

**Q1
2015**



NIS

GAZPROM NEFT

**QUARTERLY
REPORT**



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

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

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FOREWORD

In the first quarter of 2015, NIS continued to operate in very complex conditions, because adverse macro-economic trends from 2014 were transferred to the first three months of 2015. The influence of record low prices of oil on the world market and negative exchange rate differences that were almost 10 times higher than in the same period last year could not be evaded. Debts of state owned companies remained almost on the same level as they were last year, and they amount to nearly RSD 60 billion.

NIS tried to find ways for decreasing negative trends in constant efficiency increase of its business operation and through large-scale program of savings in all spheres of its operation. In addition, simultaneous reliance on internal resources continued to the end of overcoming the actual crisis.

Despite unfavourable trends, NIS managed to increase its overall sales of petroleum products by six per cent, compared to the first quarter of 2014. Share on Serbian retail market increased by two per cent. Volume of direct and indirect tax obligations of NIS Group was RSD 29.5, which is 14 per cent more than a year ago. In the segment of oil and gas exploration and production, works on the Amine Plant in Elemir were nearly completed during the first quarter. In refining, the contract was signed with CB&I company for preparation of base and elaborated base design for "Bottom-of-the-barrel" refining project; and during January, workover of Bitumen unit in Oil Refinery Pančevo was completed. Record sales of Euro diesel was reached in Sales and Distribution, in bunkering sector. In the area of energy, activities on founding a designing company for putting into practice the CHPP Pančevo continued, and also small power plants on the oil-gas fields Bradarac, Velebit and Turija were put into operations. Investments of NIS in the first three months of 2015 were somewhat higher than RSD seven billion, and major part was invested in exploration and production of oil and gas, upgrade of refining capacities, and also in development of retail network.

In the first trimester of 2015, NIS reached EBITDA of RSD 7.2 billion, which is 53% less than in the same period last year. We recorded net loss in the amount of RSD 4.7 billion, which was a consequence of adverse trends that could not be influenced on, such as strengthening of value of US Dollar against RS Dinar, and losses during sales of petroleum products due to change of prices on the global market during one production cycle. In the same period, total debt to banks amounted to USD 640 million. Production of oil and gas are at the level of the plan, but lower by five per cent than a year ago.

Regardless of business results that are lower compared with those of the last year, we expect that NIS will still record profit in the 2015, since efficiency has remained our priority. But, again, it will not be possible to eliminate effect of factors that are beyond influence of companies, such as differences in exchange rate and price of crude oil on the global market.

Still, NIS will not withdraw from its priorities. Although cost reduction will remain in focus, investments are essential, so that the NIS may remain competitive. Therefore, NIS will continue in 2015, with investments in increase of oil and gas reserves, and in introduction of innovations in its operation. We will continue to develop our retail network and stay reliable supplier of petroleum products market. Apart from the fact, NIS will, as a socially responsible company, continue to operate taking care of not only consumers' needs, but also of interests of the employees and the community in which it runs its business.

