



**Naftna industrija Srbije A.D.**

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

30 September 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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**NIS Group**  
**Interim Condensed Consolidated Statement of Financial Position**

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

<b>Assets</b>	Note	<b>30 September 2018</b>	<b>31 December 2017</b>
		<i>(unaudited)</i>	
<b>Current assets</b>			
Cash and cash equivalents	6	23,786,039	27,075,370
Short-term financial assets	7	4,246,448	7,666,968
Trade and other receivables	8	33,285,574	28,671,743
Inventories	9	40,290,065	36,916,942
Other current assets	10	6,008,499	5,806,515
Non-current assets held for sale		163	163
<b>Total current assets</b>		<b>107,616,788</b>	<b>106,137,701</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	280,065,933	264,049,497
Investment property		1,603,370	1,530,356
Goodwill and other intangible assets		4,841,294	5,561,145
Investments in associates and joint ventures		2,047,021	2,047,021
Trade and other non-current receivables		73,998	73,411
Long-term financial assets	12	125,364	2,163,760
Deferred tax assets		1,098,808	2,197,910
Other non-current assets	13	3,093,291	3,792,519
<b>Total non-current assets</b>		<b>292,949,079</b>	<b>281,415,619</b>
<b>Total assets</b>		<b>400,565,867</b>	<b>387,553,320</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	7,062,792	6,279,124
Trade and other payables	15	35,595,470	35,300,763
Other current liabilities	16	5,430,897	5,589,872
Current income tax payable		810,339	1,952,025
Other taxes payable	17	12,276,416	10,270,700
Provisions for liabilities and charges		2,054,377	2,847,147
<b>Total current liabilities</b>		<b>63,230,291</b>	<b>62,239,631</b>
<b>Non-current liabilities</b>			
Long-term debt	18	87,490,723	90,495,878
Long-term trade and other payables		17,936	-
Provisions for liabilities and charges		9,999,051	9,766,303
<b>Total non-current liabilities</b>		<b>97,507,710</b>	<b>100,262,181</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		54,954	40,453
Retained earnings		158,487,802	143,713,351
<b>Equity attributable to the Company's owners</b>		<b>240,072,956</b>	<b>225,284,004</b>
Non-controlling interest		(245,090)	(232,496)
<b>Total equity</b>		<b>239,827,866</b>	<b>225,051,508</b>
<b>Total liabilities and shareholder's equity</b>		<b>400,565,867</b>	<b>387,553,320</b>

Kirill Tyurdenev  
Chief Executive Officer  
29 October 2018

Anton Fyodorov  
Chief Financial Officer

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

**NIS Group**  
**Interim Condensed Consolidated Statement of Profit and Loss and Other**  
**Comprehensive Income**

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

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>	2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		81,179,259	54,256,212	193,679,540	152,482,858
Other revenues		5,156,921	6,153,370	13,092,222	15,295,658
<b>Total revenue from sales</b>	5	<b>86,336,180</b>	<b>60,409,582</b>	<b>206,771,762</b>	<b>167,778,516</b>
Purchases of oil, gas and petroleum products		(52,926,869)	(32,397,423)	(122,053,855)	(90,399,231)
Production and manufacturing expenses	19	(7,838,803)	(8,590,678)	(20,777,821)	(21,676,685)
Selling, general and administrative expenses	20	(5,648,019)	(5,770,744)	(16,971,996)	(16,527,886)
Transportation expenses		(347,183)	(299,511)	(911,648)	(796,620)
Depreciation, depletion and amortization		(5,131,646)	(4,102,384)	(14,482,335)	(12,209,378)
Taxes other than income tax		(1,349,403)	(1,184,600)	(3,887,590)	(3,560,012)
Exploration expenses		(41,169)	(3,338)	(56,940)	(10,790)
<b>Total operating expenses</b>		<b>(73,283,092)</b>	<b>(52,348,678)</b>	<b>(179,142,185)</b>	<b>(145,180,602)</b>
Other income (expenses), net		(162,377)	(362,263)	(139,616)	(590,994)
<b>Operating profit</b>		<b>12,890,711</b>	<b>7,698,641</b>	<b>27,489,961</b>	<b>22,006,920</b>
Net foreign exchange gain (loss)	21	(256,160)	1,967,723	(253,234)	6,081,472
Finance income	22	167,301	210,296	555,237	386,530
Finance expenses	23	(563,828)	(706,090)	(1,725,828)	(2,132,338)
<b>Total other income (expense)</b>		<b>(652,687)</b>	<b>1,471,929</b>	<b>(1,423,825)</b>	<b>4,335,664</b>
<b>Profit before income tax</b>		<b>12,238,024</b>	<b>9,170,570</b>	<b>26,066,136</b>	<b>26,342,584</b>
Current income tax expense		(1,549,845)	(992,805)	(3,253,795)	(5,005,146)
Deferred tax expense		(469,602)	(478,259)	(1,099,120)	(1,221,552)
<b>Total income tax expense</b>		<b>(2,019,447)</b>	<b>(1,471,064)</b>	<b>(4,352,915)</b>	<b>(6,226,698)</b>
<b>Profit for the period</b>		<b>10,218,577</b>	<b>7,699,506</b>	<b>21,713,221</b>	<b>20,115,886</b>
<b>Other comprehensive profit (loss):</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss, net of tax</b>					
Revaluation of property, plant and equipment transferred to investment property		-	-	-	1,399
		-	-	-	1,399
<b>Items that may be subsequently reclassified to profit or loss</b>					
Change in value of available-for-sale financial assets		(364)	1,326	(950)	3,049
Currency translation differences		(30,339)	178,745	12,091	466,103
		(30,703)	180,071	11,141	469,152
<b>Other comprehensive profit (loss) for the period</b>		<b>(30,703)</b>	<b>180,071</b>	<b>11,141</b>	<b>470,551</b>
<b>Total comprehensive income for the period</b>		<b>10,187,874</b>	<b>7,879,577</b>	<b>21,724,362</b>	<b>20,586,437</b>
<b>Profit attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		10,222,821	7,704,413	21,725,910	20,131,285
- Non-controlling interest		(4,244)	(4,907)	(12,689)	(15,399)
<b>Profit for the period</b>		<b>10,218,577</b>	<b>7,699,506</b>	<b>21,713,221</b>	<b>20,115,886</b>
<b>Total comprehensive income (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		10,192,877	7,881,687	21,736,956	20,593,956
- Non-controlling interest		(5,003)	(2,110)	(12,594)	(7,519)
<b>Total comprehensive income for the period</b>		<b>10,187,874</b>	<b>7,879,577</b>	<b>21,724,362</b>	<b>20,586,437</b>
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		62.69	47.25	133.24	123.46
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 Consolidated Financial Statements.

