



Naftna industrija Srbije A.D.

Interim Condensed Financial Statements (Unaudited)

30 June 2018

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

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Interim Condensed Statement of Financial Position
(All amounts are in 000 RSD, unless otherwise stated)

Assets	Note	30 June 2018	31 December 2017
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	6	13,803,249	23,410,724
Short-term financial assets	7	12,334,371	11,507,390
Trade and other receivables	8	29,606,272	30,213,371
Inventories	9	32,205,992	33,451,244
Other current assets	10	5,547,564	4,868,561
Non-current assets held for sale		163	163
Total current assets		93,497,611	103,451,453
Non-current assets			
Property, plant and equipment	11	247,437,978	237,108,439
Investment property		1,560,572	1,530,356
Intangible assets		2,682,327	3,082,914
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		13,425,586	13,425,586
Trade and other non-current receivables		2,834	2,222
Long-term financial assets	12	28,427,503	34,188,042
Deferred tax assets		1,857,610	2,487,491
Other non-current assets	13	2,879,961	3,835,469
Total non-current assets		299,313,171	296,699,319
Total assets		392,810,782	400,150,772
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	8,287,574	8,305,932
Trade and other payables	15	28,584,742	34,596,516
Other current liabilities	16	4,806,082	4,880,705
Current income tax payable		277,717	1,915,676
Other taxes payable	17	10,409,664	9,235,139
Provisions for liabilities and charges		1,957,507	2,837,875
Total current liabilities		54,323,286	61,771,843
Non-current liabilities			
Long-term debt	18	84,567,446	89,751,052
Long-term trade and other payables		8,973	-
Provisions for liabilities and charges		9,756,576	9,660,582
Total non-current liabilities		94,332,995	99,411,634
Equity			
Share capital		81,530,200	81,530,200
Reserves		20,651	17,782
Retained earnings		162,603,650	157,419,313
Total equity		244,154,501	238,967,295
Total liabilities and shareholder's equity		392,810,782	400,150,772

Kirill Tyurdenev
Chief Executive Officer
25 July 2018

Anton Fyodorov
Chief Financial Officer

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

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Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

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

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>	2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		58,558,827	47,289,286	104,167,164	90,176,998
Other revenues		3,710,387	4,644,243	6,564,204	7,769,103
Total revenue from sales	5	62,269,214	51,933,529	110,731,368	97,946,101
Purchases of oil, gas and petroleum products		(34,305,260)	(27,953,469)	(62,013,711)	(51,248,089)
Production and manufacturing expenses	19	(6,969,580)	(7,558,660)	(12,721,200)	(13,523,111)
Selling, general and administrative expenses	20	(5,284,588)	(5,155,238)	(10,305,449)	(9,834,755)
Transportation expenses		(304,639)	(270,104)	(563,342)	(496,032)
Depreciation, depletion and amortization		(4,406,054)	(3,408,260)	(8,273,005)	(6,982,502)
Taxes other than income tax		(1,116,417)	(1,001,497)	(2,166,899)	(2,007,235)
Exploration expenses		-	-	(15,771)	(7,452)
Total operating expenses		(52,386,538)	(45,347,228)	(96,059,377)	(84,099,176)
Other income (expenses), net		105,148	(49,102)	32,679	(234,803)
Operating profit		9,987,824	6,537,199	14,704,670	13,612,122
Net foreign exchange gain (loss)	21	(434,802)	3,865,004	2,539	4,111,626
Finance income	22	361,882	309,903	819,884	624,673
Finance expenses	23	(549,914)	(641,970)	(1,120,506)	(1,375,436)
Total other income (expense)		(622,834)	3,532,937	(298,083)	3,360,863
Profit before income tax		9,364,990	10,070,136	14,406,587	16,972,985
Current income tax expense		(1,066,672)	(3,072,199)	(1,640,910)	(3,858,439)
Deferred tax expense		(343,513)	(405,112)	(629,881)	(749,419)
Total income tax expense		(1,410,185)	(3,477,311)	(2,270,791)	(4,607,858)
Profit for the period		7,954,805	6,592,825	12,135,796	12,365,127
Other comprehensive profit (loss):					
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax					
Revaluation of property, plant and equipment transferred to investment property		-	-	-	1,399
		-	-	-	1,399
Items that may be subsequently reclassified to profit or loss					
Change in value of available-for-sale financial assets		573	1,592	(586)	1,723
		573	1,592	(586)	1,723
Other comprehensive profit (loss) for the period		573	1,592	(586)	3,122
Total comprehensive income for the period		7,955,378	6,594,417	12,135,210	12,368,249
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		48.79	40.44	74.42	75.85
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

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

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Interim Condensed Statement of Changes in Shareholders' Equity
Six month period ended 30 June 2018 and 2017

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

(unaudited)

