# NAFTNA INDUSTRIJA SRBIJE A.D., Novi Sad

**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2015**
**AND INDEPENDENT AUDITOR'S REPORT**

pwc

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders and Board of Directors of Naftna Industrija Srbije a.d., Novi Sad

We have audited the accompanying consolidated financial statements of Naftna Industrija Srbije a.d., Novi Sad (the "Parent") and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2015 and the consolidated income statement, statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting regulations effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with accounting regulations effective in the Republic of Serbia.

### *Other Matters*

The consolidated financial statements of the Group for the year ended 31 December 2014 were audited by another firm of auditors whose report, dated 4 March 2015, expressed an unmodified opinion on those statements.

Milivoje Nesovic
Licensed Auditor

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o., Beograd

PricewaterhouseCoopers d.o.o. Beograd pwc

Belgrade, 29 February 2016

# NIS A.D. – Naftna industrija Srbije
# Novi Sad

## Consolidated financial statements

## 31 December 2015

Novi Sad, 29 February 2016

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

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## CONSOLIDATED BALANCE SHEET

| | AOP | Note | 31 December 2015 | 31 December 2014 |
|---|---|---|---|---|
| **A. SUBSCRIBED CAPITAL UNPAID** | **0001** | | **-** | **-** |
| **B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)** | **0002** | | **274,361,963** | **246,183,088** |
| **I. INTENGIBLE ASSETS (0004+0005+0006+0007+0008+0009)** | **0003** | **6** | **21,824,790** | **21,687,631** |
| 1. Development investments | 0004 | | 6,153,717 | 3,833,142 |
| 2 Concessions, licenses, software and other rights | 0005 | | 3,662,863 | 3,450,505 |
| 3. Goodwill | 0006 | | 1,818,376 | 1,957,895 |
| 4. Other intangible assets | 0007 | | 1,288,869 | 1,316,121 |
| 5. Intangible assets under development | 0008 | | 8,900,965 | 11,129,968 |
| 6. Advances for intangible assets | 0009 | | - | - |
| **II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)** | **0010** | **7** | **235,209,730** | **222,017,915** |
| 1. Land | 0011 | | 17,187,278 | 17,580,286 |
| 2. Buildings | 0012 | | 116,089,115 | 100,525,669 |
| 3. Machinery and equipment | 0013 | | 71,000,947 | 66,499,520 |
| 4. Investment property | 0014 | | 1,336,060 | 1,381,832 |
| 5. Other property, plant and equipment | 0015 | | 87,704 | 89,380 |
| 6. Construction in progress | 0016 | | 27,837,831 | 33,128,517 |
| 7. Investments in leased PP&E | 0017 | | 341,039 | 373,188 |
| 8. Advances for PP&E | 0018 | | 1,329,756 | 2,439,523 |
| **III. BIOLOGICAL ASSETS (0020+0021+0022+0023)** | **0019** | | **-** | **-** |
| 1. Forest farming | 0020 | | - | - |
| 2. Livestock | 0021 | | - | - |
| 3. Biological assets in production | 0022 | | - | - |
| 4. Advances for biological assets | 0023 | | - | - |
| **IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)** | **0024** | | **2,738,455** | **2,465,498** |
| 1. Investments in subsidiary | 0025 | | - | - |
| 2. Investments in joint ventures | 0026 | **8** | 1,188,659 | 1,008,221 |
| 3. Investments in other legal entities and other available for sales financial assets | 0027 | | 167,358 | 222,686 |
| 4. Long term investments in parent and subsidiaries | 0028 | | - | - |
| 5. Long-term investments in other related parties | 0029 | | - | - |
| 6. Long-term investments - domestic | 0030 | | 138,633 | - |
| 7. Long-term investments - foreign | 0031 | | - | - |
| 8. Securities held to maturity | 0032 | | - | - |
| 9. Other long-term financial investments | 0033 | **9** | 1,243,805 | 1,234,591 |
| **V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)** | **0034** | **10** | **14,588,988** | **12,044** |
| 1. Receivables from parent company and subsidiaries | 0035 | | - | - |
| 2. Receivables from other related parties | 0036 | | 4,010,546 | - |
| 3. Receivables from sale of goods on credit | 0037 | | - | - |
| 4. Receivables arising out of finance lease contracts | 0038 | | 8,339 | 12,044 |
| 5. Claims arising from guarantees | 0039 | | - | - |
| 6. Bad and doubtful receivables | 0040 | | - | - |
| 7. Other long-term receivables | 0041 | | 10,570,103 | - |
| **C. DEFFERED TAX ASSETS** | **0042** | **11** | **4,268,741** | **4,853,601** |

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## CONSOLIDATED BALANCE SHEET (continued)

| | AOP | Note | 31 December 2015 | 31 December 2014 |
|---|---|---|---|---|
| **D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)** | 0043 | | **87,400,047** | **110,645,943** |
| **I. INVENTORY (0045+0046+0047+0048+0049+0050)** | **0044** | **12** | **24,466,023** | **39,554,349** |
| 1. Materials, spare parts and tools | 0045 | | 11,501,467 | 22,414,418 |
| 2. Work in progress | 0046 | | 4,050,154 | 5,755,021 |
| 3. Finished goods | 0047 | | 5,873,077 | 7,477,570 |
| 4. Merchandise | 0048 | | 2,753,546 | 3,483,957 |
| 5. Assets held for sale | 0049 | | 21,703 | - |
| 6. Advances for inventory and services | 0050 | | 266,076 | 423,383 |
| **II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)** | **0051** | **13** | **33,567,302** | **49,244,871** |
| 1. Domestic trade receivables - parents and subsidiaries | 0052 | | - | - |
| 2. Foreign trade receivables - parents and subsidiaries | 0053 | | - | - |
| 3. Domestic trade receivables – other related parties | 0054 | | 10,799,575 | 13,004,338 |
| 4. Foreign trade receivables - other related parties | 0055 | | 251,708 | 36,398 |
| 5. Trade receivables - domestic | 0056 | | 21,858,872 | 34,970,060 |
| 6. Trade receivables - foreign | 0057 | | 657,147 | 1,234,075 |
| 7. Other trade receivbles | 0058 | | - | - |
| **III. RECEIVABLES FROM SPECIFIC OPERATIONS** | **0059** | | **721,009** | **323,954** |
| **IV. OTHER RECEIVABLES** | **0060** | **14** | **1,877,225** | **3,046,977** |
| **V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS** | **0061** | | **-** | **-** |
| **VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)** | **0062** | | **284,586** | **2,207,637** |
| 1. Short-term loans and investments - parent companies and subsidiaries | 0063 | | - | - |
| 2. Short-term loans and investments – other related parties | 0064 | | - | - |
| 3. Short-term loans and investments - domestic | 0065 | | - | 2,021 |
| 4. Short-term loans and investments - foreign | 0066 | | - | - |
| 5. Other short-term loans and investments | 0067 | | 284,586 | 2,205,616 |
| **VII. CASH AND CASH EQUIVALENTS** | **0068** | **15** | **19,271,435** | **8,326,704** |
| **VIII. VALUE ADDED TAX** | **0069** | | **227,121** | **163,230** |
| **IX. PREPAYMENTS AND ACCRUED INCOME** | **0070** | **16** | **6,985,346** | **7,778,221** |
| **E. TOTAL ASSETS (0001+0002+0042+0043)** | **0071** | | **366,030,751** | **361,682,632** |
| **F. OFF-BALANCE SHEET ASSETS** | **0072** | **17** | **130,389,980** | **120,440,876** |
| **A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)** | **0401** | | **190,511,680** | **183,620,504** |
| **I. EQUITY (0403+0404+0405+0406+0407+0408+0409+0410)** | **0402** | **18** | **81,548,930** | **81,550,674** |
| 1. Share capital | 0403 | 18.1 | 81,548,930 | 81,550,674 |
| 2. Stakes of limited liability companies | 0404 | | - | - |
| 3. Stakes | 0405 | | - | - |
| 4. State owned capital | 0406 | | - | - |
| 5. Socially owned capital | 0407 | | - | - |
| 6. Stakes in cooperatives | 0408 | | - | - |
| 7. Share premium | 0409 | | - | - |
| 8. Other capital | 0410 | | - | - |
| **II. SUBSCRIBED CAPITAL UNPAID** | **0411** | | **-** | **-** |
| **III. OWN SHARES** | **0412** | | **-** | **-** |
| **IV. RESERVES** | **0413** | | **-** | **-** |
| **V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT** | **0414** | | **-** | **-** |
| **VI. UNREALISED GAINS FROM SECURITAS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME** | **0415** | | **161,489** | **312,137** |
| **VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME** | **0416** | | **541,678** | **616,921** |
| **VIII. RETAINED EARNINGS (0418+0419)** | **0417** | | **109,342,939** | **102,374,614** |
| 1. Retained earnings from previous years | 0418 | | 94,735,234 | 74,536,170 |
| 2. Retained earnings from current year | 0419 | | 14,607,705 | 27,838,444 |
| **IX. NON-CONTROLLING INTEREST** | **0420** | | **-** | **-** |
| **X. LOSS (0422+0423)** | **0421** | | **-** | **-** |
| 1. Loss from previous years | 0422 | | - | - |
| 2. Loss from current year | 0423 | | - | - |

*(continued)*

*The accompanying notes on pages 10 to 66 are an integral part of these consolidated financial statements.*

## CONSOLIDATED BALANCE SHEET (continued)

| | AOP | Note | 31 December 2015 | 31 December 2014 |
|---|---|---|---|---|
| **B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)** | **0424** | | **109,764,751** | **102,600,628** |
| **I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)** | **0425** | **19** | **9,451,111** | **9,012,584** |
| 1. Provisions for warranty claims | 0426 | | - | - |
| 2. Provision for environmental rehabilitation | 0427 | | 7,918,238 | 7,454,505 |
| 3. Provisions for restructuring costs | 0428 | | - | - |
| 4. Provisions for employee benefits | 0429 | | 1,068,315 | 892,488 |
| 5. Provisions for litigations | 0430 | | 464,558 | 665,591 |
| 6. Other long term provisions | 0431 | | - | - |
| **II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)** | **0432** | **20** | **100,313,640** | **93,588,044** |
| 1. Liabilities convertible to equity | 0433 | | - | - |
| 2. Liabilities to parent and subsidiaries | 0434 | | 36,770,682 | 42,194,756 |
| 3. Liabilities to other related parties | 0435 | | - | - |
| 4. Liabilities for issued long-term securities | 0436 | | - | - |
| 5. Long term borrowings - domestic | 0437 | | 18,240,935 | 6,761,523 |
| 6. Long-term borrowings - foreign | 0438 | | 45,015,134 | 44,368,774 |
| 7. Finance lease liabilities | 0439 | | 198,277 | 198,914 |
| 8. Other long-term liabilities | 0440 | | 88,612 | 64,077 |
| **C. DEFFERED TAX LIABILITIES** | **0441** | **11** | **-** | **-** |
| **D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)** | **0442** | | **65,754,320** | **75,461,500** |
| **I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)** | **0443** | **21** | **16,971,551** | **14,701,438** |
| 1. Short term borrowings from parent and subsidiaries | 0444 | | - | - |
| 2. Short term borrowings from other related parties | 0445 | | - | - |
| 3. Short-term loans and borrowings - domestic | 0446 | | 3,553,091 | 8,600,083 |
| 4. Short-term loans and borrowings - foreign | 0447 | | 29 | 29 |
| 5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations | 0448 | | - | - |
| 6. Other short term liabilities | 0449 | | 13,418,431 | 6,101,326 |
| **II. ADVANCES RECEIVED** | **0450** | | **3,207,205** | **1,589,530** |
| **III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)** | **0451** | **22** | **24,713,307** | **36,815,739** |
| 1. Trade payables - parent and subsidiaries - domestic | 0452 | | - | - |
| 2. Trade payables - parent and subsidiaries - foreign | 0453 | | 10,004,805 | 20,122,243 |
| 3. Trade payables - other related parties - domestic | 0454 | | 800,455 | 830,355 |
| 4. Trade payables - other related parties - foreign | 0455 | | 172,515 | 131,258 |
| 5. Trade payables - domestic | 0456 | | 7,854,205 | 6,312,351 |
| 6. Trade payables - foreign | 0457 | | 5,799,950 | 9,343,872 |
| 7. Other operating liabilities | 0458 | | 81,377 | 75,660 |
| **IV. OTHER SHORT-TERM LIABILITIES** | **0459** | **23** | **8,897,926** | **9,137,662** |
| **V. LIABILITIES FOR VAT** | **0460** | | **1,567,861** | **187,050** |
| **VI. LIABILITIES FOR OTHER TAXES** | **0461** | **24** | **7,711,354** | **7,513,714** |
| **VII. ACCRUED EXPENSES** | **0462** | **25** | **2,685,116** | **5,516,367** |
| **E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0** | **0463** | | **-** | **-** |
| **F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0** | **0464** | | **366,030,751** | **361,682,632** |
| **G. OFF-BALANCE SHEET LIABILITIES** | **0465** | **17** | **130,389,980** | **120,440,876** |

**Novi Sad, 29 February 2016**

**The person responsible for the preparation of consolidated financial statements**

**M.P.**

**Legal representative**

ДРУШТВО ЗА ИСТРАЖИВАЊЕ, ПРОИЗВОДЊУ, ПРЕРАДУ, ДИСТРИБУЦИЈУ И ПРОМЕТ НАФТЕ И НАФТНИХ ДЕРИВАТА И ИСТРАЖИВАЊЕ И ПРОИЗВОДЊУ ПРИРОДНОГ ГАСА
НАФТНА ИНДУСТРИЈА СРБИЈЕ А.Д. НОВИ САД

*The accompanying notes on pages 10 to 67 are an integral part of these consolidated financial statements.*