## NIS Group

### Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

Nine month period ended 30 September 2018 and 2017

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

	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
<i>(unaudited)</i>						
<b>Balance as at 1 January 2017</b>	<b>81,530,200</b>	<b>(567,083)</b>	<b>120,731,166</b>	<b>201,694,283</b>	<b>(213,773)</b>	<b>201,480,510</b>
Profit (loss) for the period	-	-	20,131,285	20,131,285	(15,399)	20,115,886
<b>Other comprehensive income (loss)</b>						
Change in value of available-for-sale financial assets	-	3,049	-	3,049	-	3,049
Revaluation of intangible assets, property, plant and equipment transferred to investment property	-	1,399	-	1,399	-	1,399
Currency translation differences	-	458,223	-	458,223	7,880	466,103
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>462,671</b>	<b>20,131,285</b>	<b>20,593,956</b>	<b>(7,519)</b>	<b>20,586,437</b>
Dividend distribution	-	-	(4,021,069)	(4,021,069)	-	(4,021,069)
<b>Total transaction with owners, recorded in equity</b>	<b>-</b>	<b>-</b>	<b>(4,021,069)</b>	<b>(4,021,069)</b>	<b>-</b>	<b>(4,021,069)</b>
<b>Balance as at 30 September 2017</b>	<b>81,530,200</b>	<b>(104,412)</b>	<b>136,841,382</b>	<b>218,267,170</b>	<b>(221,292)</b>	<b>218,045,878</b>

	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
<i>(unaudited)</i>						
<b>Balance as at 1 January 2018</b>	<b>81,530,200</b>	<b>40,453</b>	<b>143,713,351</b>	<b>225,284,004</b>	<b>(232,496)</b>	<b>225,051,508</b>
Profit (loss) for the period	-	-	21,725,910	21,725,910	(12,689)	21,713,221
<b>Other comprehensive income (loss)</b>						
Change in value of available-for-sale financial assets	-	(950)	-	(950)	-	(950)
Sale of available-for-sale financial assets	-	3,455	(3,455)	-	-	-
Currency translation differences	-	11,996	-	11,996	95	12,091
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>14,501</b>	<b>21,722,455</b>	<b>21,736,956</b>	<b>(12,594)</b>	<b>21,724,362</b>
Dividend distribution	-	-	(6,948,004)	(6,948,004)	-	(6,948,004)
<b>Total transaction with owners, recorded in equity</b>	<b>-</b>	<b>-</b>	<b>(6,948,004)</b>	<b>(6,948,004)</b>	<b>-</b>	<b>(6,948,004)</b>
<b>Balance as at 30 September 2018</b>	<b>81,530,200</b>	<b>54,954</b>	<b>158,487,802</b>	<b>240,072,956</b>	<b>(245,090)</b>	<b>239,827,866</b>

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

**NIS Group**  
**Interim Condensed Consolidated Statement of Cash Flows<sup>1</sup>**

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

	Note	Nine month period ended	
		30 September 2018	2017
		(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>26,066,136</b>	<b>26,342,584</b>
<b>Adjustments for:</b>			
Finance expenses	23	1,725,828	2,132,338
Finance income	22	(555,237)	(386,530)
Net unrealised foreign exchange (gain) loss		479,028	(6,229,993)
Depreciation, depletion and amortization		14,482,335	12,209,378
Write-off dry holes		56,940	10,790
Adjustments for other provisions		382,849	335,027
Allowance for doubtful accounts		(239,281)	219,210
Payables write-off		(3,266)	(3,040)
Other non-cash items		139,174	231,926
<b>Operating cash flow before changes in working capital</b>		<b>42,534,506</b>	<b>34,861,690</b>
<b>Changes in working capital:</b>			
Trade and other receivables		(4,390,999)	15,954,800
Inventories		(3,461,446)	(3,435,738)
Other current assets		(40,490)	(1,410,312)
Trade payables and other current liabilities		1,704,200	(4,204,264)
Other taxes payable		2,016,794	182,148
<b>Total effect on working capital changes</b>		<b>(4,171,941)</b>	<b>7,086,634</b>
Income taxes paid		(4,471,125)	(1,236,163)
Interest paid		(1,591,469)	(2,161,896)
Interest received		352,071	382,314
<b>Net cash generated from operating activities</b>		<b>32,652,042</b>	<b>38,932,579</b>
<b>Cash flows from investing activities</b>			
Loans issued		(47,250)	-
Loan proceeds received		-	129,779
Capital expenditures <sup>2</sup>		(31,875,783)	(18,872,419)
Proceeds from sale of property, plant and equipment		188,289	116,766
Repayment (placements) of bank deposits		5,602,430	(7,982,453)
Other (outflow)/inflow		(26,988)	(49,321)
<b>Net cash used in investing activities</b>		<b>(26,159,302)</b>	<b>(26,657,648)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	18	20,732,743	28,733,261
Repayment of borrowings	18	(23,562,365)	(36,491,816)
Repayments of finance lease liabilities	18	(75,894)	(74,859)
Dividends paid		(6,948,004)	(4,021,069)
<b>Net cash used in financing activities</b>		<b>(9,853,520)</b>	<b>(11,854,483)</b>
Net increase (decrease) in cash and cash equivalents		(3,360,780)	420,448
Effect of foreign exchange on cash and cash equivalents		71,449	(335,495)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>27,075,370</b>	<b>22,899,342</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>23,786,039</b>	<b>22,984,295</b>

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

<sup>1</sup> Group policy is to present cash flow inclusive of related VAT.

