



**Naftna industrija Srbije A.D.**

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

30 June 2015

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## NIS Group

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Assets	Note	30 June 2015	31 December 2014
		<i>(unaudited)</i>	
<b>Current assets</b>			
Cash and cash equivalents	6	10,985,904	8,326,704
Short-term financial assets		148,690	6,413
Trade and other receivables	7	51,583,013	51,690,689
Inventories	8	27,830,008	39,130,966
Current income tax prepayments		4,206,336	2,656,695
Other current assets	9	5,281,302	7,841,611
<b>Total current assets</b>		<b>100,035,253</b>	<b>109,653,078</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	237,162,900	232,389,851
Investment property		1,584,194	1,381,832
Goodwill and other intangible assets		7,311,801	7,494,340
Investments in joint venture		1,008,221	1,008,221
Trade and other non-current receivables		75,362	72,680
Long-term financial assets		496,888	240,698
Deferred tax assets		7,421,671	7,834,202
Other non-current assets	11	3,663,271	4,572,897
<b>Total non-current assets</b>		<b>258,724,308</b>	<b>254,994,721</b>
<b>Total assets</b>		<b>358,759,561</b>	<b>364,647,799</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	12	16,144,047	14,832,341
Trade and other payables	13	43,764,278	43,751,998
Other current liabilities	14	3,954,952	5,322,163
Other taxes payable	15	9,614,775	9,031,015
Provisions for liabilities and charges		2,290,293	2,508,552
<b>Total current liabilities</b>		<b>75,768,345</b>	<b>75,446,069</b>
<b>Non-current liabilities</b>			
Long-term debt	16	89,873,288	93,588,043
Deferred tax liabilities		2,939,958	2,980,602
Provisions for liabilities and charges		9,230,426	9,012,584
<b>Total non-current liabilities</b>		<b>102,043,672</b>	<b>105,581,229</b>
<b>Equity</b>			
Share capital	17	81,530,200	81,530,200
Reserves		(434,970)	(452,813)
Retained earnings		100,019,591	102,696,156
<b>Equity attributable to the Company's owners</b>		<b>181,114,821</b>	<b>183,773,543</b>
Non-controlling interest		(167,277)	(153,042)
<b>Total equity</b>		<b>180,947,544</b>	<b>183,620,501</b>
<b>Total liabilities and shareholder's equity</b>		<b>358,759,561</b>	<b>364,647,799</b>

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

Kirill Kravchenko  
CEO

27 July 2015



Anton Fyodorov  
CEO Deputy, Head of Function for Finance,  
Economics, Planning and Accounting

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## NIS Group

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

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

	Note	Six month period ended 30 June	
		2015	2014
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products and oil and gas sales		99,132,126	118,895,528
Other revenues		4,266,577	3,746,368
<b>Total revenue from sales</b>	<b>5</b>	<b>103,398,703</b>	<b>122,641,896</b>
Purchases of oil, gas and petroleum products	18	(58,957,117)	(67,270,837)
Production and manufacturing expenses	19	(9,422,209)	(8,673,790)
Selling, general and administrative expenses	20	(10,776,522)	(10,679,187)
Transportation expenses		(368,842)	(520,655)
Depreciation, depletion and amortization		(6,789,017)	(6,189,727)
Taxes other than income tax		(2,629,035)	(2,885,577)
Exploration expenses		(6,972)	(979,511)
<b>Total operating expenses</b>		<b>(88,949,714)</b>	<b>(97,199,284)</b>
Other expenses, net		(853,256)	(922,862)
<b>Operating profit</b>		<b>13,595,733</b>	<b>24,519,750</b>
Net foreign exchange loss		(5,562,495)	(1,409,455)
Finance income		133,976	128,726
Finance expenses		(1,731,606)	(1,815,490)
<b>Total other expense</b>		<b>(7,160,125)</b>	<b>(3,096,219)</b>
<b>Profit before income tax</b>		<b>6,435,608</b>	<b>21,423,531</b>
Current income tax expense		(1,113,367)	(3,032,782)
Deferred tax expense		(372,131)	(1,411,016)
<b>Total income tax expense</b>		<b>(1,485,498)</b>	<b>(4,443,798)</b>
<b>Profit for the period</b>		<b>4,950,110</b>	<b>16,979,733</b>
<b>Other comprehensive loss:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in value of available-for-sale financial assets		18,497	7,234
Currency translation differences		(119)	(68,138)
		18,378	(60,904)
<b>Other comprehensive income (loss) for the period</b>		<b>18,378</b>	<b>(60,904)</b>
<b>Total comprehensive income for the period</b>		<b>4,968,488</b>	<b>16,918,829</b>

(continued)

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**NIS Group**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER**  
**COMPREHENSIVE INCOME (continued)**