BUSINESS REPORT

KEY EVENTS

January

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

February

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

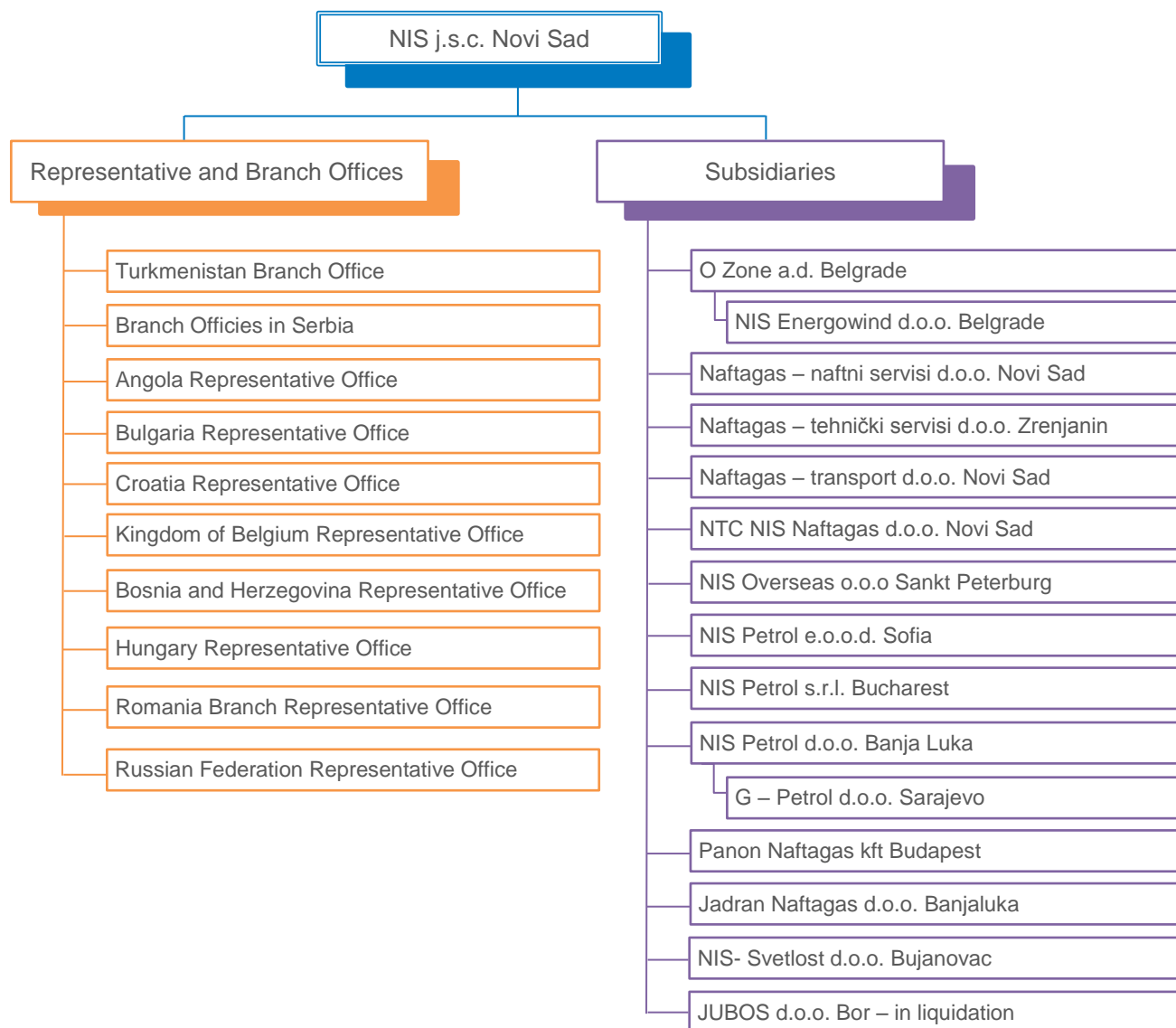
March

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

NIS GROUP PROFILE

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

NIS GROUP'S BUSINESS STRUCTURE¹



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

Liquidation of JUBOS d.o.o. Bor was initiated on 21 April 2015

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

| | |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Business Name: | NIS a.d. Novi Sad |
| Company Identity Number:: | 20084693 |
| Address | Novi Sad. Narodnog fronta 12 |
| Tax ID: | 104052135 |
| Web site: | www.nis.eu |
| e-mail: | office@nis.eu |
| Activity: | 0610 – exploitation of crude oil |
| Number and date of registration in BRA: | BD 92142, 29.09.2005 |
| Total equity as at 31 March 2015 | 190,528,018,000 RSD |
| Share capital as at 31 March 2015 | 81,530,200,000 RSD |
| Number of employees as at 31 March 2015 | 4,253 ² |
| Audit company that audited the last financial report (dated December 31st. 2014): | KPMG d.o.o. Belgrade 11, Kraljice Natalije Str., Belgrade |
| Organized market where Shares of the Issuer are traded in | Belgrade Stock Exchange 1, Omladinskih brigada Str. Belgrade. Serbia |

BUSINESS ACTIVITIES

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

Five Blocks

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

Partially de-centralized Functions

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

And Centralized Functions

- Function for Legal and Corporate Affairs
- Function for Corporate Security
- Function for External Affairs and Government Relations
- Function for Public Relations and Communications
- Function for Internal Audit³

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

Exploration and Production Block covers the area of exploration and production of crude oil and gas, namely: exploration, production, infrastructure and operational support for the production and management of oil and gas reserves, management and development of oil and gas deposits and major projects in the field of exploration and production.

² Without the employees outsourced via service companies and without the employees of subsidiary companies and representative offices

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

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

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

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

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

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

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

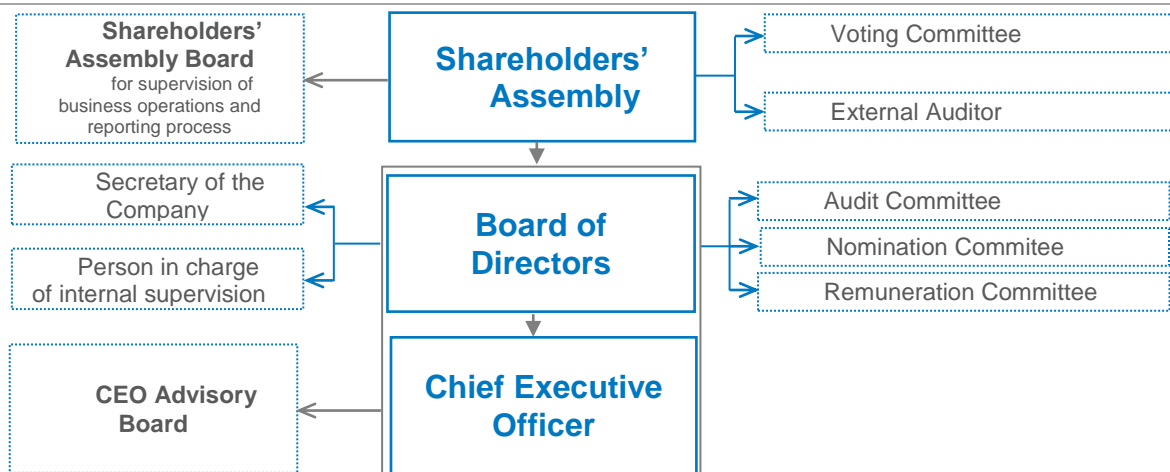
Energy Block is engaged in the production of electricity and heat from traditional and renewable sources of energy, gas trade, electricity trade, development and implementation of energy projects of strategic importance and development and implementation of projects to improve energy efficiency.

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

COMPANY MANAGEMENT SYSTEM

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

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



SHAREHOLDERS' ASSEMBLY

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

BOARD OF DIRECTORS

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

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

BOARD OF DIRECTOR MEMBER AS OF 31 MARCH 2015



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

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

Born on 30 September 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 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 the Financial and Economics Department, YUKOS EP c.j.c.s, and from 2003 to 2004, as Financial Director of Yuganskneftegaz, 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.