<sup>2</sup> CF from investing activities includes VAT in the amount of 4,6 bln RSD (2017: 2,3 bln RSD)

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018**

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

#### **1. GENERAL INFORMATION**

Open Joint Stock Company Naftna Industrija Srbije, Novi Sad (the "Company") and its subsidiaries (together refer to as the "Group") is a vertically integrated oil company operating predominantly in the Republic of 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 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 Group.

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 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 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 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 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 2017.

Subsequent events occurring after 30 September 2018 were evaluated through 29 October 2018, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

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

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

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

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

#### 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 Group 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 Group 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 Group 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.

#### 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 Group 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 Group is currently assessing the impact of the new standard on its consolidated financial statements.

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



## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

The following other new standards and pronouncements are not expected to have any material impact on the Group 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 Group's operating segments for the Nine month periods ended 30 September 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 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. 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.

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

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

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
<b><i>Nine month period ended 30 September 2018</i></b>				
Segment revenue	38,739,966	207,302,660	(39,270,864)	206,771,762
Intersegment	37,576,442	1,694,422	(39,270,864)	-
External	1,163,524	205,608,238	-	206,771,762
EBITDA (Segment results)	<b>28,766,037</b>	<b>13,253,230</b>	-	<b>42,019,267</b>
Depreciation, depletion and amortization	(7,296,139)	(7,186,196)	-	(14,482,335)
Net of impairment of non-financial assets	(3,477)	(21,164)	-	(24,641)
Net foreign exchange gain (loss)	(53,776)	(199,458)	-	(253,234)
Finance income (expenses), net	(6,205)	(1,164,386)	-	(1,170,591)
Income tax	(216,557)	(4,136,358)	-	(4,352,915)
<b>Segment profit (loss)</b>	<b>21,075,219</b>	<b>638,001</b>	-	<b>21,713,220</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

	Upstream	Downstream	Eliminations	Total
<b>Nine month period ended 30 September 2017</b>				
Segment revenue	31,433,942	169,103,459	(32,758,885)	167,778,516
Intersegment	30,439,235	2,319,650	(32,758,885)	-
External	994,707	166,783,809	-	167,778,516
EBITDA (Segment results)	<b>22,709,283</b>	<b>11,549,299</b>	-	<b>34,258,582</b>
Depreciation, depletion and amortization	(5,035,652)	(7,173,726)	-	(12,209,378)
Impairment of non-financial assets	-	(23,506)	-	(23,506)
Net foreign exchange gain (loss)	315,538	5,765,934	-	6,081,472
Finance income (expenses), net	(89,487)	(1,656,321)	-	(1,745,808)
Income tax	(2,136,528)	(4,090,170)	-	(6,226,698)
<b>Segment profit (loss)</b>	<b>15,639,263</b>	<b>4,476,623</b>	-	<b>20,115,886</b>

EBITDA for the three and nine month period ended 30 September 2018 and 2017 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Profit for the period	10,218,577	7,699,506	21,713,221	20,115,886
Income tax expenses	2,019,447	1,471,064	4,352,915	6,226,698
Finance expenses	563,828	706,090	1,725,828	2,132,338
Finance income	(167,301)	(210,296)	(555,237)	(386,530)
Depreciation, depletion and amortization	5,131,646	4,102,384	14,482,335	12,209,378
Net foreign exchange (gain) loss	256,160	(1,967,723)	253,234	(6,081,472)
Other expense (income), net	162,377	362,263	139,616	590,994
Other non-operating expense (income), net	(121,590)	(445,783)	(92,645)	(548,710)
<b>EBITDA</b>	<b>18,063,144</b>	<b>11,717,505</b>	<b>42,019,267</b>	<b>34,258,582</b>

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

	Nine month period ended 30 September 2018		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,056,256	1,056,256
Sale of gas	1,410,169	-	1,410,169
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,410,169	-	1,410,169
Sale of petroleum products	141,366,475	49,846,641	191,213,116
<i>Through a retail network</i>	46,145,292	12,847,141	58,992,433
<i>Wholesale activities</i>	95,221,183	36,999,500	132,220,683
Sale of electricity	478,885	4,453,682	4,932,567
Other sales	5,464,714	2,694,940	8,159,654
<b>Total sales</b>	<b>148,720,243</b>	<b>58,051,519</b>	<b>206,771,762</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018***(All amounts are in 000 RSD, unless otherwise stated)*

	<b>Nine month period ended 30 September 2017</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	-	891,183	891,183
Sale of gas	1,906,477	-	1,906,477
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,906,477	-	1,906,477
Sale of petroleum products	113,816,619	35,868,579	149,685,198
<i>Through a retail network</i>	40,667,665	11,951,100	52,618,765
<i>Wholesale activities</i>	73,148,954	23,917,479	97,066,433
Sale of electricity	343,791	7,545,629	7,889,420
Other sales	4,869,878	2,536,360	7,406,238
<b>Total sales</b>	<b>120,936,765</b>	<b>46,841,751</b>	<b>167,778,516</b>

Out of the amount of 132,220,683 RSD (2017: 97,066,433 RSD) revenue from sale of petroleum products (wholesale), the amount of 19,494,776 RSD (2017: 15,198,024 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 3,988,435 RSD (2017: 7,022,733 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 6,256,032 RSD (2017: 5,799,782 RSD).

