

**Q3  
2015**



**NIS**

**GAZPROM NEFT**

# **QUARTERLY REPORT**



The Quarterly Report of NIS j.s.c. Novi Sad for third quarter of 2015 represents a comprehensive review of NIS Group's development and performance in third quarter of 2015, as well as for first nine months of 2015. The report includes and presents data on NIS Group, which includes NIS j.s.c. Novi Sad and its subsidiaries. If the data refers only to certain subsidiaries or only to NIS j.s.c. Novi Sad, this has been pointed out in the report. The terms "NIS j.s.c. Novi Sad" and "Company" refer to the parent company NIS j.s.c. Novi Sad, whereas the terms "NIS" and "NIS Group" refer to NIS j.s.c. Novi Sad with its subsidiaries.

In accordance with the Law on Capital Market, the Report consists of three parts: the business report, financial statements (stand-alone and consolidated), and the statement of the persons responsible for the preparation of the Report.

## CONTENTS

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Foreword .....	4
Business Report .....	5
Key Events .....	6
NIS Group Profile .....	8
Risk Management .....	19
Business Environment .....	23
Market Share.....	25
Result Analysis .....	27
Indebtedness.....	38
Investments.....	40
Taxes and Other Public Revenues .....	42
Securities .....	43
Human Resources .....	46
Research and Development .....	47
Financial Statements .....	48
Stand-alone Financial Statements .....	49
Statement of Financial Position .....	49
Statement of Profit and Loss and Other Comprehensive Income .....	50
Statement of Changes in Equity .....	51
Statement of Cash Flows.....	52
Notes to Stand-alone Financial Statements .....	53
Consolidated Financial Statements .....	68
Consolidated Statement of Financial Position .....	68
Consolidated Statement of Profit and Loss and Other Comprehensive Income .....	69
Consolidated Statement of Changes in Equity .....	70
Consolidated Statement of Cash Flows .....	71
Notes to Consolidated Financial Statements.....	72
Statement of Individuals Responsible for the Preparation of Financial Statements .....	87
Contacts .....	88

## FOREWORD

In the third quarter of 2015, NIS continued to show positive results in its business operations and increased its profitability comparing to the first two quarters due to the continuous increase of operational efficiency and in spite of unfavourable macro-economic trends and low prices of crude oil in the global market.

Total petroleum product sales volume in the domestic market has increased by 6 percent compared to the nine-month period in 2014, while foreign asset sales volume has increased by 23 percent. Operational cash flow has risen by 87 percent, owing to crude oil prices and the increase of operational efficiency and reduction of operational expenditures. Total oil and gas production volume has reached 1,190 thousand tonnes of oil equivalent, which is a 1 percent increase in comparison to the Business Plan, while the refining volume amounts to 2,401 thousand tonnes, which is a 7 percent increase year-on-year.

NIS has not changed its dividend payment policy, and, in line with the Decision of the Shareholders' Assembly and the Decision of the CEO, the Company has paid to its shareholders the total dividend amount of 7.64 billion dinars which represents 25 percent of the Company's net profit in 2014.

The Company continued making investments, thus, in the nine-month period, it invested the total of 18.95 billion dinars, with the largest part of the amount going to the area of oil and gas exploration and production. Further unit modernization has been completed successfully in the Refining, while the Sales and Distribution continued modernizing its retail network, with the main focus in the previous period on the petrol stations at the territory of Belgrade. In the area of energy, NIS started up a small power and thermal energy generating plant at the oil and gas field of Sirakovo with the total capacity of 2 megawatts.

However, due to the unfavourable macro-economic conditions and crude oil prices in the global market which are almost 50 percent lower, EBITDA indicator is by 32 percent lower year-on-year, amounting to 32.3 billion dinars. Net profit amounts to 10.9 billion dinars, which is by 48 percent lower year-on-year, due to not only crude oil prices but also FX loss.

In the third quarter, NIS presented its Report on Sustainable Development for 2014, verified by the independent auditor KPMG and aligned with the guidelines of the largest sustainable development organisation in the world Global Reporting Initiative (GRI). Furthermore, NIS has not turned its back on the socially responsible business operation as its strategic commitment but continued to invest in the projects of crucial importance for the development of the local communities where the Company conducts its business activities.

## BUSINESS REPORT

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## KEY EVENTS

### January

- The Quality of Aviation Fuel Produced in Pančevo Oil Refinery Recognized by the World's Companies
- NIS BoD adopted the Business Plan for 2015
- Respectful Acknowledgement by the Basketball Federation of Serbia to NIS
- NIS Rewarded for Support to the International Minibasket Festival
- According to the survey conducted by "Blic" daily newspaper, the Chief Executive Officer of NIS, Kirill Kravchenko, was elected the most powerful foreign national in Serbia in 2014 for the sixth consecutive year
- Small power plants were put into operation at Bradarac and Velebit oil fields
- Extraordinary session of the Shareholders' Assembly

### February

- Operations concerning the compressed natural gas production unit started at Novi Sad petrol station - the first NIS' petrol station with CNG installations
- Small power plant Turija started operating
- NIS awarded with prestigious "SAP Quality Award 2014"

### March

- NIS released audited consolidated financial statements for 2014
- NIS supports 43rd International Film Festival (FEST)
- Signing the Strategic Cooperation Agreement marks the continuation of cooperation between NIS and the University of Novi Sad

### April

- In collaboration with the Serbian Embassy in Belgium and the Energy Charter Secretariat, NIS organised a round-table meeting entitled "Serbia and the EU: Challenges and Opportunities Ahead" in a congress centre in Brussels.
- For the third consecutive year, NIS supported Balkan Trafik Festival, a music festival aimed at promoting the Balkan culture and art.
- NIS-supported project Employment through Education was completed; the project was aimed at providing education for specific professions which are deficient in the Company

### May

- As part of the public competition Together for the Community, NIS is funding 152 projects in 2015 which are aimed at improving the living standards in the local communities in which it operates and promoting their development.
- Board of Directors of NIS reviewed the Company's Annual Report for 2014 and the Quarterly Report for First Quarter of 2015.
- NIS published its consolidated financial statements for the first quarter of 2015
- NIS opened the first Gazprom-branded petrol station "Avalski put" in Belgrade

### June

- NIS received the Best of Serbia Award 2014 for corporate brand.
- CentroEnergoHolding OJSC and NIS signed an agreement to establish Serbskaya Generaciya LLC Novi Sad that will implement the project for the construction of a thermal power plant in Pančevo.
- NIS held its 7th Shareholders' Meeting and adopted the Decision on 2014 Profit Distribution, Dividend Payment and Determination of the Total Amount of Retained Earnings of the Company.
- Modernisation of the Pančevo Oil Refinery continued this year through four investments – completion of the third stage of loading terminal modernisation, closed drainage system for process equipment, implementation of diesel fuel production increase programme and Closed Sampling System Project

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**July**

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- NIS presented 2014 Sustainable Development Report.
- NIS published the consolidated results for the first six-month period in 2015.
- Under the auspices of Gazprom Neft, the third music festival "Bolshoi" took place at Mokra Gora.
- NIS supported young mathematicians who won four medals at the 56th International Mathematical Olympiad in Thailand

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**August**

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- NIS paid dividends for 2014 to shareholders.
- NIS commissioned a small combined heat and power generation plant at the Sirakovo oil and gas field.
- For the seventh consecutive year, NIS supported Nisville Jazz Festival
- Filling station for compressed natural gas (CNG) on PS Novi Sad 10 was put into commercial operation

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**September**

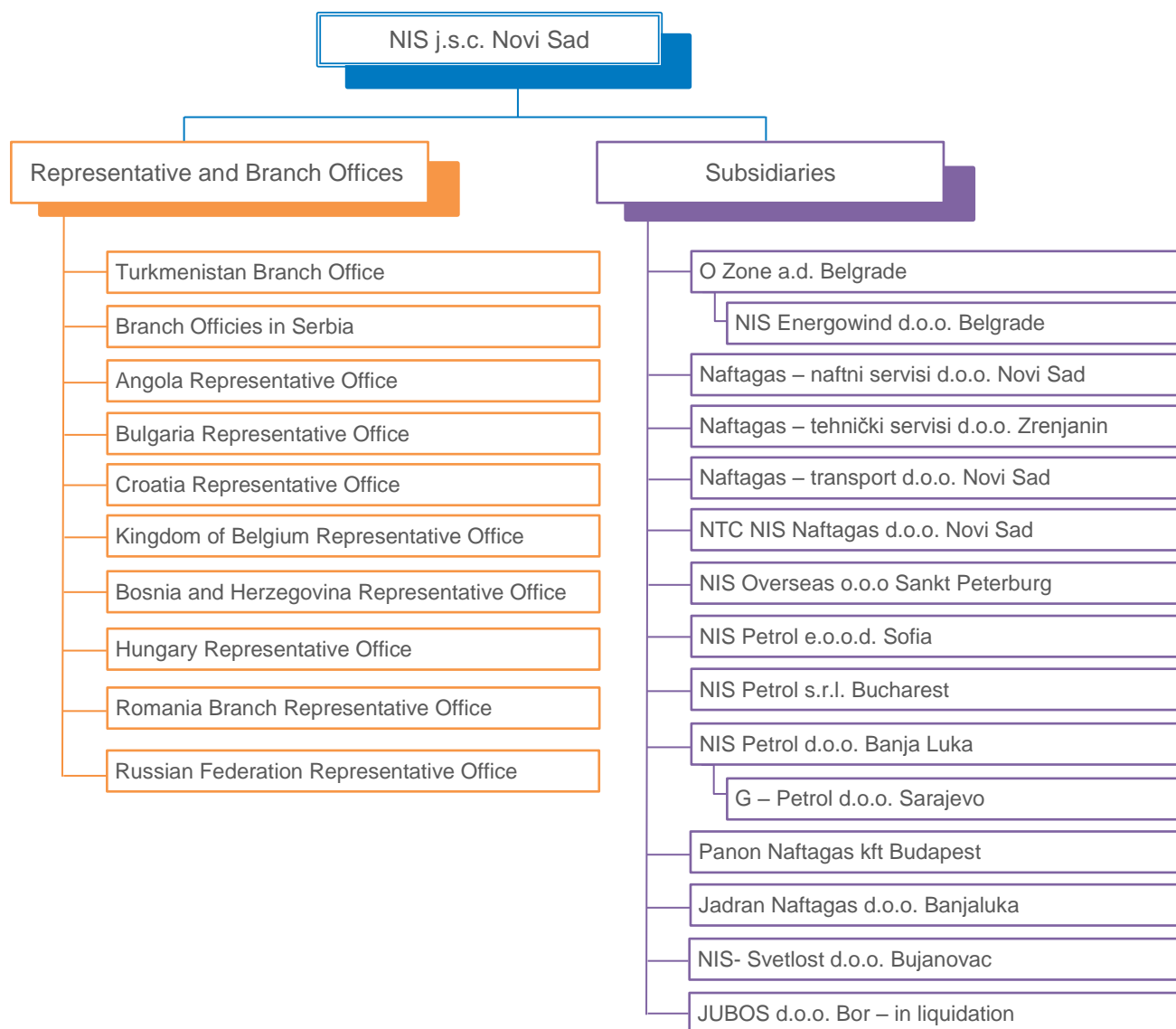
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- NIS started the implementation of NIS Chance Program, which involves the employment of young people with no previous working experience.
  - NIS supported the International Energy Conference in Sofia entitled "Energy Security and Energy Infrastructure in South East Europe".
  - A "Week of Traffic Safety" took place in the organisation of NIS and Traffic Safety Agency
  - NIS opened a modernised NIS Petrol Station at Autokomanda.
  - In cooperation with Novak Đoković's Foundation, NIS and Gazprom Neft started refurbishing of the physics and chemistry classrooms in schools damaged by last year's flooding in Serbia.
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## NIS GROUP PROFILE

NIS Group is one of the largest vertically-integrated energy systems in South East Europe. With administrative offices in Novi Sad and Belgrade and major facilities distributed throughout Serbia, NIS is engaged in research, production and refining of crude oil and natural gas, transport of a wide range of petroleum and gas products, and the implementation of projects in the field of energy. NIS is an international company with an international team of experts and it operates in ten countries.

### NIS GROUP'S BUSINESS STRUCTURE<sup>1</sup>



<sup>1</sup>According to the Law on Tourism of the Republic of Serbia, if a company does not operate a hospitality business as a core activity, in order to perform these activities, the company is obliged to form a branch, i.e. with premises outside its business seat, and register it in the appropriate registry, or otherwise establish an appropriate organizational unit that is recorded in the Tourism Registry. For this reason, the Company registered all petrol stations where it operates a hospitality business as separate branches. The list of petrol stations which are registered as branches is posted on the website: <http://ir.nis.eu/about-the-company/group-structure-hide/>

Liquidation of JUBOS d.o.o. Bor was initiated on 21 April 2015 and company was deleted from the Registry of Business Entities kept by the Agency for Business Registers on 15 October 2015.



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

Business Name:	NIS j.s.c. Novi Sad
Company Identity Number::	20084693
Address	Novi Sad. Narodnog fronta 12
Tax ID:	104052135
Web site:	<a href="http://www.nis.eu">www.nis.eu</a>
e-mail:	<a href="mailto:office@nis.eu">office@nis.eu</a>
Activity:	0610 - exploitation of crude oil
Number and date of registration in BRA:	БД 92142, 29.09.2005
Total equity as at September, 30 <sup>th</sup> 2015	198,702,943,000 RSD
Share capital as at September, 30 <sup>th</sup> 2015	81,530,200,000 RSD
Number of employees as at September, 30 <sup>th</sup> 2015	3,886 <sup>2</sup>
Audit company that audited the last financial report (Dated December 31 <sup>st</sup> 2014.):	KPMG d.o.o. Belgrade 11, Kraljice Natalije Str., Belgrade
Organized market where Shares of the Issuer are traded in	Belgrade Stock Exchange 1, Omladinskih brigada Str. Belgrade. Serbia

## BUSINESS ACTIVITIES

NIS Group's business activities are organized within the parent company NIS j.s.c. Novi Sad in:

### Five Blocks

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

### Partially de-centralized Functions

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

### And Centralized Functions

- Function for Legal and Corporate Affairs
- Function for Corporate Security
- Function for External Affairs and Government Relations
- Function for Public Relations and Communications
- Function for Internal Audit<sup>3</sup>

Although not singled out as a separate function, one of the CEO's Deputies is in charge of the petrochemical business.

**Exploration and Production Block** covers the area of exploration and production of crude oil and gas, namely: exploration, production, infrastructure and operational support for the production and

<sup>2</sup> Without the employees outsourced via service companies and without the employees of subsidiary companies and representative offices

<sup>3</sup> Function for Internal Audit is subordinate to the CEO, but also reports to the Audit Committee of the Board of Directors

management of oil and gas reserves, management and development of oil and gas deposits and major projects in the field of exploration and production.

Oil and gas exploitation is currently performed in the northern part of the Republic of Serbia, in Vojvodina. In Angola, NIS operates since 1980, and in 1985 it began oil production in the country. NIS is conducting oil and gas exploration projects in the Republic of Srpska (Jadran Naftagas d.o.o. Banja Luka), Hungary (Pannon Naftagas Kft, Budapest) and Romania (NIS Petrol s.r.l. Bucharest).

The facility for LPG production in Elemir operates within the Exploration and Production Block. Total projected capacity of this facility is 63,000 tons of LPG and natural gasoline (gazolin) per annum.

Through its subsidiary Scientific and Technological Centre (NTC) NIS Naftagas d.o.o. Novi Sad, NIS provides scientific and technical support to the prevailing activity of the parent company and ensures development and innovation within its business operations. As a regional base, this subsidiary should meet the needs of NIS, PPJSC "Gazprom Neft" and its subsidiaries, but also provide external services to third parties outside NIS and Serbia.

**Services Block** provides major support for exploration and production in all processes of exploration and production of oil and gas from geophysical services, drilling and workover of wells, to the process of transportation of assets, maintenance of work equipment and construction and maintenance of oil and gas systems and facilities. Services Block also provides service of transportation of employees.

**Refining Block** is engaged in the production of petroleum products (of Euro-quality standard). NIS produces a full range of petroleum products: motor fuels, raw materials for the petrochemicals industry, motor oils and other petroleum products. NIS' refining complex comprises two production units in Pančevo and Novi Sad, and the maximum design capacity of the processing plants within both refineries (Pančevo and Novi Sad) exceeds seven million tons of crude oil a year. Pančevo Oil Refinery, with projected annual capacity of 4.8 million tons, is in operation; Novi Sad Oil Refinery is in the process of conservation, so its projected annual capacity of 2.5 million tons has not been put to use yet.

**Sales and Distribution Block** includes external and internal trade, wholesale trade, retail trade in petroleum products and related goods. NIS operates the largest retail network in Serbia. In the territory of Serbia and the region, NIS operates in the market with two brands: NIS Petrol and Gazprom. As separate business lines, NIS is developing the supply of jet fuel, bunkering, lubricants and bitumen sales.

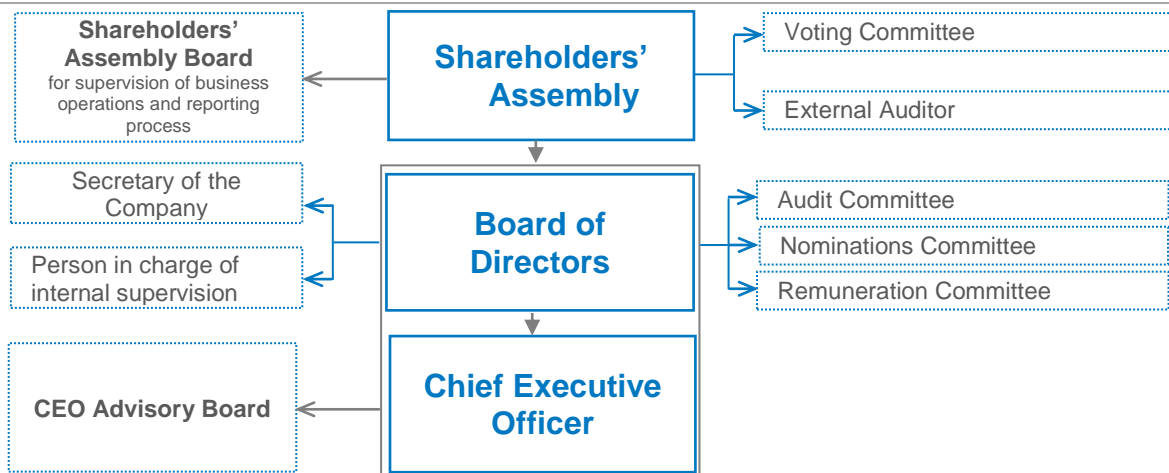
**Energy Block** is engaged in the production of electricity and heat from traditional and renewable sources of energy, gas trade, electricity trade, development and implementation of energy projects of strategic importance and development and implementation of projects to improve energy efficiency.

Energy Block develops and implements energy projects within NIS Group; it performs analysis and evaluation of investment projects as well as conceptual projects in the energy sector in Serbia, with the aim of committing to participate in a strategic partnership.

## COMPANY MANAGEMENT SYSTEM

The Company has established a one-tier management system where the Board of Directors holds the central role in the Company management. The Board of Directors is responsible for the accomplishment of set goals and achievement of results, while shareholders exercise their rights and control primarily through the Shareholders' Assembly.

### NIS j.s.c. Novi Sad Corporate Bodies' Structure



### SHAREHOLDERS' ASSEMBLY

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders.

### BOARD OF DIRECTORS

The Board of Directors has a central role in the management of the Company and it is collectively responsible for the long-term success of the Company and for setting up basic business goals and guiding the directions of the Company's further development, as well as identification and control of the effectiveness of the Company's business strategy.

The Board of Directors consists of 11 members appointed by the Shareholders' Assembly. The members elect the Board of Directors' Chair; the functions of the Board of Directors' Chair and the Chief Executive Officer are separate.

### BOARD OF DIRECTOR MEMBER AS OF SEPTEMBER 30<sup>TH</sup> 2015



**Vadim Yakovlev**  
**Chairman of NIS j.s.c. Novi Sad Board of Directors**

*Deputy Chairman of the Executive Board of PPJSC "Gazprom Neft", First CEO Deputy, in charge of exploration and production, strategic planning and mergers and acquisitions*

Born on September 30, 1970 in Sharkan, Udmurtskaya ASSR.

In 1993, Mr Yakovlev graduated from the Moscow Engineering Physics Institute, Department of Applied Nuclear Physics. Mr Yakovlev graduated from the Faculty of Finance at the International University in Moscow in 1995. Since 1999, he has been a qualified member of the ACCA (Chartered Association of Certified Accountants). In 2009, he earned a degree from the British Institute of Directors (IoD). During his employment with PricewaterhouseCoopers from 1995 to 2000, Mr Yakovlev held various positions, starting from a Consultant to being promoted to Audit Manager. In the period from 2001 to 2002, he served as Deputy Head of Financial and Economics Department, YUKOS EP c.j.s.c. From 2003 to 2004, he was Financial Director of Yugansk Neftegaz, NK Yukos. From 2005 to 2006, Mr Yakovlev held the position of Deputy General Director in charge of economy and finance at SIBUR-Russian Tyres.

Mr Yakovlev was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10.02.2009. and he was elected Chairman of the NIS j.s.c. Novi Sad Board of Directors as of 31.07.2009



**Kirill Kravchenko**  
**CEO of NIS j.s.c. Novi Sad**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
**Member of Nominations Committee**  
*Deputy CEO for Overseas Asset Management of PJSC "Gazprom Neft"*

Born on May 13, 1976 in Moscow, USSR.

