NIS GAZPROM NEFT FUTURE AT WORK

QUARTERLY REPORT for first quarter 2019

The Quarterly Report for First Quarter of 2019 presents a factual overview of NIS Group's activities, development and performance in first three months of 2019. The Report covers and presents data for NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to certain individual subsidiaries or only NIS j.s.c. Novi Sad, it is so noted in the Report. The terms: 'NIS j.s.c. Novi Sad' and 'the Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms 'NIS' and 'NIS Group' pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Quarterly Report is compiled in Serbian, English and Russian. In case of any discrepancy, the Serbian version shall be given precedence.

The Quarterly Report for First Quarter of 2019 is also available online on the corporate website. For any additional information on NIS Group, visit the corporate website www.nis.eu.

Contents

Foreword

In the first quarter of 2019, NIS continued with investments in strategic projects on which future development of the Company will be based. Amount of investments of NIS Group in the first quarter totalled RSD 8.3 billion, which is 6 percent more than in the first quarter of 2018. The largest investments were in the field of oil and gas exploration and production, and regarding individual projects our priority was to continue investments in Deep Refining in Pančevo Oil Refinery. In addition, concrete steps have been taken for the implementation of two other capital projects. First of all, the construction of combined cycle power plant (CCPP) Pančevo started in March, at the location of the Oil Refinery, realized by NIS in partnership with Gazprom Energoholding. Also, in cooperation with MET Group, NIS continued to engage in the Plandište wind farm project.

Regarding the financial results of the NIS Group, primarily the EBITDA and net profit, in the first quarter of 2019 they were under the influence of lower average prices of oil on the world market compared to the first quarter of 2018, capital overhaul in the Pančevo Oil Refinery and higher depreciation. In such circumstances, NIS achieved a net profit of RSD 158 million, while the EBITDA amounted to RSD 6.3 billion, which is 30 percent less than in the first quarter of 2018. Accrued liabilities based on public revenues of the NIS Group in the first quarter amount to RSD 40 billion.

In oil and gas exploration and production segment, the total production of 321 thousand tonnes of oil equivalent was achieved. Volume of refining of crude oil and semi-finished products totalled 599 thousand tons, or 24 percent less than the refining volume in the first quarter of last year. This is the result of a capital overhaul in Pančevo Oil Refinery, one of the most complex in the history of NIS' refining capacities, since, in addition to extensive investments, it was planned to connect the existing production facilities with deep refining plant whose commencement was planned for the second half of the current year. Sales and distribution of petroleum products in the first quarter of 2019 totalled 726 thousand tons, which is 5 percent less than the volume of sales in the first quarter of last year.

Improved results were achieved in the HSE (Health, Safety, Environment) area, so the Loss Time Injury Frequency (LTIF) was reduced by 38 percent compared to the first quarter of the previous year. NIS will continue to insist on improving HSE culture at all levels, as well as increasing safety and improving environmental protection.

In the first quarter of the current year, NIS continued to implement important socially responsible projects, seeking to provide full contribution to further community development. Primarily, NIS has signed agreements with the Ministry of Health of the Republic of Serbia and 13 partner communities throughout Serbia, and as a result RSD 116.5 million will be invested in health institutions in our country, within the framework of 'Together for the Community' corporate program. In addition, NIS has signed memoranda on cooperation with St. Petersburg Mining University and Gubkin Russian State University of Oil and Gas, as well as with universities of Belgrade and Novi Sad, which allowed further linking of NIS with the leading domestic and international educational institutions and work on improving conditions for education in Serbia. Social responsibility projects, especially programs aimed at young people, will remain one of NIS' priorities in the upcoming period.

Business Report

Highlights

January – March

- In Serbia, 11 development wells and 2 exploration wells were drilled;
- In Serbia, 351 km2 of 3D seismics were performed at Ada exploration area;
- Drilling of two wells in Romania (Teremia-1001 and Beba Veke Sud-1000/3) was completed;
- Beginning of construction at location for drilling Pesak Sud 1000 well;
- Realization of the pilot project Etalon facility - Mokrin Jug was approved at NIS OMS Committee;
- Studies on hydrocarbon reserves of Ada field and B complex of Kikinda field and studies on underground water reserves at SOS Majdan and SOS Čoka were accepted at the State Commission for validating reserves;
- Commissioning of the I €kon$ project phase at Atmospheric and Vacuum distillation (C-100/2100/2200);
- An integrated plan for the implementation of the new "RCM" methodology (Reliability Centered Maintenance) on the plants of the Refining Block was adopted;
- Start of capital overhaul 2019;
- On-going total reconstruction of Velika Plana FS (GAZPROM brand);
- Avgas refueller, supplying light aircraft with aviation gasoline, goes into service in Belgrade;
- EcoTank installed at two stations, Tošin Bunar and Blok 66A, for topping up OPTI windshield washer fluid;
- Launching G-Drive RACING platform “G-Drive i 24h Le Mans”;
- In Pančevo, a festivity marked the beginning of construction of cogeneration plant (thermoelectric power and heating plant, TE-TO) Pančevo, the project that is implemented by NIS and Gazprom Energo-holding partnership;
- MET Renewables company and NIS started their joint venture on the project of wind park in Serbia, after MET had bought out 50% share in the project from third parties;
- Number of consumers in Serbia who use NIS’s “On the road with us” loyalty program exceeded 600,000.
- Within this-year’s Kopaonik Business Forum, the panel of NIS was held under title: Energy Industry and Digitalization: challenges and opportunities;
- For the fifth consecutive year, NIS has organized the international conference about human resource management under title E-Being@Work;
- Memorandum of cooperation between NIS and Ministry of Health of the Republic Serbia signed within the program of social responsibility: Together for the Community, through which NIS will invest around one million EUR into health institutions across Serbia.
- NIS has signed cooperation memoranda with St. Petersburg Mining University and the “Gubkin” Russian State Oil and Gas University.

NIS Group

NIS Group is one of largest vertically integrated energy systems, which employs companies in the Southeast Europe, with approximately 11,000 employees. The main activities of NIS are: exploration, production and refining of oil and natural gas, the sales and distribution of a wide range of petroleum and gas products as well as the implementation of petrochemicals and energy projects.

Main production capacities of NIS are located in Republic of Serbia, with subsidiaries and representative offices across several other countries of the world.

The goal of NIS is to become the biggest, fastest growing energy system of the region, and an example to the others by business efficiency and sustainable development dynamics, as well as to provide its shareholders, employees and the community with new values in challenging macroeconomic environment.

Business activities

Business activities of NIS Group are organized within the parent company, NIS j.s.c. Novi Sad, under Exploration and Production Block[1] and *DOWNSTREAM*[2] division.

Exploration and Production Block

Exploration and production

NIS is the only company in Serbia engaged in the exploration and production of oil and gas. NIS activities in this field also include operative support to production, management of oil and gas reserves, management the development of oil and gas reservoirs, and major exploration and production projects. Most of NIS oilfields are located in Serbia, while the exploration works are also conducted in Romania and Bosnia and Herzegovina. NIS' oldest foreign concession is in Angola, where oil exploitation started as far back as 1985.

This business segment operates an Elemir-based plant for the preparation of natural gas, production of LPG and natural gasoline and CO2 capture, which has a design capacity of 65,000 tonnes of LPG and natural gasoline per year. An amine natural gas processing plant, which uses HiPACT technology (High Pressure Acidgas Capture Technology) is also located in Elemir. The Elemir-based plant is the first HiPACT plant in Europe, and the gas processing method completely prevents carbon dioxide emission into the atmosphere.

With the "Transformation" project, the production plant "Energetika", which deals with the production of electricity and heat, as well as the production of compressed gas, was formed.

NIS is determined to constantly develop its technologies and implement business innovations in every segment of its operations. In the field of research and production, scientific and technological support is provided by the Scientific and Technological Centre STC NIS Naftagas ltd. Novi Sad.

1 Exploration and production and subsidiary companies – NTC Naftagas d.o.o. Novi Sad, Naftagas-Naftni servisi d.o.o. Novi Sad and Naftagas Transport d.o.o. Novi Sad.

2 Refining Block, Block Sales, Energy Department and subsidary company Naftagas – Technical Services

Services

NIS has its own servicing capacities, which fully meet the Group's demands and allow NIS to provide services to third parties. Services provide oil and gas exploration and production services through geophysical surveying, well construction, outfitting and workover, as well as special operations and measurements on wells.

In addition, they provide maintenance services for the equipment required for work, construction and maintainance oil and gas systems and facilities. Apart from freighting and organizing heavy equipment employing, Services provide passenger transportation and vehicle rental services.

The goal of this business segment is to strengthen its presence in the region as well as international market, which is why its priorities are modernization of equipment, ensuring the high quality level of services, increasing technical and technological efficiency and boosting the workload in NIS and other companies.

DOWNSTREAM division

Refining

NIS manages the Pančevo Oil Refinery with maximum projected annual capacity of 4.8 million tonnes. After the MHC/DHT Complex became operational in 2012, Pančevo Oil Refinery produces: motor fuel in accordance with Euro-5 standard[3], aviation fuel, liquid petroleum gas, petrochemical raw materials, fuel oil, bitumen and other petroleum products. Owing to constant modernization of refining facilities, NIS locally produces fuels which meet European standards, while NIS Group holds a strategically important leading position on the regional market of petroleum products.

The construction of a bottom of the barrel plant with delayed coking technology is currently underway at the Pančevo Oil Refinery, being a key project of the second stage of the Refinery modernization. The start of operations in the plant is planned for the second half 2019. After the completion of this project, the Pančevo Oil Refinery will produce larger quantities of the finest petroleum products, primarily diesel, and will also start producing coke, a product which is currently imported into Serbia.

Sales and Distribution

NIS Sales and Distribution includes export and local wholesale of crude oil, gas and petroleum products, as well as retail of petroleum end products, liquid petroleum gas and other supplementary products. All fuel types are subject to regular, rigorous laboratory testing and comply with national and international standards.

NIS operates the largest retail network in Serbia and its gas stations are active in the countries of the region as well - in Bosnia and Herzegovina, Bulgaria and Romania. In Serbia and in the region, NIS manages a network of over 400 retail sites and has two brands in the market: NIS Petrol and premium gas station brand - GAZPROM. As separate businesses, NIS develops aviation fuel supply, bunkering, lubricants and bitumen sales and distribution.

Lubricants represent one of the key areas of the company's 'non-fuel' business and they are of great importance in increasing brand recognition and customers' loyalty. The lubricant business includes production, sale, development and marketing of lubricants and technical fluids.

[3] After the completion of the mild hydrocracking and hydrotreatment plant (MHC/DHT) in 2012, NIS has completely switched to the production of motor fuel that meets the European quality standards

Energy

NIS is engaged in purchase, sale and management portfolio of natural gas, trade of CNG, trade of electrical energy, development and implementation of strategically important energy projects, as well as the projects for improving energy efficiency.

Starting from 2013 NIS has put into operation mini power plants at oil and gas fields at 8 locations in Serbia with a maximum power of 14.5 MWe. The ecological advantage of using these small power plants is the production of electrical and thermal energy from gas, which has not been used previously due to its high content of carbon dioxide and nitrogen, or because it could not be valorized due to the lack of gas infrastructure in the vicinity. NIS is also actively developing in the field of electricity trade, and, apart from the Serbian market, it is present in the markets of Bosnia and Herzegovina, Montenegro, Romania, Slovenia and Hungary, and trades also at the border with the Republic of North Macedonia (FYRM).

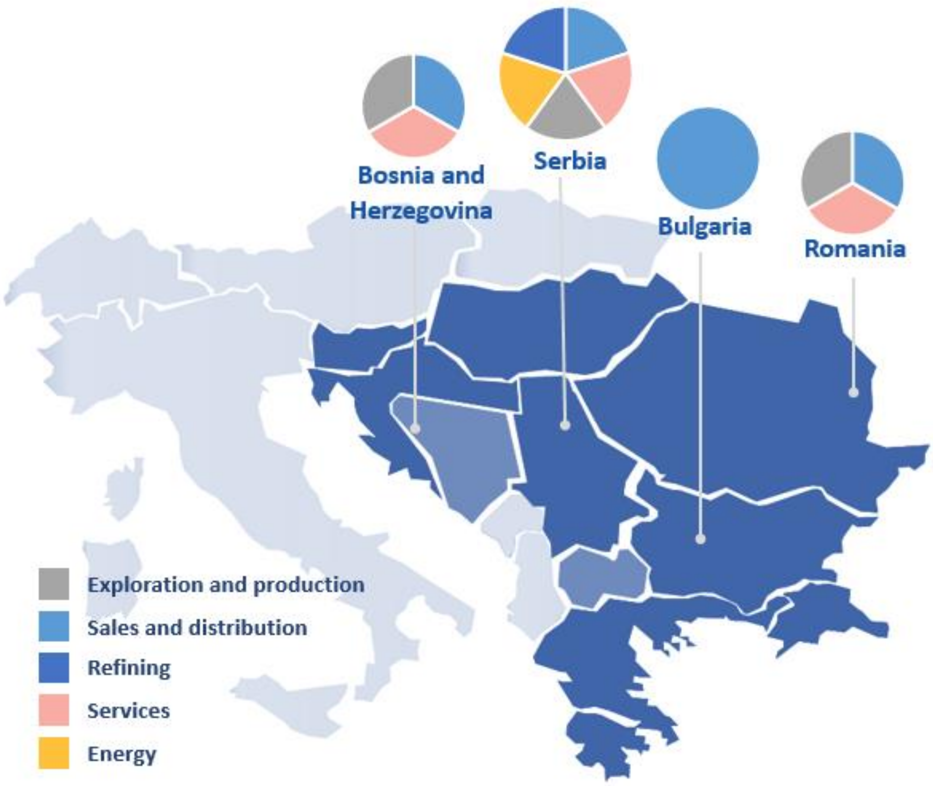
The key task of this business segment in the future will be the construction of additional facilities for the production of electrical energy. In cooperation with the company ‘Gazprom Energoholding’, NIS is implementing a project for the construction of a thermal power plant - heating plant (CCPP) Pančevo in the vicinity of the Oil Refinery (of power up to 196 MW), at the same time developing a wind turbine project together with its partners (of power up to 102 MW).

Nine Functions within the parent company NIS j.s.c. Novi Sad provide support to core activities. Five of these Functions are partially decentralized and have functionally subordinate departments within Blocks. These are: Finance, Economics, Planning and Accounting Function; Strategy and Investments Function; Procurement Function; Organizational Affairs Function; HSE Function. The other four functions are centralized - Legal and Corporate Affairs Function; Corporate Security Function; Function for government relations and corporate communications; Internal Audit Function (this Function is directly subordinated to the General Director), while the Internal Control Responsible reports to the Board of Directors Audit Commission[4]. One of the CEO’s Deputies is in charge of petrochemicals operations.

[4] This Function is directly subordinated to the General Director, while the Internal Control Responsible reports to the Board of Directors Audit Commission.

NIS Worldwide

NIS headquarters and main production facilities are located in the Republic of Serbia: oil and gas fields, the Oil Refinery Pančevo, network of storage facilities, as well as retail network. Following its long term development strategy, in 2010 and 2011 NIS starts expanding its business activities across the border of Serbia, while regional business development becomes one of the strategic goals of NIS. Regional expansion is developed in two main directions - in the field of oil and gas exploration and production (in Romania and Bosnia and Herzegovina) and through the development of a retail network (in Bulgaria, Bosnia and Herzegovina and Romania). Additionally, NIS is active in the field of electricity trade, and, apart from the Serbian market, is present in the markets of Bosnia and Herzegovina, Montenegro, Romania, Slovenia and Hungary.



NIS Group Business Structure

- Branch Offices in Serbia[5]
- Angola Representative Office
- Bulgaria Representative Office
- Romania Representative Office
- Russian Federation Representative Office
- Turkmenistan Branch Office[6]

- Naftagas – Technical services LLC Zrenjanin
- Naftagas – Oilfield Services LLC Novi Sad
- Naftagas – Transport LLC Novi Sad
- STC NIS – LLC Novi Sad
- O Zone a.d. Beograd
  - NIS MET Energowind d.o.o. Beograd
- NIS Oversees o.o.o. St. Petersburg
- NIS Petrol EOOD Sofia
- NIS Petrol SRL Bucharest
- NIS Petrol d.o.o. Banja Luka
  - G – Petrol d.o.o. Sarajevo
- Pannon Naftagas kft Budapest
- Jadran Naftagas d.o.o. Banja Luka
- NIS-Svetlost d.o.o. Bujanovac

[5] Under the Law on Tourism of the Republic of Serbia, if a company does not operate in hospitality as its core activity, the company is obliged to form a branch, i.e. premises outside its registered seat, and register it accordingly or otherwise establish an organisational unit that is registered in the Tourism Registry. To this end, the Company registered all petrol stations where it provides hospitality services as separate branches. The list of petrol stations which are registered as branches is available at http://ir.nis.eu/en/corporate-governance/group-structure/.

[6] The process of liquidation has been initiated.

Risk Management

Integrated Risk Management System

Risk is a likely future event that can exert a negative or positive influence on the achievement of the Company's objectives at all management levels. Risk management is a continuous and systematic business process that serves to support management decision-making in a risk exposed environment.

The Company's operations involve certain risks which may significantly affect the fulfilment of set objectives, if realised. The Company acknowledges risks and invests sustained efforts to manage them systematically. Efficient risk management is central to ensuring the Company's business continuity and a well-established risk management framework constitutes the basis for business decision-making.

NIS has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness and efficiency of managerial decisions through identification, analysis and assessment of associated risks and to ensure a maximum effectiveness and efficiency of risk management actions during the implementation of decisions.

The Company's risk management objectives are met through the following tasks:

- Establishing a risk management culture at the Company in order to reach a common understanding of the basic risk management principles and approaches by the management and employees;
- Defining and establishing a systemic approach to identifying and assessing the risks inherent in the Company's operations, both in general and in specific business areas;
- Encouraging the exchange of risk information among the corporate organisational units and a joint definition of actions to manage the risks;
- Providing structured information on risks to the corporate governance bodies.

The IRMS is a set of phases, methodologies and instruments aimed at ensuring the efficiency and effectiveness of the risk management process at NIS.

IRMS Business Process Flow at NIS

The basic principle underpinning this system entails that the responsibility for managing risks is assigned to risk owners, namely owners of business processes in the Company. Such approach allows for in all processes of the Company, identifying the areas of responsibility for risk management and monitoring, as well as ensuring that suitable action plans are prepared in order to manage risks at the level of business processes or NIS as a whole.

The parent Company has set up its Section for Risk Management System Monitoring to coordinate and continually develop this business process.

Furthermore, the integrated management system (IMS), organisational structure, standards and other internal regulations, the Code of Corporate Governance and the Code of Business Ethics altogether form an internal control system providing NIS guidance on how to run the business and effectively manage associated risks.

At NIS, risks are identified and assessed by analysing data sources (internal and external databases, KRIs), through interviews, risk sessions or similar, and are ranked by level against the Risk Matrix defined based on propensity to risk (Key Company Risk, Key Division/Block/Function Risk, Division/Block/Function Risk). Assessment can be carried out by means of a quantitative or qualitative method.

IRMS in business planning process

Key risks associated with corporate goals are endorsed by the Board of Directors through adoption of business plans. Risk assessment is an integral part of the business planning process, while information on key risks – estimated financial effect of the risks, risk management actions and financial resources needed to carry out the actions – are incorporated in the adopted business plans.

Through its operations, the Group is exposed to operational, political, market, financial and reputational risks.

Operational Risks

RISK DESCRIPTION	RISK MANAGEMENT ACTIONS
Project Risks	
With respect to geological research, the goal of NIS Group is to achieve reserves growth and to increase NIS' production. This largely depends on the outcome of geological research activities, which aim to increase the number of active wells in the country and abroad. The main risk in oil and gas exploration and production ensues from failure to prove estimated reserves and, consequently, failure on the part of NIS to achieve its planned reserves growth.	Risk mitigation actions include the implementation of new 3D seismic surveys by applying the latest wireless technology, selecting candidates for exploratory drilling based on complex seismic and geological data interpretation, using the largest shareholder's expertise in geological research programs and selecting the most prospective wells along with the application of state-of-the-art exploration methods. To mitigate the risks, special attention is paid to a robust preparation of projects for implementation and advanced monitoring during geological research operations. In order to reduce licensing risks, geological research is carried out as per a schedule defined by Geological Research Programs and provisions of the Law on Mining and Geological Research regulating the field of exploration and production of oil and gas, among other areas.

Market Risks

RISK DESCRIPTION	RISK MANAGEMENT ACTIONS
Price risk	
Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil and petroleum products affecting the value of inventories and refining margins, which in turn affects future cash flows.	These risks are partly offset by adjusting petroleum product selling prices against the changes in oil and petroleum product prices. The need to use some of commodity hedging instruments in the Group's subsidiaries, including NIS j.s.c. Novi Sad as a subsidiary, is at the discretion of Gazprom Neft Group. In addition, the following actions are undertaken to reduce a potentially negative impact of the risk: • Annual planning based on multiple scenarios, plan follow-up and timely adjustment of operating plans for crude oil procurement; • Regular sessions of NIS j.s.c. Novi Sad Committee in charge of crude oil purchase/sale to discuss all major subjects related to both crude oil purchase and sale (sale of oil from Angola-Palanca crude oil); • Tendency to enter into long-term crude oil purchase contracts at most favourable commercial terms and with longer payment terms on an open account basis, and sales contracts which would exempt NIS j.s.c. Novi Sad, in line with current intergovernmental agreements, from paying customs duties at import, based on preferential status; • Expansion of the supplier portfolio, successful cooperation with EU-based companies, growing competitiveness in import tenders and more prominent progress regarding purchase prices;

	• Expansion/diversification of the crude oil basket for prospective import, provision of samples of the crude oil types that have not been used for processing at the Pančevo Oil Refinery; • Constant effort to optimise processes and achieve the most optimum economic effects and indicators; • Occasional benchmarking to survey the market and price trends and to analyse the commercial capacities of major prospective suppliers of crude oil, reputable companies which are dominant and reliable in crude oil trading.

Political Risks

RISK DESCRIPTION	RISK MANAGEMENT ACTIONS
Risk of EU and US Economic Restrictions on Gazprom Neft Group	
Economic restrictions imposed by the EU and the US on Gazprom Neft Group have brought about risks to the prospects for long-term development because of constraints regarding loan arrangements with commercial banks from some of the EU- and US-based bank groups.	NIS regularly follows international developments and assesses potential consequences for the company's business. Moreover, in line with allowed exemption from the sanctions (long-term loans are possible only if intended for funding the import of goods and services from the EU), NIS' operations are continuously being adjusted to this option by increasing the volume of imported goods and services from EU suppliers. In this way, funds are provided for financing NIS' long-term development despite the limitations of the sanctions regime.