Kirill Kravchenko,
Chief Executive Officer of NIS j.s.c. Novi Sad
Member of Nomination Committee

Deputy CEO for Overseas Asset Management OJSC "Gazprom Neft"

Born on 13 May 1976 in Moscow.

In 1998, Mr. Kravchenko graduated with honors from Lomonosov Moscow State University with a degree in Sociology. He completed postgraduate studies at the same university. He continued his studies at the Open British University (Financial Management), and IMD Business School. He holds a PhD in Economics. Mr. Kravchenko worked in consulting until 2000, and from 2000 to 2004, he held various positions in

YUKOS in Moscow and Western Siberia and with Schlumberger in Europe and South America. In the period from 2004 to 2007, he was Administrative Director of JSC EuroChem Mineral and Chemical Company. Mr. Kravchenko was elected member to the Board of Directors several times in major Russian and international companies. In April 2007, he was appointed Vice-Chairman of OJSC "Gazprom Neft", and in January 2008, he was made Deputy Chairman of the Management Board of OJSC "Gazprom Neft", as well as Deputy General Director for Organizational Affairs. Since February 2009, he was appointed CEO of NIS a.d. Novi Sad, and member of the NIS Board of Directors, and as of March 2009, he holds the position of Deputy CEO for Overseas Assets Management in OJSC "Gazprom Neft".



Alexander Bobkov
Member of NIS j.s.c. Novi Sad Board of Directors
Advisor to the OJSC "Gazprom Neft". CEO

Born on 18 October 1966 in Vinnytsia.

Mr. Bobkov graduated from "Zhdanov" Leningrad State University, Department of Political Economy in 1988. On 16 June 2006, Mr. Bobkov received his Master's Degree in Economics and attained his PhD in Economics on 17 June 2011. From 1991 to 2010, he held various managerial positions in the following fields: civil engineering, production, real estate and sales at Leningrad Business Co-operation Centre "Perekryostok", "Proxima" j.s.c., and "General Civil Engineering Corporation" Ltd. Since 2010, Mr. Bobkov has served as Executive Director of "Okhta" o.j.s.c. Business Centre (presently "Lakhta Center" Multifunctional Complex j.s.c.), and in 2012, he was appointed Advisor to the OJSC "Gazprom Neft" CEO.



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

Born in Kolašin in 1945.

Ms. Drašković graduated from the Faculty of Law, University of Belgrade in 1968. From 1968 to 1972, she worked in the field of finance in the banking sector, and in the field of law and commerce within the economy sector, and as a Belgrade City Magistrate. Ms. Drašković is the owner of the publishing house "Srpska reč", founded in 1990. She is the author of two books written in the opinion journalism style. From April 2009 to 2013, Ms. Danica Drašković was a member of the NIS Management Board, and from 2012 to 2013, she served as a member of the Board of Directors, being re-elected on 30th June 2014.



Alexey Yankevich
Member of NIS j.s.c. Novi Sad Board of Directors
Deputy CEO for Economics and Finance OJSC "Gazprom Neft"

Born on 19 December 1973.

In 1997, Mr. Yankevich graduated from Saint-Petersburg State University of Electrical Engineering ("LETI"), majoring in optical 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 the Planning, Budgeting and Controlling Department at YUKOS RM o.j.s.c. (the business unit responsible for logistics and downstream operations). In 2004, he qualified as a Certified Management Accountant (CMA).

From 2005 to 2007, he worked as Deputy CFO at LLK-International (specializing in the 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 the Economics and Corporate Planning Department at OJSC "Gazprom Neft". Since August 2011, he has served as Acting Deputy CEO for Economics and Finance at OJSC "Gazprom Neft". Mr. Yankevich has been a member of the Management Board of OJSC "Gazprom Neft" and Deputy CEO for Economics and Finance since March 2012.



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

Born on 12 May 1957 in Banatski Karlovac.

Mr. Knežević graduated from the Faculty of Economics, University of Belgrade. He worked at "Servo Mihalj" in Zrenjanin from 1983 to 1990. Mr. Knežević served as General Manager at "Servo Mihalj Turist" from 1990 to 2000. Since 2000, he has been the Executive Committee Chairman of the city of Zrenjanin and the City Mayor holding office for three consecutive terms. Mr. Knežević was appointed Minister of Agriculture of the Republic of Serbia in 2012. From 1 October 2013 to 30 June 2014, he was Advisor to the NIS j.s.c. Novi Sad CEO.



Alexander Krilov
Member of NIS j.s.c. Novi Sad Board of Directors
Director of the Department for Regional Sales at OJSC "Gazprom Neft"

Born on 17 March 1971 in Saint Petersburg.

In 1992, Mr. Krilov graduated from LGU (Saint Petersburg) and from the Faculty of Law at Saint Petersburg State University in 2004. In 2007, he earned a degree from Moscow International Business School MIRBIS MBA, specializing in Strategic Management and Entrepreneurship. From 1994 to 2005, Mr. Krilov 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 to 2007, he served as Deputy Head of the Department for Implementation in LTD "Sibur". In April 2007, Mr. Krilov was appointed Head of the Division for Petroleum Product Supply, Head of the Regional Sales Division and Director of the

Regional Sales Department at OJSC "Gazprom Neft".



