



**Naftna industrija Srbije A.D.**

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

30 September 2015

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# NIS Group

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Assets	Note	30 September 2015 <i>(unaudited)</i>	31 December 2014
<b>Current assets</b>			
Cash and cash equivalents	6	18,393,709	8,326,704
Short-term financial assets		183,615	6,413
Trade and other receivables	7	49,253,274	51,690,689
Inventories	8	29,208,085	39,130,966
Current income tax prepayments		2,864,755	2,656,695
Other current assets	9	6,033,452	7,841,611
<b>Total current assets</b>		<b>105,936,890</b>	<b>109,653,078</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	240,757,767	232,389,851
Investment property		1,617,199	1,381,832
Goodwill and other intangible assets		7,268,961	7,494,340
Investments in joint venture		1,008,246	1,008,221
Trade and other non-current receivables		74,828	72,680
Long-term financial assets		375,436	240,698
Deferred tax assets		7,042,466	7,834,202
Other non-current assets	11	4,009,931	4,572,897
<b>Total non-current assets</b>		<b>262,154,834</b>	<b>254,994,721</b>
<b>Total assets</b>		<b>368,091,724</b>	<b>364,647,799</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	12	19,532,664	14,832,341
Trade and other payables	13	36,713,438	43,751,998
Other current liabilities	14	3,993,474	5,322,163
Other taxes payable	15	10,243,362	9,031,015
Provisions for liabilities and charges		2,278,296	2,508,552
<b>Total current liabilities</b>		<b>72,761,234</b>	<b>75,446,069</b>
<b>Non-current liabilities</b>			
Long-term debt	16	96,152,387	93,588,043
Deferred tax liabilities		3,007,458	2,980,602
Provisions for liabilities and charges		9,277,110	9,012,584
<b>Total non-current liabilities</b>		<b>108,436,955</b>	<b>105,581,229</b>
<b>Equity</b>			
Share capital	17	81,530,200	81,530,200
Reserves		(470,372)	(452,813)
Retained earnings		106,008,413	102,696,156
<b>Equity attributable to the Company's owners</b>		<b>187,068,241</b>	<b>183,773,543</b>
Non-controlling interest		(174,706)	(153,042)
<b>Total equity</b>		<b>186,893,535</b>	<b>183,620,501</b>
<b>Total liabilities and shareholder's equity</b>		<b>368,091,724</b>	<b>364,647,799</b>

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

Kirill Kravchenko  
Chief Executive Officer

26 October 2015



Anton Fyodorov  
Chief Financial Officer

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**NIS Group**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER**  
**COMPREHENSIVE INCOME**

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

	Note	Nine month period ended 30 September	
		2015 <i>(unaudited)</i>	2014 <i>(unaudited)</i>
Sales of petroleum products and oil and gas sales		152,221,776	187,838,453
Other revenues		6,968,923	6,021,479
<b>Total revenue from sales</b>	<b>5</b>	<b>159,190,699</b>	<b>193,859,932</b>
Purchases of oil, gas and petroleum products	18	(91,788,572)	(109,592,420)
Production and manufacturing expenses	19	(13,712,752)	(13,630,262)
Selling, general and administrative expenses	20	(16,383,779)	(16,422,403)
Transportation expenses		(643,702)	(797,381)
Depreciation, depletion and amortization		(10,452,813)	(9,437,834)
Taxes other than income tax		(3,852,278)	(4,428,659)
Exploration expenses		(3,321)	(992,773)
<b>Total operating expenses</b>		<b>(136,837,217)</b>	<b>(155,301,732)</b>
Other expenses, net		(1,247,103)	(985,884)
<b>Operating profit</b>		<b>21,106,379</b>	<b>37,572,316</b>
Net foreign exchange loss		(4,489,442)	(8,295,100)
Finance income		266,896	214,444
Finance expenses		(2,563,331)	(2,864,559)
<b>Total other expense</b>		<b>(6,785,877)</b>	<b>(10,945,215)</b>
<b>Profit before income tax</b>		<b>14,320,502</b>	<b>26,627,101</b>
Current income tax expense		(2,572,718)	(3,671,931)
Deferred tax expense		(819,425)	(1,837,220)
<b>Total income tax expense</b>		<b>(3,392,143)</b>	<b>(5,509,151)</b>
<b>Profit for the period</b>		<b>10,928,359</b>	<b>21,117,950</b>
<b>Other comprehensive loss:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in value of available-for-sale financial assets		(33,713)	14,579
Currency translation differences		18,002	(284,431)
		(15,711)	(269,852)
<b>Other comprehensive loss for the period</b>		<b>(15,711)</b>	<b>(269,852)</b>
<b>Total comprehensive income for the period</b>		<b>10,912,648</b>	<b>20,848,098</b>

(continued)

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**NIS Group****CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER  
COMPREHENSIVE INCOME (continued)***(All amounts are in 000 RSD, unless otherwise stated)*

	<b>Nine month period ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Profit attributable to:</b>		
- Shareholders of Naftna Industrija Srbije	10,951,871	21,225,763
- Non-controlling interest	<u>(23,512)</u>	<u>(107,813)</u>
<b>Profit for the period</b>	<b>10,928,359</b>	<b>21,117,950</b>
<b>Total comprehensive income attributable to:</b>		
- Shareholders of Naftna Industrija Srbije	10,934,312	20,958,990
- Non-controlling interest	<u>(21,664)</u>	<u>(110,892)</u>
<b>Total comprehensive income for the period</b>	<b>10,912,648</b>	<b>20,848,098</b>
<b>Earnings per share attributable to shareholders of Naftna Industrija Srbije</b>		
- Basic earnings (RSD per share)	67.16	130.17
Weighted average number of ordinary shares in issue (in millions)	163	163