In 1998, Mr Kravchenko graduated with honours from Lomonosov Moscow State University with a degree in Sociology. He completed postgraduate studies at the same university. He continued his studies at the Open British University (Financial Management) and IMD Business School. He holds a PhD in Economics. Mr Kravchenko worked in consulting until 2000, and from 2000 to 2004 he held various positions in YUKOS in Moscow and Western Siberia and with Schlumberger (under partnership program with NK Yukos) in Europe and Latin America. In the period 2004 to 2007 he was Administrative Director at JSC MHK EuroChem Mineral and Chemical Company. Mr Kravchenko was elected member to the Board of Directors several times in major Russian and international companies. In April 2007, he was appointed Vice-Chairman, PJSC "Gazprom Neft", and in January 2008 he was made Deputy Chairman of Management Board of "Gazprom Neft", as well as Deputy General Director for Organizational Affairs. Since February 2009, he was appointed CEO of the Serbian petroleum company NIS j.s.c. Novi Sad, and member of the NIS Board of Directors. As of March 2009, he holds the position of Deputy CEO for Overseas Assets Management in PJSC "Gazprom Neft".

Mr Kravchenko was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10.02.2009.



**Alexander Bobkov**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
*Advisor to CEO of PJSC „Gazprom Neft“*

Born on October 18, 1966 in Vinnica, USSR.

Mr Bobkov graduated from "Zhdanov" Leningrad State University, Department of politic economy, in 1988. On 16.06.2006, Mr Bobkov received his Master's Degree in Economics and attained his PhD in Economics on 17.06.2011. From 1991 to 2010 he held various positions in the following fields: civil engineering, production, real estate and sales with the Leningrad Centre of Business Co-operation "Perekryostok", "Proxima" j.s.c. and "General Civil Engineering Corporation" Ltd. Since 2010, Mr Bobkov has served as Executive Director of "Okhta" o.j.s.c. Public Business Centre (presently "Lakhta Center" Multifunctional complex j.s.c.) and in 2012, he was appointed Advisor to the "Gazprom Neft" j.s.c. CEO.

Mr Bobkov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 22.07.2013.



**Danica Drašković**  
**Member of NIS j.s.c. Novi Sad Board of Directors**

Born on November 14, 1945 in Kolašin, Montenegro.

Ms Drašković graduated from the Faculty of Law, University of Belgrade in 1968. From 1968 to 1990, she worked in the field of finance in the banking sector, and in the field of law and commerce within the economy sector, and as a Belgrade City Magistrate. Ms Drašković is the owner of the publishing house "Srpska reč", founded in 1990. She is the author of two books written in the opinion journalism style.

From 01.04.2009 to 18.06.2013, Ms Danica Drašković was a member of the NIS j.s.c. Novi Sad Board of Directors, being re-elected on 30.06.2014.



**Alexey Yankevich**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
*Deputy CEO for Economics and Finance PJSC „Gazprom Neft“.*

Born on December 19, 1973 in Leningrad, USSR.

In 1997, Mr Yankevich graduated from Saint-Petersburg State Electrical Engineering University ("LETI"), majoring in optical and electronic instruments and systems. In 1998, he completed a course at LETI-Lovanium International School of Management in Saint-Petersburg. Mr Yankevich was employed with CARANA, a consulting company from 1998 to 2001. In the period from 2001 to 2005 he served as Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM o.j.s.c. (business unit responsible for logistics and downstream operations). In 2004, he became a Certified Management Accountant (CMA).

From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group).

From 2007 to 2011 he held the post of Head of the Planning and Budgeting Department, and was Head of Economics and Corporate Planning Department at PJSC "Gazprom Neft". Since August 2011 he has served as acting Deputy CEO for Economics and Finance at PJSC "Gazprom Neft". Mr Yankevich has been a member of the Management Board of PJSC "Gazprom Neft" and Deputy CEO PJSC "Gazprom Neft" for Economics and Finance Since March 2012.

Mr Yankevich was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 18.06.2013.



**Goran Knežević**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
**Chairman of Nominations Committee**

Born on May 12, 1957 in Banatski Karlovac, Serbia.

Mr Knežević graduated from the Faculty of Economics, University of Belgrade. He worked at "Servo Mihalj" in Zrenjanin from 1983 to 1990. Mr Knežević served as General Manager at "Servo Mihalj Turist" from 1990 to 2000. Since 2000, he has been the Executive Committee Chairman of the city of Zrenjanin and the City Mayor holding office for three consecutive terms. Mr Knežević was appointed Minister of Agriculture of the Republic of Serbia in 2012. From 01 October 2013 to 30 June 2014, he was Advisor to the NIS j.s.c. Novi Sad CEO.

Mr Knežević was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 30.06.2014.



**Alexander Krylov**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
**Director of Division for regional sales in PJSC "Gazprom Neft"**

Born on March 17, 1971 in Leningrad, USSR.

In 1992, Mr Krylov graduated from LMU (Leningrad) and graduated from the Faculty of Law of Saint Petersburg State University in 2004. In 2007, he earned MBA degree from Moscow International Business School MIRBIS, specializing in Strategic management and Entrepreneurship. From 1994 to 2005 Mr Krylov held managerial positions in the field of real estate sales (Chief Executive Officer, Chairman) in the following companies: Russian-Canadian SP "Petrobild"; c.j.s.c. "Alpol". From 2005 – 2007 he was deputy director in the Division for implementation in "Sibur" Ltd. In April 2007, Mr Krylov was appointed Head of the Division for Petroleum Product Supply, head of the Regional Sales Division and Director of the Regional Sales Department at PJSC "Gazprom Neft".

Mr Krylov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 29.11.2010.



**Nikola Martinović**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
**Member of Audit Committee**

Born on December 3, 1947 in Feketić, Serbia.

Mr Martinović completed his primary education in Feketić, and secondary in Srbobran. He graduated from the Faculty of Economics in Subotica, where he also defended his Master's Thesis, titled "Transformation of Tax System in Serbia by implementing VAT". From 1985 to 1990, he was the CEO of "Solid" company from Subotica, and from 1990 to 1992, he served as Assistant Minister of the Interior of the Republic of Serbia. From 1992 to 2000, Mr Martinović held the position of Assistant CEO of the Serbian Petroleum Industry in charge of financial affairs, and was CEO of "Naftagas promet" from 1996 to 2000. From 2005 until 31.08.2013, Mr Martinović worked as a Special Advisor at NIS j.s.c. Novi Sad. On 01.09.2013, he was appointed Special Advisor to the CEO of O Zone j.s.c. Belgrade, and from 15.12.2013 to 17.11.2014, he was performing the duties of the Advisor to the Director of STC NIS-Naftagas Ltd. Novi Sad. Furthermore, he currently serves as member of the National Bank of Serbia Governor Council.

Mr Martinović was a member of NIS j.s.c. Novi Sad BoD from 2004 to 2008, and he was re-elected on 10.02.2009.



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

Born on October 15, 1950 in Vienna, Austria.

In 1976, he graduated from the Economics and Business Administration at the Vienna University of Economics and business, and he holds a PhD degree.

Mr Ruttenstorfer's career started in the Austrian company OMV in 1976. In 1985, he was transferred to the Planning and Control Department and in 1989; he became responsible for the strategic development of the OMV Group. Being appointed Marketing Director in 1990, he became a member of the Executive Board in 1992, and was in charge of finance and chemical products. By early 1997, he was a member of the OMV EB, when he was appointed Deputy Minister of Finance. On 01.01.2000, he was re-appointed a member of the OMV EB in charge of finance, a function he performed by April 2002. He was in charge of gas affairs by December 2006. In the period from 01.01.2002 to 31.03.2011, Mr Ruttenstorfer was the Chairman of the Executive Board of the OMV Group.

He was elected Independent member of the NIS j.s.c. Novi Sad Board of Directors as of 20.04.2012.

**Anatoly Cherner****Member of NIS j.s.c. Novi Sad Board of Directors****Member of Remuneration Committee****Deputy Chairman of the Executive Board, Deputy CEO for logistics, refining and sales in PJSC "Gazprom Neft"**

Born on August 27, 1954 in Groznyy, USSR.

Mr Cherner graduated from Groznyy Oil Institute in 1976 with a degree in chemical oil and gas engineering. In the same year he was employed at the Sheripov Groznyy Refinery, starting as an operator to become refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of the company. He joined SibNeft (from June 2006 – JPSC "Gazprom Neft") as Vice-Chairman for refining and marketing in April 2006.

Mr Cherner was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10.02.2009.

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

He was born on May 29, 1964 in Moscow, USSR.

Mr Shekshnia serves as the Chief of practice in the Talent Performance and Leadership Development Consulting Department. Director of Talent Equity Institute and a senior partner at Ward Howell. He teaches the course "Entrepreneur Leadership" at the International Business School INSEAD. Mr Shekshnia has more than ten years of practical experience in management. He held the following positions: CEO of Alfa Telecom, chairman and CEO of Millicom International Cellular, Russia and ZND, Chief Operational Director of Vimpelkom, Director of Personnel Management in OTIS Elevator, Central and East Europe. He has been a member of LLC SUEK and c.j.s.c. Vimpelkom-R Boards of Directors.

Mr Shekshnia was elected Independent member of the NIS j.s.c. Novi Sad Board of Directors as of 21.06.2010.

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

Name and Surname	Number of shares	% in total number of shares
Nikola Martinovic	224	0.0001%

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

Vadim Yakovlev	<ul style="list-style-type: none"> <li>• JSC NGK "Slavneft"</li> <li>• JSC "SN-MNG"</li> <li>• LTD "GPN Development" (Chairman of BoD)</li> <li>• JSC "Gazprom Neft-NNG" (Chairman of BoD)</li> <li>• LTD "Gazprom Neft-East" (Chairman of BoD)</li> <li>• LTD "Gazprom Neft-Hantos" (Chairman of BoD)</li> <li>• LTD "Gazprom Neft-NTC" (Chairman of BoD)</li> <li>• FLLC "Gazprom Neft-Orenburg" (Chairman of BoD)</li> <li>• LTD "Gazprom Neft-Sahalin"</li> <li>• Salim Petroleum Development N.V. (Supervisory Board member)</li> <li>• JSC "Tomskneft" VNK (Chairman of BoD)</li> <li>• LLC "Gazprom neft Shelf" (Chairman of BoD)</li> </ul>
Kirill Kravchenko	<ul style="list-style-type: none"> <li>• Vice-Chairman of the National Oil Committee of the Republic of Serbia</li> <li>• Serbian Tennis Federation BoD Member</li> <li>• SAM BoD Member – Serbian Association of Managers</li> </ul>
Alexander Bobkov	<ul style="list-style-type: none"> <li>• "Lakhta Center" Multifunctional Complex JSC (Executive Director)</li> </ul>
Alexey Yankevich	<ul style="list-style-type: none"> <li>• JSC "NGK Slavneft"</li> <li>• LLC "Gazprom Neft – Aero"</li> <li>• LTD "Gazprom Neft – SM"</li> <li>• LTD "Gazprom Neft Biznis-Servis"</li> <li>• "Gazprom Neft Lubricants" Italy</li> <li>• LTD "Gazprom Neft Marin Bunker"</li> <li>• FLLC "Gazprom Neft – Orenburg"</li> <li>• LLC "Gazprom Neft Shelf".</li> </ul>

Alexander Krylov	<ul style="list-style-type: none"> <li>• JSC "Gazprom Neft Kuzbas"</li> <li>• JSC "Gazprom Neft Novosibirsk"</li> <li>• JSC "Gazprom Neft Omsk"</li> <li>• JSC "Gazprom Neft Tumen"</li> <li>• JSC "Gazprom Neft Ural"</li> <li>• JSC "Gazprom Neft Yaroslavl"</li> <li>• LLC "Gazprom Neft Northwest"</li> <li>• LTD "Gazprom Neft Asia"</li> <li>• LTD "Gazprom Neft - Tajikistan"</li> <li>• LTD "Gazprom Neft - Kazakhstan"</li> <li>• LTD "Gazprom Neft - Centre"</li> <li>• LTD "Gazprom Neft - Terminal"</li> <li>• LTD "Gazprom Neft - Chelyabinsk"</li> <li>• LTD "Gazprom Neft – Regional sales"</li> <li>• JSC "Gazprom Neft – Transport"</li> <li>• LTD "Gazprom Neft – South"</li> <li>• LTD "Gazprom Neft – Krasnoyarsk"</li> <li>• LTD "Gazprom Neft – Corporate Sales"</li> <li>• LLC "Gazprom Neft – Belnefteprodukt"</li> <li>• JSC "Gazprom Neft – Alternative Fuels"</li> </ul>
Nikola Martinović	-
Goran Knežević	-
Danica Drašković	-
Wolfgang Ruttendorfer	<ul style="list-style-type: none"> <li>• "CA Immobilien" AG, Vienna, Chairman of the Supervisory Board</li> <li>• "Flughafen Wien" AG, Vienna, Member of the Supervisory Board</li> <li>• "RHI" AG, Vienna, Member of the Supervisory Board</li> <li>• Telekom Austria, Chairman of the Supervisory Board</li> </ul>
Anatoly Cherner	<ul style="list-style-type: none"> <li>• JSC NGK "Slavneft"</li> <li>• JSC "Gazprom Neft-ONPZ"</li> <li>• JSC "Slavneft-JANOS"</li> <li>• JSC "Gazprom Neft –MNPZ"</li> <li>• C.J.S.C. "Gazprom Neft-Aero"</li> <li>• C.J.S.C. "St. Petersburg' International Commodities and resources Exchange"</li> <li>• LTD "Gazprom Neft –SM"</li> <li>• LTD "Gazprom Neft Marin Bunker"</li> <li>• LTD "Gazprom Neft – Logistics" (Chairman of BoD)</li> <li>• JSC "Mozirski NPZ"</li> </ul>
Stanislav Shekshnia	<ul style="list-style-type: none"> <li>• Dentsu Aegis Network Russia (Member of BoD)</li> <li>• NLMK (Member of BoD)</li> <li>• LTD "Russian Fishery Company" (Member of BoD)</li> </ul>

#### THE TOTAL AMOUNT OF THE PAYMENTS DISBURSED TO THE BOARD OF DIRECTORS' MEMBERS IN FIRST NINE MONTHS OF 2015, RSD NET

Chief Executive Officer	17,155,396
Other Members of the Board of Directors	48,610,575

#### BOARD OF DIRECTORS' COMMITTEES

In order to ensure the efficient performance of its activities, the Board of Directors has established three standing committees as its advisory and expert bodies providing assistance to its activities, especially in terms of deliberating on issues within its scope of competence, preparation and monitoring of the enforcement of decisions and adopting and performing certain specialized tasks to meet the Board of Directors' needs.

The Board of Directors appointed following member of Board of Directors' Committees for the current terms of office on August 27<sup>th</sup>, 2015.

- Audit Committee:
  - Wolfgang Ruttenstorfer, Chairman of the Audit Committee,
  - Alexey Urusov, Member of the Audit Committee, and
  - Nikola Martinović, Member of the Audit Committee.
- Remuneration Committee:
  - Stanislav Shekshnia, Chairman of the Remuneration Committee,
  - Anatoly Cherner, Member of the Remuneration Committee, and
  - Zoran Grujičić, Member of the Remuneration Committee.
- Nominations Committee:
  - Goran Knežević, Chairman of the Nominations Committee,
  - Kirill Kravchenko, Member of the Nominations Committee and,
  - Stanislav Shekshnia, Member of the Nominations Committee.

The Board of Directors may set up other standing or ad hoc committees to deal with issues relevant to the operation of the Board of Directors, as appropriate.

## SHAREHOLDERS' ASSEMBLY BOARD

The Shareholders' Assembly Board for Supervising Business Operations and the Procedure of Reporting to the Company's Shareholders (hereinafter: Shareholders' Assembly Board) is an advisory and expert body of the NIS Shareholders' Assembly, which provides assistance to the Shareholders' Assembly in its activities and deliberation on issues falling within their scope of competence. The members of the Shareholders' Assembly Board are accountable to the Shareholders' Assembly which appoints them to and relieves them of their duty.

### MEMBERS OF THE SHAREHOLDERS' ASSEMBLY BOARD AS AT SEPTEMBER 30<sup>TH</sup> 2015



#### **Nenad Mijailović**

#### **Chairman of Shareholders' Assembly Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Novi Sad Shareholders**

Born on October 14, 1980 in Čačak, Serbia.

Mr Mijailović graduated from the Faculty of Economics, University of Belgrade in 2003. In 2007, he obtained an MBA degree from the University of Lausanne, Switzerland. In 2010, he started his PhD studies at the Faculty of Economics, University of Belgrade. As from 2011, he has held an international CFA license in the field of Finance. From 2003 to 2009, he worked as a consultant and manager in finance and banking in the following companies: Deloitte Belgrade, AVS Fund de Compensation Geneva, JP Morgan London, and KBC Securities Corporate Finance Belgrade. From December 2009 to August 2012, Mr Mijailović served as Advisor to the Minister in the Ministry of Economy and Regional Development, Department of Economy and Privatization. Since August 2012, he has held the position of Deputy Minister of Finance and Economy of the Republic of Serbia. As of August 2014, he served as the Secretary of State in the Ministry of Finance of the Republic of Serbia.

Mr Mijailović was a member of NIS j.s.c. Novi Sad BoD from 18.06.2013 to 30.06.2014. He was appointed Chairman of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 30.06.2014.



#### **Zoran Grujičić**

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

Born on July 28, 1955 in Čačak, Serbia.

Mr Grujičić graduated from the Faculty of Mechanical Engineering, University of Belgrade. From 1980 to 1994, he was employed with Heat Transfer Appliances Plant "Cer" in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of Interkomerc, Belgrade. From February 1998 to June 2004, he was Managing Director of the Company MNG Group d.o.o., Čačak. From June 2004 to February 2007, he was Director of the Trading Company Agrostroj j.s.c. Čačak, Director of the limited partnership company Leonardo from Čačak and Director of the Vojvodina Highway Centre.

Since February 2007, Mr Grujičić has been employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department, Jugopetrol; Head of RC Čačak at the Retail Department – Čačak Region; Manager of the Retail Network Development of the Development Department, Sales and Distribution. Since 01.10.2012, he has served as Advisor to the Sales and Distribution Director.

He was appointed member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 30.06.2014.





**Alexey Urusov**  
**Member of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad**  
**Member of Audit Committee**  
*Director of Economics and Corporate Planning Department in PJSC "Gazprom Neft"*

Born on November 17, 1974 in Tyumen, USSR.

Mr Urusov graduated from the Tyumen State University (specialist in finance) and the University of Wolverhampton in the United Kingdom (BA (Hons) Business Administration). Mr Urusov holds and MSc degree in Sociology.

From 2006 to 2008 worked as executive vice-president for planning and performance management in the Integra Group. From 2002 to 2006 worked in TNK-VR. From 2002 to 2003 member of TNK BoD's Group for monitoring and control, and in period from 2004 to 2006 worked as CFO in TNK-VR Ukraine.

From 2009 to 2012, Mr Urusov was employed with NIS j.s.c. Novi Sad as Chief Finance Officer.

He was appointed member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 25.06.2012

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

Name and Surname	Number of shares	% in total number of shares
Nenad Mijailović	5	0.000003066%

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

Nenad Mijailović	-
Zoran Grujičić	-
Alexey Urusov	• Supervisory Board member in Gazpromneft Marine Bunker Balkan S.A

#### TOTAL AMOUNT OF FEES PAID TO SAB MEMBERS IN FIRST NINE MONTHS OF 2015, NET RSD

Members of SAB	12,415,370
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#### CHIEF EXECUTIVE OFFICER

The Board of Directors appoints one of its executive members to act as the Chief Executive Officer. The Chief Executive Officer coordinates the activities of the executive members of the Board of Directors and organizes the Company's activities, performs daily management activities and decides on matters which do not fall within the competence of the Shareholders' Assembly and the Board of Directors. The Chief Executive Officer is a legal representative of NIS.

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

#### CEO'S ADVISORY BOARD

The CEO's Advisory Board as an expert body that provides assistance to the CEO in his activities and consideration of issues within its scope of competence. The composition of the CEO's Advisory Board has been determined by the CEO's Decision and it is composed of the first Deputy of CEO, Directors of all Blocks and Functions within the Company, the CEO's Deputy for petrochemical affairs and Regional Directors of NIS j.s.c. Novi Sad for Romania and the Adriatic. The Advisory Board has a Council composed of first Deputy of CEO, Block Directors and the Deputy CEO in charge of petrochemical affairs. The CEO Advisory Board is managed by the CEO and provides him with assistance in relation to the issues concerning the Company's business operations management. In addition to issues concerning the Company's current operations (monthly and quarterly operating results, annual business plans, monthly investment plans), the Advisory Board deals with issues related to strategy and development policy, whose basic principles are established by the Shareholders' Assembly and the Company's Board of Directors.

#### TRANSACTIONS INVOLVING PERSONAL INTEREST AND TRANSACTION WITH AFFILIATES

A person with special obligations to the Company is obliged to promptly notify the Board of Directors of the existence of personal interest (or interest of entities affiliated to him/her) in the legal transactions entered into by the Company and/or legal actions undertaken by the Company.

In the Agreement on Mutual Rights and Obligations which they signed with the Company, the members of the Board of Directors are informed of the obligation to notify the Company in the cases of potentially entering into legal deals with the Company and the covenant not to compete with the Company, as well as other special duties of the members of the Board of Directors.

The Company identifies and ensures entry into legal deals and legal transitions with affiliated entities only those which are not harmful to the Company's business. Legal affairs and legal transactions with affiliated entities are approved by the Board of Directors, in compliance with the Law<sup>4</sup>. The Board of Directors submits to the Shareholders Assembly information on approving entering into transactions involving personal interest at the first following meeting.

In the first nine months of 2015, *NIS Group* had business transactions with its affiliated legal entities. The most important transactions with affiliated legal entities in the said periods were concluded in connection with the procurement/delivery of crude oil and performance of geophysical testing and interpretation services. The transactions with affiliated companies have been listed in the notes to the financial statements.