## CONSOLIDATED INCOME STATEMENT

| | AOP | Note | Year ended 31 December 2015 | 2014 |
|---|---|---|---|---|
| **INCOME FROM REGULAR OPERATING ACTIVITIES** | | | | |
| **A. OPERATING INCOME (1002+1009+1016+1017)** | **1001** | **5** | **210,691,253** | **258,557,529** |
| **I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)** | **1002** | | **25,833,207** | **26,886,264** |
| 1. Income from sales of goods to parent and subsidiaries on domestic market | 1003 | | - | - |
| 2. Income from sales of goods to parent and subsidiaries on foreign market | 1004 | | - | - |
| 3. Income from the sale of goods to other related parties on domestic market | 1005 | | - | - |
| 4. Income from the sale of goods to other related parties on foreign market | 1006 | | 546,259 | 66,250 |
| 5. Income from sale of goods on domestic market | 1007 | | 10,499,022 | 7,550,326 |
| 6. Income from sale of goods on foreign market | 1008 | | 14,787,926 | 19,269,688 |
| **II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)** | **1009** | | **184,539,222** | **231,432,459** |
| 1. Income from sales of products and services to parent and subsidiaries on domestic market | 1010 | | - | - |
| 2. Income from sales of products and services to parent and subsidiaries on foreign market | 1011 | | - | - |
| 3. Income from sales of products and services to other related parties on domestic market | 1012 | | 17,570,375 | 23,382,492 |
| 4. Income from sales of products and services to other related parties on foreign market | 1013 | | 343,461 | 2,142,288 |
| 5. Income from sales of products and services - domestic | 1014 | | 137,741,208 | 171,807,782 |
| 6. Income from sales of products and services - foreign | 1015 | | 28,884,178 | 34,099,897 |
| **III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS** | **1016** | | **3,169** | **7,646** |
| **IV. OTHER OPERATING INCOME** | **1017** | | **315,655** | **231,160** |
| **B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>=0** | **1018** | | **186,547,430** | **210,473,983** |
| I. COST OF GOODS SOLD | 1019 | | 16,924,030 | 15,326,614 |
| II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED | 1020 | | 13,047,351 | 10,498,510 |
| III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES | 1021 | | - | 313,347 |
| IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES | 1022 | | 3,309,360 | - |
| V. COST OF MATERIAL | 1023 | **26** | 111,787,513 | 140,794,695 |
| VI. COST OF FUEL AND ENERGY | 1024 | | 4,852,088 | 4,052,031 |
| VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES | 1025 | **27** | 18,505,343 | 19,286,286 |
| VIII. COST OF PRODUCTION SERVICES | 1026 | **28** | 14,655,936 | 14,506,200 |
| IX. DEPRECIATION, DEPLITION AND AMORTIZATION | 1027 | | 14,281,849 | 12,757,430 |
| X. COST OF LONG-TERM PROVISIONING | 1028 | **29** | 794,060 | 366,247 |
| XI. NON-MATERIAL COSTS | 1029 | **30** | 14,484,602 | 14,196,337 |
| **C. OPERATING GAIN (1001-1018)>=0** | **1030** | | **24,143,823** | **48,083,546** |
| **D. OPERATING LOSS (1018-1001)>=0** | **1031** | | **-** | **-** |

*(continued)*

## CONSOLIDATED INCOME STATEMENT (continued)

| | AOP | Note | Year ended 31 December 2015 | 2014 |
|---|---|---|---|---|
| **E. FINANCE INCOME (1033+1038+1039)** | **1032** | **31** | **3,690,992** | **7,788,961** |
| I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037) | 1033 | | 1,293,127 | 2,218,595 |
| 1. Finance income - parent company and subsidiaries | 1034 | | 1,202,790 | 2,076,979 |
| 2. Finance income - other related parties | 1035 | | 21,213 | 123,357 |
| 3. Share of profit of associates and joint ventures | 1036 | | - | - |
| 4. Other financial income | 1037 | | 69,124 | 18,259 |
| II. INTEREST INCOME (from third parties) | 1038 | | 706,445 | 4,238,258 |
| III. FOREIGN EXCHANGE GAINS (third parties) | 1039 | | 1,691,420 | 1,332,108 |
| **F. FINANCE EXPENSES (1041+1046+1047)** | **1040** | **32** | **15,422,488** | **20,401,328** |
| I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045) | 1041 | | 3,894,105 | 7,423,239 |
| 1. Finance expense - parent company and subsidiaries | 1042 | | 3,777,652 | 4,557,810 |
| 2. Finance expense - other related parties | 1043 | | 112,028 | 2,865,082 |
| 3. Share of loss of associates and joint ventures | 1044 | | - | - |
| 4. Other financial expense | 1045 | | 4,425 | 347 |
| II. INTEREST EXPENSE (from third parties) | 1046 | | 3,496,431 | 2,497,209 |
| III. FOREIGN EXCHANGE LOSSES (third parties) | 1047 | | 8,031,952 | 10,480,880 |
| **G. PROFIT FROM FINANCING OPERATIONS (1032-1040)** | **1048** | | **-** | **-** |
| **H. LOSS FROM FINANCING OPERATIONS (1040-1032)** | **1049** | | **11,731,496** | **12,612,367** |
| **I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS** | **1050** | **33** | **7,117,464** | **984,506** |
| **J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS** | **1051** | **34** | **330,967** | **3,938,708** |
| **K. OTHER INCOME** | **1052** | **35** | **2,766,045** | **4,866,534** |
| **L. OTHER EXPENSES** | **1053** | **36** | **2,909,067** | **3,513,956** |
| **M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)** | **1054** | | **19,055,802** | **33,869,555** |
| **N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)** | **1055** | | **-** | **-** |
| **O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS** | **1056** | | **-** | **-** |
| **P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS** | **1057** | | **-** | **-** |
| **Q. PROFIT BEFORE TAX (1054-1055+1056-1057)** | **1058** | | **19,055,802** | **33,869,555** |
| **R. LOSS BEFORE TAX (1055-1054+1057-1056)** | **1059** | | **-** | **-** |
| II. INCOME TAX | | | | |
| I. CURRENT INCOME TAX | 1060 | 37 | 3,864,403 | 3,497,767 |
| II. DEFERRED TAX EXPENSE FOR THE PERIOD | 1061 | 37 | 583,694 | 2,533,344 |
| III. DEFERRED TAX INCOME FOR THE PERIOD | 1062 | | - | - |
| **S. PERSONAL INCOME PAID TO EMPLOYER** | **1063** | | **-** | - |
| **T. NET PROFIT (1058-1059-1060-1061+1062)** | **1064** | | **14,607,705** | **27,838,444** |
| **V. NET LOSS (1059-1058+1060+1061-1062)** | **1065** | | **-** | **-** |
| I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 1066 | | - | - |
| II. NET INCOME ATTRIBUTABLE TO THE OWNER | 1067 | | 14,638,790 | 27,939,245 |
| III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 1068 | | 31,085 | 100,801 |
| IV. NET LOSS ATTRIBUTABLE TO THE OWNER | 1069 | | - | - |
| V. EARNINGS PER SHARE | | | | |
| 1. Basic earnings per share | 1070 | 38 | 0.090 | 0.171 |
| 2. Diluted earnings per share | 1071 | | - | - |

*The accompanying notes on pages 10 to 66 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| | AOP | Note | Year ended 31 December 2015 | 2014 |
|---|---|---|---|---|
| **A. NET PROFIT/(LOSS)** | | | | |
| **I. PROFIT, NET (AOP 1064)** | **2001** | | **14,607,705** | **27,838,444** |
| **II. LOSS, NET (AOP 1065)** | **2002** | | **-** | **-** |
| **B. OTHER COMPREHENSIVE PROFIT OR LOSS** | | | | |
| *a) Items that will not be reclassified to profit or loss* | | | | |
| **1. Changes in the revaluation of intangible assets, property, plant and equipment** | | | | |
| a) increase in revaluation reserves | 2003 | | - | - |
| b) decrease in revaluation reserves | 2004 | | - | - |
| **2. Actuarial gains (losses) of post employment benefit obligations** | | | | |
| a) gains | 2005 | | 2,819 | 273,088 |
| b) losses | 2006 | | - | - |
| **3. Gains and losses arising from equity investments** | | | | |
| a) gains | 2007 | | - | - |
| b) losses | 2008 | | - | - |
| **4. Gains or losses arising from a share in the associate's other comprehensive profit or loss** | | | | |
| a) gains | 2009 | | - | - |
| b) losses | 2010 | | - | - |
| *b) Items that may be subsequently reclassified to profit or loss* | | | | |
| **1. Gains (losses) from currency translation differences** | | | | |
| a) gains | 2011 | | - | - |
| b) losses | 2012 | | 40,936 | 380,965 |
| **2. Gains (losses) on investment hedging instruments in foreign business** | | | | |
| a) gains | 2013 | | - | - |
| b) losses | 2014 | | - | - |
| **3. Gains and losses on cash flow hedges** | | | | |
| a) gains | 2015 | | - | - |
| b) losses | 2016 | | - | - |
| **4. Gains (losses) from change in value of available-for-sale financial assets** | | | | |
| a) gains | 2017 | | - | 20,904 |
| b) losses | 2018 | | 37,288 | 3,296 |
| I. OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0 | 2019 | | - | - |
| II. OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2009+2011+2013+2015+2017)>=0 | 2020 | | 75,405 | 90,269 |
| III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD | 2021 | | - | - |
| **IV. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021)>=0** | **2022** | | **-** | **-** |
| **V. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021)>=0** | **2023** | | **75,405** | **90,269** |
| **C. TOTAL NET COMPREHENSIVE PROFIT** | | | | |
| I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2022-2023)>=0 | 2024 | | 14,532,300 | 27,748,175 |
| II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2023-2022)>=0 | 2025 | | - | - |
| **D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2027+2028)=AOP 2024>=0 или AOP 2025>0** | **2026** | | **14,532,300** | **27,748,175** |
| 1. Attributable to shareholders | 2027 | | 14,532,300 | 27,748,175 |
| 2. Attributable to non-controling interest | 2028 | | - | - |

*The accompanying notes on pages 10 to 66 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | AOP | Note | Year ended 31 December 2015 | 2014 |
|---|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **I. Cash inflow from operating activities ( 1 to 3 )** | **3001** | | **397,357,006** | **425,553,728** |
| 1. Sales and advances received | 3002 | | 395,488,209 | 424,322,314 |
| 2. Interest from operating activities | 3003 | | 1,553,142 | 1,000,254 |
| 3. Other inflow from operating activities | 3004 | | 315,655 | 231,160 |
| **II. Cash outflow from operating activities ( 1 to 5)** | **3005** | | **346,366,085** | **375,960,284** |
| 1. Payments and prepayments to suppliers | 3006 | | 159,686,819 | 196,926,049 |
| 2. Salaries, benefits and other personal expenses | 3007 | | 18,987,784 | 18,194,798 |
| 3. Interest paid | 3008 | | 2,996,133 | 3,089,785 |
| 4. Income tax paid | 3009 | | 2,871,709 | 8,697,928 |
| 5. Payments for other public revenues | 3010 | | 161,823,640 | 149,051,724 |
| **III. Net cash inflow from operating activities ( I - II )** | **3011** | | **50,990,921** | **49,593,444** |
| **IV. Net cash outflow from operating activities ( II - I )** | **3012** | | **-** | **-** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| **I. Cash flows from investing activities (1 to 5)** | **3013** | | **834,231** | **303,492** |
| 1. Sale of shares (net inflow) | 3014 | | 77,056 | - |
| 2. Proceeds from sale of property, plant and equipment | 3015 | | 634,338 | 303,492 |
| 3. Other financial investments (net inflow) | 3016 | | 56,670 | - |
| 4. Interest from investing activities | 3017 | | - | - |
| 5. Dividend received | 3018 | | 66,167 | - |
| **II. Cash outflow from investing activities ( 1 to 3 )** | **3019** | | **35,746,866** | **45,306,096** |
| 1. Acquisition of subsidiaries or other business (net outflow) | 3020 | | - | - |
| 2. Purchase of intangible assets, property, plant and equipment | 3021 | | 35,178,875 | 45,300,443 |
| 3. Other financial investments (net outflow) | 3022 | | 567,991 | 5,653 |
| **III. Net cash inflow from investing activities ( I - II )** | **3023** | | **-** | **-** |
| **IV. Net cash outflow from investing activities ( II - I )** | **3024** | | **34,912,635** | **45,002,604** |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| **I. Cash inflow from financing activities ( 1 to 5)** | **3025** | | **28,081,912** | **39,931,496** |
| 1. Increase in share capital | 3026 | | - | - |
| 2. Proceeds from long-term borrowings (net inflow) | 3027 | | 11,259,702 | 24,121,300 |
| 3. Proceeds from short-term borrowings (net inflow) | 3028 | | 16,822,210 | 15,810,196 |
| 4. Other long-term liabilities | 3029 | | - | - |
| 5. Other short-term liabilities | 3030 | | - | - |
| **II. Cash outflow from financing activities ( 1 to 6 )** | **3031** | | **33,215,262** | **45,378,365** |
| 1. Purchase of own shares | 3032 | | - | - |
| 2. Repayment of long-term borrowings (net outflow) | 3033 | | 6,087,356 | 24,397,660 |
| 3. Repayment of short-term borrowings (net outflow) | 3034 | | 19,488,526 | 7,900,000 |
| 4. Repayment of other liabilities (net outflow) | 3035 | | - | - |
| 5. Financial lease | 3036 | | - | - |
| 6. Dividend distribution | 3037 | | 7,639,380 | 13,080,705 |
| **III. Net cash inflow from financing activities ( I - II )** | **3038** | | **-** | **-** |
| **IV Net cash outflow from financing activities ( II - I )** | **3039** | | **5,133,350** | **5,446,869** |
| **D. TOTAL CASH INFLOW ( 3001+3013+3025 )** | **3040** | | **426,273,149** | **465,788,716** |
| **E. TOTAL CASH OUTFLOW ( 3005+3019+3031 )** | **3041** | | **415,328,213** | **466,644,745** |
| **F. NET CASH INFLOW ( 340-341 )** | **3042** | | **10,944,936** | **-** |
| **G. NET CASH OUTFLOW ( 341-340 )** | **3043** | | **-** | **856,029** |
| **H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **3044** | | **8,326,704** | **8,707,774** |
| **I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS** | **3045** | | **815,239** | **806,734** |
| **J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS** | **3046** | | **815,444** | **331,775** |
| **K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR ( 3042-3043+3044+3045-3046)** | **3047** | | **19,271,435** | **8,326,704** |