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

	<b>Six month period ended</b>	
	<b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Profit attributable to:</b>		
- Shareholders of Naftna Industrija Srbije	4,964,880	17,074,886
- Non-controlling interest	(14,770)	(95,153)
<b>Profit for the period</b>	<b>4,950,110</b>	<b>16,979,733</b>
<b>Total comprehensive income (loss) attributable to:</b>		
- Shareholders of Naftna Industrija Srbije	4,982,723	17,014,573
- Non-controlling interest	(14,235)	(95,744)
<b>Total comprehensive income (loss) for the period</b>	<b>4,968,488</b>	<b>16,918,829</b>
<b>Earnings per share attributable to shareholders of Naftna Industrija Srbije</b>		
- Basic earnings (RSD per share)	30.45	104.72
Weighted average number of ordinary shares in issue (in millions)	163	163

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

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**NIS Group**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Six month period ended 30 June 2015 and 2014  
*(All amounts are in 000 RSD, unless otherwise stated)*

	Note	Equity attributable to the Company's owners			Non-controlling interest	Total equity
		Share capital	Reserves	Retained earnings		
<i>(unaudited)</i>						
<b>Balance as at 1 January 2014</b>		<b>81,530,200</b>	<b>(98,174)</b>	<b>87,564,495</b>	<b>168,996,521</b>	<b>168,953,102</b>
Profit / (loss) for the period		-	-	17,074,886	17,074,886	16,979,733
<b>Other comprehensive income / (loss)</b>						
Change in value of available-for-sale financial assets		-	7,234	-	7,234	7,234
Currency translation differences		-	(67,547)	-	(67,547)	(68,138)
<b>Total comprehensive income (loss) for the period</b>		-	<b>(60,313)</b>	<b>17,074,886</b>	<b>17,014,573</b>	<b>16,918,829</b>
Dividend distribution		-	-	(13,080,705)	(13,080,705)	(13,080,705)
<b>Total transaction with owners, recorded in equity</b>		-	-	<b>(13,080,705)</b>	<b>(13,080,705)</b>	<b>(13,080,705)</b>
Other		-	(65)	(1,955)	(2,020)	(2,059)
<b>Balance as at 30 June 2014</b>		<b>81,530,200</b>	<b>(158,552)</b>	<b>91,556,721</b>	<b>172,928,369</b>	<b>172,789,167</b>
<b>Balance as at 1 January 2015</b>		<b>81,530,200</b>	<b>(452,813)</b>	<b>102,696,156</b>	<b>183,773,543</b>	<b>183,620,501</b>
Profit / (loss) for the period		-	-	4,964,880	4,964,880	4,950,110
<b>Other comprehensive income / (loss)</b>						
Change in value of available-for-sale financial assets		-	18,497	-	18,497	18,497
Currency translation differences		-	(654)	-	(654)	(119)
<b>Total comprehensive income (loss) for the period</b>	13	-	<b>17,843</b>	<b>4,964,880</b>	<b>4,982,723</b>	<b>4,968,488</b>
Dividend distribution		-	-	(7,639,380)	(7,639,380)	(7,639,380)
<b>Total transaction with owners, recorded in equity</b>		-	-	<b>(7,639,380)</b>	<b>(7,639,380)</b>	<b>(7,639,380)</b>
Other		-	-	(2,065)	(2,065)	(2,065)
<b>Balance as at 30 June 2015</b>		<b>81,530,200</b>	<b>(434,970)</b>	<b>100,019,591</b>	<b>181,114,821</b>	<b>180,947,544</b>

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**NIS Group**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

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

	Six month period ended 30 June	
	2015	2014
Note	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	6,435,608	21,423,531
Adjustments for:		
Finance costs	1,731,606	1,815,490
Finance income	(133,976)	(128,726)
Depreciation, depletion and amortization	6,789,017	6,189,727
Adjustments for other provisions	199,536	393,646
Allowance for doubtful accounts	72,285	1,697,995
Payables write off	(275,187)	(5,531)
Net unrealised foreign exchange losses, net	4,214,557	1,461,252
Other non-cash items	279,719	921,833
	<b>12,877,557</b>	<b>12,345,686</b>
<i>Changes in working capital:</i>		
Trade and other receivables	97,288	330,851
Inventories	11,300,958	(9,078,324)
Other current assets	2,225,748	(4,730,168)
Trade payables and other current liabilities	(5,316,547)	(13,583,910)
Other taxes payable	580,236	1,584,312
	<b>8,887,683</b>	<b>(25,477,239)</b>
Income taxes paid	(2,661,258)	(5,577,618)
Interest paid	(1,498,274)	(1,389,020)
Interest received	259,547	292,066
	<b>(3,899,985)</b>	<b>(6,674,572)</b>
<b>Net cash generated by operating activities</b>	<b>24,300,863</b>	<b>1,617,406</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries or other business, net of cash acquired	-	(535,143)
Loans issued	(386,333)	-
Capital expenditures	(14,685,113)	(19,939,109)
Proceeds from sale of property, plant and equipment	81,652	132,214
Other inflow (outflow)	37	(992)
<b>Net cash used in investing activities</b>	<b>(14,989,757)</b>	<b>(20,343,030)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	15,918,666	20,957,402
Repayment of borrowings	(22,523,400)	(5,054,069)
<b>Net cash (used in) generated by financing activities</b>	<b>(6,604,734)</b>	<b>15,903,333</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,706,372</b>	<b>(2,822,291)</b>
Effect of foreign exchange on cash and cash equivalents	(47,172)	(69,912)
<b>Cash and cash equivalents as of the beginning of the period</b>	<b>8,326,704</b>	<b>8,707,775</b>
<b>Cash and cash equivalents as of the end of the period</b>	<b>10,985,904</b>	<b>5,815,572</b>

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

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## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015**

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

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

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

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

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 OAO 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%.