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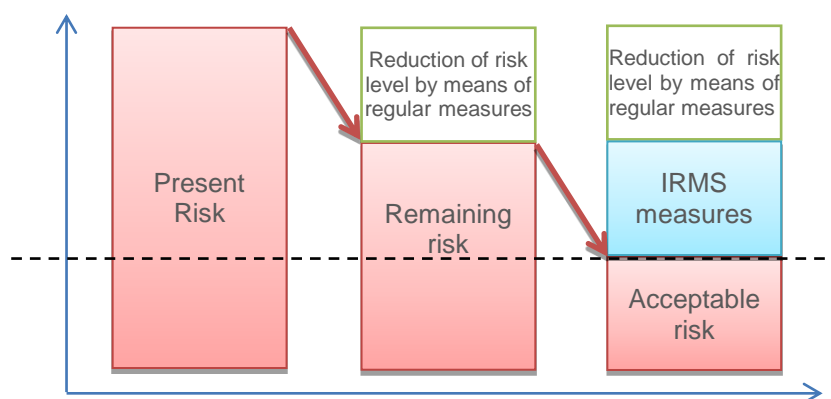
<sup>4</sup> Board of Directors of NIS j.s.c. Novi Sad approves only transactions that NIS j.s.c. Novi Sad concludes with shareholders (GPN), or their related parties, and no other transactions concluded by affiliates of NIS group

## RISK MANAGEMENT

### INTEGRATED RISK MANAGEMENT SYSTEM

NIS has defined its objectives in the field of risk management and established an integrated risk management system (IRMS). IRMS is a systematic, structured, unified, continuous and permanent system of risk identification and assessment, defining the measures for risk management and monitoring their implementation. The basic principle underlying this system is that the responsibility for managing different risks is assigned to different levels of management, depending on the assessed financial impact of the risk.

The process also includes all key subsidiaries<sup>5</sup> through preparation of the consolidated risk register. The parent Company has established the Risk Assessment Section which coordinates and continually develops this process. The objective in the field of risk management is to ensure additional guarantees for achievement of strategic and operational goals by means of a timely risk identification and prevention define the effective measures of risk management and provide for maximum efficiency of these measures.



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

- Adoption of the risk-oriented approach in all aspects of the management activity
- Establishment of the risk management system and monitoring the efficiency of risk management measures
- Risk management authorization and responsibility distribution between the organizational units
- Ensuring the required normative and methodological support
- Informing all employees of the adopted basic risk management principles and approaches
- Systematic analysis of identified risks.

### IRMS INTEGRATION INTO BUSINESS PLANNING PROCESS

Risk assessment constitutes an integral part of the business planning process and the key risk information constitutes an integral part of business plans.

Risk identification and assessment are carried out in parallel with the business planning process. With respect to key risks, the management strategy, risk management measures, required financial resources for measure implementation, and people responsible for their implementation are defined.

In its business operations, the Group faces operational (industrial) and financial risks.

### OPERATIONAL RISKS

As the principal areas of operation include exploration, production, refining of crude oil and gas, sales and distribution of petroleum products, the Group is especially vulnerable to risks related to exploration

<sup>5</sup> NIS Petrol EOOD, NIS Petrol s.r.l., NIS Petrol d.o.o., Jadran – Naftagas d.o.o., Pannon Naftagas kft, Naftagas – Tehnički servisi d.o.o., Naftagas – Naftni servisi d.o.o., Naftagas – Transport d.o.o.

and production of oil. Due to newly raised political situation on international level Group also faces risks arising from the sanctions against Russian companies and the Gazprom Group.

#### *RISKS IN THE FIELD OF OIL EXPLORATION AND PRODUCTION*

One of the prominent goals of NIS Group is to increase the resource base by intensifying the exploration activity. This largely depends on the results of geological and exploration activities aiming at the well stock increase in the country and abroad.

The main risk in the field of exploration and production ensues from unconfirmed estimated reserves and, consequently, failure to achieve the planned increase in the resource base.

NIS has considerable experience in conducting geological and exploration works. Due to the expertise of exploration and production works performed internally by the majority shareholder and the use of up-to-date exploration methods, the probability of this risk is reduced. In order to increase the efficiency and quality of geological and exploration works, the drilling rig fleet has been further modernized.

#### *THE RISK ARISING FROM THE SANCTIONS AGAINST RUSSIAN COMPANIES AND THE GAZPROM GROUP*

As a result of imposing sanctions against Russian companies and the Gazprom Group, as well as the newly developed international situation, political risks i.e. possible risk for long-term development due to limited possibilities for borrowing from commercial banks, have intensified. The Company continuously monitors international developments, assessing the consequences for business and undertaking appropriate activities in order to minimize potential adverse impacts on the Group performance.

#### **FINANCIAL RISKS**

Business operations of NIS Group are exposed to various financial risks: market risk (including foreign exchange risk, price risk, and interest rate risk), credit risk, and liquidity risk. In the conditions of unforeseeable financial markets, risk management helps reduce a potential negative impact on financial operations to a minimum.

#### *MARKET RISK*

**FOREIGN EXCHANGE RISK** – NIS Group performs its business activity in the international settings and is exposed to the risk of volatile foreign currency exchange rates, evolved in the business transactions in different currencies, primarily USD and EUR. The risk is created with respect to future business transactions and recognized assets and liabilities. Part of the risk relating to the impact of the national currency exchange rate against USD is neutralized through natural hedging of petroleum product sales prices, which are adjusted to changes in the exchange rate, and use of risk management instruments such as forward transactions on the foreign exchange market which reduce the impact of foreign currency losses, in case of depreciation of national currency against USD or EUR.

**RISK OF PRICE CHANGE** – In view of its core activity, NIS Group faces the risk of changes in price, primarily of crude oil and petroleum products, which affects the value of stocks and oil refining margin, further affecting the future cash flows. Part of this risk is offset by adjustment of petroleum product sales prices against such changed oil and petroleum product prices. The need to use certain commodity hedging instruments in subsidiaries within the Group, including NIS j.s.c. Novi Sad as a subsidiary, is determined at the level of "Gazprom Neft" Group.

Additionally, the following activities are undertaken in order to reduce the potential negative impact of this risk:

- Annual planning based on the scenario approach, plan follow-up and timely adjustment of operating crude oil procurement plans,
- Regular sessions of the Committee for procurement of crude oil, in order to discuss all major issues regarding both the procurement process and the sales process of crude oil (Angola - Palanca crude oil),
- Tendency to enter into long-term contracts for purchase of crude oil at the best market and commercial terms, including extended payment terms on an open account basis, as well as concluding sales and purchase agreements on the basis of which NIS is released from payment of customs clearance when importing goods, in accordance with the signed interstate agreements, on the basis of obtaining a preferential status,

- conducting occasionally benchmarking procedures in order to carry out the research of the market and movement of prices, i.e. consideration of commercial capacities of the most important potential suppliers of crude oil, renowned companies which are dominant and reliable in the crude oil trade, keeping updated on a daily basis with the crude oil publications, analysis / research of new types of crude oil that have not been refined so far in the NIS plants, analysis and consideration of potential commercial terms of their procurement

**INTEREST RATE RISK** – NIS Group is exposed to the interest rate risk both in terms of its indebtedness with the banks and placement of deposits. NIS j.s.c. Novi Sad takes on loans from commercial banks at floating interest rates and performs sensitivity analysis with respect to change of interest rates in order to estimate if raising a loan at a flat interest rate is required to a certain extent. In addition, NIS places deposits. Term deposits are placed with the major commercial banks exclusively, from which NIS j.s.c. Novi Sad takes out loans and/or credit/documentary lines. Moreover, the term deposits, both in RSD and in foreign currency, are short-term (up to 90 days), at flat interest rates. Based on the aforesaid, revenues and cash flows are substantially independent of changes in market interest rates on deposited funds in the form of term deposits, although the interest rates that NIS j.s.c. Novi Sad can obtain in the market heavily rely on the base interest rate at the moment of depositing (LIBOR, EURIBOR, BELIBOR/reference interest rate of the National Bank of Serbia).

During first nine months of 2015, NIS j.s.c. Novi Sad granted financial loans to foreign companies in which the Company owns the majority interest (NIS Group members), as a source of financing business activities abroad. The loans granted for this purpose are secured at variable interest rates (EURIBOR). The loans granted at variable interest rates expose NIS j.s.c. Novi Sad to the cash flow interest rate risk.

Depending on the net debt at a certain period, any change of the basic interest rate (EURIBOR or LIBOR) has an impact on the NIS Group's results.

#### *CREDIT RISK*

Credit risk management is established at the level of NIS Group. Credit risk is related to cash and cash equivalents, deposits with banks and financial institutions, intercompany loans granted to foreign or local subsidiaries, as well as due to the exposure in wholesale and retail sale risk, including unrecoverable debt and assumed payment obligations.

With respect to credit limits, banks are ranked based on the adopted methodologies applicable to major and other banks, in order to determine the maximum amount of securities to secure claims from one bank.

Regarding the accounts receivable, the developed credit limits methodology defines the level of exposure of specific customers, depending on their financial indicators.

#### *LIQUIDITY RISK*

NIS Group continually monitors liquidity in order to provide sufficient funds for its business operations, while maintaining the level of unused lines of credit, so as to prevent exceeding the credit limits with banks or breach of conditions stipulated by loan agreements.

This type of projection takes into account the Group's debt repayment schedules, compliance with contractual terms and compliance with internally-set goals, and it is based on the daily cash flow projections of the entire NIS Group which are the basis for making decisions on the need to raise external loans, in the cases of which adequate bank financing sources are secured, provided compliance with the allowable limits set by PJSC "Gazprom Neft".

Aiming to increase liquidity and decrease dependence on external financing sources, as well as to decrease the NIS Group's costs of financing, as of 1 January 2014, the cash pooling system has been introduced for liquidity management, which involves the centralized management of liquidity and financing with respect to the division of NIS Group in the Republic of Serbia<sup>6</sup>.

As of mid-September 2014, NIS j.s.c. Novi Sad has been facing the risk of limited external financing capabilities due to the EU and US sectorial sanctions imposed against Russian companies. Owing to

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<sup>6</sup> NIS j.s.c. Novi Sad and subsidiaries Naftagas - Naftni servisi, Naftagas - Tehnički servisi, Naftagas - Transport, and NTC NIS Naftagas

continuous monitoring of geopolitical situation and capital market trends, as well as the timely response and entering into lines of credits with the banks before introduction of the aforesaid sanctions, NIS j.s.c. Novi Sad has managed to secure sufficient limits for documentary business and credit financing of NIS Group for first nine months of 2015. Besides this, in order to obtain necessary financing for future period, in first 9 months of 2015. NIS has negotiated/contracted new credit lines with Serbian, Russian as well with EU banks established in Serbia (exclusion from EU sanctions regime for long term financing of import from EU), securing by this way needed funding for 2016.

## BUSINESS ENVIRONMENT

### WORLD

In its autumn report, the IMF finds that the global economy is still growing at a moderate pace, given that the recovery of the developed economies is still modest, while the developing economies are lagging. The slackening of the pace for five years running reflects a combination of factors: a weaker growth with oil exporters, slowdown in China's economy, relying mildly on commodity-intensive investments, adjustments after increased loan and investment activity, and bleaker prospects for exporters of other commodities, including those in the Latin America.

In its regular autumn outlook, the IMF marginally marked down the global economic growth forecast for the current and the next year, to 3.1 and 3.6 per cent respectively. The figures are each down by 0.2 percentile points compared to the forecast published in May this year.

The previous quarter was generally a tumultuous and unstable period for global markets. In early summer, Greece reached an agreement with its creditors. Even though the concerns over Greece gradually diminished and positive economic outlooks continued to arrive from Europe, this was insufficient to isolate the continent from successive shocks of market instability, which slashed indexes in nearly all major advanced markets.

During the second quarter, the United States of America were rocked by two shocks: strengthening of the dollar that resulted from the U.S. monetary policy and the global plunge in oil price. Both factors have their negative consequences. The strong dollar means more imported goods, travels to cheaper international destinations for vacation, while the low price of oil reduced revenues from export.

Global crude oil output continues to exceed consumption, leading to inventory build-up. The global oil supplies in the second quarter of 2015 averaged 2.3 million bbl/day, whereas the figure for the first quarter this year is 1.8 million bbl/day. Supplies are expected to decrease progressively to an average of 1.8 million bbl/day.

EIA forecasts that the average price for Brent crude will jump from 54\$/bbl in 2015 to 59\$/bbl in 2016. EIA also expects instability to continue regarding the price of crude oil.

### SERBIA

Serbia continues to follow an upward trend in the total industrial production, which brought a 12.9% increase in August compared to the same month last year, whereas the cumulative industrial production in January–August 2015 increased by 6.9% year-over-year. This increase in industrial production resulted from the fact that it had gradually overcome the difficulties caused by last year's May floods. The considerable increase in August production was seen with the exact industry sectors that were most hit by the floods: electricity supply – gained 43.3%; mining – gained 14.6% (higher exploitation of coal ore after the Kolubara Basin was gradually put into operation); manufacturing – a 6.5% increase; food industry - a 2.8% increase. These were the best results in 2015. The statistics on industrial production, exports, investment potential and domestic retail turnover show an upturn in Serbia's economic activity.

Industrial production is expected to follow an upward trend by the end of this year. The manufacturing sector should grow by no less than 6% this year, and after the start-up of the second blast furnace in Smederevo, the growth in this industry sector is expected to be even greater.

Export gains remain the decisive factor for improving the industrial production. Euro-denominated exports of goods in January-August saw an increase of 9.0% compared to the same period last year. The import ratio is 74.7% and it is better than last year when the figure was 72.6%. Exports can be pushed towards a positive trend with potentially increased demand for Fiat Group vehicles, especially in the U.S.A., in the wake of the scandal involving Volkswagen over the manipulation of emissions data for their diesel engines. The largest share in exports in the first eight months this year came from agriculture, which accounted for around 150 million euros in August alone. A downturn in the dollar-denominated exports and imports, just as the overall foreign exchange, stemmed from the strengthening of this currency against both the dinar and the euro. The imports of goods saw a year-over-year increase of 5.9%. Crude oil and natural gas are the crucial imported products and the year-over-year fall in their import value resulted from the global decline in their prices.

Gross domestic product growth in real terms in the second quarter of 2015 was 1.0% from the last year's figure. The adjusted data show a 2.2% rise in the gross domestic product in the second quarter of

2015 compared to the previous quarter. According to the October outlook by the International Monetary Fund (IMF), Serbia's gross domestic product (GDP) is expected to gain 0.5% this year.

The year-over-year inflation in August remained at 2.1%, as an effect of higher prices of electricity, food and utilities. The IMF also forecasts that this year's inflation in Serbia will stand at 1.6%, that Serbia's current account deficit will be 4.0% of the GDP, along with 20.6% unemployment rate.

Average net salaries paid in August were 2.1% lower than in July (3% in real terms). The average salary after deducting taxes and contributions for January–August 2015 was lower by 0.8% in nominal terms (2.2% in real terms) compared to the average salary without taxes and contributions paid in January–August 2014. The public sector saw the sharpest decrease in the average net salaries paid in the first eight months this year, compared to the same period last year, due to the effects of the fiscal consolidation measures. Apart from the state administration, salaries also fell considerably in education, health care and social services.

The employment trends over the year reflect the implementation of fiscal consolidation measures and downsizing in unsuccessful private companies and the public sector. Forecasts show that employment was highest in December 2014, but then it started to plunge triggered by the process of restructuring of non-privatised companies and closedown of those companies that attracted no investor interest.

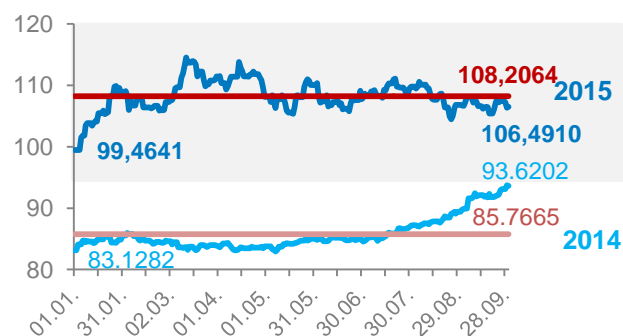
The level of employment in the Republic of Serbia in the second quarter of 2015 rose from the previous quarter and from the same quarter last year by 1.3 and 2.8% respectively.

The budget deficit in August continued to fall and stood at 6.8 billion dinars, so the figure for eight months this year was 31 billion dinars, incomparably less than the last year's figure of 142.3 billion dinars. The drop in the budget deficit stemmed predominantly from the salary and pension cut in the public sector. A jump in revenues from excise duties in August totalled 85%, mainly owing to the introduction of the excise duty on electricity.

The good news is that the market of sales of problematic loans was set in motion, which produces no major effect at present, but could largely impact on the future financial market.

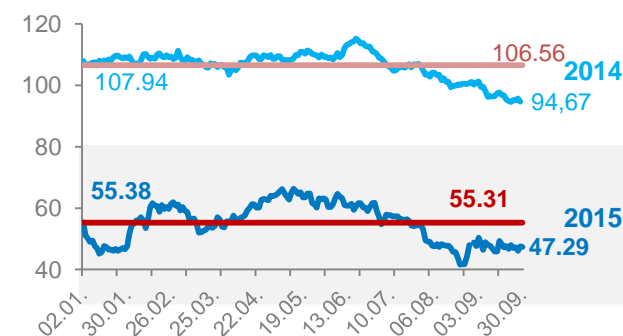
This region, according to the IMF, benefited from lower oil prices and the gradual recovery of the Eurozone, but was also hit by the economic slowdown in Russia and the effects of increased corporate debt from investments.

### USD/RSD Exchange rate trends<sup>7</sup>



- Average USD/RSD exchange rate is by RSD 22.4399 i.e. 26% higher in 9M 2015 than the average rate in 9M 2014
- Average USD/RSD exchange rate increased by RSD 7.0269 i.e. 7% in 9M 2015
- Average USD/RSD exchange rate increased by RSD 10.492 i.e. 13% in 9M 2014

### Crude oil Brent<sup>8</sup> type trends, in USD/bbl.



- Average price of Brent crude oil is by 51.25 \$/bbl i.e. 48% lower in 9M 2015 than the average price in 9M 2014
- Average price of Brent crude oil decreased by 8.09 \$/bbl i.e. 15% in 9M 2015
- Average price of Brent crude oil decreased by -13.27\$/bbl i.e. 12% in 9M 2014

<sup>7</sup>Source: National Bank of Serbia

<sup>8</sup>Data for Europe Brent Spot Price FOB; Source: U.S. Energy Information Administration ([http://www.eia.gov/dnav/pet/pet\\_pri\\_spt\\_s1\\_d.htm](http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm))



## MARKET SHARE

### MARKET SHARE ON SERBIAN MARKET

In the first nine months of 2015, the overall consumption of petroleum products went up in Serbia mostly as a result of an increased consumption of diesel fuel, heavy fuel oil, and bitumen and, to a lower degree, gasoline, primarily impacted by lower petroleum product prices and major infrastructural works.

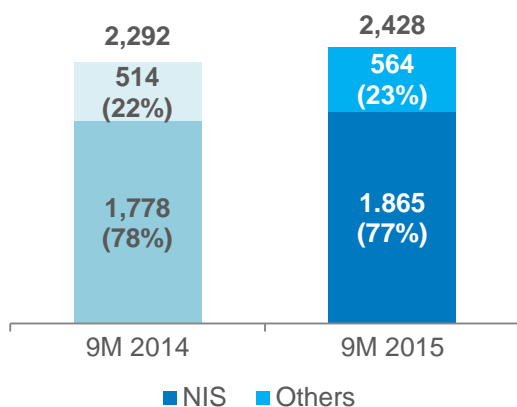
The reason that NIS has preserved its exceptionally high market share is its flexible business approach and readiness to adopt its portfolio to customers even in the conditions of rapidly changing market dynamics.

The overall year-on-year increase of the retail market share in the first nine months of 2015 is 4.1%, although there are some changes in its structure. NIS' increased share in the Serbian retail market is characterized by a rise in sales of gasoline and diesel and a slight drop in sales of LPG.

The falling demand for LPG is compensated for by a substantial increase in the diesel pool consumption, which is associated with the operative stocking in retail facilities early this year and suspension of retail sale of heating oil which was used as a substitute for motor oil throughout 2014. The fuel marking process has resulted in an increase in sale of petroleum products through legal channels.

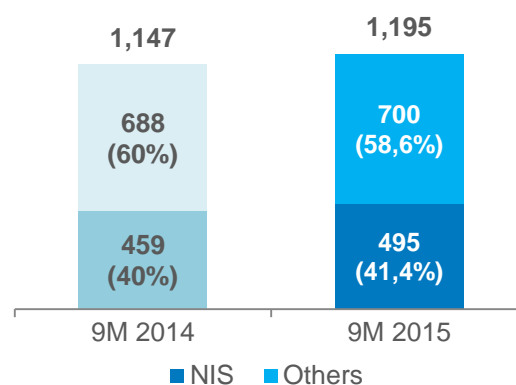
#### The volume of overall petroleum products market in the Republic of Serbia, in thousand tons

**2,428**  **+6.0%**



#### Retail market in the Republic of Serbia<sup>9</sup>, in thousand tons

**1,195**  **+4.1%**



<sup>9</sup>NIS and other competitors' sales include motor fuels (gas, motor fuels, diesel and EL fuel oil used as motor fuel). LPG bottles excluded.

## MARKET SHARE IN BOSNIA AND HERZEGOVINA, BULGARIA AND ROMANIA

### BOSNIA AND HERZEGOVINA

Motor Fuel Market has been recovering more slowly than the overall region due to the low economic activities.

Retail operators have been conspicuously consolidating with expanding local oil products distributing chains (HIFA, Nešković, Petric), and NESTRO Group optimising its network.

### BULGARIA

The gradual recovery of the Bulgarian market continued in 2015, as the result of an increase in the consumption of diesel fuel, which should be a key factor for further growth in the long term.