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

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**NIS Group**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Nine month period ended 30 September 2015 and 2014

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

	Note	Equity attributable to the Company's owners			Non-controlling interest	Total equity	
		Share capital	Reserves	Retained earnings			Total
(unaudited)							
<b>Balance as at 1 January 2014</b>		<b>81,530,200</b>	<b>(98,174)</b>	<b>87,564,495</b>	<b>168,996,521</b>	<b>(43,419)</b>	<b>168,953,102</b>
Profit / (loss) for the period		-	-	21,225,763	21,225,763	(107,813)	21,117,950
<b>Other comprehensive income / (loss)</b>							
Change in value of available-for-sale financial assets		-	14,579	-	14,579	-	14,579
Currency translation differences		-	(281,352)	-	(281,352)	(3,079)	(284,431)
<b>Total comprehensive income (loss) for the period</b>		-	(266,773)	21,225,763	20,958,990	(110,892)	20,848,098
Dividend distribution		-	-	(13,080,705)	(13,080,705)	-	(13,080,705)
<b>Total transaction with owners, recorded in equity</b>		-	-	(13,080,705)	(13,080,705)	-	(13,080,705)
Other		-	(65)	(12,725)	(12,790)	12,728	(62)
<b>Balance as at 30 September 2014</b>		<b>81,530,200</b>	<b>(365,012)</b>	<b>95,696,828</b>	<b>176,862,016</b>	<b>(141,583)</b>	<b>176,720,433</b>
<b>Balance as at 1 January 2015</b>		<b>81,530,200</b>	<b>(452,813)</b>	<b>102,696,156</b>	<b>183,773,543</b>	<b>(153,042)</b>	<b>183,620,501</b>
Profit / (loss) for the period		-	-	10,951,871	10,951,871	(23,512)	10,928,359
<b>Other comprehensive income / (loss)</b>							
Change in value of available-for-sale financial assets		-	(33,713)	-	(33,713)	-	(33,713)
Currency translation differences		-	16,154	-	16,154	1,848	18,002
<b>Total comprehensive income (loss) for the period</b>		-	(17,559)	10,951,871	10,934,312	(21,664)	10,912,648
Dividend distribution	13	-	-	(7,639,380)	(7,639,380)	-	(7,639,380)
<b>Total transaction with owners, recorded in equity</b>		-	-	(7,639,380)	(7,639,380)	-	(7,639,380)
Other		-	-	(234)	(234)	-	(234)
<b>Balance as at 30 September 2015</b>		<b>81,530,200</b>	<b>(470,372)</b>	<b>106,008,413</b>	<b>187,068,241</b>	<b>(174,706)</b>	<b>186,893,535</b>

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**NIS Group**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

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

	<b>Nine month period ended</b>	
	<b>30 September</b>	
Note	<b>2015</b>	<b>2014</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
Profit before income tax	<b>14,320,502</b>	<b>26,627,101</b>
Adjustments for:		
Finance costs	2,563,331	2,864,559
Finance income	(266,896)	(214,444)
Depreciation, depletion and amortization	10,452,813	9,437,834
Adjustments for other provisions	264,769	494,308
Allowance for doubtful accounts	78,223	2,562,974
Payables write off	(257,795)	(15,095)
Net unrealised foreign exchange losses, net	3,425,503	6,597,777
Other non-cash items	290,445	891,806
	<u>16,550,393</u>	<u>22,619,719</u>
<b>Changes in working capital:</b>		
Trade and other receivables	2,426,856	804,206
Inventories	9,862,564	2,848,262
Other current assets	1,265,252	(6,170,783)
Trade payables and other current liabilities	(5,064,069)	(16,834,235)
Other taxes payable	1,210,762	(1,737,954)
	<u>9,701,365</u>	<u>(21,090,504)</u>
Income taxes paid	(2,780,273)	(7,031,209)
Interest paid	(2,224,756)	(2,270,244)
Interest received	464,520	434,265
	<u>(4,540,509)</u>	<u>(8,867,188)</u>
<b>Net cash generated by operating activities</b>	<b><u>36,031,751</u></b>	<b><u>19,289,128</u></b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries or other business, net of cash acquired	-	(952,777)
Loans issued	(386,333)	-
Loan proceeds received	18,032	-
Capital expenditures	(22,098,297)	(30,414,995)
Proceeds from sale of property, plant and equipment	184,043	179,649
Other inflow (outflow)	77,051	(1,485)
<b>Net cash used in investing activities</b>	<b><u>(22,205,504)</u></b>	<b><u>(31,189,608)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	28,081,912	33,851,022
Repayment of borrowings	(24,029,578)	(16,834,394)
Dividends paid	(7,639,380)	-
<b>Net cash (used in) generated by financing activities</b>	<b><u>(3,587,046)</u></b>	<b><u>17,016,628</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>10,239,201</b>	<b>5,116,148</b>
Effect of foreign exchange on cash and cash equivalents	(172,196)	354,589
<b>Cash and cash equivalents as of the beginning of the period</b>	<b><u>8,326,704</u></b>	<b><u>8,707,775</u></b>
<b>Cash and cash equivalents as of the end of the period</b>	<b><u>18,393,709</u></b>	<b><u>14,178,512</u></b>

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

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**1. GENERAL INFORMATION**

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

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

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 Gazprom Neft PJSC (“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 AND ACCOUNTING ESTIMATES**

**2.1. Basis of preparation**

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2014, 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 2014.

The results for the nine month period ended 30 September 2015 are not necessarily indicative of the results expected for the full year.