*The accompanying notes on pages 10 to 66 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity components | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AOP | Share capital | AOP | Reserves | AOP | Loss | AOP | Retained earnings |
| **Balance as at 1 January 2014** | | | | | | | | |
| a) debit | 4001 | **-** | 4037 | **-** | 4055 | **-** | 4091 | **-** |
| b) credit | 4002 | **81,550,757** | 4038 | **-** | 4056 | **-** | 4092 | **87,616,729** |
| **Adjustments of material errors and changes in accounting policies** | | | | | | | | |
| a) debit | 4003 | - | 4039 | - | 4057 | - | 4093 | - |
| b) credit | 4004 | - | 4040 | - | 4058 | - | 4094 | - |
| **Restated opening balance as at 1 January 2014** | | | | | | | | |
| a) debit (1a+2a-2б)>=0 | 4005 | **-** | 4041 | - | 4059 | **-** | 4095 | **-** |
| б) credit (1б-2a+2б)>=0 | 4006 | **81,550,757** | 4042 | **-** | 4060 | **-** | 4096 | **87,616,729** |
| **Changes in period** | | | | | | | | |
| a) debit | 4007 | 83 | 4043 | - | 4061 | - | 4097 | 13,080,705 |
| b) credit | 4008 | - | 4044 | - | 4062 | - | 4098 | 27,838,590 |
| **Balance as at 31 December 2014** | | | | | | | | |
| a) debit (3a+4a-4б)>=0 | 4009 | **-** | 4045 | - | 4063 | - | 4099 | **-** |
| б) credit (3б-4a+4б)>=0 | 4010 | **81,550,674** | 4046 | - | 4064 | - | 4100 | **102,374,614** |
| **Adjustments of material errors and changes in accounting policies** | | | | | | | | |
| a) debit | 4011 | - | 4047 | - | 4065 | - | 4101 | - |
| b) credit | 4012 | - | 4048 | - | 4066 | - | 4102 | - |
| **Restated opening balance as at 1 January 2015** | | | | | | | | |
| a) debit (5a+6a-6б)>=0 | 4013 | **-** | 4049 | **-** | 4067 | **-** | 4103 | **-** |
| б) credit (5б-6a+6б)>=0 | 4014 | **81,550,674** | 4050 | **-** | 4068 | **-** | 4104 | **102,374,614** |
| **Changes in period** | | | | | | | | |
| a) debit | 4015 | 1,714 | 4051 | - | 4069 | - | 4105 | 7,639,380 |
| b) credit | 4016 | - | 4052 | - | 4070 | - | 4106 | 14,607,705 |
| **Balance as at 31 December 2015** | | | | | | | | |
| a) debit (7a+8a-8б)>=0 | 4017 | **-** | 4053 | - | 4071 | - | 4107 | **-** |
| б) credit (7б-8a+8б)>=0 | 4018 | **81,548,930** | 4054 | - | 4072 | - | 4108 | **109,342,939** |

(continued)

*The accompanying notes on pages 10 to 66 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | | Other comprehensive income components | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AOP | Acturial gain/(loss) | AOP | Gains (losses) from currency translation differences | AOP | Gains (losses) from change in value of available-for-sale financial assets | AOP | Total Equity |
| **Balance as at 1 January 2014** | | | | | | | | |
| a) debit | 4127 | **114,418** | 4181 | **40,084** | 4217 | 59,885 | | |
| b) credit | 4128 | **-** | 4182 | **-** | 4218 | **-** | 4235 | **168,953,099** |
| **Adjustments of material errors and changes in accounting policies** | | | | | | | | |
| a) debit | 4129 | - | 4183 | - | 4219 | - | | |
| b) credit | 4130 | - | 4184 | - | 4220 | - | 4236 | - |
| **Restated opening balance as at 1 January 2014** | | | | | | | | |
| a) debit (1а+2а-2б)>=0 | 4131 | **114,418** | 4185 | **40,084** | 4221 | **59,885** | | |
| b) credit (1б-2а+2б)>=0 | 4132 | **-** | 4186 | **-** | 4222 | - | 4237 | **168,953,099** |
| **Changes in period** | | | | | | | | |
| a) debit | 4133 | - | 4187 | 381,093 | 4223 | 3,296 | | |
| b) credit | 4134 | 273,088 | 4188 | - | 4224 | 20,904 | 4238 | 14,667,405 |
| **Balance as at 31 December 2014** | | | | | | | | |
| a) debit (3а+4а-4б)>=0 | 4135 | **-** | 4189 | **421,177** | 4225 | **42,277** | | |
| b) credit (3б-4а+4б)>=0 | 4136 | **158,670** | 4190 | **-** | 4226 | **-** | 4239 | **183,620,504** |
| **Adjustments of material errors and changes in accounting policies** | | | | | | | | |
| a) debit | 4137 | - | 4191 | - | 4227 | - | | |
| b) credit | 4138 | - | 4192 | - | 4228 | - | 4240 | - |
| **Restated opening balance as at 1 January 2015** | | | | | | | | |
| a) debit (5а+6а-6б)>=0 | 4139 | **-** | 4193 | **421,177** | 4229 | **42,277** | | |
| b) credit (5б-6а+6б)>=0 | 4140 | **158,670** | 4194 | **-** | 4230 | **-** | 4241 | **183,620,504** |
| **Changes in period** | | | | | | | | |
| a) debit | 4141 | - | 4195 | 40,936 | 4231 | 37,288 | | |
| b) credit | 4142 | 2,819 | 4196 | - | 4232 | - | 4242 | 6,891,176 |
| **Balance as at 31 December 2015** | | | | | | | | |
| a) debit (7а+8а-8б)>=0 | 4143 | **-** | 4197 | **462,113** | 4233 | **79,565** | | |
| б) credit (7б-8а+8б)>=0 | 4144 | **161,489** | 4198 | **-** | 4234 | **-** | 4243 | **190,511,680** |

*The accompanying notes on pages 10 to 66 are an integral part of these 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 the Government of the Republic of Serbia on 7 July 2005 as a successor of five state owned companies of *Javno Preduzece Naftna Industrija Srbije*. On 2 February 2009, PJSC Gazprom Neft (’’Gazprom Neft’’) acquired a 51% of the share capital of NIS a.d. which became a subsidiary of Gazprom Neft. In March 2011, under the Company’s Share Sale and Purchase Agreement, Gazprom Neft acquired 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 Belgrade Stock Exchange, Listing A (Prime Market). The address of the Company’s registered office is in Novi Sad, 12 Narodnog fronta Street.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies and significant accounting estimates are consistent to the ones applied in the consolidated financial statements for the year ended 31 December 2014.

### 2.1. Basis of preparation

These consolidated financial statements for the year ended 31 December 2015 were prepared in accordance with the Law on Accounting of the Republic of Serbia published in the Official Gazette of the Republic of Serbia (No. 62/2013), which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS :

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,
- “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.

As a result, the accompanying consolidated financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

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

### 2.1. Basis of preparation (continued)

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

### 2.2. New accounting standards

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 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, November 2013 and July 2014 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 (either through Profit and loss or through Other comprehensive income), 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.

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

## 2.2. New accounting standards (continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- 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 reliably 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 January 1, 2018. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015. 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.

**Amendments to IFRS 11 – Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016)** on accounting for acquisitions of interests in joint operations. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

**Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May *2014 and effective for annual periods beginning on or after January 1, 2016)*** on clarification of acceptable methods of depreciation and amortisation. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

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

### 2.2. New accounting standards (continued)

***IFRS 15 – Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after January 1, 2018)***. The new standard introduces the core principle that revenue must be recognised when the goods and services are transferred to the customer, at the transaction price. Any bundled goods and services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its Consolidated Financial Statements.

***Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint ventures (issued in September 2014 and December 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*** on the accounting for acquisitions of an interest in a joint venture. Full gain or loss will be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture, not to a joint operation. The December 2014 amendments was made to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's Consolidated Financial Statements.

***Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).*** The Standard was amended to clarify the concept of materiality and explains needs of the Group in disclosure preparation. The Standard also provides new guidance on subtotals in financial statements and add additional examples of possible ways of ordering the notes. The amendments also introduce a clarification that the list of line items to be presented in Statement of financial position, Statement of profit or loss and Other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
The Group is currently assessing the impact of the initiative on its Consolidated Financial Statements.

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

### 2.2. New accounting standards (continued)

***IFRS 16 Leases* (issued in January 2016 and effective for annual periods beginning on or after January 1, 2019)**. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.
Key features of the standard:

- IFRS 16 defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.
- IFRS 16 changes the lessees accounting requirements given in IAS 17 and eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

  a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
  b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

IFRS 16 does not change the accounting for services. Although leases and services are often combined in a single contract, amounts related to services are not required to be reported on the balance sheet. IFRS 16 is required to be applied only to leases, or lease components of a contract.
The Group is currently assessing the impact of the IFRS 16 on its Consolidated Financial Statements.

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

### 2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

### 2.4. Seasonality of Operations

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

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

### 2.5. Foreign currency translation

(a) *Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The Consolidated financial statements are presented in Serbian dinars ("RSD"), which is the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other monetary assets and liabilities are presented in the Consolidated income statement within 'finance income or cost'.

(c) *Group's Companies*

The result and financial position of all Group companies whose functional currency is different from the Group's presentation currency are calculated as follows:

I. assets and liabilities are translated into the RSD using the exchange rate as at reporting date;
II. income and expenses are translated at average exchange rates into RSD. All resulting foreign exchange differences are recognized in reserves as separate items in equity.

### 2.6. Principles of consolidation

Subsidiaries are all entities over which the Company has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases.

Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated during the preparation of Consolidated Financial Statements.

Financial statements of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) *Joint Operations and Joint Ventures*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

### 2.6. Principles of consolidation (continued)

(a) *Joint Operations and Joint Ventures (continued)*

Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation:
- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

With regards to joint arrangements, where the Group acts as a joint venturer, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) *Transactions Eliminated on Consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) *Non-controlling interests*

In the Consolidated Financial Statements, non-controlling interests in subsidiaries are presented separately from the Group equity as non-controlling interests.

### 2.7. Business combinations

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and recognised goodwill or a gain from a bargain purchase. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

### 2.8. Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

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

### 2.8. Goodwill (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, that the Group incurs in connection with a business combination are expensed as incurred.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (note 6).

### 2.9. Intangible assets

(a) *Licenses and rights (concessions)*

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives.

Licenses and rights include Oil and Gas Upstream Exploration Rights, which are amortised in accordance with the terms and conditions of the rights.

(b) *Computer software*

Costs associated with computer software primarily include the cost of the implementation of SAP software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not to exceed 8 years).

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

### 2.10. Exploration for and evaluation of mineral resources

(a) *Exploration and evaluation expenditure*

During the exploration period, costs of exploration and evaluation of oil and natural gas are capitalized until it is proven that oil and gas reserves will not suffice to justify exploration costs. Geological and geophysical costs as well as costs directly associated with exploration are capitalized as incurred. The costs of obtaining exploration rights are capitalised either as part of property, plant and equipment or intangible assets depending on the type of cost. When commercial reserves have been discovered, subsequent to exploration and development investment impairment testing, they are transferred to development of assets either within property, plant and equipment or intangible assets. No depreciation and/or amortisation are charged during the exploration and evaluation phase.

(b) *Development costs of fixed and intangible assets*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

(c) *Oil and gas production assets*

Oil and gas production assets comprise exploration and evaluation tangible assets as well as development costs associated with the production of proved reserves.

(d) *Depreciation/amortization*

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) *Impairment – exploration and evaluation assets*

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

(f) *Impairment – proved oil and gas properties and intangible assets*

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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

### 2.11. Property, plant and equipment

As of the date of establishment, the Group's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| Description | Useful lives |
|---|---|
| Buildings | 10 - 50 |
| Machinery and Equipment: | |
| - Production equipment | 7 - 25 |
| - Furniture | 5 - 10 |
| - Vehicles | 7 - 20 |
| - Computers | 5 - 10 |
| Other PP&E | 3 - 10 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/expenses" in the Consolidated income statement (notes 35 and 36).

### 2.12. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

### 2.13. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises of petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value, representing open market value based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the Consolidated income statement as part of Other income/expenses (notes 35 and 36).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

### 2.14. Long–term financial assets

The Group classifies its financial assets in the following categories: long-term loans and receivables and available for sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### 2.14.1. Financial assets classification

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets.

(b) *Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date, in which case they are classified as current assets.

### 2.14.2. Recognition and measurement

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

## 2.14. Long–term financial assets (continued)

### 2.14.2. Recognition and measurement (continued)

Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in consolidated profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in consolidated profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from equity to fair value measurement gains (losses) in profit or loss for the year (notes 33 and 34).

### 2.14.3. Impairment of financial assets

*a) Assets carried at amortised cost*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - Adverse changes in the payment status of borrowers in the portfolio; and
    - National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

## 2.14. Long–term financial assets (continued)

### 2.14.3. Impairment of financial assets (continued)

*a) Assets carried at amortised cost (continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

*b) Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the Consolidated income statement. Impairment losses recognised in the Consolidated income statement on equity instruments are not reversed through the Consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated profit or loss, the impairment loss is reversed through the Consolidated income statement.