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

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

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

##### **2.1. Basis of preparation**

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

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

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

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



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

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

### 2.2. Changes in significant accounting policies

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

### 2.3. Application of new IFRS

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

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

### 3.1. Economic Environment in the Russian Federation

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

## 4. NEW ACCOUNTING STANDARDS

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

***Amendments to the IFRS for Small and Medium-Sized Entities*** (issued in May 2015 and effective for annual periods beginning on or after January 1, 2017) relate to transactions commonly encountered by SMEs which are: permitting SMEs to use a revaluation model for property, plant and equipment; and aligning the main recognition and measurement requirements for deferred income tax with IAS 12 Income Taxes.

No other new documents were issued during the six months period ended 30 June 2015.

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

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015

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

#### 5. SEGMENT INFORMATION

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

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

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

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

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

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

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	28,924,193	102,192,824	(27,718,314)	103,398,703
Intersegment	26,945,653	772,661	(27,718,314)	-
External	1,978,540	101,420,163	-	103,398,703
EBITDA (Segment results)	21,410,985	(402,191)	-	21,008,794
Depreciation, depletion and amortization	(2,134,025)	(4,654,992)	-	(6,789,017)
Impairment losses	-	(200,994)	-	(200,994)
Net foreign exchange gain (loss)	4,637	(5,567,132)	-	(5,562,495)
Finance expenses, net	(60,641)	(1,536,989)	-	(1,597,630)
Income tax	(49,612)	(1,435,886)	-	(1,485,498)
Segment profit (loss)	18,455,140	(13,505,030)	-	4,950,110

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

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	43,439,389	120,117,575	(40,915,068)	122,641,896
Intersegment	40,537,560	377,508	(40,915,068)	-
External	2,901,829	119,740,067	-	122,641,896
EBITDA (Segment results)	34,874,165	(3,976,140)	-	30,898,025
Depreciation, depletion and amortization	(1,923,286)	(4,266,441)	-	(6,189,727)
Impairment gain	8	24,183	-	24,191
Net foreign exchange loss	(54,892)	(1,354,563)	-	(1,409,455)
Finance expenses, net	(150,742)	(1,536,022)	-	(1,686,764)
Income tax	(389,734)	(4,054,064)	-	(4,443,798)
Segment profit (loss)	32,079,878	(15,100,145)	-	16,979,733

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**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015**

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

**5. SEGMENT INFORMATION (continued)**

EBITDA for the six month period ended 30 June 2015 and 2014 is reconciled below:

	<b>Six month period ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
Profit for the period	4,950,110	16,979,733
Income tax expenses	1,485,498	4,443,798
Finance expenses	1,731,606	1,815,490
Finance income	(133,976)	(128,726)
Depreciation, depletion and amortization	6,789,017	6,189,727
Net foreign exchange loss	5,562,495	1,409,455
Other expense, net	853,256	922,862
Other non-operating expense, net*	(229,212)	(734,314)
<b>EBITDA</b>	<b>21,008,794</b>	<b>30,898,025</b>

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

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

	<b>Six month period ended 30 June 2015</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	-	1,740,490	1,740,490
Sale of gas	4,770,769	-	4,770,769
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	4,770,769	-	4,770,769
Sale of petroleum products	73,373,633	19,247,234	92,620,867
<i>Through a retail network</i>	23,162,461	-	23,162,461
<i>Wholesale activities</i>	50,211,172	19,247,234	69,458,406
Other sales	2,417,336	1,849,241	4,266,577
<b>Total sales</b>	<b>80,561,738</b>	<b>22,836,965</b>	<b>103,398,703</b>
	<b>Six month period ended 30 June 2014</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	-	2,592,771	2,592,771
Sale of gas	2,089,983	-	2,089,983
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	2,089,983	-	2,089,983
Sale of petroleum products	91,160,445	23,052,329	114,212,774
<i>Through a retail network</i>	27,718,400	-	27,718,400
<i>Wholesale activities</i>	63,442,045	23,052,329	86,494,374
Other sales	2,288,173	1,458,195	3,746,368
<b>Total sales</b>	<b>95,538,601</b>	<b>27,103,295</b>	<b>122,641,896</b>

Out of the amount of 69,458,406 RSD (six month period ended 30 June 2014: 86,494,374 RSD) revenue from sale of petroleum products (wholesale), the amount of 8,888,980 RSD (six month period ended 30 June 2014: 15,342,789 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***5. SEGMENT INFORMATION (continued)**