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 148,720,243 RSD (2017: 120,936,765 RSD), and the total revenue from external customer from other countries is 58,051,519 RSD (2017: 46,841,751 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</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
Sale of crude oil	1,056,256	891,183
Sale of petroleum products (retail and wholesale)		
Bulgaria	13,471,675	9,761,132
Bosnia and Herzegovina	13,059,904	8,897,726
Romania	10,827,763	7,606,850
All other markets	12,487,298	9,602,871
	49,846,641	35,868,579
Sale of electricity	4,453,682	7,545,629
Other sales	2,694,940	2,536,360
	<b>58,051,519</b>	<b>46,841,751</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</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
Serbia	263,952,692	249,437,031
Bosnia and Herzegovina	7,151,373	7,334,652
Bulgaria	7,194,839	7,401,758
Romania	8,211,693	6,967,529
Hungary	-	28
	<b>286,510,597</b>	<b>271,140,998</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

#### 6. CASH AND CASH EQUIVALENTS

	<b>30 September 2018</b>	<b>31 December 2017</b>
Cash in bank and in hand	13,219,134	15,897,022
Deposits with original maturity of less than three months	8,912,666	9,417,753
Cash held on escrow account	1,434,684	1,521,241
Cash equivalents	219,555	239,354
	<b>23,786,039</b>	<b>27,075,370</b>

Cash held on escrow accounts as of 30 September 2018 amounting to 1,434,684 RSD (31 December 2017: 1,521,241 RSD) mostly relates to deposited funds in accordance with the interest in a joint venture through which the operation of future wind farm "Plandiste" will be managed. According to the Agreement, the Group can withdraw cash at any time.

#### 7. SHORT-TERM FINANCIAL ASSETS

	<b>30 September 2018</b>	<b>31 December 2017</b>
Short-term loans	50,838	2,210
Deposits with original maturity more than 3 months less than 1 year	4,186,617	7,645,689
Other short-term financial assets	11,249	21,325
Less impairment loss provision	(2,256)	(2,256)
	<b>4,246,448</b>	<b>7,666,968</b>

As at 30 September 2018 deposits with original maturity more than 3 months less than 1 year amounting to 4,186,617 RSD (31 December 2017: 7,645,689 RSD) relates to bank deposits placements with interest rates from 4.15% to 4.65% p.a. denominated in RSD.

#### 8. TRADE AND OTHER RECEIVABLES

	<b>30 September 2018</b>	<b>31 December 2017</b>
Trade receivables:		
- related parties	616,118	1,024,133
- third parties	34,383,911	28,265,729
- state and state owned companies	8,753,703	10,233,306
	<b>43,753,732</b>	<b>39,523,168</b>
Other receivables - related parties	328,358	269,242
Accrued assets	246,337	227,630
	<b>44,328,427</b>	<b>40,020,040</b>
<i>Less impairment provision for trade and other receivables:</i>		
- <i>third parties</i>	(9,281,754)	(9,483,852)
- <i>state and state owned companies</i>	(1,761,099)	(1,864,445)
	<b>(11,042,853)</b>	<b>(11,348,297)</b>
<b>Total trade and other receivables</b>	<b>33,285,574</b>	<b>28,671,743</b>

The ageing of trade and other receivables is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Neither impaired nor past due	29,214,472	25,624,198
Past due but not impaired:		
within 30 days	2,264,275	2,156,358
1 to 3 months	1,021,392	237,143
3 months to 1 year	230,413	146,553
over 1 year	555,022	507,491
<b>Total</b>	<b>33,285,574</b>	<b>28,671,743</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

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

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

	<b>30 September 2018</b>	<b>31 December 2017</b>
RSD	29,139,096	21,681,702
EUR	1,090,651	4,283,546
USD	1,264,235	982,442
Other	1,791,592	1,724,053
	<b>33,285,574</b>	<b>28,671,743</b>

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

	<b>Trade &amp; other receivables</b>		
	<b>Third parties</b>	<b>State and state owned companies</b>	<b>Total</b>
<b>As at 1 January 2017</b>	<b>9,728,531</b>	<b>11,563,533</b>	<b>21,292,064</b>
Provision for receivables impairment	264,701	19,907	284,608
Release of provision	(147,255)	(19,983)	(167,238)
Receivables written off during the year as uncollectible	(24,074)	-	(24,074)
Unwinding of discount (note 23)	-	(100,225)	(100,225)
Transfer from non-current part	-	208,808	208,808
Exchange differences	(449)	(323,771)	(324,220)
Other	(53,098)	(1)	(53,099)
<b>As at 30 September 2017</b>	<b>9,768,356</b>	<b>11,348,268</b>	<b>21,116,624</b>
<b>As at 1 January 2018</b>	<b>9,483,852</b>	<b>1,864,445</b>	<b>11,348,297</b>
Provision for receivables impairment	93,119	4,133	97,252
Release of provision	(260,024)	(85,258)	(345,282)
Receivables written off during the year as uncollectible	(10,772)	(3,534)	(14,306)
Unwinding of discount (note 23)	-	(44,661)	(44,661)
Exchange differences	1,676	-	1,676
Other	(26,097)	25,974	(123)
<b>As at 30 September 2018</b>	<b>9,281,754</b>	<b>1,761,099</b>	<b>11,042,853</b>

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Consolidated 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