## 2.15. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as Other expense (note 36).

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

### 2.16. Trade receivables

Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 (more than 90 days for state controlled companies and more than 60 days overdue for other customers) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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 income statement within 'loss from valuation of assets at fair value through consolidated profit and loss' (note 34). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to 'income from valuation of assets at fair value through profit and loss' in the Consolidated income statement (note 33).

### 2.17. Cash and cash equivalents

Cash represents cash on hand and in bank accounts, that can be effectively withdrawn at any time without prior notice. Cash equivalents include all highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase. They are initially recognised based on the cost of acquisition which approximates fair value.

### 2.18. Off-balance sheet assets and liabilities

Off-balance sheet assets/liabilities include: material received from third parties for further processing and other assets not owned by the Group, as well as receivables/payables relating to collaterals received/given such as guarantees and other warrants.

### 2.19. Share capital

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

### 2.20. Earnings per share

The Group calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period (note 38).

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

### 2.21. Provisions

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as cost of provision and charged to Consolidated income statement.

### 2.22. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 2.23. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

### 2.24. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Group operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.25. Employee benefits

(a) *Pension obligations*

The Group operates a defined contribution pension plan. The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee benefits provided by the Collective Agreement*

The Group provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

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

## 2.25. Employee benefits (continued)

(b) *Bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

In 2014, the Group has made decision to introduce new three-year (2015-2017) program for Group's managers which will be settle based on the Key Performance Indicators ("KPI") reached during the program (note 19).

## 2.26. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, excise duty, returns, rebates and discounts after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods – wholesale*

The Group manufactures and sells oil, petrochemical products and liquified natural gas in the wholesale market. Sales of goods are recognised when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

### 2.26. Revenue recognition (continued)

(a) *Sales of goods – wholesale (continued)*

Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term consistent with the market practice.

(b) *Sales – retail*

The Group operates a chain of petrol stations. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash, fuel coupons or by credit card.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### 2.27. Leases

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's Consolidated Statement of Financial Position. The total lease payments are charged to profit or loss on a straight-line basis over the lease term.

### 2.28. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the Group's shareholders.

### 2.29. Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparing consolidated financial statements required Management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other facts that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimates is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, management also makes other judgments in the process of applying the accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Judgments and estimates that have the most significant effect on the amounts reported in these Consolidated financial statements and have a risk of causing a material adjustment to the carrying amount of assets and liabilities are described below.

### 3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. The Group estimates its oil and gas reserves in accordance with rules promulgated by the US Securities and Exchange Commission (SEC) for proved reserves. Accounting measures such as depreciation, depletion and amortization charges and impairment assessments that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the Consolidated financial statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the law of the Republic of Serbia are classified as a state secret.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

### 3.2. Useful Lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2015 would be to increase/decrease it by RSD 1,279,588 (2014: RSD 1,171,551).

### 3.3. Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Group takes into consideration the interest rates of high-quality corporate bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 7.6% (rather than 6.6%) per year, the past service liability (DBO) would decrease by about 10.3% for retirement indemnity and 6.1% for jubilee awards. If pay increased by 0.5% higher than the past service liability (DBO) would increase by amount 12% for the retirement indemnity and 6.6% for the jubilee benefit.

### 3.4. Decommissioning Obligations

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 7.6% (rather than 6.6%) per year, the present liability would have decreased by approx. RSD 339,439 (2014: RSD 481,611).

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

### 3.5. Contingencies

Certain conditions may exist as of the date of these Consolidated financial statements are issued that may result in a loss to the Group, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's Consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 42).

### 3.6. Impact of recent crude oil volatility

In the line with changes in the crude oil price on the world market, management of the Group performed stress sensitivity analysis of its impact on recoverability of the Group assets and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Group's assets exceed its carrying value.

The Group assessed crude oil price volatility as main impairment indicator. If the actual crude oil price decrease for 10$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Group's non-current non-financial assets by 14.7 bln RSD.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact if the negative trends on the market continue.

# 4. FINANCIAL RISK MANAGEMENT

## 4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance and finance control department within the Company's Function for Economics, Finance and Accounting (further "FEPA") which under the policies approved by the Group identifies and evaluates financial risks in close co-operation with the Group's operating units.

In the normal course of its operations the Group has exposure to the following financial risks:

a) market risk (including foreign exchange risk and interest rate risk);
b) credit risk; and
c) liquidity risk.

*Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to manage its foreign exchange risk against its functional currency. In order to manage its foreign exchange risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Foreign exchange risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group functional currency.

The Group has borrowings denominated in foreign currency mainly in EUR and USD which predominantly expose group to the foreign currency translation risk. Currency exposure arising from the borrowings is managed through the participation of the borrowing denominated in functional currency of the Group in the total credit portfolio.

As at 31 December 2015, if the currency had strengthened/weaken by 5% against the EUR with all other variables held constant, pre-tax profit for the year would have been RSD 1,521,561 (2014: RSD 2,598,250) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings.

As at 31 December 2015, if the currency had strengthened/weaken by 10% against the USD with all other variables held constant, pre-tax profit for the year would have been RSD 5,706,190 (2014: RSD 7,475,597) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated borrowings and trade payables.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1. Financial risk factors (continued)

*Cash flow and fair value interest rate risk*

Borrowings withdrawn at variable interest rates expose the Group to cash flow interest rate risk, whilst borrowings issued at fixed rates expose the Group to fair value interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (Euribor or Libor) has a proportionate impact on the Group's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit for 2015 would have been RSD 1,097,184 (2014: RSD 1,048,789) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

*Credit risk*

Credit risk is managed on the Group's level basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Banks are rated only in the case of collateralised receivables on various grounds, as well as based on the banks total exposure to the Group. For domestic banks, if it is bank with who the Group has passive activities the second criterion is applied and if it is a bank with who Group doesn't have cooperation, credit limits are determined based on the defined methodology.

*Liquidity risk*

Cash flow forecasting is performed as aggregated at the Group's level. The Company's finance function monitors rolling forecasts of the Group's liquidity requirements to ensure It has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Group over and above balance required for working capital management are invested as surplus cash in time deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings at the balance sheet.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| **As at 31 December 2015** | **Less than 1 year** | **1 - 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|
| Borrowings (short-term, current portion and long-term debt) | 20,001,363 | 87,459,313 | 20,395,208 | 127,855,884 |
| Trade payables (note 22) | 24,713,307 | - | - | 24,713,307 |
| | **44,714,670** | **87,459,313** | **20,395,208** | **152,569,191** |

| **As at 31 December 2014** | **Less than 1 year** | **1 - 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|
| Borrowings (short-term, current portion and long-term debt) | 17,275,289 | 75,256,714 | 26,337,583 | 118,869,586 |
| Trade payables (note 22) | 36,815,739 | - | - | 36,815,739 |
| | **54,091,028** | **75,256,714** | **26,337,583** | **155,685,325** |

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On the Group level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Group's net debt to EBITDA ratios at the end of the reporting periods were as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Total borrowings (notes 20 and 21) | 117,285,191 | 108,289,482 |
| Less: cash and cash equivalents (note 15) | (19,271,435) | (8,326,704) |
| **Net debt** | 98,013,756 | 99,962,778 |
| EBITDA | 46,454,755 | 63,399,048 |
| **Net debt to EBITDA** | 2.11 | 1.58 |

The Group has committed (at the level of Gazprom Neft Group) to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 3.0 during the terms of long-term borrowings agreements with certain commercial banks. Group constantly monitoring the established commitments to maintain the height of debt cover ration and there has been no breach of these obligation.

There were no changes in the Group's approach to capital management during the year.

### 4.3. Fair value estimation

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

## 5. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the years ended 31 December 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 year ended 31 December 2015 are shown in the table below:

| | Upstream | Downstream | Eliminations | Total |
|---|---|---|---|---|
| Segment revenue | 51,812,987 | 207,780,949 | (48,902,683) | 210,691,253 |
| Intersegment | 47,547,891 | 1,354,792 | (48,902,683) | - |
| External | 4,265,096 | 206,426,157 | - | 210,691,253 |
| EBITDA (Segment results) | 39,202,090 | 7,252,665 | - | 46,454,755 |
| Depreciation, depletion and amortization | (4,855,284) | (9,426,565) | - | (14,281,849) |
| Impairment losses (note 35 and 36) | (13,111) | (311,660) | - | (324,771) |
| Finance expenses, net | (159,401) | (11,572,095) | - | (11,731,496) |
| Income tax | (1,140,427) | (3,307,670) | - | (4,448,097) |
| Segment profit (loss) | **32,339,558** | **(17,731,853)** | **-** | **14,607,705** |

Reportable segment results for the year ended 31 December 2014 are shown in the table below:

| | Upstream | Downstream | Eliminations | Total |
|---|---|---|---|---|
| Segment revenue | 80,995,753 | 255,285,451 | (77,723,675) | 258,557,529 |
| Intersegment | 76,539,271 | 1,184,404 | (77,723,675) | - |
| External | 4,456,482 | 254,101,047 | - | 258,557,529 |
| EBITDA (Segment results) | 65,683,172 | (2,284,124) | - | 63,399,048 |
| Depreciation, depletion and amortization | (4,117,888) | (8,639,542) | - | (12,757,430) |
| Impairment losses (note 35 and 36) | (27,346) | (127,257) | - | (154,603) |
| Finance expenses, net | (227,772) | (12,384,595) | - | (12,612,367) |
| Income tax | (580,889) | (5,450,222) | - | (6,031,111) |
| Segment profit (loss) | **60,353,697** | **(32,515,253)** | **-** | **27,838,444** |

## 5. SEGMENT INFORMATION (continued)

EBITDA for the year ended 31 December 2015 and 2014 is reconciled below:

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| Profit for the year | 14,607,705 | 27,838,444 |
| Income tax expenses | 4,448,097 | 6,031,111 |
| Other expenses | 2,909,067 | 3,513,956 |
| Other income | (2,766,045) | (4,866,534) |
| Loss from valuation of assets at fair value through profit and loss | 330,967 | 3,938,708 |
| Income from valuation of assets at fair value through profit and loss | (7,117,464) | (984,506) |
| Finance expense | 15,422,488 | 20,401,328 |
| Finance income | (3,690,992) | (7,788,961) |
| Depreciation, depletion and amortization | 14,281,849 | 12,757,430 |
| Other non operating expenses, net | 8,029,083 | 2,558,072 |
| **EBITDA** | **46,454,755** | **63,399,048** |

*Other non-operating expense, net mainly relate to reversal of impairment, fines, penalties and other.

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

| | Year ended 31 December 2015 Domestic market | Export and international sales | Total |
|---|---|---|---|
| Sale of crude oil | 638,494 | 3,022,528 | 3,661,022 |
| Sale of gas | 6,183,349 | - | 6,183,349 |
| *Through a retail network* | - | - | - |
| *Wholesale activities* | 6,183,349 | - | 6,183,349 |
| Sale of petroleum products | 153,297,126 | 37,511,908 | 190,809,034 |
| *Through a retail network* | 49,664,208 | - | 49,664,208 |
| *Wholesale activities* | 103,632,918 | 37,511,908 | 141,144,826 |
| Other sales | 6,010,460 | 4,027,388 | 10,037,848 |
| **Total sales** | **166,129,429** | **44,561,824** | **210,691,253** |

| | Year ended 31 December 2014 Domestic market | Export and international sales | Total |
|---|---|---|---|
| Sale of crude oil | - | 3,605,885 | 3,605,885 |
| Sale of gas | 3,744,856 | - | 3,744,856 |
| *Through a retail network* | - | - | - |
| *Wholesale activities* | 3,744,856 | - | 3,744,856 |
| Sale of petroleum products | 194,215,579 | 48,911,946 | 243,127,525 |
| *Through a retail network* | 61,771,841 | - | 61,771,841 |
| *Wholesale activities* | 132,443,738 | 48,911,946 | 181,355,684 |
| Other sales | 5,018,971 | 3,060,292 | 8,079,263 |
| **Total sales** | **202,979,406** | **55,578,123** | **258,557,529** |

## 5. SEGMENT INFORMATION (continued)

Out of the amount of RSD 190,809,034 (2014: RSD 243,127,525) revenue from sale of petroleum products (wholesale), the amount of RSD 23,222,832 (2014: RSD 23,382,492) are derived from a single domestic customer, Knez Petrol (2014: HIP Petrohemija). These revenues are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations.