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 2,828,881 RSD (six month period ended 30 June 2014: 2,787,667 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 80,561,738 RSD (six month period ended 30 June 2014: 95,538,601 RSD), and the total of revenue from external customer from other countries is 22,836,965 RSD (six month period ended 30 June 2014: 27,103,295 RSD). The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	<b>Six month period ended</b>	
	<b>30 June</b>	
	<b>2015</b>	<b>2014</b>
Sale of crude oil	1,740,490	2,592,771
Sale of petroleum products (retail and wholesale)		
Bulgaria	5,098,773	4,820,617
Bosnia and Herzegovina	4,310,182	4,254,439
Romania	2,748,444	2,817,563
All other markets	7,089,835	11,159,710
	<u>19,247,234</u>	<u>23,052,329</u>
Other sales	1,849,241	1,458,195
	<u><b>22,836,965</b></u>	<u><b>27,103,295</b></u>

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

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

	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
Serbia	223,055,311	218,176,386
Bulgaria	8,130,218	8,524,519
Bosnia and Herzegovina	8,346,496	8,296,363
Romania	6,526,870	6,268,690
Hungary	-	65
	<u><b>246,058,895</b></u>	<u><b>241,266,023</b></u>

**6. CASH AND CASH EQUIVALENTS**

	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
Cash in bank and in hand	8,562,880	5,117,100
Deposits with original maturity of less than three months	586,331	1,317,248
Cash held on escrow account	1,599,410	1,636,805
Cash equivalents	237,283	255,551
	<u><b>10,985,904</b></u>	<u><b>8,326,704</b></u>

Cash held on escrow accounts as of 30 June 2015 amounting to 1,599,410 RSD (31 December 2014: 1,636,805 RSD) relates to deposited funds in accordance with share purchase agreement with Energowind doo (through which the operation of future wind farm 'Plandiste' will be managed).

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***7. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Trade receivables:		
- related parties	34,022	36,398
- third parties	68,249,136	70,830,997
	<u>68,283,158</u>	<u>70,867,395</u>
Accrued assets	1,087,743	16,268
Other receivables	10,416,487	10,391,642
	<u>79,787,388</u>	<u>81,275,305</u>
Less impairment provision	(28,204,375)	(29,584,616)
<b>Total trade and other receivables</b>	<b><u>51,583,013</u></b>	<b><u>51,690,689</u></b>

The ageing of trade and other receivables is as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Neither impaired nor past due	26,729,436	24,050,369
Past due but not impaired:		
within 30 days:	4,517,224	4,122,003
1 to 3 months	3,822,555	2,027,385
3 months to 1 year	5,469,550	10,417,402
over 1 year	11,044,248	11,073,530
<b>Total</b>	<b><u>51,583,013</u></b>	<b><u>51,690,689</u></b>

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

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
RSD	65,710,983	68,417,996
EUR	10,648,222	10,733,307
USD	2,487,910	1,351,117
Other	940,273	772,885
	<u>79,787,388</u>	<u>81,275,305</u>

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***7. TRADE AND OTHER RECEIVABLES (continued)**

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

	Trade receivables		Other receivables	Total
	Individually impaired	Collectively impaired	Individually impaired	
<b>As at 1 January 2014</b>	17,481,016	4,374,251	7,827,614	29,682,881
Provision for receivables impairment	62,677	194,348	-	257,025
Unused amounts reversed	(155,160)	(267,109)	-	(422,269)
Receivables written off during the year as uncollectible	-	(32,028)	-	(32,028)
Other	(551,959)	531,749	78,057	57,847
<b>As at 30 June 2014</b>	<b>16,836,574</b>	<b>4,801,211</b>	<b>7,905,671</b>	<b>29,543,456</b>
<b>As at 1 January 2015</b>	17,387,912	4,044,312	8,152,392	29,584,616
Provision for receivables impairment	43,034	73,332	-	116,366
Unused amounts reversed	(38,164)	(91,699)	-	(129,863)
Receivables written off during the year as uncollectible	(1,317,897)	(22,520)	-	(1,340,417)
Other	(205,428)	202,966	(23,865)	(26,327)
<b>As at 30 June 2015</b>	<b>15,869,457</b>	<b>4,206,391</b>	<b>8,128,527</b>	<b>28,204,375</b>

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

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

**8. INVENTORIES**

	30 June 2015	31 December 2014
Crude oil	12,848,206	21,306,426
Gas	-	161,206
Petroleum products	12,464,436	14,487,028
Materials and supplies	7,988,683	8,529,435
Other	646,475	802,531
Less impairment provision	(6,117,792)	(6,155,660)
	<b>27,830,008</b>	<b>39,130,966</b>

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***9. OTHER CURRENT ASSETS**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Advances paid	736,117	668,211
VAT receivables	214,755	163,230
Deferred VAT	1,580,299	2,241,351
Prepaid expenses	273,883	137,615
Prepaid custom duties	52,094	52,281
Prepaid excise	1,990,984	4,323,747
Other current assets	21,445,275	21,258,939
Less impairment provision	(21,012,105)	(21,003,763)
	<b>5,281,302</b>	<b>7,841,611</b>

Deferred VAT as at 30 June 2015 amounting to 1,580,299 RSD (31 December 2014: 2,241,351 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 June 2015 amounting to 1,990,984 RSD (31 December 2014: 4,323,747 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