A new refinery block was opened in Burgas in May, owned by Lukoil. The hydrocracking facility will increase its refining capacity by about one million tonnes of petroleum products intended both for the domestic market and exports, primarily to Turkey market.

### ROMANIA

The motor fuel market has had a recovery, mostly due to lower prices.

After the ENI acquisition (48 petrol stations), MOL now operates a more than 200 station network in Romania, which makes it the third biggest operator in Romania.

Rompetrol will invest in 11 new retail facilities by the end of this year, and Sokar, according to plan, will invest in 12 new petrol stations.

	Bosnia and Herzegovina	Bulgaria	Romania
Number of petrol stations	35	35	18
Share in overall motor fuel market	8.9%	3.1%	0.5%
Share in retail motor fuel market	9.3%	3.9%	0.7%

## RESULT ANALYSIS

## KEY PERFORMANCE INDICATORS

Q3 2015	Q3 2014	Q3 2015 Q3 2014 (%) <sup>10</sup>	Key Indicators	Measurement Unit	9M 2015	9M 2014	9M 2015 9M 2014 (%) <sup>19</sup>
49.5	100.9	-51%	Urals crude oil	\$/bbl.	54.6	105.5	-48%
6.0	4.1	+45%	Net (loss) profit	bn RSD	10.9	21.1	-48%
11.3	16.4	-31%	EBITDA <sup>11</sup>	bn RSD	32.3	47.3	-32%
55.8	71.2	-22%	Sales	bn RSD	159.2	193.9	-18%
11.7	17.7	-34%	OCF	bn RSD	36.0	19.3	+87%
42.1	34.6	+22%	Liabilities for taxes and other public revenues <sup>12</sup>	bn RSD	109.3	97.9	+12%
395	415	-5%	Oil and gas production (Serbia and Angola) <sup>13</sup>	thou. t.o.e.	1,190	1,252	-5%
890	678	+31%	Oil and semi-finished products refining volume	thou. tons	2,401	2,252	+7%
872	828	+5%	Total petroleum products sales volume	thou. tons	2,335	2,253	+4%
54	42	+26%	Sales volume – foreign assets	thou. tons	142	115	+23%
701	664	+6%	Petroleum products sales on domestic market <sup>14</sup>	thou. tons	1,893	1,786	+6%
469	451	+4%	Motor fuels	thou. tons	1,227	1,178	+4%
183	175	+5%	Retail	thou. tons	496	460	+8%
41	40	by 1%	Market share on retail market in the Republic of Serbia	%	41	40	by 1%
6.4	9.1	-29%	CAPEX <sup>15</sup>	bn RSD	18.9	26.9	-30%
677	744	-9%	Total bank indebtedness <sup>16</sup>	m USD	677	744	-9%

<sup>10</sup> All discrepancies are due to rounding errors

<sup>11</sup> EBITDA = Sales revenues (excluding excise) – inventory costs (crude oil, petroleum and other products) – operating expenses (OPEX) – other costs that can be controlled by the management

<sup>12</sup> Taxes, duties, fees and other public revenues calculated for the relevant period. The overview includes NIS' tax obligations and other public revenues in Serbia and in other countries in which it operates.

<sup>13</sup> Oil production includes gasoline and light condensate, and gas production takes into account commodity production of gas.

<sup>14</sup> Besides motor fuels includes sales of other petroleum products

<sup>15</sup> Financing; VAT excluded

<sup>16</sup> Total bank indebtedness = total debt to banks + letters of credit. As of 30 September 2015 total bank indebtedness is consisted of USD 670 million of total debt to banks and USD 7 million of letters of credit

## OPERATIONAL INDICATORS

## EXPLORATION AND PRODUCTION

Compared with the business plan the production of crude oil and gas exceeds the plan.

The total production of oil and gas in the first nine months of 2015 stands at 1,190 thousand t.o.e., which is 5% less than in the same period in 2014.

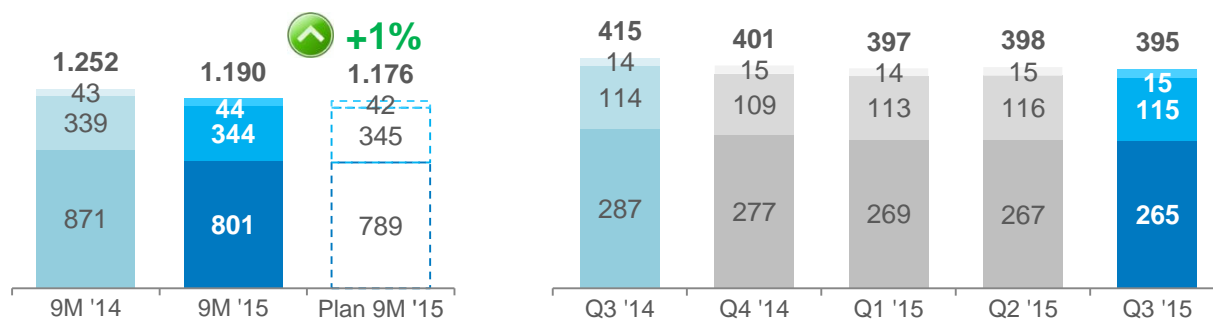
The hydrocarbon reserve increment for 2015 is assessed to be 5%.

## Oil and gas production, thousand t.o.e.

1,190

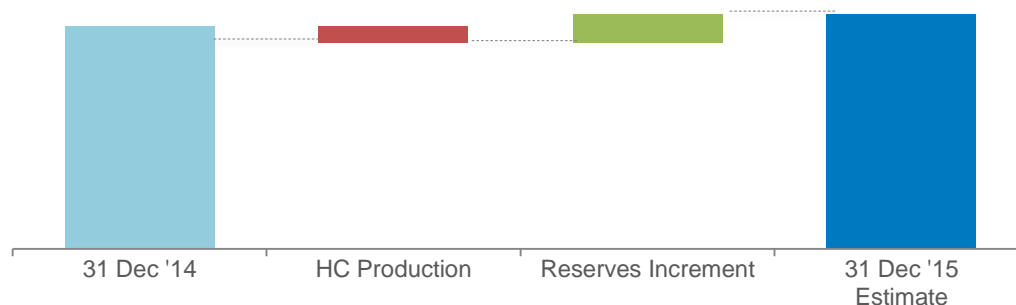
-5%

■ Serbia – crude oil  
■ Serbia - gas  
■ Angola



## Estimate on growth of hydrocarbon reserves in 2015

+5%



## SERVICES

In the 3rd quarter of 2015, the field work on 3D Turija 1 project for Exploration and Production Block was finished, as well as the work on the 3D Jadar project for the third party Rio Sava. Demobilization and preparation for the project Turija 2 started.

The Services block worked with 6 drilling rigs in Q3. Furthermore, the current maintenance of the drilling rig Continental Emsco was finished and it was sent to the location Kiz-X-1 for work performance. On average, 16 workover rigs were engaged for the needs of the fulfilment of the production plan of the Exploration and Production Block. One drilling rig was engaged in September in Bosnia and Herzegovina on Obudovac well. In addition, the Workover Department won the tender for operations in Rumania which are scheduled to start towards the end of the year and be finished in early 2016. Preparations for mobilization are under way.

The Control Section from laboratories extended the certification with ATC, widening also the range of testing methods. The works within the scope of testing and calibration were performed during the workover in the Unit for preparation and transport of oil and gas (PITNIG) and during the Pancevo

Refinery overhaul in September. Testing continued in the Tubing centre in Q3 with the increased volume of operational, production tubing and piston rods.

The Process System Maintenance and Handling Department was engaged in September in the following activities: replacement of mechanical seals on process pumps of the unit S-2200 Vacuum Distillation, overhaul of refinery units of FCC, Alkylation, SARU 1, reconstruction of tanks at Turija, assistance during the C. Emsco drilling rig workover, Novi Sad power plant overhaul, OZNI maintenance, cleaning of reservoirs and separators of Retail, Sales and Distribution Block.

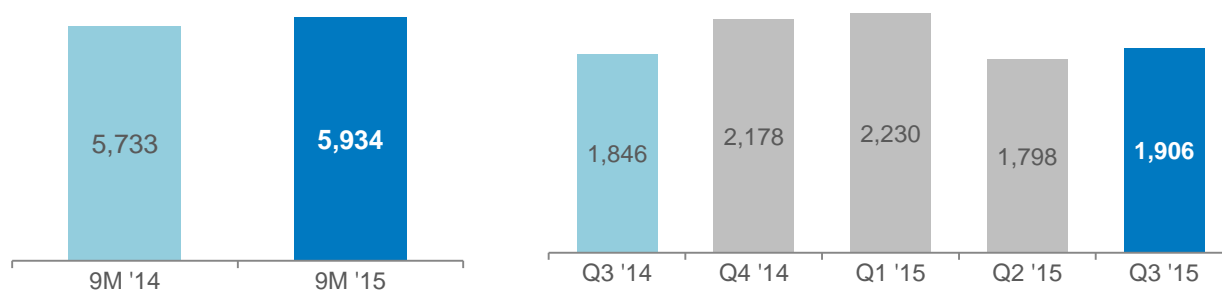
Department for workover, maintenance and production of technical assets for UPS and OFS was engaged in the first half of the year in the configuration of cementing aggregates, repair of unit ST-1, pumps F100 and TMR, servicing of gasmotor compressors Clark and Ajax, making the new main distribution panels and lighting on new workover rigs. The key activities of the Department in Q3 included the current maintenance of drilling rig C.Emsco, unit ST-1 and IHC-1, servicing of gasmotor compressors Clark and White Superior, maintenance of pumps.

The Construction Department gained savings in materials and time for the Exploration and Production Block by working on the erection of prefabricated concrete foundations for the main foundation, as well as by preparing the locations applying the already used materials, including using them for drilling and workover activities. Furthermore, fences around the wells and footbridges were made from scrap metal – the used tubing material and reuse of waste construction material for the restoration of locations and repair of platforms, roads, locations.

### Drilling services, number of operations

**5,934**

↑ +4%



### REFINING

The first nine months of 2015 saw a 7% increase in the refining throughput and in further processing of semi-finished products compared with the previous year, so the petroleum refining throughout and further processing of semi-finished products totalled 2,401 thousand tonnes. Operating plans, tailored to meet the market demand, were fulfilled in petroleum refining and further processing of semi-finished products.

A contract was signed with CB&I for the preparation of the basic design package and front-end engineering design (BDP/FEED) for the Bottom of the Barrel Project. The development of the Conceptual Design for the Bottom of the Barrel Project. Submission of the basic design package (BDP) for the DCU Project by CB&I.

The vacuum distillation plant (S-2200) was optimised with the aim of increasing the VGO recovery. As a result, the stability of the plant's operation improved and the ejector system's water vapour consumption was significantly reduced.

The diesel dewaxing plant (S-2400 HDS) was started up with the aim of improving the low-temperature performance of diesel fuel and obtaining the satisfactory level of quality of this product. The catalysts were replaced, whereby the purpose of the plant changed so it is now used for dewaxing of euro diesel from the S-4300 plant. The S-2400 plant was started up on 31 January (following the catalyst replacement) and a test run completed in March.

A capital overhaul of the Bitumen Plant was conducted in January.

The FCC complex and SARU were successfully revamped in September. A total of 16 pumps in the S-2200 Vacuum Distillation were repaired in order to increase reliability. All the works carried out as part of the planned turnaround were duly completed and met the quality requirements, which will ensure a continuous, reliable and safe operation of the plant.

During the closedown in September 2015, works continued in the FCC complex and the Alkylation Unit to repair the hydrocarbon leaks detected by LDAR method (leak detection and repair).

Refining recorded 365 days without injuries

The first regular audit of the management system against SRPS OHSAS 18001:2008 and certification of the Refining

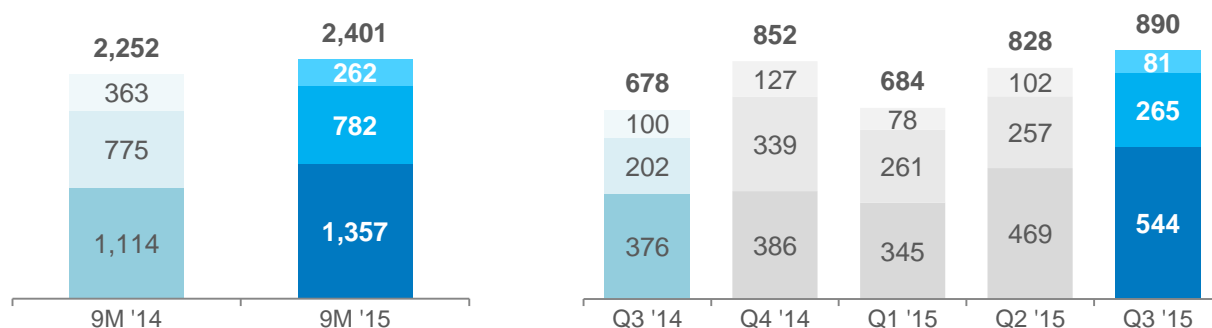
The Voluntary Industrial Fire Brigade of the Refining was established and was success in its activities. Demanding training and hard work brought them participation in the state competition "Training Centre Development and Training on Polygons in Fire Protection, Working at Height and Working in Confined Space" (refinery staff and contractors).

### Refining volume<sup>17</sup>, thousand tons

**2,401**

**+7%**

■ Imported crude oil  
■ IDomestic crude oil  
■ Semi-finished products



### SALES AND DISTRIBUTION

In the first nine months in 2015, the sales were increased by 4% as compared with the same period last year, so that the overall sales in Serbia and foreign assets amounted to 2,335 thousand tons.

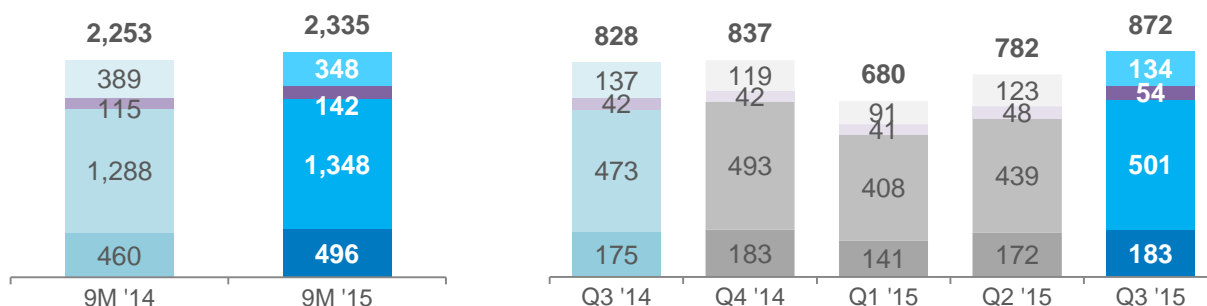
- Retail - increase in the retail sales volume by 8%.
  - Retail sales increase is in the first place the consequence of an increase in the sales of diesel fuel by 11%, as well as motor gasolines by 4%.
- Wholesale sales - increase by 5%.
  - The sales of motor fuels were increased by 6%, out of which the gasoline related increase amounted to 6%, and diesel related increase amounted to 7%.
  - The increase in the sales of fuel oil amounted to 18%.
  - The increase in the sales of bitumen amounted to 41%.
  - There was a decrease in the sales of LPG (11%)
- Export - decrease by 11%.
  - Lower export as compared with the first 9 months of 2014 was a result of a big decrease in the sales of fuel oil (71%) and straight-run gasoline (48%)
  - Increase in the sales of motor fuels by 19%.
  - Increase in the sales of propylene by 115%

<sup>17</sup>crude oil and semi/finished products refining

- Foreign assets – increase by 23%.
  - Increase in the sales of motor fuels by 25%, out of which the sales of diesel were increased by 63% and the sales of gasoline were decreased by 21%.

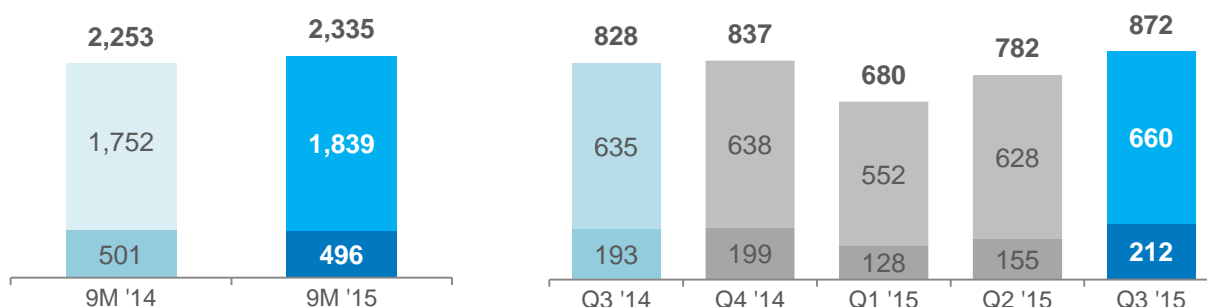
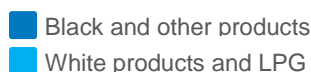
## Sales volume, thousand tons

2,335

 +4%


## Sales structure, thousand tons

2,335

 +4%


## ENERGY

The total production of electricity in the first 9 months of 2015 stands at 86,078 MWh. The constructed small-scale electricity generating plants produced 54,544 MWh of electricity from 17.8 million m<sup>3</sup> of non-commercial gas. The Pančevo energy plant produced 31,534 MWh of electricity.

The CHP Pančevo implementation activities continue. The following companies have been established: Serbskaya generaciya and CHP Pančevo with a view to implementing the project. The drafting of the feasibility study and the preliminary design in line with the laws and regulations of the Republic of Serbia are under way. The public hearing regarding the general regulation plan has been completed, and the Pančevo Town Council has adopted it.

In the first nine months of 2015, the following small-scale electricity generating plants were put into operation: Bradarac (0.3 MWh), Velebit 3 (2 MW), Turija 1 MW), and Sirakovo 2 (2 MW). The project has been approved and the tender has been finished for the procurement of the main equipment and the service of planning and design of the small-scale electricity generating plant Majdan (2.41 MW). In addition, the implementation of the project of construction of the Sirakovo 3 small-scale electricity generating plant (4.5 MW) has been approved.

In the first nine months of 2015, the daily electricity trade volume reached 60 MWh/h. In the same period, collaboration started with the Electrical Power Industry of the Republic of Srpska and the Electrical Power Industry of Bosnia and Herzegovina.

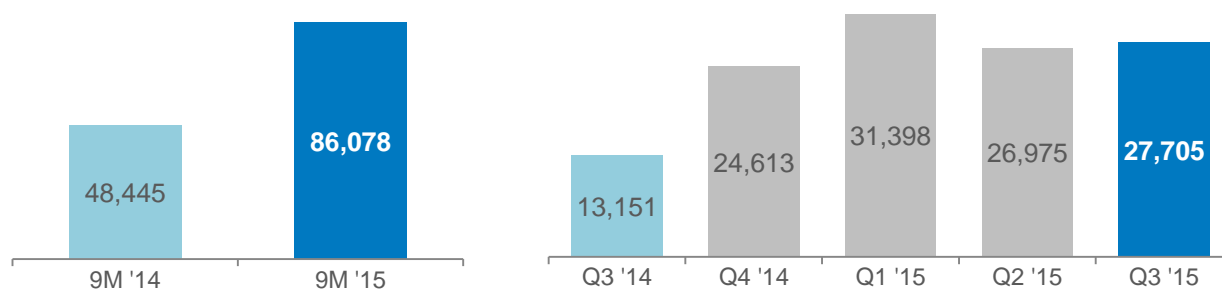
The compressed natural gas (CNG) filling post was put into commercial operation at the PS Novi Sad 10. The implementation started of the project of construction of a compressed natural gas (CNG) filling post at the FS Čačak 1. In Q2 the construction of a CNG filling station at the Ostrovo gas field was also contracted.

The possibility of financing the project of construction of the Plandište wind farm with the German ECA Hermes was reviewed; an offer was received from the Chinese company CEE for the purchase of a project share, and the drafting of the documentation necessary for the implementation is under way.

### Produced electricity, in MWh

**86,078**

📈 **+78%**





## FINANCIAL INDICATORS

Net profit and EBITDA have continuously been affected by the fluctuations of prices of crude and oil products and the USD/RSD exchange rate. The increase of the USD/RSD exchange rate by almost one third and the price of oil that has gone down by half in the first nine months of this year in comparison with the same period of the previous year had a negative impact on the result, however, on the other hand they brought about the growth of spending and sales. However, due to the reduced prices of crude and oil products the growing sales in operative indicators did not equally influenced sales revenues. However, notwithstanding the indicated negative impact, NIS ended its business in Q3 2015 with positive result with strengthened operative cash flow due to lesser payments for the procurement of the crude oil and the savings achieved in OPEX.

### SALES

The sales volume growth notwithstanding, the drop in the petroleum product prices resulted in a drop of sales revenue.

The average price of the Urals oil in the first nine months of 2015 stands at 54.64 \$/bbl, which is 48% lower than the average price for oil of this type in the same period last year.

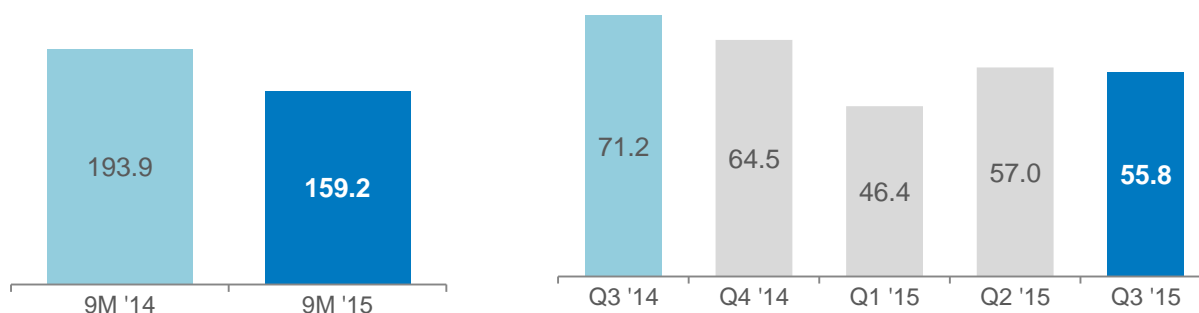
Decrease of retail prices of petroleum products in 9M 2015 is app. 7.7% compared to the same period last year.