	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2017	81,530,200	14,088	133,630,354	215,174,642
Profit for the period	-	-	12,365,127	12,365,127
Other comprehensive income (loss)				
Change in value of available-for-sale financial assets	-	1,723	-	1,723
Revaluation of intangible assets, property, plant and equipment transferred to investment property	-	1,399	-	1,399
Total comprehensive income (loss) for the period	-	3,122	12,365,127	12,368,249
Dividend distribution	-	-	(4,021,069)	(4,021,069)
Balance as at 30 June 2017	81,530,200	17,210	141,974,412	223,521,822

(unaudited)

	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2018	81,530,200	17,782	157,419,313	238,967,295
Profit for the period	-	-	12,135,796	12,135,796
Other comprehensive income (loss)				
Change in value of available-for-sale financial assets	-	(586)	-	(586)
Sale of available-for-sale financial assets	-	3,455	(3,455)	-
Total comprehensive income (loss) for the period	-	2,869	12,132,341	12,135,210
Dividend distribution	-	-	(6,948,004)	(6,948,004)
Balance as at 30 June 2018	81,530,200	20,651	162,603,650	244,154,501

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

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Interim Condensed Statement of Cash Flows¹

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

	Note	Six month period ended	
		30 June	
		2018	2017
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		14,406,587	16,972,985
Adjustments for:			
Finance expenses	23	1,120,506	1,375,436
Finance income	22	(819,884)	(624,673)
Net unrealised foreign exchange (gain) losses		429,503	(3,746,768)
Depreciation, depletion and amortization		8,273,005	6,982,502
Adjustments for other provisions		125,961	18,690
Allowance for doubtful accounts		(89,548)	71,218
Write off of dry holes		15,771	7,452
Payables write off		-	(3,034)
Other non-cash items		43,148	125,735
Operating cash flow before changes in working capital		23,505,049	21,179,543
Changes in working capital:			
Trade and other receivables		776,633	11,158,749
Inventories		1,218,226	(6,393)
Other current assets		(824,287)	(601,539)
Trade payables and other current liabilities		(12,104,306)	(10,197,144)
Other taxes payable		1,174,525	(199,842)
Total effect on working capital changes		(9,759,209)	153,831
Income taxes paid		(3,282,339)	(715,385)
Interest paid		(1,117,534)	(1,536,447)
Interest received		453,503	477,066
Net cash generated from operating activities		9,799,470	19,558,608
Cash flows from investing activities			
Loans issued		(1,643,721)	(2,483,056)
Loan proceeds received		1,147,109	1,769,695
Capital expenditures ²		(19,310,109)	(10,623,061)
Proceeds from sale of property, plant and equipment		126,325	80,017
Bank deposits placements		5,586,458	-
Other inflow		6,990	-
Net cash used in investing activities		(14,086,948)	(11,256,405)
Cash flows from financing activities			
Proceeds from borrowings	18	17,768,513	14,034,354
Repayment of borrowings	18	(23,089,062)	(23,404,395)
Repayments of finance lease liabilities	18	(24,488)	(28,262)
Net cash used in financing activities		(5,345,037)	(9,398,303)
Net decrease in cash and cash equivalents		(9,632,515)	(1,096,100)
Effect of foreign exchange on cash and cash equivalents		25,040	(282,635)
Cash and cash equivalents as of the beginning of the period		23,410,724	20,053,651
Cash and cash equivalents as of the end of the period		13,803,249	18,674,916

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

¹ Group policy is to present cash flow inclusive of related VAT.

² CF from investing activities includes VAT in the amount of 3,2 bln RSD (2017: 1,4 bln RSD)

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

1. GENERAL INFORMATION

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Company does not disclose information which would substantially duplicate the disclosures contained in its audited Financial Statements for 2017, 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 2017.

Subsequent events occurring after 30 June 2018 were evaluated through 25 July 2018, the date these Interim Condensed Financial Statements were authorised for issue.

The results for the six month period ended 30 June 2018 are not necessarily indicative of the results expected for the full year.

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

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

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 2017, except for those described in the Application of new IFRS paragraph.

3. APPLICATION OF NEW IFRS

Accounting policies applied from 1 January 2018

IFRS 9 – Financial Instruments (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). From 1 January 2018 the Company classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss (FVPL), those to be measured subsequently at fair value through other comprehensive income (FVOCI), and those to be measured subsequently at amortized cost.

The classification of debt instruments depends on the organization's business model for managing financial assets and whether contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI").

The Company presents in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short-to-medium term.

Financial assets and liabilities previously classified in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" within categories loans and receivables, investments held to maturity and other financial liabilities measured at amortised cost using the effective interest method, in accordance with IFRS 9 "Financial instruments" are classified as financial assets and financial liabilities carried at amortised cost. Measurement of cash and cash equivalents, trade and other receivables and payables, long-term and short-term loans and investments, held-to-maturity investments has not changed and these financial instruments are measured at amortised cost.

IFRS 15 – Revenue from Contracts with Customers (amended in April 2016 and effective for annual periods beginning on or after 1 January 2018). The Company recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

The transaction price excludes amounts collected on behalf of third parties such as value added tax and sales related tax.

