578)	(1,081,742)
Deferred income tax expense		(674,215)	(95,017)
Total income tax expense		(2,134,793)	(1,176,759)
Profit for the period		8,608,371	7,257,095
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		(797)	(1,040)
Currency translation differences		(38,672)	31,336
Other comprehensive (loss) profit for the period		(39,469)	30,296
Total comprehensive income for the period		8,568,902	7,287,391
Profit attributable to:			
- Shareholders of Naftna Industrija Srbije		8,616,377	7,267,477
- Non-controlling interest		(8,006)	(10,382)
Profit for the period		8,608,371	7,257,095
Total comprehensive income attributable to:			
- Shareholders of Naftna Industrija Srbije		8,577,252	7,297,773
- Non-controlling interest		(8,350)	(10,382)
Total comprehensive income for the period		8,568,902	7,287,391
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		52.84	44.57
Weighted average number of ordinary shares in issue (in millions)		163	163

All amounts are in 000 RSD, unless otherwise stated

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTH PERIOD ENDED 31 MARCH 2014 AND 2013

<i>(unaudited)</i>	Note	Equity attributable to the Company's owners			Total	Non-controlling interest	Total
		Share capital	Reserves	Retained earnings			
Balance as at 1 January 2013		81,530,200	794,352	50,783,215	133,107,767	(17,106)	133,090,661
Profit/(loss) for the period		-	-	7,267,477	7,267,477	(10,382)	7,257,095
Other comprehensive income/(loss)							
Change in value of available-for-sale financial assets		-	(1,040)	-	(1,040)	-	(1,040)
Currency translation differences		-	31,336	-	31,336	-	31,336
Total comprehensive income (loss) for the period		-	30,296	7,267,477	7,297,773	(10,382)	7,287,391
Other		-	-	(2,923)	(2,923)	451	(2,472)
Balance as at 31 March 2013		81,530,200	824,648	58,047,769	140,402,617	(27,037)	140,375,580
Balance as at 1 January 2014		81,530,200	(98,174)	87,564,495	168,996,521	(43,419)	168,953,102
Profit/(loss) for the period		-	-	8,616,377	8,616,377	(8,006)	8,608,371
Other comprehensive income/(loss)							
Change in value of available-for-sale financial assets		-	(797)	-	(797)	-	(797)
Currency translation differences		-	(38,328)	-	(38,328)	(344)	(38,672)
Total comprehensive income (loss) for the period		-	(39,125)	8,616,377	8,577,252	(8,350)	8,568,902
Other		-	(65)	80	15	(39)	(24)
Balance as at 31 March 2014		81,530,200	(137,364)	96,180,952	177,573,788	(51,808)	177,521,980

All amounts are in 000 RSD, unless otherwise stated

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three month period ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Cash flows from operating activities		
Profit before income tax	10,743,164	8,433,854
Adjustments for:		
Finance costs	857,490	921,226
Finance income	(67,180)	(142,304)
Depreciation, depletion and amortization	3,027,643	2,489,473
Adjustments for other provisions	126,658	335,469
Allowance for doubtful accounts	725,285	76,060
Net unrealised foreign exchange losses (gain), net	702,338	103,097
Other non-cash items	106,107	141,443
	5,478,341	3,924,464
Changes in working capital:		
Trade and other receivables	4,611,283	411,768
Inventories	(7,668,136)	(4,827,410)
Other current assets	1,522,191	2,021,674
Trade payables and other current liabilities	(11,255,753)	2,086,812
Other taxes payable	386,556	12,310
	(12,403,859)	(294,846)
Income taxes paid	(1,179,808)	(1,187,959)
Interest paid	(632,309)	(856,093)
Interest received	178,336	194,012
	(1,633,781)	(1,850,040)
Net cash generated by operating activities	2,183,865	10,213,432
Cash flows from investing activities		
Acquisition of subsidiaries or other business, net of cash acquired	-	(147,949)
Acquisition of equity accounted investments	-	(1,008,221)
Loan proceeds received	-	13,728
Capital expenditures	(11,072,978)	(14,212,044)
Proceeds from sale of property, plant and equipment	93,230	77,258
Other (outflow) inflow	(472)	542,617
Net cash used in investing activities	(10,980,220)	(14,734,611)
Cash flows from financing activities		
Proceeds from borrowings	9,313,922	5,722,848
Repayment of borrowings	(1,732,927)	(4,986,541)
Net cash generated by financing activities	7,580,995	736,307
Net decrease in cash and cash equivalents	(1,215,360)	(3,784,872)
Effect of foreign exchange on cash and cash equivalents	(62,123)	167,272
Cash and cash equivalents as of the beginning of the period	8,707,775	12,069,897
Cash and cash equivalents as of the end of the period	7,430,292	8,452,297

All amounts are in 000 RSD, unless otherwise stated

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 OAO 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%.

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 CEO and will be presented to Board of Directors for approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by Serbian legislation. 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 2013, 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 2013.