Changes in retail prices	$\Delta \frac{Q3\ 2015}{Q3\ 2014}$ (%)	$\frac{9M\ 2015}{9M\ 2014}$ (%)
Euro premium BMB95	-7.04%	-8.91%
Euro diesel	-7.60%	-6.46%

Excise tax on euro diesel was raised from 46 RSD/l to 50 RSD/l as of 1 January 2015.

### Sales, bn RSD

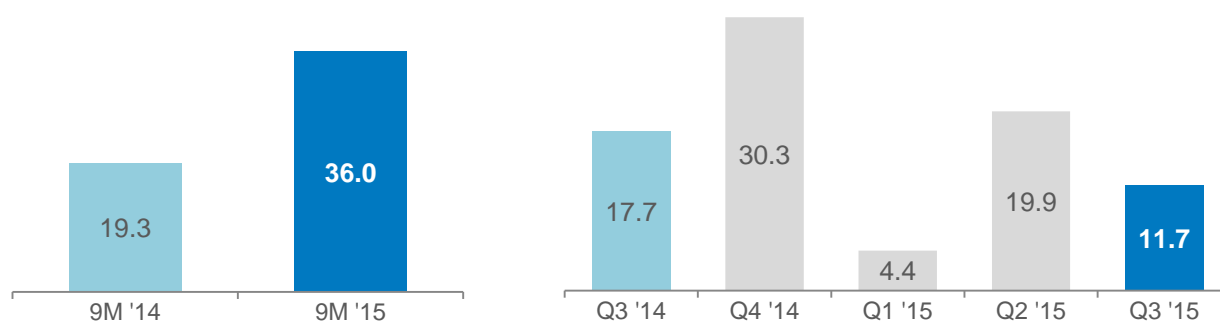
**159.2**  **-18%**



*OCF*

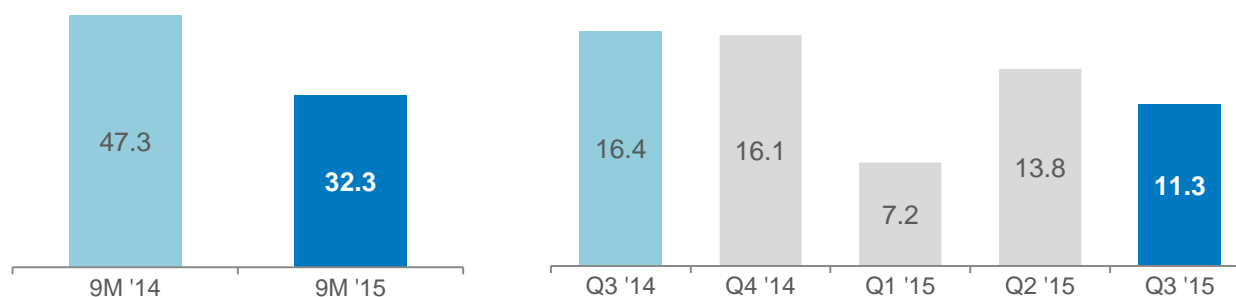
Operating Cash Flow increased due to:

- Lower outflow for import of crude and oil products (lower oil price)
- Measures of operational efficiency (lower OPEX, extended payment period to 60 days)

**OCF, bn RSD****36.0**
 **+87%**
*EBITDA*

EBITDA for 9M 2015 was by 32% lower than in 9M 2014:

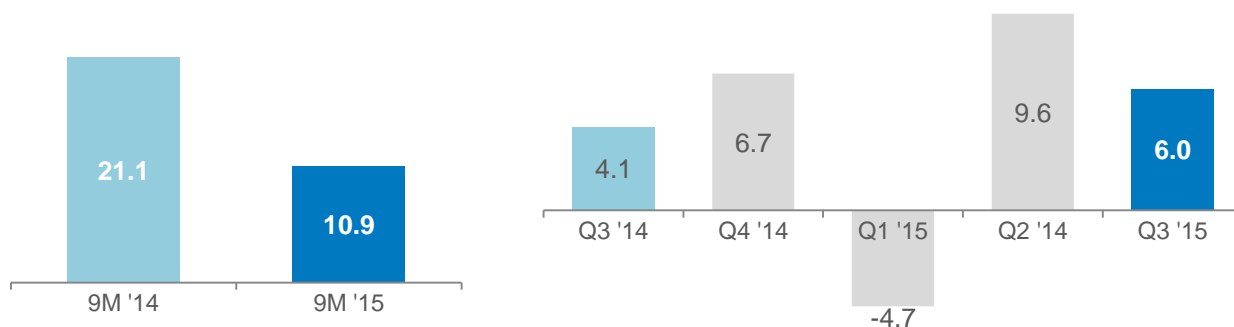
- Fluctuation of prices of crude oil and petroleum products

**EBITDA, bn RSD****32.3**
 **-32%**


**NET (LOSS) PROFIT**

Net profit for the first nine month of 2015 stand at 10.9 billion dinars, and have dropped by 48% compared to the same period last year:

- Price of crude oil and petroleum products
- Negative net exchange rate difference comprising 4.5 bn RSD

**Net (Loss) Profit, bn RSD****10.9**
 **-48%**
**OPERATING EFFICIENCY**

On-going program of increasing operation efficiency brought NIS 5.8 billion RSD in 9M 2015. Estimated effect for 2015 is 6.8 billion RSD with an additional effect of 2.7 billion RSD.

**RATIOS**

	9M 2015	9M 2014
<b>Return on total capital</b> (Gross profit/total capital)	8%	15%
<b>Net return on equity<sup>18</sup></b> (Net profit/shareholders equity)	13%	26%
<b>Operating net profit</b> (Operating profit/net sales income)	15%	21%

	9M 2015	FY 2014
<b>Degree of leverage</b> (short term and long term liabilities/shareholders equity <sup>18</sup> )	95%	97%
<b>Degree of leverage</b> (short term and long term liabilities/ shareholders equity <sup>18</sup> )	219%	218%
<b>1st degree liquidity</b> (cash and cash equivalents/short term liabilities)	25%	11%
<b>2<sup>nd</sup> degree liquidity</b> (current assets - inventories/short term liabilities)	106%	94%
<b>Net working fund ratio</b> (current assets – current liabilities/total assets)	9%	10%

<sup>18</sup> shareholders equity = share capital

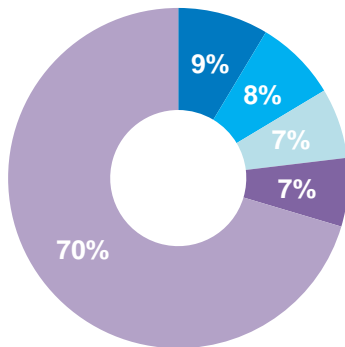
## CHANGES IN ASSETS AND LIABILITIES OF MORE THAN 10%

Assets	Change (in %)	Explanation
Long-term receivables	-23%	Decrease in long term receivables as of 30 September 2015 compared to 31 December 2014, in its entirety refers to the decrease in receivables based on financial leasing.
Deferred tax assets	-10%	Decrease in deferred tax assets as at 30 September 2015 compared to 31 December 2014 in full relates to the abolition of deferred tax assets formed from the previously recognized tax credits for investments.
Inventories	-25%	Decrease in inventories as of 30 September 2015 compared to 31 December 2014 is mainly related to the decrease in crude oil inventories in the amount of 6,493,535 thousand RSD.
Cash and cash equivalents	121%	The increase in cash and cash equivalents as at 30 September 2015 compared to 31 December 2014 is mainly related to the increase of cash in the bank accounts in the amount of 9,388,905 thousand RSD.
Value added tax	25%	The increase of receivables for overpaid value added tax at of 30 September 2015 compared to 31 December 2014 in full is related to the growth of receivables arising from VAT.
Prepayments and accrued income	-25%	Decrease in prepayments and accrued income as of 30 September 2015 compared to 31 December 2014 mainly refers, in the amount of 1,835,305 thousand RSD, to the decrease in receivables based on reimbursement of excise duty.
Liabilities	Change (in %)	Explanation
Short-term financial liabilities	32%	Increase in short-term financial liabilities as of 30 September 2015 compared to 31 December 2014 relates to the transfer of the current portion of long term loans, in the amount of 6,962,625 thousand RSD, on the one hand and the reduction of liabilities based on short-term loan, in the amount of 2,227,847 thousand RSD, on the other.
Received advances, deposits and downpayments	-31%	Decrease in advances received on 30 September 2015 compared to 31 December 2014 mainly relates, in the amount of 394,621 thousand RSD, to the closing of advances received from the Ministry of Defence of the Republic of Serbia.
Trade payables	-14%	Decrease in trade payables as at 30 September 2015 compared to 31 December 2014 is mainly related to a decrease in liabilities to Litasco SA Switzerland in the amount of 5,453,974 thousand RSD.
Liabilities for VAT	1.189%	The increase in liabilities arising from value added tax as at 30 September 2015 compared to 31 December 2014 is entirely related to the increase in VAT liabilities
Other taxes, contributions and other charges	-12%	Decrease of liabilities for other taxes as at 30 September 2015 compared to 31 December 2014 is mainly related to a reduction in the excise tax liabilities in the amount of 390,042 thousand RSD and decrease of liabilities for commodity reserves in the amount of 330,615 thousand RSD.
Accrued costs and deferred revenues	-52%	Decrease in accrued liabilities as at 30 September 2015 compared to 31 December 2014 is mainly related to the decrease of earlier accrued liabilities to suppliers.

*BIGGEST BUYERS AND SUPPLIERS*

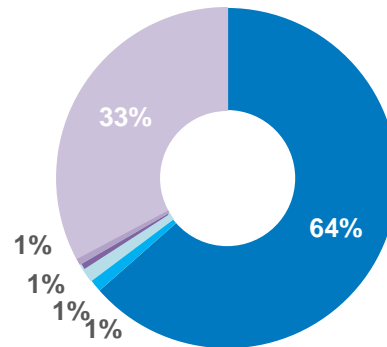
**Biggest Buyers<sup>19</sup>**

- Knez Petrol
- HIP Petrohemija
- OMV Serbia
- Eko Serbia
- Other buyers



**Biggest Suppliers<sup>20</sup>**

- Gazprom neft
- Schlumberger oil and gas technologi
- MOL Serbia
- Janaf
- Daxin Petroleum PTE
- Other suppliers



<sup>19</sup> Data for NIS j.s.c. Novi Sad for period from 1 January until 30 September 2015

<sup>20</sup> Data for NIS j.s.c. Novi Sad as of 30 September 2015

## INDEBTEDNESS

The increase in Indebtedness is a result of pre-withdrawal of available banking limits in order to use unlimited (contracts signed before EU/US sanctions, availability period expired in Q3 2015) banking limits and prepare reserve cash funds for investment needs in Q4 2015 and 2016. Notwithstanding the overall increase in indebtedness to banks, there has been a significant reduction in the share of documentary instruments required to be provided as a collateral (Letters of Credits, Letters of guarantees, Letters of Intents,...) in the total indebtedness. Our negotiations with partners resulted in the replacement of banking documentary instruments with corporate guarantees, which led to the savings in the banking expenses and preservation of limited banking limits that were subsequently used for other purposes, which is essential in the situation under sanctions regime.

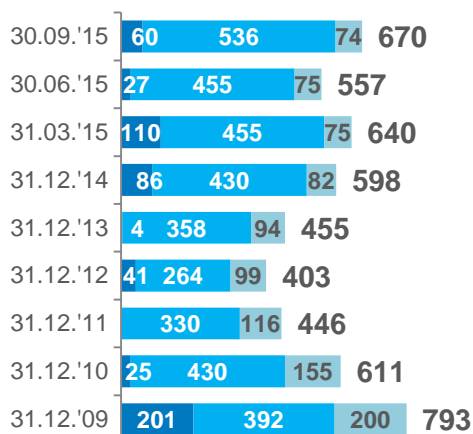
In first nine month of 2015, the share of mid-term loans in credit portfolio has increased, which resulted in an improved maturity structure of the portfolio. Other than that, currency structure of the credit portfolio has been changed – reduction in the share of loans in USD in the overall indebtedness to banks compared to the previous period (from 86% to 72%), and the increased share of loans in EUR (from 13% to 28%), which thus eliminated negative effects of the change in the USD/RSD exchange rate, which in 2015 is significantly more volatile than the EUR/RSD exchange rate.

### Total debt to banks, million USD<sup>21</sup>

## 670

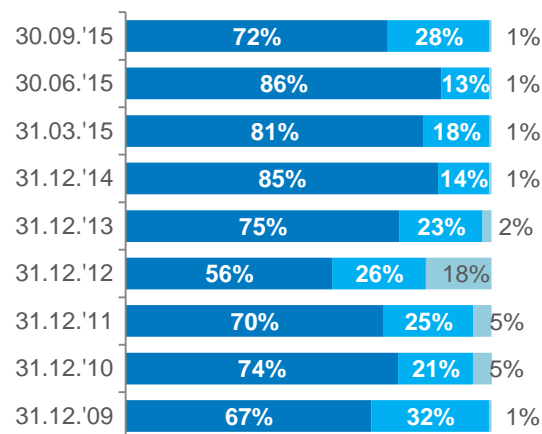
 **+12%**

- Short-term
- Mid-term
- Long-term



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

- USD
- EUR
- Other





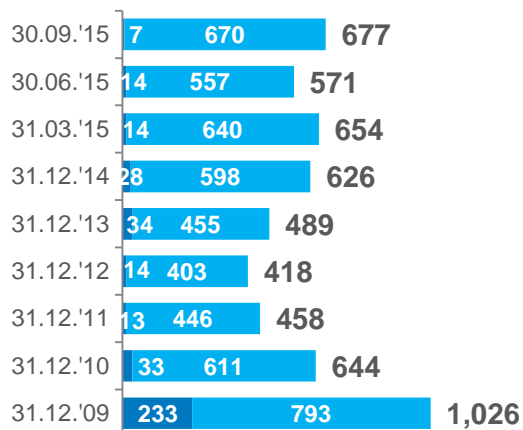
<sup>21</sup> Term structure of the debt to banks is shown according to Contract terms and not by maturity of the debt as of 30 September 2015

**Total bank indebtedness<sup>22</sup>,**  
million USD

**677**

 **+8%**

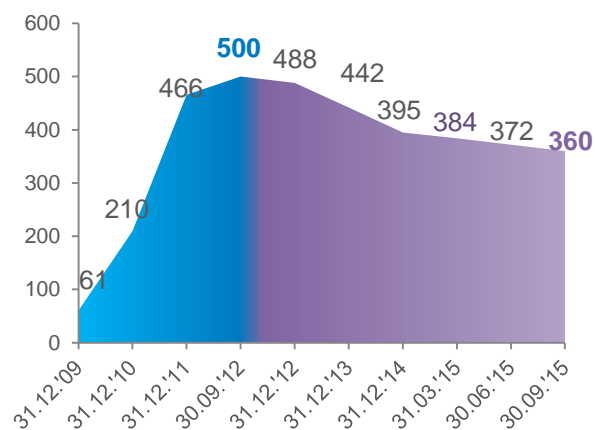
 Letters of credit  
 Total debt



**GPN loan,**  
million EUR

**360**

 **-9%**



<sup>22</sup>In addition to the debt to the banks and Letters of Credit, as at 30 September 2015, NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of USD 33.9 million, corporate guarantees in the amount of USD 72.5 million and signed Letters of Intent in the amount of USD 0.7 million

## INVESTMENTS

### INVESTMENT PROJECTS

The 2015 Business Plan of NIS j.s.c. and Medium-term Investment Programme (hereinafter: MIP), which included the CAPEX investment plan in the period 2015–2017, were adopted at the 85th meeting of the Board of Directors held on 5 January 2015.

According to the MIP, the main investment areas in 2015 were oriented towards implementation of the following groups of projects: environmental protection projects, projects in refining, sales and distribution, oil and gas production, and a certain number of projects at the corporate headquarters.

In first nine months of 2015, RSD 18.95 billion was earmarked<sup>23</sup> for investment funding, which is 30% less than in same period in 2014.

The most important investments in oil and gas production in first nine months of 2015 included:

- Drilling of development wells
- Investments in geological and technical measures
- Programme of 3D Seismic Exploration and Drilling of Exploration Wells in the Republic of Serbia
- Gas business projects
- Investment in concession rights

The most important capital investments related to environmental protection at the Pančevo Oil Refinery in first quarter of 2015 included:

- Diesel blending with bio-diesel
- Reconstruction and modernization of port on Danube
- The construction of the closed sampling system in production
- Reconstruction of Vehicle Loading Facility

<b>Investment funding by type of project<sup>24</sup></b>	<b>9M 2015</b>	<b>9M 2014</b>
Ecology	0,49	0,76
Angola	0,58	0,16
Projects with direct economic effects	14,03	18,25
Projects without direct economic effects	3,27	6,73
Design and research work	0,58	1,04
<b>TOTAL:</b>	<b>18,95</b>	<b>26,95</b>

<b>Investments by segments</b>	<b>9M 2015</b>	<b>9M 2014</b>
Exploration and Production	14,57	17,40
Refining	2,01	5,71
Sales and Distribution	1,13	2,70
Services	0,69	0,31
Energy	0,39	0,20
NIS Corporate Centre	0,16	0,62

<sup>23</sup> NIS j.s.c. Novi Sad with subsidiary companies, excluding Jubos d.o.o. Bor, NIS Overseas o.o.o. Saint Petersburg, and NIS Svetlost d.o.o. Bujanovac.

<sup>24</sup> The amounts are in RSD billion VAT exclusive.

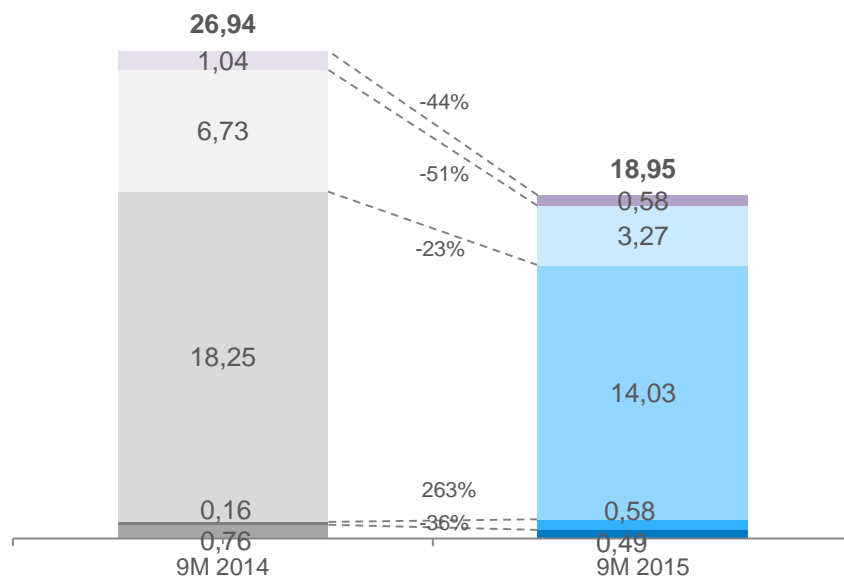


**CAPEX by investment projects, funding  
in RSD billion VAT exclusive**

**18.95**

**▼ -30%**

- Ecology
- Angola PSA
- Projects with direct economic effects
- Projects without direct economic effects
- Design and research work



## TAXES AND OTHER PUBLIC REVENUES

### ANALYTICAL OVERVIEW OF ACCRUED LIABILITIES FOR TAXES AND OTHER PUBLIC REVENUES<sup>25</sup>

<b>NIS j.s.c. Novi Sad</b>	<b>9M 2015</b>	<b>9M 2014</b>	<b><math>\frac{9M\ 2015}{9M\ 2014}</math></b>
Contributions for social insurance paid by the employer	1.1	1.2	-8%
Income tax	1.6	3.2	-50%
VAT	16.1	12.4	30%
Excise tax	73.8	71.2	4%
Contribution for buffer stocks	4.5	-	100%
Custom duty	0.2	0.5	-60%
Royalties	1.1	1.8	-39%
Other taxes	1.0	0.9	11%
<b>Total</b>	<b>99.5</b>	<b>91.2</b>	<b>9%</b>
<b>NIS subsidiaries in Serbia<sup>26</sup>,</b>			
Contributions for social insurance paid by the employer	0.4	0.4	0%
Income tax	0.1	0.1	0%
VAT	0.7	0.5	40%
Excise tax	-	-	-
Custom duty	0.1	0.1	0%
Royalties	-	-	-
Other taxes	0.1	0.1	0%
<b>Total</b>	<b>1.3</b>	<b>1.1</b>	<b>18%</b>
<b>Total NIS with subsidiaries in Serbia</b>	<b>100.8</b>	<b>92.3</b>	<b>9%</b>
<b>NIS subsidiaries in the region and Angola and Turkmenistan</b>			
Contributions for social insurance paid by the employer	0.1	0.1	0%
Income tax	0.9	0.4	125%
VAT	0.6	-	100%
Excise tax	5.4	3.2	69%
Custom duty	0.5	-	100%
Royalties	-	-	-
Other taxes	0.1	0.1	0%
<b>Total</b>	<b>7.7</b>	<b>3.8</b>	<b>103%</b>
Deferred tax assets (total for Group)	0.8	1.8	-56%
<b>Total NIS Group<sup>27</sup></b>	<b>109.3</b>	<b>97.9</b>	<b>12%</b>

Total amount of obligations based on public revenue for first nine months of 2015 to be paid in Serbia by NIS j.s.c. Novi Sad with its daughter companies, derived from NIS's organizational structure<sup>28</sup>, amounts to RSD 100.8 billion, which is higher by 8.5 billion, i.e., 9% more than in the same period previous year.