	<b>30 September 2018</b>	<b>31 December 2017</b>
Crude oil	23,001,364	22,312,814
Petroleum products	13,632,972	12,708,119
Materials and supplies	7,628,839	5,918,849
Other	999,012	1,085,655
Less impairment provision	(4,972,122)	(5,108,495)
	<b>40,290,065</b>	<b>36,916,942</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018***(All amounts are in 000 RSD, unless otherwise stated)***10. OTHER CURRENT ASSETS**

	<b>30 September 2018</b>	<b>31 December 2017</b>
Advances paid	889,625	666,931
VAT receivables	458,142	286,562
Deferred VAT	2,103,930	1,419,963
Prepaid expenses	394,688	236,846
Prepaid custom duties	32,204	32,368
Prepaid excise	1,844,017	1,898,628
Other current assets	12,238,129	13,213,771
Less impairment provision	(11,952,236)	(11,948,554)
	<b>6,008,499</b>	<b>5,806,515</b>

Deferred VAT as at 30 September 2018 amounting to 2,103,930 RSD (31 December 2017: 1,419,963 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 2018 amounting to 1,844,017 RSD (31 December 2017: 1,898,628 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 Group's impairment provision for of other current assets are as follows:

	<b>Advances paid</b>	<b>Other current assets</b>	<b>Total</b>
<b>As at 1 January 2017</b>	<b>261,983</b>	<b>11,736,780</b>	<b>11,998,763</b>
Increase of provision during the year	5,253	135,855	141,108
Release of provision	(340)	(55,253)	(55,593)
Receivables written off during the year as uncollectible	-	(36,339)	(36,339)
Other	-	50,324	50,324
<b>As at 30 September 2017</b>	<b>266,896</b>	<b>11,831,367</b>	<b>12,098,263</b>
<b>As at 1 January 2018</b>	<b>261,100</b>	<b>11,687,454</b>	<b>11,948,554</b>
Increase of provision during the year	1,962	16,719	18,681
Release of provision	(822)	(13,612)	(14,434)
Receivables written off during the year as uncollectible	-	(3,936)	(3,936)
Other	-	3,371	3,371
<b>As at 30 September 2018</b>	<b>262,240</b>	<b>11,689,996</b>	<b>11,952,236</b>

The ageing of other current assets is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Neither impaired nor past due	249,008	1,294,564
Not impaired and past due in the following periods:		
Less than 1 month	6,528	11,365
1 - 3 months	5,588	7,147
3 month - 1 year	64,281	36,055
Over 1 year	80,357	41,710
<b>Total</b>	<b>405,762</b>	<b>1,390,841</b>