The results for the three month period ended 31 March 2014 are not necessarily indicative of the results expected for the full year.

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 2013, except for those described in Application of new IFRS paragraph.

Application of new IFRS

A number of amendments to current IFRS and new IFRIC became effective for the periods beginning on or after 1 January 2014:

- amendments regarding set off rules to IAS 32 Financial Instruments,
- amendments in respect of Investment entities to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other entities and IAS 27 Separate Financial Statements,
- amendments to IAS 36 Impairment of Assets, regarding additional disclosure

- amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding novation of derivatives and hedge accounting,
- IFRIC 21 – Levies, Annual improvements 2013.

The Group has initially applied amended standards and new IFRIC while preparing these Interim Condensed Consolidated Financial statements. It has no significant impact on the Group's Interim Condensed Consolidated Financial Statements.

3. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after July 1, 2014 or later, and that the Group has not early adopted.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 and November 2013 to address the classification and measurement of financial liabilities. Key features of the standard:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The amendment made to IFRS 9 in November 2013 allows an entity to continue to measure its financial instruments in accordance with IAS 39 but at the same time to benefit from the improved accounting for own credit in IFRS 9.
- A substantial overhaul of hedge accounting was introduced that will enable entities to better reflect their risk management activities in their financial statements. In particular amendments to IFRS 9 increase the scope of hedged items eligible for hedge accounting (risk components of non-financial items may be designated provided they are separately identifiable and reliable measurable; derivatives may be included as part of the hedged item; groups and net positions may be designated hedged items, etc). The amendments to IFRS 9 also increase eligibility of hedging instruments allowing financial instruments at fair value through profit or loss to be designated as hedging instruments. A fundamental difference to the IAS 39 hedge accounting model is the lack of the 80-125 per cent bright line threshold for effective hedges and the requirement to perform retrospective hedge effectiveness testing. Under the IFRS 9 model, it is necessary for there to be an economic relationship between the hedged item and hedging instrument, with no quantitative threshold.
- Increased disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements.

The mandatory effective date of IFRS 9 is to be determined once the standard is complete. The standard is available for early adoption. The Group does not plan to adopt the standard before the mandatory effective date and is currently assessing the impact of the new standard on its Consolidated Financial Statements.

The amendments to IAS 19 – Employee Benefits (issued in November 2013 and effective for annual periods beginning on or after July 1, 2014) on contributions from employees or third parties to defined

benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's Interim Condensed Consolidated Financial Statements.

4. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the three month period ended 31 March 2014 and 2013. 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 into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized 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 ongoing 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 three month period ended 31 March 2014 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	21,486,201	55,467,626	(20,353,874)	56,599,953
Intersegment	20,167,658	186,216	(20,353,874)	-
External	1,318,543	55,281,410	-	56,599,953
EBITDA (Segment results)	17,802,712	(2,297,313)	-	15,505,399
Depreciation, depletion and amortization	(926,315)	(2,101,328)	-	(3,027,643)
Impairment losses	(1,989)	(127,250)	-	(129,239)
Finance expenses, net	(69,868)	(720,442)	-	(790,310)
Income tax	(176,560)	(1,958,233)	-	(2,134,793)
Segment profit (loss)	16,487,013	(7,878,642)	-	8,608,371

Reportable segment results for the three month period ended 31 March 2013 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	21,997,885	49,197,630	(21,744,775)	49,450,740
Intersegment	21,705,004	39,771	(21,744,775)	-
External	292,881	49,157,859	-	49,450,740
EBITDA (Segment results)	19,207,113	(7,407,737)	-	11,799,376
Depreciation, depletion and amortization	(777,385)	(1,712,088)	-	(2,489,473)
Impairment losses	-	(356)	-	(356)
Finance expenses, net	(78,767)	(700,155)	-	(778,922)
Income tax	(2,131)	(1,174,628)	-	(1,176,759)
Segment profit (loss)	18,160,920	(10,903,825)	-	7,257,095

EBITDA for the three month period ended 31 March 2014 and 2013 is reconciled below:

	Three month period ended 31 March	
	2014	2013
Profit for the period	8,608,371	7,257,095
Income tax expenses	2,134,793	1,176,759
Finance expenses	857,490	921,226
Other finance income	(67,180)	(142,304)
Depreciation, depletion and amortization	3,027,643	2,489,473
Net foreign exchange loss	765,671	21,032
Other expense, net	88,402	278,788
Other non-operating expense (income), net*	90,209	(202,693)
EBITDA	15,505,399	11,799,376

*Other non-operating expenses (income), net mainly relate to litigation provisions and other.