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

Born on 3 December 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 the Tax System in Serbia by Implementing VAT". From 1985 to 1990, he was the CEO of "Solid" company from Subotica, and from 1990 to 1992, he served as Assistant Minister of the Interior of the Republic of Serbia. From 1992 to 2000, Mr. Martinović held the position of Assistant CEO of the Serbian Petroleum Industry in charge of financial affairs, and was CEO of "Naftagas promet" from 1996 to 2000. From 2005 until 31 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 j.s.c. Belgrade, and from 15 December 2013 to 17 November 2014, he was performing the duties of the Advisor to the Director of STC NIS-Naftagas d.o.o. Novi Sad. Mr. Martinović was a member of the NIS j.s.c. Novi Sad BoD from 2004 to 2008, and was re-appointed in February 2009. Furthermore, he currently serves as member of the NBS Governor Council.



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

Born on 15 October 1950 in Vienna, Austria.

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

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 1 January 2000, he was re-appointed a member of the OMV EB in charge of finance, a function he performed until April 2002. He was in charge of gas affairs by December 2006. In the period from 1 January 2002 to 31 March 2011, Mr. Ruttenstorfer was the Chairman of the Executive Board of OMV Group.



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

Deputy Chairman of the Executive Board, Deputy CEO for Logistics, Refining and Sales at "Gazprom Neft" j.s.c.

Born in 1954.

Mr. Cherner graduated from Grozny Oil Institute in 1976 with a degree in chemical technology for oil and gas refining. From 1976 to 1993, he worked at the Sheripov Grozny Refinery, where he held a number of positions, from operator to refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Petroleum Products Sales Department and later served as its Vice-Chairman. He joined SibNeft (from June 2006 – OJSC "Gazprom Neft") as Vice-Chairman in charge of Refining and Sales in April 2006.



Stanislav Shekshnia
Independent Member of NIS j.s.c. Novi Sad Board of Directors
Chairman of Remuneration Committee
Member of Nomination Committee

Professor at the International Business School INSEAD

Born on 29 May, 1964, citizen of France.

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

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

| Name and Surname | Number of shares | % in total number of shares |
|-------------------|------------------|-----------------------------|
| Nikola Martinovic | 224 | 0,0001% |

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

| | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vadim Yakovlev | <ul style="list-style-type: none"> • JSC NGK "Slavneft" • JSC "SN-MNG" • LTD "Gazprom Neft Development" • JSC "Gazprom Neft-NNG" • LTD "Gazprom Neft-East" • LTD "Gazprom Neft-Hantos" • LTD "Gazprom Neft-NTC" • LTD "Gazprom Neft-Angara" • JSC "Gazprom Neft-Orenburg" • LTD "Gazprom Neft-Sahalin" • Salim Petroleum Development N.V. (Supervisory Board member) • JSC "Tomskneft" VNK • LLC "Gazprom neft Shelf" (Chairman of BoD) |
| Kirill Kravchenko | <ul style="list-style-type: none"> • Vice-Chairman of the National Oil Committee of the Republic of Serbia • Serbian Tennis Federation BoD Member • SAM BoD Member – Serbian Association of Managers |
| Alexander Bobkov | <ul style="list-style-type: none"> • "Lakhta Center" Multifunctional Complex JSC |
| Alexey Yankevich | <ul style="list-style-type: none"> • JSC NGK "Slavneft" • LLC "Gazprom Neft – Aero" • LTD "Gazprom Neft – SM" • LTD "Gazprom Neft Business-Servis" • "Gazprom Neft Lubricants" Italy • LTD "Gazprom Neft Marin Bunker" • FLLC "Gazprom Neft – Orenburg" • LLC "Gazprom Neft Shelf" |
| Alexander Krilov | <ul style="list-style-type: none"> • FLLC "Gazprom Neft Kuzbas" • JSC "Gazprom Neft Novosibirsk" • JSC "Gazprom Neft Omsk" • JSC "Gazprom Neft Tyumen" • JSC "Gazprom Neft Ural" • JSC "Gazprom Neft Yaroslavl" • FLLC "Gazprom Neft Northwest" • LTD "Gazprom Neft Asia" • LTD "Gazprom Neft Tajikistan" • LTD "Gazprom Neft Kazakhstan" • LTD "Gazprom Neft Centre" • LTD "Gazprom Neft Terminal" • LTD "Gazprom Neft Chelyabinsk" • LTD "Gazprom Neft – Regional Sales" • LTD "Gazprom Neft – Transport" • FLLC "Munay – Mirza" • LTD "Gazprom Neft – South" • LTD "Gazprom Neft – Krasnoyarsk" • LTD "Gazprom Neft – Corporate Sales" |
| Nikola Martinović | - |
| Goran Knežević | - |
| Danica Drašković | - |
| Wolfgang Rutenstorfer | <ul style="list-style-type: none"> • "CA Immobilien" AG, Vienna, Chairman of the Supervisory Board • "Flughafen Wien" AG, Vienna, Member of the Supervisory Board • "RHI" AG, Vienna, Member of the Supervisory Board |
| Anatoly Cherner | <ul style="list-style-type: none"> • JSC NGK "Slavneft" • JSC "Gazprom Neft-ONPZ" • JSC "Slavneft-JANOS" • JSC "Gazprom Neft –MNPZ" • FLLC "Gazprom Neft-Aero" |

- FLLC “St. Petersburg’s International Commodities and Resources Exchange”
- LLC “Gazprom Neft-Belnefteprodukt”
- LTD “Gazprom Neft – SM”
- LTD “Gazprom Neft Marin Bunker“
- LTD “Gazprom Neft – Logistics”
- JSC “Mozirski NPZ”
- LTD “Avtomatika-Servis”

Stanislav Shekshnia

- Independent director of Dentsu Aegis Network Russia

THE TOTAL AMOUNT OF THE PAYMENTS DISBURSED TO THE BOARD OF DIRECTORS’ MEMBERS IN 2014, RSD NET

| | |
|-----------------------------------------|------------|
| Chief Executive Officer | 6,071,007 |
| Other Members of the Board of Directors | 17,018,584 |