**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**

**2.2. Changes in significant accounting policies**

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2014, except for those described in Application of new IFRS paragraph.

**2.3. Application of new IFRS**

The amendments to IAS 19 – Employee Benefits on contributions from employees or third parties to defined benefit plans became effective for the annual periods beginning on or after 1 July 2014. The amendment has no significant impact on Group's Interim Condensed Consolidated Financial Statements.

**3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

**3.1. Economic Environment in the Russian Federation**

The Group continues to assess the impact of the sanctions imposed in July-September 2014, but currently does not believe they have a significant impact on the Interim Condensed Consolidated Financial Statements.

**4. NEW ACCOUNTING STANDARDS**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and that the Group has not early adopted. The full list of such Standards and interpretations was disclosed in the Consolidated Financial Statements as of and for the year ended 31 December 2014.

No other new standards were issued during the nine months period ended 30 September 2015. Unless otherwise stated the new standards and interpretations are not expected to have significant impact on the Group's Condensed Consolidated Financial Statements.

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**5. SEGMENT INFORMATION**

Presented below is information about the Group's operating segments for the nine month period ended 30 September 2015 and 2014. Operating segments are components that engaged in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (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 on-going operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the nine month period ended 30 September 2015 are shown in the table below:

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	40,250,483	158,248,480	(39,308,264)	159,190,699
Intersegment	38,232,326	1,075,938	(39,308,264)	-
External	2,018,157	157,172,542	-	159,190,699
EBITDA (Segment results)	30,543,850	1,715,664	-	32,259,514
Depreciation, depletion and amortization	(3,439,015)	(7,013,798)	-	(10,452,813)
Impairment losses	(10,332)	(249,738)	-	(260,070)
Net foreign exchange gain (loss)	54,184	(4,543,626)	-	(4,489,442)
Finance expenses, net	(90,082)	(2,206,353)	-	(2,296,435)
Income tax	(94,581)	(3,297,562)	-	(3,392,143)
Segment profit (loss)	<b>26,265,702</b>	<b>(15,337,343)</b>	-	<b>10,928,359</b>

Reportable segment results for the nine month period ended 30 September 2014 are shown in the table below:

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	63,510,022	191,675,625	(61,325,715)	193,859,932
Intersegment	60,416,223	909,492	(61,325,715)	-
External	3,093,799	190,766,133	-	193,859,932
EBITDA (Segment results)	51,504,503	(4,191,738)	-	47,312,765
Depreciation, depletion and amortization	(3,007,622)	(6,430,212)	-	(9,437,834)
Impairment gain	8	56,512	-	56,520
Net foreign exchange loss	(91,554)	(8,203,546)	-	(8,295,100)
Finance expenses, net	(231,103)	(2,419,012)	-	(2,650,115)
Income tax	(484,651)	(5,024,500)	-	(5,509,151)
Segment profit (loss)	<b>47,374,186</b>	<b>(26,256,236)</b>	-	<b>21,117,950</b>

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**5. SEGMENT INFORMATION (continued)**

EBITDA for the nine month period ended 30 September 2015 and 2014 is reconciled below:

	<b>Nine month period ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
Profit for the period	10,928,359	21,117,950
Income tax expenses	3,392,143	5,509,151
Finance expenses	2,563,331	2,864,559
Finance income	(266,896)	(214,444)
Depreciation, depletion and amortization	10,452,813	9,437,834
Net foreign exchange loss	4,489,442	8,295,100
Other expense, net	1,247,103	985,884
Other non-operating income, net*	(546,781)	(683,269)
<b>EBITDA</b>	<b>32,259,514</b>	<b>47,312,765</b>

\*Other non-operating (income) expense, net mainly relate to fines, penalties and other.

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

	<b>Nine month period ended 30 September 2015</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	-	1,740,490	1,740,490
Sale of gas	5,692,700	-	5,692,700
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	5,692,700	-	5,692,700
Sale of petroleum products	114,763,509	30,025,077	144,788,586
<i>Through a retail network</i>	37,104,041	-	37,104,041
<i>Wholesale activities</i>	77,659,468	30,025,077	107,684,545
Other sales	4,117,488	2,851,435	6,968,923
<b>Total sales</b>	<b>124,573,697</b>	<b>34,617,002</b>	<b>159,190,699</b>
	<b>Nine month period ended 30 September 2014</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	-	2,584,262	2,584,262
Sale of gas	3,026,403	-	3,026,403
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	3,026,403	-	3,026,403
Sale of petroleum products	145,069,375	37,158,413	182,227,788
<i>Through a retail network</i>	45,172,122	-	45,172,122
<i>Wholesale activities</i>	99,897,253	37,158,413	137,055,666
Other sales	3,718,018	2,303,461	6,021,479
<b>Total sales</b>	<b>151,813,796</b>	<b>42,046,136</b>	<b>193,859,932</b>

Out of the amount of 107,684,545 RSD (nine month period ended 30 September 2014: 137,055,666 RSD) revenue from sale of petroleum products (wholesale), the amount of 12,097,149 RSD (nine month period ended 30 September 2014: 20,187,745 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**5. SEGMENT INFORMATION (continued)**

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 4,627,271 RSD (nine month period ended 30 September 2014: 4,370,571 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 124,573,697 RSD (nine month period ended 30 September 2014: 151,813,796 RSD), and the total of revenue from external customer from other countries is 34,617,002 RSD (nine month period ended 30 September 2014: 42,046,136 RSD). The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	<b>Nine month period ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
Sale of crude oil	1,740,490	2,584,262
Sale of petroleum products (retail and wholesale)		
Bulgaria	8,328,810	7,515,113
Bosnia and Herzegovina	6,806,191	6,653,996
Romania	5,007,969	5,583,838
All other markets	9,882,107	17,405,466
	<u>30,025,077</u>	<u>37,158,413</u>
Other sales	2,851,435	2,303,461
	<u><b>34,617,002</b></u>	<u><b>42,046,136</b></u>