Total revenue from sales comprise the following (based on the country of customer incorporation):

	Three month period ended 31 March 2014		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,248,245	1,248,245
Sale of gas	1,679,055	-	1,679,055
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,674,941	-	1,674,941
Sale of petroleum products	47,072,970	5,110,734	52,183,704
<i>Through a retail network</i>	12,186,227	-	12,186,227
<i>Wholesale activities</i>	34,886,743	5,110,734	39,997,477
Other sales	1,470,333	18,616	1,488,949
Total sales	50,222,358	6,377,595	56,599,953

	Three month period ended 31 March 2013		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	26,650	26,650
Sale of gas	1,722,158	-	1,722,158
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,722,158	-	1,722,158
Sale of petroleum products	38,945,431	7,372,716	46,318,147
<i>Through a retail network</i>	11,828,552	-	11,828,552
<i>Wholesale activities</i>	27,116,879	7,372,716	34,489,595
Other sales	1,381,854	1,931	1,383,785
Total sales	42,049,443	7,401,297	49,450,740

Out of the amount of 39,997,477 RSD (2013: 34,489,595 RSD) revenue from sale of petroleum products (wholesale), the amount of 8,024,380 RSD (2013: 7,315,142 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 50,222,358 RSD (three month period ended 31 March 2013: 42,049,443 RSD), and the total of revenue from external customer from other countries is 6,377,595 RSD (three month period ended 31 March 2013: 7,401,297 RSD). The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Three month period ended 31 March	
	2014	2013
Sale of crude oil	1,248,245	26,650
Sale of petroleum products (retail and wholesale)		
Bulgaria	1,589,516	276,523
BIH	1,663,830	544,208
Romania	758,305	35,207
All other markets	1,099,083	6,516,778
	5,110,734	7,372,716
Other sales	18,616	1,931
	6,377,595	7,401,297

5. CASH AND CASH EQUIVALENTS

	31 March 2014	31 December 2013
Cash in bank and in hand	4,065,108	6,068,422
Deposits with original maturity of less than three months	1,512,689	769,607
Cash held on escrow account	1,626,980	1,650,878
Cash equivalents	225,515	218,868
	7,430,292	8,707,775

6. TRADE AND OTHER RECEIVABLES

	31 March 2014	31 December 2013
Trade receivables:		
- related parties	9,361	3,537
- third parties	71,015,993	74,579,495
	71,025,354	74,583,032
Accrued assets	39,466	1,383,654
Other receivables	9,946,473	9,834,081
	81,011,293	85,800,767
Less impairment provision	(29,504,780)	(29,682,881)
Total trade and other receivables	51,506,513	56,117,886

The ageing of trade receivables is as follows:

	31 March 2014	31 December 2013
Up to 3 months	38,165,606	38,816,285
Over 3 months	32,859,748	35,766,747
	71,025,354	74,583,032

As at 31 March 2014 out of 32,859,748 RSD of overdue receivables (31 December 2013: 35,766,747 RSD), trade receivables in amount of 21,626,476 RSD (31 December 2013: 21,855,267 RSD) were fully provided for. The remaining amount of 11,233,272 RSD (31 December 2013: 13,911,480 RSD) relates to a number of independent customers for whom management believes that will be recovered in the near future.

The ageing of trade receivables provided for is as follows:

	31 March 2014	31 December 2013
Up to 3 months	1,063,445	1,098,697
Over 3 months	20,563,031	20,756,570
	21,626,476	21,855,267

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

	31 March 2014	31 December 2013
RSD	69,265,909	72,933,102
EUR	10,474,550	10,382,718
USD	995,765	2,229,144
Other	275,069	255,803
	81,011,293	85,800,767

Movements on the Group's provision for impairment of trade receivables and other receivables are as follows:

	Trade receivables	Other receivables	Total
As at 1 January 2013	21,360,758	5,820,064	27,180,822
Provision for receivables impairment (note 18)	294,375	-	294,375
Unused amounts reversed (note 18)	(335,841)	-	(335,841)
Other	56,692	548,005	604,697
As at 31 March 2013	21,375,984	6,368,069	27,744,053
As at 1 January 2014	21,855,267	7,827,614	29,682,881
Provision for receivables impairment (note 18)	148,608	-	148,608
Unused amounts reversed (note 18)	(335,661)	-	(335,661)
Other	(41,738)	50,690	8,952
As at 31 March 2014	21,626,476	7,878,304	29,504,780

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The amounts charged to provision for impairment are written off when their collection is not expected.

7. INVENTORIES

	31 March 2014	31 December 2013
Crude oil	30,387,719	25,490,951
Gas	-	98,558
Petroleum products	15,979,950	13,624,136
Materials and supplies	8,061,389	7,617,850
Other	783,105	767,490
Less impairment provision	(6,884,047)	(6,939,005)
	48,328,116	40,659,980

8. OTHER CURRENT ASSETS

	31 March 2014	31 December 2013
Advances paid	459,300	799,548
VAT receivables	1,374,270	1,939,549
Deferred VAT	1,300,282	2,681,103
Prepaid expenses	79,712	137,145
Prepaid custom duties	67,480	57,272
Prepaid excise	1,521,335	1,441,590
Other current assets	19,672,807	18,269,246
Less impairment provision	(18,809,952)	(17,959,692)
	5,665,234	7,365,761

Deferred VAT as at 31 March 2014 amounting to 1,300,282 RSD (31 December 2013: 2,681,103 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 31 March 2014 amounting to 1,521,335 RSD (31 December 2013: 1,441,590 RSD) relates to the excise paid to the State for finished products stored in non-excise warehouse.