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

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

	<b>Advances paid</b>	<b>Other current assets</b>	<b>Total</b>
<b>As at 1 January 2014</b>	253,069	17,706,623	17,959,692
Provision for receivables impairment	3,091	1,916,720	1,919,811
Unused amounts reversed	(9,979)	(52,197)	(62,176)
Other	54	(81,713)	(81,659)
<b>As at 30 June 2014</b>	<b>246,235</b>	<b>19,489,433</b>	<b>19,735,668</b>
<b>As at 1 January 2015</b>	244,828	20,758,935	21,003,763
Provision for receivables impairment	789	100,177	100,966
Unused amounts reversed	(4,207)	(10,977)	(15,184)
Other	(845)	(76,595)	(77,440)
<b>As at 30 June 2015</b>	<b>240,565</b>	<b>20,771,540</b>	<b>21,012,105</b>

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**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015**

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

**10. PROPERTY, PLANT AND EQUIPMENT**

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2014</b>						
Cost	58,161,373	108,204,314	44,958,981	19,127,652	45,176,238	275,628,558
Depreciation and impairment	(17,442,672)	(28,192,781)	(13,015,775)	(7,989,794)	(4,055,015)	(70,696,037)
<b>Net book value</b>	<b>40,718,701</b>	<b>80,011,533</b>	<b>31,943,206</b>	<b>11,137,858</b>	<b>41,121,223</b>	<b>204,932,521</b>
<b>Period ended 30 June 2014</b>						
Additions	8,629,858	1,299,117	2,179,203	251,714	5,606,537	17,966,429
Acquisitions through business combinations	-	-	-	-	461,219	461,219
Impairment	-	-	(37,097)	-	(15,366)	(52,463)
Depreciation	(1,759,518)	(2,600,214)	(1,006,820)	(359,267)	(164)	(5,725,983)
Transfer from investment property	35,121	9,358	28,439	7,399	-	80,317
Disposals and write-off	(13,706)	(323)	(58,335)	(38,241)	(1,091,450)	(1,202,055)
Other transfers	254,674	(585,232)	(105,211)	441,351	(313,828)	(308,246)
Translation differences	60	-	205,794	-	57,641	263,495
<b>As at 30 June 2014</b>	<b>47,865,190</b>	<b>78,134,239</b>	<b>33,149,179</b>	<b>11,440,814</b>	<b>45,825,812</b>	<b>216,415,234</b>
<b>As at 1 January 2015</b>						
Cost	66,972,093	108,841,622	47,052,666	19,815,615	49,887,202	292,569,198
Depreciation and impairment	(19,106,903)	(30,707,383)	(13,903,487)	(8,374,801)	(4,061,390)	(76,153,964)
<b>Net book value</b>	<b>47,865,190</b>	<b>78,134,239</b>	<b>33,149,179</b>	<b>11,440,814</b>	<b>45,825,812</b>	<b>216,415,234</b>
<b>Period ended 30 June 2015</b>						
Additions	7,872,396	2,220,364	1,095,610	157,601	499,624	11,845,595
Impairment	-	(13,670)	(147,634)	-	(65,609)	(226,913)
Depreciation	(1,960,882)	(2,851,376)	(1,066,233)	(394,893)	(2,494)	(6,275,878)
Transfer to intangible assets	-	-	34,115	-	(196,961)	(162,846)
Transfer to investment property	(39,029)	(9,838)	(2,305)	(180,595)	-	(182,900)
Disposals and write-off	(22,648)	(2,966)	(23,083)	(73,160)	(37,825)	(182,935)
Other transfers	-	-	(539)	37,092	-	10,939
Translation differences	(2)	-	(39,229)	-	(12,782)	(52,013)
<b>As at 30 June 2015</b>	<b>67,075,970</b>	<b>81,042,830</b>	<b>34,278,478</b>	<b>11,217,957</b>	<b>43,547,665</b>	<b>237,162,900</b>
<b>As at 30 June 2015</b>						
Cost	90,056,793	116,754,474	50,265,517	20,135,541	46,358,904	323,571,229
Depreciation and impairment	(22,980,823)	(35,711,644)	(15,987,039)	(8,917,584)	(2,811,239)	(86,408,329)
<b>Net book value</b>	<b>67,075,970</b>	<b>81,042,830</b>	<b>34,278,478</b>	<b>11,217,957</b>	<b>43,547,665</b>	<b>237,162,900</b>