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

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

	<b>30 September 2015</b>	<b>31 December 2014</b>
Serbia	226,883,357	218,176,386
Bulgaria	8,213,506	8,524,519
Bosnia and Herzegovina	8,012,109	8,296,363
Romania	6,534,955	6,268,690
Hungary	-	65
	<u><b>249,643,927</b></u>	<u><b>241,266,023</b></u>

**6. CASH AND CASH EQUIVALENTS**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Cash in bank and in hand	14,362,339	5,117,100
Deposits with original maturity of less than three months	2,449,907	1,317,248
Cash held on escrow account	1,580,520	1,636,805
Cash equivalents	943	255,551
	<u><b>18,393,709</b></u>	<u><b>8,326,704</b></u>

Cash held on escrow accounts as of 30 September 2015 amounting to 1,580,520 RSD (31 December 2014: 1,636,805 RSD) relates to deposited funds in accordance with share purchase agreement with Energowind doo (through which the operation of future wind farm "Plandiste" will be managed).

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**7. TRADE AND OTHER RECEIVABLES**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Trade receivables:		
- related parties	78,580	36,398
- third parties	66,959,011	70,830,997
	<u>67,037,591</u>	<u>70,867,395</u>
Accrued assets	25,772	16,268
Other receivables	10,334,721	10,391,642
	<u>77,398,084</u>	<u>81,275,305</u>
Less impairment provision	<u>(28,144,810)</u>	<u>(29,584,616)</u>
<b>Total trade and other receivables</b>	<b><u>49,253,274</u></b>	<b><u>51,690,689</u></b>

The ageing of trade and other receivables is as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Neither impaired nor past due	23,340,757	24,050,369
Past due but not impaired:		
within 30 days:	3,818,275	4,122,003
1 to 3 months	4,318,784	2,027,385
3 months to 1 year	5,998,167	10,417,402
over 1 year	11,777,291	11,073,530
	<u>11,777,291</u>	<u>11,073,530</u>
<b>Total</b>	<b><u>49,253,274</u></b>	<b><u>51,690,689</u></b>

Due to unfavourable macroeconomic conditions in the recent years, the Group was faced with slowdown in collection from state owned companies. However, the Company management is working closely with major debtors on recovery of these debts and believes that net receivables included in the aging table above are fully recoverable.

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

	<b>30 September 2015</b>	<b>31 December 2014</b>
RSD	64,676,976	68,417,996
EUR	10,710,993	10,733,307
USD	1,135,266	1,351,117
Other	874,849	772,885
	<u>77,398,084</u>	<u>81,275,305</u>

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**7. TRADE AND OTHER RECEIVABLES (continued)**

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

	<b>Trade receivables</b>		<b>Other receivables</b>	<b>Total</b>
	Individually impaired	Collectively impaired	Individually impaired	
<b>As at 1 January 2014</b>	17,481,016	4,374,251	7,827,614	29,682,881
Provision for receivables impairment	111,069	176,888	-	287,957
Unused amounts reversed	(164,445)	(277,685)	-	(442,130)
Receivables written off during the year as uncollectible	(2)	(47,232)	-	(47,234)
Exchange differences	-	-	287,371	287,371
Other	(235,574)	214,823	-	(20,752)
<b>As at 30 September 2014</b>	<b>17,192,064</b>	<b>4,441,045</b>	<b>8,114,985</b>	<b>29,748,094</b>
<b>As at 1 January 2015</b>	17,387,912	4,044,312	8,152,392	29,584,616
Provision for receivables impairment	1,032	102,328	-	103,360
Unused amounts reversed	(10,892)	(106,950)	-	(117,842)
Receivables written off during the year as uncollectible	(1,317,897)	(22,520)	-	(1,340,417)
Exchange differences	-	-	(81,498)	(81,498)
Other	(199,118)	195,709	-	(2,550)
<b>As at 30 September 2015</b>	<b>15,861,037</b>	<b>4,212,879</b>	<b>8,070,894</b>	<b>28,144,810</b>

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Profit and Loss. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The other classes within trade and other receivables do not contain impaired assets.

**8. INVENTORIES**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Crude oil	14,812,891	21,306,426
Gas	-	161,206
Petroleum products	13,824,297	14,487,028
Materials and supplies	5,919,600	8,529,435
Other	733,757	802,531
Less impairment provision	(6,082,460)	(6,155,660)
	<b>29,208,085</b>	<b>39,130,966</b>

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**9. OTHER CURRENT ASSETS**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Advances paid	770,719	668,211
VAT receivables	203,687	163,230
Deferred VAT	1,960,934	2,241,351
Prepaid expenses	193,297	137,615
Prepaid custom duties	54,475	52,281
Prepaid excise	2,488,442	4,323,747
Other current assets	20,965,117	21,258,939
Less impairment provision	<u>(20,603,219)</u>	<u>(21,003,763)</u>
	<b><u>6,033,452</u></b>	<b><u>7,841,611</u></b>

Deferred VAT as at 30 September 2015 amounting to 1,960,934 RSD (31 December 2014: 2,241,351 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2015 amounting to 2,488,442 RSD (31 December 2014: 4,323,747 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