Financial Risks

RISK DESCRIPTION	RISK MANAGEMENT ACTIONS
Foreign Exchange Risk	
NIS Group operates in an international setting and is thus exposed to the risk of fluctuating foreign exchange rates arising from business transactions being made in different currencies, primarily USD and EUR. The risk involves future trade transactions and recognised assets and liabilities.	The risks relating to fluctuations in the national currency against the US dollar is partly neutralised through natural hedging of petroleum product selling prices, which are adjusted to these fluctuations. Risk management instruments are also used, such as forward transactions on the foreign exchange market, which help reduce the impact of foreign currency losses in the event of depreciation of the national currency against the US dollar or euro. Other actions include the balancing of the foreign exchange equilibrium in terms of adjusting the currencies in which export transactions are denominated to the currencies of foreign liabilities; managing the currency structure of the loan portfolio etc.
Interest Rate Risks	
NIS Group is exposed to the risk of interest rate volatility, both in terms of its bank loans and deposits.	NIS j.s.c. Novi Sad takes out loans with commercial banks at floating or fixed interest rates depending on projections of changes of base interest rates in the monetary market. Consequently, funds in the form of intercompany loans to third parties are placed at floating or fixed interest rates, whereas funds deposited as term or demand deposits are placed at flat interest rates. Deposits are aligned with the credit limit methodologies of commercial banks (funds are reciprocally placed only with major commercial banks from which NIS j.s.c. Novi Sad takes out loans and/or credit/documentary lines). In this respect, revenues and cash flows from bank deposits are substantially independent of any changes in base interest rates, whereas for loans/credits granted exposure to the risk of base interest rate volatility (EURIBOR, LIBOR, etc.) is higher for loans/credits granted.

Financial Risks

RISK DESCRPTION	RISK MANAGEMENT ACTIONS
Credit Risks	
Arises in relation to cash and cash equivalents, deposits with banks and financial institutions, intercompany loans given to third parties, and exposure to wholesale and retail risks, including unrecoverable debt and assumed liabilities.	Credit risk management is established at the level of NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of NIS j.s.c. Novi Sad at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad). Regarding accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.
Liquidity Risk	
Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its liabilities. It is the risk of not having suitable sources to finance NIS Group's business operations.	NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, it is continually contracting for and securing sufficient credit and documentary lines while maintaining the maximum allowable level of credit exposure and meeting the commitments under commercial bank arrangements (covenants). Since mid-September 2014, NIS j.s.c. Novi Sad has been exposed to the risk of limited external financing capacities due to the imposition of sectoral sanctions by the EU and the US on the largest Russian-owned energy companies and their subsidiaries incorporated outside the EU. The sanctions prevent NIS j.s.c. Novi Sad from borrowing from the EU or US banks for a period longer than 30 and 60 days respectively. Exemption from the EU sanctions is related to the possibility of borrowing for a period longer than 30 days from EU banks exclusively if the loan is intended for the payment of non-sanctioned goods and services imported from the EU. In order to acquire necessary funds for future transactions, NIS negotiated/contracted over 700 mln EUR new credit lines with Serbian, Russian and Arabian banks for general purpose funding and with Serbia-based European banks for funding imports from the EU (financing for a period longer than 30 days is allowed if the subject of financing is import of goods or services from the EU), thus ensuring necessary funds for regular repayment of loans in 2018 and 2019, as well as for early repayment of loans in order to improve the loan portfolio (lowering the average cost of financing and extending the average portfolio maturity). In addition to improved qualities of the portfolio, restructuring of credit portfolio, carried out in 2018, has enabled us to free cash flow for the implementation of planned investments and normal operation of the company in the following 4 years. Furthermore, in order to further improve the characteristics of the loan portfolio and provide additional funding limits in 2019, during the first quarter, NIS conducted a tender process and ensured an improvement of the conditions (interest rate reduction) for two loans which are in the total amount of EUR 145 million, as well as new limits under favourable terms in the amount of about EUR 40 million. Using the terms from this tender will enable the reduction

	of the average price of portfolio by the end of the year, as well as the maintaining of the average portfolio maturity between 3 and 4 years at the end of 2019.

Business Enviroment

World

In their latest monthly report OPEC suggests that oil demand supplied by this organization in 2019 will amount to an average of 30.46 million barrels a day, which is by 130,000 barrels per day lower than both previous prognosis and volumes they currently produce.

OPEC and other cartel partners, such as Russia, will decrease production by 1.2 million barrels per day as from 1st January 2019, and that will be in effect for six months. In February, Saudi Arabia lowered its production by far more than agreed, thus taking the great deal of load. Russia is also adhering to the agreement gradually implementing the production reduction

Growing production outside the OPEC signifies a need for further production limitations within this organization, which is why some of the analysts predict this organization might extend the reduced production agreement term.

Oil price

Average barrel price of reference basket of OPEC members in the first quarter was around 67 dollars.

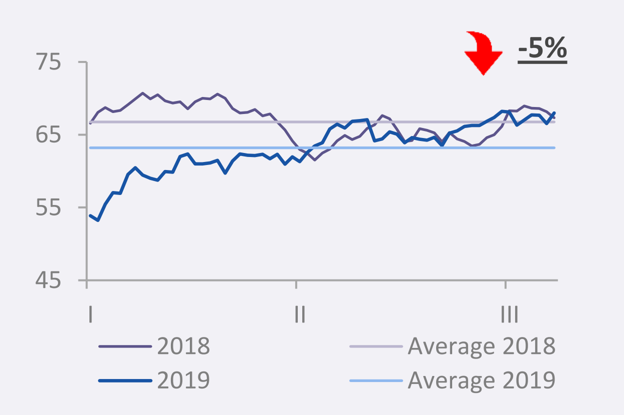


Chart No. 1: Brent Dtd[7] price trends , $/bbl

Geopolitical situation in the first quarter of 2019 is not promising: it seems that there is an emerging slowing down of global economy (OECD prognosis – 3.3% average growth), threatened by severe trade war between the US and China, along with potential recession of some of the leading European countries. To this account also should be added Venezuelan with its struggles, ever delaying Brexit, as well as the constant deepening of tension between Russia on one and the US on the other side. In such conditions, oil and gas industries reveal their vitality acquired by decades of experience with doing business in various critical situations. The latest oil price crisis made the business focus move towards more stringent capital discipline, costs reduction, increase in operative efficiency etc.

Macroparameters

Industrial zest at the year's start was low, although basic conditions are fairly solid. Industries in all EU members are expected to continue growing in 2019, but with weakened intensity, according to the predictions. Some of the Eurozone countries are concerned once more over interconnectedness of governments and the banks, as well as the debt sustainability.

The US industry had lost the pulse at the year's start, considering the data showing retail and real property sale drop and industrial production decrease. In addition, deficit in commodity exchange with the rest of the world got higher, since export went down. According to the analysts' estimates, the US GDP growth in the first quarter was 1.8%.

[7] Source: *Platts.*

Following the accelerated GDP growth in 2018, an economic growth in Russia is expected to slow down this year, while the Central Bank of Russia warns that data on GDP growth in the first quarter will show values below expected after weakening of investment activities at the end of previous year.

Central Bank of China is keeping a low record of a 4.35%reference interest rate for as long as of 2015, and lowered a mandatory interest rate for the deposits of commercial banks even twice. That way, they are planning to make available additional billions yuans, which is expected to result in higher economic growth.

Serbia

Positive economic trends in Serbia, marked by low rate of inflation, fiscal sufficit, declining public debt, reduced external disbalance and the recovery of the labour market, continue to do well in the first quarter of 2019.

Significant actual growth of gross added value in the past year was recorded in agriculture, forestry and fishery industries and, according to estimates, the growth of GDP of 3.4% in last quarter of 2018 will remain on the same level in 2019. Likewise, it is expected that the consumption will continue its rising trend though more sluggishly than the overall GDP, which will make room for bigger investments. In regard to mid-term perspective, the share of fixed investments in GDP will rise. Implementation of structural reforms, improvement of investment climate and EU accession process have created a solid foundation for Serbia’s healthy growth.

The declining trend of the public debt has continued in the beginning of 2019 as well. (50.6% BDP in January). The fiscal strategy predicts a deficit equal to 0.5% BDP in the mid-term, which will be conducive to further decline of the share which public debt has in BPD and its sustainability.

NBS encourages the dominance of domestic currency by ensuring low and stable rate of inflation, by preserving relative stability of the exchange rates, through improvements in the area of foreign currency risk management in the private sector and through other measures as well. Dinar has remained stable against Euro from the beginning of 2019.

NBS successfully maintained the reference interest rate at 3% having in mind the expected inflation and its factors in the upcoming period as well as the effects of monetary policy enforced so far.

When it comes to industrial production, following the year-on-year drop in production in December 2018 (by 6.3%) and in January 2019 by 5.0%, the industrial production showed an increase by 2.4% in February. However, this was not sufficient to ensure cumulative year-on-year growth - in the first two months of this year, the industrial production output was 1.4% lower than in the same period of the previous year. In terms of industrial sectors, comparing February 2019 to February 2018, the mining sector showed a decline by 1.4%, the processing industry grew by 3.8% while the power, gas, steam and air conditioning supply sector showed a decline by 1.3%.

Consumer prices in February 2019 were 2.4% higher compared to the same month of the last year and 1.1% higher than in December 2018.

Serbia’s total international trade in commodities for the period January - February 2019 grew by 1.8% compared to the same period of the previous year (in dollars) and by 9.8% in Euro. The export to import ratio is 73.1% which is lower than it was in the same period last year when it stood at 76.2%.

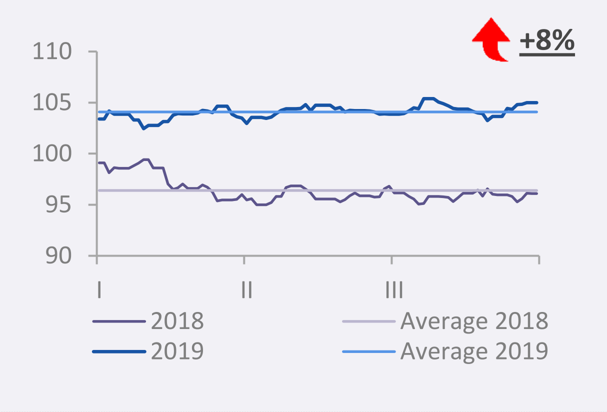


Chart No. 2: Exchange rate trend, USD/RSD[8]

- Average USD/RSD exchange rate in first quarter of 2019 was higher by RSD 7.7, i.e. 8% compared to the average exchange rate in the same period of 2018.
- During first three months of 2019, USD/RSD exchange rate increased by RSD 1.6 or 2%.
- During first three months of 2018, USD/RSD exchange rate fell by RSD 3.03 or 3%.

[8] Source: NBS

Performance Analysis

Market Share[9]

Motor fuel consumption in the region is on the rise:

- positive macroeconomic trends
- growth of fuel consumption in the transport segment, agriculture and infrastructural works (change of seasonality)

Motor fuel consumption in Serbia in the first quarter saw a growth of 7.1% primarily due to the increase in diesel fuel. Cold wave in March 2018 delayed the start of agricultural and construction season, which reduced the base consumption in Q1 of last year.

Expansion of the fleet and change to the structure in favour of diesel engines have a significant impact on the structure and increase of fuel consumption.

Market Share in the Serbian Market

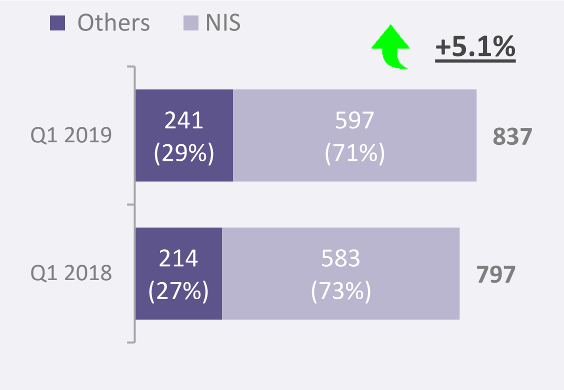


Chart No. 3: *Volume of the RS petroleum products market[10], in thousand tonnes*

The total consumption of petroleum products rose by 5.1%.

The key drivers of consumption are the following:

- Increase in diesel and coke consumption
- Delayed start of agricultural and construction season

NIS' market share is slightly lower in the first quarter due to a significant growth of coke import, which is not included in NIS' portfolio. If this product is excluded from the total consumption, the Company's market share slightly increased.

NIS retained its high market share in retail.

Retail market growth of 7.6%

Demand increase in the diesel fuel segment as the key growth factor

Demand growth driven by positive trends in the transport, agriculture and transit segments.

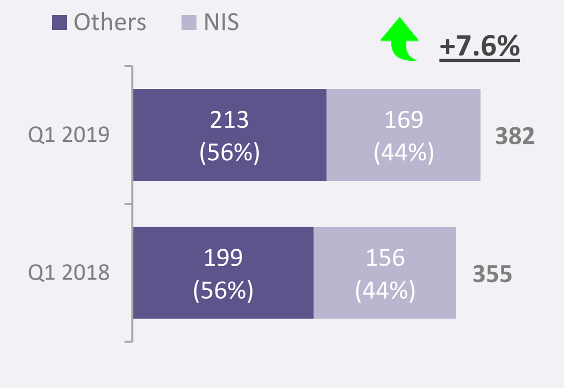


Chart No. 4: *Volume of the RS motor fuels market[11], in thousand tonnes*

[9] Data sources for projections: for Serbia – Sales and Distribution internal analyses and estimates; for Bulgaria and Romania consumption estimates – PFC and Eurostat; For Bosnia-Herzegovina – PFC and internal estimates.
[10] Data for 2019 are given on the basis of estimates.
[11] The sales of NIS and other competitors include motor fuels (auto-gas, CNG, gasoline and diesel). LPG cylinders are not included. Data for 2019 are given on the basis of estimates.

Market Share in Bosnia-Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

A planned capital overhaul started on 8 January at the Brod Oil Refinery. At the same time, the process of independent technical testing of the equipment is under way, Nestro Group stated. The refinery, whose majority share holder is a Russian company, was operational until 9 January 2019, fulfilling all the obligations towards partners and employees. The Minister of Energy and Mining of the Republic of Srpska said that the facilities of the only refinery in the Republic of Srpska will be operational again in a year. He also emphasized that the Brod Oil Refinery announced there will be no primary refining and crude oil import during this year, while the buyers will be supplied via Gazprom, i.e. NIS from Serbia.

The foreign trade of Bosnia and Herzegovina is characterized by significantly decreased export of oil and petroleum products from the Brod Oil Refinery, namely by 71 percent. In the first two months of this year, KM 11.2 million of petroleum products was exported while the import remained at the same level of KM 200 million. The decrease in export of petroleum products is expected after the commencement of overhaul process in the Brod Oil Refinery on 9 January.

Bosnia and Herzegovina is the only country in Europe which did not implement a single obligation of the Energy Community regarding oil and petroleum products. The country has no necessary reserves of petroleum products at the state level, nor a national strategy for fulfilling obligations from EU Directive 2009/119/EC, the Energy Community stated.

The oil company Hifa Petrol, which invested over KM 10 million in 2018, started 2019 with new investments, i.e. expansion of its retail network. Hifa Petrol acquired 4 petrol stations in Busovača, Vitez, Lašva and Golubina near Žepče, and thus increased the number of its retail facilities to 36. The abovementioned PS were the ownership of Čago Petrol company. With this acquisition, Hifa Petrol significantly expanded its presence in the area of Central Bosnia. Acquired PS will be reconstructed in accordance with latest international and environmental standards, and rebranded with new corporate colours. In addition to the "HPLUS EURO 6" fuel, “Hifa Petrol” BS will comprise a branded store “HP Shop” with its own line of motor oils "HG Line" and a wide range of goods. It will also be possible to exchange money in all currencies in the "HP" exchange office that will also be located within BS.

NIS has 37 petrol stations in Bosnia and Herzegovina.

The market share of NIS in the total motor fuel market is 17.8%, while a retail market share is 9.0%.

The Ministry of Agriculture, Forestry and Water Management of the Republic of Srpska has issued an invitation to all distributors of oil and petroleum products in the Republic of Srpska to participate in the sale of subsidized diesel fuel to registered agricultural holdings for the needs of spring and autumn works in agriculture in 2019.

The Supervisory Board of the company Energopetrol Sarajevo in the Extraordinary Assembly passed the decision to stop the sales activity of fuel at the International Airport Sarajevo. It is not explained why Energopetrol ceases to perform this activity. Hifa Oil is listed as the second company providing services of fuel supply on the Airport website.

The Ministry of Energy, Mining and Industry of the Federation of Bosnia and Herzegovina has not yet signed a contract with the company "IHSGlobal" from London, which was selected as an expert consultant for the preparation of the tender for the award of a concession for the exploration and exploitation of oil and gas in the Federation. Although this world giant in the field of energy sector consultations won the tender, and the government of the Federation of Bosnia and Herzegovina reported to the ministers and the public about that as early as on December 20 last year, the contract was not signed because there is no money in the budget for this kind of business.

The Energy Regulatory Commission of the Federation of Bosnia and Herzegovina - FERK held a regular session. On that occasion, FERK, among other things, issued a license for the storage of petroleum products other than LPG to the company "Arcelor Mittal" Zenica Ltd. for a period of five years.

Bulgaria

The Ministry of Interior of the Republic of Bulgaria will initiate an assessment of petrol stations after a note from the Bulgarian Petroleum and Gas Association, said Boyko Borisov, the Prime Minister of Bulgaria. He urged the companies involved in the supply and sale of fuel to legalize their business like the other sectors of the economy in Bulgaria.

A number of petrol stations in Bulgaria are threatened with closure because they are not able to meet the requirements of the Ordinance on Reporting through Fiscal Devices Svetoslav Benchev from the Bulgarian Petroleum and Gas Association (BPGA) warned about this, referring to the latest amendments of the Ordinance on Reporting through Fiscal Devices, which will include 3 components on petrol stations - excise and VAT, price exclusive of excise duties and VAT, and the purchase price at which fuel is supplied to the facility.

According to Reuters, British-Dutch oil company Royal Dutch Shell announced that it was ready to start oil and gas research in the Bulgarian Black Sea offshore in April. Shell stated that the first oil well would be drilled to a depth of 1,300 meters in block 1/14 in Han Kubrat block, where the company had already conducted geological surveys. It is expected that the drilling will last three months. Shell's partners are Spanish Repsol and Australian Woods Energy, with which it won a contract on deep-water drilling with Bulgaria in 2016. This is Shell's only “upstream” project in Bulgaria.

The Bulgarian government reported that it granted a five-year licence for the exploitation of oil and gas to the company SPM Bulgaria for the land block 1-25 Vratsa-West. The company SPM Bulgaria will invest EUR 7.4 million in exploitation during the five-year period for which the licence has been issued and pay EUR 210,000 after signing the licence agreement. The company plans to conduct 2-D and 3-D seismic studies on the block.

NIS has 35 petrol stations in Bulgaria.

NIS's share in the total motor fuel market is 5.9%, with a retail market share 4.8%.

Romania

Only four months after the founding of the Board of Directors of the Investment Fund by KMGI (KazMunayGas International) and SAPE, the company managing the property in state ownership in the Romanian Energy Sector, the fund approved 2 large investment projects in the amount of nearly USD 230 mln. One project is the construction of the cogeneration power plant on the Petromidia platform, while the second is the development of the PETROL STATION network in Romania over the next five years. The network will benefit from the fuel supply from the refinery Petromidia Navodari of the company Rompetrol Rafinare member of KMGI. It is expected that new petrol stations which will operate under Rompetrol brand will generate more than 1,000 new jobs with more than 5,000 people to be involved in different phases of development and more than 1,200 commercial partners. Also, it is expected that the Kazakhstan-Romanian Fund will reach USD 1 bln in investments over a seven-year period. KMGI owns 80% of shares of the fund, while the Romanian government owns the remaining 20%.

Prices of fuel in Romania are still higher than the average in the European Union according to the data published in the Oil Bulletin of the European Commission.

The Competition Committee in Romania completed the fuel market survey, the conclusion is that the competition is low in this segment and there is a major player determining the price. Market leader of fuel distribution is OMV Petrom, followed by Rompetrol, Lukoil, MOL, SOKAR and Gazprom.

Romania is a country with the highest number of PETROL STATIONs in MOL group in 2018. MOL finished 2018 with a network of 1,893 PETROL STATION which represents an expansion by 12 outlets.

Romanian company Conpet Ploiesti signed an agreement on providing petroleum and petroleum product transport services with the company OMV Petrom worth RON 308,746 mln (about USD 73,708 mln) it is said in the report published on the Bucharest stock exchange. The agreement will be valid from March 1, 2019 to February 29, 2020. Guarantee of OMV Petrom, which is valid by March 1, 2020 amounts to RON 21,868 mln (about USD 5,221 mln). Penalties for delays will be 0.04 % per day. Conpet provides specialized services for transport via petroleum pipelines and railway cars.

Company Rompetrol Rafinare announced this year investments worth USD 64 mln. Company invested USD 4 mln in the software Advanced Process Control designed for improving production activities in the refinery Petromidia. In 2019, the refinery will offer 5.88 mln tons of finished products, including 1.57 mln tons of petrol and 2.8 mln tons of diesel. Apart from fuel sold through its own network, Rompetrol also sells petroleum products in Ukraine, Turkey, Lebanon, Serbia, Greece, Macedonia, Bosnia and Herzegovina, Morocco, Croatia, Egypt.

Petrolexportimport, Romanian importer of petroleum products went bankrupt, because the Ministry of Finance imposed a loan on its behalf, agreed on behalf of OMV Petrom.

In Romania, NIS has 18 petrol stations.

The market share of NIS in the total market of motor fuels amounts to 1.0% while the share in the retail market is 1.5%.

Key Performance Indicators

Indicator	Unit of measure	Q1 2019	Q1 2018	Δ[12]
Brent Dtd	$/bbl	63.2	66.8	-5%
Sales revenue[13]	RSD billion	53.5	52.5	+2%
Net profit	RSD billion	0.2	3.7	-96%
EBITDA[14]	RSD billion	6.3	8.9	-30%
OCF	RSD billion	11.3	4.6	+146%
CAPEX[15]	RSD billion	8.3	7.8	+6%
Accrued liabilities for taxes and other public revenue[16]	RSD billion	40.0	43.2	-7%
Total bank indebtedness[17]	EUR million	575	512	+12%
LTIF[18]	number	1.42	2.28	-38%

Operating Indicators

Exploration and Production

		Q1 2019	Q1 2018	Δ[19]
Oil and gas output[20]	Thousand t.o.e.	321	329	-3%
Domestic oil output[21]	Thousand tonnes	214	217	-1%
LTIF[22]	number	1.09	2.17	-74%
EBITDA	RSD billion	8.3[23]	7.7	8%
CAPEX[24]	RSD billion	4.25[25]	3.9	9%

In the Exploration and Production Block, with the implementation operational efficiency improvement measures and with maximum engagement of “Services”, the total production of oil and gas was 321 thousand t.o.e.