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on 1 January 2018 or later, and that the Company has not early adopted.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to have significant impact on the Company's Interim Condensed Financial Statements.

The following other new standards and pronouncements are not expected to have any material impact on the Company when adopted:

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

5. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the six month periods ended 30 June 2018 and 2017. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

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

Reportable segment results for the six month period ended 30 June 2018 and 2017 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Six month period ended 30 June 2018				
Segment revenue	23,533,625	111,107,203	(23,909,460)	110,731,368
Intersegment	23,389,774	519,686	(23,909,460)	-
External	143,851	110,587,517	-	110,731,368
EBITDA (Segment results)	17,059,006	5,892,899	-	22,951,905
Depreciation, depletion and amortization	(3,885,876)	(4,387,129)	-	(8,273,005)
Net of impairment of non-financial assets	(1,041)	(2,782)	-	(3,823)
Net foreign exchange gain (loss)	(45,079)	47,618	-	2,539
Finance income (expenses), net	32,811	(333,433)	-	(300,622)
Income tax	-	(2,270,791)	-	(2,270,791)
Segment profit /(loss)	13,264,038	(1,128,242)	-	12,135,796
Six month period ended 30 June 2017				
Segment revenue	21,187,795	98,073,203	(21,314,897)	97,946,101
Intersegment	20,169,241	1,145,656	(21,314,897)	-
External	1,018,554	96,927,547	-	97,946,101
EBITDA (Segment results)	14,488,307	6,240,413	-	20,728,720
Depreciation, depletion and amortization	(2,664,671)	(4,317,831)	-	(6,982,502)
Reversal surpluses, net	-	3,782	-	3,782
Net foreign exchange gain	201,269	3,910,357	-	4,111,626
Finance expenses, net	(57,189)	(693,574)	-	(750,763)
Income tax	(1,906,477)	(2,701,381)	-	(4,607,858)
Segment profit (loss)	9,876,627	2,488,500	-	12,365,127

EBITDA for the six and three month period ended 30 June 2018 and 2017 is reconciled below:

	Three month period ended		Six month period ended	
	30 June		30 June	
	2018	2017	2018	2017
Profit for the period	7,954,805	6,592,825	12,135,796	12,365,127
Income tax expenses	1,410,185	3,477,311	2,270,791	4,607,858
Finance expenses	549,914	641,970	1,120,506	1,375,436
Finance income	(361,882)	(309,903)	(819,884)	(624,673)
Depreciation, depletion and amortization	4,406,054	3,408,260	8,273,005	6,982,502
Net foreign exchange (gain) loss	434,802	(3,865,004)	(2,539)	(4,111,626)
Other (income) expense, net	(105,148)	49,102	(32,679)	234,803
Other non-operating (income) expense, net	89,502	92,464	6,909	(100,707)
EBITDA	14,378,232	10,087,025	22,951,905	20,728,720

NIS a.d.**Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018***(All amounts are in 000 RSD, unless otherwise stated)*

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

	Six month period ended 30 June 2018		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	-	-
Sale of gas	984,682	-	984,682
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	984,682	-	984,682
Sale of petroleum products	83,563,688	19,618,794	103,182,482
<i>Through a retail network</i>	28,073,614	-	28,073,614
<i>Wholesale activities</i>	55,490,074	19,618,794	75,108,868
Sale of electricity	227,133	2,710,274	2,937,407
Other sales	3,514,798	111,999	3,626,797
Total sales	88,290,301	22,441,067	110,731,368

	Six month period ended 30 June 2017		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	892,095	892,095
Sale of gas	1,395,030	-	1,395,030
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,395,030	-	1,395,030
Sale of petroleum products	73,681,768	14,208,105	87,889,873
<i>Through a retail network</i>	26,361,408	-	26,361,408
<i>Wholesale activities</i>	47,320,360	14,208,105	61,528,465
Sale of electricity	282,426	4,194,374	4,476,800
Other sales	3,192,146	100,157	3,292,303
Total sales	78,551,370	19,394,731	97,946,101

Out of the amount of 75,108,868 RSD (2017: 61,528,465 RSD) revenue from sale of petroleum products (wholesale), the amount of 11,363,791 RSD (2017: 9,896,305 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Gazprom Marketing & Trading Co., Ltd. in the amount of 2,398,650 RSD (2017: 4,083,822 RSD). These sales are presented within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 2,605,251 RSD (2017: 2,438,315 RSD).

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 88,290,301 RSD (2017: 78,551,370 RSD), and the total revenue from external customer from other countries is 22,441,067 RSD (2017: 19,394,731 RSD).