BOARD OF DIRECTORS’ COMMITTEES

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

The Board of Directors has established the following:

- Audit Committee:
 - Wolfgang Rutenstorfer, Chairman of the Audit Committee,
 - Alexey Urusov, Member of the Audit Committee, and
 - Nikola Martinović, Member of the Audit Committee.
- Remuneration Committee:
 - Stanislav Shekshnia, Chairman of the Remuneration Committee,
 - Anatoly Cherner, Member of the Remuneration Committee, and
 - Nenad Mijailović, Member of the Remuneration Committee.
- Nomination Committee:
 - Goran Knežević, Chairman of the Nomination Committee,
 - Kirill Kravchenko, Member of the Nomination Committee and,
 - Stanislav Shekshnia, Member of the Nomination Committee.

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

MEMBERS OF THE SHAREHOLDERS’ ASSEMBLY BOARD AS AT 31 MARCH 2015



Nenad Mijailović

Chairman of Shareholders’ Assembly Board for supervising business operations and reporting to NIS j.s.c. Novi Sad shareholders
Member of Remuneration Committee

Born on 14 October, 1980 in Čačak.

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, Genève; 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.



Zoran Grujičić
Member of Shareholders' Assembly Board for supervising business operations and reporting to NIS j.s.c. Novi Sad shareholders

Born on 28 July 1955 in Čačak.

Mr. Grujičić graduated from the Faculty of Mechanical Engineering, University of Belgrade. From 1980 to 1994, he was employed with Heat Transfer Appliances Plant "Cer" in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of "Interkomerc", Belgrade. From February 1998 to June 2004, he was Managing Director of the Company "MNG Group d.o.o.", Čačak. From June 2004 to February 2007, he was Director of the Trading Company "Agrostroy 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 1 October 2012, he has served as Advisor to the Sales and Distribution Director.



Alexey Urusov
Member of Shareholders' Assembly Board for supervising business operations and reporting to NIS j.s.c. Novi Sad Shareholders
Member of Audit Committee

Director of Economics and Corporate Planning Department at "Gazprom Neft" j.s.c.

Born on 17 November 1974.

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

From 2006 to 2008, he was Executive Deputy Chairman for planning and business management and control at "Integra" Group. From 2002 to 2006, he worked in the company TNK-VR, and from 2002 to 2003, he worked in the Group for Monitoring and Control at OD TNK. In the period from 2004 to 2006, he was the Financial Director in the business unit "TNK-VR Ukraine". From 2009 to 2012, he was employed at NIS j.s.c. Novi Sad as Chief Financial Officer.

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

| Name and Surname | Number of shares | % in total number of shares |
|------------------|------------------|-----------------------------|
| Nenad Mijailović | 5 | 0,000003066% |

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

| | |
|------------------|-----------------------------------------------------------------------------|
| Nenad Mijailović | - |
| Zoran Grujičić | - |
| Alexey Urusov | • Member of the Supervisory Board of Gazprom Neft Marine Bunker Balkan S.A. |

TOTAL AMOUNT OF FEES PAID TO SAB MEMBERS, NET RSD

| | |
|----------------|-----------|
| Members of SAB | 3,518,246 |
|----------------|-----------|

CHIEF EXECUTIVE OFFICER

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

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

CEO'S ADVISORY BOARD

The CEO's Advisory Board as an expert body that provides assistance to the CEO in his activities and consideration of issues within its scope of competence. The composition of the CEO's Advisory Board has been determined by the CEO's Decision and it is composed of the first Deputy of CEO,

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

TRANSACTIONS INVOLVING PERSONAL INTEREST AND TRANSACTION WITH AFFILIATES

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

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

The Company identifies and ensures entry into legal deals and legal transitions with affiliated entities only those which are not harmful to the Company's business. Legal affairs and legal transactions with affiliated entities are approved by the Board of Directors, in compliance with the Law⁴. The Board of Directors submits information for approval before entering into transactions involving personal interest to the Shareholders' Assembly, on an annual basis, at the regular session.

In the three-month period which ended on 31 March 2015 and in the same period last year, NIS Group had business transactions with its affiliated legal entities. The most important transactions with affiliated legal entities in the said periods were concluded in connection with the procurement/delivery of crude oil and performance of geophysical testing and interpretation services. The transactions with affiliated companies have been listed in the notes to the financial statements.

In addition, for the purpose of monitoring possible competition, the Company has instituted the practice of a quarterly survey of the members of the Board of Directors regarding the circumstances of their current engagement and membership in Boards of Directors and Supervisory Boards of other companies.

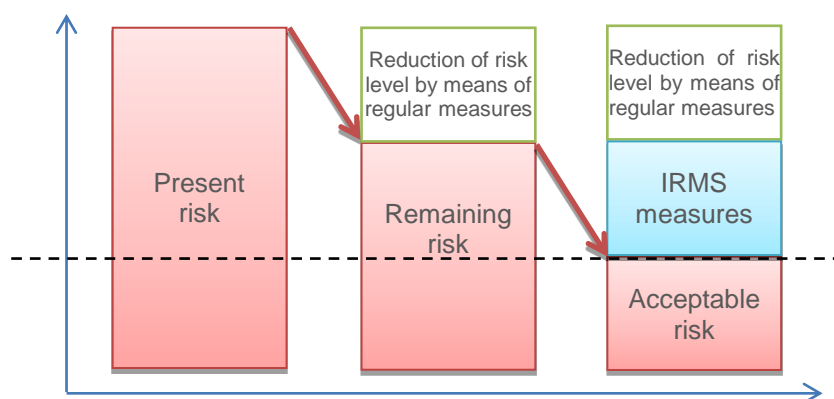
⁴ Board of Directors of NIS j.s.c. Novi Sad approves only transactions that NIS j.s.c. Novi Sad concludes with shareholders (GPN), or their related parties, and not other transactions concluded by affiliates of NIS group