Eleven (11) wells were brought in. During the first quarter, 8 wells were brought in at the oil fields after conducting the fracking operation, and 31 more wells underwent geologic and technological activities.

Coefficient of success of the exploratory drilling in Serbia for the past three years is 78 %.

---

[12] Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

[13] Consolidated operating income.

[14] EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – Operating Expenses (OPEX) – other costs that may be controlled by the management.

[15] CAPEX amounts are exclusive of VAT.

[16] Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.

[17] Total bank indebtedness =Total debt to banks + Letters of Credit. As at 31 March 2019, this was €573 million of total debt to banks + €2 million in Letters of Credit.

[18] Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator shown refers to NIS j.s.c. Novi Sad with its subsidiaries: Naftagas – Naftni servisi d.o.o. Novi Sad, Naftagas – Tehnički servisi d.o.o. Zrenjanin and Naftagas – Transport d.o.o. Novi Sad.

[19] Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

[20]Domestic oil ouput includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

[21] With natural gasoline.

[22] Lost Time Injury Frequency Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. *The data refers to the Exploration and Production Block (including Services)*

[23] *The data refers to the Exploration and Production Block (including Services)*

[24] Financing, exclusive of VAT.

[25] *The data refers to the Exploration and Production Block (including Services)*

In the field of geology and development of reservoirs, the emphasis is on preserving the high quality of the performed geological and technical activities and on testing the new technologies aimed at increasing the production of oil and gas.

Geological and exploratory works and reservoir development

As part of development drilling, additional exploration was actively conducted and oil saturation was determined at the active reservoirs and the density of well network was increased.

The program for removing wells from the inactive funds was successfully continued in the past years. Also, workover and insulation works were continued, as were all other GTA in the wells.

Regarding the project documentation, two studies on UV reserves and 2 studies on underground water reserves, seven feasibility studies and eight mining projects were presented. Based on the completed analysis of development and renewable 3D models, 50 development wells were drilled on 13 reservoirs.

Exploratory drilling and well testing

As part of realization of the geological and exploratory works at Exploration and production Block, 2 wells were drilled in the first quarter. Multi-fracking was completed successfully in the horizontal channel of the Km-X-002H exploration well. The fracking operation in five ports was performed by the Schlumberger Company. The well is currently in the testing stage, with the aim of determining production characteristics, after which it is expected to start operating and to produce specific accumulation of heavy crude oil from the Kumane reservoir. Drilling started at the Bra-Malj-001X exploration well with the aim of increasing the resource base of the Company and fulfilling license obligations on the exploration area in Serbia to the south of the rivers Sava and Danube.

2/3D seismics

In January 2019, acquisition of 3D seismic data began at the Ada exploratory area. Thanks to favorable weather conditions and good organization of the seismic team, production was increased. In the first quarter, a total of 351 km2 was recorded.

Interpretation of 2D seismic data recorded at the exploratory area Morović stage 1 was performed.

3D seismic data from the exploratory area Turija IV is currently being processed and complex seismology interpretation of 3D seismic data recorded at the exploratory area Južni Banat II is currently underway.

In order to secure a new Approval for continuing the exploration at the exploration area of Serbia to the south of the rivers Sava and Danube, activities were initiated on creating 14 Geology research projects and other project and technical documentation prescribed by law for applying at the competent Ministry of Mining and Energy for renewing the approval for researching on the exploration area in question for the period of 3+2 years.

Projects abroad

Business activities of Company in Romania in the Upstream segment are conducted by means of resources of NIS Petrol s.l.r. Company from Romania (subsidiary company whose sole owner is NIS j.s.c. Novi Sad) in six concession blocks. The block operator is NIS Petrol s.r.l.

Key events in the first quarter of 2019:

- Construction of the oil and gas preparation complex for test exploration in the Teremija Sever and Žombolj fields, whose beginning is planned for the second quarter of 2019, is currently underway.
- Drilling of two exploratory wells in EX-7 block was completed.

In Bosnia and Herzegovina, activities on complying Annex 3 to the Contract on Concession with the Ministry of Mining and Energy, Concession Commission and with the Public Prosecution Office are currently underway. The decision on approving the signing of Annex 3 to the Contract on Concession, which prolongs the period of exploration until the year 2023 is expected at the beginning of April. Activities for performing workover works and fracking operations of Ob-2 well.

Operating Indicators

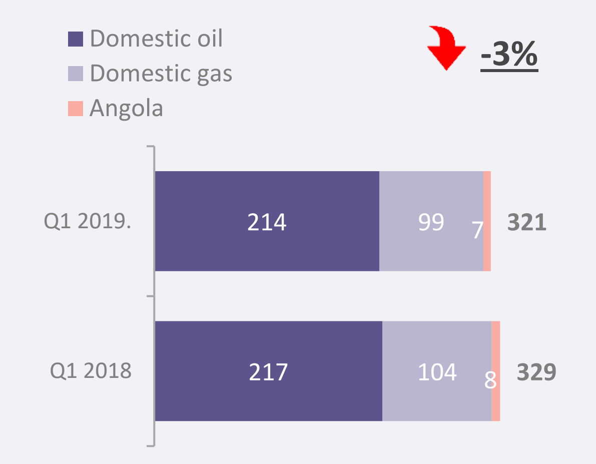


Chart No. 4: Oil and gas output, thousand t.o.e.

In the first quarter of 2019, the total production of oil and gas was 321 thousand tonnes of oil equivalent of oil and gas.

Refining

Indicator	Unit of measure	Q1 2019	Q1 2018	Δ[26]
Volume of refining of crude oil and semi-finished products	Thousand tonnes	599	786	-24%
LTIF[27]	%	-	-	-
EBITDA[28]	RSD billion	-0.7	1.1	-164%
CAPEX[29]	RSD billion	3.5	2.7	30%

[26] Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values rounded to RSD billions.

[27] Lost Time Injury Frequency – injury indicator with lost time (days). The ratio of the number of employees' injuries to the total number of work hours multiplied by a million. The said indicator is calculated cumulatively from the beginning of the year, and the data presented represents the current situation as of 31st December, and consequently the difference does not exist between 2018 and Q4.

[28] EBITDA of the "Refining" Block includes the power plant in POR.

[29] Financing, exclusive of VAT.

Refining Activities and Volume

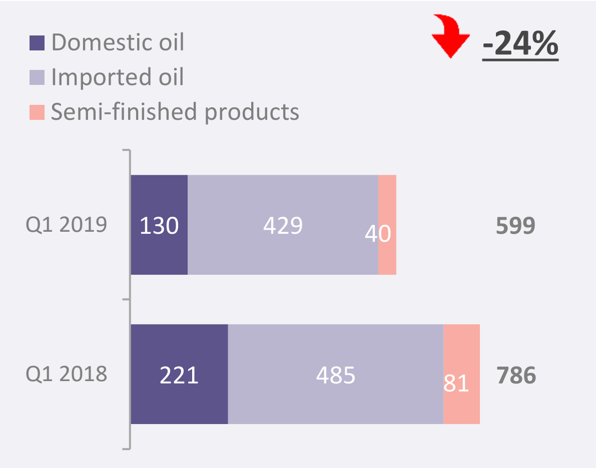


***Chart No. 6:** Refining volume, thousand tonnes*

In Q1 of 2019, the production of petroleum products decreased, compared to the same period of the previous year by -24% as a result of capital overhaul.

The implementation of capital overhaul of the plant was in the focus of the Refining Block activities in Q1 of 2019.

At the end of February 2019, at the Pančevo Oil Refinery, a capital overhaul was started with the aim of more reliable work and further modernization of refining. Within the capital overhaul, the necessary technical and technological connection of the "old" refinery units with the DCU production complex units will be carried out, which makes this year's overhaul the most complex one so far.

At the beginning of 2019, digital transformation activities continued, focusing on the „€kon$" project, with the commissioning of the first project phase on primary refining plants ("Atmospheric and Vacuum Distillation").

'Bottom of the Barrel' Project

After Q1 of 2019, the following results have been achieved at the "Bottom of the Barrel" project:

- Detailed design was completed and 99.3% of the equipment and MTP were delivered;
- The foundation of the base, the basic steel construction of the complex, the out-of-gauge equipment and the coke oven have been completed. Construction and assembly works for the needs of the delayed coking plant were carried out at 69%, 2,426,290 persons/hours in the construction part were realized;
- The project also comprehends the modernization of the MHC/DHT unit which is under way as well as other refining plants within the ORP capital overhaul.

Overhaul

Within the capital overhaul of the Refinery works are being carried out on the "gasoline and diesel pool" of refinery units: Platforming, HDS Gasoline FCC complex, Alkylation, Sulfolane, Atmospheric and Vacuum distillation, Mild Hydrocracking and Hydrotreating Complex, control works, equipment and piping cleaning and restoration and replacement of catalysts, as well as works in the Manipulation Sector and on the realization of investment projects for reliability and efficiency increase of refinery production.

Nearly three thousand workers participate in the works within this overhaul. In addition to the employees from our company, 1,400 workers from the country and abroad participate at the peak of the overhaul.

The planned halt of the Refinery will also be used for the execution of all legal obligations when it comes to pressure vessels and pipelines, where the overhaul of the equipment will also be performed, elimination of the observed problems during the exploitation period, replacement of catalysts and other. All these works will be performed on the group of primary and secondary refinery units.

The capital overhaul in 2019, like all previous ones up to now, includes the improvement of refining capacities, the modernization of process systems and refinery infrastructure facilities. Within this capital overhaul, technical and technological connection of the "old" refinery units with the DCU production complex units will be carried out, which are under construction and will start in the second half of this year.

The main task is to enable a reliable separation of the DCU plant by installing new equipment, new pipelines and connections on existing installations, as well as the necessary modifications to the units, in order to ensure the safe start of the old units after the completion of the overhaul, as well as the reliable start of the DCU plant in the second part of the year.

Other Projects

During 2019, digital transformation implementation activities continued in the Refining Block, as well as projects of operator training on plant simulators (OTS), the malfunction forecast project (Machine Learning), the implementation project of the E-learning platform for on-line employee training and operator support project ("€kon$").

Within the "€kon$" project the first project phase on primary refining plants ("Atmospheric and Vacuum Distillation") has been commissioned, with the implementation continuation on other planned units.

Software and mobile equipment procurement for the digitalisation of structural visits of operators on refining plants was initiated. This will enable the Refinery to engage in global trends in the use of state-of-the-art technology in plants, and all the information collected will be digitally transferred, through special mobile devices, from plant operators to the existing CMMS system and will significantly improve maintenance processes of plant reliability.

Along with the realization of the "Bottom of the Barrel" project with delayed coking technology (DCU), professional training will be held for a team of employees, who will start the newly built production complex and work on it. This training encompasses all 49 employees who will work on the newly built complex. The project of digital transformation and realization of a complex analysis of reliability of future DCU units (RAM study) is in its final phase, as well as the analysis of necessary activities and preparation of spare parts for the reliable plant operation during future exploitations.

Work on the implementation of the LSS (Lean Six Sigma) process of continuous improvement in the Refining Block was continued and the first improvement projects were launched as a result of the work of working groups in the entire DWS.

Activities on cooperation projects with schools and universities continue in 2019. The Memorandum on Cooperation with the Secondary School of Electrical Engineering in Pančevo was realized through the procurement of modern equipment for automatics classrooms and providing conditions for adapting the school program and personnel training for the business needs of the Oil Refinery in Pančevo.

Sales and Distribution

Indicator	Unit of measure	Q1 2019	Q1 2018	Δ[30]
Total sales volume of petroleum products [31]	Thousand tonnes	726	765	-5%
Sales volume – foreign assets[32]	Thousand tonnes	85	79	8%
Sales volume of petroleum products in the domestic market [33]	Thousand tonnes	575	584	-1%
Motor fuels[34]	Thousand tonnes	491	479	3%
Retail[35]	Thousand tonnes	214	200	7%
Internal Sales	Thousand tonnes	3.3	4.6	-28%
LTIF[36]	%	2.28	0.58	293%
EBITDA	RSD billion	3.3	1.5[37]	117%
CAPEX[38]	RSD billion	0.3	1.0	-72%

Points of Sale[39] and Logistics

NIS Groups owns more than 400 active retail facilities. The majority of them, more precisely 327 retail facilities, are located in the Republic of Serbia. In addition to 10 internal petrol stations, NIS owns 317 public petrol stations (20 of them are Gazprom-branded). In the regional countries, NIS owns 37 petrol stations in Bosnia and Herzegovina (27 Gazprom-branded), 35 petrol stations in Bulgaria (all Gazprom-branded) and 18 petrol stations in Romania (all Gazprom-branded).

Works are on-going on the total reconstruction project at the Velika Plana FS-motorway, right (Gazprom-branded), which is due to start operation in May 2019. An avgas refueller, supplying light aircraft with aviation gasoline, went into service in Belgrade.

Loyalty and Marketing Activities Programmes

In excess of 60 marketing activities aimed at developing consumer brands and loyalty programmes and boosting fuel and non-fuel sales were run in Serbia and the region in 2019. Further promotional activities were carried out at three new petrol stations.

In January 2019, a giveaway activation was run through digital channels in an effort to increase the recognition of high-quality winter grade G-Drive Diesel fuel.

In March 2019, a giveaway promotion was launched in cooperation with Master Card as the main sponsor of the Champions League. Every purchase worth 4000 dinars and paid for using Master Card brings an Instant Win coupon, while the prize fund comprises 20 tickets for the semi-finals and four tickets for the finals of the Champions League in addition to non-fuel products.

---

[30] Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

[31] Excluding the internal sales volume (3M 2019: 3.3 thousand tonnes; 3M 2018: 4.6 thousand tonnes).

[32] The sales volume of foreign assets includes sales generated by the subsidiaries of NIS abroad (retail and wholesale).

[33] Domestic market sales includes sales volumes invoiced in local currency (RSD) and does not include sales volumes sold to foreign customers and invoiced in foreign currency.

[34] Total sales of motor fuels in Serbia and in foreign assets.

[35] Total retail in Serbia and in foreign assets.

[36] Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million.

[37] Compared with the data stated in the Quarterly Report for Q1 2018, there is a difference that stems from a subsequent re-calculation at the new transfer prices applicable in 2018 (the re-calculation was made after Q1 2018).

[38] Financing, exclusive of VAT.

[39] As at 31 March 2019.

Further marketing activities were run with a view to boosting sales and increasing the overall attractiveness at Pirot 3 and Kovin stations. Two stations within the retail network, Tošin Bunar and Blok 66A, introduced EcoTank for topping up OPTI windshield washer fluid.

With a view to increasing the recognition and awareness of G-Drive as a premium brand, the G-Drive RACING platform was launched. Through strong PR support, in excess of 70 releases were issued offering high-quality contents and announcing the visiting champions of Le Mans endurance racing, while the Car Show presentation featured displayed G-Drive RACING team's racing car, a press conference and rewarding through pre-show social media activations. All the events were accompanied by giveaway activities: quiz on tablet, vouchers, non-fuel product giveaway (G-Drive energy drink and G-Drive energy candies and chewing gums, promotions of ORU and CLC loyalty programmes).

Since the inception of On the Road with Us loyalty programme in end-2015, over 722 thousand cards have been issued by the end of the first quarter of 2019 and the share of programme users in the total sales to individuals reached 61% in the first quarter of 2019.

Early 2018 saw the introduction of a new payment functionality for On the Road with Us cards, allowing for purchasing fuel and non-fuel products with up to 45 days deferred payment at all NIS Petrol and Gazprom petrol stations. Since the introduction of the new functionality, over 37 thousand applications have been filed and over 30 thousand approved.

The loyalty programmes continued their partnership with Tehnomanija and Gigatron in 2019, bringing bonus points at each purchase to holders of On the Road with Us cards. The bonus points are redeemable only at NIS Petrol and Gazprom petrol stations.

In the first quarter of 2019, close to 83 thousand cards were issued in Bosnia and Herzegovina, with the programme's share in the total sales to individuals reaching 46%. Under the On the Road with Us programme, in excess of 157 thousand cards were issued in Bulgaria by end-March 2019. The programme's share in the total sales to individuals reached 75%.

The Agro Card programme designed for farmers was developed in 2013. By the end of the first quarter of 2019, a total of 130,228 cards were issued. Activities continued to retain the sales volume: the main discount scheme for Agro Card (five dinars for Eurodiesel, G-Drive Diesel; three dinars for regular diesel, 15% for NISOTEC).

In the oil and lubricant sales channel, promotion sets were run with the aim of increasing the margin and sales (NISOTEC antifreeze - 50% discount on the second product; 40% discount for using Agro Card on NISOTEC lubricants in 4, 10 and 20l packs for use in agriculture; NISOTEC 4 + 1 for motor oils for passenger and commercial vehicles; NISOTEC + G-Energy giveaway).

Operating indicators[40]

The first quarter of 2019 saw a sales drop of 5% on 2018, with the total sales of 726 thousand tonnes.

- Retail in Serbia – a retail growth by 8% stemming from diesel fuel sales growth.
- Wholesale in Serbia – a decrease of 5% mostly due to energy and non-energy fuels.
- Exports – a decrease of 35% as a result of declining energy and non-energy fuel exports.
- Foreign assets – an increase of 8% in sales volume (3% through retail channel and 16% through wholesale channel).

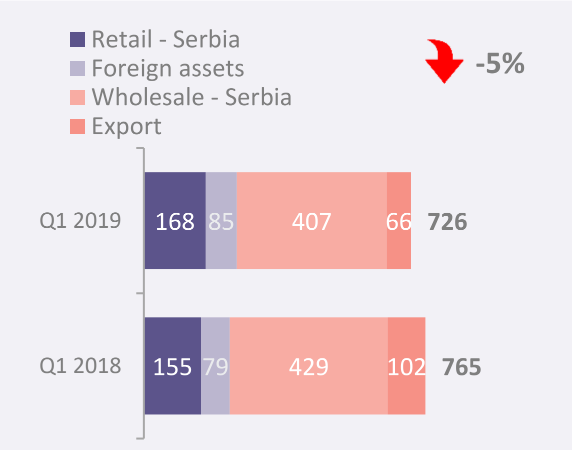


Chart No. 7: Volume of sales[41], thousand tonnes

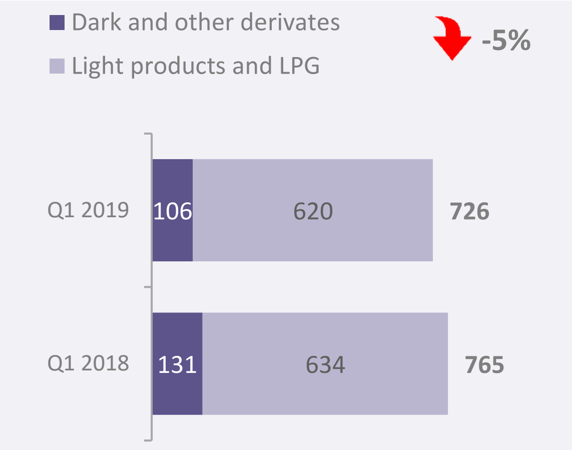


Chart No. 8: *Volume of sales[42], thousand tonnes*

Energy

Implementation of big projects of NIS, CCPP Pančevo and 'Plandište' wind farm, is underway, together with the partners.

CCPP Pančevo

A construction permit for a steam turbine power plant and a measuring station was obtained for the CCPP Pančevo project. Works on the construction of a power plant and a measuring station have been reported and started. Connection to the gas main was carried out. A positive opinion of the Audit Commission was received for the preliminary design of the construction of a 220 kV distribution station. The route of the 220 kV transmission line was determined and the drafting of modifications and amendments of the urban plans necessary for their construction was agreed.

Project windpark Plandište

- The MET Renewables Company and NIS have commenced a joint delivery of the wind farm project in Serbia
- Negotiations with EPC contractors are drawing to a close

CNG – commercial aspect

As for the project of the CNG plant in the 'Palić' field, commercial negotiations have been successfully concluded and the agreement for the sale of compressed natural gas from the 'Palić' gas field was signed with the wholesale customer Pan Ledi Llc.

[40] Without internal sales (3M 2019: 3.3 thous. tonnes, 3M 2018: 4.6 thousand tonnes).
[41] Without internal sales (3M 2019: 3.3 thousand tonnes; 3M 2018: 4.6 thousand tonnes)
[42] Without internal sales (3M 2019: 3.3 thousand tonnes; 3M 2017: 4.6 thousand tonnes)

Trade of electricity

In the area of electricity trade, NIS is present in the markets of Serbia, Bosnia and Herzegovina, Romania, Slovenia and Hungary. Apart from these markets, NIS trades on the borders with North Macedonia, Bulgaria and Croatia. NIS trades on electricity markets in Serbia (SEEPEX), Romania (OPCOM) and Slovenia (South Pool). The process of registration of NIS Petrol Eood for the electricity trade in Bulgaria has begun. The process of procurement of a specialized software for the trade of el. energy and gas is underway.

Financial indicators

Sales Revenues

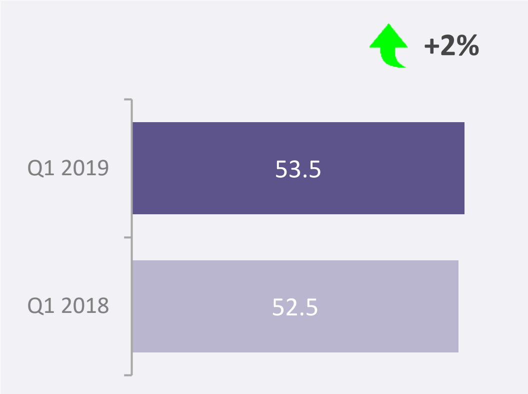


***Chart No. 9:** Sales revenues[43], RSD billion*

During the first three months of 2019, NIS achieved a 2-percent growth in sales revenue[44] compared to the same period previous year.

EBITDA

EBITDA for first quarter of 2019 was 30% lower than in the previous year and amounted to RSD 6.3 billion.

The main reasons for the decrease include:

- The fall of oil prices on the world market and consequently the higher purchase price of oil
- Capital overhaul in Pančevo Oil Refinery.