Total amount of obligations based on public revenue to be paid by NIS Group in 9M 2015 amounts to RSD 109.3 billion, which is higher by 11.4 billion, i.e., 12% more.

<sup>25</sup> in bn. RSD

<sup>26</sup> Subsidiaries include: STC NIS – Naftagas I.t.d. , Naftagas – Transport I.t.d., Naftagas – Technical Services I.t.d. and Naftagas – Oilfield Services I.t.d., and does not include O Zone j.s.c., NIS – Svetlost I.t.d. and Jubos I.t.d.

<sup>27</sup>Inclusive of taxes and other liabilities based on public revenues with respect to regional subsidiaries, tax and profit in Angola, and deferred tax assets

<sup>28</sup>Subsidiaries include: STC NIS – Naftagas I.t.d. , Naftagas – Transport I.t.d., Naftagas – Technical Services I.t.d. and Naftagas – Oilfield Services I.t.d., and does not include O Zone j.s.c., NIS – Svetlost I.t.d. and Jubos I.t.d.

## SECURITIES

### SHARE CAPITAL STRUCTURE

NIS' share capital amounts to 81.53 billion RSD, and it is distributed into 163,060,400 shares with a nominal value of 500.00 RSD per share.

The shares are dematerialized and registered with the Central Securities Depository and Clearing House of the Republic of Serbia, under CFI code ESVUFR and ISIN number RSNISHE79420

All issued shares are common shares which grant the following rights to their holders:

- Right to participate and vote at the shareholders' assembly sessions, according to one-share-one-vote rule;
- Right to dividend in compliance with the applicable regulations;
- Right to a share in the distribution of the liquidation stock or bankruptcy estate in compliance with the bankruptcy law;
- Right to the option to buy the common shares and other financial instruments that can be traded for newly-issued common shares;
- Other rights in accordance with the Company Law and Company documents.

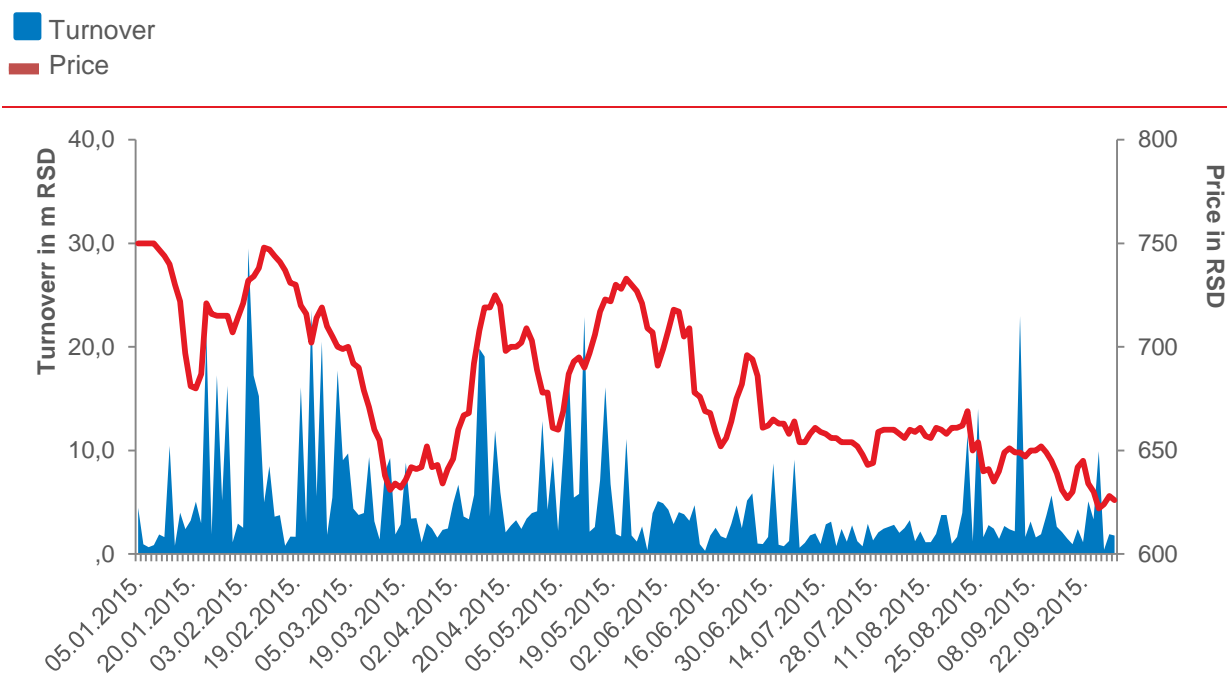
In the ranking of ten top shareholders, holding the largest share in the equity capital, the following custodial accounts dominate:

Shareholder	Number of shares	% in share capital
Gazprom Neft	91,565,887	56.155%
Republic of Serbia	48,712,064	29.874%
UniCredit Bank Srbija a.d. – custody account	585,412	0.359%
Societe Genera Bank Serbia – custody account	460,849	0.283%
Raiffeisen Bank a.d. Belgrade – custody account	331,237	0.203%
East Capital (Lux) – Balkan fund	281,268	0.172%
UniCredit Bank Srbija a.d. – collective account	236,701	0.145%
Global Macro Capital Opportunities	216,465	0.133%
AWLL Communications d.o.o. Belgrade	213,000	0.131%
Keramika Jovanović d.o.o. Zrenjanin	203,824	0.125%
Other shareholders	20,253,693	12.421%
<b>Total number of shareholders as of September 30<sup>th</sup>, 2015</b>		<b>2,181,762</b>

## SHARE TRADING AND INDICATORS PER SHARE

NIS j.s.c. Novi Sad shares are listed in the Prime Listing of the Belgrade Stock Exchange.

### Price and turnover trends in first nine months of 2015



### Overview of trading in NIS shares at the Belgrade Stock Exchange in first nine months of 2015

Last price (as of September 30 <sup>th</sup> , 2015)	649 RSD
Highest price (as of 5 January 2015)	770 RSD
Lowest price (September 25 <sup>th</sup> 2015)	620 RSD
Total turnover	910,849,995.00RSD
Total volume (number of shares)	1,322,283 shares
Total number of transactions	43,376 transactions
Market capitalization as of September 30 <sup>th</sup> , 2015	102,075,810,400 RSD
EPS	72.10 RSD
Consolidated EPS	66.92 RSD
P/E ratio	9.0
Consolidated P/E ratio	9.7
Book value as of September 30 <sup>th</sup> , 2015	1,218.58 RSD
Consolidated book value as of September 30 <sup>th</sup> , 2015	1,146.16 RSD
P/BV ratio	0.5
Consolidated P/BV ratio	0.6

In first nine months of 2015, the Company did not acquire any own shares (treasury shares).

## DIVIDENDS

NIS j.s.c. Novi Sad dividend policy is based on a balanced approach which takes into account the necessity of profit retention, for purposes of future investment funding, as well as the rate of growth of the invested capital and the amount for dividend payment. The long-term dividend policy stipulates that at least 15% of the generated net profit is to be paid to the shareholders in the form of dividends.

When adopting the draft decision on the distribution of profit and payment of dividends, the Company management considers a number of factors, including the financial situation, investment plans, loan repayment obligations, macroeconomic environment, and legal regulations. Each and every one of these factors, whether individually or combined, if carrying sufficient weight, may affect the proposed dividend payment.

	2009	2010	2011	2012	2013	2014
Net profit (loss), in bn. RSD <sup>29</sup>	(4.4)	16.5 <sup>30</sup>	40.6 <sup>31</sup>	49.5	52.3	30.6
Total dividend amount, in bn. RSD	0.00	0.00	0.00	12.4	13.1	7.6
Payment ratio	-	-	-	25%	25%	25%
Earnings per share, in RSD	-	101.1	249.0	303.3	320.9	187.4
Dividend per share, gross, in RSD	0.00	0.00	0.00	75.83	80.22	46.85
Price share as of 31 December, in RSD	-	475	605	736	927	775
Shareholders' dividend yield, in % <sup>32</sup>	-	-	-	10.3	8.7	6.0

## OVERVIEW OF FINANCIAL INSTRUMENTS USED BY THE GROUP

Due to its exposure to the foreign exchange risk, NIS Group practises forward transactions on the foreign exchange market, as the instrument to manage this type of risk.

As the parent company of "Gazprom Neft" Group, which includes NIS j.s.c. Novi Sad and its subsidiaries, PJSC "Gazprom Neft" manages the commodity hedging instruments at the level of "Gazprom Neft" Group and decides if it is necessary to use specific commodity hedging instruments.

<sup>29</sup> NIS j.s.c. Novi Sad net revenue

<sup>30</sup> Net profit was used to cover accumulated loss

<sup>31</sup> Net profit was used to cover accumulated loss

<sup>32</sup> Calculated as a ratio between gross dividend and share price at year-end

## HUMAN RESOURCES

## HEADCOUNT

Organizational unit	September 30 <sup>th</sup> 2015			September 30 <sup>th</sup> 2014		
	Employees <sup>33</sup>	Servicing companies	Total	Employees <sup>34</sup>	Servicing companies	Total
<b>NIS j.s.c. Novi Sad</b>	<b>3,886</b>	<b>3,418</b>	<b>7,304</b>	<b>4,255</b>	<b>3,541</b>	<b>7,796</b>
Exploration and Production Block	768	210	978	728	182	910
Refining Block	821	46	867	881	47	928
Sales and Distribution Block	922	2,656	3,578	958	2,785	3,743
Services Block	94	22	116	112	14	126
Energy Block	232	18	250	235	13	248
Corporate Centre	1,049	466	1,515	1,341	500	1,841
<b>Representative and Branch Offices abroad</b>	<b>57</b>	<b>4</b>	<b>61</b>	<b>57</b>	<b>3</b>	<b>60</b>
<b>Local Subsidiaries</b>	<b>1,393</b>	<b>1,518</b>	<b>2,911</b>	<b>1,485</b>	<b>1,386</b>	<b>2,871</b>
Naftagas - Naftni servisi <sup>35</sup>	581	772	1,353	626	546	1,172
Naftagas - Tehnički servisi	411	463	874	429	549	978
Naftagas - Transport	108	255	363	112	256	368
NTC NIS Naftagas	293	28	321	318	35	353
<b>Foreign Subsidiaries</b>	<b>112</b>	<b>0</b>	<b>112</b>	<b>291</b>	<b>5</b>	<b>296</b>
NIS Petrol, Bulgaria	58	0	58	169	0	169
NIS Petrol, Romania	28	0	28	40	2	42
NIS Petrol, B&H	16	0	16	68	2	70
Jadran Naftagas, B&H	6	0	6	8	0	8
Pannon Naftagas, Hungary	4	0	4	6	1	7
<b>Other Subsidiaries</b>	<b>321</b>	<b>102</b>	<b>423</b>	<b>178</b>	<b>192</b>	<b>370</b>
Jubos d.o.o. Bor – in liquidation	0	0	0	0	0	0
O Zone a.d. Belgrade	6	99	105	4	97	101
NIS Overseas o.o.o. St Petersburg	119	0	119	118	0	118
NIS Svetlost d.o.o. Bujanovac	15	0	15	15	7	22
G Petrol d.o.o. Sarajevo	181	3	184	41	88	129
<b>TOTAL:</b>	<b>5,764</b>	<b>5,042</b>	<b>10,811</b>	<b>6,266</b>	<b>5,127</b>	<b>11,393</b>

## CAUSES OF EMPLOYMENT TERMINATION

In first nine months of 2015, a total of 534 employees left NIS j.s.c. Novi Sad and local subsidiaries: 4 employees retired, 60 left NIS after termination of employment by mutual agreement, while the employment of 470 people was terminated on other grounds (involuntary termination, voluntary termination, death etc.).

	NIS j.s.c. Novi Sad	Domestic subsidiaries of NIS
Retirement	2	2
Mutual termination of employment	48	12
Other	425	45
<b>Total:</b>	<b>475</b>	<b>59</b>

<sup>33</sup> The numbers include NIS Chance

<sup>34</sup> The numbers include NIS Chance

<sup>35</sup> Also including the employees in branches

## RESEARCH AND DEVELOPMENT

### SYSTEM OF MANAGING RESEARCH AND DEVELOPMENT

The introduction and efficient use of new technologies is one of the priorities of NIS development in all business areas, from production and refining to human resources. Equipment modernization, innovative approach and preparation of up-to-date technologies are the prerequisite for advancement, competitiveness and taking on the regional leadership. NIS constantly modernizes its operations in the field of oil and gas business, introduces and upgrades new methods of oil and gas exploitation, constructs new refining units, automates its operations, and develops and modernizes the retail network.

In the field of exploration and development, the Rulebook on Planning, Execution, and Control of Innovative, Scientific, Research, Development and Technological Studies (SRDW) in NIS j.s.c. Novi Sad, in the Science and Technology Council, has been formed under the competence of NIS j.s.c. Chief Executive Officer, which convenes sessions on a quarterly basis; whereas the Research and Development Section has been formed within the Science and Technology Center, which performs tasks of science and research project coordination and execution.

In the NIS Group, the research and development activity is organized within subsidiary "STC NIS Naftagas" d.o.o. Novi Sad, which, in synergy with PJSC "Gazprom Neft", uses resources and technology of the parent company, and performs two functions:

- coordinator of science and research activities, and
- executor of science and research activities.

## FINANCIAL STATEMENTS

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## STAND-ALONE FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

	Note	30 September 2015 (unaudited)	31 December 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	15,853,231	5,338,023
Short-term financial assets		3,522,670	2,786,555
Trade and other receivables	7	51,370,394	56,658,222
Inventories	8	25,712,975	35,774,304
Current income tax prepayments		2,857,205	2,627,622
Other current assets	9	5,355,378	6,939,633
<b>Total current assets</b>		<b>104,671,853</b>	<b>110,124,359</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	210,623,855	201,627,904
Investment property		1,617,199	1,381,832
Other intangible assets		4,323,691	4,711,241
Investments in subsidiaries and joint ventures	11	13,442,656	7,556,020
Trade and other non-current receivables		2,874	2,427,259
Long-term financial assets		33,396,913	32,814,852
Deferred tax assets		7,042,419	7,834,155
Other non-current assets	12	4,095,464	3,733,444
<b>Total non-current assets</b>		<b>274,545,071</b>	<b>262,086,707</b>
<b>Total assets</b>		<b>379,216,924</b>	<b>372,211,066</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	13	19,604,409	14,831,489
Trade and other payables	14	39,036,614	43,511,405
Other current liabilities	15	3,332,736	4,466,671
Other taxes payable	16	9,448,275	8,326,910
Provisions for liabilities and charges		2,252,949	2,461,013
<b>Total current liabilities</b>		<b>73,674,983</b>	<b>73,597,488</b>
<b>Non-current liabilities</b>			
Long-term debt	17	95,164,712	92,612,697
Deferred tax liabilities		2,748,789	2,724,064
Provisions for liabilities and charges		8,925,497	8,690,515
<b>Total non-current liabilities</b>		<b>106,838,998</b>	<b>104,027,276</b>
<b>Equity</b>			
Share capital	18	81,530,200	81,530,200
Reserves		(75,990)	(42,277)
Retained earnings		117,248,733	113,098,379
<b>Total equity</b>		<b>198,702,943</b>	<b>194,586,302</b>
<b>Total liabilities and shareholder's equity</b>		<b>379,216,924</b>	<b>372,211,066</b>

In thousand RSD

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

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Nine month period ended 30 September	
	Notes	2015 2014
	(unaudited)	(unaudited)
Sales of petroleum products and oil and gas sales	145,173,536	182,340,763
Other revenues	5,021,816	3,987,155
<b>Total revenue from sales</b>	<b>150,195,352</b>	<b>186,327,918</b>
Purchases of oil, gas and petroleum products	(86,630,946)	(104,936,181)
Production and manufacturing expenses	(14,010,730)	(13,698,318)
Selling, general and administrative expenses	(14,849,636)	(14,599,415)
Transportation expenses	(654,844)	(805,690)
Depreciation, depletion and amortization	(8,848,784)	(7,951,604)
Taxes other than income tax	(3,203,409)	(3,786,004)
Exploration expenses	-	(44,394)
<b>Total operating expenses</b>	<b>(128,198,349)</b>	<b>(145,821,606)</b>
Other expenses, net	(974,036)	(205,023)
<b>Operating profit</b>	<b>21,022,967</b>	<b>40,301,289</b>
Net foreign exchange loss	(4,487,458)	(8,188,023)
Finance income	1,012,015	1,392,266
Finance expenses	(2,466,847)	(2,740,243)
<b>Total other expense</b>	<b>(5,942,290)</b>	<b>(9,536,000)</b>
<b>Profit before income tax</b>	<b>15,080,677</b>	<b>30,765,289</b>
Current income tax expense	(2,474,483)	(3,612,789)
Deferred tax expense	(816,460)	(1,784,679)
<b>Total income tax expense</b>	<b>(3,290,943)</b>	<b>(5,397,468)</b>
<b>Profit for the period</b>	<b>11,789,734</b>	<b>25,367,821</b>
<b>Other comprehensive loss:</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Change in value of available-for-sale financial assets	(33,713)	14,579
<b>Other comprehensive (loss)/profit for the period</b>	<b>(33,713)</b>	<b>14,579</b>
<b>Total comprehensive income for the period</b>		
<b>Earnings per share attributable to shareholders of Naftna Industrija Srbije</b>	<b>11,756,021</b>	<b>25,382,400</b>
- Basic earnings (RSD per share)	72.10	155.66
Weighted average number of ordinary shares in issue (in millions)	163	163

In thousand RSD

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY

Nine month period ended 30 September 2015 and 2014

<i>(unaudited)</i>	Note	Share capital	Reserves	Retained earnings	Total
<b>Balance as at 1 January 2014</b>		81,530,200	(59,885)	95,412,378	176,882,693
Profit for the period		-	-	25,367,821	25,367,821
<b>Other comprehensive income</b>					
Change in value of available-for-sale financial assets		-	14,579	-	14,579
<b>Total comprehensive income for the period</b>		-	14,579	25,367,821	25,382,400
Dividend distribution		-	-	(13,080,705)	(13,080,705)
<b>Total transaction with owners, recorded in equity</b>		-	-	(13,080,705)	(13,080,705)
<b>Balance as at 30 September 2014</b>		<b>81,530,200</b>	<b>(45,306)</b>	<b>107,699,494</b>	<b>189,184,388</b>
<b>Balance as at 1 January 2015</b>		81,530,200	(42,277)	113,098,379	194,586,302
Profit for the period		-	-	11,789,734	11,789,734
<b>Other comprehensive income (loss)</b>					
Change in value of available-for-sale financial assets		-	(33,713)	-	(33,713)
<b>Total comprehensive income for the period</b>		-	(33,713)	11,789,734	11,756,021
Dividend distribution	14	-	-	(7,639,380)	(7,639,380)
<b>Total transaction with owners, recorded in equity</b>		-	-	(7,639,380)	(7,639,380)
<b>Balance as at 30 September 2015</b>		<b>81,530,200</b>	<b>(75,990)</b>	<b>117,248,733</b>	<b>198,702,943</b>

*In thousand RSD**The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF CASH FLOWS

	Nine month period ended 30 September	
	2015 (unaudited)	2014 (unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	15,080,677	30,765,289
Adjustments for:		
Finance costs	2,466,847	2,740,243
Finance income	(1,012,015)	(1,392,266)
Depreciation, depletion and amortization	8,848,784	7,951,604
Adjustments for other provisions	225,002	263,925
Allowance for doubtful accounts	94,348	2,540,988
Payables write-off	(189,331)	(11,552)
Net unrealised foreign exchange losses, net	3,811,170	6,202,725
Other non-cash items	242,899	26,630
	14,487,704	18,322,297
<b>Changes in working capital:</b>		
Trade and other receivables	2,615,210	(1,230,766)
Inventories	10,001,012	3,650,572
Other current assets	1,049,954	(5,784,995)
Trade payables and other current liabilities	(3,925,689)	(14,564,536)
Other taxes payable	1,124,963	(2,041,233)
	10,865,450	(19,970,958)
Income taxes paid	(2,707,712)	(7,013,139)
Interest paid	(2,225,493)	(2,273,626)
Interest received	1,203,593	430,070
	(3,729,612)	(8,856,695)
<b>Net cash generated by operating activities</b>	<b>36,704,219</b>	<b>20,259,933</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries or other business, net of cash acquired	-	(411,586)
Loans issued	(11,624,581)	(11,430,296)
Loan proceeds received	9,121,936	7,733,342
Capital expenditures	(20,257,076)	(27,335,971)
Proceeds from sale of property, plant and equipment	174,446	154,308
Other inflows of cash	77,031	-
<b>Net cash used in investing activities</b>	<b>(22,508,244)</b>	<b>(31,290,203)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	28,641,181	34,619,297
Repayment of borrowings	(24,516,218)	(17,899,148)
Dividends paid	(7,639,380)	-
<b>Net cash (used in) generated by financing activities</b>	<b>(3,514,417)</b>	<b>16,720,149</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,681,558</b>	<b>5,689,879</b>
Effect of foreign exchange on cash and cash equivalents	(166,350)	352,948
<b>Cash and cash equivalents as of the beginning of the period</b>	<b>5,338,023</b>	<b>5,180,156</b>
<b>Cash and cash equivalents as of the end of the period</b>	<b>15,853,231</b>	<b>11,222,983</b>

In thousand RSD

The accompanying notes are an integral part of these financial statements.