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

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

	Six month period ended 30 June	
	2018	2017
Sale of crude oil	-	892,095
Sale of petroleum products (retail and wholesale)		
Bulgaria	4,751,990	3,199,034
Bosnia and Herzegovina	4,021,740	2,717,062
Romania	2,880,238	1,678,890
All other markets	7,755,981	6,613,119
	19,618,794	14,208,105
Sale of electricity	2,710,274	4,194,374
Other sales	111,999	100,157
	22,441,067	19,394,731

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

6. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash in bank and in hand	4,424,338	14,432,605
Deposits with original maturity of less than three months	9,110,000	8,670,000
Cash held on escrow account	42,206	68,765
Cash equivalents	226,705	239,354
	13,803,249	23,410,724

7. SHORT-TERM FINANCIAL ASSETS

	30 June 2018	31 December 2017
Short-term loans	178,141	247,524
Deposits with original maturity more than 3 months less than 1 year	4,141,896	7,645,642
Current portion of long-term investments (note 12)	8,240,455	3,838,872
Less impairment loss provision	(226,121)	(224,648)
	12,334,371	11,507,390

As at 30 June 2018 deposits with original maturity more than three months less than 1 year amounting to 4,141,896 RSD (31 December 2017: 7,645,642 RSD) relates to bank deposits placements with interest rates from 4,15% to 4,65% p.a. denominated in RSD.

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

8. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
Trade receivables:		
- related parties	3,566,934	5,261,268
- third parties	29,229,575	25,991,656
- state and state owned companies	7,803,541	10,233,306
	40,600,050	41,486,230
Accrued assets	304,987	185,641
	40,905,037	41,671,871
<i>Less impairment provision for trade and other receivables:</i>		
- <i>third parties</i>	(9,509,393)	(9,594,055)
- <i>state and state owned companies</i>	(1,789,372)	(1,864,445)
	(11,298,765)	(11,458,500)
Total trade and other receivables	29,606,272	30,213,371

The ageing of trade and other receivables is as follows:

	30 June 2018	31 December 2017
Neither impaired nor past due	27,215,873	27,691,406
Past due but not impaired:		
within 30 days	1,625,940	1,992,337
1 to 3 months	328,182	197,904
3 months to 1 year	222,860	121,577
over 1 year	213,417	210,147
Total	29,606,272	30,213,371

Company management believes that net receivables included in the ageing table above are fully recoverable.

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

	30 June 2018	31 December 2017
RSD	25,346,312	21,791,608
EUR	3,463,081	7,438,322
USD	796,879	982,442
Other	-	999
	29,606,272	30,213,371

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

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

	Trade & other receivables		
	Third parties	State and state owned companies	Total
As at 1 January 2017	9,841,314	11,563,533	21,404,847
Provision for receivables impairment	141,229	21,878	163,107
Release of provision	(131,214)	(18,160)	(149,374)
Receivables written off during the year as uncollectible	(922)	-	(922)
Unwinding of discount	-	(36,303)	(36,303)
Transfer from non-current part	-	208,808	208,808
Exchange differences	1,751	(206,680)	(204,929)
Other	(2,207)	-	(2,207)
As at 30 June 2017	9,849,951	11,533,076	21,383,027
As at 1 January 2018	9,594,055	1,864,445	11,458,500
Provision for receivables impairment	63,148	6,467	69,615
Release of provision	(113,573)	(58,162)	(171,735)
Receivables written off during the year as uncollectible	(14,082)	-	(14,082)
Unwinding of discount (note 23)	-	(44,661)	(44,661)
Exchange differences	4,661	(3,533)	1,128
Other	(24,816)	24,816	-
As at 30 June 2018	9,509,393	1,789,372	11,298,765

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.

9. INVENTORIES

	30 June 2018	31 December 2017
Crude oil	19,598,054	22,312,814
Petroleum products	12,714,327	11,116,609
Materials and supplies	4,100,176	4,288,895
Other	687,192	680,609
Less impairment provision	(4,893,757)	(4,947,683)
	32,205,992	33,451,244

10. OTHER CURRENT ASSETS

	30 June 2018	31 December 2017
Advances paid	627,033	566,382
Deferred VAT	1,919,284	1,099,407
Prepaid expenses	365,511	193,927
Prepaid custom duties	31,713	31,995
Prepaid excise	2,203,425	1,820,845
Other current assets	12,337,919	13,085,751
Less impairment provision	(11,937,321)	(11,929,746)
	5,547,564	4,868,561

NIS a.d.**Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018***(All amounts are in 000 RSD, unless otherwise stated)*

Deferred VAT as at 30 June 2018 amounting to 1,919,284 RSD (31 December 2017: 1,099,407 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 June 2018 amounting to 2,203,425 RSD (31 December 2017: 1,820,845 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

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

	Advances paid	Other current assets	Total
As at 1 January 2017	257,940	11,719,291	11,977,231
Increase of provision during the year	5,432	71,274	76,706
Release of provision	(338)	(36,156)	(36,494)
Receivables written off during the year as uncollectible	-	(25,711)	(25,711)
Other	2	(1)	1
As at 30 June 2017	263,036	11,728,697	11,991,733
As at 1 January 2018	259,236	11,670,510	11,929,746
Increase of provision during the year	1,962	17,421	19,383
Release of provision	(732)	(8,619)	(9,351)
Receivables written off during the year as uncollectible	-	(2,457)	(2,457)
As at 30 June 2018	260,466	11,676,855	11,937,321

The ageing of other current assets is as follows:

	30 June 2018	31 December 2017
Neither impaired nor past due	492,078	1,214,442
Not impaired and past due in the following periods:		
Less than 1 month	8,500	14,972
1 - 3 months	5,239	25,707
3 month - 1 year	24,273	30,192
Over 1 year	-	14,658
Total	530,090	1,299,971

Net amount of other current assets shown in ageing analysis does not include non-financial assets like VAT, excise etc.