RISK MANAGEMENT

INTEGRATED RISK MANAGEMENT SYSTEM

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

The process also includes all key subsidiaries⁵ through preparation of the consolidated risk register. The parent Company has established the Risk Assessment Section which coordinates and continually develops this process. The objective in the field of risk management is to ensure additional guarantees for achievement of strategic and operational goals by means of a timely risk identification and prevention define the effective measures of risk management and provide for maximum efficiency of these measures.



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

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

IRMS INTEGRATION INTO BUSINESS PLANNING PROCESS

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

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

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

OPERATIONAL RISKS

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

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

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

RISKS IN THE FIELD OF OIL EXPLORATION AND PRODUCTION

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

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

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

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

As a result of imposing sanctions against Russian companies and the Gazprom Group, as well as the newly developed international situation, political risks have intensified. The Company continuously monitors international developments, assessing the consequences for business and undertaking appropriate activities in order to minimize potential adverse impacts on the Group performance.

FINANCIAL RISKS

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

MARKET RISK

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

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

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

- Annual planning based on the scenario approach, plan follow-up and timely adjustment of operating crude oil procurement plans,
- Regular sessions of the Committee for procurement of crude oil,
- Tendency to enter into long-term contracts for purchase of crude oil at the best market and commercial terms, including extended payment terms on an open account basis,
- Daily follow-up of crude oil publications and contacts with foreign partners.

INTEREST RATE RISK – NIS Group is exposed to the interest rate risk both in terms of its indebtedness with the banks and placement of deposits. NIS j.s.c. Novi Sad takes on loans from commercial banks at floating interest rates and performs sensitivity analysis with respect to change of interest rates in order to estimate if raising a loan at a flat interest rate is required to a certain extent. In addition, NIS places deposits. Term deposits are placed with the major commercial banks exclusively, from which NIS j.s.c. Novi Sad takes out loans and/or credit/documentary lines. Moreover, the term

deposits, both in RSD and in foreign currency, are short-term (up to 90 days), at flat interest rates. Based on the aforesaid, revenues and cash flows are substantially independent of changes in market interest rates on deposited funds in the form of term deposits, although the interest rates that NIS j.s.c. Novi Sad can obtain in the market heavily rely on the base interest rate at the moment of depositing (BELIBOR/reference interest rate of the National Bank of Serbia).

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

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

CREDIT RISK

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

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

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

LIQUIDITY RISK

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

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

Aiming to increase liquidity and decrease dependence on external financing sources, as well as to decrease the NIS Group's costs of financing, as of 1 January 2014, the cash pooling system has been introduced for liquidity management, which involves the centralized management of liquidity and financing with respect to the division of NIS Group in the Republic of Serbia⁶.

As of mid-September 2014, NIS j.s.c. Novi Sad has been facing the risk of limited external financing capabilities due to the EU and US sectorial sanctions imposed against Russian companies. Owing to continuous monitoring of geopolitical situation and capital market trends, as well as the timely response and entering into lines of credits with the banks before introduction of the aforesaid sanctions, NIS j.s.c. Novi Sad has managed to secure sufficient limits for documentary business and credit financing of NIS Group.

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

BUSINESS ENVIRONMENT

WORLD

Increase in crude oil price in mid of first quarter of 2015 compared to the end of 2014 and beginning of 2015 was caused by many factors including stabilization of US dollar exchange rate on global market and conflict in Yemen. Long term forecasts indicate that the price of crude oil will increase due to the fact of economic recovery in Europe and stable growth in the rest of the world will increase demand and low price will additionally boost energy demand. According to most of forecasts crude oil price will not return to the level of 100 USD/bbl but the price of 65 to 75 USD/bbl can be expected.

Countries in Central and Eastern Europe record strong economic recovery. Among them, Poland records strongest recovery from economic crisis thanks to industry restructuring and putting the money from EU funds to good cause. After some time economic growth is recorder in Greece, and the poorest members of EU – Romania and Bulgaria – are also recovering.

Forecasts of World Bank show economic growth in the region of 1.3% GDP growth due to external demand which is slowly recovering and stabilization of global energy prices at the present level. Further fiscal consolidation is necessary throughout the region. Underdeveloped labour market has caused high unemployment rate.

SERBIA

In the period January-February 2015, industrial production fell by 3.1% compared to the same period last year, and in February of this year, inflation fell by 3.3% y-o-y, and by 6.3% comparing with average in 2014.

This year (2015) will be a year of great challenges for Serbia – the fall in GDP of app 0.5%, in personal consumption of app 3% and in state consumption of app 6% is expected. The GDP fall will be caused by fiscal consolidation and closing of some of the loss making companies. On the other hand, the expected start of production in the steel factory in Smederevo, restoring the production of electricity and coal to a standard level will affect the increase of production overall.