Movements on the Group's provision for impairment of other current assets are as follows:

	Advances paid	Other current assets	Total
As at 1 January 2013	373,071	13,193,909	13,566,980
Provision for other current assets impairment (note 18)	-	173,064	173,064
Unused amounts reversed (note 18)	(449)	(55,099)	(55,548)
Other	-	(6,379)	(6,379)
As at 31 March 2013	372,622	13,305,495	13,678,117
As at 1 January 2014	253,069	17,706,623	17,959,692
Provision for other current assets impairment (note 18)	13	967,009	967,022
Unused amounts reversed (note 18)	(8,888)	(46,730)	(55,618)
Other	37	(61,181)	(61,144)
As at 31 March 2014	244,231	18,565,721	18,809,952

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2013						
Cost	53,376,416	96,895,806	33,016,407	18,938,910	27,786,293	230,013,832
Depreciation and impairment	(20,466,813)	(23,887,053)	(13,125,313)	(8,293,223)	(4,319,865)	(70,092,267)
Net book value	32,909,603	73,008,753	19,891,094	10,645,687	23,466,428	159,921,565
Period ended 31 March 2013						
Additions	1,834,838	2,624,789	635,851	687,175	3,372,186	9,154,839
Acquisitions through business combinations	-	-	3,815,387	-	131,095	3,946,482
Impairment	-	-	-	-	(356)	(356)
Depreciation	(707,316)	(1,151,523)	(274,918)	(157,042)	(954)	(2,291,753)
Transfer (to) from intangible assets	-	-	2,070	-	(26,730)	(24,660)
Disposals and write-off	(62)	(182)	(157,442)	(5,916)	(183,504)	(347,106)
Other transfers	(712,288)	180,419	5,410	(194,099)	696,369	(24,189)
Translation differences	(96)	-	(80,473)	(4,573)	(37,119)	(122,261)
	33,324,679	74,662,256	23,836,979	10,971,232	27,417,415	170,212,561
As at 31 March 2013						
Cost	48,336,099	99,324,820	37,199,698	18,450,679	31,736,660	235,047,956
Depreciation and impairment	(15,011,420)	(24,662,564)	(13,362,719)	(7,479,447)	(4,319,240)	(64,835,390)
Net book value	33,324,679	74,662,256	23,836,979	10,971,232	27,417,420	170,212,566
As at 1 January 2014						
Cost	58,161,373	108,204,314	44,958,981	19,127,652	45,176,238	275,628,558
Depreciation and impairment	(17,442,672)	(28,192,781)	(13,015,775)	(7,989,794)	(4,055,015)	(70,696,037)
Net book value	40,718,701	80,011,533	31,943,206	11,137,858	41,121,223	204,932,521
Period ended 31 March 2014						
Additions	3,779,341	193,193	1,722,840	97,176	4,362,352	10,154,902
Impairment	-	-	(29,907)	-	(2,431)	(32,338)
Depreciation	(857,081)	(1,295,074)	(478,687)	(175,623)	(809)	(2,807,274)
Transfer from investment property	35,121	1,316	36,481	7,399	-	80,317
Disposals and write-off	(10,149)	8,044	(48,974)	(21,469)	(120,642)	(193,190)
Other transfers	(44,328)	(244,383)	(7,990)	301,905	(100,644)	(95,440)
Translation differences	30	-	118,644	-	20,097	138,771
	43,621,635	78,674,629	33,255,613	11,347,246	45,279,146	212,178,269
As at 31 March 2014						
Cost	61,842,042	108,077,913	46,678,567	19,538,445	49,332,006	285,468,973
Depreciation and impairment	(18,220,407)	(29,403,284)	(13,422,954)	(8,191,199)	(4,052,860)	(73,290,704)
Net book value	43,621,635	78,674,629	33,255,613	11,347,246	45,279,146	212,178,269

Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2013						
Cost	6,354,587	5,315,398	11,669,985	53,376,416	123,953	65,170,354
Depreciation and impairment	(3,973)	(304,214)	(308,187)	(20,466,813)	(110,641)	(20,885,641)
Net book amount	6,350,614	5,011,184	11,361,798	32,909,603	13,312	44,284,713
Period ended 31 March 2013						
Additions	1,484,798	3,162,021	4,646,819	-	-	4,646,819
Transfer from asset under construction	-	(1,605,004)	(1,605,004)	1,604,986	18	-
Other transfers	-	10,500	10,500	(482,436)	(16)	(471,952)
Depreciation and depletion	(781)	-	(781)	(707,316)	-	(708,097)
Disposals and write-off	-	(3,018)	(3,018)	(62)	-	(3,080)
Translation differences	(29,342)	-	(29,342)	(96)	-	(29,438)
	7,805,289	6,575,683	14,380,972	33,324,679	13,314	47,718,965
As at 31 March 2013						
Cost	7,809,982	6,878,847	14,688,829	48,336,099	122,154	63,147,082
Depreciation and impairment	(4,693)	(303,164)	(307,857)	(15,011,420)	(108,840)	(15,428,117)
Net book amount	7,805,289	6,575,683	14,380,972	33,324,679	13,314	47,718,965
As at 1 January 2014						
Cost	13,222,087	13,397,107	26,619,194	58,161,373	33,510	84,814,077
Depreciation and impairment	(10,867)	(238,059)	(248,926)	(17,442,672)	(20,267)	(17,711,865)
Net book amount	13,211,220	13,159,048	26,370,268	40,718,701	13,243	67,102,212
Period ended 31 March 2014						
Additions	2,203,160	5,274,246	7,477,406	-	-	7,477,406
Transfer from asset under construction	(24,837)	(3,793,551)	(3,818,388)	3,818,388	-	-
Other transfers	-	32,152	32,152	(48,254)	(81)	(16,183)
Impairment	-	(1,989)	(1,989)	-	-	(1,989)
Depreciation and depletion	(809)	-	(809)	(857,081)	-	(857,890)
Disposals and write-off	(24,066)	(162,340)	(186,406)	(10,149)	-	(196,555)
Translation differences	18,913	-	18,913	30	-	18,943
	15,383,581	14,507,566	29,891,147	43,621,635	13,162	73,525,944
As at 31 March 2014						
Cost	15,395,202	14,747,614	30,142,816	61,842,042	33,429	92,018,287
Depreciation and impairment	(11,621)	(240,048)	(251,669)	(18,220,407)	(20,267)	(18,492,343)
Net book amount	15,383,581	14,507,566	29,891,147	43,621,635	13,162	73,525,944

10. OTHER NON-CURRENT ASSETS

	31 March 2014	31 December 2013
Advances paid for PPE	6,375,726	6,481,062
Prepaid expenses	1,027,902	1,033,330
Other assets	1,082,007	1,083,046
Less impairment provision	(29,899)	(29,899)
	8,455,736	8,567,539

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

	31 March 2014	31 December 2013
Short-term loans	2,122,303	300,029
Interest liabilities	199,860	136,403
Other short-term financial liabilities	29	-
Current portion of long-term loans (note 15)	30,813,077	27,596,332
Current portion of finance lease liabilities (note 15)	13,758	22,081
	33,149,027	28,054,845

12. TRADE AND OTHER PAYABLES

	31 March 2014	31 December 2013
Trade payables		
- related parties	28,636,269	37,925,059
- third parties	10,476,720	13,507,743
Dividends payable	3,772,308	3,772,308
Other accounts payable	70,777	70,905
	42,956,074	55,276,015

As at 31 March 2014 payables to related parties amounting to 28,636,269 RSD (31 December 2013: 37,925,059 RSD) mainly relate to payables to the supplier Gazprom Neft Trading Austria in the amount of 19,373,027 RSD (31 December 2013: 28,139,826 RSD), mostly for the purchase of crude oil.

13. OTHER CURRENT LIABILITIES

	31 March 2014	31 December 2013
Advances received	880,615	892,243
Payables to employees	3,719,873	2,636,098
Accruals and deferred income	20,325	24,020
Other current non-financial liabilities	24,005	6,970
	4,644,818	3,559,331

14. OTHER TAXES PAYABLE

	31 March 2014	31 December 2013
Mineral extraction tax	589,910	522,953
VAT	1,794,412	517,592
Excise tax	3,881,409	4,312,273
Custom duties	638,309	1,624,014
Other taxes	2,226,906	1,724,223
	9,130,946	8,701,055

15. LONG-TERM DEBT

	31 March 2014	31 December 2013
Long-term loans - Gazprom Neft	49,642,169	50,655,813
Bank loans	45,373,238	37,948,303
Finance lease liabilities	100,337	107,689
Other long-term borrowings	48,642	40,486
Less Current portion	(30,826,835)	(27,618,413)
	64,337,551	61,133,878

Bank loans

	31 March 2014	31 December 2013
Domestic	12,072,463	12,048,569
Foreign	33,300,775	25,899,734
	45,373,238	37,948,303
Current portion of long-term loans	(25,446,356)	(22,264,141)
	19,926,882	15,684,162

The maturity of bank loans was as follows:

	31 March 2014	31 December 2013
Between 1 and 2 years	10,095,410	2,926,308
Between 2 and 5 years	4,048,331	6,871,962
Over 5 years	5,783,141	5,885,892
	19,926,882	15,684,162

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

	31 March 2014	31 December 2013
USD	35,725,541	28,343,857
EUR	9,002,895	8,961,940
RSD	280,693	280,783
JPY	364,109	361,723
	45,373,238	37,948,303

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, Belibor and Libor.