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

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 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
<b>As at 1 January 2017</b>						
Cost	127,806,623	110,525,127	65,310,661	20,170,463	34,864,554	358,677,428
Depreciation and impairment	(30,936,760)	(35,174,792)	(27,816,298)	(9,600,428)	(1,388,883)	(104,917,161)
<b>Net book value</b>	<b>96,869,863</b>	<b>75,350,335</b>	<b>37,494,363</b>	<b>10,570,035</b>	<b>33,475,671</b>	<b>253,760,267</b>
<b>Period ended 30 September 2017</b>						
Additions	-	-	405	626	16,666,535	16,667,566
Changes in decommissioning obligations	134,606	-	-	-	-	134,606
Transfer from assets under construction	13,995,221	2,106,526	1,138,318	266,715	(17,506,780)	-
Transfer to investment property	-	-	(22,698)	(2,313)	-	(25,011)
Transfer to non-current assets held for sale	-	(14,361)	-	(101,798)	-	(116,159)
Impairment	-	-	(20,874)	-	(8,059)	(28,933)
Depreciation	(4,724,287)	(4,255,052)	(1,750,299)	(593,011)	(3,689)	(11,326,338)
Disposals and write-off	(19,258)	(7,610)	(139,870)	(4,561)	(93,706)	(265,005)
Other transfers	(41,023)	(141,282)	(37,370)	178,313	43,149	1,787
Translation differences	18	-	(539,176)	2,317	(231,818)	(768,659)
	<b>106,215,140</b>	<b>73,038,556</b>	<b>36,122,799</b>	<b>10,316,323</b>	<b>32,341,303</b>	<b>258,034,121</b>
<b>As at 30 September 2017</b>						
Cost	141,743,684	112,400,575	65,304,481	20,356,786	34,461,379	374,266,905
Depreciation and impairment	(35,528,544)	(39,362,019)	(29,181,682)	(10,040,463)	(2,120,076)	(116,232,784)
<b>Net book value</b>	<b>106,215,140</b>	<b>73,038,556</b>	<b>36,122,799</b>	<b>10,316,323</b>	<b>32,341,303</b>	<b>258,034,121</b>
<b>As at 1 January 2018</b>						
Cost	147,452,224	114,239,048	65,305,683	20,338,124	36,549,810	383,884,889
Depreciation and impairment	(37,114,232)	(40,818,582)	(29,653,958)	(10,189,787)	(2,058,833)	(119,835,392)
<b>Net book value</b>	<b>110,337,992</b>	<b>73,420,466</b>	<b>35,651,725</b>	<b>10,148,337</b>	<b>34,490,977</b>	<b>264,049,497</b>
<b>Period ended 30 September 2018</b>						
Additions	-	-	1	996	30,321,808	30,322,805
Acquisitions through business combinations	-	-	-	-	217,660	217,660
Changes in decommissioning obligations	158,576	-	-	-	-	158,576
Transfer from assets under construction	12,017,033	1,386,171	3,610,329	286,764	(17,300,297)	-
Transfer to investment property	-	-	(81,328)	-	-	(81,328)
Impairment	-	-	(23,931)	-	(13,419)	(37,350)
Depreciation	(6,980,077)	(4,182,159)	(1,880,370)	(576,370)	(3,606)	(13,622,582)
Disposals and write-off	(36,445)	(72,932)	(17,725)	(11,919)	(780,408)	(919,429)
Other transfers	1,980,026	(1,400,947)	20,705	(610,504)	4,423	(6,297)
Translation differences	(3)	(1)	(9,519)	64	(6,160)	(15,619)
	<b>117,477,102</b>	<b>69,150,598</b>	<b>37,269,887</b>	<b>9,237,368</b>	<b>46,930,978</b>	<b>280,065,933</b>
<b>As at 30 September 2018</b>						
Cost	162,078,885	113,765,056	69,303,362	18,998,144	49,006,803	413,152,250
Depreciation and impairment	(44,601,783)	(44,614,458)	(32,033,475)	(9,760,776)	(2,075,825)	(133,086,317)
<b>Net book value</b>	<b>117,477,102</b>	<b>69,150,598</b>	<b>37,269,887</b>	<b>9,237,368</b>	<b>46,930,978</b>	<b>280,065,933</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 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
<b>As at 1 January 2017</b>						
Cost	20,139,905	4,274,452	24,414,357	127,806,623	31,406	152,252,386
Depreciation and impairment	(26,494)	(876)	(27,370)	(30,936,760)	(20,312)	(30,984,442)
<b>Net book amount</b>	<b>20,113,411</b>	<b>4,273,576</b>	<b>24,386,987</b>	<b>96,869,863</b>	<b>11,094</b>	<b>121,267,944</b>
<b>Period ended 30 September 2017</b>						
Additions	3,701,099	9,228,980	12,930,079	-	-	12,930,079
Changes in decommissioning obligations	-	-	-	134,606	-	134,606
Transfer from asset under construction	(3,089,976)	(10,904,350)	(13,994,326)	13,995,221	(895)	-
Other transfers	(856,887)	831,107	(25,780)	(41,023)	975	(65,828)
Depreciation and depletion	(3,689)	-	(3,689)	(4,724,287)	(38)	(4,728,014)
Disposals and write-off	(71,897)	(18,913)	(90,810)	(19,258)	-	(110,068)
Translation differences	(222,796)	-	(222,796)	18	(4)	(222,782)
	<b>19,569,265</b>	<b>3,410,400</b>	<b>22,979,665</b>	<b>106,215,140</b>	<b>11,132</b>	<b>129,205,937</b>
<b>As at 30 September 2017</b>						
Cost	19,595,020	3,411,276	23,006,296	141,743,684	32,342	164,782,322
Depreciation and impairment	(25,755)	(876)	(26,631)	(35,528,544)	(21,210)	(35,576,385)
<b>Net book amount</b>	<b>19,569,265</b>	<b>3,410,400</b>	<b>22,979,665</b>	<b>106,215,140</b>	<b>11,132</b>	<b>129,205,937</b>
<b>As at 1 January 2018</b>						
Cost	19,004,026	2,929,684	21,933,710	147,452,224	32,323	169,418,257
Depreciation and impairment	(58,882)	(2,087)	(60,969)	(37,114,232)	(21,223)	(37,196,424)
<b>Net book amount</b>	<b>18,945,144</b>	<b>2,927,597</b>	<b>21,872,741</b>	<b>110,337,992</b>	<b>11,100</b>	<b>132,221,833</b>
<b>Period ended 30 September 2018</b>						
Additions	3,930,570	10,009,004	13,939,574	-	-	13,939,574
Changes in decommissioning obligations	-	-	-	158,576	-	158,576
Transfer from asset under construction	(1,942,257)	(10,074,776)	(12,017,033)	12,017,033	-	-
Other transfers	445,236	(448,796)	(3,560)	1,980,026	140	1,976,606
Impairment	-	(3,477)	(3,477)	-	-	(3,477)
Depreciation and depletion	(3,606)	-	(3,606)	(6,980,077)	-	(6,983,683)
Disposals and write-off	(748,521)	(15,507)	(764,028)	(36,445)	(2)	(800,475)
Translation differences	(7,001)	-	(7,001)	(3)	-	(7,004)
	<b>20,619,565</b>	<b>2,394,045</b>	<b>23,013,610</b>	<b>117,477,102</b>	<b>11,238</b>	<b>140,501,950</b>
<b>As at 30 September 2018</b>						
Cost	20,682,022	2,399,609	23,081,631	162,078,885	31,549	185,192,065
Depreciation and impairment	(62,457)	(5,564)	(68,021)	(44,601,783)	(20,311)	(44,690,115)
<b>Net book amount</b>	<b>20,619,565</b>	<b>2,394,045</b>	<b>23,013,610</b>	<b>117,477,102</b>	<b>11,238</b>	<b>140,501,950</b>

## 12. LONG-TERM FINANCIAL ASSETS

	30 September 2018	31 December 2017
Deposits with original maturity more than 1 year	-	2,029,483
Available for sale financial assets	173,890	187,310
Other LT placements	25,882	26,567
Less provision of available for sale financial assets	(61,848)	(67,392)
Less provision of other LT placements	(12,560)	(12,208)
	<b>125,364</b>	<b>2,163,760</b>



**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018***(All amounts are in 000 RSD, unless otherwise stated)***13. OTHER NON-CURRENT ASSETS**

	<b>30 September 2018</b>	<b>31 December 2017</b>
Advances paid for PPE	1,453,548	2,105,408
Prepaid expenses	645,073	689,450
Other assets	1,031,616	1,034,607
Less impairment provision	(36,946)	(36,946)
	<b>3,093,291</b>	<b>3,792,519</b>

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

	<b>30 September 2018</b>	<b>31 December 2017</b>
Interest liabilities	230,085	179,540
Current portion of long-term loans (note 18)	6,735,552	6,047,159
Current portion of finance lease liabilities (note 18)	97,155	52,425
	<b>7,062,792</b>	<b>6,279,124</b>

**15. TRADE AND OTHER PAYABLES**

	<b>30 September 2018</b>	<b>31 December 2017</b>
Trade payables:		
- related parties	7,109,920	12,774,912
- third parties	24,687,356	18,727,747
Dividends payable	3,772,308	3,772,308
Other accounts payable	25,886	25,796
	<b>35,595,470</b>	<b>35,300,763</b>

As at 30 September 2018 payables to related parties amounting to 7,109,920 RSD (31 December 2017: 12,774,912 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 6,443,713 RSD mostly based on purchase of crude oil (31 December 2017: 11,727,340 RSD).