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

11. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2017						
Cost	115,864,815	110,525,127	46,383,755	17,548,942	31,776,922	322,099,561
Depreciation and impairment	(27,422,504)	(35,174,792)	(24,349,626)	(8,489,733)	(2,103,957)	(97,540,612)
Net book value	88,442,311	75,350,335	22,034,129	9,059,209	29,672,965	224,558,949
Period ended 30 June 2017						
Additions	-	-	-	-	10,388,665	10,388,665
Changes in decommissioning obligations	84,292	-	-	-	-	84,292
Transfer from assets under construction	8,425,105	1,407,219	1,020,711	190,549	(11,043,584)	-
Transfer to intangible assets	-	-	-	-	(31,613)	(31,613)
Transfer to investment property	-	-	(17,195)	(2,314)	-	(19,509)
Impairment	-	-	-	-	(1,645)	(1,645)
Depreciation	(2,636,920)	(2,826,057)	(739,565)	(274,787)	-	(6,477,329)
Disposals and write-off	(36,557)	(6,444)	(124,031)	(4,283)	(54,785)	(226,100)
Other transfers	1,544	93	(37,349)	38,026	2,917	5,231
	94,279,775	73,925,146	22,136,700	9,006,400	28,932,920	228,280,941
As at 30 June 2017						
Cost	124,237,055	111,900,825	47,028,484	17,626,364	31,014,108	331,806,836
Depreciation and impairment	(29,957,280)	(37,975,679)	(24,891,784)	(8,619,964)	(2,081,188)	(103,525,895)
Net book value	94,279,775	73,925,146	22,136,700	9,006,400	28,932,920	228,280,941
As at 1 January 2018						
Cost	135,319,517	114,239,048	47,083,673	17,694,721	32,591,816	346,928,775
Depreciation and impairment	(32,675,985)	(40,818,582)	(25,487,659)	(8,841,365)	(1,996,745)	(109,820,336)
Net book value	102,643,532	73,420,466	21,596,014	8,853,356	30,595,071	237,108,439
Period ended 30 June 2018						
Additions	-	-	-	-	18,058,766	18,058,766
Acquisitions through business combinations	-	-	-	-	217,660	217,660
Changes in decommissioning obligations	115,108	-	-	-	-	115,108
Transfer from assets under construction	7,934,533	780,203	2,630,796	128,713	(11,474,245)	-
Transfer to investment property	-	-	(38,530)	-	-	(38,530)
Transfer to non-current assets held for sale	-	-	-	(5,260)	-	(5,260)
Impairment	-	-	(6,100)	-	(1,043)	(7,143)
Depreciation	(3,858,258)	(2,813,455)	(834,208)	(266,774)	-	(7,772,695)
Disposals and write-off	(36,276)	(72,038)	(4,512)	(5,531)	(128,251)	(246,608)
Other transfers	(26,645)	(54,530)	310,218	(228,979)	8,177	8,241
	106,771,994	71,260,646	23,653,678	8,475,525	37,276,135	247,437,978
As at 30 June 2018						
Cost	143,226,836	114,811,751	50,346,813	17,070,922	39,273,923	364,730,245
Depreciation and impairment	(36,454,842)	(43,551,105)	(26,693,135)	(8,595,397)	(1,997,788)	(117,292,267)
Net book value	106,771,994	71,260,646	23,653,678	8,475,525	37,276,135	247,437,978