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is RSD 166,129,429 (2014: RSD 202,979,406), and the total of revenue from external customer from other countries is RSD 44,561,824 (2014: RSD 55,578,123). The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Sale of crude oil | 3,022,528 | 3,605,885 |
| Sale of petroleum products (retail and wholeasle) | | |
| Bulgaria | 10,848,089 | 9,831,025 |
| Bosnia and Herzegovina | 7,213,882 | 7,948,661 |
| Romania | 7,052,440 | 7,833,671 |
| All other markets | 12,397,497 | 23,298,589 |
| | 37,511,908 | 48,911,946 |
| Other sales | 4,027,388 | 3,060,292 |
| | **44,561,824** | **55,578,123** |

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

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Serbia | 232,868,823 | 218,176,386 |
| Bulgaria | 8,246,434 | 8,524,519 |
| Bosnia and Herzegovina | 8,152,524 | 8,296,363 |
| Romania | 6,436,983 | 6,268,690 |
| Hungary | - | 65 |
| | **255,704,764** | **241,266,023** |

## 6. INTANGIBLE ASSETS

| | Development investments | Concessions, patents, licenses, software and other rights | Goodwill | Other intangibles | Intangible assets under development | Total |
|---|---|---|---|---|---|---|
| **At 1 January 2014** | | | | | | |
| Cost | - | 6,472,181 | 2,004,284 | 737,003 | 9,816,673 | 19,030,141 |
| Accumulated amortisation and impairment | - | (2,688,281) | (42,146) | (146,507) | (95,307) | (2,972,241) |
| **Net book amount** | **-** | **3,783,900** | **1,962,138** | **590,496** | **9,721,366** | **16,057,900** |
| **Year ended 31 December 2014** | | | | | | |
| Additions | 3,873,221 | 808,150 | 170,073 | 100,644 | (44,884) | 4,907,204 |
| Acquisitions through business combinations | - | - | 42,148 | - | - | 42,148 |
| Impairment (note 36) | - | (533) | (322,848) | (8,065) | (1,503) | (332,949) |
| Amortisation | (40,080) | (919,463) | - | (77,395) | (4,439) | (1,041,377) |
| Transfer from PP&E (note 7) | - | - | - | 616,451 | 825,409 | 1,441,860 |
| Disposals and write-off | - | (749) | - | (153,714) | (332,569) | (487,032) |
| Other transfers | 1 | (223,782) | - | 223,781 | 828,398 | 828,398 |
| Translation differences | - | 2,982 | 106,384 | 23,923 | 138,190 | 271,479 |
| **Closing net book amount** | **3,833,142** | **3,450,505** | **1,957,895** | **1,316,121** | **11,129,968** | **21,687,631** |
| **As at 31 December 2014** | | | | | | |
| Cost | 3,873,221 | 7,061,422 | 2,333,733 | 1,485,101 | 11,231,789 | 25,985,266 |
| Accumulated amortisation and impairment | (40,079) | (3,610,917) | (375,838) | (168,980) | (101,821) | (4,297,635) |
| **Net book amount** | **3,833,142** | **3,450,505** | **1,957,895** | **1,316,121** | **11,129,968** | **21,687,631** |
| **At 1 January 2015** | | | | | | |
| Cost | 3,873,221 | 7,061,422 | 2,333,733 | 1,485,101 | 11,231,789 | 25,985,266 |
| Accumulated amortisation and impairment | (40,079) | (3,610,917) | (375,838) | (168,980) | (101,821) | (4,297,635) |
| **Net book amount** | **3,833,142** | **3,450,505** | **1,957,895** | **1,316,121** | **11,129,968** | **21,687,631** |
| **Year ended 31 December 2015** | | | | | | |
| Additions | 2,744,618 | 1,240,101 | - | 995 | (1,359,178) | 2,626,536 |
| Impairment (note 35 and 36) | - | (76) | (147,054) | (1,911) | - | (149,041) |
| Amortisation | (402,257) | (1,025,815) | - | (52,892) | (5,001) | (1,485,965) |
| Transfer to PP&E (note 7) | - | - | - | - | (692,506) | (692,506) |
| Disposals and write-off | - | (35) | - | (234) | (4,335) | (4,604) |
| Otherer transfers | (21,786) | (1,872) | - | 24,737 | (27,012) | (25,933) |
| Translation differences | - | 55 | 7,535 | 2,053 | (140,691) | (131,328) |
| **Closing net book amount** | **6,153,717** | **3,662,863** | **1,818,376** | **1,288,869** | **8,900,965** | **21,824,790** |
| **As at 31 December 2015** | | | | | | |
| Cost | 6,617,839 | 8,291,324 | 2,339,301 | 1,496,540 | 9,006,680 | 27,751,684 |
| Accumulated amortisation and impairment | (464,122) | (4,628,461) | (520,925) | (207,671) | (105,715) | (5,926,894) |
| **Net book amount** | **6,153,717** | **3,662,863** | **1,818,376** | **1,288,869** | **8,900,965** | **21,824,790** |

Development investments as at 31 December 2015 in the amount of RSD 6,153,717 mostly relate to investments in geological, 2D and 3D seismic explorations on the territory of the Republic of Serbia (2014: RSD 3,833,142).

Concessions, patents, licenses, software and other rights as at 31 December 2015 amounting to RSD 3,662,863 mostly relate to investments in the SAP system of RSD 1,519,764 (2014: RSD 2,011,495).

Intangible assets under development as at 31 December 2015 amounting to RSD 8,900,965 (31 December 2014: RSD 11,129,968) mostly relate to investments in explorations (unproved reserves) in amount of RSD 7,664,019 (31 December 2014: RSD 9,465,471).

## 6. INTANGIBLE ASSETS (continued)

Amortisation amounting to RSD 1,485,965 (2014: RSD 1,041,377) is included in Operating expenses.

*Impairment test for goodwill*

Goodwill is monitored by the management on an individual CGU basis and geographical location. The recoverable amount of each CGUs has been determined by independent appraisal based on higher of value-in-use and fair value less cost to disposed calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The average key assumptions used in value-in use calculations:

| | 2015 | 2014 |
|---|---|---|
| Average gross margin | 24.8% | 17% |
| Growth rate | 1% | 1% |
| Discount rate | | |
| - Romania market | 7.25% | 9.2% |
| - Bulgaria market | 7.98% | 9.7% |
| - Bosnia and Herzegovina market | 10.94% | 13.1% |

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relation to the relevant CGU. The following is a summary of goodwill allocation:

| | Opening | Addition | Impairment | Translation differences | Closing |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Bosnia and Herzegovina | 483,957 | - | - | 2,392 | 486,349 |
| Romania | 419,804 | - | (114,469) | (440) | 304,895 |
| Bulgaria | 1,054,134 | - | (32,585) | 5,583 | 1,027,132 |
| | **1,957,895** | **-** | **(147,054)** | **7,535** | **1,818,376** |
| **2014** | | | | | |
| Bosnia and Herzegovina | 458,686 | - | - | 25,271 | 483,957 |
| Romania | 546,177 | 170,073 | (322,848) | 26,402 | 419,804 |
| Bulgaria | 957,275 | 42,148 | - | 54,711 | 1,054,134 |
| | **1,962,138** | **212,221** | **(322,848)** | **106,384** | **1,957,895** |

The impairment charge of RSD 147,054 (2014: RSD 322,848) arose in Romania and Bulgaria business activity and is recognised as expense in Profit and Loss. (note 36).

In Bosnia and Herzegovina, the recoverable amount calculated based on value-in-use exceed carrying value.

## 7. PROPERTY, PLANT AND EQUIPMENT

### a) *Property, plant and equipment carried at cost*

| | Land | Buildings | Machinery and equipment | Construction in Progress | Other PP&E | Investments in leased PP&E | Advances to suppliers | Total |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2014** | | | | | | | | |
| Cost | 17,338,710 | 118,861,913 | 93,865,422 | 35,926,540 | 91,391 | 81,375 | 6,481,062 | 272,646,413 |
| Accumulated depreciation and impairment | (304,222) | (33,478,223) | (32,739,272) | (4,047,806) | (1,212) | (41,348) | (29,899) | (70,641,982) |
| **Net book amount** | **17,034,488** | **85,383,690** | **61,126,150** | **31,878,734** | **90,179** | **40,027** | **6,451,163** | **202,004,431** |
| **Year ended 31 December 2014** | | | | | | | | |
| Additions | 311,480 | 20,062,264 | 12,009,160 | 3,856,319 | - | 344,388 | 5,786,829 | 42,370,440 |
| Acquisitions through business combinations | - | - | - | 1,245,216 | - | - | - | 1,245,216 |
| Impairment charge (note 35 and 36) | (29,907) | (42,822) | (63,828) | (52,462) | (49) | - | - | (189,068) |
| Depreciation | - | (5,323,569) | (6,380,450) | - | - | (12,034) | - | (11,716,053) |
| Transfer to intangible assets (note 6) | - | 53,404 | 1,330 | (1,496,594) | - | - | - | (1,441,860) |
| Transfer from investment property | 31,599 | 70,690 | 2,588 | - | - | - | - | 104,877 |
| Disposals and write-off | (112,861) | (248,146) | (114,579) | (1,531,011) | (47) | - | (9,830,700) | (11,837,344) |
| Other transfers | 6,972 | 194,162 | (200,048) | (828,398) | (703) | - | - | (828,015) |
| Translation differences | 338,515 | 375,996 | 119,197 | 56,713 | - | 807 | 32,231 | 923,459 |
| **Closing net book amount** | **17,580,286** | **100,525,669** | **66,499,520** | **33,128,517** | **89,380** | **373,188** | **2,439,523** | **220,636,083** |
| **At 31 December 2014** | | | | | | | | |
| Cost | 17,914,415 | 139,332,185 | 104,654,098 | 35,928,308 | 91,230 | 426,130 | 2,468,780 | 300,815,146 |
| Accumulated depreciation and impairment | (334,129) | (38,806,516) | (38,154,578) | (2,799,791) | (1,850) | (52,942) | (29,257) | (80,179,063) |
| **Net book amount** | **17,580,286** | **100,525,669** | **66,499,520** | **33,128,517** | **89,380** | **373,188** | **2,439,523** | **220,636,083** |
| **Year ended 31 December 2015** | | | | | | | | |
| Additions | 16,823 | 21,374,246 | 11,880,872 | (5.850.786) | - | 23,738 | 5,312,162 | 32.757.055 |
| Impairment charge (note 35 and 36) | (2,785) | (189,952) | (10,362) | (111,808) | (1,982) | - | - | (316,889) |
| Depreciation | - | (5,513,157) | (7,218,563) | - | - | (64,164) | - | (12,795,884) |
| Transfer from intangible assets (note 6) | - | - | - | 692,506 | - | - | - | 692,506 |
| Transfer to investment property | (101,916) | 14,533 | - | - | - | - | - | (87,383) |
| Transfer to non-current assets held for sale | (19,626) | (2,053) | (24) | - | - | - | - | (21,703) |
| Disposals and write-off | (148,984) | (311,163) | (175,401) | (179,640) | (109) | (509) | (6,420,676) | (7,236,482) |
| Other transfers | (162,758) | 169,678 | 16,999 | 26,611 | - | 8,724 | - | 59,254 |
| Translation differences | 26,238 | 21,314 | 7,906 | 132,431 | 415 | 62 | (1,253) | 187,113 |
| **Closing net book amount** | **17,187,278** | **116,089,115** | **71,000,947** | **27,837,831** | **87,704** | **341,039** | **1,329,756** | **233,873,670** |
| **At 31 December 2015** | | | | | | | | |
| Cost | 17,491,508 | 160,380,190 | 115,619,407 | 30,220,489 | 91,412 | 457,949 | 1,360,565 | 325,621,520 |
| Accumulated depreciation and impairment | (304,230) | (44,291,075) | (44,618,460) | (2,382,658) | (3,708) | (116,910) | (30,809) | (91,747,850) |
| **Net book amount** | **17,187,278** | **116,089,115** | **71,000,947** | **27,837,831** | **87,704** | **341,039** | **1,329,756** | **233,873,670** |

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

*a) Property, plant and equipment carried at cost (continued)*

In 2015, the Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to RSD 33,227 (2014: RSD 78,399).

The management of the Group assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

As at 31 December 2015, the Group assessed impairment indicators of cash generating units ("CGU") and concluded that general indications of impairment does not exist. In addition Group has assessed and recognized impairment losses for the asset which has disposed due to obsolete or physically demolition in amount of RSD 314,151 ( 2014: RSD 189,068).

*b) Investment property – carried at fair value*

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

| | 2015 | 2014 |
|---|---|---|
| **As at 1 January** | 1,381,832 | 1,414,364 |
| Fair value (loss) gains (note 35 and 36) | (124,003) | 164,761 |
| Transfer from (to) PP&E carried at cost | 87,383 | (104,877) |
| Disposals | (17,554) | (93,462) |
| Other | 8,402 | 1,046 |
| **As at 31 December** | **1,336,060** | **1,381,832** |

As at 31 December 2015, investment properties amounting to RSD 1,336,060 (31 December 2014: RSD 1,381,832) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

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

*b) Investment property – carried at fair value (continued)*

**Fair value of investment properties**

Valuation of the Group's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2015 and 2014. The revaluation loss was credited to other income (note 35).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements at 31 December 2015 using:

| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|
| *Recurring fair value measurements* | | | |
| *Land and buildings* | | | |
| − Shops and other facilities for rents | - | 794,436 | - |
| − Gas stations | - | - | 541,624 |
| Total | **-** | **794,436** | **541,624** |

Fair value measurements at 31 December 2014 using:

| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|
| *Recurring fair value measurements* | | | |
| *Land and buildings* | | | |
| − Shops and other facilities for rents | - | 812,023 | - |
| − Gas stations | - | - | 569,808 |
| Total | - | **812,023** | **569,808** |

***Valuation techniques used to derive level 2 fair values***

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

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

*b) Investment property – carried at fair value (continued)*

***Fair value measurements using significant unobservable inputs (Level 3)***

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Group based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

| | 2015 | 2014 |
|---|---|---|
| Long term growth rate | 0% | 0% |
| Discount rate | 12% | 12% |

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

| | 2015 | 2014 |
|---|---|---|
| **Assets as at 1 January** | **569,808** | **509,899** |
| Changes in fair value measurement: | | |
| Gains recognised in profit or loss, fair value measurement | 54,431 | 59,909 |
| Transfer to PPE | (88,469) | - |
| Other | 5,854 | - |
| Total (desrease) increase in fair value measurement, assets | (28,184) | 59,909 |
| **Assets as at 31 December** | **541,624** | **569,808** |

*c) Oil and gas production assets*

Oil and gas production assets comprise of aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves (note 2.10.).