**16. OTHER CURRENT LIABILITIES**

	<b>30 September 2018</b>	<b>31 December 2017</b>
Advances received	1,587,626	1,439,243
Payables to employees	3,326,379	3,664,823
Accruals and deferred income	504,061	455,538
Other current non-financial liabilities	12,831	30,268
	<b>5,430,897</b>	<b>5,589,872</b>

**17. OTHER TAXES PAYABLE**

	<b>30 September 2018</b>	<b>31 December 2017</b>
Mineral extraction tax	389,819	280,971
VAT	2,723,316	1,913,685
Excise tax	6,098,675	5,258,815
Contribution for buffer stocks	547,235	527,858
Custom duties	381,361	209,018
Other taxes	2,136,010	2,080,353
	<b>12,276,416</b>	<b>10,270,700</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

#### 18. LONG-TERM DEBT

	30 September 2018	31 December 2017
Long-term loan - Gazprom Neft	26,162,094	30,306,970
Bank and other long term loans	67,252,504	65,796,475
Finance lease liabilities	870,149	432,562
Other long-term borrowings	38,683	59,455
Less Current portion (note 14)	(6,832,707)	(6,099,584)
	<b>87,490,723</b>	<b>90,495,878</b>

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

	Long-term loans	Short-term loans (note 14)	Finance lease	Total
<b>As at 1 January 2017</b>	<b>103,449,326</b>	<b>12,189,945</b>	<b>343,080</b>	<b>115,982,351</b>
Proceeds	28,733,261	-	-	28,733,261
Repayment	(24,459,383)	(12,032,433)	(74,859)	(36,566,675)
Non-cash transactions	-	-	141,992	141,992
Foreign exchange difference (note 21)	(7,313,924)	(157,512)	(7,272)	(7,478,708)
<b>As at 30 September 2017</b>	<b>100,409,280</b>	<b>-</b>	<b>402,941</b>	<b>100,812,221</b>
<b>As at 1 January 2018</b>	<b>96,103,445</b>	<b>-</b>	<b>432,562</b>	<b>96,536,007</b>
Proceeds	20,732,743	-	-	20,732,743
Repayment	(23,562,365)	-	(75,894)	(23,638,259)
Non-cash transactions	-	-	513,916	513,916
Foreign exchange difference (note 21)	140,775	-	(435)	140,340
<b>As at 30 September 2018</b>	<b>93,414,598</b>	<b>-</b>	<b>870,149</b>	<b>94,284,747</b>

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

As at 30 September 2018 long-term loan - Gazprom Neft amounting to 26,162,094 RSD (31 December 2017: 30,306,970 RSD), with current portion of 5,507,809 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 and other long-term loans

	30 September 2018	31 December 2017
Domestic	53,405,297	43,338,384
Foreign	13,847,207	22,458,091
	67,252,504	65,796,475
Current portion of long-term loans	(1,227,744)	(536,801)
	<b>66,024,760</b>	<b>65,259,674</b>

The maturity of bank and other long-term loans was as follows:

	30 September 2018	31 December 2017
Between 1 and 2 years	12,096,484	23,403,612
Between 2 and 5 years	48,900,441	39,342,047
Over 5 years	5,027,835	2,514,015
	<b>66,024,760</b>	<b>65,259,674</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

The carrying amounts of bank and other long-term loans are denominated in the following currencies:

	<b>30 September 2018</b>	<b>31 December 2017</b>
USD	355,750	17,934,250
EUR	66,613,062	47,551,800
RSD	690	814
JPY	283,002	309,611
	<b>67,252,504</b>	<b>65,796,475</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 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 2018 and 31 December 2017, respectively.

#### 19. PRODUCTION AND MANUFACTURING EXPENSES

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Employee costs	1,583,507	1,442,440	4,739,464	4,345,590
Materials and supplies (other than purchased oil, petroleum products and gas)	587,043	590,953	1,717,557	1,567,698
Repair and maintenance services	902,947	839,432	2,772,206	2,169,608
Electricity for resale	1,875,717	3,189,479	4,475,377	7,464,026
Electricity and utilities	1,089,313	652,371	2,595,651	1,882,701
Safety and security expense	133,364	91,209	361,828	235,259
Insurance services	68,018	70,755	206,272	211,900
Transportation services for production	478,944	573,554	1,382,711	1,505,553
Other	1,119,950	1,140,485	2,526,755	2,294,350
	<b>7,838,803</b>	<b>8,590,678</b>	<b>20,777,821</b>	<b>21,676,685</b>

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

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Employee costs	2,731,976	2,629,621	8,265,796	7,703,353
Legal, audit and consulting services	203,343	267,786	574,768	731,858
Rent expense	95,711	90,336	285,225	286,491
Business trips expense	75,446	85,625	222,987	227,888
Safety and security expense	126,773	127,777	385,695	398,981
Insurance expense	31,422	24,353	85,355	76,029
Transportation and storage	42,341	28,596	120,013	132,042
Allowance for doubtful accounts	(164,280)	128,094	(300,564)	78,800
Other	2,505,287	2,388,556	7,332,721	6,892,444
	<b>5,648,019</b>	<b>5,770,744</b>	<b>16,971,996</b>	<b>16,527,886</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