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2017						
Cost	12,345,350	7,915,400	20,260,750	115,864,815	22,129	136,147,694
Depreciation and impairment	-	(876)	(876)	(27,422,504)	(20,309)	(27,443,689)
Net book amount	12,345,350	7,914,524	20,259,874	88,442,311	1,820	108,704,005
Period ended 30 June 2017						
Additions	1,580,178	6,588,238	8,168,416	-	-	8,168,416
Changes in decommissioning obligations	-	-	-	84,292	-	84,292
Transfer from asset under construction	(2,999,387)	(5,425,718)	(8,425,105)	8,425,105	-	-
Depreciation and depletion	-	-	-	(2,636,920)	-	(2,636,920)
Disposals and write-off	(49,780)	(3,019)	(52,799)	(36,557)	-	(89,356)
Other transfers	(28,341)	42,550	14,209	1,544	-	15,753
	10,848,020	9,116,575	19,964,595	94,279,775	1,820	114,246,190
As at 30 June 2017						
Cost	10,848,020	9,117,451	19,965,471	124,237,055	22,129	144,224,655
Depreciation and impairment	-	(876)	(876)	(29,957,280)	(20,309)	(29,978,465)
Net book amount	10,848,020	9,116,575	19,964,595	94,279,775	1,820	114,246,190
As at 1 January 2018						
Cost	10,805,015	6,481,469	17,286,484	135,319,517	22,129	152,628,130
Depreciation and impairment	-	(2,087)	(2,087)	(32,675,985)	(20,309)	(32,698,381)
Net book amount	10,805,015	6,479,382	17,284,397	102,643,532	1,820	119,929,749
Period ended 30 June 2018						
Additions	2,029,407	5,846,654	7,876,061	-	-	7,876,061
Changes in decommissioning obligations	-	-	-	115,108	-	115,108
Transfer from asset under construction	(856,049)	(7,078,484)	(7,934,533)	7,934,533	-	-
Impairment	-	(1,041)	(1,041)	-	-	(1,041)
Depreciation and depletion	-	-	-	(3,858,258)	-	(3,858,258)
Disposals and write-off	(91,455)	(24,660)	(116,115)	(36,276)	-	(152,391)
Other transfers	451,039	(469,011)	(17,972)	(26,645)	-	(44,617)
	12,337,957	4,752,840	17,090,797	106,771,994	1,820	123,864,611
As at 30 June 2018						
Cost	12,337,957	4,755,968	17,093,925	143,226,836	22,129	160,342,890
Depreciation and impairment	-	(3,128)	(3,128)	(36,454,842)	(20,309)	(36,478,279)
Net book amount	12,337,957	4,752,840	17,090,797	106,771,994	1,820	123,864,611

12. LONG-TERM FINANCIAL ASSETS

	30 June 2018	31 December 2017
Deposits with original maturity more than 1 year	-	2,029,483
LT loans issued	36,542,268	35,863,153
Available for sale financial assets	179,699	187,311
Other LT placements	25,861	26,567
Less Current portion of LT loans issued (note 7)	(8,240,455)	(3,838,872)
Less provision of other LT placements	(79,870)	(79,600)
	28,427,503	34,188,042

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

13. OTHER NON-CURRENT ASSETS

	30 June 2018	31 December 2017
Advances paid for PPE	1,226,693	2,148,358
Prepaid expenses	659,386	689,450
Other assets	1,030,828	1,034,607
Less impairment provision	(36,946)	(36,946)
	2,879,961	3,835,469

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

	30 June 2018	31 December 2017
Short-term loans	1,461,527	2,298,487
Interest liabilities	99,759	106,743
Current portion of long-term loans (note 18)	6,674,386	5,849,547
Current portion of finance lease liabilities (note 18)	51,902	51,155
	8,287,574	8,305,932

15. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
Trade payables:		
- related parties	3,691,779	15,429,094
- third parties	14,155,657	15,371,836
Dividends payable	10,720,312	3,772,308
Other accounts payable	16,994	23,278
	28,584,742	34,596,516

As at 30 June 2018 payables to related parties amounting to 3,691,779 RSD (31 December 2017: 15,429,094 RSD) mainly relate to payables to the supplier Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia in the amount of 1,902,963 RSD mostly relate to drilling and overhaul services (31 December 2017: Gazprom Neft, St Petersburg in the amount of 11,727,340 RSD mostly based on purchase of crude oil).

16. OTHER CURRENT LIABILITIES

	30 June 2018	31 December 2017
Advances received	2,039,795	1,374,398
Payables to employees	2,310,755	3,041,616
Accruals and deferred income	434,241	435,851
Other current non-financial liabilities	21,291	28,840
	4,806,082	4,880,705

17. OTHER TAXES PAYABLE

	30 June 2018	31 December 2017
Mineral extraction tax	373,045	280,971
VAT	1,921,755	1,668,014
Excise tax	5,596,620	4,777,490
Contribution for buffer stocks	514,578	527,858
Custom duties	138,493	126,946
Other taxes	1,865,173	1,853,860
	10,409,664	9,235,139

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

18. LONG-TERM DEBT

	30 June 2018	31 December 2017
Long-term loan - Gazprom Neft	27,457,582	30,306,970
Bank loans	63,287,116	65,097,574
Finance lease liabilities	549,036	247,210
Less Current portion (note 14)	(6,726,288)	(5,900,702)
	84,567,446	89,751,052