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

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

	<b>Advances paid</b>	<b>Other current assets</b>	<b>Total</b>
<b>As at 1 January 2014</b>	253,069	17,706,623	17,959,692
Provision for receivables impairment	260	2,776,371	2,776,631
Unused amounts reversed	(12,073)	(54,171)	(66,244)
Other	(780)	(104,917)	(105,697)
<b>As at 30 September 2014</b>	<b><u>240,476</u></b>	<b><u>20,323,906</u></b>	<b><u>20,564,382</u></b>
<b>As at 1 January 2015</b>	244,828	20,758,935	21,003,763
Provision for receivables impairment	1,135	110,968	112,103
Unused amounts reversed	(4,424)	(14,974)	(19,398)
Receivables written off during the year as uncollectible	(6)	(501,296)	(501,302)
Other	(865)	8,918	8,053
<b>As at 30 September 2015</b>	<b><u>240,668</u></b>	<b><u>20,362,551</u></b>	<b><u>20,603,219</u></b>

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## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015

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

#### 10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2014</b>						
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)
<b>Net book value</b>	<b>40,718,701</b>	<b>80,011,533</b>	<b>31,943,206</b>	<b>11,137,858</b>	<b>41,121,223</b>	<b>204,932,521</b>
<b>Period ended 30 September 2014</b>						
Additions	14,786,627	3,118,838	3,227,828	515,922	6,334,297	27,983,512
Acquisitions through business combinations	-	-	-	-	789,440	789,440
Impairment	-	-	(37,097)	-	(15,200)	(52,297)
Depreciation	(2,742,161)	(3,906,254)	(1,526,809)	(537,883)	(3,975)	(8,717,082)
Transfer from investment property	35,121	9,358	14,768	7,399	-	66,646
Disposals and write-off	(13,708)	(2,785)	(190,646)	(43,995)	(1,296,968)	(1,548,102)
Other transfers	251,340	(585,085)	(170,261)	468,827	(352,681)	(387,860)
Translation differences	123	-	563,072	-	155,851	719,046
	53,036,043	78,645,605	33,824,061	11,548,128	46,731,987	223,785,824
<b>As at 30 September 2014</b>						
Cost	73,114,835	110,233,286	48,105,238	20,115,052	50,797,023	302,365,434
Depreciation and impairment	(20,078,792)	(31,587,681)	(14,281,177)	(8,566,924)	(4,065,036)	(78,579,610)
<b>Net book value</b>	<b>53,036,043</b>	<b>78,645,605</b>	<b>33,824,061</b>	<b>11,548,128</b>	<b>46,731,987</b>	<b>223,785,824</b>
<b>As at 1 January 2015</b>						
Cost	82,284,653	114,595,854	49,338,344	20,285,937	46,177,226	312,682,014
Depreciation and impairment	(21,058,518)	(32,895,538)	(14,910,568)	(8,614,025)	(2,813,514)	(80,292,163)
<b>Net book value</b>	<b>61,226,135</b>	<b>81,700,316</b>	<b>34,427,776</b>	<b>11,671,912</b>	<b>43,363,712</b>	<b>232,389,851</b>
<b>Period ended 30 September 2015</b>						
Additions	15,630,385	3,505,380	2,203,647	192,308	(2,203,159)	19,328,561
Impairment	-	(29,826)	(147,634)	-	(103,708)	(281,168)
Depreciation	(3,168,378)	(4,297,427)	(1,623,872)	(589,989)	(3,666)	(9,683,332)
Transfer to investment property	-	-	(38,046)	(180,595)	-	(218,641)
Disposals and write-off	(40,909)	(51,978)	(44,937)	(95,528)	(79,010)	(312,362)
Other transfers	(24,248)	(2,953)	149,303	40,207	(503,632)	(341,323)
Translation differences	(10)	-	(106,351)	-	(17,458)	(123,819)
	73,622,975	80,823,512	34,819,886	11,038,315	40,453,079	240,757,767
<b>As at 30 September 2015</b>						
Cost	97,767,045	117,956,070	51,089,131	20,056,693	43,103,241	329,972,180
Depreciation and impairment	(24,144,070)	(37,132,558)	(16,269,245)	(9,018,378)	(2,650,162)	(89,214,413)
<b>Net book value</b>	<b>73,622,975</b>	<b>80,823,512</b>	<b>34,819,886</b>	<b>11,038,315</b>	<b>40,453,079</b>	<b>240,757,767</b>

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## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015