#### 21. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain	860,120	(4,713,661)	1,579,410	8,188,507
- foreign exchange loss	(1,181,303)	7,011,838	(1,719,750)	(709,799)
Net foreign exchange gain (loss) on operating activities	65,023	(330,454)	(112,894)	(1,397,236)
	<b>(256,160)</b>	<b>1,967,723</b>	<b>(253,234)</b>	<b>6,081,472</b>

#### 22. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Interest on bank deposits	138,833	207,357	521,096	374,723
Interest income on loans issued	3,337	2,783	9,010	11,651
Dividend income	25,131	156	25,131	156
	<b>167,301</b>	<b>210,296</b>	<b>555,237</b>	<b>386,530</b>

#### 23. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Interest expense	575,288	752,472	1,793,988	2,396,781
Decommissioning provision: unwinding of the present value discount	23,155	35,941	66,839	103,429
Trade receivables: unwinding of discount	-	(63,922)	(44,661)	(315,289)
Less: interest expense capitalised on qualifying assets	(34,615)	(18,401)	(90,338)	(52,583)
	<b>563,828</b>	<b>706,090</b>	<b>1,725,828</b>	<b>2,132,338</b>

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

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

#### 25. BUSINESS COMBINATIONS

In 2018, the Group 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 agreement 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 Group's management recognised an environmental provision in the amount of 673,277 RSD (31 December 2017: 681,162 RSD).

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

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.

#### Taxes

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 2018.

#### Capital commitments

As of 30 September 2018 the Group has entered into contracts to purchase property, plant and equipment for 10,877,666 RSD (31 December 2017: 11,347,097 RSD) and drilling and exploration works estimated to 76.50 USD million (31 December 2017: 58.17 USD million).

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

## 27. 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. 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 nine month period ended 30 September 2018 and in the same period in 2017, 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 2018 and 31 December 2017 the outstanding balances with related parties were as follows:

	Parent's		
	Parent company	subsidiaries and associates	Joint venture
<b>As at 30 September 2018</b>			
Trade and other receivables	-	606,586	337,890
Investments in joint venture and associates	-	-	2,047,021
Other current assets	-	76,020	-
Trade and other payables	(6,443,713)	(664,058)	(2,149)
Other current liabilities	-	(2)	(118)
Short-term debt and current portion of long-term debt	(5,507,809)	-	-
Long-term debt	(20,654,285)	-	-
	<b>(32,605,807)</b>	<b>(57,474)</b>	<b>2,382,644</b>

	Parent's		
	Parent company	subsidiaries and associates	Joint venture
<b>As at 31 December 2017</b>			
Trade and other receivables	-	1,024,133	269,242
Investments in joint venture and associates	-	-	2,047,021
Other current assets	-	2,754	-
Trade and other payables	(11,727,340)	(1,047,572)	-
Other current liabilities	-	(60,730)	-
Short-term debt and current portion of long-term debt	(5,510,358)	-	-
Long-term debt	(24,796,612)	-	-
	<b>(42,034,310)</b>	<b>(81,415)</b>	<b>2,316,263</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018

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

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

Nine month period ended 30 September 2018	Parent's subsidiaries and associates		
	Parent	Parent's subsidiaries and associates	Joint venture
Petroleum products and oil and gas sales	-	436,604	464
Other revenues	462	3,988,432	18,605
Purchases of oil, gas and petroleum products	(45,583,790)	(8,608)	-
Production and manufacturing expenses	-	(4,136,345)	-
Selling, general and administrative expenses	-	(6,198)	-
Other expenses, net	(4,985)	(809)	-
Finance expense	(379,285)	-	-
	<b>(45,967,598)</b>	<b>273,076</b>	<b>19,069</b>

Nine month period ended 30 September 2017	Parent's subsidiaries and associates		
	Parent	Parent's subsidiaries and associates	Joint venture
Petroleum products and oil and gas sales	-	450,590	-
Other revenues	-	7,026,197	-
Purchases of oil, gas and petroleum products	(20,062,252)	(451,894)	-
Production and manufacturing expenses	-	(7,269,422)	-
Selling, general and administrative expenses	-	(4,776)	-
Other expenses, net	(5,002)	(175)	-
Finance expense	(489,792)	-	-
	<b>(20,557,046)</b>	<b>(249,480)</b>	<b>-</b>

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

	Parent's subsidiaries and associates	Other
<b>As at 30 September 2018</b>		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	2,128,202	-
• <i>Srbijagas</i>	-	67,288
• <i>Other state owned companies</i>	-	6,558,213
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,592,636)	-
• <i>Srbijagas</i>	-	(95,325)
Other current liabilities		
• <i>HIP Petrohemija</i>	(1,370)	-
	<b>534,196</b>	<b>6,530,176</b>
<b>As at 31 December 2017</b>		
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)	-
	<b>180,303</b>	<b>8,709,562</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018**

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

	Parent's subsidiaries and associates	Other
<b>Nine month period ended 30 September 2018</b>		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	19,494,776	-
• <i>Srbijagas</i>	-	632,949
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(159,824)	-
• <i>Srbijagas</i>	-	(655,684)
	<b>19,334,952</b>	<b>(22,735)</b>
<b>Nine month period ended 30 September 2017</b>		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	15,198,024	-
• <i>Srbijagas</i>	-	677,478
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(138,725)	-
• <i>Srbijagas</i>	-	(691,367)
	<b>15,059,299</b>	<b>(13,889)</b>

Transactions with state and state owned companies 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 nine month period ended on 30 September 2018 and 2017 the Group recognized 740,326 RSD and 743,813 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.

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2018**

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

## **NIS Group**

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