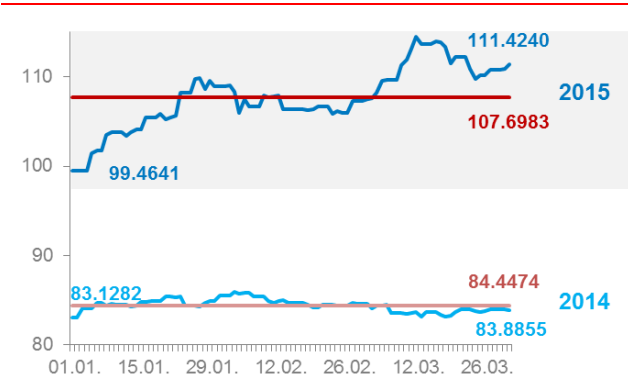
Consumer prices, based on which the Serbian inflation is measured, were lower by 0.2% in January 2015 than in December 2014 and compared to January 2014 the increase was 0.1%. In February 2015 consumer prices increased on average by 0.9% compared to January 2015, by 0.8% compering to February 2014 and by 0.6% comparing to December last year. Consumer prices increased by 0.7% I March. Base inflation was unchanged in March and this indicates still low inflation pressure. Y-o-y inflation increased on 1.9% in March.

The National Employment Service records decline in number of unemployed by an average of three per cent compared to the same period last year and now 766,500 of unemployed is in the records. In the first three months of this year, approximately 52,000 people form the unemployed records were employed, among them 39% are young people under 30 years of age.

In the first two months of 2015, the budget surplus was recorded in the amount of RSD 1.9 billion. Serbia has a total budget surplus from the beginning of the year in the amount of RSD 5.9 billion. Public debt of Serbia in mid-March 2015 amounted to RSD 2.929 billion.

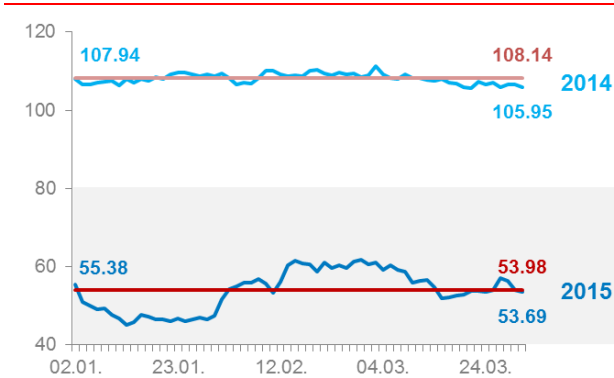
The average net salary paid in Serbia in February 2015 was RSD 42,749 and it is nominally higher by 8.8% and in real terms it increased by 7.8% compared to January. The average net salary paid in the period January-February 2015, is nominally the same as the average net salaries and wages paid in the same period of 2014, while in real terms it is lower by 0.4%.

USD/RSD Exchange rate trends



- Average USD/RSD exchange rate is by RSD 23.2509 i.e. 28% higher in Q1 2015 than the average rate in Q1 2014
- Average USD/RSD exchange rate increased by RSD 11.9599 i.e. 12% in Q1 2015
- Average USD/RSD exchange rate increased by RSD 1.7573 i.e. 2% in Q1 2014

Crude oil Brent⁷ type trends, in USD/bbl.



- Average price of Brent crude oil is by -54.16 \$/bbl. i.e. -50.1% lower in Q1 2015 than the average price in Q1 2014
- Average price of Brent crude oil decreased by -1.69\$/bbl. i.e. -3.1% in Q1 2015
- Average price of Brent crude oil decreased by -1.99\$/bbl. i.e. -1.8% in Q1 2014

⁷ Data for Europe Brent Spot Price FOB; Source: U.S. Energy Information Administration (http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm)

MARKET SHARE

MARKET SHARE ON SERBIAN MARKET

Consumption of petroleum products has increased mostly due to significant growth in the consumption of fuel oil and diesel fuel, which is mainly caused by lower prices. The consumption of liquefied petroleum gas, naphtha, and bitumen and aviation fuel is slightly lower than in the same period last year.

NIS's market share has slightly increased compared to last year due to adequate market access and flexible responses to dynamic changes in the market.

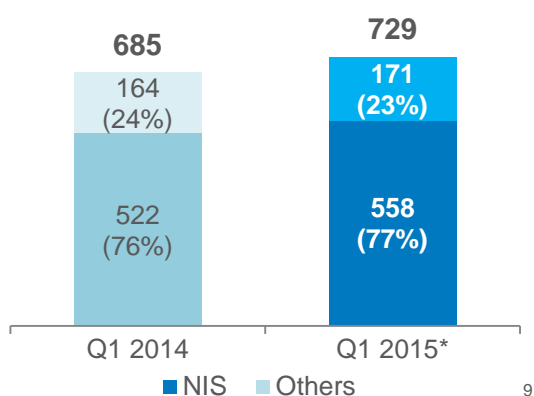
Retail market increased compared to the same period of the previous year and features a slightly modified structure in which the demand for auto gas is reduced, while the consumption of diesel fuel is on the rise. Lower prices of petroleum products in the first quarter accelerated the start of sales of diesel to farmers earlier than usual, which is the main reason for the growth in sales.

On the retail market NIS's share increased in relation to earlier procurement of agro diesel than in previous years. Within the program for the farmers, NIS launched Agro card with special benefits for this segment of customers.

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

729

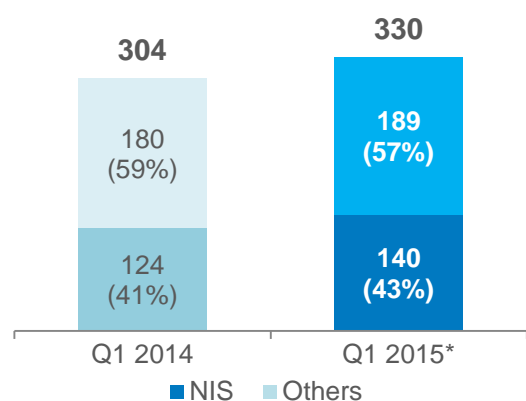
▲ **6.3%**



Retail market in the Republic of Serbia⁸, in thousand tons

330

▲ **8.5%**



⁸NIS and other competitors' sales include motor fuels (gas, motor fuels, diesel and EL fuel oil used as motor fuel). LPG bottles excluded.