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

#### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

##### 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
<b>As at 1 January 2014</b>						
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)
<b>Net book amount</b>	<b>13,211,220</b>	<b>13,159,048</b>	<b>26,370,268</b>	<b>40,718,701</b>	<b>13,243</b>	<b>67,102,212</b>
<b>Period ended 30 September 2014</b>						
Additions	4,534,056	14,532,792	19,066,848	-	-	19,066,848
Transfer from asset under construction	(1,948,341)	(12,838,286)	(14,786,627)	14,786,627	-	-
Other transfers	50,654	(380,606)	(329,952)	251,340	(81)	(78,693)
Depreciation and depletion	(3,517)	-	(3,517)	(2,742,161)	-	(2,745,678)
Transfer from investment property	-	-	-	35,121	-	35,121
Disposals and write-off	(1,081,140)	(366,825)	(1,447,965)	(13,708)	-	(1,461,673)
Translation differences	110,000	-	110,000	123	-	110,123
	14,872,932	14,106,123	28,979,055	53,036,043	13,162	82,028,260
<b>As at 30 September 2014</b>						
Cost	14,887,576	14,344,182	29,231,758	73,114,835	33,472	102,380,065
Depreciation and impairment	(14,644)	(238,059)	(252,703)	(20,078,792)	(20,310)	(20,351,805)
<b>Net book amount</b>	<b>14,872,932</b>	<b>14,106,123</b>	<b>28,979,055</b>	<b>53,036,043</b>	<b>13,162</b>	<b>82,028,260</b>
<b>As at 1 January 2015</b>						
Cost	18,087,173	13,477,995	31,565,168	82,284,653	33,457	113,883,278
Depreciation and impairment	(17,291)	(253,585)	(270,876)	(21,058,518)	(20,359)	(21,349,753)
<b>Net book amount</b>	<b>18,069,882</b>	<b>13,224,410</b>	<b>31,294,292</b>	<b>61,226,135</b>	<b>13,098</b>	<b>92,533,525</b>
<b>Period ended 30 September 2015</b>						
Additions	2,950,141	13,290,802	16,240,943	-	-	16,240,943
Transfer from asset under construction	(2,748,993)	(12,881,392)	(15,630,385)	15,630,385	-	-
Other transfers	60,292	(351,573)	(291,281)	(24,248)	-	(315,529)
Impairment	-	(10,332)	(10,332)	-	-	(10,332)
Depreciation and depletion	(3,732)	-	(3,732)	(3,168,378)	-	(3,172,110)
Disposals and write-off	(74,486)	1	(74,485)	(40,909)	-	(115,394)
Translation differences	(13,196)	-	(13,196)	(10)	-	(13,206)
	<b>18,239,908</b>	<b>13,271,916</b>	<b>31,511,824</b>	<b>73,622,975</b>	<b>13,098</b>	<b>105,147,897</b>
<b>As at 30 September 2015</b>						
Cost	18,259,661	13,520,687	31,780,348	97,767,045	33,408	129,580,801
Depreciation and impairment	(19,753)	(248,771)	(268,524)	(24,144,070)	(20,310)	(24,432,904)
<b>Net book amount</b>	<b>18,239,908</b>	<b>13,271,916</b>	<b>31,511,824</b>	<b>73,622,975</b>	<b>13,098</b>	<b>105,147,897</b>

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month**  
**period ended 30 September 2015**

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

**11. OTHER NON-CURRENT ASSETS**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Advances paid for PPE	1,979,098	2,468,780
Prepaid expenses	915,736	977,478
Other assets	1,144,275	1,155,896
Less impairment provision	(29,178)	(29,257)
	<b>4,009,931</b>	<b>4,572,897</b>

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

	<b>30 September 2015</b>	<b>31 December 2014</b>
Short-term loans	6,372,265	8,600,112
Interest liabilities	152,528	130,902
Current portion of long-term loans (note 16)	13,006,888	6,100,504
Current portion of finance lease liabilities (note 16)	983	823
	<b>19,532,664</b>	<b>14,832,341</b>

**13. TRADE AND OTHER PAYABLES**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Trade payables		
- related parties	22,396,380	20,253,500
- third parties	10,465,724	19,650,382
Dividends payable	3,772,308	3,772,308
Other accounts payable	79,026	75,808
	<b>36,713,438</b>	<b>43,751,998</b>

As at 30 September 2015 payables to related parties amounting to 22,396,380 RSD (31 December 2014: 20,253,500 RSD) mainly relate to payables to the supplier Gazprom Neft in the amount of 22,304,073 RSD (31 December 2014: 20,122,243 RSD), for the purchase of crude oil.

A dividend in respect of the year ended 31 December 2014 of 46.85 RSD per share, amounting to a total dividend of 7,639,380 RSD was approved by the General Assembly Meeting held on 23 June 2015 and paid on 31 August 2015.

**14. OTHER CURRENT LIABILITIES**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Advances received	1,100,526	1,589,530
Payables to employees	2,856,788	3,639,272
Accruals and deferred income	18,452	40,179
Other current non-financial liabilities	17,708	53,182
	<b>3,993,474</b>	<b>5,322,163</b>

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

**15. OTHER TAXES PAYABLE**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Mineral extraction tax	329,382	407,990
VAT	2,577,238	354,270
Excise tax	4,519,721	4,909,246
Contribution for buffer stocks	252,784	583,400
Custom duties	495,661	414,925
Other taxes	2,068,576	2,361,184
	<b>10,243,362</b>	<b>9,031,015</b>

**16. LONG-TERM DEBT**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Long-term loan - Gazprom Neft	43,165,374	47,820,723
Bank loans	65,711,448	51,604,833
Finance lease liabilities	201,237	199,738
Other long-term borrowings	82,199	64,076
Less Current portion	(13,007,871)	(6,101,327)
	<b>96,152,387</b>	<b>93,588,043</b>

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

As at 30 September 2015 long-term loan - Gazprom Neft amounting to 43,165,374 RSD (360,465,121 EUR) (2014: 47,820,723 RSD), with current portion of 5,569,726 RSD (2014: 5,625,967 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

*(b) Bank loans*

	<b>30 September 2015</b>	<b>31 December 2014</b>
Domestic	15,601,785	7,175,319
Foreign	50,109,663	44,429,514
	65,711,448	51,604,833
Current portion of long-term loans	(7,437,162)	(474,537)
	<b>58,274,286</b>	<b>51,130,296</b>

The maturity of bank loans was as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Between 1 and 2 years	8,540,237	6,969,316
Between 2 and 5 years	44,647,683	38,525,058
Over 5 years	5,086,366	5,635,922
	<b>58,274,286</b>	<b>51,130,296</b>

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**16. LONG-TERM DEBT (continued)**

(b) *Bank loans (continued)*

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

	<b>30 September 2015</b>	<b>31 December 2014</b>
USD	51,108,349	45,401,219
EUR	14,236,529	5,840,104
RSD	1,258	1,520
JPY	365,312	361,990
	<b>65,711,448</b>	<b>51,604,833</b>

The Group repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has both fixed and floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor.