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

**10. PROPERTY, PLANT AND EQUIPMENT (continued)****Oil and gas production assets**

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
<b>As at 1 January 2014</b>						
Cost	13,222,087	13,397,107	26,619,194	58,161,373	33,510	84,814,077
Depreciation and impairment	(10,867)	(238,059)	(248,926)	(17,442,672)	(20,267)	(17,711,865)
<b>Net book amount</b>	<b>13,211,220</b>	<b>13,159,048</b>	<b>26,370,268</b>	<b>40,718,701</b>	<b>13,243</b>	<b>67,102,212</b>
<b>Period ended 30 June 2014</b>						
Additions	3,511,578	8,749,013	12,260,591	-	-	12,260,591
Transfer from asset under construction	(1,934,990)	(6,628,600)	(8,563,590)	8,629,858	(66,266)	-
Other transfers	50,118	(278,488)	(228,370)	254,674	66,187	92,491
Depreciation and depletion	(2,265)	-	(2,265)	(1,759,518)	-	(1,761,783)
Transfer from investment property	-	-	-	35,121	-	35,121
Disposals and write-off	(1,015,931)	(242,981)	(1,258,912)	(13,706)	-	(1,272,618)
Translation differences	32,293	-	32,293	60	-	32,353
<b>As at 30 June 2014</b>	<b>13,852,023</b>	<b>14,757,992</b>	<b>28,610,015</b>	<b>47,865,190</b>	<b>13,162</b>	<b>76,488,367</b>
<b>As at 30 June 2014</b>						
Cost	13,865,228	14,996,051	28,861,279	66,972,093	33,472	95,866,844
Depreciation and impairment	(13,205)	(238,059)	(251,264)	(19,106,903)	(20,310)	(19,378,477)
<b>Net book amount</b>	<b>13,852,023</b>	<b>14,757,992</b>	<b>28,610,015</b>	<b>47,865,190</b>	<b>13,162</b>	<b>76,488,367</b>
<b>As at 1 January 2015</b>						
Cost	18,087,173	13,477,995	31,565,168	82,284,653	33,457	113,883,278
Depreciation and impairment	(17,291)	(253,585)	(270,876)	(21,058,518)	(20,359)	(21,349,753)
<b>Net book amount</b>	<b>18,069,882</b>	<b>13,224,410</b>	<b>31,294,292</b>	<b>61,226,135</b>	<b>13,098</b>	<b>92,533,525</b>
<b>Period ended 30 June 2015</b>						
Additions	1,785,780	8,308,729	10,094,509	-	-	10,094,509
Transfer from asset under construction	(208,626)	(7,663,770)	(7,872,396)	7,872,396	-	-
Other transfers	(687,195)	595,911	(91,284)	(22,648)	(30)	(113,962)
Depreciation and depletion	(2,494)	-	(2,494)	(1,960,882)	-	(1,963,376)
Disposals and write-off	(34,993)	-	(34,993)	(39,029)	(49)	(74,071)
Translation differences	(4,372)	(7,757)	(12,129)	(2)	-	(12,131)
<b>As at 30 June 2015</b>	<b>18,917,982</b>	<b>14,457,523</b>	<b>33,375,505</b>	<b>67,075,970</b>	<b>13,019</b>	<b>100,464,494</b>
<b>As at 30 June 2015</b>						
Cost	18,936,408	14,695,962	33,632,370	90,056,793	33,378	123,722,541
Depreciation and impairment	(18,426)	(238,439)	(256,865)	(22,980,823)	(20,359)	(23,258,047)
<b>Net book amount</b>	<b>18,917,982</b>	<b>14,457,523</b>	<b>33,375,505</b>	<b>67,075,970</b>	<b>13,019</b>	<b>100,464,494</b>

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***11. OTHER NON-CURRENT ASSETS**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Advances paid for PPE	1,604,023	2,468,780
Prepaid expenses	937,807	977,478
Other assets	1,150,698	1,155,896
Less impairment provision	(29,257)	(29,257)
	<b>3,663,271</b>	<b>4,572,897</b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Short-term loans	2,894,530	8,600,112
Interest liabilities	133,823	130,902
Current portion of long-term loans (note 16)	13,114,830	6,100,504
Current portion of finance lease liabilities (note 16)	864	823
	<b>16,144,047</b>	<b>14,832,341</b>

**13. TRADE AND OTHER PAYABLES**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Trade payables		
- related parties	20,783,378	20,253,500
- third parties	11,497,769	19,650,382
Dividends payable	11,411,688	3,772,308
Other accounts payable	71,443	75,808
	<b>43,764,278</b>	<b>43,751,998</b>

As at 30 June 2015 payables to related parties amounting to 20,783,378 RSD (31 December 2014: 20,253,500 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 20,754,722 RSD (31 December 2014: 20,122,243 RSD), for the purchase of crude oil.

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

**14. OTHER CURRENT LIABILITIES**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Advances received	1,021,449	1,589,530
Payables to employees	2,826,978	3,639,272
Accruals and deferred income	18,164	40,179
Other current non-financial liabilities	88,361	53,182
	<b>3,954,952</b>	<b>5,322,163</b>

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**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015**

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

**15. OTHER TAXES PAYABLE**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Mineral extraction tax	415,446	407,990
VAT	2,339,817	354,270
Excise tax	4,287,874	4,909,246
Contribution for buffer stocks	251,437	583,400
Custom duties	193,743	414,925
Other taxes	2,126,458	2,361,184
	<b>9,614,775</b>	<b>9,031,015</b>

**16. LONG-TERM DEBT**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Long-term loan - Gazprom Neft	44,875,982	47,820,723
Bank loans	57,835,747	51,604,833
Finance lease liabilities	200,321	199,738
Other long-term borrowings	76,932	64,076
Less Current portion	(13,115,694)	(6,101,327)
	<b>89,873,288</b>	<b>93,588,043</b>

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

As at 30 June 2015 long-term loan - Gazprom Neft amounting to 44,875,982 RSD (372,093,029 EUR) (2014: 47,820,723 RSD), with current portion of 5,609,498 RSD (2014: 5,625,967 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