Management expects that the Group will be able to fulfil its obligations within agreed timeframe.

The carrying amounts of the Group's bank loans as at 31 March 2014 and 31 December 2013 are presented in the table below:

Creditor	Currency	31 March 2014	31 December 2013
Domestic long-term loans			
Erste bank, Novi Sad	USD	276,062	279,719
Erste bank, Novi Sad	EUR	447,639	454,900
Bank Postanska stedionica, Belgrade	EUR	219,929	225,341
Bank Postanska stedionica, Belgrade	USD	1,493,909	1,526,400
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,488,872	4,459,990
UniCredit bank, Belgrade	USD	4,865,359	4,821,436
UniCredit bank, Belgrade	RSD	278,900	278,900
Other loans	RSD	1,793	1,883
		12,072,463	12,048,569
Foreign long-term loans			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	510,421	518,612
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	364,109	361,723
Erste bank, Holland	EUR	3,461,535	3,439,263
Erste bank, Holland	USD	5,452,558	5,403,333
VUB (Bank Intesa), Slovakia	USD	8,388,550	8,312,820
NBG bank, Great Britain	USD	4,194,275	2,493,846
Alpha bank, Great Britain	USD	6,350,132	3,325,128
Piraeus bank, Great Britain	USD	1,677,710	1,662,563
Sberbank Europe AG, Беч, Аустрија	USD	2,516,565	-
Neftegazovaja Inovacionnaja Korporacija, Russian Federation	EUR	384,920	382,446
		33,300,775	25,899,734
Less current portion of long-term loans		(25,446,356)	(22,264,141)
		19,926,882	15,684,162

	Currency	Current portion		Long-term	
		31 March 2014	31 December 2013	31 March 2014	31 December 2013
Domestic long - term loans					
Erste bank, Novi Sad	USD	14,099	13,070	261,963	266,649
Erste bank, Novi Sad	EUR	22,604	20,972	425,035	433,928
Bank Postanska stedionica, Belgrade	EUR	11,105	12,148	208,824	213,193
Bank Postanska stedionica, Belgrade	USD	75,436	82,030	1,418,473	1,444,370
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	249,875	248,267	4,238,997	4,211,723
UniCredit bank, Belgrade	USD	4,865,359	4,821,436	-	-
UniCredit bank, Belgrade	RSD	278,900	278,900	-	-
Other loans	RSD	365	369	1,425	1,514
		5,517,743	5,477,192	6,554,717	6,571,377
Foreign long-term loans					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	32,300	30,197	478,121	488,415
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	18,386	16,978	345,723	344,745
Erste bank, Holland	EUR	3,461,535	3,439,263	-	-
Erste bank, Holland	USD	-	-	5,452,558	5,403,333
VUB (Bank Intesa), Slovakia	USD	8,388,550	8,312,820	-	-
NBG bank, Great Britain	USD	-	-	4,194,275	2,493,846
Alpha bank, Great Britain	USD	6,350,132	3,325,128	-	-
Piraeus bank, Great Britain	USD	1,677,710	1,662,563	-	-
Sberbank Europe AG, Беч, Аустрија	USD	-	-	2,516,565	-
Neftegazovaja Inovacionnaja Korporacija, Russian Federation	EUR	-	-	384,923	382,446
		19,928,613	16,786,949	13,372,165	9,112,785
		25,446,356	22,264,141	19,926,882	15,684,162

16. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Three month period ended 31 March	
	2014	2013
Crude oil	24,726,416	22,747,917
Petroleum products	5,067,575	3,453,639
Other	36,880	41,336
	29,830,871	26,242,892

17. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2014	2013
Employee costs	1,731,008	1,976,300
Materials and supplies (other than purchased oil, petroleum products and gas)	369,532	607,725
Repair and maintenance services	622,674	337,436
Electricity and utilities	703,165	345,156
Other	1,124,995	1,387,026
	4,551,374	4,653,643

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 March	
	2014	2013
Employee costs	2,605,142	2,883,890
Legal, audit, and consulting services	251,787	244,286
Rent expense	94,760	66,186
Business trips expense	64,731	97,862
Safety and security expense	102,402	105,112
Insurance expense	59,585	44,331
Transportation and storage	103,196	120,857
Allowance for doubtful accounts	724,351	76,050
Other	1,076,805	945,794
	5,082,759	4,584,368

19. CONTINGENT LIABILITIES*Finance Guarantees*

As at 31 March 2014 the total amount of outstanding finance guarantees given by the Group amounted to 2,959,626 RSD mostly related to customs duties in the amount of 1,602,400 RSD (2013: 1,603,960 RSD).

Environmental protection

As at the reporting date, the Group's management made an environmental provision amounting to 647,212 RSD (31 December 2013: 690,094 RSD), based on an internal assessment of compliance with the Republic of Serbia environmental legislation.

The Group's Management believes that based on current environmental legislation costs associated with environmental issues 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.