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

The carrying amounts of the Group's bank loans as at 30 September 2015 and 31 December 2014 are presented in the table below:

<b>Creditor</b>	<b>Currency</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
<b><i>Domestic long-term loans</i></b>			
Erste bank, Novi Sad	USD	322,681	319,049
Erste bank, Novi Sad	EUR	428,136	457,835
Bank Postanska stedionica, Belgrade	EUR	210,347	224,938
Bank Postanska stedionica, Belgrade	USD	1,747,748	1,728,210
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,269,680	4,443,767
Banca Intesa, Belgrade	EUR	8,621,935	-
Other loans	RSD	1,258	1,520
		<b>15,601,785</b>	<b>7,175,319</b>
<b><i>Foreign long-term loans</i></b>			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	584,515	584,396
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	365,312	361,990
Erste bank, Holland	USD	6,921,915	6,465,167
VUB (Bank Intesa), Slovakia	USD	15,973,650	14,919,615
NBG bank, Great Britain	USD	-	4,973,205
Sberbank Europe AG, Viena, Austria	USD	17,571,015	16,411,577
United Bulgarian bank AD, Sofia, Bulgaria	USD	7,986,825	-
NeftgazInKor, Russian Federation	EUR	399,483	403,517
Neftgazovaja Inovacionnaja Korporacija, Russian Federation	EUR	306,948	310,047
		<b>50,109,663</b>	<b>44,429,514</b>
Less current portion of long-term loans		<b>(7,437,162)</b>	<b>(474,537)</b>
		<b>58,274,286</b>	<b>51,130,296</b>

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month**  
**period ended 30 September 2015**

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

**16. LONG-TERM DEBT (continued)**

(b) *Bank loans (continued)*

	Currency	Current portion		Long-term	
		30 September 2015	31 December 2014	30 September 2015	31 December 2014
<b>Domestic long - term loans</b>					
Erste bank, Novi Sad	USD	21,816	17,872	300,865	301,177
Erste bank, Novi Sad	EUR	28,727	25,376	399,409	432,459
Bank Postanska stedionica, Belgrade	EUR	14,114	12,468	196,233	212,470
Bank Postanska stedionica, Belgrade	USD	117,271	95,789	1,630,477	1,632,421
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	259,327	261,946	4,010,353	4,181,821
Banca Intesa, Belgrade	EUR	-	-	8,621,935	-
Other loans	RSD	239	345	1,019	1,175
		<b>441,494</b>	<b>413,796</b>	<b>15,160,291</b>	<b>6,761,523</b>
<b>Foreign long-term loans</b>					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	49,241	40,677	535,274	543,719
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	24,512	20,064	340,800	341,926
Erste bank, Holland	USD	6,921,915	-	-	6,465,167
VUB (Bank Intesa), Slovakia	USD	-	-	15,973,650	14,919,615
NBG bank, Great Britain	USD	-	-	-	4,973,205
Sberbank Europe AG, Viena, Austria	USD	-	-	17,571,015	16,411,577
United Bulgarian bank AD, Sofia, Bulgaria	USD	-	-	7,986,825	-
NeftgazInKor, Russian Federation	EUR	-	-	399,483	403,517
Neftgazovaja Inovacionnaja Korporacija, Russian Federation	EUR	-	-	306,948	310,047
		<b>6,995,668</b>	<b>60,741</b>	<b>43,113,995</b>	<b>44,368,773</b>
		<b>7,437,162</b>	<b>474,537</b>	<b>58,274,286</b>	<b>51,130,296</b>

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 30 September 2015 and 31 December 2014, respectively.

**17. SHARE CAPITAL**

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is 500 RSD.

Share capital as of 30 September 2015 and 31 December 2014 comprise of 163,060,400 shares.

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015***(All amounts are in 000 RSD, unless otherwise stated)***18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS**

	Nine month period ended 30 September	
	2015	2014
Crude oil	68,037,213	78,342,229
Petroleum products	23,590,119	31,213,311
Other	161,240	36,880
	<b>91,788,572</b>	<b>109,592,420</b>

**19. PRODUCTION AND MANUFACTURING EXPENSES**

	Nine month period ended 30 September	
	2015	2014
Employee costs	5,103,986	5,326,551
Materials and supplies (other than purchased oil, petroleum products and gas)	2,026,694	1,633,922
Repair and maintenance services	2,209,311	2,240,185
Electricity and utilities	3,000,100	2,201,905
Safety and security expense	108,223	83,904
Transportation services for production	1,260,630	1,016,155
Other	3,808	1,127,640
	<b>13,712,752</b>	<b>13,630,262</b>

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

	Nine month period ended 30 September	
	2015	2014
Employee costs	7,024,304	7,410,650
Legal, audit, and consulting services	1,344,657	1,358,962
Rent expense	258,460	285,819
Business trips expense	258,175	275,234
Safety and security expense	388,016	397,681
Insurance expense	235,631	199,769
Transportation and storage	462,140	361,904
Allowance for doubtful accounts	78,223	2,556,243
Other	6,334,173	3,576,141
	<b>16,383,779</b>	<b>16,422,403</b>

**21. FAIR VALUE MEASUREMENT**

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties and financial investments classified as available for sale. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2014. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 30 September, 2015 carrying value of financial assets approximate their fair value.