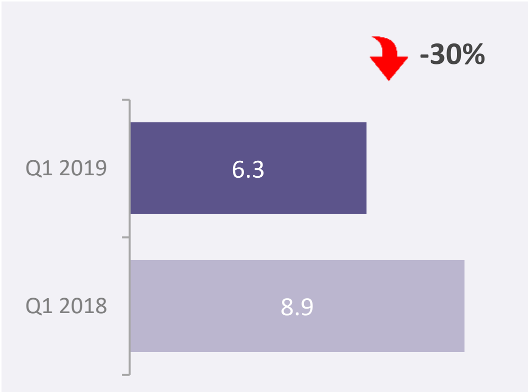


***Chart No. 10:** EBITDA, RSD billion*

Net Profit

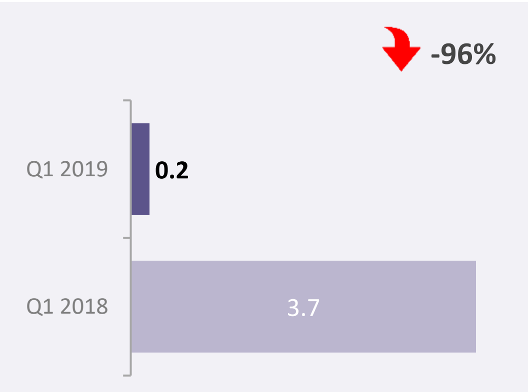


***Chart No. 11:** Net profit, RSD billion*

Net profit realised in 2017 is RSD 3.7 billion an 31 percent decrease year-on-year.

- Lower EBITDA
- Greater depreciation (transition to the functional method)
- Exchange differences

[43] Consolidated operating revenue.
[44] Consolidated operating revenue.

OCF

In the first quarter of 2019, the operating cash flow amounted to 11.3 billion dinars and was 146% higher than the OCF in the same period in 2018:

- Lower liabilities for the import of crude oil
- Lower liabilities towards the state
- Higher customs duties
- Higher derivatives duties.

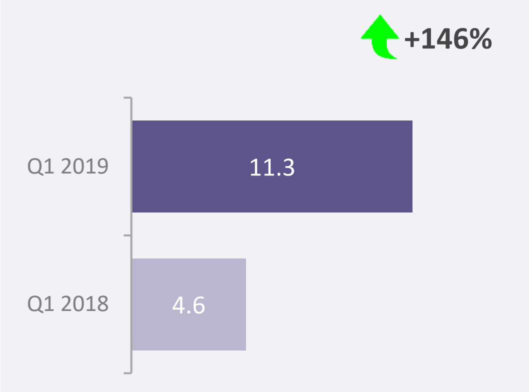


Chart No. 12: *OCF, RSD billion*

CAPEX

In the first quarter of 2019, the main investment directions were oriented towards the implementation of projects in the production of oil and gas, as well as the project for improving the refining depth. In addition, during the first quarter 2019, NIS invested in sales and distribution, energy, and service projects, as well as a number of projects in the corporate center.

During the first quarter of 2019, RSD 8.3 billion was allocated to finance investments, which is 6% more than the amount that was allocated in the same period of 2018.

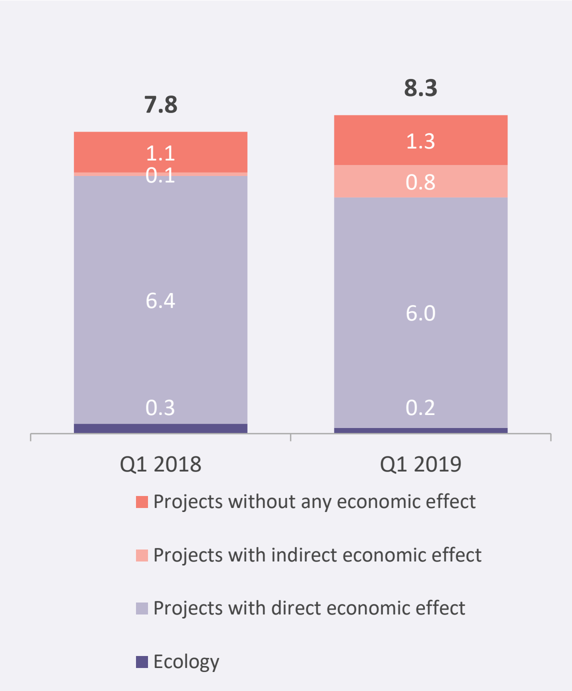


Chart No. 13: CAPEX by project type[45], in RSD billions

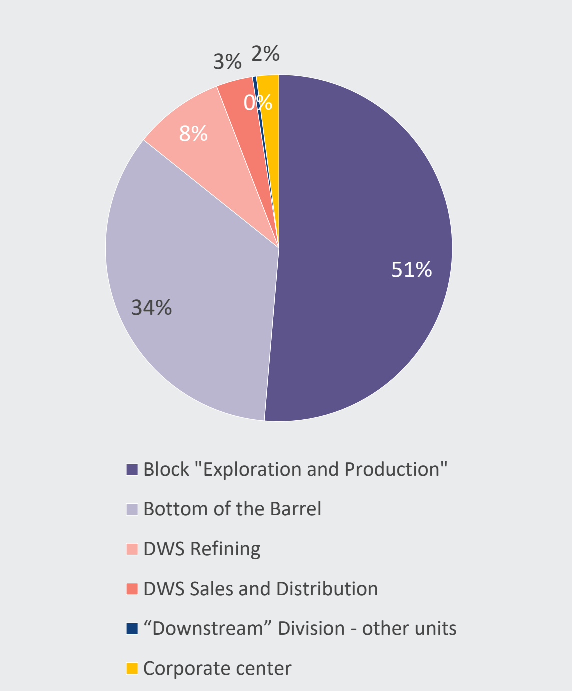


***Chart No. 14**: Investments by segment*

[45] The amounts are in *RSD* billions, and excluding VAT.

Organisational unit	Major projects
Exploration and Production Block	• Drilling of development wells • Investments in geological and technical activities • Investments in basic infrastructure • Program of *3D* seismic surveys and drilling of exploration wells in the Republic of Serbia • Investments in concession rights
Oil Services and Transport	• Enabling Nacional 3 drilling rig for drilling of wells over 3,500m • Project for the procurement of hydraulic pliers • Procurement of cargo delivery vehicles of the pickup van type • Procurement of towing vehicles
Deep Refining	• Modernization of refining - continuation of implementation according to Bottom of the Barrel project
Refinig	• Corporate projects for automation of production • Capital investments related to environmental protection • Refining Block investment maintenance program • Projects for harmonization of legal norms and regulations
Sales and Distribution Block	• Development of retail network in Serbia (construction and reconstruction of petrol stations) • Development of retail network in the region (PS Sarajevo - Lukavica, B&H) • Reconstruction of petroleum products warehouses (Novi Sad, Smederevo, Niš) • Other retail projects in Serbia
Energy Directorate, Technical Services, Meterology Department	• Decentralization and modernization of heat sources in NSR (Energy) Pocurement of devices for maintenance of process systems (Technical Services)
Corporate Centre	• Projects with an IT component (replacement of EoL SBA/Hyperion system, improvement of radio link system)

Indebtedness

At the end of the first quarter of 2019, the debt to banks was EUR 573.1 million or USD 643.8 million, that is, it remained virtually unchanged compared to the end of 2018 when it amounted to EUR 574.5 million.

Changes in the loan portfolio during the first quarter were related to the improvement of the characteristics thereof through the reduction of prices, which is the result of pre-term repayment of unfavourable loans and withdrawal of loans at more favourable terms in the same amounts. Additionally, debt to parent company PJSC "Gazprom Neft" has been reduced and currently amounts to EUR 197.7 million.

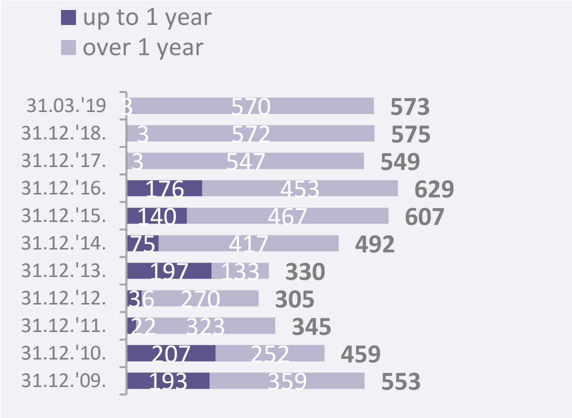


Chart No. 15:* *Total bank debt trends with maturity structure, EUR mn

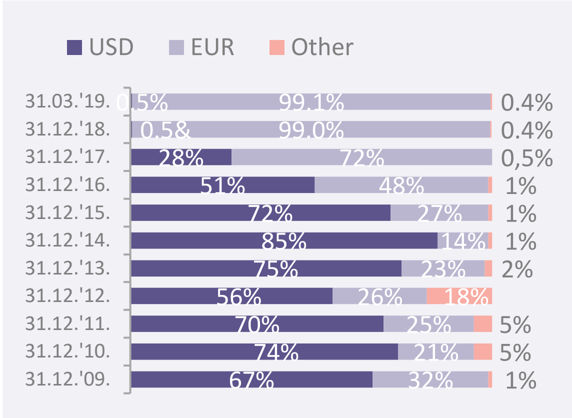


Chart No. 16: *Total bank debt structure, by currency, in %*

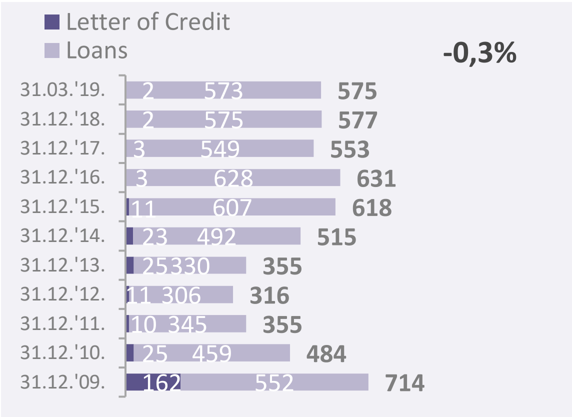


Chart No. 17: *Total bank indebtedness[46], EUR mn*

[46] In addition to debt to banks and Letters of Credit NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of €32.8 million, corporate guarantees in the amount of €57.7 million and Letters of Intent signed with banks in the amount of €0.7 million and financial leasing in the amount of €13.2 million as at 31 March 2019.

Taxes and Other Public Revenue[47]

NIS j.s.c. Novi Sad	Q1 2019	Q1 2018	Δ[48]
Social insurance contributions paid by employer	0.4	0.4	1%
Corporate tax	0.1	0.6	-77%
Value-added tax	5.7	5.2	9%
Excise duties	26.7	30.5	-12%
Commodity reserves fee	1.4	1.4	3%
Customs duties	0.0	0.1	-39%
Royalty	0.3	0.3	5%
Other taxes	0.3	0.3	1%
Total	**35.0**	**38.8**	**-10%**
NIS subsidiaries in Serbia [49]			
Social insurance contributions paid by employer	0.1	0.1	15%
Corporate tax	0.0	0.0	72%
Value-added tax	0.2	0.1	215%
Excise duties	-	-	-
Customs duties	-	-	-
Royalty	-	-	-
Other taxes	0.02	0.02	-14%
Total	0.4	0.2	77%
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	**35.4**	**39.0**	**-9%**
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.01	0.01	7%
Corporate tax	0.01	0.00	x8
Value-added tax	0.4	0.4	2%
Excise duties	3.0	2.8	7%
Customs duties	1.1	0.6	70%
Royalty	-	-	-
Other taxes	0.03	0.02	3%
Total	**4.5**	**3.9**	**17%**
Deferred taxes (total for Group)	-	0.3	-
Total NIS Group [50]	**40.0**	**43.2**	**-7%**

[47] In RSD billion.

[48] Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

[49] Naftagas – Naftni servisi d.o.o. Novi Sad, Naftagas – Tehnički servisi d.o.o. Zrenjanin, Naftagas – Transport d.o.o. Novi Sad and NTC NIS Naftagas d.o.o. Novi Sad.

[50] Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

Operational Efficiency Improvement

The effect of operational efficiency improvement measures on EBITDA in first quarter of 2019 is RSD 0.4 billion.

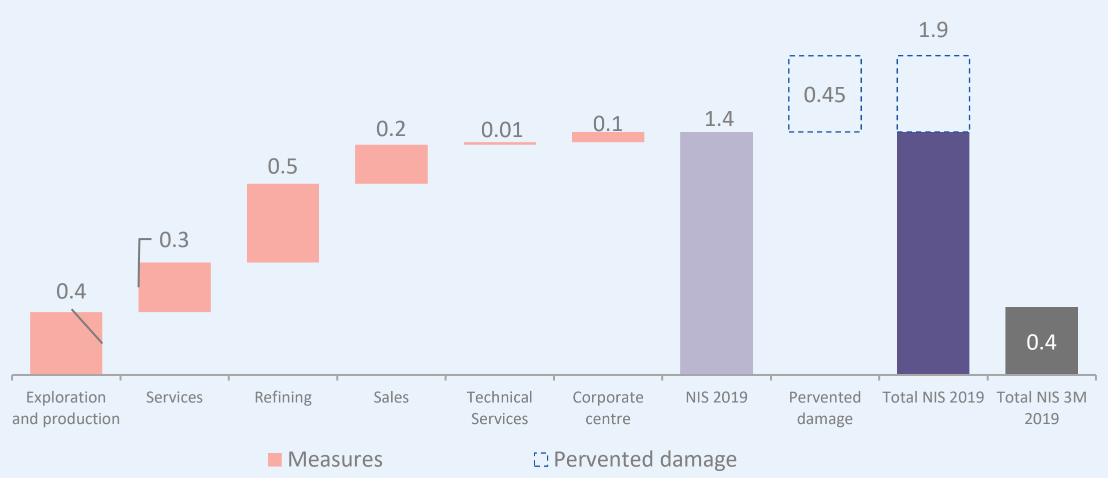


***Chart No. 18**: Effect of operational efficiency improvement measures on EBITDA, RSD bn*

Securities

Share Capital Structure

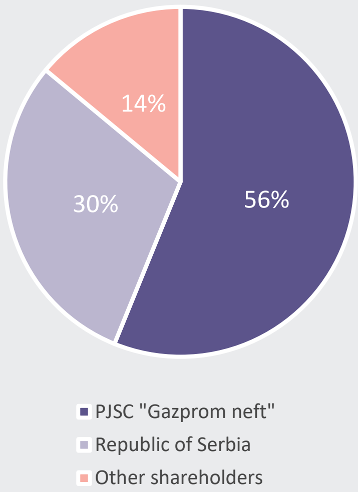


***Chart No. 1:** Share Capital structure based on % in Share Capital*

NIS share capital is RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of 500.00 RSD. All issued shares are ordinary shares, vesting their holders with the following rights:

- Right to participate and vote at the shareholders' assembly meetings, according to one-share-one vote rule;
- Right to dividend in compliance with applicable legislation;
- Right to participate in the distribution of the liquidation remainder or bankruptcy estate in compliance with the bankruptcy law;
- Pre-emption right to buy a new issue of ordinary shares and other financial instruments tradable for ordinary shares, out of new issue;
- Other rights in accordance with the Company Law and corporate documents.

The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

Shareholder	Number of shares	% in share capital
PJSC 'Gazprom Neft'	91,565,887	56.15%
Republic of Serbia	48,712,094	29.87%
Societe Generale banka Srbija a.d. – custody account - fund	1,850,652	1.13%
Societe Generale banka Srbija a.d. – custody account - fund	614,829	0.38%
Global Macro Capital Opportunities	371,854	0.23%
Dunav Osiguranje a.d.o. Beograd	276,968	0.17%
Aktiv-fond d.o.o. Beograd	229,682	0.14%
Convest a.d. Novi Sad - collective account	228,634	0.14%
AWLL Communications d.o.o. Beograd	227,352	0.14%
Erste bank, a.d. Novi Sad – custody account - ks	181,558	0.11%
Other shareholders	18,800,890	11.53%
Total number of shareholders as at 31 March 2019:		**2,084,885**

Share Trading and Indicators per Share

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

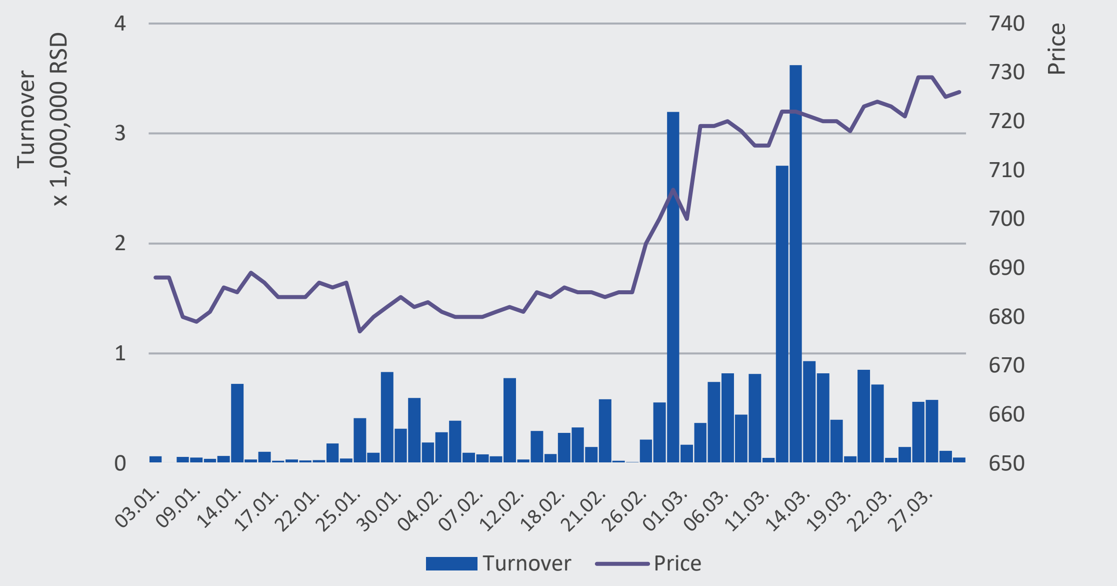


***Chart No. 20:** Price and turnover trends*

Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in first quarter of 2018	
Last price (29 March 2019)	726 *RSD*
High (27 March 2019)	730 *RSD*
Low (25 January 2019)	670 *RSD*
Total turnover	264,046,008 *RSD*
Total volume (number of shares)	373,176 shares
Total number of transactions	2,996 transactions
Market capitalization as at 31 March 2019	118,381,850,400*RSD*
EPS	*4.66 RSD*
Consolidated EPS	*1.00 RSD*
P/E ratio	155.83
Consolidated P/E ratio	729.37
Book value as at 31 March 2019	*1533.6 RSD*
Consolidated book value as at 31 March 2019	*1491.3 RSD*
P/BV ratio	0.47
Consolidated P/BV ratio	0.49

In first three months of 2019, there were no acquisitions of treasury shares by the Company.

Dividends

NIS j.s.c. Novi Sad dividend policy is based on a balanced approach taking into account the necessity of profit retention for investment funding purposes, the rate of return on invested capital and the amount for dividend payment. The long-term dividend policy stipulates that a minimum of 15% of net profit is to be paid to shareholders in dividends.

When deciding on profit distribution and dividend payment, the corporate management takes into consideration a number of factors, including the financial standing, investment plans, loan repayment obligations, macroeconomic environment and legislation. Each of these factors, either individually or combined, if carrying sufficient weight, may affect the proposed dividend payment.

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net profit (loss), RSD bn[51]	(4.4)	16.5[52]	40.6[53]	49.5	52.3	30.6	16.1	16.1	27.8
Total amount of dividend, RSD bn	0.00	0.00	0.00	12.4	13.1	7.6	4.0	4.0	6.9
Payment ratio	-	-	-	25%	25%	25%	25%	25%	25%
Earnings per share, RSD	-	101.1	249.0	303.3	320.9	187.4	98.8	98.6	170.43
Dividend per share, gross, RSD	0.00	0.00	0.00	75.83	80.22	46.85	24.69	24.66	42.61
Share price as at 31 December, RSD	-	475	605	736	927	775	600	740	724
Shareholders' dividend yield, in %[54]	-	-	-	10.3	8.7	6.0	4.1	3.3	5.9

Overview of Financial Instruments Used by the Group

Due to its exposure to foreign exchange risk, NIS Group practises forward transactions in the foreign exchange market as an instrument for managing this type of risk.

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

[51] Net profit of NIS j.s.c. Novi Sad.

[52] Net profit used to cover accumulated losses.

[53] Net profit used to cover accumulated losses.

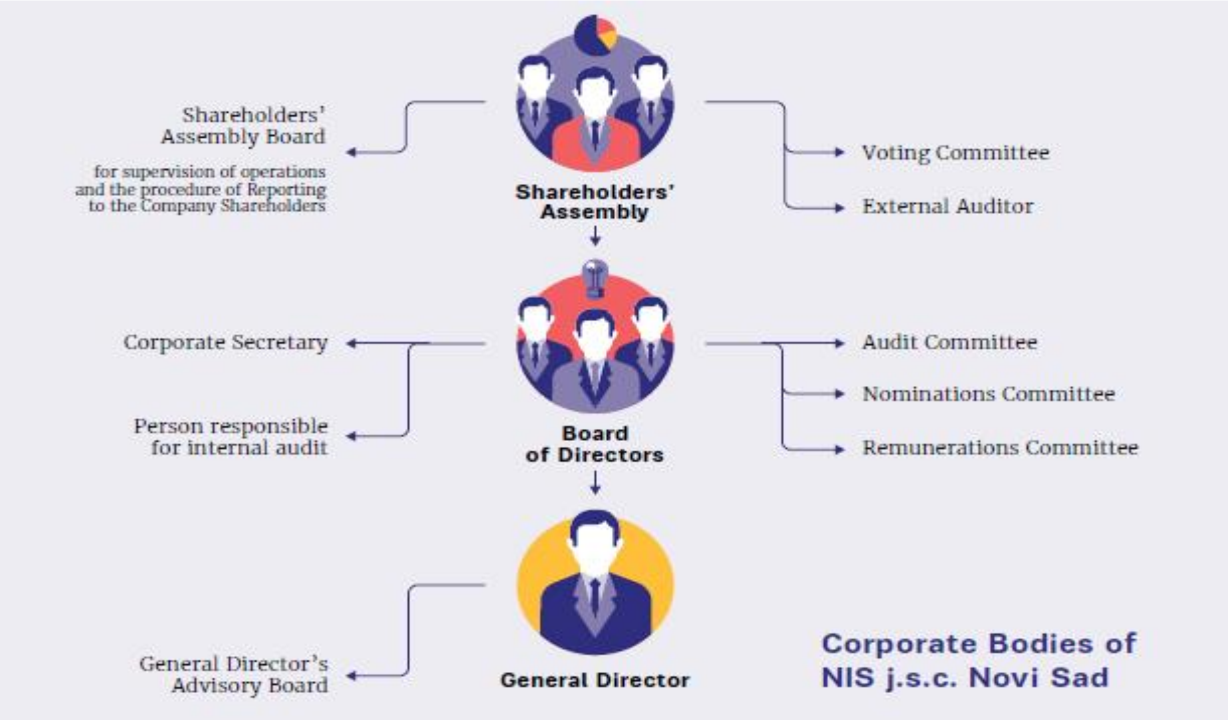
[54] Calculated as the ratio of gross dividend and year-end share price.