*(b) Bank loans*

	<b>30 June 2015</b>	<b>31 December 2014</b>
Domestic	7,121,926	7,175,319
Foreign	50,713,821	44,429,514
	57,835,747	51,604,833
Current portion of long-term loans	(7,505,332)	(474,537)
	<b>50,330,415</b>	<b>51,130,296</b>

The maturity of bank loans was as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Between 1 and 2 years	8,616,944	6,969,316
Between 2 and 5 years	36,361,477	38,525,058
Over 5 years	5,351,994	5,635,922
	<b>50,330,415</b>	<b>51,130,296</b>

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***16. LONG-TERM DEBT (continued)***(b) Bank loans (continued)*

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
USD	51,786,830	45,401,219
EUR	5,674,177	5,840,104
RSD	1,343	1,520
JPY	373,397	361,990
	<b>57,835,747</b>	<b>51,604,833</b>

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

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

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

<b>Creditor</b>	<b>Currency</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
<b><i>Domestic long-term loans</i></b>			
Erste bank, Novi Sad	USD	336,199	319,049
Erste bank, Novi Sad	EUR	444,263	457,835
Bank Postanska stedionica, Belgrade	EUR	218,270	224,938
Bank Postanska stedionica, Belgrade	USD	1,821,682	1,728,210
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,300,169	4,443,767
Other loans	RSD	1,343	1,520
		<b>7,121,926</b>	<b>7,175,319</b>
<b><i>Foreign long-term loans</i></b>			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	611,617	584,396
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	373,397	361,990
Erste bank, Holland	USD	7,002,476	6,465,167
VUB (Bank Intesa), Slovakia	USD	16,159,560	14,919,615
NBG bank, Great Britain	USD	8,079,780	4,973,205
Sberbank Europe AG, Viena, Austria	USD	17,775,516	16,411,577
NeftgazInKor, Russian Federation	EUR	402,336	403,517
Neftgazovaja Inovacionnaja Korporacija, Russian Federation	EUR	309,139	310,047
		<b>50,713,821</b>	<b>44,429,514</b>
		<b>(7,505,332)</b>	<b>(474,537)</b>
		<b>50,330,415</b>	<b>51,130,296</b>

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***16. LONG-TERM DEBT (continued)***(b) Bank loans (continued)*

	Currency	Current portion		Long-term	
		30 June 2015	31 December 2014	30 June 2015	31 December 2014
<b>Domestic long - term loans</b>					
Erste bank, Novi Sad	USD	20,651	17,872	315,548	301,177
Erste bank, Novi Sad	EUR	27,033	25,376	417,230	432,459
Bank Postanska stedionica, Belgrade	EUR	13,282	12,468	204,988	212,470
Bank Postanska stedionica, Belgrade	USD	110,849	95,789	1,710,833	1,632,421
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	261,179	261,946	4,038,990	4,181,821
Other loans	RSD	281	345	1,062	1,175
		<b>433,275</b>	<b>413,796</b>	<b>6,688,651</b>	<b>6,761,523</b>
<b>Foreign long-term loans</b>					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	46,860	40,677	564,757	543,719
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	22,721	20,064	350,676	341,926
Erste bank, Holland	USD	7,002,476	-	-	6,465,167
VUB (Bank Intesa), Slovakia	USD	-	-	16,159,560	14,919,615
NBG bank, Great Britain	USD	-	-	8,079,780	4,973,205
Sberbank Europe AG, Viena, Austria	USD	-	-	17,775,516	16,411,577
NeftgazInKor, Russian Federation	EUR	-	-	402,336	403,517
Neftgazovaja Inovacionnaja Korporacija, Russian Federation	EUR	-	-	309,139	310,047
		<b>7,072,057</b>	<b>60,741</b>	<b>43,641,764</b>	<b>44,368,773</b>
		<b>7,505,332</b>	<b>474,537</b>	<b>50,330,415</b>	<b>51,130,296</b>

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

**17. SHARE CAPITAL**

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

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

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS**

	Six month period ended 30 June	
	2015	2014
Crude oil	42,798,278	52,576,237
Petroleum products	15,942,885	14,657,719
Other	215,954	36,881
	<b>58,957,117</b>	<b>67,270,837</b>

**19. PRODUCTION AND MANUFACTURING EXPENSES**

	Six month period ended 30 June	
	2015	2014
Employee costs	3,433,378	3,474,138
Materials and supplies (other than purchased oil, petroleum products and gas)	1,379,673	880,282
Repair and maintenance services	1,454,296	1,251,787
Electricity and utilities	1,891,122	1,473,063
Safety and security expense	58,902	48,874
Transportation services for production	842,014	663,982
Other	362,824	881,664
	<b>9,422,209</b>	<b>8,673,790</b>

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

	Six month period ended 30 June	
	2015	2014
Employee costs	4,921,823	5,045,196
Legal, audit, and consulting services	713,154	843,193
Rent expense	173,300	193,149
Business trips expense	147,396	168,907
Safety and security expense	266,464	250,529
Insurance expense	154,752	135,640
Transportation and storage	306,380	222,641
Allowance for doubtful accounts	72,285	1,692,391
Other	4,020,968	2,127,541
	<b>10,776,522</b>	<b>10,679,187</b>

**21. FAIR VALUE MEASUREMENT**

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

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

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## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015

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

## 22. CONTINGENCIES AND COMMITMENTS

### *Transfer of property ownership*

As at 30 June 2015, the Company had ownership and the right to use and possess of 7,922 properties, which represent 97% of the total Company properties (buildings and land). The remaining 3% of properties titles should be transferred by Republic of Serbia in accordance with the Agreement for the Sale and Purchase of Shares of Naftna Industrija Srbije a.d., signed in 2007.