## NOTES TO STAND-ALONE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the "Company") is a vertically integrated oil company operating predominantly in Serbia. The Company's principal activities include:

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

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

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

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

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

#### 2.1. Basis of preparation

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

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

The Company does not disclose information which would substantially duplicate the disclosures contained in its audited Financial Statements for 2014, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Company believes that the disclosures in these Interim Condensed Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Financial Statements are read in conjunction with the Company's Financial Statements for 2014.

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

#### 2.2. Changes in significant accounting policies

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

#### 2.3. Application of new IFRS

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

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

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

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

### 4. NEW ACCOUNTING STANDARDS

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

No other new standards were issued during the nine months period ended 30 September 2015.

Unless otherwise stated the new standards and interpretations are not expected to have significant impact on the Company's Financial Statements.

### 5. SEGMENT INFORMATION

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

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

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

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

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

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

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	40,301,533	149,202,084	(39,308,264)	150,195,353
Intersegment	38,232,326	1,075,938	(39,308,264)	-
External	2,069,207	148,126,146	-	150,195,353
EBITDA (Segment results)	29,629,247	830,564	-	30,459,811
Depreciation, depletion and amortization	(2,567,464)	(6,281,320)	-	(8,848,784)
Impairment losses	(10,332)	(244,371)	-	(254,703)
Net foreign exchange (gain) loss	(19,242)	(4,468,216)	-	(4,487,458)
Finance expenses, net	(83,530)	(1,371,302)	-	(1,454,832)
Income tax	-	(3,290,943)	-	(3,290,943)
<b>Segment profit (loss)</b>	<b>26,611,304</b>	<b>(14,821,570)</b>	<b>-</b>	<b>11,789,734</b>

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	63,203,175	184,450,458	(61,325,715)	186,327,918
Intersegment	60,416,223	909,492	(61,325,715)	-
External	2,786,952	183,540,966		186,327,918
EBITDA (Segment results)	52,866,753	(4,313,585)		48,553,168
Depreciation, depletion and amortization	(2,225,302)	(5,726,302)		(7,951,604)
Impairment gain	-	73,687		73,687
Finance expenses, net	(221,243)	(1,126,734)		(1,347,977)
Net foreign exchange loss	(47,345)	(8,140,678)		(8,188,023)
Income tax	(372,967)	(5,024,501)		(5,397,468)
<b>Segment profit (loss)</b>	<b>50,004,135</b>	<b>(24,636,314)</b>		<b>25,367,821</b>

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

	Nine month period ended 30 September	
	2015	2014
Profit for the period	11,789,734	25,367,821
Income tax expenses	3,290,943	5,397,468
Finance expenses	2,466,847	2,740,243
Finance income	(1,012,015)	(1,392,266)
Depreciation, depletion and amortization	8,848,784	7,951,604
Net foreign exchange loss	4,487,458	8,188,023
Other expense, net	974,036	205,023
Other non-operating (income) expense, net*	(385,976)	95,252
<b>EBITDA</b>	<b>30,459,811</b>	<b>48,553,168</b>

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

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

	Nine month period ended 30 September 2015		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,740,490	1,740,490
Sale of gas	5,700,294	-	5,700,294
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	5,700,294	-	5,700,294
Sale of petroleum products	115,248,883	22,483,869	137,732,752
<i>Through a retail network</i>	37,104,041	-	37,104,041
<i>Wholesale activities</i>	78,144,842	22,483,869	100,628,711
Other sales	4,459,559	562,257	5,021,816
<b>Total sales</b>	<b>125,408,736</b>	<b>24,786,616</b>	<b>150,195,352</b>

	Nine month period ended 30 September 2014		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	2,584,262	2,584,262
Sale of gas	3,033,455	-	3,033,455
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	3,033,455	-	3,033,455
Sale of petroleum products	145,749,113	30,973,933	176,723,046
<i>Through a retail network</i>	45,172,122	-	45,172,122
<i>Wholesale activities</i>	100,576,991	30,973,933	131,550,924
Other sales	3,880,140	107,015	3,987,155
<b>Total sales</b>	<b>152,662,708</b>	<b>33,665,210</b>	<b>186,327,918</b>

Out of the amount of 100,628,711 RSD (nine month period ended 30 September 2014: 131,550,924 RSD) revenue from sale of petroleum products (wholesale), the amount of 12,097,149 RSD (nine month period ended 30 September 2014: 20,187,745 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 2,814,115 RSD (nine month period ended 30 September 2014: 2,717,786 RSD).

The Company is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 125,408,736 RSD (nine month period ended 30 September 2014: 152,662,708 RSD), and the total of revenue from external customer from other countries is 24,786,615 RSD (nine month period ended 30 September 2014: 33,665,210 RSD). The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Nine month period ended 30 September	
	2015	2014
Sale of crude oil	1,740,490	2,584,262
Sale of petroleum products (retail and wholesale)		
Bulgaria	5,819,919	5,339,429
Bosnia and Herzegovina	4,312,062	4,692,308
Romania	2,165,511	3,482,557
All other markets	10,186,377	17,459,639
	22,483,869	30,973,933
Other sales	562,257	107,015
	<b>24,786,616</b>	<b>33,665,210</b>

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

## 6. CASH AND CASH EQUIVALENTS

	30 September 2015	31 December 2014
Cash in bank and in hand	13,845,668	4,358,280
Deposits with original maturity of less than three months	2,000,000	724,192
Cash equivalents	7,563	255,551
	<b>15,853,231</b>	<b>5,338,023</b>

## 7. TRADE AND OTHER RECEIVABLES

	30 September 2015	31 December 2014
Trade receivables:		
- related parties	3,553,450	6,113,296
- third parties	65,928,059	69,996,807
	69,481,509	76,110,103
Accrued assets	22,121	13,870
Other receivables	10,155,441	10,257,988
	79,659,071	86,381,961
Less impairment provision	(28,288,677)	(29,723,739)
<b>Total trade and other receivables</b>	<b>51,370,394</b>	<b>56,658,222</b>

The ageing of trade and other receivables is as follows:

	30 September 2015	31 December 2014
Neither impaired nor past due	24,845,824	25,727,489
Past due but not impaired:		
within 30 days:	3,777,307	3,839,535
1 to 3 months	4,121,642	2,060,031
3 months to 1 year	6,033,628	13,129,697
over 1 year	12,591,993	11,901,470
<b>Total</b>	<b>51,370,394</b>	<b>56,658,222</b>

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



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

	30 September 2015	31 December 2014
RSD	66,330,142	72,826,293
EUR	12,193,247	10,862,728
USD	1,135,660	2,692,920
Other	22	20
	<b>79,659,071</b>	<b>86,381,961</b>

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

	Trade receivables		Other receivables	Total
	Individually impaired	Collectively impaired	Individually impaired	
<b>As at 1 January 2014</b>	17,688,648	4,301,928	7,827,613	29,818,189
Provision for receivables impairment	91,615	176,888		268,503
Unused amounts reversed	(164,447)	(277,685)		(442,132)
Receivables written off during the year as uncollectible	(1)	(47,233)	1	(47,233)
Exchange differences	-	-	287,371	287,371
Other	(216,111)	216,111	-	-
<b>As at 30 September 2014</b>	<b>17,399,704</b>	<b>4,370,009</b>	<b>8,114,985</b>	<b>29,884,698</b>
<b>As at 1 January 2015</b>	17,387,910	4,183,437	8,152,392	29,723,739
Provision for receivables impairment	118	99,876		99,994
Unused amounts reversed	(144)	(106,950)		(107,094)
Receivables written off during the year as uncollectible	(1,317,897)	(22,519)		(1,340,416)
Exchange differences	-	-	(81,498)	(81,498)
Other	-	(6,048)		(6,048)
<b>As at 30 September 2015</b>	<b>16,069,987</b>	<b>4,147,796</b>	<b>8,070,894</b>	<b>28,288,677</b>

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

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

## 8. INVENTORIES

	30 September 2015	31 December 2014
Crude oil	14,812,891	21,306,426
Gas	-	161,206
Petroleum products	13,119,495	13,712,462
Materials and supplies	2,960,238	5,797,035
Other	407,578	411,021
Less impairment provision	(5,587,227)	(5,613,846)
	<b>25,712,975</b>	<b>35,774,304</b>

## 9. OTHER CURRENT ASSETS

	30 September 2015	31 December 2014
Advances paid	704,454	627,709
Deferred VAT	1,646,065	1,640,431
Prepaid expenses	169,483	108,427
Prepaid custom duties	54,413	51,810
Prepaid excise	2,488,461	4,323,739
Other current assets	20,883,441	21,178,580
Less impairment provision	(20,590,939)	(20,991,063)
	<b>5,355,378</b>	<b>6,939,633</b>

Deferred VAT as at 30 September 2015 amounting to 1,646,065 RSD (31 December 2014: 1,640,431 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2015 amounting to 2,488,461 RSD (31 December 2014: 4,323,739 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

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

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

	Advances paid	Other current assets	Total
<b>As at 1 January 2014</b>	248.347	17.699.214	17.947.561
Provision for receivables impairment	260	2.779.648	2.779.908
Unused amounts reversed	(12.073)	(54.171)	(66.244)
Receivables written off during the year as uncollectible	(961)	(108.362)	(109.323)
Other	7	-	7
<b>As at 30 September 2014</b>	<b>235.580</b>	<b>20.316.329</b>	<b>20.551.909</b>
<b>As at 1 January 2015</b>	239.845	20.751.218	20.991.063
Provision for receivables impairment	723	110.065	110.788
Unused amounts reversed	(2.777)	(14.974)	(17.751)
Receivables written off during the year as uncollectible	(5)	(501.296)	(501.301)
Other	(822)	8.962	8.140
<b>As at 30 September 2015</b>	<b>236.964</b>	<b>20.353.975</b>	<b>20.590.939</b>

## 10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2014</b>						
Cost	51,949,129	108,204,314	29,704,322	16,939,009	39,760,624	246,557,398
Depreciation and impairment	(16,356,852)	(28,192,781)	(12,440,063)	(7,519,610)	(4,044,148)	(68,553,454)
<b>Net book value</b>	<b>35,592,277</b>	<b>80,011,533</b>	<b>17,264,259</b>	<b>9,419,399</b>	<b>35,716,476</b>	<b>178,003,944</b>
<b>Period ended 30 September 2014</b>						
Additions	13,733,106	3,163,601	1,428,015	202,910	6,204,858	24,732,490
Acquisitions through business combinations	-	-	-	-	332,353	332,353
Impairment	-	-	(37,097)	-	(4,142)	(41,239)
Depreciation	(2,194,253)	(3,906,253)	(883,194)	(370,357)	-	(7,354,057)
Transfer from investment property	35,121	9,358	1,377	7,399	-	53,255
Disposals and write-off	(1,095,620)	(47,549)	(48,358)	(38,062)	(184,314)	(1,413,903)
Other transfers	251,322	(585,085)	(136,518)	468,827	(119,383)	(120,837)
	46,321,953	78,645,605	17,588,484	9,690,116	41,945,848	194,192,006
<b>As at 30 September 2014</b>						
Cost	64,768,246	110,233,287	30,692,381	17,624,673	45,983,285	269,301,872
Depreciation and impairment	(18,446,293)	(31,587,682)	(13,103,897)	(7,934,557)	(4,037,437)	(75,109,866)
<b>Net book value</b>	<b>46,321,953</b>	<b>78,645,605</b>	<b>17,588,484</b>	<b>9,690,116</b>	<b>41,945,848</b>	<b>194,192,006</b>
<b>As at 1 January 2015</b>						
Cost	73,455,117	114,595,855	31,255,519	17,838,728	40,592,464	277,737,683
Depreciation and impairment	(19,210,617)	(32,895,538)	(13,279,118)	(7,941,703)	(2,782,803)	(76,109,779)
<b>Net book value</b>	<b>54,244,500</b>	<b>81,700,317</b>	<b>17,976,401</b>	<b>9,897,025</b>	<b>37,809,661</b>	<b>201,627,904</b>
<b>Period ended 30 September 2015</b>						
Additions	14,431,027	3,505,380	1,947,636	164,803	(1,878,439)	18,170,407
Impairment	-	(29,826)	(147,634)	-	(100,750)	(278,210)
Depreciation	(2,544,953)	(4,297,426)	(945,826)	(419,942)	-	(8,208,147)
Transfer to investment property	-	-	(38,046)	(180,595)	-	(218,641)
Disposals and write-off	(177,259)	(51,979)	(40,063)	(95,459)	(35,288)	(400,048)
Other transfers	(24,248)	(2,953)	(2,066)	6,887	(47,030)	(69,410)
	<b>65,929,067</b>	<b>80,823,513</b>	<b>18,750,402</b>	<b>9,372,719</b>	<b>35,748,154</b>	<b>210,623,855</b>
<b>As at 30 September 2015</b>						
Cost	87,658,110	117,956,072	32,744,484	17,572,992	38,412,420	294,344,078
Depreciation and impairment	(21,729,043)	(37,132,559)	(13,994,082)	(8,200,273)	(2,664,266)	(83,720,223)
<b>Net book value</b>	<b>65,929,067</b>	<b>80,823,513</b>	<b>18,750,402</b>	<b>9,372,719</b>	<b>35,748,154</b>	<b>210,623,855</b>

## Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
<b>As at 1 January 2014</b>						
Cost	10,248,631	11,674,429	21,923,060	51,949,129	22,241	73,894,430
Depreciation and impairment	-	(238,059)	(238,059)	(16,356,852)	(20,266)	(16,615,177)
<b>Net book amount</b>	<b>10,248,631</b>	<b>11,436,370</b>	<b>21,685,001</b>	<b>35,592,277</b>	<b>1,975</b>	<b>57,279,253</b>
<b>Period ended 30 September 2014</b>						
Additions	3,488,485	13,659,717	17,148,202	-	-	17,148,202
Transfer from asset under construction	(1,950,136)	(11,782,970)	(13,733,106)	13,733,106	-	-
Other transfers	50,654	(26,778)	23,876	251,322	(81)	275,117
Depreciation and depletion	-	-	-	(2,194,253)	-	(2,194,253)
Transfer from investment property	-	-	-	35,121	-	35,121
Disposals and write-off	(102,555)	(198,852)	(301,407)	(1,095,620)	-	(1,397,027)
	11,735,079	13,087,487	24,822,566	46,321,953	1,894	71,146,413
<b>As at 30 September 2014</b>						
Cost	11,735,079	13,325,546	25,060,625	64,768,246	22,203	89,851,074
Depreciation and impairment	-	(238,059)	(238,059)	(18,446,293)	(20,309)	(18,704,661)
<b>Net book amount</b>	<b>11,735,079</b>	<b>13,087,487</b>	<b>24,822,566</b>	<b>46,321,953</b>	<b>1,894</b>	<b>71,146,413</b>
<b>As at 1 January 2015</b>						
Cost	15,001,370	11,578,278	26,579,648	73,455,117	22,203	100,056,968
Depreciation and impairment	-	(253,585)	(253,585)	(19,210,617)	(20,358)	(19,484,560)
<b>Net book amount</b>	<b>15,001,370</b>	<b>11,324,693</b>	<b>26,326,063</b>	<b>54,244,500</b>	<b>1,845</b>	<b>80,572,408</b>
<b>Period ended 30 September 2015</b>						
Additions	2,511,561	12,698,240	15,209,801	-	-	15,209,801
Transfer from asset under construction	(2,781,977)	(11,658,741)	(14,440,718)	14,431,027	-	(9,691)
Other transfers	60,693	(33,229)	27,464	(24,248)	-	3,216
Impairment	-	(10,332)	(10,332)	-	-	(10,332)
Depreciation and depletion	-	-	-	(2,544,953)	-	(2,544,953)
Disposals and write-off	(38,480)	(1)	(38,481)	(177,261)	(1)	(215,743)
	14,753,167	12,320,630	27,073,797	65,929,065	1,844	93,004,706
<b>As at 30 September 2015</b>						
Cost	14,795,758	12,569,401	27,365,159	87,658,108	22,153	115,045,420
Depreciation and impairment	(42,591)	(248,771)	(291,362)	(21,729,043)	(20,309)	(22,040,714)
<b>Net book amount</b>	<b>14,753,167</b>	<b>12,320,630</b>	<b>27,073,797</b>	<b>65,929,065</b>	<b>1,844</b>	<b>93,004,706</b>

**11. INVESTMENTS IN SUBSIDIARIES**

In 2015, Company has increased investments in following subsidiaries:

- Naftagas-naftni servisi d.o.o., Novi Sad in amount of 3,720,017 RSD. The increase is registered on 24 June 2015.
- NTC NIS-Naftagas d.o.o., Novi Sad in amount of 583,500 RSD. The increase is registered on 24 June 2015;
- Naftagas-tehnicki servisi d.o.o., Zrenjanin in amount of 193,679 RSD. The increase is registered on 24 June 2015.
- Naftagas-Transport d.o.o., Novi Sad in amount of 1,389,598 RSD. The increase is registered on 24 June 2015
- Pannon naftagas Kft, Budapest in amount of 1,710,726 RSD. The increase is registered on 14 May 2015. The investment is totally impaired.

**12. OTHER NON-CURRENT ASSETS**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Advances paid for PPE	2,064,584	1,629,280
Prepaid expenses	915,736	977,478
Other assets	2,060,058	2,133,421
Less impairment provision	(944,914)	(1,006,735)
	<b>4,095,464</b>	<b>3,733,444</b>

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

	<b>30 September 2015</b>	<b>31 December 2014</b>
Short-term loans	6,444,865	8,600,082
Interest liabilities	152,656	130,903
Current portion of long-term loans (note 17)	13,006,888	6,100,504
	<b>19,604,409</b>	<b>14,831,489</b>

**14. TRADE AND OTHER PAYABLES**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Trade payables		
- related parties	28,033,432	23,047,021
- third parties	7,156,651	16,621,984
Dividends payable	3,772,308	3,772,308
Other accounts payable	74,223	70,092
	<b>39,036,614</b>	<b>43,511,405</b>

As at 30 September 2015 payables to related parties amounting to 28,033,432 RSD (31 December 2014: 23,047,021 RSD) mainly relate to payables to the supplier Gazprom Neft in the amount of 22,304,073 RSD (31 December 2014: 20,122,243 RSD), for the purchase of crude oil.

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

**15. OTHER CURRENT LIABILITIES**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Advances received	1,033,904	1,551,337
Payables to employees	2,271,587	2,847,285
Accruals and deferred income	11,746	17,988
Other current non-financial liabilities	15,499	50,061
	<b>3,332,736</b>	<b>4,466,671</b>

**16. OTHER TAXES PAYABLE**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Mineral extraction tax	329,382	407,990
VAT	2,330,416	217,845
Excise tax	4,243,207	4,710,646
Contribution for buffer stocks	252,784	583,400
Custom duties	493,519	414,883
Other taxes	1,798,967	1,992,146
	<b>9,448,275</b>	<b>8,326,910</b>

**17. LONG-TERM DEBT**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Long-term loan - Gazprom Neft	43,165,374	47,820,723
Bank loans	65,005,016	50,891,268
Other long-term borrowings	1,210	1,210
Less Current portion	(13,006,888)	(6,100,504)
	<b>95,164,712</b>	<b>92,612,697</b>

*a) Long-term loan - Gazprom Neft*

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

*b) Bank loans*

	<b>30 September 2015</b>	<b>31 December 2014</b>
Domestic	15,601,784	7,175,318
Foreign	49,403,232	43,715,950
	65,005,016	50,891,268
Current portion of long-term loans	(7,437,162)	(474,537)
	<b>57,567,854</b>	<b>50,416,731</b>

The maturity of bank loans was as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Between 1 and 2 years	8,540,237	6,969,316
Between 2 and 5 years	44,094,725	38,044,029
Over 5 years	4,932,892	5,403,386
	<b>57,567,854</b>	<b>50,416,731</b>

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

	<b>30 September 2015</b>	<b>31 December 2014</b>
USD	51,108,349	51,786,830
EUR	13,530,098	4,962,702
RSD	1,257	1,343
JPY	365,312	373,397
	<b>65,005,016</b>	<b>57,124,272</b>

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

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

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

<b>Creditor</b>	<b>Currency</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
<b>Domestic long-term loans</b>			
Erste bank, Novi Sad	USD	322,681	319,049
Erste bank, Novi Sad	EUR	428,136	457,835
Bank Postanska stedionica, Belgrade	EUR	210,347	224,938
Bank Postanska stedionica, Belgrade	USD	1,747,748	1,728,210
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,269,680	4,443,767
Banca Intesa, Belgrade	EUR	8,621,935	-
Other loans	RSD	1,257	1,519
		<b>15,601,784</b>	<b>7,175,318</b>
<b>Foreign long-term loans</b>			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	584,515	584,396
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	365,312	361,990
Erste bank, Holland	USD	6,921,915	6,465,167
VUB (Bank Intesa), Slovakia	USD	15,973,650	14,919,615
NBG bank, Great Britain	USD	-	4,973,205
Sberbank Europe AG, Viena, Austria	USD	17,571,015	16,411,577
United Bulgarian bank AD, Sofia, Bulgaria	USD	7,986,825	-
		<b>49,403,232</b>	<b>43,715,950</b>
		<b>(7,437,162)</b>	<b>(474,537)</b>
		<b>57,567,854</b>	<b>50,416,731</b>

	Currency	Current portion		Long-term	
		30 September 2015	31 December 2014	30 September 2015	31 December 2014
<b>Domestic long - term loans</b>					
Erste bank, Novi Sad	USD	21,816	17,872	300,865	301,177
Erste bank, Novi Sad	EUR	28,727	25,376	399,409	432,459
Bank Postanska stedionica, Belgrade	EUR	14,114	12,468	196,233	212,470
Bank Postanska stedionica, Belgrade	USD	117,271	95,789	1,630,477	1,632,421
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	259,327	261,946	4,010,353	4,181,821
Banca Intesa, Belgrade	EUR	-	-	-	-
Other loans	RSD	239	345	1,018	1,174
		<b>441,494</b>	<b>413,796</b>	<b>15,160,290</b>	<b>6,761,522</b>
<b>Foreign long-term loans</b>					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	49,241	40,677	535,274	543,719
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	24,512	20,064	340,800	341,926
Erste bank, Holland	USD	6,921,915	-	-	6,465,167
VUB (Bank Intesa), Slovakia	USD	-	-	15,973,650	14,919,615
NBG bank, Great Britain	USD	-	-	-	4,973,205
Sberbank Europe AG, Viena, Austria	USD	-	-	17,571,015	16,411,577
United Bulgarian bank AD, Sofia, Bulgaria	USD	-	-	-	-
		<b>6,995,668</b>	<b>60,741</b>	<b>42,407,564</b>	<b>43,655,209</b>
		<b>7,437,162</b>	<b>474,537</b>	<b>57,567,854</b>	<b>50,416,731</b>

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

## 18. SHARE CAPITAL

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

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

**19. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS**

	Nine month period ended 30 September	
	2015	2014
Crude oil	68,038,067	78,342,210
Petroleum products	18,431,639	26,557,090
Other	161,240	36,881
	<b>86,630,946</b>	<b>104,936,181</b>

**20. PRODUCTION AND MANUFACTURING EXPENSES**

	Nine month period ended 30 September	
	2015	2014
Employee costs	2,653,606	2,808,183
Materials and supplies (other than purchased oil, petroleum products and gas)	688,167	536,970
Repair and maintenance services	2,617,981	2,596,568
Electricity and utilities	2,376,938	1,753,767
Safety and security expense	108,223	83,904
Transportation services for production	386,840	408,863
Other	5,178,975	5,510,063
	<b>14,010,730</b>	<b>13,698,318</b>

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

	Nine month period ended 30 September	
	2015	2014
Employee costs	6,597,999	6,592,479
Legal, audit, and consulting services	1,184,973	1,208,400
Rent expense	86,026	64,296
Business trips expense	155,414	197,592
Safety and security expense	341,076	322,744
Insurance expense	229,600	196,549
Transportation and storage	862,930	856,702
Allowance for doubtful accounts	85,937	2,540,035
Other	5,305,681	2,620,618
	<b>14,849,636</b>	<b>14,599,415</b>

**22. FAIR VALUE MEASUREMENT**

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

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

**23. CONTINGENCIES AND COMMITMENTS***Transfer of property ownership*

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

*Finance Guarantees*

As at 30 September 2015 the total amount of outstanding finance guarantees provided by the Company amounted to 3,162,414 RSD, mostly related to guaranties for customs duties in the amount of 1,913,740 RSD (31 December 2014: 3,454,563 RSD).



*Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 475,988 RSD (31 December 2014: 557,657 RSD).

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

*Other contingent liabilities*

As at 30 September 2015, the Company did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Company has to pay the difference in tax calculation of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Company's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Company's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed. Taking all of the above into consideration, the Company's Management is of the view that as at 30 September 2015 outflow of resources embodying economic benefits is not probable due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

*Tax risks*

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 September 2015.

*Commitments*

There were no other material commitments of the Company.

**24. RELATED PARTY TRANSACTIONS**

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

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

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

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

	Subsidiaries	Parent company	Entities under common control	Joint venture	Total
<b>As at 30 September 2015</b>				-	
Short-term financial assets	3,464,833	-	-	-	3,464,833
Trade and other receivables	3,452,060	-	78,570	-	3,530,630
Other current assets	179,838	-	15,914	-	195,752
Investments in subsidiaries and joint ventures	13,442,631	-	-	25	13,442,656
Long-term financial assets	33,289,682	-	-	-	33,289,682
Other non-current assets	144,242	-	-	-	144,242
Trade and other payables	(5,683,443)	(22,304,073)	(88,110)	-	(28,075,626)
Other current liabilities	(3,931)	-	(2)	-	(3,933)
Short-term debt and current portion of long-term debt	(72,757)	(5,569,726)	-	-	(5,642,483)
Long-term debt	-	(37,595,648)	-	-	(37,595,648)
	<b>48,213,155</b>	<b>(65,469,447)</b>	<b>(6,372)</b>	<b>25</b>	<b>(17,249,895)</b>

	Subsidiaries	Parent company	Entities under common control	Joint venture	Total
<b>As at 31 December 2014</b>				-	
Short-term financial assets	2,780,193	-	-	-	2,780,193
Trade and other receivables	6,076,898	-	36,398	-	6,113,296
Other current assets	171,412	-	-	-	171,412
Investments in subsidiaries and joint ventures	8,729,187	-	-	-	8,729,187
Trade and other non-current receivables	2,427,259	-	-	-	2,427,259
Long-term financial assets	34,517,390	-	-	-	34,517,390
Other non-current assets	35,055	-	-	-	35,055
Trade and other payables	(3,071,537)	(20,122,243)	(50,923)	-	(23,244,703)
Other current liabilities	(142)	-	(12,831)	-	(12,973)
Short-term debt and current portion of long-term debt	-	(5,625,967)	-	-	(5,625,967)
Long-term debt	-	(42,194,756)	-	-	(42,194,756)
	<b>51,665,715</b>	<b>(67,942,966)</b>	<b>(27,356)</b>	<b>-</b>	<b>(16,304,607)</b>

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

	Subsidiaries	Parent company	Entities under common control	Total
<b>Nine month period ended 30 September 2015</b>				
Petroleum products and oil and gas sales	7,001,664	-	85,607	7,087,271
Other revenues	416,690	-	328,663	745,353
Purchases of oil, gas and petroleum products	(54,050)	(60,957,424)	(2,037,894)	(63,049,368)
Production and manufacturing expenses	(2,623,012)	(5,839)	(213,802)	(2,842,653)
Selling, general and administrative expenses	(679,729)	(23,823)	(15,137)	(718,689)
Transportation expenses	(15,565)	-	-	(15,565)
Other expenses, net	(47,832)	(16,210)	(19,825)	(83,867)
Finance income	917,527	-	-	917,527
Finance expense	(90,345)	(724,476)	-	(814,821)
	<b>4,825,348</b>	<b>(61,727,772)</b>	<b>(1,872,388)</b>	<b>(58,774,812)</b>

	Subsidiaries	Parent company	Entities under common control	Total
<b>Nine month period ended 30 September 2014</b>				
Petroleum products and oil and gas sales	7,670,104	-	1,801,575	9,471,679
Other revenues	369,897	-	-	369,897
Purchases of oil, gas and petroleum products	(103,426)	-	(71,151,887)	(71,255,313)
Production and manufacturing expenses	(2,520,568)	(8,002)	(22,715)	(2,551,285)
Selling, general and administrative expenses	(677,026)	(28,909)	-	(705,935)
Transportation expenses	(15,331)	-	-	(15,331)
Other expenses, net	(1,882)	(4,556)	(1,546)	(7,984)
Finance income	1,182,016	-	-	1,182,016
Finance expense	(3,381)	(882,508)	-	(885,889)
	<b>5,900,403</b>	<b>(923,975)</b>	<b>(69,374,573)</b>	<b>(64,398,145)</b>

#### *Key management compensation*

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

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

## 25. EVENTS AFTER THE REPORTING DATE

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

Subsequent events occurring after 30 September 2015 were evaluated through 26 October 2015, the date these Interim Condensed Financial Statements were authorised for issue

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

In thousand RSD

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

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Nine month period ended 30 September	
	2015	2014
Note	(unaudited)	(unaudited)
Sales of petroleum products and oil and gas sales	152,221,776	187,838,453
Other revenues	6,968,923	6,021,479
<b>Total revenue from sales</b>	<b>159,190,699</b>	<b>193,859,932</b>
Purchases of oil, gas and petroleum products	(91,788,572)	(109,592,420)
Production and manufacturing expenses	(13,712,752)	(13,630,262)
Selling, general and administrative expenses	(16,383,779)	(16,422,403)
Transportation expenses	(643,702)	(797,381)
Depreciation, depletion and amortization	(10,452,813)	(9,437,834)
Taxes other than income tax	(3,852,278)	(4,428,659)
Exploration expenses	(3,321)	(992,773)
<b>Total operating expenses</b>	<b>(136,837,217)</b>	<b>(155,301,732)</b>
Other expenses, net	(1,247,103)	(985,884)
<b>Operating profit</b>	<b>21,106,379</b>	<b>37,572,316</b>
Net foreign exchange loss	(4,489,442)	(8,295,100)
Finance income	266,896	214,444
Finance expenses	(2,563,331)	(2,864,559)
<b>Total other expense</b>	<b>(6,785,877)</b>	<b>(10,945,215)</b>
<b>Profit before income tax</b>	<b>14,320,502</b>	<b>26,627,101</b>
Current income tax expense	(2,572,718)	(3,671,931)
Deferred tax (expense) income	(819,425)	(1,837,220)
<b>Total income tax expense</b>	<b>(3,392,143)</b>	<b>(5,509,151)</b>
<b>Profit for the period</b>	<b>10,928,359</b>	<b>21,117,950</b>
<b>Other comprehensive loss:</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Change in value of available-for-sale financial assets	(33,713)	14,579
Currency translation differences	18,002	(284,431)
	(15,711)	(269,852)
<b>Other comprehensive loss for the period</b>	<b>(15,711)</b>	<b>(269,852)</b>
<b>Total comprehensive income for the period</b>	<b>10,912,648</b>	<b>20,848,098</b>
<b>Profit attributable to:</b>		
- Shareholders of Naftna Industrija Srbije	10,951,871	21,225,763
- Non-controlling interest	(23,512)	(107,813)
<b>Profit for the period</b>	<b>10,928,359</b>	<b>21,117,950</b>
<b>Total comprehensive income (loss) attributable to:</b>		
- Shareholders of Naftna Industrija Srbije	10,934,312	20,958,990
- Non-controlling interest	(21,664)	(110,892)
<b>Total comprehensive income (loss) for the period</b>	<b>10,912,648</b>	<b>20,848,098</b>
<b>Earnings per share attributable to shareholders of Naftna Industrija Srbije</b>		
- Basic earnings (RSD per share)	67.16	130.17
Weighted average number of ordinary shares in issue (in millions)	163	163

*In thousand RSD*

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NINE MONTH PERIOD ENDED 30 SEPTEMBER 2015 AND 2014

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

In thousand RSD

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

*In thousand RSD*

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

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

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

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

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

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

#### 2.1. Basis of preparation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2014, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group's Consolidated Financial Statements for 2014.

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

#### 2.2. Changes in significant accounting policies

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

#### 2.3. Application of new IFRS

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



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

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

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

### 4. NEW ACCOUNTING STANDARDS

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

No other new standards were issued during the nine months period ended 30 September 2015.

Unless otherwise stated the new standards and interpretations are not expected to have significant impact on the Group's Condensed Consolidated Financial Statements.

### 5. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

	Nine month period ended 30 September 2015		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,740,490	1,740,490
Sale of gas	5,692,700	-	5,692,700
Through a retail network	-	-	-
Wholesale activities	5,692,700	-	5,692,700
Sale of petroleum products	114,763,509	30,025,077	144,788,586
Through a retail network	37,104,041	-	37,104,041
Wholesale activities	77,659,468	30,025,077	107,684,545
Other sales	4,117,488	2,851,435	6,968,923
<b>Total sales</b>	<b>124,573,697</b>	<b>34,617,002</b>	<b>159,190,699</b>

	Nine month period ended 30 September 2014		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	2,584,262	2,584,262
Sale of gas	3,026,403	-	3,026,403
Through a retail network	-	-	-
Wholesale activities	3,026,403	-	3,026,403
Sale of petroleum products	145,069,375	37,158,413	182,227,788
Through a retail network	45,172,122	-	45,172,122
Wholesale activities	99,897,253	37,158,413	137,055,666
Other sales	3,718,018	2,303,461	6,021,479
<b>Total sales</b>	<b>151,813,796</b>	<b>42,046,136</b>	<b>193,859,932</b>

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

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

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

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

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

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

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

## 6. CASH AND CASH EQUIVALENTS

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

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

## 7. TRADE AND OTHER RECEIVABLES

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

The ageing of trade and other receivables is as follows:

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

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

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

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

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

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

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

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

## 8. INVENTORIES

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

**9. OTHER CURRENT ASSETS**

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

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

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

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

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

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

## 10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2014</b>						
Cost	58,161,373	108,204,314	44,958,981	19,127,652	45,176,238	275,628,558
Depreciation and impairment	(17,442,672)	(28,192,781)	(13,015,775)	(7,989,794)	(4,055,015)	(70,696,037)
<b>Net book value</b>	<b>40,718,701</b>	<b>80,011,533</b>	<b>31,943,206</b>	<b>11,137,858</b>	<b>41,121,223</b>	<b>204,932,521</b>
<b>Period ended 30 September 2014</b>						
Additions	14,786,627	3,118,838	3,227,828	515,922	6,334,297	27,983,512
Acquisitions through business combinations	-	-	-	-	789,440	789,440
Impairment	-	-	(37,097)	-	(15,200)	(52,297)
Depreciation	(2,742,161)	(3,906,254)	(1,526,809)	(537,883)	(3,975)	(8,717,082)
Transfer from investment property	35,121	9,358	14,768	7,399	-	66,646
Disposals and write-off	(13,708)	(2,785)	(190,646)	(43,995)	(1,296,968)	(1,548,102)
Other transfers	251,340	(585,085)	(170,261)	468,827	(352,681)	(387,860)
Translation differences	123	-	563,072	-	155,851	719,046
	53,036,043	78,645,605	33,824,061	11,548,128	46,731,987	223,785,824
<b>As at 30 September 2014</b>						
Cost	73,114,835	110,233,286	48,105,238	20,115,052	50,797,023	302,365,434
Depreciation and impairment	(20,078,792)	(31,587,681)	(14,281,177)	(8,566,924)	(4,065,036)	(78,579,610)
<b>Net book value</b>	<b>53,036,043</b>	<b>78,645,605</b>	<b>33,824,061</b>	<b>11,548,128</b>	<b>46,731,987</b>	<b>223,785,824</b>
<b>As at 1 January 2015</b>						
Cost	82,284,653	114,595,854	49,338,344	20,285,937	46,177,226	312,682,014
Depreciation and impairment	(21,058,518)	(32,895,538)	(14,910,568)	(8,614,025)	(2,813,514)	(80,292,163)
<b>Net book value</b>	<b>61,226,135</b>	<b>81,700,316</b>	<b>34,427,776</b>	<b>11,671,912</b>	<b>43,363,712</b>	<b>232,389,851</b>
<b>Period ended 30 September 2015</b>						
Additions	15,630,385	3,505,380	2,203,647	192,308	(2,203,159)	19,328,561
Impairment	-	(29,826)	(147,634)	-	(103,708)	(281,168)
Depreciation	(3,168,378)	(4,297,427)	(1,623,872)	(589,989)	(3,666)	(9,683,332)
Transfer to investment property	-	-	(38,046)	(180,595)	-	(218,641)
Disposals and write-off	(40,909)	(51,978)	(44,937)	(95,528)	(79,010)	(312,362)
Other transfers	(24,248)	(2,953)	149,303	40,207	(503,632)	(341,323)
Translation differences	(10)	-	(106,351)	-	(17,458)	(123,819)
	73,622,975	80,823,512	34,819,886	11,038,315	40,453,079	240,757,767
<b>As at 30 September 2015</b>						
Cost	97,767,045	117,956,070	51,089,131	20,056,693	43,103,241	329,972,180
Depreciation and impairment	(24,144,070)	(37,132,558)	(16,269,245)	(9,018,378)	(2,650,162)	(89,214,413)
<b>Net book value</b>	<b>73,622,975</b>	<b>80,823,512</b>	<b>34,819,886</b>	<b>11,038,315</b>	<b>40,453,079</b>	<b>240,757,767</b>

## Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
<b>As at 1 January 2014</b>						
Cost	13,222,087	13,397,107	26,619,194	58,161,373	33,510	84,814,077
Depreciation and impairment	(10,867)	(238,059)	(248,926)	(17,442,672)	(20,267)	(17,711,865)
<b>Net book amount</b>	<b>13,211,220</b>	<b>13,159,048</b>	<b>26,370,268</b>	<b>40,718,701</b>	<b>13,243</b>	<b>67,102,212</b>
<b>Period ended 30 September 2014</b>						
Additions	4,534,056	14,532,792	19,066,848	-	-	19,066,848
Transfer from asset under construction	(1,948,341)	(12,838,286)	(14,786,627)	14,786,627	-	-
Other transfers	50,654	(380,606)	(329,952)	251,340	(81)	(78,693)
Depreciation and depletion	(3,517)	-	(3,517)	(2,742,161)	-	(2,745,678)
Transfer from investment property	-	-	-	35,121	-	35,121
Disposals and write-off	(1,081,140)	(366,825)	(1,447,965)	(13,708)	-	(1,461,673)
Translation differences	110,000	-	110,000	123	-	110,123
	14,872,932	14,106,123	28,979,055	53,036,043	13,162	82,028,260
<b>As at 30 September 2014</b>						
Cost	14,887,576	14,344,182	29,231,758	73,114,835	33,472	102,380,065
Depreciation and impairment	(14,644)	(238,059)	(252,703)	(20,078,792)	(20,310)	(20,351,805)
<b>Net book amount</b>	<b>14,872,932</b>	<b>14,106,123</b>	<b>28,979,055</b>	<b>53,036,043</b>	<b>13,162</b>	<b>82,028,260</b>
<b>As at 1 January 2015</b>						
Cost	18,087,173	13,477,995	31,565,168	82,284,653	33,457	113,883,278
Depreciation and impairment	(17,291)	(253,585)	(270,876)	(21,058,518)	(20,359)	(21,349,753)
<b>Net book amount</b>	<b>18,069,882</b>	<b>13,224,410</b>	<b>31,294,292</b>	<b>61,226,135</b>	<b>13,098</b>	<b>92,533,525</b>
<b>Period ended 30 September 2015</b>						
Additions	2,950,141	13,290,802	16,240,943	-	-	16,240,943
Transfer from asset under construction	(2,748,993)	(12,881,392)	(15,630,385)	15,630,385	-	-
Other transfers	60,292	(351,573)	(291,281)	(24,248)	-	(315,529)
<b>Impairment</b>	-	(10,332)	(10,332)	-	-	(10,332)
Depreciation and depletion	(3,732)	-	(3,732)	(3,168,378)	-	(3,172,110)
Disposals and write-off	(74,486)	1	(74,485)	(40,909)	-	(115,394)
Translation differences	(13,196)	-	(13,196)	(10)	-	(13,206)
	<b>18,239,908</b>	<b>13,271,916</b>	<b>31,511,824</b>	<b>73,622,975</b>	<b>13,098</b>	<b>105,147,897</b>
<b>As at 30 September 2015</b>						
Cost	18,259,661	13,520,687	31,780,348	97,767,045	33,408	129,580,801
Depreciation and impairment	(19,753)	(248,771)	(268,524)	(24,144,070)	(20,310)	(24,432,904)
<b>Net book amount</b>	<b>18,239,908</b>	<b>13,271,916</b>	<b>31,511,824</b>	<b>73,622,975</b>	<b>13,098</b>	<b>105,147,897</b>

**11. OTHER NON-CURRENT ASSETS**

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

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

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

**13. TRADE AND OTHER PAYABLES**

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

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

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

**14. OTHER CURRENT LIABILITIES**

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

**15. OTHER TAXES PAYABLE**

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

**16. LONG-TERM DEBT**

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



## a) Long-term loan - Gazprom Neft

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

## b) Bank loans

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

The maturity of bank loans was as follows:

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

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

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

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

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

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

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

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

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

## 17. SHARE CAPITAL

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

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

## 18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

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

## 19. PRODUCTION AND MANUFACTURING EXPENSES

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

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

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

**21. FAIR VALUE MEASUREMENT**

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

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

**22. CONTINGENCIES AND COMMITMENTS***Transfer of property ownership*

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

*Finance Guarantees*

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

*Environmental protection*

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

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

*Other contingent liabilities*

As at 30 September 2015, the Group did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Group has to pay the difference in tax calculation of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Group's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Group's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed. Taking all of the above into consideration, the Group's Management is of the view that as at 30 September 2015 outflow of resources embodying

economic benefits is not probable due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

#### Tax risks

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 30 September 2015.

#### Farm-out agreement with East West Petroleum Corporation, Canada

In October 2011, the Group entered into a Farm-out agreement with East West Petroleum Corporation, Canada for exploration and production of hydrocarbons in the Timisoara region in Romania. Under the Contract, the Group shall finance 85% of total exploration costs on four blocks in the region. Depending on the success of exploration, the Group will be entitled to 85% of the total production volume of hydrocarbons. Moreover, under the Joint Operation Agreement signed with East West Petroleum Corporation, Canada, Group will act as the Operator and will be in charge of and shall conduct all Joint Operations. Exploration activities are underway. On 30 September 2015 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to 45.96 USD million.

There were no other material commitments of the Group.

### 23. GROUP ENTITIES

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

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

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

### 24. RELATED PARTY TRANSACTIONS

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

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

Exchange and are owned by various shareholders. Gazprom, Russian Federation is the ultimate owner of the Group.

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

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

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

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

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

#### Key management compensation

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

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

**25. EVENTS AFTER THE REPORTING DATE**

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

Subsequent events occurring after 30 September 2015 were evaluated through 26 October 2015, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

## STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THE PREPARATION OF FINANCIAL STATEMENTS

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We hereby state that, to our best knowledge, the interim financial reports have been prepared in compliance with the applicable international financial reporting standards, and also in compliance with the Law on Accounting ("Official Gazette of the Republic of Serbia" no. 62/2013), which requires full scope of IFRS to be applied as well as the regulations issued by the Ministry of Finance of the Republic of Serbia<sup>36</sup> and that they show true and objective information on the assets, liabilities, profit and loss, financial position and operations of the Company, including subsidiaries encompassed by the consolidated statements.

Anton Fyodorov

Branko Mitrović

(Stamp)

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

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

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<sup>36</sup> Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

- The financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 – "Presentation of Financial Statements" requirements.
- "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

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