Corporate Governance

Corporate Governance System

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

The provisions of the Articles of Association fully and clearly differentiate between the scope of work of the Board of Directors and the scope of work of the Shareholders' Assembly, General Director of the Company and the bodies set up by corporate governance bodies.



Shareholders' Assembly and Shareholders' Rights

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders. All NIS j.s.c. Novi Sad shares are ordinary shares that give their owners the same rights, wherein one share carries one vote.

Board of Directors

The Board of Directors has a central role in corporate governance. It is collectively responsible for the long-term success of the Company, for setting main business objectives and identifying the company's further courses of development, as well as for identifying and controlling the effectiveness of the corporate business strategy.

The members elect the Chairperson of the Board of Directors, while the functions of the Board of Directors' Chairperson and the General Director are clearly divided.

Members of the Board of Directors

Members of the Board of Directors are appointed and dismissed by the Shareholders' Assembly.

At the 10th regular meeting of the Shareholders' Assembly of NIS, held on June 21, 2018, the following members of NIS Board of Directors were appointed: Vadim Yakovlev, Kirill Tyurdenev, Danica Draskovic, Aleksei Yankevich, Sergei Papenko, Alexander Krylov, Nikola Martinovic, Wolfgang Ruttenstorfer, Anatoly Cherner and Olga Vysotskaya.

The Board of Directors consists of executive and non-executive directors. The Board of Directors has one executive member, while all the other members are not executive and tow of them are the independent members of the Board of Directors at the same time.

Board of Directors' Members as of 31 March 2019

Vadim Yakovlev

Chairman of NIS j.s.c. Novi Sad Board of Directors

Deputy Chairman of the Executive Board of PJSC 'Gazprom Neft',

First CEO Deputy in charge of exploration and production, strategic planning and mergers and acquisitions

Born in 1970.

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

From 2007 to 2010 – „Gazprom neft" PJSC Deputy CEO in charge for economics and finance. From 2007 – Deputy Chairman of the Executive Board of „Gazprom neft" PJSC. From 2010 to 2011 – First Deputy CEO – „Gazprom neft" PJSC Financial Director. Since 2011, he has been holding the post of the „Gazprom neft" PJSC First Deputy CEO.

Mr. Yakovlev was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10.02.2009. and he was elected Chairman of the NIS j.s.c. Novi Sad Board of Directors as of 31 July 2009.

Kirill Tyurdenev
General Director of NIS j.s.c. Novi Sad
Member of NIS j.s.c. Novi Sad Board of Directors

Born in 1977.

He graduated with honors from Faculty of International Relations with a bachelor's degree and later with a master degree in International Law (with specialization) at the Moscow State Institute of International Relations (MGIMO).

He also obtained a Master of Laws (LL.M) degree from the University of Manchester. Completed executive education programme at international business school INSEAD and London Business School. From 2000 to 2004, worked for A.T. Kearney and Unilever. In 2004 he joined McKinsey & Co. From 2007 through 2012, he worked for Sibur Mineral Fertilizers as Deputy CEO for Strategy and Corporate Development.

From 2012 he served as Executive Vice President and Board member in JSFC Sistema. Before joining NIS j.s.c. Novi Sad Kirill Tyurdenev occupied the position of the President and Board Chair in United Petrochemical Company which, at that moment, was part of the JSFC Sistema group, and as Chairman of the Board of Directors of Ufaorgsintez.

On April 2016 Kirill Tyurdenev joined NIS j.s.c. Novi Sad as First Deputy CEO for Refining and Sales.

On December 8, 2016, he was elected as member of the Board of Directors, and on March 22, 2017 he was appointed as CEO of NIS j.s.c. Novi Sad.

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

Born in 1945.

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

Ms Danica Drašković was a member of the NIS j.s.c. Novi Sad Board of Directors from 1 April 2009 to 18 June 2013, having been re-elected on 30 June 2014.

Alexey Yankevich
Member of NIS j.s.c. Novi Sad Board of Directors
Member of the Audit Committee

CEO Deputy for Economics and Finance at PJSC 'Gazprom Neft'

Born in 1973.

In 1997, Mr. Yankevich graduated from Saint-Petersburg State Electrical Engineering University ("LETI"), majoring in optical and electronic instruments and systems. In 1998, he completed a course at LETI-Lovanium International

School of Management in Saint-Petersburg. Mr. Yankevich was employed with CARANA, a consulting company from 1998 to 2001. In the period from 2001 to 2005 he served as Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM o.j.s.c. (business unit responsible for logistics and downstream operations). In 2004, he became a Certified Management Accountant (CMA).

From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group). From 2007 to 2011 he held the post of Head of the Planning and Budgeting Department, and was Head of Economics and Corporate Planning Department at "Gazprom Neft" PJSC.

Since August 2011 he has served as acting Deputy CEO for Economics and Finance at "Gazprom Neft" PJSC. Mr. Yankevich has been a memeber of the Management Board of "Gazprom Neft" PJSC and Deputy CEO "Gazprom Neft" PJSC for Economics and Finance Since March 2012.

Mr. Yankevich was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 18 June 2013.

Sergey Papenko

Member of NIS j.s.c. Novi Sad Board of Directors

Head of Organizational Development and Joint Ventures Management Department of PJSC 'Gazprom Neft'

Born in 1973.

Graduated in 1996 from the Kharkov State University, speciality: economic cybernetics, in 1999 he obtained the MBA degree at HOFSTRA University (Hempstead, New York, USA), speciality: Finance&Banking.

From 1994 to 1996 he was Department Manager of the First international Bank of Ukraine in the City of Kharkov. From 1996 to 1998 he worked at the position of the company TACIS Project and during 1998 he also worked with PricewaterhouseCoopers, as an Auditor. From 2000 to 2007 he worked in the Moscow Representative Office of "McKinsey and Company Inc. Russia", first at the position of Consultant and later as Junior Partner. Since 2007 to the present he has worked as Head of Organizational Development and Joint Ventures Management Department of PJSC Gazprom neft.

Mr. Papenko was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 21 June 2018.

Alexander Krylov

Member of NIS j.s.c. Novi Sad Board of Directors

Director of the Regional Sales Department at PJSC 'Gazprom Neft'

Born in 1971.

In 1992, Mr. Krylov graduated from LMU (Leningrad) and graduated from the Faculty of Law of Saint Petersburg State University in 2004. In 2007, he earned MBA degree from Moscow International Business School MIRBIS, specializing in Strategic management and Entrepreneurship. From 1994 to 2005 Mr.

Krylov held managerial positions in the field of real estate sales (Chief Executive Officer, Chairman) in the following companies: Russian-Canadian SP "Petrobild"; c.j.s.c. "Alpol". From 2005 – 2007 he was deputy director in the Division for implementation in "Sibur" Ltd. In April 2007, Mr. Krylov was appointed Head of the Division for Petroleum Product Supply, head of the Regional Sales Division and Director of the Regional Sales Department at "Gazprom Neft" PJSC.

Mr. Krylov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 29 November 2010.

Nikola Martinović

Member of NIS j.s.c. Novi Sad Board of Directors

Born in 1947.

Mr Martinović completed his primary education in Feketić, and secondary in Srbobran. He graduated from the Faculty of Economics in Subotica, where he also defended his Master's Thesis, titled 'Transformation of Tax System in Serbia by Implementing VAT'. From 1985 to 1990, he was the CEO of Solid from Subotica, and from 1990 to 1992, he served as Assistant Minister of the Interior of the Republic of Serbia. From 1992 to 2000, Mr Martinović held the position of Assistant CEO of Naftna Industrija Srbije in charge of financial affairs and was the CEO of Naftagas Promet from 1996 to 2000. From 2005 to 31 August 2013, Mr Martinović worked as a Special Advisor at NIS j.s.c. Novi Sad. On 1 September 2013, he was appointed Special Advisor to the CEO of O Zone a.d. Beograd, and from 15 December 2013 until retirement on 17 November 2014, he performed the duties of the Advisor to the Director of NTC NIS Naftagas d.o.o. Novi Sad. He has been a member of the Council of the Governor of the National Bank of Serbia since 22 November 2011.

Mr Martinović was a member of the Naftna Industrija Srbije/NIS j.s.c. Novi Sad BoD from 2004 to 2008, and he was re-elected on 10 February 2009.

Wolfgang Ruttenstorfer

Independent Member of NIS j.s.c. Novi Sad Board of Directors

Chairman of the Audit Committee

Born in 1950.

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

Mr. Ruttenstorfer's career started in the Austrian company OMV in 1976. In 1985, he was transferred to the Planning and Control Department and in 1989, he became responsible for the strategic development of the OMV Group. Being appointed Marketing Director in 1990, he became a member of the Executive Board in 1992, and was in charge of finance and chemical products. By early 1997, he was a member of the OMV EB, when he was appointed Deputy Minister of Finance. On 01.01.2000, he was re-appointed a member of the OMV EB in charge of finance, a function he performed by April 2002. He was in charge of gas affairs by December 2006. In the period from 01.01.2002 to 31.03.2011, Mr. Ruttenstorfer was the Chairman of the Executive Board of the OMV Group. Mr Ruttenstorfer has been or is holding board positions in companies like „VIG“, „Roche“, “Flughafen Wien” AG, “RHI MAGNESITA” NV, „Telekom Austria“, “CollPLant Holdings“ LTD and “Erne Fittings“ GmbH.

He was elected Independent Member of the NIS j.s.c. Novi Sad Board of Directors on 20 April 2012.

Anatoly Cherner
Member of NIS j.s.c. Novi Sad Board of Directors
Member of the Remuneration Committee

Deputy Chairman of the Executive Board, CEO Deputy for logistics, refining and sales at PJSC ‘Gazprom Neft’

Born in 1954.

Mr. Cherner graduated from Grozny Oil Institute in 1976 with a degree in chemical oil and gas engineering. In the same year he was employed at the Sheripov Grozny Refinery, starting as an operator to become refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of the company. He joined SibNeft (from June 2006 – “Gazprom Neft” PJSC) as Vice-Chairman for refining and marketing in April 2006. In December 2007 he was appointed Deputy CEO for logistics, refining and sales in ‘Gazprom Neft’ PJSC.
Mr Cherner was elected member of the NIS j.s.c. Novi Sad Board of Directors on 10 February 2009.

Olga Vysotskaia

Independent Member of NIS j.s.c.Novi Sad Board of Directors

Chairman of the Remuneration Committee

Born in 1961.

Graduated cum laude from the Leningrad State University in 1984, from the Department of Economy Cybernetics, with specialisation in economic mathematics.

Post-graduate studies in mathematical cybernetics at the Institute of social and economic studies of the USSR Academy of science, Leningrad division, in 1987.

Completed the MBA at Bristol University in 1998. Earned the Professional independent director diploma from the London Institute of Directors in 2009.

She held the position of Chair of the Board of Directors (BoD), CEO, Chair of science and production companies from 1988 to 1995, and she was Director of many private companies. From 1995 to 2003 she held various partner positions with KPMG in New York and Moscow.

From 2003 to 2005 she was person in charge of Internal audit Directorate of „Yukos“, Moscow. From 2005 to 2008 she was Consulting services Executive partner of Deloitte&Touche,

	From 2006 to 2013 she held positions of independent member of the BoD, Chair of the Audit Commission, member of the Strategy Commission, member of the Remuneration Commission of „ЭМ-альянс“ and "KIT Finance“, as well as independent member of the Audit Commission of OJSC „Baltika“. From 2012 to 2013 she was a partner in PricewaterhouseCoopers (PwC) and from 2013 to 2014 - independent member of the CJSC „NefteTransService“Board of Directors, Chair of the Audit Commission, member of Remuneration Commission. As of 2013 she is holding position of independent member of LTD “ЇNK” BoD and from 2015 to 2018 she held position of independent member of BoD of JSC „SUEK” She was elected a member of the Board of Directors of NIS j.s.c. Novi Sad on June 21, 2018.

Total amount paid to Board of Directors members in first quarter of 2019, net RSD	
BoD Members	58,163,677

Membership in Other Companies’ Boards of Directors or Supervisory Boards

Vadim Yakovlev	• PJSC NGK Slavneft (Chairman of BoD) • OJSC SN-MNG • LTD GPN Development (Chairman of BoD) • JSC Gazprom Neft-NNG (Chairman of BoD) • LTD Gazprom Neft-Hantos (Chairman of BoD) • LTD Gazprom Neft-NTC (Chairman of BoD) • LTD Gazprom Neft-Orenburg (Chairman of BoD) • LTD Gazprom Neft-Sahalin • Salym Petroleum Development N.V. (Supervisory Board Chairperson) • LLC Gazprom Neft Shelf • LTD Technological Centre Bazen (Chairman of BoD) • LTD GPN-GEO (Chairman of BoD) • LTD GPN- Oil service (Chairman of BoD)
Kirill Tyurdenev	• -
Alexey Yankevich	• PJSC NGK Slavneft • JSC Gazprom Neft – Aero • LTD Gazprom Neft – SM • LTD Gazprom Neft Business-Service (Chairman of BoD) • Gazprom Neft Lubricants Italy SPA (Chairman of BoD) • LTD Gazprom Neft Marine Bunker • LTD Gazprom Neft Shelf

Sergey Papenko	• PJSC NGK Slavneft • JSC Artikgaz • JSC Evrotek-Jugra • CJSC Nortgaz (Chairman of BoD) • LTD Slavneft-Krasnoyarskneftegas • LTD Gazprom Neft - Vostok • LTD Gazprom Neft - Angara • Salym Petroleum Development N.V. (member of SB) • LTD Gasprom Resurs Hortgaz (CEO) • JSC Messoyakhaneftegaz (JSC JV) • Tomskneft VNK (JSC JV) • LTD SB GEO • LTD Noyabrskneftegazavtomatika
Alexander Krylov	• JSC Gazprom Neft – Novosibirsk (Chairman of BoD) • JSC Gazprom Neft – Ural (Chairman of BoD) • JSC Gazprom Neft – Yaroslavl (Chairman of BoD) • JSC Gazprom Neft - Northwest (Chairman of BoD) • LTD Gazprom Neft Asia (Chairman of BoD) • LTD Gazprom Neft - Tajikistan (Chairman of BoD) • LTD Gazprom Neft – Kazakhstan (Chairman of BoD) • LTD Gazprom Neft – Centre (Chairman of BoD) • JSC Gazprom Neft – Terminal (Chairman of BoD) • LTD Gazprom Neft – Regional Sales (Chairman of BoD) • JSC Gazprom Neft - Transport (Chairman of BoD) • LTD Gazprom Neft – Krasnoyarsk (Chairman of BoD) • LTD Gazprom Neft – Corporate Sales (Chairman of BoD) • LTD Gazprom Neft – Belnefteprodukt (Chairman of BoD) • JSC Gazprom Neft - Alternative Fuels (Chairman of BoD) • LTD ITSK • LTD Gazprom Neft – Laboratory (Chairman of BoD) • LTD Gazprom Neft - Tyumen (Chairman of BoD) • Association Hockey Club 'Avangard' (Chairman of BoD)
Nikola Martinović	• -
Danica Drašković	• -
Wolfgang Ruttenstorfer	• Flughafen Wien AG, Vienna (Member of the Supervisory Board) • RHI MAGNESITA NV, Vienna (Member of BoD) • LTD „CollPLant Holdings“ (Member of BoD) • Erne Fittings GmbH (Chairman of SB)
Anatoly Cherner	• PJSC NGK Slavneft • JSC Gazprom Neft – ONPZ (Chairman of BoD) • PJSC Slavneft – JANOS • JSC Gazprom Neft – MNPZ (Chairman of BoD) • JSC Gazprom Neft – Aero (Chairman of BoD) • JSC Saint-Petersburg International Mercantile Exchange • LTD Gazprom Neft – SM (Chairman of BoD) • LTD Gazprom Neft Marine Bunker (Chairman of BoD) • LTD Gazprom Neft – Logistics (Chairman of BoD) • JSC Mozirski NPZ • Gazprom Neft Lubricants Italy SPA • LLC Gazprom Neft - Catalytic Systems (Chairman of BoD) • LLC Automatica-Service (Chairman of BoD)JSC NGK Slavneft

Olga Vysotskaia	• Non profit organization Silver Time (Chairperson of SB, Director) • LTD INK (Independent member of BoD, Audit Committee Chairperson)

Number and Percentage of NIS j.s.c. Novi Sad Shares Owned by BoD Members

Name and surname	Number of shares	% in total number of shares
Nikola Martinović	224	0.0001%

Board of Directors' Committees

In order to complete its obligations more efficiently, the Board of Directors founded 3 permanent committees as advisory and professional bodies, which support its work, especially in terms of consideration of the questions under its jurisdiction, preparation and supervision of implementation of the decisions and acts adopted by BoD, as well as conduction of certain expert activities necessary for the Board of Directors.

On Octorber 22, 2018, the Board of Directors appointed the following members of the Committees of the Board of Directors:

- Audit Committee
  - Wolfgang Ruttenstorfer, chairman
  - Aleksei Yankevich, member and
  - Nenad Mijailovic, member.
- Remuneration Committee
  - Olga Vysotskaya, chairman,
  - Anatoly Cherner, member and
  - Zoran Grujicic, member.

As appropriate, the Board of Directors may establish other standing or *ad hoc* committees to deal with the issues relevant for the activities of the Board of Directors.

Shareholders' Assembly Board

The Shareholders' Assembly Board for the Supervision of Operations and the Procedure for Reporting to Company Shareholders (hereinafter 'The Shareholders' Assembly Board') is a body of advisors and experts providing assistance to the Shareholder's Assembly with respect to its activities and consideration of issues within its scope of competence. Members of the Shareholders' Assembly Board report to the Shareholders' Assembly, which appoints them and relieves them of duty.

Members of the Shareholders' Assembly Board as at 31 March 2019

Nenad Mijailović

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

Member of the Audit Committee

Born in 1980.

Mr. Mijailović graduated from the Faculty of Economics, University of Belgrade in 2003. In 2007, he obtained an MBA degree from the University of Lausanne, Switzerland. In 2010, he started his PhD studies at the Faculty of Economics, University of Belgrade. As from 2011, he has held an international CFA license in the field of Finance. From 2003 to 2009, he worked as a consultant and manager in finance and banking in the following companies: Deloitte Belgrade, AVS Fund de Compensation Geneve, JP Morgan London, and KBC Securities Corporate Finance Belgrade. From December 2009 to August 2012, Mr. Mijailović served as Advisor to the Minister in the Ministry of Economy and Regional Development, Department of Economy and Privatization. Since August 2012, he has held the position of Deputy Minister of Finance and Economy of the Republic of Serbia. As of August 2014 to September 2018, he served as the Secretary of State in the Ministry of Finance of the Republic of Serbia. As of September 2018, he holds the position of Executive Finance director of Galenika j.s.c. Belgrade.

Mr. Mijailović was a member of NIS j.s.c. Novi Sad BoD from 18.06.2013 to 30.06.2014. He was appointed Chairman of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 30 June 2014.

Zoran Grujičić

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

Member of the Remuneration Committee

Born in 1955.

Mr. Grujičić graduated from the Faculty of Mechanical Engineering, University of Belgrade. From 1980 to 1994, he was employed with Heat Transfer Appliances Plant "Cer" in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of Interkomerc, Belgrade. From Ferbuary 1998 to June 2004, he was Managing Director of the Company MNG Group d.o.o., Čačak. From June 2004 to February 2007, he was Director of the Trading Company Agrostroj j.s.c. Čačak, Director of the limited partnership company Leonardo from Čačak and Director of the Vojvodina Highway Centre. Since February 2007, Mr. Grujičić has been employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department, Jugopetrol; Head of RC Čačak at the Retail Department – Čačak Region; Manager of the Retail Network Development of the Development Department, Sales and Distribution. Since 01.10.2012 to January 2016 he had served as Advisor to the Sales and Distribution Director and since February 2016 - as Advisor to the

Function for External Affairs and Government Relations Director. Since October 2017 he has served as Advisor to the General Director.

He was appointed member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 30 June 2014.

Alexey Urusov

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

Director of Economics and Corporate Planning Department at PJSC 'Gazprom Neft'

Born in 1974.

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

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

From 2009 to 2012, Mr. Urusov was employed with NIS j.s.c. Novi Sad as Chief Finance Officer. Since 2012 and nowadays is employed as a Director of economics and corporate planning with PJSC «Gazprom Neft».

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

Total amount of fees paid to SAB members in first quarter of 2019, net, in RSD	
Members of SAB	6,023,408

Membership in Other Companies' Boards of Directors or Supervisory Boards

Nenad Mijailović	-
Zoran Grujičić	-
Alexey Urusov	• Gazprom Neft Marine Bunker Balkan S.A. (Member of BoD) • AS Baltic Marine Bunker (Member of BoD) • LTD Gazprom Neft – Catalytic Systems (Member of BoD) • LTD Gazprom Neft Energoservice (Member of BoD) • LTD Gazprom Neft Business Service (Member of BoD) • LTD ITSK (Member of BoD) • LTD Noyabrskneftegazsvyaz (Member of BoD)

Number and Percentage of NIS j.s.c. Novi Sad Shares Owned by SAB members

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

CEO

CEO is appointed by the Board of Directors from the group of executive members of the Board of Directors. CEO coordinates the activities of the executive members of the Board of Directors and organises Company's business. Furthermore, CEO of the Company performs daily management-related activities and he is authorised to make decisions on the issues, which are not under the jurisdiction of the Shareholders' Assembly and the Board of Directors. CEO is the legal representative of NIS.

CEO Advisory Board

CEO Advisory Board is the professional body, which supports the work of CEO and the process of relevant question revision. Composition of the Advisory Board is validated by the CEO decision and it consists of a First Deputy CEO - Head of Downstream Division, First Deputy CEO - Head of Exploration and Production, Heads of Refining and Sales and Distribution, Heads of Company's Functions, as well as the director of Naftagas - Naftni Servisi d.o.o. Novi Sad. Apart from the issues related to the Company's business, the Advisory Board reviews the issues related to the development strategy and policy while their basics are determined by the Shareholders' Assembly and the Board of Directors.

Related-Party Transactions

In the year ended 31 March 2019 and in the same period in 2018, 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. An outline of related-party transactions is part of the Notes to the Financial Statements.

Human Resources

NIS mission is to provide people with energy to move towards an improvement, and its employees are its driving force and the key to its success. In order to achieve this synergy, NIS creates a business environment in which every employee can realize his full potential with full respect for the rights of employees prescribed by the Labour Law, the Collective Agreement/Rules of Work, internal acts, as well as international acts such as the UN Declaration on Human Rights and the Declaration on Fundamental Principles and Rights at Work.