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

## **22. CONTINGENCIES AND COMMITMENTS**

### *Transfer of property ownership*

As at 30 September 2015, the Company had ownership and the right to use and possess of 7,929 properties, which represent 97% of the total Company properties (buildings and land). The remaining 3% of properties titles should be transferred by Republic of Serbia in accordance with the Agreement for the Sale and Purchase of Shares of Naftna Industrija Srbije a.d., signed in 2007.

### *Finance Guarantees*

As at 30 September 2015 the total amount of outstanding finance guarantees provided by the Group amounted to 3,609,856 RSD, mostly related to guaranties for customs duties in the amount of 2,340,726 RSD (31 December 2014: 3,454,563 RSD).

### *Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 480,025 RSD (31 December 2014: 570,358 RSD).

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

### *Other contingent liabilities*

As at 30 September 2015, 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. Taking all of the above into consideration, the Group's Management is of the view that as at 30 September 2015 outflow of resources embodying economic benefits is not probable 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.

### *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 30 September 2015.

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## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015

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

## 22. CONTINGENCIES AND COMMITMENTS (continued)

### *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. Exploration activities are underway. On 30 September 2015 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to 45.96 USD million.

There were no other material commitments of the Group.

## 23. GROUP ENTITIES

The financial statements of below listed subsidiaries are consolidated as at 30 September 2015 and 31 December 2014:

Subsidiary	Country of incorporation	Nature of business	Share %	
			30 September 2015	31 December 2014
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	Trade	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	Trade	100	100
NIS Petrol SRL, Bucharest	Romania	Trade	100	100
Pannon naftagas Kft, Budapest	Hungary	O&G activity	100	100
NIS Oversiz, St Petersburg	Russia	Other	100	100
Naftagas-naftni servisi d.o.o., Novi Sad	Serbia	O&G activity	100	100
NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	O&G activity	100	100
Naftagas-tehnicki servisi d.o.o., Zrenjanin	Serbia	O&G activity	100	100
Naftagas-Transport d.o.o., Novi Sad	Serbia	Transport	100	100
O Zone a.d., Belgrade	Serbia	Other	100	100
G Petrol d.o.o. Sarajevo	Bosnia and Herzegovina	Trade	100	100
Jadran - Naftagas d.o.o., Banja Luka	Bosnia and Herzegovina	O&G activity	66	66
Jubos, Bor – in liquidation	Serbia	Other	51	51
Svetlost, Bujanovac	Serbia	Trade	51	51

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**24. RELATED PARTY TRANSACTIONS**

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

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

In the nine month period ended 30 September 2015 and in the same period in 2014, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 30 September 2015 and 31 December 2014 the outstanding balances with related parties were as follows:

	<b>Parent company</b>	<b>Entities under common control</b>	<b>Joint venture</b>	<b>Total</b>
<b>As at 30 September 2015</b>				
Trade and other receivables	-	78,580	165,709	244,289
Other current assets	-	15,914	-	15,914
Investments in joint venture	-	-	1,008,246	1,008,246
Trade and other payables	(22,304,073)	(92,307)	-	(22,396,380)
Short-term debt and current portion of long-term debt	(5,569,726)	-	-	(5,569,726)
Long-term debt	(37,595,648)	-	-	(37,595,648)
	<b>(65,469,447)</b>	<b>2,187</b>	<b>1,173,955</b>	<b>(64,293,305)</b>
<b>As at 31 December 2014</b>				
Trade and other receivables	-	36,398	117,858	154,256
Investments in joint venture	-	-	1,008,221	1,008,221
Trade and other payables	(20,122,243)	(131,257)	-	(20,253,500)
Other current liabilities	-	(12,831)	-	(12,831)
Short-term debt and current portion of long-term debt	(5,625,967)	-	-	(5,625,967)
Long-term debt	(42,194,756)	-	-	(42,194,756)
	<b>(67,942,966)</b>	<b>(107,690)</b>	<b>1,126,079</b>	<b>(66,924,577)</b>

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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

**24. RELATED PARTY TRANSACTIONS (continued)**

For the nine month period ended 30 September 2015 and 2014 the following transaction occurred with related parties:

	Parent	Entities under common control	Joint venture	Total
<b>Nine month period ended 30 September 2015</b>				
Petroleum products and oil and gas sales	-	85,607	-	85,607
Other Revenues	-	328,663	-	328,663
Purchases of oil, gas and petroleum products	(60,957,424)	(2,037,894)	-	(62,995,318)
Production and manufacturing expenses	(5,839)	(213,802)	-	(219,641)
Selling, general and administrative expenses	(23,823)	(15,137)	-	(38,960)
Other expenses, net	(16,210)	(19,825)	-	(36,035)
Finance expense	(724,476)	-	-	(724,476)
	<b>(61,727,772)</b>	<b>(1,872,388)</b>	-	<b>(63,600,160)</b>
<b>Nine month period ended 30 September 2014</b>				
Petroleum products and oil and gas sales	-	1,801,575	-	1,801,575
Purchases of oil, gas and petroleum products	-	(71,151,887)	-	(71,151,887)
Production and manufacturing expenses	(8,002)	(22,715)	-	(30,717)
Selling, general and administrative expenses	(28,909)	-	-	(28,909)
Other expenses, net	(4,556)	(1,546)	-	(6,102)
Finance expense	(882,508)	-	-	(882,508)
	<b>(923,975)</b>	<b>(69,374,573)</b>	-	<b>(70,298,548)</b>

*Key management compensation*

Management compensation paid or payable in nine month period ended 30 September 2015 and 2014 is shown in the table below:

	<b>Nine month period ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
Salaries and other short-term employee benefits	326,210	223,895
	<b>326,210</b>	<b>223,895</b>

**25. 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 30 September 2015 were evaluated through 26 October 2015, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

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**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2015**

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**NIS Group**  
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