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

*c) Oil and gas production assets (continued)*

| | 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 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** |
| **Year ended 31 December 2014** | | | | | | |
| Additions | 8,004,209 | 20,994,826 | 28,999,035 | - | - | 28,999,035 |
| Transfer from asset under construction | (3,619,756) | (20,246,631) | (23,866,387) | 23,866,387 | - | - |
| Other transfers | 2,013,886 | (527,685) | 1,486,201 | 445,480 | (81) | 1,931,600 |
| Impairment | (1,503) | (15,526) | (17,029) | (10,222) | (49) | (27,300) |
| Depreciation and depletion | (4,439) | - | (4,439) | (3,763,379) | - | (3,767,818) |
| Disposals and write-off | (1,691,582) | (139,622) | (1,831,204) | (31,006) | (15) | (1,862,225) |
| Translation differences | 157,847 | - | 157,847 | 174 | - | 158,021 |
| | **18,069,882** | **13,224,410** | **31,294,292** | **61,226,135** | **13,098** | **92,533,525** |
| **As at 31 December 2014** | | | | | | |
| 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) |
| **Net book amount** | **18,069,882** | **13,224,410** | **31,294,292** | **61,226,135** | **13,098** | **92,533,525** |
| **As at 1 January 2015** | | | | | | |
| 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) |
| **Net book amount** | **18,069,882** | **13,224,410** | **31,294,292** | **61,226,135** | **13,098** | **92,533,525** |
| **Year ended 31 December 2015** | | | | | | |
| Additions | 4,796,772 | 18,708,726 | 23,505,498 | 100,269 | - | 23,605,767 |
| Transfer from asset under construction | (3,207,817) | (23,902,242) | (27,110,059) | 27,110,059 | - | - |
| Other transfers | 463,542 | (326,056) | 137,486 | (24,468) | - | 113,018 |
| Impairment | - | (10,332) | (10,332) | (797) | (1,982) | (13,111) |
| Depreciation and depletion | (5,001) | - | (5,001) | (4,473,662) | - | (4,478,663) |
| Disposals and write-off | (158,627) | (634) | (159,261) | (354,857) | - | (514,118) |
| Translation differences | (8,142) | - | (8,142) | (11) | - | (8,153) |
| | **19,950,609** | **7,693,872** | **27,644,481** | **83,582,668** | **11,116** | **111,238,265** |
| **As at 31 December 2015** | | | | | | |
| Cost | 19,971,794 | 7,942,643 | 27,914,437 | 108,928,420 | 33,408 | 136,876,265 |
| Depreciation and impairment | (21,185) | (248,771) | (269,956) | (25,345,752) | (22,292) | (25,638,000) |
| **Net book amount** | **19,950,609** | **7,693,872** | **27,644,481** | **83,582,668** | **11,116** | **111,238,265** |

## 8. INVESTMENTS IN JOINT VENTURE

The carrying value of the investments in joint ventures as of 31 December, 2015 and 2014 is summarised below:

| | Ownership percentage | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| Energowind | 50% | 1,008,221 | 1,008,221 |
| Serbskaya Generaciya | 49% | 180,438 | - |
| ***Total investments*** | | **1,188,659** | **1,008,221** |

During 2015 the Group and Centrenergoholding OAO Russian Federation established holding company Serbskaya Generaciya, through which they will jointly operate with Thermal and Heating power plant ''TETO'' Pancevo with projected capacity of 140 MW. On the date of the issuance of these Consolidated Financial Statements there have been no significant business activities.

In 2013 the Group has acquired 50% of interest in a joint venture, Energowind doo which is intended to be used as a vehicle for operation of future wind farm ''Plandiste'' with total capacity of 102 MW. On the date of the issuance of these Consolidated Financial Statements there have been no significant business activities. Energowind d.o.o. is a private company and there is no available quoted market price.

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

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

## 9. OTHER LONG-TERM FINANCIAL INVESTMENTS

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Other LT placements | 1,105,420 | 998,376 |
| LT loans given to employees | 1,161,130 | 1,155,943 |
| *Less:* Impairment | (1,022,745) | (919,728) |
| | **1,243,805** | **1,234,591** |

Loans to employees as at 31 December 2015 amounting to RSD 1,161,130 (31 December 2014: RSD 1,155,943) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes. These loans are repaid through monthly installments.

The fair value of loans to employees is based on the cash flows discounted at market interest rate at which the Group could obtain long-term borrowings and which corresponds to market interest rate for similar financial instruments in the current reporting period of 4.85% for loans denominated in EUR, and 15.26% for loans denominated in RSD (2014: 4.99% for loans denominated in EUR, and 15.85% for loans denominated in RSD).

## 10. LONG-TERM RECEIVABLES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| LT receivables – state owned companies | 15,493,616 | - |
| LT receivables - finacial lease | 29,311 | 36,603 |
| *Less:* Impairment | (933,939) | (24,559) |
| | **14,588,988** | **12,044** |

Long-term receivables – state owned companies amounting to RSD 15,493,616 mainly relate to the long-term receivables from the Republic of Serbia in the amount of RSD 11,222,228 according to the debt of Srbijagas owed to Naftna industrija Srbije takeover and its conversion into public debt. (Short-term part of the receivables: note 13 and 14).

These receivables were denominated in EUR on the date of the debt takeover.

As at 31 December 2015, the first instalment was paid in accordance with the repayment schedule defined by the Law.

## 11. DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Deferred tax assets: | | |
| - Deferred tax assets to be recovered after more than 12 months | 6,036,318 | 6,459,311 |
| - Deferred tax assets to be recovered within 12 months | 1,220,593 | 1,374,892 |
| | 7,256,911 | 7,834,203 |
| Deferred tax liabilities: | | |
| - Deferred tax liabilities to be recovered after more than 12 months | 2,988,170 | 2,980,602 |
| | 2,988,170 | 2,980,602 |
| **Deferred tax assets (net)** | **4,268,741** | **4,853,601** |

The gross movement on the deferred income tax account is as follows:

| | 2015 | 2014 |
|---|---|---|
| **At 1 January** | 4,853,600 | 7,439,476 |
| Charged to the income statement | (583,694) | (2,533,344) |
| Charged to other comprehensive income | (623) | (48,192) |
| Translation difference | (542) | (4,339) |
| **31 December** | **4,268,741** | **4,853,601** |

## 11. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

| | Provisions | Carrying value of PP&E vs Tax base | Total |
|---|---|---|---|
| *Deferred tax liabilities* | | | |
| **As at 1 January 2014** | - | **(2,337,281)** | **(2,337,281)** |
| Origination and reversal of temporary differences: | | | |
| - charged to the income statement (note 37) | - | (590,790) | (590,790) |
| - charged to other comprehensive income | (48,192) | - | (48,192) |
| Translation difference | - | (4,339) | (4,339) |
| **As at 31 December 2014** | **(48,192)** | **(2,932,410)** | **(2,980,602)** |
| Origination and reversal of temporary differences: | | | |
| - charged to the income statement (note 37) | 20,190 | (27,135) | (6,945) |
| - charged to other comprehensive income | (623) | - | (623) |
| **As at 31 December 2015** | **(28,625)** | **(2,959,545)** | **(2,988,170)** |

| | Provisions | Impairment loss | Investment credit | Total |
|---|---|---|---|---|
| *Deferred tax assets* | | | | |
| **As at 1 January 2014** | **308,289** | **762,878** | **8,705,589** | **9,776,756** |
| Origination and reversal of temporary differences (note 37) | (282,758) | (82,219) | (1,577,577) | (1,942,554) |
| **As at 31 December 2014** | **25,531** | **680,659** | **7,128,012** | **7,834,202** |
| Origination and reversal of temporary differences (note 37) | 933,479 | 183,363 | (1,693,591) | (576,749) |
| Translation difference | (542) | - | - | (542) |
| **As at 31 December 2015** | **958,468** | **864,022** | **5,434,421** | **7,256,911** |

The recognition of deferred tax assets was based on a five-year business plan of the Group and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

Investment credits represent 20% qualifying of capital investments made up to 31 December 2013 in accordance with tax legislation of the Republic of Serbia, which can be utilized in 10 years period.

Investment credits in the amount of RSD 282,119 was not recognised as deferred tax assets as its considered as non-recoverable. These investments credits expired gradually up to 2023.

## 12. INVENTORY

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Materials, spare parts and tools | 17,083,302 | 28,559,616 |
| Work in progress | 4,050,154 | 5,755,021 |
| Finished goods | 5,873,077 | 7,477,570 |
| Goods for sale | 2,760,217 | 3,494,419 |
| Advances | 536,372 | 668,211 |
| *Less: impairment of inventory* | (5,588,505) | (6,155,660) |
| *Less: impairment of advances* | (270,297) | (244,828) |
| | **24,444,320** | **39,554,349** |
| Non-current assets held for sale | 207,485 | - |
| *Less: impairment of assets held for sale* | (185,782) | - |
| | **21,703** | **-** |
| | **24,466,023** | **39,554,349** |

Movement on inventory provision is as follows:

| | Impairment of inventories | Impairment of Advances | Impairment of Assets held for sale | Total |
|---|---|---|---|---|
| **Balance as of 1 January 2014** | **6,939,003** | **253,069** | **-** | **7,192,072** |
| Provision for inventories and advances (note 36) | 9,025 | 5,688 | - | 14,713 |
| Unused amounts reversed (note 35) | (216,837) | (13,116) | - | (229,953) |
| Receivables written off during the year as uncollectible | - | (989) | - | (989) |
| Other | (575,531) | 176 | - | (575,355) |
| **Balance as of 31 December 2014** | **6,155,660** | **244,828** | **-** | **6,400,488** |
| Provision for inventories and advances (note 36 | 106,372 | 41,373 | 185,782 | 333,527 |
| Unused amounts reversed (note 35) | (406,016) | (4,439) | - | (410,455) |
| Receivables written off during the year as uncollectible | - | (6,503) | - | (6,503) |
| Other | (267,511) | (4,962) | - | (272,473) |
| **Balance as of 31 December 2015** | **5,588,505** | **270,297** | **185,782** | **6,044,584** |

## 13. TRADE RECEIVABLES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Other related parties - domestic | 18,996,976 | 13,004,338 |
| Other related parties - foreign | 251,708 | 36,398 |
| Trade receivables domestic – third parties | 33,209,057 | 47,435,227 |
| Trade receivables foreign – third parties | 761,028 | 1,342,216 |
| | 53,218,769 | 61,818,179 |
| Less: Impairment | (19,651,467) | (12,573,308) |
| | **33,567,302** | **49,244,871** |

## 13. TRADE RECEIVABLES (continued)

The ageing of trade receivables is as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Neither impaired nor past due | 26,446,171 | 24,034,163 |
| Past due but not impaired: | | |
| within 30 days | 1,568,007 | 4,098,982 |
| 1 to 3 months | 3,188,881 | 2,025,111 |
| 3 months to 1 year | 59,404 | 8,338,053 |
| over 1 year | 2,304,839 | 10,748,562 |
| **Total** | **33,567,302** | **49,244,871** |

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

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| RSD | 35,468,478 | 59,705,725 |
| EUR | 16,303,084 | 465,225 |
| USD | 416,219 | 876,000 |
| Other | 1,030,988 | 771,229 |
| | **53,218,769** | **61,818,179** |

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

| | Trade receivables | | |
|---|---|---|---|
| | Individually impaired | Collectively impaired | **Total** |
| **As at 1 January 2014** | **8,426,645** | **4,163,143** | **12,589,788** |
| Provision for receivables impairment (note 34) | 81,045 | 237,253 | 318,298 |
| Unused amounts reversed (note 33) | - | (302,657) | (302,657) |
| Receivables written off during the year as uncollectible | - | (264,395) | (264,395) |
| Other | (3,474) | 235,748 | 232,274 |
| **As at 31 December 2014** | **8,504,216** | **4,069,092** | **12,573,308** |
| Provision for receivables impairment (note 34) | 12,305 | 119,546 | 131,851 |
| Unused amounts reversed (note 33) | (5,667,939) | (131,965) | (5,799,904) |
| Receivables written off during the year as uncollectible | - | (188,529) | (188,529) |
| Transfer from other receivables (note 14) | 3,105,066 | - | 3,105,066 |
| Transfer from ST financial assets | - | 8,152,392 | 8,152,392 |
| Other | 211,751 | 1,465,532 | 1,677,283 |
| **As at 31 December 2015** | **6,165,399** | **13,486,068** | **19,651,467** |

## 13. TRADE RECEIVABLES (continued)

Release of provision and receivable written off as uncollectable in the amount of RSD 5,799,904 respectively mainly relate to positive outcome of negotiations between the Company and Serbian Government for collection of receivables from Srbijagas. The negotiations ended in adoption of the Law on taking over the receivables from Srbijagas by the Government. According to the Law, NIS will collect the amount of RSD 23,379,767 in following two years, with the last installment on 31 May 2018. On 31 Dec 2015, the Company received the first installment in the amount of RSD 4,675,953. In addition, the Company reclassified non-current portion in the amount of RSD 11,222,228 (note 10) with proper discounting effect.

Expenses that have been provided for or written off are included in fair value measurement loss within the income statement (note 34). 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.

## 14. OTHER RECEIVABLES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Interest receivables | 6,368,027 | 13,492,221 |
| Receivables from employees | 91,130 | 88,782 |
| Income tax prepayment | 1,644,731 | 2,672,130 |
| Other receivables | 7,545,751 | 7,552,779 |
| Less: Impairment | (13,772,414) | (20,758,935) |
| | **1,877,225** | **3,046,977** |

Movements on the provision for other receivables :

| | Interest receivables | Other receivables | Total |
|---|---|---|---|
| **As at 1 January 2014** | **10,369,445** | **7,337,178** | **17,706,623** |
| Provision for other receivables impairment (note 34) | 3,604,591 | 1,616 | 3,606,207 |
| Unused amounts reversed (note 33) | (391,242) | (2,225) | (393,467) |
| Receivables written off during the year as uncollectible | (159,538) | (1,106) | (160,644) |
| Other | - | 216 | 216 |
| **As at 31 December 2014** | **13,423,256** | **7,335,679** | **20,758,935** |
| Provision for other receivables impairment (note 34) | 89,122 | 97,632 | 186,754 |
| Unused amounts reversed (note 33) | (1,315,669) | (1,251) | (1,316,920) |
| Receivables written off during the year as uncollectible | (2,759,805) | (471) | (2,760,276) |
| Transfer to trade receivables (note 13) | (3,105,066) | - | (3,105,066) |
| Other | - | 8,987 | 8,987 |
| **As at 31 December 2015** | **6,331,838** | **7,440,576** | **13,772,414** |

## 15. CASH AND CASH EQUIVALENTS

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Cash in bank and in hand | 11,302,285 | 5,064,178 |
| Deposits with original maturity of less than three months | 6,385,304 | 1,351,870 |
| Cash with restriction | 1,562,453 | 1,655,104 |
| Cash equivalents | 21,393 | 255,552 |
| | **19,271,435** | **8,326,704** |

Cash with restriction as of 31 December 2015 amounting to RSD 1,562,453 (31 December 2014: RSD 1,655,104) mostly relates to deposited funds in accordance with the interest in a joint venture through which the operation of future wind farm ‘’Plandiste’’ will be managed.