Employee Number and Structure

	31.03.2019			31.03.2018		
Organisational unit55	**Direct**	**Leasing**	**Total**	**Direct**	**Leasing**	**Total**
NIS j.s.c. Novi Sad	**4,055**	**3,647**	**7,702**	**4,095**	**3,650**	**7,745**
“Exploration and Production” Block	862	214	1,076	804	220	1,024
“Services” Block[56]	0	0	0	86	24	110
"Downstream" Division[57]	2,073	3,001	5,074			
“Refining” Block[58]	948	21	969	846	32	878
“Sales and Distribution” Block[59]	983	2,960	3,943	967	2,907	3,874
“Energy” Head Office[60]	41	5	46	247	22	269
the rest of the “Downstream” Division[61]	101	15	116			
Corporate Centre	1,076	432	1,508	1,090	445	1,535
Representative Offices and Branches	44	0	44	55	0	55
Subsidiaries in the country	**1,578**	**1,779**	**3,357**	**1,447**	**1,609**	**3,056**
“Naftagas - Oil Services” Ltd. Novi Sad62	990	1,290	2,280	649	811	1,460
“Naftagas - Technical Services” Ltd. Zrenjanin	176	124	300	395	480	875
“Naftagas – Transport” Ltd. Novi Sad	85	326	411	97	290	387
NTC “NIS Naftagas” Ltd. Novi Sad	327	39	366	306	28	334
Subsidiaries abroad	**71**	**1**	**72**	**71**	**1**	**72**
“NIS Petrol” EOOD Sofia (Bulgaria)	35	0	35	36	0	36
“NIS Petrol” SRL Bucharest (Romania)	27	0	27	27	0	27
“NIS Petrol” Ltd. Banja Luka (Bosnia and Herzegovina)	6	0	6	5	0	5
“Jadran Naftagas” Ltd. Banja Luka Banja Luka (Bosnia and Herzegovina)	3	0	3	3	0	3
“Pannon Naftagas” Kft. Budapest (Hungary)	0	1	1	0	1	1
Other subsidiaries included in consolidation	**445**	**134**	**579**	**545**	**116**	**661**
“O ZONE” j.s.c. Belgrade	4	134	138	5	116	121
“NIS Overseas” o.o.o. Moscow (Russian Federation)	4	0	4	113	0	113
“NIS Svetlost” Ltd. Bujanovac	0	0	0	0	0	0
“G Petrol” Ltd. Sarajevo (Bosnia and Herzegovina)	437	0	437	427	0	427
TOTAL:	**6,149**	**5,561**	**11,710**	**6,158**	**5,376**	**11,534**

[55] Part-time employees are shown as whole units in a related company.

[56] On 31/3/2019, there were two employees in the “Services“ Block, but they are in the process of transfer to the “Oilfield Services“, so they are shown in the Table in NFS.

[57] The transfer of employees to the new structures of the “Downstream” Division begins as of July 2018 and ends in September.

[58] The Sales and Distribution Block and Refining Block become subordinate to the new Division.

[59] The Sales and Distribution Block and Refining Block become subordinate to the new Division.

[60] By reorganizing and creating a new Division, the Energy Block ceases to exist; only the “Energy“ Directorate subordinate to the Division remains, while the other parts are decentralized into the “Exploration and Production“ Block, “Refining“ Block and “Sales and Distribution“ Block

[61] The rest of the “Downstream“ Division consists of: Director of Division’s Office, Crude Oil Sector, Department for Planning, Optimization and Analysis of Production and Sales, Department for Metrology and Group for Administrative-Documentation Support and Department for Procurement “DWS”

[62] Including the employees in subsidiaries.

Causes of Employment Termination

In first three months of 2019, a total of 99 employees left NIS[63]: 11 employees retired, 24 employees left NIS after termination of employment by mutual agreement, while the employment of 64 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy, death etc.).

Cause of employment termination	NIS j.s.c. Novi Sad[64]	Subsidiaries[65]
Retirement	9	2
Termination by mutual agreement	20	4
Other	31	33
Total	**60**	**39**

[63] NIS j.s.c. Novi Sad with the subsidiaries Naftagas – Naftni servisi d.o.o. Novi Sad, Naftagas – Tehnički servisi d.o.o. Zrenjanin, Naftagas – Transport d.o.o. Novi Sad and NTC NIS Naftagas d.o.o. Novi Sad.

[64] Including Representative Offices and Branches.

[65] Naftagas – Naftni servisi d.o.o. Novi Sad, Naftagas – Tehnički servisi d.o.o. Zrenjanin, Naftagas – Transport d.o.o. Novi Sad and NTC NIS Naftagas d.o.o. Novi Sad.

Research and Development

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

With regard to research and development, NIS has in place the Rules on Planning, Execution, and Control of Innovative, Scientific, Research & Development and Technological Studies at NIS j.s.c. Novi Sad

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

- Coordinates science and research activities, and
- Executes science and research activities.

Financial Statements

Stand-Alone Financial Statements

Statement of Financial Position

	Notes	31 March 2019 *(unaudited)*	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	6	13,229,597	12,222,578
Short-term financial assets	7	7,609,736	6,686,363
Trade and other receivables	8	27,382,268	28,076,947
Inventories	9	36,377,546	44,443,778
Current income tax prepayments		248,244	-
Other current assets	10	4,936,465	5,416,286
Non-current assets held for sale		40,523	9,271
Total current assets		**89,824,379**	**96,855,223**
Non-current assets			
Property, plant and equipment	11	261,572,070	258,254,117
Right-of-use assets	3	886,484	-
Investment property		1,730,100	1,730,100
Intangible assets		2,462,878	2,576,046
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		2,831	2,837
Long-term financial assets	12	22,763,989	23,408,424
Deferred tax assets		2,200,078	2,405,175
Other non-current assets	13	1,734,593	1,777,859
Total non-current assets		**307,817,409**	**304,618,944**
Total assets		**397,641,788**	**401,474,167**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	14	7,792,608	8,242,122
Current lease liabilities	19	105,546	-
Trade and other payables	15	27,469,852	30,365,339
Other current liabilities	16	5,191,585	5,087,681
Current income tax payable		-	539,811
Other taxes payable	17	9,176,861	8,560,193
Provisions for liabilities and charges		1,868,623	1,928,116
Total current liabilities		**51,605,075**	**54,723,262**
Non-current liabilities			
Long-term debt	18	85,076,143	87,367,868
Non-current lease liabilities	19	624,185	-
Provisions for liabilities and charges		10,266,622	10,079,405
Total non-current liabilities		**95,966,950**	**97,447,273**
Equity			
Share capital		81,530,200	81,530,200
Reserves		98,470	92,060
Retained earnings		168,441,093	167,681,372
Total equity		**250,069,763**	**249,303,632**
Total liabilities and shareholder's equity		**397,641,788**	**401,474,167**

All amounts are in 000 RSD, unless otherwise stated

Statement of Profit and Loss and Other Comprehensive Income

		Three-month period ended 31 March	
	Note	2019 (unaudited)	2018 (unaudited)
Sales of petroleum products, oil and gas		46,306,335	45,608,337
Other revenues		1,989,293	2,853,817
Total revenue from sales	5	**48,295,628**	**48,462,154**
Purchases of oil, gas and petroleum products		(30,727,433)	(27,708,451)
Production and manufacturing expenses	20	(5,373,377)	(5,751,620)
Selling, general and administrative expenses	21	(5,055,750)	(5,020,861)
Transportation expenses		(221,398)	(258,703)
Depreciation, depletion and amortization		(4,573,839)	(3,866,951)
Taxes other than income tax		(1,060,399)	(1,050,482)
Exploration expenses		(11,474)	(15,771)
Total operating expenses		**(47,023,670)**	**(43,672,839)**
Other expenses, net		(75,443)	(72,469)
Operating profit		**1,196,515**	**4,716,846**
Net foreign exchange gain	22	115,101	437,341
Finance income	23	265,818	458,002
Finance expenses	24	(477,788)	(570,592)
Total other income (expense)		**(96,869)**	**324,751**
Profit before income tax		**1,099,646**	**5,041,597**
Current income tax expense		(134,828)	(574,238)
Deferred tax expense		(205,097)	(286,368)
Total income tax expense		**(339,925)**	**(860,606)**
Profit for the period		**759,721**	**4,180,991**
Other comprehensive profit (loss):			
Gains from investments in equity instruments		6,410	(1,159)
Other comprehensive profit (loss) for the period		**6,410**	**(1,159)**
Total comprehensive income for the period		**766,131**	**4,179,832**
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		4.66	25.63
Weighted average number of ordinary shares in issue (in millions)		163	163

All amounts are in 000 RSD, unless otherwise stated

Statement of Changes in Shareholders' Equity

Three-month period ended 31 March 2019 and 2018

(unaudited)

	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2018	**81,530,200**	**17,782**	**157,419,313**	**238,967,295**
Adoption of IFRS 9:				
- remeasurement of expected credit losses, net of tax	-	-	(8,860,905)	(8,860,905)
Restated total equity at 1 January 2018	**81,530,200**	**17,782**	**148,558,408**	**230,106,390**
Profit for the period	-	-	4,180,991	4,180,991
Other comprehensive income (loss)				
Loss from investments in equity instruments	-	(1,159)	-	(1,159)
Total comprehensive income (loss) for the period	-	(1,159)	4,180,991	4,179,832
Balance as at 31 March 2018	**81,530,200**	**16,623**	**152,739,399**	**234,286,222**
Balance as at 1 January 2019	**81,530,200**	**92,060**	**167,681,372**	**249,303,632**
Profit for the period	-	-	759,721	759,721
Other comprehensive income (loss)				
Gains from investments in equity instruments	-	6,410	-	6,410
Total comprehensive income (loss) for the period	-	6,410	759,721	766,131
Balance as at 31 March 2019	**81,530,200**	**98,470**	**168,441,093**	**250,069,763**

All amounts are in 000 RSD, unless otherwise stated

Statement of Cash Flows[66]

	Note	Three-month period ended 31 March 2019 *(unaudited)*	2018 *(unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**1,099,646**	**5,041,597**
Adjustments for:			
Finance expenses	24	477,788	570,592
Finance income	23	(265,818)	(458,002)
Net unrealised foreign exchange (gain) losses		(146,157)	(93,072)
Depreciation, depletion and amortization		4,573,839	3,866,951
Other non-cash items		101,426	181,483
Operating cash flow before changes in working capital		**5,840,724**	**9,109,549**
Changes in working capital:			
Accounts receivables		649,956	(824,335)
Inventories		8,101,884	3,096,384
Other current assets		551,043	(709,650)
Account payables and other current liabilities		(3,098,747)	(4,633,354)
Taxes payable		620,123	94,992
Total effect on working capital changes		**6,824,259**	**(2,975,963)**
Income taxes paid		(925,404)	(495,752)
Interest paid		(396,259)	(553,638)
Interest received		154,095	215,149
Net cash generated from operating activities		**11,497,415**	**5,299,345**
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans issued		(1,609,341)	(615,079)
Loan proceeds received		1,362,078	546,833
Capital expenditures[67]		(8,284,828)	(8,984,885)
Proceeds from sale of property, plant and equipment		37,672	24,736
Bank deposits placements, net		-	3,600,000
Net cash used in investing activities		**(8,494,419)**	**(5,428,395)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	19	8,297,900	5,696,131
Repayment of borrowings	19	(10,291,551)	(11,890,427)
Repayments of finance lease liabilities	20	(22,953)	(12,254)
Net cash used in financing activities		**(2,016,604)**	**(6,206,550)**
Net increase (decrease) in cash and cash equivalents		986,392	(6,335,600)
Effect of foreign exchange on cash and cash equivalents		20,627	(60,721)
Cash and cash equivalents as of the beginning of the period		12,222,578	23,410,724
Cash and cash equivalents as of the end of the period		**13,229,597**	**17,014,403**

All amounts are in 000 RSD, unless otherwise stated

[66] Group policy is to present cash flow inclusive of related VAT.

[67] CF from investing activities includes VAT in the amount of 1,0 bln RSD (2018: 1,5 bln RSD)

Notes to Stand-Alone Financial Statements[68]

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 2018, 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 2018.

Subsequent events occurring after 31 March 2019 were evaluated through 24 April 2019, the date these Interim Condensed Financial Statements were authorised for issue.

The results for the three month period ended 31 March 2019 are not necessarily indicative of the results expected for the full year.

[68] All amounts are in 000 RSD, unless otherwise stated

The Company 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 Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2018, except for those described in the Application of new IFRS paragraph.

3. APPLICATION OF NEW IFRS

Accounting policies applied from 1 January 2019

The Company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Operating lease commitments disclosed as at 31 December 2018	265,067
(Less): short-term leases recognised on a straight-line basis as expense	(31,155)
(Less): low-value leases recognised on a straight-line basis as expense	(108,527)
Undiscounted leases recognized under IFRS 16	125,385
Discounted using the lessee's incremental borrowing rate of at the date of initial application	100,027
Add: finance lease liabilities recognised as at 31 December 2018	644,611
Lease liability recognised as at 1 January 2019	**744,638**
Of which are:	
Current lease liabilities	96,572
Non-current lease liabilities	648,066
	744,638

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustments to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relates to the following types of assets:

	31 March 2019	1 January 2019
Property	527,516	540,388
Plant and equipment	307,394	324,713
Motor vehicles	51,574	54,331
Total right-of-use assets	**886,484**	**919,432**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Property, plant and equipment – decrease	(819,405)
Right-of-use assets – increase	919,432
Prepayments – decrease	-
Long-term and current portion of long-term debt – decrease	644,611
Lease liabilities – increase	**(744,638)**

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the accounting for operating leases for which the underlying asset is of low value
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a lease.

Accounting policy

The Company leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on 1 January 2019 or later, and that the Company has not early adopted.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Company will apply them and assess their impact from 1 January 2020.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its 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).
- 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).

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

5. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the three month periods ended 31 March 2019 and 2018. 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.

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 three month period ended 31 March 2019 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	11,275,869	48,608,803	(11,589,044)	48,295,628
Intersegment	11,262,768	326,276	(11,589,044)	-
External	13,101	48,282,527	-	48,295,628
EBITDA (Segment results)	8,413,708	(2,607,187)	-	5,806,521
Depreciation, depletion and amortization	(2,855,936)	(1,717,903)	-	(4,573,839)
Impairment of non-financial assets	-	(18,472)	-	(18,472)
Net foreign exchange gain	(160,397)	275,498	-	115,101
Finance expenses, net	(55,405)	(156,565)	-	(211,970)
Income tax	(43,095)	(296,830)	-	(339,925)
Segment profit/(loss)	**5,301,788**	**(4,542,067)**	**-**	**759,721**

Reportable segment results for the three month period ended 31 March 2018 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	10,848,435	48,638,270	(11,024,551)	48,462,154
Intersegment	10,778,981	245,570	(11,024,551)	-
External	69,454	48,392,700	-	48,462,154
EBITDA (Segment results)	7,694,306	879,367	-	8,573,673
Depreciation, depletion and amortization	(1,688,769)	(2,178,182)	-	(3,866,951)
Impairment of non-financial assets	(1,041)	(8,256)	-	(9,297)
Net foreign exchange gain	44,865	392,476	-	437,341
Finance income (expenses), net	53,322	(165,912)	-	(112,590)
Income tax	-	(860,606)	-	(860,606)
Segment profit (loss)	**6,150,779**	**(1,969,788)**	**-**	**4,180,991**

EBITDA for the three month period ended 31 March 2019 and 2018 is reconciled below:

	Three-month period ended 31 March	
	2019	2018
Profit for the period	759,721	4,180,991
Income tax expenses	339,925	860,606
Finance expenses	477,788	570,592
Finance income	(265,818)	(458,002)
Depreciation, depletion and amortization	4,573,839	3,866,951
Net foreign exchange gain	(115,101)	(437,341)
Other expense, net	75,443	72,469
Other non-operating income, net	(39,276)	(82,593)
EBITDA	**5,806,521**	**8,573,673**

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

		Three-month period ended 31 March 2019	
	Domestic market	Export and International sales	Total
Sale of crude oil	-	-	-
Sale of gas	828,086	-	828,086
Through a retail network	-	-	-
Wholesale activities	828,086	-	828,086
Sale of petroleum products	38,236,996	7,241,253	45,478,249
Through a retail network	13,774,276	-	13,774,276
Wholesale activities	24,462,720	7,241,253	31,703,973
Sale of electricity	218,307	38,800	257,107
Lease revenue	110,987	-	110,987
Other sales	1,576,228	44,971	1,621,199
Total sales	**40,970,604**	**7,325,024**	**48,295,628**

		Three-month period ended 31 March 2018	
	Domestic market	Export and International sales	Total
Sale of crude oil	-	-	-
Sale of gas	419,278	-	419,278
Through a retail network	-	-	-
Wholesale activities	419,278	-	419,278
Sale of petroleum products	36,576,272	8,612,787	45,189,059
Through a retail network	12,267,996	-	12,267,996
Wholesale activities	24,308,276	8,612,787	32,921,063
Sale of electricity	82,246	1,053,778	1,136,024
Other sales	1,667,797	49,996	1,717,793
Total sales	**38,745,593**	**9,716,561**	**48,462,154**

Out of the amount of 31,703,973 RSD (2018: 32,921,063 RSD) revenue from sale of petroleum products (wholesale), the amount of 3,827,301 RSD (2018: 5,742,138 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 1,278,144 RSD (2018: 1,229,535 RSD).

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 40,970,604 RSD (2018: 38,745,593 RSD), and the total revenue from external customer from other countries is 7,325,024 RSD (2018: 9,716,561 RSD).

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

	Three-month period ended 31 March	
	2019	2018
Sale of crude oil	-	-
Sale of petroleum products (retail and wholesale)		
Bulgaria	1,704,833	2,221,072
Bosnia and Herzegovina	2,469,001	2,129,747
Romania	476,917	725,771
Switzerland	493,165	949,777
Croatia	222,866	580,082
Macedonia	91,020	421,147
Hungary	364,029	329,204
Great Britain	344,711	289,478
All other markets	1,074,711	966,509
	7,241,253	**8,612,787**
Sale of electricity	38,800	1,053,778
Other sales	44,971	49,996
	7,325,024	**9,716,561**

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

6. CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Cash in bank and in hand	3,449,026	5,621,605
Deposits with original maturity of less than three months	9,530,080	6,367,102
Cash held on escrow account	15,871	17,364
Cash equivalents	234,620	216,507
	13,229,597	**12,222,578**

7. SHORT-TERM FINANCIAL ASSETS

	31 March 2019	31 December 2018
Short-term loans	27,411	27,633
Deposits with original maturity more than 3 months less than 1 year	2,146,053	2,122,961
Current portion of long-term investments (note 12)	12,387,493	10,654,662
Less impairment loss provision	(6,951,221)	(6,118,893)
	7,609,736	**6,686,363**

As at 31 March 2019 deposits with original maturity more than 3 months less than 1 year amounting to 2,146,053 RSD (31 December 2018: 2,122,961 RSD) relates to bank deposits placements with interest rates 4,65% p.a. denominated in RSD.

8. TRADE AND OTHER RECEIVABLES

	31 March 2019	31 December 2018
Trade receivables:	37,351,176	37,762,042
Other receivables:	127,671	122,807
Accrued assets	25,692	314,496
Less credit loss allowance for trade receivables	(10,064,695)	(10,062,788)
Less credit loss allowance for other receivables	(57,576)	(59,610)
Total trade and other receivables	**27,382,268**	**28,076,947**

The Management of the Company regularly assesses the credit quality of trade, specific and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Company.

Management believes that not impaired trade, specific and other receivables are fully recoverable.

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

	31 March 2019	31 December 2018
RSD	24,054,972	23,649,335
EUR	3,139,493	3,734,398
USD	187,803	693,041
Other	-	173
	27,382,268	**28,076,947**

9. INVENTORIES

	31 March 2019	31 December 2018
Crude oil	20,231,662	24,596,883
Petroleum products	14,770,981	18,794,803
Materials and supplies	5,503,845	5,148,165
Other	650,036	734,454
Less impairment provision	(4,778,978)	(4,830,527)
	36,377,546	**44,443,778**

10. OTHER CURRENT ASSETS

	31 March 2019	31 December 2018
Advances paid	733,535	716,164
Deferred VAT	1,583,014	1,567,844
Prepaid expenses	482,457	220,882
Prepaid custom duties	6,199	4,625
Prepaid excise	2,069,821	2,743,083
Other current assets	7,680,574	7,781,630
Less impairment provision	(7,619,135)	(7,617,942)
	4,936,465	**5,416,286**

Deferred VAT as at 31 March 2019 amounting to 1,583,014 RSD (31 December 2018: 1,567,844 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 31 March 2019 amounting to 2,069,821 RSD (31 December 2018: 2,743,083 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.

.

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 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 31 March 2018						
Additions	-	-	-	-	8,422,232	8,422,232
Acquisitions through business combinations	-	-	-	-	217,660	217,660
Changes in decommissioning obligations	38,197	-	-	-	-	38,197
Transfer from assets under construction	4,039,585	349,144	2,042,613	66,873	(6,498,215)	-
Transfer to investment property	-	-	(38,530)	-	-	(38,530)
Transfer to non-current assets held for sale	-	-	-	(5,260)	-	(5,260)
Impairment	-	-	-	-	(1,043)	(1,043)
Depreciation	(1,674,960)	(1,412,209)	(401,281)	(132,624)	-	(3,621,074)
Disposals and write-off	(4,369)	(27,487)	(3,489)	(987)	(53,906)	(90,238)
Other transfers	(23,320)	26	323,905	(300,547)	-	64
	105,018,665	**72,329,940**	**23,519,232**	**8,480,811**	**32,681,799**	**242,030,447**
As at 31 March 2018						
Cost	139,346,139	114,511,325	49,781,206	17,044,424	34,679,587	355,362,681
Depreciation and impairment	(34,327,474)	(42,181,385)	(26,261,974)	(8,563,613)	(1,997,788)	(113,332,234)
Net book value	**105,018,665**	**72,329,940**	**23,519,232**	**8,480,811**	**32,681,799**	**242,030,447**
As at 1 January 2019						
Cost	156,367,336	115,028,154	51,380,912	16,193,480	45,864,855	384,834,737
Depreciation and impairment	(42,496,555)	(46,153,659)	(27,626,321)	(8,300,778)	(2,003,304)	(126,580,617)
Net book value	**113,870,781**	**68,874,495**	**23,754,591**	**7,892,702**	**43,861,551**	**258,254,120**
Period ended 31 March 2019						
Additions	-	-	-	-	8,622,629	8,622,629
Changes in decommissioning obligations	26,481	-	-	-	-	26,481
Transfer from assets under construction	5,099,651	88,979	292,519	294,962	(5,776,111)	-
Transfer to non-current assets held for sale	-	-	-	(31,293)	-	(31,293)
Impairment	-	-	(14,249)	-	(13,039)	(27,288)
Depreciation	(2,516,132)	(1,349,519)	(420,487)	(136,909)	-	(4,423,047)
Disposals and write-off	9,699	(614)	(5,898)	(1,965)	(66,736)	(65,514)
Transfer to right of use assets	(54,331)	-	(765,074)	-	-	(819,405)
Other transfers	(29,417)	757	1,212	27,448	35,387	35,387
	116,406,732	**67,614,098**	**22,842,614**	**8,044,945**	**46,663,681**	**261,572,070**
As at 31 March 2019						
Cost	161,297,562	115,109,144	50,580,516	16,484,453	48,680,024	392,151,699
Depreciation and impairment	(44,890,830)	(47,495,046)	(27,737,902)	(8,439,508)	(2,016,343)	(130,579,629)
Net book value	**116,406,732**	**67,614,098**	**22,842,614**	**8,044,945**	**46,663,681**	**261,572,070**

Capitalized borrowing costs for the three months ended 31 March 2019 include interest expense in the amount of 38,888 RSD (31 March 2018: 23,685 RSD).