Other contingent liabilities

As at 31 March 2014, the Group did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Group has to pay the difference in tax calculation of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Group's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Group's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed four years ago. Taking all of the above into consideration, the Group's Management is of the view that as at 31 March 2014 outflow of resources embodying economic benefits is remote due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

20. GROUP ENTITIES

The financial statements of below listed subsidiaries are consolidated as at 31 March 2014 and 31 December 2013:

Subsidiary	Country of incorporation	Share %	
		31 March 2014	31 December 2013
O Zone a.d., Belgrade	Serbia	100	100
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	100	100
NIS Petrol SRL, Bucharest	Romania	100	100
Pannon naftagas Kft, Budapest	Hungary	100	100
NIS Oversiz, St Petersburg	Russia	100	100
Naftagas-naftni servisi d.o.o., Novi Sad	Serbia	100	100
NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	100	100
Naftagas-tehnicki servisi d.o.o., Zrenjanin	Serbia	100	100
Naftagas-Transport d.o.o., Novi Sad	Serbia	100	100
G Petrol d.o.o. Sarajevo	Bosnia and Herzegovina	100	100
Jadran - Naftagas d.o.o., Banja Luka	Bosnia and Herzegovina	66	66
Jubos, Bor	Serbia	51	51
Svetlost, Bujanovac, Serbia	Serbia	51	51

21. RELATED PARTY TRANSACTIONS

For the purpose of these Interim Condensed Consolidate 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. Gazprom, Russian Federation is the ultimate owner of the Group.

In the three month period ended 31 March 2014 and in the same period in 2013, 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 and petroleum products.

As at 31 March 2014 and 31 December 2013 the outstanding balances with related parties were as follows:

	Parent company	Entities under common control	Joint venture	Total
As at 31 March 2014				
Trade and other receivables	-	9,361	46,409	55,770
Investments in joint venture	-	-	1,008,221	1,008,221
Trade and other payables	(9,246,927)	(19,389,342)	-	(28,636,269)
Other current liabilities	-	(15,704)	-	(15,704)
Short-term debt and current portion of long-term debt	(5,366,721)	-	-	(5,366,721)
Long-term debt	(44,275,448)	-	-	(44,275,448)
	(58,889,096)	(19,395,685)	1,054,630	(77,230,151)
As at 31 December 2013				
Trade and other receivables	-	3,537	11,385	14,922
Investments in joint venture	-	-	1,008,221	1,008,221
Trade and other payables	(9,338,240)	(28,586,819)	-	(37,925,059)
Short-term debt and current portion of long-term debt	(5,332,191)	-	-	(5,332,191)
Long-term debt	(45,323,622)	-	-	(45,323,622)
	(59,994,053)	(28,583,282)	1,019,606	(87,557,729)

For the three month period ended 31 March 2014 and 2013 the following transaction occurred with related parties:

	Parent company	Entities under common control	Joint venture	Total
Three month period ended 31 March 2014				
Petroleum products and oil and gas sales	-	718,136	-	718,136
Purchases of oil, gas and petroleum products	-	(25,682,902)	-	(25,682,902)
Production and manufacturing expenses	(1,849)	(4,907)	-	(6,756)
Selling, general and administrative expenses	(7,229)	-	-	(7,229)
Other expenses, net	(4,556)	3,909	-	(647)
Finance expense	(299,073)	-	-	(299,073)
	(312,707)	(24,965,764)	-	(25,278,471)

	Parent company	Entities under common control	Joint venture	Total
Three month period ended 31 March 2013				
Other revenues	-	40,463	-	40,463
Purchases of oil, gas and petroleum products	-	(20,563,269)	-	(20,563,269)
Production and manufacturing expenses	(923)	(25,202)	-	(26,125)
Selling, general and administrative expenses	(7,218)	-	-	(7,218)
Other expenses, net	(4,437)	(43,472)	-	(47,909)
Finance expense	(308,064)	-	-	(308,064)

(320,642)	(20,591,480)	-	(20,912,122)
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22. TAX RISKS

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 31 March 2014.

23. COMMITMENTS

Farm-out agreement with East West Petroleum Corporation, Canada

In October 2011, the Group entered into a Farm-out agreement with East West Petroleum Corporation, Canada for exploration and production of hydrocarbons in the Timisoara region in Romania. Under the Contract, the Group shall finance 85% of total exploration costs on four blocks in the region. Depending on the success of exploration, the Group will be entitled to 85% of the total production volume of hydrocarbons. Moreover, under the Joint Operation Agreement signed with East West Petroleum Corporation, Canada, Group will act as the Operator and will be in charge of and shall conduct all Joint Operations. In December 2012 exploration licence for Block 2 was ratified by Romania Government. Exploration activities are underway. On 31 March 2014 drilling and exploration works for Block 2 were estimated to 13.164 USD million.