## 16. PREPAYMENTS AND ACCRUED INCOME

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Deferred input VAT | 2,014,262 | 2,241,351 |
| Prepaid expenses | 120,106 | 137,615 |
| Prepaid excise duty | 2,943,879 | 4,256,208 |
| Housing loans and other prepayments | 1,907,099 | 1,143,047 |
| | **6,985,346** | **7,778,221** |

Deferred input VAT as at 31 December 2015 amounting to RSD 2,014,262 (31 December 2014: RSD 2,241,351) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty amounting to RSD 2,943,879 (31 December 2014: RSD 4,256,208) 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.

## 17. OFF BALANCE SHEET ASSETS AND LIABILITIES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Issued warranties and bills of exchange | 85,848,939 | 75,764,106 |
| Received warranties and bills of exchange | 24,896,899 | 27,794,515 |
| Properties in ex-Republics of Yugoslavia | 5,357,690 | 5,357,690 |
| Receivables from companies from ex-Yugoslavia | 6,830,396 | 6,329,184 |
| Third party merchandise in NIS warehouses | 6,267,709 | 4,423,596 |
| Assets for oil fields liquidation in Angola | 990,870 | 771,785 |
| Other off-balance sheet assets and liabilities | 197,477 | - |
| | **130,389,980** | **120,440,876** |

## 18. EQUITY

| | Equity attributable to owners of the Group | | | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other capital | Reserves | Retained earnings (loss) | Translation reservas | Unrealised gains (losses) from securities | Actuarial gain (loss) | Total | | |
| **Balance as at 1 January 2014** | 81,530,200 | - | - | 87,678,909 | (38,290) | (59,885) | (114,418) | 168,996,516 | (43,417) | 168,953,099 |
| Profit (loss) for the year | - | - | - | 27,939,245 | - | - | - | 27,939,245 | (100,801) | 27,838,444 |
| Gains from securities | - | - | - | - | - | 17,608 | - | 17,608 | - | 17,608 |
| Dividend distribution | - | - | - | (13,080,705) | - | - | - | (13,080,705) | - | (13,080,705) |
| Actuarial gain | - | - | - | - | - | - | 273,088 | 273,088 | - | 273,088 |
| Other | - | - | - | 38 | (372,247) | - | - | (372,209) | (8,821) | (381,030) |
| **Balance as at 31 December 2014** | **81,530,200** | **-** | **-** | **102,537,487** | **(410,537)** | **(42,277)** | **158,670** | **183,773,543** | **(153,039)** | **183,620,504** |
| **Balance as at 1 January 2015** | **81,530,200** | - | - | **102,537,487** | **(410,537)** | **(42,277)** | **158,670** | **183,773,543** | **(153,039)** | **183,620,504** |
| Profit (loss) for the year | - | - | - | 14,638,790 | - | - | - | 14,638,790 | (31,085) | 14,607,705 |
| Gains from securities | - | - | - | - | - | (37,288) | - | (37,288) | - | (37,288) |
| Dividend distribution | - | - | - | (7,639,380) | - | - | - | (7,639,380) | - | (7,639,380) |
| Actuarial gain | - | - | - | - | - | - | 2,819 | 2,819 | - | 2,819 |
| Other | - | - | - | - | (40,426) | - | (244) | (40,670) | (2,010) | (42,680) |
| **Balance as at 31 December 2015** | **81,530,200** | **-** | **-** | **109,536,897** | **(450,607)** | **(79,564)** | **162,014** | **190,698,702** | **(186,134)** | **190,511,680** |

## 18.1. 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 31 December 2015 and 31 December 2014 comprise of 163,060,400 of ordinary shares.

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

## 19. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

| | Decommi-ssioning | Environmental protection | Employees benefits provision | Long-term incentive program | Legal claims provisions | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2014** | 9,063,038 | 690,094 | 2,551,690 | 1,522,079 | 1,157,252 | 14,984,153 |
| Charged to the income statement (note 29 and 32) | 52,371 | 32,947 | 329,300 | - | - | 414,618 |
| New obligation incurred and change in estimates | (14,377) | - | - | - | - | (14,377) |
| Release of provision (note 35) | - | - | (1,565,729) | (812,189) | (48,009) | (2,425,927) |
| Actuarial gain charged to other comprehensive income | - | - | (321,281) | - | - | (321,281) |
| Settlement | (75,421) | (152,437) | (115,426) | (608,044) | (167,626) | (1,118,954) |
| Other | - | (245) | 186 | - | 2,963 | 2,904 |
| **As at 31 December 2014** | **9,025,611** | **570,359** | **878,740** | **101,846** | **944,580** | **11,521,136** |
| **As at 1 January 2015** | | | | | | |
| Charged to the income statement (note 29 and 32) | 268,074 | 307,033 | 80,657 | 244,309 | 15,385 | 915,458 |
| New obligation incurred and change in estimates | 100,888 | - | - | - | - | 100,888 |
| Release of provision (note 35) | (49,261) | (4,300) | (20,252) | - | (111,045) | (184,858) |
| Actuarial gain charged to other comprehensive income | - | - | (3,977) | - | - | (3,978) |
| Settlement | (192,943) | (185,432) | (79,010) | (49,372) | (135,631) | (642,387) |
| Other | - | 42 | 10 | - | 712 | 764 |
| **As at 31 December 2015** | **9,152,369** | **687,702** | **856,168** | **296,783** | **714,001** | **11,707,023** |

Analysis of total provisions:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Non-current | 9,451,111 | 9,012,584 |
| Current | 2,255,912 | 2,508,552 |
| | **11,707,023** | **11,521,136** |

(a) *Decommissioning*

The Group's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

## 19. LONG – TERM PROVISIONS (continued)

(b) *Environmental protection*

The Group has to comply with environmental protection regulations. At the reporting date Group recorded provision for environmental protection of RSD 687,702 (31 December 2014: RSD 570,359) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

(c) *Long-term incentive program*

In 2011, the Group started setting-up a long-term incentive program for Group managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2015 the management made an assessment of present value of liabilities related to new three-year employee incentives (2015-2017) in amount of RSD 296,783 (2014: RSD 101,846).

(d) *Legal claims provisions*

As at 31 December 2015, the Group assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Group released provision for litigation amounting to RSD 111,045 (2014: RSD 48,009 reversed) for proceedings which were assessed that won't have negative outcome and charged provision for litigation amounting to RSD 15,385 for proceedings which were assessed to have negative outcome. The Group estimated that the outcome of all legal proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2015.

(e) *Provision for employee benefits*

Employee benefits:

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Retirement allowances | 109,132 | 101,096 |
| Jubilee awards | 747,036 | 777,644 |
| | **856,168** | **878,740** |

The principal actuarial assumptions used were as follows:

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Discount rate | 6.6% | 6.75% |
| Future salary increases | 2.5% | 2.5% |
| Future average years of service | 15.7 | 12.4 |

## 19. LONG – TERM PROVISIONS (continued)

(e) *Provision for employee benefits (continued)*

| | Retirement allowances | Jubilee awards | Total |
|---|---|---|---|
| **Balances as at 1 January 2014** | 703,729 | 1,847,961 | 2,551,690 |
| Benefits paid directly | (26,150) | (89,276) | (115,426) |
| Actuarial gain charged to other comprehensive income | (321,281) | - | (321,281) |
| Credited to the income statement | (255,388) | (981,041) | (1,236,429) |
| Translation difference | 186 | - | 186 |
| **Balances as at 31 December 2014** | **101,096** | **777,644** | **878,740** |
| Benefits paid directly | (2,881) | (76,129) | (79,010) |
| Actuarial gain charged to other comprehensive income | (3,977) | - | (3,977) |
| Debited to the income statement | 14,894 | 45,511 | 60,405 |
| Translation difference | - | 10 | 10 |
| **Balances as at 31 December 2015** | **109,132** | **747,036** | **856,168** |

The amounts recognized in the Income Statement are as follows:

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| Current service cost | 66,664 | 202,422 |
| Interest cost | 56,751 | 156,808 |
| Curtailment gain | (5,432) | (265,082) |
| Actuarial gains (jubilee awards) | (24,012) | (557,749) |
| Amortisation of past service cost | (33,566) | (772,828) |
| | **60,405** | **(1,236,429)** |

## 20. LONG-TERM LIABILITIES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Long-term loan - Gazprom Neft | 42,427,710 | 47,820,723 |
| Bank loans | 71,016,462 | 51,604,833 |
| Finance lease liabilities | 199,287 | 199,737 |
| Other long-term borrowings | 88,612 | 64,078 |
| *Less* Current portion | (13,418,431) | (6,101,327) |
| | **100,313,640** | **93,588,044** |

*a) Long-term loan - Gazprom Neft*

As at 31 December 2015 long-term loan - Gazprom Neft amounting to RSD 42,427,710 (2014: RSD 47,820,723), with current portion of RSD 5,657,028 (2014: RSD 5,625,967), 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.

## 20. LONG-TERM LIABILITIES (CONTINUED)

*b) Bank loans*

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Domestic | 18,693,335 | 7,175,319 |
| Foreign | 52,323,127 | 44,429,514 |
| | 71,016,462 | 51,604,833 |
| Current portion of long-term loans (note 21) | (7,760,393) | (474,537) |
| | **63,256,069** | **51,130,296** |

The maturity of non-current loans was as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Between 1 and 2 years | 11,829,773 | 6,969,316 |
| Between 2 and 5 years | 46,347,221 | 38,525,058 |
| Over 5 years | 5,079,075 | 5,635,922 |
| | **63,256,069** | **51,130,296** |

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| USD | 53,388,078 | 45,401,219 |
| EUR | 17,247,010 | 5,840,104 |
| RSD | 1,174 | 1,520 |
| JPY | 380,200 | 361,990 |
| | **71,016,462** | **51,604,833** |

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

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

*c) Financial lease liabilities*

Minimum finance lease payments:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than one year | 41,677 | 66,290 |
| 1-5 years | 205,380 | 229,507 |
| Over 5 years | 707,604 | 790,393 |
| Future finance charges on finance leases | (755,374) | (886,453) |
| Present value of finance lease liabilities | **199,287** | **199,737** |

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than one year | 1,010 | 823 |
| 1-5 years | 5,832 | 15,702 |
| Over 5 years | 192,445 | 183,212 |
| Present value of finance lease liabilities | **199,287** | **199,737** |

## 21. SHORT-TERM FINANCE LIABILITIES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Short-term loans | 3,553,120 | 8,600,111 |
| Current portion of long-term loans (note 20) | 13,417,421 | 6,100,504 |
| Current portion of finance lease liabilities (note 20) | 1,010 | 823 |
| | **16,971,551** | **14,701,438** |

## 22. TRADE PAYABLES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Parents and subsidiaries - foreign | 10,004,805 | 20,122,243 |
| Other related parties - domestic | 800,455 | 830,355 |
| Other related parties - foreign | 172,515 | 131,258 |
| Trade payables domestic – third parties | 7,854,205 | 6,312,351 |
| Trade payables foreign – third parties | 5,799,950 | 9,343,872 |
| Other trade payables | 81,377 | 75,660 |
| | **24,713,307** | **36,815,739** |

As at 31 December 2015 payables to parents and subsidiaries-foreign amounting to RSD 10,004,805 (31 December 2014: RSD 20,122,243) fully relate to payables to the supplier Gazprom Neft, St Petersburg, for the purchase of crude oil.

## 23. OTHER SHORT-TERM LIABILITIES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Specific liabilities | 346,080 | 386,183 |
| Liabilities for unpaid wages and salaries, gross | 1,100,559 | 1,111,477 |
| Interest liabilities | 820,006 | 667,760 |
| Dividends payable | 3,772,308 | 3,772,308 |
| Other payables to employees | 594,443 | 629,953 |
| Decommissioning and site restoration costs | 1,609,928 | 1,638,178 |
| Environmental provision | 311,905 | 503,287 |
| Litigation and claims | 250,000 | 278,989 |
| Other current liabilities | 92,697 | 149,527 |
| | **8,897,926** | **9,137,662** |

## 24. LIABILITIES FOR OTHER TAXES

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Excise tax | 6,416,831 | 5,492,646 |
| Income tax | 14,970 | 15,435 |
| Other taxes payables | 1,279,553 | 2,005,633 |
| | **7,711,354** | **7,513,714** |

## 25. ACCRUED EXPENSES

Accrued expenses as at 31 December 2015 amounting to RSD 2,685,116 (31 December 2014: RSD 5,516,367) mainly relate to accrued employee bonuses of RSD 1,568,343 (31 December 2014: RSD 1,875,170).