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

	Long-term loans	Short-term loans (note 14)	Finance lease	Total
As at 1 January 2017	102,720,930	13,299,544	142,528	116,163,002
Proceeds	9,748,116	4,286,238	-	14,034,354
Repayment	(11,975,534)	(11,428,861)	(28,262)	(23,432,657)
Non-cash transactions	-	-	74,751	74,751
Foreign exchange difference (note 21)	(5,025,583)	(134,868)	(4,572)	(5,165,023)
As at 30 June 2017	95,467,929	6,022,053	184,445	101,674,427
As at 1 January 2018	95,404,544	2,298,487	247,210	97,950,241
Proceeds	11,525,534	6,242,979	-	17,768,513
Repayment	(16,009,123)	(7,079,939)	(24,488)	(23,113,550)
Non-cash transactions	-	-	327,860	327,860
Foreign exchange difference (note 21)	(176,257)	-	(1,546)	(177,803)
As at 30 June 2018	90,744,698	1,461,527	549,036	92,755,261

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

As at 30 June 2018 long-term loan - Gazprom Neft amounting to 27,457,582 RSD (31 December 2017: 30,306,970 RSD), with current portion of 5,491,516 RSD (2017: 5,510,358 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

	30 June 2018	31 December 2017
Domestic	47,581,869	43,338,385
Foreign	15,705,247	21,759,189
	63,287,116	65,097,574
Current portion of long-term loans	(1,182,870)	(339,189)
	62,104,246	64,758,385

The maturity of bank loans was as follows:

	30 June 2018	31 December 2017
Between 1 and 2 years	15,279,497	23,252,660
Between 2 and 5 years	44,351,346	38,991,710
Over 5 years	2,473,403	2,514,015
	62,104,246	64,758,385

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

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

	30 June 2018	31 December 2017
USD	6,458,012	17,934,250
EUR	56,521,879	43,891,080
RSD	730	2,962,633
JPY	306,495	309,611
	63,287,116	65,097,574

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

The loan agreements contain financial covenants that require the Company's ratio of Indebtedness to EBITDA. Management believes the Company is in compliance with these covenants as of 30 June 2018 and 31 December 2017, respectively.

19. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2018	2017	2018	2017
Employee costs	866,020	737,783	1,677,703	1,533,129
Materials and supplies (other than purchased oil, petroleum products and gas)	146,643	229,208	373,244	443,215
Repair and maintenance services	1,159,390	937,500	2,047,185	1,769,622
Electricity for resale	1,635,613	2,764,018	2,619,456	4,194,052
Electricity and utilities	508,039	379,132	957,714	741,006
Safety and security expense	145,721	86,771	228,464	144,050
Insurance services	67,838	70,762	138,254	141,145
Transportation services for production	475,301	428,339	958,875	840,637
Other	1,965,015	1,925,147	3,720,305	3,716,255
	6,969,580	7,558,660	12,721,200	13,523,111

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2018	2017	2018	2017
Employee costs	2,534,939	2,446,959	4,939,946	4,646,592
Legal, audit and consulting services	346,742	380,799	630,618	686,757
Rent expense	33,983	32,242	66,221	64,922
Business trips expense	79,350	84,382	145,811	141,152
Safety and security expense	123,175	115,630	231,592	231,218
Insurance expense	29,535	26,907	52,388	49,375
Transportation and storage	86,777	87,982	168,476	170,607
Allowance for doubtful accounts	(149,426)	7,414	(133,479)	(46,558)
Other	2,199,513	1,972,923	4,203,876	3,890,690
	5,284,588	5,155,238	10,305,449	9,834,755

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

21. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 30 June		Six month period ended 30 June	
	2018	2017	2018	2017
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain	(80,951)	4,849,439	654,524	5,612,771
- foreign exchange loss	(280,547)	287,812	(476,721)	(447,748)
Net foreign exchange gain (loss) on operating activities	(73,304)	(1,272,247)	(175,264)	(1,053,397)
	(434,802)	3,865,004	2,539	4,111,626

22. FINANCE INCOME

	Three month period ended 30 June		Six month period ended 30 June	
	2018	2017	2018	2017
Interest on bank deposits	141,138	78,921	381,819	165,885
Interest income on loans issued	220,744	230,982	438,065	458,788
	361,882	309,903	819,884	624,673

23. FINANCE EXPENSES

	Three month period ended 30 June		Six month period ended 30 June	
	2018	2017	2018	2017
Interest expense	573,526	756,448	1,172,871	1,588,930
Decommissioning provision: unwinding of the present value discount	21,955	33,988	43,685	67,487
Trade receivables: unwinding of discount (note 8)	(17,864)	(134,681)	(44,661)	(251,367)
Less: interest expense capitalised on qualifying assets	(27,703)	(13,785)	(51,389)	(29,614)
	549,914	641,970	1,120,506	1,375,436

24. 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 2017. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 30 June 2018 the carrying value of financial assets approximates their fair value.

25. BUSINESS COMBINATIONS

In 2018, the Company acquired one petrol station in Serbia. The total consideration paid for acquisition amounted to 205,722 RSD. The fair value of net identifiable asset acquired amounted to 217,660 RSD and remaining amount was recognised as gain on bargain purchase. The acquisition agreements includes only acquisition of petrol station and do not contain any contingent consideration.