Farm-in agreement with RAG Hungary limited

In December 2011, the Group entered into a Farm-in agreement with RAG Hungary limited for exploration and production of hydrocarbons in the Kiskunhalas area in Hungary. Under the contract, the Group committed to finance 50% of total exploration costs on at least three oil wells in the area covered by the exploration license. Depending on success of the exploration, the Group will be entitled to 50% of total production volume of hydrocarbons. Under the Joint Operation Agreement signed with RAG Hungary Limited, RAG will act as the Operator and will be in charge of and shall conduct all Joint Operations. On 31 March 2014 drilling and exploration works were estimated to 1.2 USD million.

Call Option agreement with RAG Hungary limited

In December 2012, the Group entered into a Call Option agreement with RAG Hungary limited for exploration and production of hydrocarbons in the Kelebia area in Hungary. Under the agreement NIS has an option to become equal owner in a jointly owned company (JOC) together with Rag Hungary, Rag Kiha, which will hold the Kelebia Licence by becoming a 50 % quota holder in the JOC. On 31 March 2014 drilling and exploration works were estimated to 1.45 USD million.

Farm-out agreement with Zeta Petroleum S.R.L. Romania

In August 2012, the Group has entered into Farm-out agreement with Zeta Petroleum S.R.L Romania for exploration and production of hydrocarbons in Timis region in Romania. According to the Contract, the Group is committed to finance 51% of total exploration costs in the area covered by the exploration license. Depending on the success of exploration, the Group will be entitled to 51% of total production volume of hydrocarbons. Exploration activities are underway. On 31 March 2014 drilling and exploration works were estimated to 0.9 USD million.

Farm-out agreement with Moesia Oil and Gas PLC Ireland

In June 2012, the Group has entered into a Farm-out agreement with Moesia Oil and Gas PLC Ireland for exploration and production of hydrocarbons in Romania. According to the Contract, the Group is committed to finance sunk costs and 75% of total exploration costs of Phase 1 of the Programme. Depending on the success of exploration, the Group will be entitled to 50% of total production volume of hydrocarbons and committed to finance 50% of further exploration and production costs. Exploration activities were started in November 2012. On 31 March 2014 drilling and exploration works were estimated to 0.61 USD million.

Oil field service contract with Falcon Oil & Gas LTD

In January 2013, the Group entered into a Multi-well drilling exploration program with Falcon Oil & Gas Ltd. to target the shallower Algyö Formation in Hungary. Under the contract, the Group committed to drill three exploration wells targeting the shallow 'Algyö Play' reservoir covered by the Mako through

production license in the Pannonian Basin held by Falcon Oil & Gas limited, Hungary. Depending on success of the exploration, the Group will be entitled to 50% of any net production revenue from the three wells. On 31 March 2014 drilling and exploration works were estimated to 13.41 USD million.

24. EVENTS AFTER THE REPORTING DATE

No significant events, which required disclosure in these Interim Condensed Consolidated Financial Statements, occurred after the reporting date.

Subsequent events occurring after 31 March 2014 were evaluated through 23 April 2014, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

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Novi Sad, 23 April 2014

Kirill Kravchenko

CEO

Anton Fyodorov

**CEO Deputy,
Head of Function for Finance, Economics,
Planning and Accounting**

STATEMENTS OF PERSONS RESPONSIBLE FOR PREPARATION OF QUARTERLY REPORT

We hereby state that, to our best knowledge, the interim financial reports have been prepared in compliance with the applicable international financial reporting standards, and also in compliance with the Law on Accounting and Auditing of the Republic of Serbia published in Official Gazette of the Republic of Serbia (no. 46/2006, 111/2009, 99/2011 – other law and 62/2013 – other law), which requires full scope of IFRS to be applied as well as the regulations issued by the Ministry of Finance of the Republic of Serbia³⁸ 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 Fyodorov

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

³⁸ Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

- The financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 – “Presentation of Financial Statements” requirements.
- “Off-balance sheet assets and liabilities” are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.
- Property, plant and equipment were measured at market value by independent appraisal and any revaluation reserves for the excess of fair value against historical value were cancelled against share capital as at 1 January 2006.

The report contains statements about uncertain future events. The statements of uncertain future events include the statements that are not historical facts, statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, results of business operations, financial standing, liquidity, prospects, growth, strategies and the industry in which the Company operates. For reasons which relate to events and depend on circumstances that may or may not be realized in the future, the statements about uncertain future events by their nature involve risks and uncertainties, including but not limited to, risks and uncertainties that the Company has identified in other publicly available documents. The Company cautions that there is no guarantee that the statements on future uncertain events will become true in future and that the actual results of business operations, financial standing and liquidity and the development of the industry in which the Company operates may significantly differ from those made or assumed in statements on uncertain future events. In addition, even if the results of the Company's business, financial standing and liquidity and the development of the industry in which the Company operates are consistent with the statements on uncertain future events contained herein, those results or developments may not be indicative of the results or developments in future periods. The information contained in this report are provided on the date of this Report and are subject to change without notice.

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