## 26. COST OF MATERIAL

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Costs of raw materials | 109,660,889 | 138,821,147 |
| Overheads costs | 369,812 | 265,998 |
| Other costs | 1,756,812 | 1,707,550 |
| | **111,787,513** | **140,794,695** |

## 27. EMPLOYEE BENEFITS EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Wages and salaries (gross) | 14,711,841 | 15,130,012 |
| Taxes and contributions on wages and salaries paid by employer | 2,067,100 | 2,209,554 |
| Cost of service agreement | 338,367 | 594,975 |
| Cost of other personal wages | 56,088 | 61,780 |
| Fees paid to board of directors and general assembly board | 128,471 | 127,144 |
| Termination costs | 376,007 | 395,819 |
| Other personal expenses | 827,469 | 767,002 |
| | **18,505,343** | **19,286,286** |

## 28. COST OF PRODUCTION SERVICES

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Cost of production services | 3,629,788 | 2,613,461 |
| Transportation services | 3,570,178 | 2,928,463 |
| Maintenance | 3,107,701 | 2,906,214 |
| Rental costs | 2,143,510 | 2,318,699 |
| Fairs | 3,323 | 11,539 |
| Advertising costs | 893,394 | 971,609 |
| Exploration expenses | 64,883 | 1,680,138 |
| Cost of other services | 1,243,159 | 1,076,077 |
| | **14,655,936** | **14,506,200** |

## 29. LONG-TERM PROVISION EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Decommissioning and site restoration costs | 453,709 | 36,947 |
| Employee benefits costs | 324,966 | 329,300 |
| Other provision expense (litigation and claims) | 15,385 | - |
| | **794,060** | **366,247** |

## 30. NON-MATERIAL EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Costs of non-production services | 8,972,537 | 8,114,893 |
| Representation costs | 78,206 | 115,662 |
| Insurance premium | 411,731 | 581,400 |
| Bank charges | 287,708 | 270,043 |
| Cost of taxes | 1,266,187 | 1,165,296 |
| Mineral extraction tax | 1,424,183 | 2,234,572 |
| Other non-production expenses | 2,044,050 | 1,714,471 |
| | **14,484,602** | **14,196,337** |

Cost of non-production services for the year ended 31 December 2015 amounting to RSD 8,972,537 (2014: RSD 8,114,893) mainly relate to costs of service organizations of RSD 5,231,032; consulting service costs of RSD 924,114; security cost of RSD 502,948 and project management costs of RSD 479,870.

## 31. FINANCE INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Finance income - related parties | | |
| - foreign exchange differences | 1,224,003 | 2,197,806 |
| - other finance income | - | 2,530 |
| Interest income | 706,445 | 4,238,258 |
| Foreign exchange gains | 1,691,420 | 1,332,107 |
| Other finance income | 69,124 | 18,260 |
| | **3,690,992** | **7,788,961** |

## 32. FINANCE EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Finance expenses – related parties | | |
| - foreign exchange differences | 2,901,488 | 6,285,920 |
| - other finance expense | 988,192 | 1,136,972 |
| Interest expenses | 2,462,066 | 2,448,838 |
| Decommissioning provision: unwinding of the present value discount | 121,398 | 48,371 |
| Provision of trade and other non-current receivables: discount | 912,967 | - |
| Foreign exchange losses | 8,031,952 | 10,480,880 |
| Other finance expenses | 4,425 | 347 |
| | **15,422,488** | **20,401,328** |

## 33. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Reversal of impairment of LT financial investments | 496 | 17,263 |
| Income from valuation: | | |
| - trade and specific receivables | 5,800,048 | 467,104 |
| - short-term investments | - | 393,467 |
| - other receivables (note 14) | 1,316,920 | 106,672 |
| | **7,117,464** | **984,506** |

## 34. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Loss from valuation: | | |
| - LT financial investments | 3,355 | 3,168 |
| - trade and specific receivables | 138,839 | 328,989 |
| - other receivables (note 14) | 186,754 | 3,606,207 |
| - other | 2,019 | 344 |
| | **330,967** | **3,938,708** |

## 35. OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Gains on disposal - Intangible assets and PPE | 274,012 | 202,270 |
| Gains on disposal - materials | 33,580 | 41,917 |
| Gains on disposal - equity instruments and securities | 61,696 | - |
| Surpluses from stock count | 277,612 | 394,324 |
| Payables written off | 565,958 | 42,257 |
| Release of long-term provisions | 184,858 | 2,425,927 |
| Gain on bargain purchase (note 39) | - | 455,776 |
| *Release of impairment:* | | |
| - IA | 1,631 | - |
| - PPE | 25,596 | 79,596 |
| - investment property | - | 164,761 |
| - inventory | 406,016 | 216,837 |
| - other property | 4,438 | 13,117 |
| Penalty interest | 146,581 | 106,128 |
| Other income | 784,067 | 723,624 |
| | **2,766,045** | **4,866,534** |

## 36. OTHER EXPENSES

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| Loss on disposal - Intangible assets and PPE | 274,818 | 288,251 |
| Shortages from stock count | 392,176 | 821,895 |
| Write-off receivables | 16,347 | 3,133 |
| Write-off inventories | 170,022 | 88,321 |
| *Impairment:* | | |
| - IA | 147,410 | 332,949 |
| - PPE | 342,485 | 268,664 |
| - investment property | 124,003 | - |
| - inventory | 106,372 | 9,025 |
| - other property | 42,182 | 18,276 |
| Other expenses | 1,293,252 | 1,683,442 |
| | **2,909,067** | **3,513,956** |

## 37. INCOME TAXES

Components of income tax expense:

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| Income tax for the year | 3,864,403 | 3,497,767 |
| Deferred income tax for the period (note 11) | | |
| Origination and reversal of temporary differences | 583,694 | 2,533,344 |
| | **4,448,097** | **6,031,111** |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group's profits as follows:

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| **Profit before tax** | 19,055,802 | 33,869,555 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 3,882,028 | 5,990,376 |
| *Tax effect on:* | | |
| Revenues exempt from taxation | (63,792) | (315,335) |
| Expenses not deductible for tax purposes | 342,899 | 985,182 |
| Tax losses for which no deferred income tax asset was recognised | 1,680,512 | 1,528,598 |
| Utilized tax credits | (1,374,938) | (1,860,025) |
| Other | (18,612) | (285,251) |
| | **4,448,097** | **6,043,545** |
| Tax reassessment | - | (12,434) |
| | **4,448,097** | **6,031,111** |
| Effective income tax rate | 23.34% | 17.81% |

## 38. EARNINGS PER SHARE

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| Profit attributable to shareholders of Naftna Industrija Srbije | 14,638,790 | 27,939,245 |
| Weighted average number of ordinary shares issued | 163,060,400 | 163,060,400 |
| **Basic Earnings per share** | **0.090** | **0.171** |

## 39. BUSINESS COMBINATIONS

During 2015 there were no business combinations of the Group.

In 2014, the Group acquired five petrol stations, four in Bulgaria and one in Serbia. The total consideration paid for above acquisitions amounted to RSD 874,367. The fair value of net identifiable asset acquired amounted to RSD 1,245,216 and remaining amount was recognised as goodwill.

## 40. GROUP ENTITIES

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

| Subsidiary | Country of incorporation | Nature of business | Share % 31-Dec 2015 | Share % 31-Dec 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 |
| Svetlost, Bujanovac | Serbia | Trade | 51 | 51 |

During 2015 subsidiary Jubos, Bor was liquidated.

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.

## 41. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The majority owner of the Company is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The total of 29.87% shares of the Company are owned by the Republic of Serbia, while 13.98% are owned by non-controlling shareholders and are quoted on the Belgrade Stock Exchange. Gazprom, Russian Federation is the ultimate owner of the Company.

During 2015 and 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 of 31 December 2015 and 31 December 2014 the outstanding balances with related parties were as follows:

| | Joint venture | Parent | Entities under common control | Total |
|---|---|---|---|---|
| **As at 31 December 2015** | | | | |
| Investments in joint ventures | 1,188,659 | - | - | 1,188,659 |
| Trade receivables | - | - | 251,708 | 251,708 |
| Other receivables | 195,656 | - | - | 195,656 |
| Long-term liabilities | - | (36,770,682) | - | (36,770,682) |
| Short-term financial liabilities | - | (5,657,028) | - | (5,657,028) |
| Advances received | - | - | (6,609) | (6,609) |
| Trade payables | - | (10,004,805) | (172,515) | (10,117,320) |
| | **1,384,315** | **(52,432,515)** | **(72,584)** | **(51,769,561)** |
| **As at 31 December 2014** | | | | |
| Investments in joint ventures | 1,008,221 | - | - | 1,008,221 |
| Trade receivables | - | - | 36,398 | 36,398 |
| Other receivables | 117,858 | - | - | 117,858 |
| Long-term liabilities | - | (42,194,756) | - | (42,194,756) |
| Short-term financial liabilities | - | (5,625,967) | - | (5,625,967) |
| Advances received | - | - | (12,831) | (12,831) |
| Trade payables | - | (20,122,243) | (131,258) | (20,253,501) |
| | **1,126,079** | **(67,942,966)** | **(107,691)** | **(66,924,578)** |

## 41. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

For the year ended 31 December 2015 and 2014 the following transaction occurred with related parties:

| | Joint venture | Parent | Entities under common control | Total |
|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | |
| Sales revenue | - | - | 889,720 | 889,720 |
| Cost of goods sold | - | - | (553,999) | (553,999) |
| Decrease in inventories of finished goods and work in progress | - | - | (16,313,924) | (16,313,924) |
| Cost of material | - | (79,766,583) | (1,952,154) | (81,718,737) |
| Cost of production services | - | - | (169,108) | (169,108) |
| Non-material expense | - | (39,619) | (105,330) | (144,949) |
| Finance expense | - | (3,777,652) | (116,453) | (3,894,105) |
| Finance income | - | 1,202,790 | 90,337 | 1,293,127 |
| Other income | - | 107,223 | 11 | 107,234 |
| Other expenses | - | (95,622) | (19,836) | (115,458) |
| | **-** | **(82,369,463)** | **(18,250,736)** | **(100,620,199)** |
| **Year ended 31 December 2014** | | | | |
| Sales revenue | - | - | 2,208,538 | 2,208,538 |
| Cost of goods sold | - | - | (65,868) | (65,868) |
| Decrease in inventories of finished goods and work in progress | - | - | (1,627,639) | (1,627,639) |
| Cost of material | - | (109,522) | (94,590,847) | (94,700,369) |
| Non-material expense | - | (51,132) | (12,974) | (64,106) |
| Finance expense | - | (4,557,810) | (2,865,429) | (7,423,239) |
| Finance income | - | 2,076,979 | 141,616 | 2,218,595 |
| Other income | - | 52,602 | 202,046 | 254,648 |
| Other expenses | - | (68,318) | (410,518) | (478,836) |
| | **-** | **(2,657,201)** | **(97,021,075)** | **(99,678,276)** |

*Key management compensation*

Management compensation paid in 2015 and 2014 is shown in the table below:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Salaries and other short-term benefits | 425,613 | 685,322 |
| | **425,613** | **685,322** |

*Main balances and transactions with state and mayor state owned companies*

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| *Receivables – gross* | | |
| HIP Petrohemija | 23,268,304 | 13,004,338 |
| Srbijagas | 101,306 | 29,289,917 |
| Republic of Serbia | 18,703,814 | - |
| | **42,073,424** | **42,294,255** |
| *Liabilities* | | |
| HIP Petrohemija | (800,455) | (830,355) |
| Srbijagas | (372,985) | (226,896) |
| | **(1,173,440)** | **(1,057,251)** |
| *Advances received* | | |
| HIP Petrohemija | (12,470) | (7,109) |
| Srbijagas | - | (12,806) |
| | **(12,470)** | **(19,915)** |

## 41. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

*Main balances and transactions with state and mayor state owned companies (continued)*

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| *Operating income* | | |
| HIP Petrohemija | 17,580,877 | 23,382,492 |
| Srbijagas | 3,927,429 | 2,926,879 |
| | **21,508,306** | **26,309,371** |
| *Operating expenses* | | |
| HIP Petrohemija | (169,108) | (174,117) |
| Srbijagas | (933,151) | (751,452) |
| | **(1,102,259)** | **(925,569)** |

Transactions with state controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties.

## 42. CONTINGENT LIABILITIES

*Transfer of property ownership*

As at 31 December 2015, the Company had ownership and the right to use and possess of 7,932 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 31 December 2015 the total amount of outstanding finance guarantees provided by the Group amounted to RSD 6,415,857, mostly related to guaranties for customs duties in the amount of RSD 2,348,766 (2014: RSD 3,454,563).

*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 RSD 687,705 (31 December 2014: RSD 570,358).

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.

## 42. CONTINGENT LIABILITIES (continued)

*Other contingent liabilities*

As at 31 December 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 four years ago. Taking all of the above into consideration, the Group's Management is of the view that as at 31 December 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.

## 43. TAX RISKS

Tax laws of Republic of Serbia 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. The tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years from the transaction date. As at 31 December 2015, Management assessed that the Group had paid all tax liabilities.

## 44. COMMITMENTS

*Leases*

Minimum lease payments under non-cancellable operating lease by lessor:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than one year | 164,962 | 151,533 |
| 1-5 years | 157,477 | 206,160 |
| Over five years | 143,738 | 148,888 |
| | **466,177** | **506,581** |

## 44. COMMITMENTS (continued)

*Leases (continued)*

Minimum lease payments under non-cancellable operating lease by lessee:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than one year | 1,361,806 | 1,020,707 |
| 1-5 years | 1,716,271 | 2,290,408 |
| Over 5 years | 358,779 | 403,808 |
| | **3,436,856** | **3,714,923** |

*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 31 December 2015 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to USD 45 million.

There were no other material commitments of the Group.

## 45. EVENTS AFTER THE REPORTING PERIOD

At the date of signing consolidated financial statements, crude oil price decreased since 31 December 2015 to 32.74 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any further decrease.

Subsequent events occurring after 31 December 2015 were evaluated through 29 February 2016, the date these Consolidated financial statements were authorised for issue.