12. LONG-TERM FINANCIAL ASSETS

	31 March 2019	31 December 2018
LT loans issued	38,217,676	37,976,787
Available for sale financial assets	184,176	177,767
Other LT placements	26,081	25,984
Less Current portion of LT loans issued (note 7)	(12,387,493)	(10,654,662)
Less provision of other LT placements	(3,276,451)	(4,117,452)
	22,763,989	**23,408,424**

13. OTHER NON-CURRENT ASSETS

	31 March 2019	31 December 2018
Advances paid for PPE	765,945	790,744
Prepaid expenses	144,072	151,070
Other assets	857,152	868,621
Less impairment provision	(32,576)	(32,576)
	1,734,593	**1,777,859**

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

	31 March 2019	31 December 2018
Short-term loans	1,782,112	2,218,378
Interest liabilities	160,535	100,154
Current portion of long-term loans (note 18)	5,849,961	5,852,524
Current portion of finance lease liabilities (note 19)	-	71,066
	7,792,608	**8,242,122**

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

	Three-month period ended 31 March	
	2019	2018
Short-term loans at 1 January	**2,218,378**	**2,298,487**
Proceeds	6,087,653	3,339,596
Repayment	(6,523,919)	(3,977,725)
Short-term loans at 31 March	**1,782,112**	**1,660,358**

15. TRADE AND OTHER PAYABLES

	31 March 2019	31 December 2018
Trade payables:		
- related parties	9,459,577	13,986,519
- third parties	14,230,119	12,598,078
Dividends payable	3,772,308	3,772,308
Other accounts payable	7,848	8,434
	27,469,852	**30,365,339**

As at 31 March 2019 payables to related parties amounting to 9,459,577 RSD (31 December 2018: 13.986.519 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 5,885,757 RSD mostly based on purchase of crude oil (31 December 2018: 10,243,742 RSD).

16. OTHER CURRENT LIABILITIES

	31 March 2019	31 December 2018
Contract liabilities arising from contracts with customers:	1,077,007	1,322,558
Advances received	513,381	502,254
Customer loyalty		
Payables to employees	3,590,154	3,199,959
Other current non-financial liabilities	11,043	62,910
	5,191,585	**5,087,681**

Revenue in the amount of 1,016,662 RSD was recognized in the current reporting period related to the contract liabilities as at 1 January 2019, of which 904,073 RSD related to advances and 112,589 RSD to customer loyalty programme.

17. OTHER TAXES PAYABLE

	31 March 2019	31 December 2018
Mineral extraction tax	336,303	378,481
VAT	3,286,647	1,187,246
Excise tax	2,825,917	4,680,755
Contribution for buffer stocks	307,263	260,905
Custom duties	660,498	291,534
Other taxes	1,760,233	1,761,272
	9,176,861	**8,560,193**

18. LONG-TERM DEBT

	31 March 2019	31 December 2018
Long-term loan - Gazprom Neft	23,320,047	24,738,405
Bank loans	67,606,057	67,908,442
Finance lease liabilities (note 19)	-	644,611
Less Current portion (note 14)	(5,849,961)	(5,923,590)
	85,076,143	**87,367,868**

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

	Three-month period ended 31 March	
	2019	2018
Long-term loans at 1 January	**92,646,847**	**95,404,544**
Proceeds	2,210,247	2,356,535
Repayment	(3,767,632)	(7,912,702)
Foreign exchange difference (note 22)	(163,358)	(539,308)
Long-term loans at 31 March	**90,926,104**	**89,309,069**

(a) Long-term loan - Gazprom Neft

As at 31 March 2019 long-term loan - Gazprom Neft amounting to 23,320,047 RSD (31 December 2018: 24,738,405 RSD), with current portion of 5,487,070 RSD (2018: 5,497,423 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

	31 March 2019	31 December 2018
Domestic	48,398,326	50,621,113
Foreign	19,207,731	17,287,329
	67,606,057	67,908,442
Current portion of long-term loans	(362,891)	(355,101)
	67,243,166	**67,553,341**

The maturity of bank loans was as follows:

	31 March 2019	31 December 2018
Between 1 and 2 years	1,853,008	1,403,463
Between 2 and 5 years	60,628,959	61,219,659
Over 5 years	4,761,199	4,930,219
	67,243,166	**67,553,341**

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

	31 March 2019	31 December 2018
USD	341,516	361,696
EUR	66,983,187	67,250,132
RSD	609	649
JPY	280,745	295,965
	67,606,057	**67,908,442**

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 31 March 2019 and 31 December 2018, respectively.

19. LEASE LIABILITIES

	31 March 2019	31 December 2018
Non-current lease liabilities	624,185	-
Current lease liabilities	105,546	-
	729,731	**-**

At 31 December 2018 finance lease liabilities was recognised within balance sheet lines Long-term debt (note 18) and Current portion of long-term debt (note 14) in total amount of 644,611 RSD.

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

	Three-month period ended 31 March	
	2019	2018
As at 1 January	**644,611**	**247,210**
Changes in opening balance	100,027	-
Repayment	(22,953)	(12,254)
Non-cash transactions	5,617	325,625
Foreign exchange difference (note 22)	2,429	7
As at 31 March	**729,731**	**560,588**

20. PRODUCTION AND MANUFACTURING EXPENSES

	Three-month period ended 31 March	
	2019	2018
Employee costs	849,677	811,683
Materials and supplies (other than purchased oil, petroleum products and gas)	284,277	226,601
Repair and maintenance services	1,286,054	887,795
Electricity for resale	103,077	983,843
Electricity and utilities	449,498	449,675
Safety and security expense	154,339	82,743
Insurance services	62,241	70,416
Transportation services for production	413,750	483,574
Other	1,770,464	1,755,290
	5,373,377	**5,751,620**

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended 31 March	
	2019	2018
Employee costs	2,410,437	2,405,007
Legal, audit and consulting services	286,457	283,876
Rent expense	50,495	32,238
Business trips expense	49,636	66,461
Safety and security expense	113,143	108,417
Insurance expense	29,350	22,853
Transportation and storage	73,005	81,699
Allowance for doubtful accounts	(5,137)	15,947
Other	2,048,364	2,004,363
	5,055,750	**5,020,861**

22. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three-month period ended 31 March	
	2019	2018
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain	352,489	735,475
- foreign exchange loss	(191,561)	(196,174)
Net foreign exchange gain (loss) on operating activities	(45,827)	(101,960)
	115,101	**437,341**

23. FINANCE INCOME

	Three-month period ended 31 March	
	2019	2018
Interest on bank deposits	100,934	240,681
Interest income on loans issued	164,884	217,321
	265,818	**458,002**

24. FINANCE EXPENSES

	Three-month period ended 31 March	
	2019	**2018**
Interest expense	485,760	599,345
Decommissioning provision: unwinding of the present value	36,134	21,730
Trade receivables: unwinding of discount	(5,217)	(26,797)
Less: interest expense capitalised on qualifying assets	(38,889)	(23,686)
	477,788	**570,592**

25. 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 2018. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2019 the carrying value of financial assets approximates their fair value.

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 623,182 RSD (31 December 2018: 637,414 RSD).

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

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 31 March 2019.

Capital commitments

As of 31 March 2019 the Company has entered into contracts to purchase property, plant and equipment for 11,959,941 RSD (31 December 2018: 15,944,407 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 three month period ended 31 March 2019 and in the same period in 2018, 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 31 March 2019 and 31 December 2018 the outstanding balances with related parties were as follows:

As at 31 March 2019	Subsidiaries	Parent company	Parent's subsidiaries and associates
Short-term financial assets	5,438,331	-	-
Trade and other receivables	2,950,113	-	86,817
Other current assets	3,196	-	39,259
Right to use assets	58,794	-	-
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	22,627,915	-	-
Other non-current assets	3,582	-	-
Trade and other payables	(3,479,742)	(5,885,757)	(94,078)
Other current liabilities	(2,984)	-	(242)
Short-term debt and current portion of long-term debt	(1,786,876)	(5,487,070)	-
Current finance lease liabilites	(8,743)	-	-
Long-term debt	-	(17,832,977)	-
Non-current finance lease liabilities	(51,435)	-	-
	39,177,737	**(29,205,804)**	**1,070,556**

As at 31 December 2018	Subsidiaries	Parent company	Parent's subsidiaries and associates
Short-term financial assets	10,224,339		
Trade and other receivables	3,318,542	99	634,017
Other current assets	30,338	-	337,220
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	23,279,079	-	-
Other non-current assets	3,582	-	-
Trade and other payables	(3,074,680)	(10,243,742)	(668,097)
Other current liabilities	(2,097)	-	(289)
Short-term debt and current portion of long-term debt	(2,222,441)	(5,497,423)	-
Long-term debt	-	(19,240,982)	-
	44,982,248	**(34,982,048)**	**1,038,153**

For the three month period ended 31 March 2019 and 2018 the following transaction occurred with related parties:

Three month period ended 31 March 2019	Subsidiaries	Parent company	Parent's subsidiaries and associates
Petroleum products and oil and gas sales	3,684,151	-	121,647
Other revenues	101,963	-	19,508
Purchases of oil, gas and petroleum products	(3,709,417)	(16,170,749)	(122,928)
Production and manufacturing expenses	(967,862)	-	(49,012)
Selling, general and administrative expenses	(141,668)	-	(6,408)
Transportation expenses	(264)	-	-
Depreciation	(2,268)	-	-
Other expenses, net	-	13,320	(94)
Finance income	162,171	-	-
Finance expense	(15,230)	(110,753)	-
	(888,424)	**(16,268,182)**	**37,287**

Three month period ended 31 March 2018	Subsidiaries	Parent company	Parent's subsidiaries and associates
Petroleum products and oil and gas sales	3,414,986	-	259,502
Other revenues	200,444	462	929,121
Purchases of oil, gas and petroleum products	(3,428,599)	(17,564,237)	(260,310)
Production and manufacturing expenses	(968,317)	-	(909,956)
Selling, general and administrative expenses	(112,431)	-	(1,035)
Transportation expenses	(23,024)	-	-
Other expenses, net	-	(14,904)	(217)
Finance income	214,666	-	-
Finance expense	(11,413)	(131,075)	-
	(713,688)	**(17,709,754)**	**17,105**

Transactions with Key Management Personnel

For the three month period ended on 31 March 2019 and 2018 the Company recognized 225,797 RSD and 246,309 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.

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Notes	31 March 2019 *(unaudited)*	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	6	14,410,353	15,480,830
Short-term financial assets	7	3,535,207	2,188,488
Trade and other receivables	8	26,480,542	26,933,563
Inventories	9	39,883,043	47,856,312
Current income tax prepayments		145,671	-
Other current assets	10	6,014,187	6,283,241
Non-current assets held for sale		30,633	-
Total current assets		**90,499,636**	**98,742,434**
Non-current assets			
Property, plant and equipment	11	289,975,687	286,454,546
Right-of-use assets	3	1,742,141	-
Investment property		1,615,592	1,615,391
Goodwill and other intangible assets		4,351,932	4,653,550
Investments in associates and joint ventures	12	1,961,182	1,980,388
Trade and other non-current receivables		2,936	73,858
Long-term financial assets		294,154	129,345
Deferred tax assets		341,153	545,497
Other non-current assets	13	1,737,914	1,781,202
Total non-current assets		**302,022,691**	**297,233,777**
Total assets		**392,522,327**	**395,976,211**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	14	6,618,192	6,614,417
Current lease liabilities	19	297,925	-
Trade and other payables	15	27,222,519	30,357,413
Other current liabilities	16	6,189,855	5,956,257
Current income tax payable		-	625,985
Other taxes payable	17	10,130,438	9,575,333
Provisions for liabilities and charges		1,880,308	1,941,795
Total current liabilities		**52,339,237**	**55,071,200**
Non-current liabilities			
Long-term debt	18	85,353,318	87,819,202
Non-current lease liabilities	19	1,254,849	-
Provisions for liabilities and charges		10,407,949	10,210,005
Total non-current liabilities		**97,016,116**	**98,029,207**
Equity			
Share capital		81,530,200	81,530,200
Reserves		209,674	77,130
Retained earnings		161,678,610	161,516,302
Equity attributable to the Company's owners		**243,418,484**	**243,123,632**
Non-controlling interest		(251,510)	(247,828)
Total equity		243,166,974	242,875,804
Total liabilities and shareholder's equity		**392,522,327**	**395,976,211**

All amounts are in 000 RSD, unless otherwise stated

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Three-month period ended 31 March 2019 *(unaudited)*	2018 *(unaudited)*
Sales of petroleum products, oil and gas		50,836,498	49,025,608
Other revenues		2,674,694	3,458,563
Total revenue from sales	5	**53,511,192**	**52,484,171**
Purchases of oil, gas and petroleum products		(34,508,679)	(30,579,988)
Production and manufacturing expenses	20	(5,508,132)	(5,862,031)
Selling, general and administrative expenses	21	(5,649,988)	(5,524,978)
Transportation expenses		(248,107)	(262,018)
Depreciation, depletion and amortization		(5,094,972)	(4,411,995)
Taxes other than income tax		(1,263,355)	(1,232,680)
Exploration expenses		(11,474)	(15,771)
Total operating expenses		**(52,284,707)**	**(47,889,461)**
Other income (expenses), net		(67,656)	(80,708)
Operating profit		**1,158,829**	**4,514,002**
Share of loss of associates and joint ventures		(19,206)	-
Net foreign exchange gain	22	(204,360)	444,356
Finance income	23	107,806	243,554
Finance expenses	24	(494,400)	(590,577)
Total other income (expense)		**(610,160)**	**97,333**
Profit before income tax		**548,669**	**4,611,335**
Current income tax expense		(186,141)	(600,534)
Deferred tax expense		(204,401)	(286,361)
Total income tax expense		**(390,542)**	**(886,895)**
Profit for the period		**158,127**	**3,724,440**
Other comprehensive profit (loss):			
Items that will not be reclassified to profit			
Gains (loss) from investments in equity instruments		6,410	(1,159)
		6,410	(1,159)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		126,633	8,626
		126,633	8,626
Other comprehensive profit (loss) for the period		**133,043**	**7,467**
Total comprehensive income for the period		**291,170**	**3,731,907**
Profit attributable to:			
- Shareholders of Naftna Industrija Srbije		162,308	3,728,530
- Non-controlling interest		(4,181)	(4,090)
Profit for the period		**158,127**	**3,724,440**
Total comprehensive income (loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		294,852	3,735,815
- Non-controlling interest		(3,682)	(3,908)
Total comprehensive income for the period		**291,170**	**3,731,907**
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		1.00	22.87
Weighted average number of ordinary shares in issue (in millions)		163	163

All amounts are in 000 RSD, unless otherwise stated

Consolidated Statement of Changes in Shareholders' Equity

Three-month period ended 31 March 2019 and 2018

(unaudited)

	Equity attributable to Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
Balance as at 1 January 2018	**81,530,200**	**40,453**	**143,713,351**	**225,284,004**	**(232,496)**	**225,051,508**
Adoption of IFRS 9:						
- remeasurement of expected credit losses, net of tax	-	-	(401,527)	(401,527)	-	(401,527)
Restated total equity at 1 January 2018	81,530,200	40,453	143,311,824	224,882,477	(232,496)	224,649,981
Profit (loss) for the period	-	-	3,728,530	3,728,530	(4,090)	3,724,440
Other comprehensive income (loss)						
Loss from investments in equity instruments	-	(1,159)	-	(1,159)	-	(1,159)
Currency translation differences	-	8,444	-	8,444	182	8,626
Total comprehensive income (loss) for the period	-	7,285	3,728,530	3,735,815	(3,908)	3,731,907
Balance as at 31 March 2018	**81,530,200**	**47,738**	**147,040,354**	**228,618,292**	**(236,404)**	**228,381,888**
Balance as at 1 January 2019	**81,530,200**	**77,130**	**161,516,302**	**243,123,632**	**(247,828)**	**242,875,804**
Profit (loss) for the period	-	-	162,308	162,308	(4,181)	158,127
Other comprehensive income (loss)						
Gains from investments in equity instruments	-	6,410	-	6,410	-	6,410
Currency translation differences	-	126,134	-	126,134	499	126,633
Total comprehensive income (loss) for the period	-	132,544	162,308	294,852	(3,682)	291,170
Balance as at 31 March 2019	**81,530,200**	**209,674**	**161,678,610**	**243,418,484**	**(251,510)**	**243,166,974**

All amounts are in 000 RSD, unless otherwise stated

Consolidated Statement of Cash Flows[69]

	Note	Three-month period ended 31 March 2019 (unaudited)	2018 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**548,669**	**4,611,335**
Adjustments for:			
Share of loss of associates and joint ventures		19,206	-
Finance expenses	24	494,400	590,577
Finance income	23	(107,806)	(243,554)
Net unrealised foreign exchange (gain) losses		(188,305)	(213,610)
Depreciation, depletion and amortization		5,094,972	4,411,995
Other non-cash items		100,653	216,678
Operating cash flow before changes in working capital		**5,961,789**	**9,373,421**
Changes in working capital:			
Accounts receivable		436,629	(1,251,765)
Inventories		8,007,653	3,310,080
Other assets		476,382	(535,738)
Trade payables and other current liabilities		(2,852,629)	(5,239,821)
Taxes payable		555,685	(53,510)
Total effect on working capital changes		**6,623,720**	**(3,770,754)**
Income taxes paid		(960,457)	(578,539)
Interest paid		(382,469)	(541,139)
Interest received		60,962	106,395
Net cash generated from operating activities		**11,303,545**	**4,589,384**
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans issued		-	(47,250)
Capital expenditures[70]		(9,263,303)	(9,380,521)
Proceeds from sale of property, plant and equipment		15,103	27,412
Bank deposits placements, net		(1,481,707)	3,606,718
Other (outflow)/inflox		(23,855)	-
Net cash used in investing activities		**(10,753,762)**	**(5,793,641)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	18	2,210,246	2,356,535
Repayment of borrowings	18	(3,767,631)	(7,912,701)
Repayments of finance lease liabilities	19	(82,588)	(24,425)
Net cash used in financing activities		**(1,639,973)**	**(5,580,591)**
Net increase decrease in cash and cash equivalents		(1,090,190)	(6,784,848)
Effect of foreign exchange on cash and cash equivalents		19,713	(64,703)
Cash and cash equivalents as of the beginning of the period		**15,480,830**	**27,075,370**
Cash and cash equivalents as of the end of the period		**14,410,353**	**20,225,819**

All amounts are in 000 RSD, unless otherwise stated

[69] Group policy is to present cash flow inclusive of related VAT

[70] CF from investing activities includes VAT in the amount of 1,0 bln RSD (2018: 1,5 bln RSD)

Notes to Consolidated Financial Statements[71]

1. GENERAL INFORMATION

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

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading 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 2018, 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 2018.

Subsequent events occurring after 31 March 2019 were evaluated through 24 April 2019, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

[71] All amounts are in 000 RSD, unless otherwise stated

The results for the three month period ended 31 March 2019 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 2018, except for those described in the Application of new IFRS paragraph.

3. APPLICATION OF NEW IFRS

Accounting policies applied from 1 January 2019

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Operating lease commitments disclosed as at 31 December 2018	1,548,081
(Less): short-term leases recognised on a straight-line basis as expense	(54,306)
(Less): contracts with commencment date after 1.1.2019	(385,001)
(Less): low-value leases recognised on a straight-line basis as expense	(206,937)
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	2,954
(Less): advances paid as of date of initial application of IFRS 16	(71,944)
Other	(11,255)
Undiscounted leases recognized under IFRS 16	**821,592**
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	**790,946**
Add: finance lease liabilities recognised as at 31 December 2018	828,104
Lease liability recognised as at 1 January 2019	**1,619,050**
Of which are:	
Current lease liabilities	298,269
Non-current lease liabilities	1,320,781
	1,619,050

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustments to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relates to the following types of assets:

	31 March 2019	1 January 2019
Property (land and buildings)	1,345,269	1,414,558
Plant and equipment	317,550	335,712
Motor vehicles	79,322	85,151
Total right-of-use assets	**1,742,141**	**1,835,421**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Property, plant and equipment and intangible assets – decrease	(972,531)
Right-of-use assets – increase	1,835,421
Prepayments – decrease	(71,944)
Borrowings – decrease	828,104
Lease liabilities – increase	**(1,619,050)**

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the accounting for operating leases for which the underlying asset is of low value
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a lease.

Accounting policy

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on 1 January 2019 or later, and that the Group has not early adopted.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its financial statements.

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).
- 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).