26. CONTINGENCIES AND COMMITMENTS

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 559,473 RSD (31 December 2017: 681,162 RSD).

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

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 June 2018.

Capital commitments

As of 30 June 2018 the Company has entered into contracts to purchase property, plant and equipment for 12,176,939 RSD (31 December 2017: 11,347,097 RSD).

There were no other material contingencies and commitments of the Company.

27. 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. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

In the six month period ended 30 June 2018 and in the same period in 2017, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 30 June 2018 and 31 December 2017 the outstanding balances with related parties were as follows:

As at 30 June 2018	Subsidiaries	Parent company	Parent's subsidiaries and associates
Short-term financial assets	8,368,644	-	-
Trade and other receivables	2,826,384	-	498,584
Other current assets	16,814	-	142,550
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	28,301,813	-	-
Other non-current assets	81,109	-	-
Trade and other payables	(3,171,189)	-	(520,590)
Other current liabilities	(1,681)	-	(149)
Short-term debt and current portion of long-term debt	(1,464,747)	(5,491,516)	-
Long-term debt	-	(21,966,066)	-
	48,382,733	(27,457,582)	1,159,195

NIS a.d.**Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018***(All amounts are in 000 RSD, unless otherwise stated)*

	Subsidiaries	Parent company	Parent's subsidiaries and associates
As at 31 December 2017			
Short-term financial assets	3,861,747	-	-
Trade and other receivables	3,992,812	-	1,023,525
Other current assets	16,763	-	2,754
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	32,024,282	-	-
Other non-current assets	97,920	-	-
Trade and other payables	(2,687,690)	(11,727,340)	(1,014,064)
Other current liabilities	-	-	(60,730)
Short-term debt and current portion of long-term debt	(2,303,209)	(5,510,358)	-
Long-term debt	-	(24,796,612)	-
	48,428,211	(42,034,310)	990,285

For the six month period ended 30 June 2018 and 2017 the following transaction occurred with related parties:

	Subsidiaries	Parent company	Parent's subsidiaries and associates
Six month period ended 30 June 2018			
Petroleum products and oil and gas sales	6,894,907	-	348,275
Other revenues	365,710	462	2,409,436
Purchases of oil, gas and petroleum products	(24,160)	(27,619,340)	(7,156)
Production and manufacturing expenses	(2,081,651)	-	(2,387,533)
Selling, general and administrative expenses	(232,410)	-	(3,217)
Transportation expenses	(46,068)	-	-
Other expenses, net	-	(17,562)	(226)
Finance income	432,392	-	-
Finance expense	(21,732)	(257,187)	-
	5,286,988	(27,893,627)	359,579

	Subsidiaries	Parent company	Parent's subsidiaries and associates
Six month period ended 30 June 2017			
Petroleum products and oil and gas sales	4,914,211	-	243,300
Other revenues	536,025	-	3,955,576
Purchases of oil, gas and petroleum products	(162,067)	(13,976,780)	(243,302)
Production and manufacturing expenses	(1,541,805)	-	(4,088,792)
Selling, general and administrative expenses	(541,931)	-	(3,159)
Transportation expenses	(44,869)	-	-
Other expenses, net	(22,521)	(4,438)	(47)
Finance income	449,921	-	-
Finance expense	(14,492)	(337,565)	-
	3,572,472	(14,318,783)	(136,424)

NIS a.d.**Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018***(All amounts are in 000 RSD, unless otherwise stated)*

Main balances and transactions with state and state owned companies are shown below:

	Parent's subsidiaries and associates	Other
As at 30 June 2018		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	1,516,503	-
• <i>Srbijagas</i>	-	100,390
• <i>Other state owned companies</i>	-	6,186,648
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,137,468)	-
• <i>Srbijagas</i>	-	(77,517)
Other current liabilities		
• <i>HIP Petrohemija</i>	(3,896)	-
	375,139	6,209,521
As at 31 December 2017		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	1,446,685	-
• <i>Srbijagas</i>	-	109,748
• <i>Republika Srbija</i>	-	3,740,763
• <i>Other state owned companies</i>	-	4,936,110
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,252,736)	-
• <i>Srbijagas</i>	-	(77,059)
Other current liabilities		
• <i>HIP Petrohemija</i>	(13,646)	-
	180,303	8,709,562
	Parent's subsidiaries and associates	Other
Six month period ended 30 June 2018		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	11,363,791	-
• <i>Srbijagas</i>	-	414,813
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(96,290)	-
• <i>Srbijagas</i>	-	(451,722)
	11,267,501	(36,909)
Six month period ended 30 June 2017		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	9,896,305	-
• <i>Srbijagas</i>	-	489,454
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(86,298)	-
• <i>Srbijagas</i>	-	(588,462)
	9,810,007	(99,008)

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

Transactions with Key Management Personnel

For the six month period ended on 30 June 2018 and 2017 the Company recognized 520,220 RSD and 491,405 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

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Notes to the Interim Condensed Financial Statements for the six month period ended 30 June 2018

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

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