### *Finance Guarantees*

As at 30 June 2015 the total amount of outstanding finance guarantees provided by the Group amounted to 3,845,859 RSD, mostly related to guaranties for customs duties in the amount of 2,352,798 RSD (31 December 2014: 3,454,563 RSD).

### *Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 512,825 RSD (31 December 2014: 570,358 RSD).

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

### *Other contingent liabilities*

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

### *Tax risks*

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

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## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015

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

## 22. CONTINGENCIES AND COMMITMENTS (continued)

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

In October 2011, the Group entered into a Farm-out agreement with East West Petroleum Corporation, Canada for exploration and production of hydrocarbons in the Timisoara region in Romania. Under the Contract, the Group shall finance 85% of total exploration costs on four blocks in the region. Depending on the success of exploration, the Group will be entitled to 85% of the total production volume of hydrocarbons. Moreover, under the Joint Operation Agreement signed with East West Petroleum Corporation, Canada, Group will act as the Operator and will be in charge of and shall conduct all Joint Operations. Exploration activities are underway. On 30 June 2015 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to 46.24 USD million.

There were no other material commitments of the Group.

## 23. GROUP ENTITIES

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

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

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

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*(All amounts are in 000 RSD, unless otherwise stated)***24. RELATED PARTY TRANSACTIONS**

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

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

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

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

	Parent company	Entities under common control	Joint venture	Total
<b>As at 30 June 2015</b>				
Trade and other receivables	420	34,022	150,196	184,638
Other current assets	-	38,816	-	38,816
Investments in joint venture	-	-	1,008,221	1,008,221
Trade and other payables	(20,758,214)	(25,164)	-	(20,783,378)
Other current liabilities	-	(4,852)	-	(4,852)
Short-term debt and current portion of long-term debt	(5,609,498)	-	-	(5,609,498)
Long-term debt	(39,266,484)	-	-	(39,266,484)
	<b>(65,633,776)</b>	<b>42,822</b>	<b>1,158,417</b>	<b>(64,432,537)</b>
<b>As at 31 December 2014</b>				
Trade and other receivables	-	36,398	117,858	154,256
Investments in joint venture	-	-	1,008,221	1,008,221
Trade and other payables	(20,122,243)	(131,257)	-	(20,253,500)
Other current liabilities	-	(12,831)	-	(12,831)
Short-term debt and current portion of long-term debt	(5,625,967)	-	-	(5,625,967)
Long-term debt	(42,194,756)	-	-	(42,194,756)
	<b>(67,942,966)</b>	<b>(107,690)</b>	<b>1,126,079</b>	<b>(66,924,577)</b>

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**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015***(All amounts are in 000 RSD, unless otherwise stated)***24. RELATED PARTY TRANSACTIONS (continued)**

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

	Parent	Entities under common control	Joint venture	Total
<b>Six month period ended 30 June 2015</b>				
Petroleum products and oil and gas sales	-	80,878	-	80,878
Other Revenues	-	157,482	-	157,482
Purchases of oil, gas and petroleum products	(35,246,131)	(2,033,070)	-	(37,279,201)
Production and manufacturing expenses	(3,733)	(109,057)	-	(112,790)
Selling, general and administrative expenses	(15,465)	(8,022)	-	(23,487)
Other expenses, net	(16,210)	(18,557)	-	(34,767)
Finance expense	(494,182)	-	-	(494,182)
	<b>(35,775,721)</b>	<b>(1,930,346)</b>	<b>-</b>	<b>(37,706,067)</b>
<b>Six month period ended 30 June 2014</b>				
Petroleum products and oil and gas sales	-	1,364,867	-	1,364,867
Purchases of oil, gas and petroleum products	-	(45,784,488)	-	(45,784,488)
Production and manufacturing expenses	(5,177)	(166,878)	-	(172,055)
Selling, general and administrative expenses	(18,069)	-	-	(18,069)
Other expenses, net	(4,556)	(37,581)	-	(42,137)
Finance expense	(596,758)	-	-	(596,758)
	<b>(624,560)</b>	<b>(44,624,080)</b>	<b>-</b>	<b>(45,248,640)</b>

*Key management compensation*

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

	Six month period ended 30 June	
	2015	2014
Salaries and other short-term employee benefits	230,464	157,351
	<b>230,464</b>	<b>157,351</b>

**25. EVENTS AFTER THE REPORTING DATE**

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

Subsequent events occurring after 30 June 2015 were evaluated through 27 July 2015, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

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**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2015**

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

**NIS Group**

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