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

5. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the three month periods ended 31 March 2019 and 2018. 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 on-going operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the three month period ended 31 March 2019 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	11,285,187	53,826,691	(11,600,686)	53,511,192
Intersegment	11,262,768	337,918	(11,600,686)	-
External	22,419	53,488,773	-	53,511,192
EBITDA (Segment results)	**8,319,250**	**(2,029,671)**	**-**	**6,289,579**
Depreciation, depletion and amortization	(2,855,936)	(2,239,036)		(5,094,972)
Impairment of non-financial assets	-	(18,472)	-	(18,472)
Share of loss of associates and joint ventures	-	(19,206)	-	(19,206)
Net foreign exchange gain	(160,743)	(43,617)	-	(204,360)
Finance income (expenses), net	(55,405)	(331,189)	-	(386,594)
Income tax	(43,096)	(347,446)	-	(390,542)
Segment profit (loss)	**5,207,329**	**(5,049,202)**	**-**	**158,127**

Reportable segment results for the three month period ended 31 March 2018 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	11,072,077	53,033,313	(11,621,219)	52,484,171
Intersegment	11,038,415	582,804	(11,621,219)	-
External	33,662	52,450,509	-	52,484,171
EBITDA (Segment results)	**7,993,534**	**941,929**	**-**	**8,935,463**
Depreciation, depletion and amortization	(2,014,674)	(2,397,321)	-	(4,411,995)
Impairment of non-financial assets	(1,050)	(8,253)	-	(9,303)
Net foreign exchange gain	47,279	397,077	-	444,356
Finance income (expenses), net	48,220	(395,243)	-	(347,023)
Income tax	(25,456)	(861,439)	-	(886,895)
Segment profit (loss)	**6,022,869**	**(2,298,429)**	**-**	**3,724,440**

EBITDA for the three month period ended 31 March 2019 and 2018 is reconciled below:

	Three-month period ended 31 March	
	2019	2018
Profit for the period	158,127	3,724,440
Income tax expenses	390,542	886,895
Finance expenses	494,400	590,577
Finance income	(107,806)	(243,554)
Depreciation, depletion and amortization	5,094,972	4,411,995
Share of loss of associates and joint ventures	19,206	-
Net foreign exchange gain (loss)	204,360	(444,356)
Other expense, net	67,656	80,708
Other non-operating income, net	(31,878)	(71,242)
EBITDA	**6,289,579**	**8,935,463**

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

		Three-month period ended 31 March 2019	
	Domestic market	**Export and International sales**	**Total**
Sale of crude oil	-	-	-
Sale of gas	817,154	-	817,154
Through a retail network	-	-	-
Wholesale activities	817,154	-	817,154
Sale of petroleum products	38,127,130	11,892,214	50,019,344
Through a retail network	13,774,276	3,720,381	17,494,657
Wholesale activities	24,352,854	8,171,833	32,524,687
Sale of electricity	218,308	33,338	251,646
Lease revenue	105,683	2,454	108,137
Other sales	1,549,994	764,917	2,314,911
Total sales	**40,818,269**	**12,692,923**	**53,511,192**

		Three-month period ended 31 March 2018	
	Domestic market	**Export and International sales**	**Total**
Sale of crude oil	-	-	-
Sale of gas	414,676	-	414,676
Through a retail network	-	-	-
Wholesale activities	414,676	-	414,676
Sale of petroleum products	36,373,705	12,237,227	48,610,932
Through a retail network	12,267,996	3,454,356	15,722,352
Wholesale activities	24,105,709	8,782,871	32,888,580
Sale of electricity	82,246	1,040,102	1,122,348
Other sales	1,697,343	638,872	2,336,215
Total sales	**38,567,970**	**13,916,201**	**52,484,171**

Out of the amount of 32,524,687 RSD (2018: 32,888,580 RSD) revenue from sale of petroleum products (wholesale), the amount of 3,827,301 RSD (2018: 5,742,138 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 1,856,484 RSD (2018: 1,779,633 RSD).

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 40,818,269 RSD (2018: 38,567,970 RSD), and the total revenue from external customer from other countries is 12,692,923 RSD (2018: 13,916,201 RSD).

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

	Three-month period ended 31 March 2019	2018
Sale of crude oil	-	-
Sale of petroleum products (retail and wholesale)		
Bulgaria	3,067,992	3,493,250
Bosnia and Herzegovina	4,487,477	3,096,030
Romania	2,070,255	2,115,681
Switzerland	493,165	949,777
Croatia	222,866	580,082
Macedonia	91,020	421,147
Hungary	364,029	329,204
Great Britain	344,711	289,478
All other markets	750,699	962,578
	11,892,214	12,237,227
Sale of electricity	33,338	1,040,102
Lease revenue	2,454	-
Other sales	764,917	638,872
	12,692,923	**13,916,201**

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:

	31 March 2019	31 December 2018
Serbia	273,033,561	269,381,825
Bulgaria	7,373,316	6,934,061
Bosnia and Herzegovina	7,513,371	7,304,192
Romania	9,765,104	9,103,409
	297,685,352	**292,723,487**

6. CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Cash in bank and in hand	4,311,443	6,930,192
Deposits with original maturity of less than three months	9,848,130	6,926,396
Cash held on escrow account	16,160	1,407,735
Cash equivalents	234,620	216,507
	14,410,353	**15,480,830**

7. SHORT-TERM FINANCIAL ASSETS

	31 March 2019	31 December 2018
Short-term loans	27,563	27,433
Deposits with original maturity more than 3 months less than 1 year	3,477,930	2,123,007
Other short-term financial assets	31,970	40,304
Less impairment loss provision	(2,256)	(2,256)
	3,535,207	**2,188,488**

As at 31 March 2019 deposits with original maturity more than 3 months less than 1 year amounting to 3,477,930 RSD (31 December 2018: 2,123,007 RSD) relates to bank deposits placements with interest rates from 3.5% to 4.65% p.a. denominated in RSD (2018: 4,65% p.a.).

8. TRADE AND OTHER RECEIVABLES

	31 March 2019	31 December 2018
Trade receivables:	35,968,186	36,154,738
Other financial receivables	475,016	450,274
Accrued assets	80,440	370,858
Less credit loss allowance for trade receivables	(9,985,524)	(9,982,695)
Less credit loss allowance for other receivables	(57,576)	(59,612)
Total trade and other receivables	**26,480,542**	**26,933,563**

The Management of the Group regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Group.

Management believes that not impaired trade and other receivables and other current assets are fully recoverable.

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

	31 March 2019	31 December 2018
RSD	24,012,790	23,712,198
EUR	683,280	1,053,529
USD	193,239	698,248
Other	1,591,233	1,469,588
	26,480,542	**26,933,563**

9. INVENTORIES

	31 March 2019	31 December 2018
Crude oil	20,231,662	24,596,883
Petroleum products	16,160,115	20,155,760
Materials and supplies	7,389,187	6,959,371
Other	993,876	1,091,372
Less impairment provision	(4,891,797)	(4,947,074)
	39,883,043	**47,856,312**

10. OTHER CURRENT ASSETS

	31 March 2019	31 December 2018
Advances paid	890,535	834,950
VAT receivables	430,490	295,900
Deferred VAT	1,814,451	1,774,863
Prepaid expenses	547,885	270,456
Prepaid custom duties	6,499	4,935
Prepaid excise	2,136,469	2,818,462
Other current assets	7,826,012	7,920,632
Less impairment provision	(7,638,154)	(7,636,957)
	6,014,187	**6,283,241**

Deferred VAT as at 31 March 2019 amounting to 1,814,451 RSD (31 December 2018: 1,774,863 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 31 March 2019 amounting to 2,136,469 RSD (31 December 2018: 2,818,462 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.

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 2018						
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)
Net book value	**110,337,992**	**73,420,466**	**35,651,725**	**10,148,337**	**34,490,977**	**264,049,497**
Period ended 31 March 2018						
Additions	-	-	-	111	8,477,335	8,477,446
Acquisitions through business combinations	-	-	-	-	217,660	217,660
Changes in decommissioning obligations	38,197	-	-	-	-	38,197
Transfer from assets under construction	4,205,687	349,144	2,048,210	196,653	(6,799,694)	-
Transfer to investment property	-	-	(38,530)	-	-	(38,530)
Transfer to non-current assets held for sale	-	-	-	(5,260)	-	(5,260)
Impairment	-	-	-	-	(1,050)	(1,050)
Depreciation	(1,911,237)	(1,412,209)	(607,495)	(192,725)	(1,202)	(4,124,868)
Disposals and write-off	(3,158)	(27,487)	(3,489)	(1,290)	(53,629)	(89,053)
Other transfers	(23,320)	26	323,905	(300,611)	-	-
Translation differences	3	-	(8,873)	63	440	(8,367)
	112,644,164	**72,329,940**	**37,365,453**	**9,845,278**	**36,330,837**	**268,515,672**
As at 31 March 2018						
Cost	151,645,148	114,511,324	68,002,284	19,815,304	38,364,609	392,338,669
Depreciation and impairment	(39,000,984)	(42,181,384)	(30,636,831)	(9,970,026)	(2,033,772)	(123,822,997)
Net book value	**112,644,164**	**72,329,940**	**37,365,453**	**9,845,278**	**36,330,837**	**268,515,672**
As at 1 January 2019						
Cost	166,462,451	115,028,154	69,909,749	19,153,698	54,204,141	424,758,193
Depreciation and impairment	(47,674,989)	(46,153,659)	(32,557,309)	(9,886,290)	(2,031,400)	(138,303,647)
Net book value	**118,787,462**	**68,874,495**	**37,352,440**	**9,267,408**	**52,172,741**	**286,454,546**
Period ended 31 March 2019						
Additions	-	-	-	194	9,496,438	9,496,632
Changes in decommissioning obligations	26,481	-	-	-	-	26,481
Transfer from assets under construction	5,132,646	88,979	296,230	394,373	(5,912,228)	-
Impairment	-	-	(14,249)	-	(13,039)	(27,288)
Depreciation	(2,693,931)	(1,349,519)	(610,853)	(204,355)	(1,192)	(4,859,850)
Disposals and write-off	9,699	(614)	(5,899)	(6,057)	(66,972)	(69,843)
Transfer to right of use	(54,331)	-	(765,074)	-	-	(819,405)
Other transfers	(29,417)	757	1,212	(4,204)	32,593	941
Translation differences	(7)	-	(83,224)	197	(143,473)	(226,527)
	121,178,602	**67,614,098**	**36,170,563**	**9,447,556**	**55,564,868**	**289,975,687**
As at 31 March 2019						
Cost	171,478,052	115,109,143	68,993,896	19,539,085	57,613,992	432,734,168
Depreciation and impairment	(50,299,450)	(47,495,045)	(32,823,333)	(10,091,529)	(2,049,124)	(142,758,481)
Net book value	**121,178,602**	**67,614,098**	**36,170,563**	**9,447,556**	**55,564,868**	**289,975,687**

Capitalized borrowing costs for the three months ended 31 March 2019 include interest expense in the amount of 41,081 RSD (31 March 2018: 25,853 RSD).

12. LONG-TERM FINANCIAL ASSETS

The carrying values of the investments in associates and joint ventures as of 31 March, 2019 and 31 December, 2018 are summarised below:

		Ownership percentage	31 March 2019	31 December 2018
Energowind		50%	1,002,301	1,003,491
Gazprom energoholding Serbia doo Novi Sad	Joint venture	49%	958,881	976,897
HIP Petrohemija ad Pančevo	Joint venture	20.86%	11,572,197	11,572,197
Less Impairment provision	Associate		(11,572,197)	(11,572,197)
Total investments			**1,961,182**	**1,980,388**

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

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

Energowind

In 2013 the Group has acquired 50% of interest in a joint venture, Energowind d.o.o. which is intended to be used as a vehicle for operation of future wind farm ‘’Plandiste’’ with total capacity of 102 MW. On the date of the issuance of these Consolidated Financial Statements there have been no significant business activities. Energowind d.o.o. is a private company and there is no available quoted market price. During March 2019, MET Renewables AG aquired 50% shakes in the project from third parties and started working as a joint partner on the project with NIS.

Gazprom energoholding Serbia doo Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Serbskaya Generaciya, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years. Handing over CHP TE-TO Pancevo is expected to be completed by the 30th August 2020. During the March 2019, Serbskaya Generaciya changed company name to Gazprom energoholding Serbia.

HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds, directly more than 20,86% (12,72%) per cent of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory board.

13. OTHER NON-CURRENT ASSETS

	31 March 2019	31 December 2018
Advances paid for PPE	774,662	799,493
Prepaid expenses	144,072	151,070
Other assets	1,231,005	1,240,438
Less allowance of other assets	(373,854)	(371,817)
Less allowance for advances paid	(37,971)	(37,982)
	1,737,914	**1,781,202**

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

	31 March 2019	31 December 2018
Interest liabilities	282,951	219,326
Current portion of long-term loans (note 18)	6,335,241	6,322,562
Current portion of finance lease liabilities (note 19)	-	72,529
	6,618,192	**6,614,417**

15. TRADE AND OTHER PAYABLES

	31 March 2019	31 December 2018
Trade payables:		
- related parties	6,509,693	10,929,844
- third parties	16,925,075	15,643,711
Dividends payable	3,772,308	3,772,308
Other accounts payable	15,443	11,550
	27,222,519	**30,357,413**

As at 31 March 2019 payables to related parties amounting to 6,509,693 RSD (31 December 2018: 10,929,844 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 5,885,757 RSD mostly based on purchase of crude oil (31 December 2018: 10,243,742 RSD).

16. OTHER CURRENT LIABILITIES

	31 March 2019	31 December 2018
Contract liabilities arising from contracts with customers:		
- Advances received	1,222,352	1,456,981
- Customer loyalty	558,175	545,945
Payables to employees	4,396,646	3,888,062
Other current non-financial liabilities	12,682	65,269
	6,189,855	**5,956,257**

Revenue in the amount of 1,101,497 RSD was recognized in the current reporting period related to the contract liabilities as at 1 January 2019, of which 988,908 RSD related to advances and 112,589 RSD to customer loyalty programme.

17. OTHER TAXES PAYABLE

	31 March 2019	31 December 2018
Mineral extraction tax	336,303	378,481
VAT	3,460,105	1,424,142
Excise tax	3,295,865	5,173,979
Contribution for buffer stocks	307,263	260,905
Custom duties	697,106	323,623
Other taxes	2,033,796	2,014,203
	10,130,438	**9,575,333**

LONG-TERM DEBT

	31 March 2019	31 December 2018
Long-term loan - Gazprom Neft	23,320,047	24,738,405
Bank and other long term loans	68,323,329	68,605,682
Finance lease liabilities(note 19)	-	828,104
Other long-term borrowings	45,183	42,102
Less Current portion (note 14)	(6,335,241)	(6,395,091)
	85,353,318	**87,819,202**

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

	Three-month period ended 31 March 2019	2018
Long-term loans at 1 January	**93,344,087**	**96,103,445**
Proceeds	2,210,246	2,356,535
Repayment	(3,767,631)	(7,912,701)
Foreign exchange difference (note 22)	(143,326)	(539,806)
Long-term loans at 31 March	**91,643,376**	**90,007,473**

(a) Long-term loan - Gazprom Neft

As at 31 March 2019 long-term loan - Gazprom Neft amounting to 23,320,047 RSD (2018: 24,738,405 RSD), with current portion of 5,487,070 RSD (2018: 5,497,423 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

	31 March 2019	31 December 2018
Domestic	48,413,007	50,621,092
Foreign	19,910,322	17,984,590
	68,323,329	68,605,682
Current portion of long-term loans	(848,171)	(825,139)
	67,475,158	**67,780,543**

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

	31 March 2019	31 December 2018
Between 1 and 2 years	1,853,008	1,479,321
Between 2 and 5 years	60,855,754	61,371,002
Over 5 years	4,766,396	4,930,220
	67,475,158	**67,780,543**

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

	31 March 2019	31 December 2018
USD	341,516	361,695
EUR	67,700,618	67,947,394
RSD	450	628
JPY	280,745	295,965
	68,323,329	**68,605,682**

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 31 March 2019 and 31 December 2018, respectively.

18. LEASE LIABILITIES

	31 March 2019	31 December 2018
Non-current lease liabilities	1,254,849	-
Current lease liabilities	297,925	-
	1,552,774	**-**

At 31 December 2018 finance lease liabilities was recognised within balance sheet lines Long-term debt (note 18) and Current portion of long-term debt (note 14) in total amount of 828,104 RSD.

Movements on the Group’s liabilities from lease activities are as follows:

	Three-month period ended 31 March	
	2019	2018
As at 1 January	828,104	432,562
Changes in opening balance	790,946	-
Repayment	(82,588)	(24,425)
Non-cash transactions	12,713	337,590
Foreign exchange difference (note 22)	3,599	(139)
As at 31 March	**1,552,774**	**745,588**

19. PRODUCTION AND MANUFACTURING EXPENSES

	Three-month period ended 31 March	
	2019	2018
Employee costs	1,575,993	1,495,829
Cost of service organization	654,998	575,874
Materials and supplies (other than oil and gas)	629,890	610,427
Repair and maintenance services	1,279,906	880,017
Electricity for resale	97,631	966,311
Electricity and utilities	775,506	742,264
Safety and security expense	154,339	82,743
Insurance services	62,241	70,416
Transportation services for production	358,242	472,940
Other	(80,614)	(34,790)
	5,508,132	**5,862,031**

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended 31 March	
	2019	2018
Employee costs	2,857,318	2,682,805
Cost of service organization	887,432	839,271
Commission and agency fees	241,131	253,289
Legal, audit, and consulting services	130,247	171,432
Current repair cost	177,998	171,341
Costs on advertising and marketing	52,742	76,786
Rent expense	47,432	93,570
Business trips expense	49,800	66,611
Safety and security expense	129,998	123,935
Insurance expense	32,024	23,542
Transportation and storage	32,678	34,258
Allowance/Release of provision for doubtful accounts	(13,948)	15,209
Other	1,025,136	972,929
	5,649,988	**5,524,978**

21. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three-month period ended 31 March 2019	2018
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain (note 18 and 19)	402,935	780,030
- foreign exchange loss (note 18 and 19)	(263,208)	(240,085)
Net foreign exchange gain (loss) on operating activities	(344,087)	(95,589)
	(204,360)	**444,356**

22. FINANCE INCOME

	Three-month period ended 31 March 2019	2018
Interest on bank deposits	105,093	240,899
Interest income on loans issued	2,713	2,655
	107,806	**243,554**

23. FINANCE EXPENSES

	Three-month period ended 31 March 2019	2018
Interest expense	504,564	621,498
Decommissioning provision: unwinding of the present value	36,134	21,729
Provision of trade and other current receivables : discount	(5,217)	(26,797)
Less: interest expense capitalised on qualifying assets	(41,081)	(25,853)
	494,400	**590,577**

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 2018. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2019 the carrying value of financial assets approximates their fair value.

25. 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 643,454 RSD (31 December 2018: 657,686 RSD).

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

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 31 March 2019.

Capital commitments

As of 31 March 2019 the Group has entered into contracts to purchase property, plant and equipment for 11,959,941 RSD (31 December 2018: 15,944,407 RSD) and drilling and exploration works estimated to 61.37 USD million (31 December 2018: 69.01 USD million).

There were no other material commitments and contingent liabilities of the Group.

26. RELATED PARTY TRANSACTIONS

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

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

In the three month period ended 31 March 2019 and in the same period in 2018, 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 31 March 2019 and 31 December 2018 the outstanding balances with related parties were as follows:

As at 31 March 2019	Parent Company	Parent's subsidiaries and associates	Joint venture
Trade and other receivables	-	147,621	356,672
Investments in joint venture and associates	-	-	1,961,182
Other current assets	-	39,259	-
Trade and other payables	(5,885,757)	(622,025)	(637)
Other current liabilities	-	(2,263)	(242)
Short-term debt and current portion of long-term debt	(5,487,070)	-	-
Long-term debt	(17,832,977)	-	-
	(29,205,804)	**(437,408)**	**2,316,975**

As at 31 December 2018	Parent Company	Parent's subsidiaries and associates	Joint venture
Trade and other receivables	99	645,804	333,512
Investments in joint venture and associates	-	-	1,980,388
Other current assets	-	337,220	-
Trade and other payables	(10,243,742)	(684,856)	(1,246)
Other current liabilities	-	(90)	(199)
Short-term debt and current portion of long-term debt	(5,497,423)	-	-
Long-term debt	(19,240,982)	-	-
	(34,982,048)	**298,078**	**2,312,455**

For the three month period ended 31 March 2019 and 2018 the following transaction occurred with related parties:

Three month period ended 31 March 2019	Parent Company	Parent's subsidiaries and associates	Joint venture
Petroleum products and oil and gas sales	-	121,459	188
Other revenues	-	17,195	3,560
Purchases of oil, gas and petroleum products	(16,170,749)	(29,765)	-
Production and manufacturing expenses	-	(49,012)	-
Selling, general and administrative expenses	-	(6,408)	-
Other expenses, net	13,320	(94)	-
Finance expense	(110,753)	-	-
	(16,268,182)	**53,375**	**3,748**

Three month period ended 31 March 2018	Parent	Parent's subsidiaries and associates	Joint venture
Petroleum products and oil and gas sales	-	259,415	-
Other revenues	462	923,759	-
Purchases of oil, gas and petroleum products	(17,564,237)	(260,222)	-
Production and manufacturing expenses	-	(909,956)	-
Selling, general and administrative expenses	-	(1,035)	-
Other expenses, net	(14,904)	(217)	-
Finance expense	(131,075)	-	-
	(17,709,754)	**11,744**	**-**

Transactions with Key Management Personnel

For the three month period ended on 31 March 2019 and 2018 the Group recognized 225,797 RSD and 246,309 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.

Statement of Individuals Responsible for the Preparation of Financial Statements

We hereby state that, to our best knowledge, the interim financial reports have been prepared in compliance with the applicable international financial reporting standards, and also in compliance with the Law on Accounting ('Official Gazette of the Republic of Serbia' no. 62/2013 and 30/2018), which requires full scope of IFRS to be applied as well as the regulations issued by the Ministry of Finance of the Republic of Serbia[72] and that they show true and objective information on the assets, liabilities, profit and loss, financial position and operations of the Company, including subsidiaries encompassed by the consolidated statements.

Anton Cherepanov		Branko Mitrović
	(Stamp)	
Deputy General Director, Head of Function for Finance, Economics, Planning and Accounting NIS j.s.c. Novi Sad		Director of Accounting Department, Function for Finance, Economics, Planning and Accounting NIS j.s.c. Novi Sad

[72] Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

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

Contacts

NIS j.s.c. Novi Sad

E-mail: office@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia
(+381 21) 481 1111

1, Milentija Popovića St.
11000 Belgrade, Serbia
(+381 11) 311 3311

Investor Relations

E-mail: Investor.Relations@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia

Sector for Minority Shareholders Affairs

E-mail: servis.akcionara@nis.eu

12, Narodnog fronta St.
21000 Novi Sad, Serbia
Info Service: (+381 11) 22 000 55

The Report contains statements on uncertain future events. Statements on uncertain future events involve statements which are not historical facts, statements with regard to the NIS Group's intentions, beliefs or current expectations related to, inter alia, the NIS Group's business results, financial standing and liquidity, prospects, growth, strategies and industrial sectors in which the NIS Group does business. For the reason that they relate to the events and depend on the circumstances which may or may not realize in the future, statements on uncertain future events by their nature involve risks and uncertainty, including, but without limitation to risks and uncertainties that the NIS Group has identified in other publicly available documents. NIS Group hereby warns that there are no guarantees that the statements on uncertain future events will be realized in the future and that actual business results, financial standing and liquidity, as well as the development of the industrial sector in which the NIS Group does business, may considerably differ from the ones represented or assumed by statements on uncertain future events. In addition, even if the NIS Group's business results, its financial standing and liquidity, and the development of the industrial sector in which the NIS Group does business happen to comply with the statements on uncertain future events contained herein, the results and development are not indicative of the results and development in upcoming periods. The information contained herein has been presented on the date of the Report and may be changed without prior announcement.