⁹Data for Q1 2015 is an estimate

MARKET SHARE IN BOSNIA AND HERZEGOVINA, BULGARIA AND ROMANIA

BOSNIA AND HERZEGOVINA

Motor fuel market is recovering more slowly than other markets in the region because of low level of economic activity.

Due to the significantly lower excise duties and taxes than in neighbouring countries, Bosnia and Herzegovina recorded growth of cross-border purchases of goods from the population in border regions, which include the purchase of fuel.

BULGARIA

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

On the Bulgarian retail market competition is very intense in the field of customer loyalty programs. On Gazprom's petrol stations a very successful program, "Fuel pass" was launched and it became very popular with customers.

ROMANIA

Motor fuel market recorded recovery in first quarter of 2015, mainly thanks to lower prices, export growth and a slight recovery in demand in general.

Growth in sales of new vehicles by 15% in the first quarter can be a generator of slow growth in retail spending.

Following the acquisition of ENI, MOL operates a network of more than 200 stations in Romania.

| | Bosnia and Herzegovina | Bulgaria | Romania |
|------------------------------------|-------------------------------|-----------------|----------------|
| Number of petrol stations | 35 | 35 | 18 |
| Share in overall motor fuel market | 9.0% | 3.1% | 0.5% |
| Share in retail motor fuel market | 9.6% | 4.2% | 0.7% |

RESULT ANALYSIS

KEY PERFORMANCE INDICATORS

| Key Indicators | Measurement Unit | Q1 2015 | Q1 2014 | $\frac{Q1\ 2015}{Q1\ 2014}$ (%) ¹⁰ |
|---------------------------------------------------------------|------------------|---------|---------|-----------------------------------------------|
| Urals crude oil | \$/bbl. | 52.93 | 107.43 | -51% |
| Net (loss) profit | bn RSD | (4.7) | 8.6 | -155% |
| EBITDA ¹¹ | bn RSD | 7.2 | 15.5 | -53% |
| Sales | bn RSD | 46.4 | 56.6 | -18% |
| OCF | bn RSD | 4.4 | 2.2 | 103% |
| Liabilities for taxes and other public revenues ¹² | bn RSD | 29.5 | 25.9 | 14% |
| Oil and gas production (Serbia and Angola) ¹³ | thou. t.o.e. | 397 | 419 | -5% |
| Oil and semi-finished products refining volume | thou. tons | 684 | 724 | -6% |
| Total petroleum products sales volume | thou. tons | 680 | 643 | 6% |
| Sales volume – foreign assets | thou. tons | 41 | 35 | 17% |
| Petroleum products sales on domestic market ¹⁴ | thou. tons | 549 | 512 | 7% |
| Motor fuels | thou. tons | 327 | 302 | 8% |
| Retail | thou. tons | 141 | 124 | 13% |
| Market share on retail market in the Republic of Serbia | % | 43 | 41 | by 2% |
| CAPEX ¹⁵ | bn RSD | 7.0 | 9.6 | -27% |
| Total bank indebtedness ¹⁶ | m USD | 654 | 593 | 10% |

¹⁰ Any possible discrepancies in percentage values and aggregate values are due to rounding

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

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

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

¹⁴ Besides motor fuels includes sales of other petroleum products

¹⁵ Financing; VAT excluded

¹⁶ Total bank indebtedness = total debt to banks + letters of credit. As of 31 March 2015 total bank indebtedness is consisted of USD 640 million of total debt to banks and USD 14 million of letters of credit

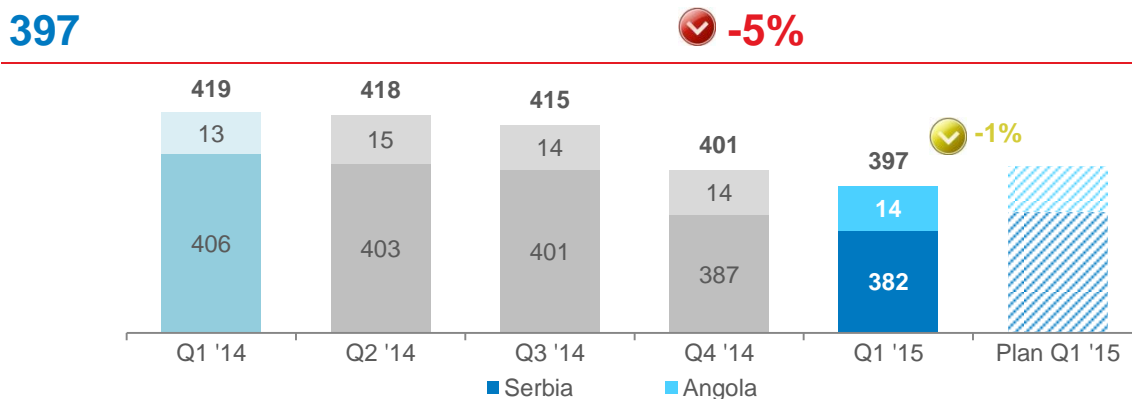
OPERATIONAL INDICATORS

EXPLORATION AND PRODUCTION

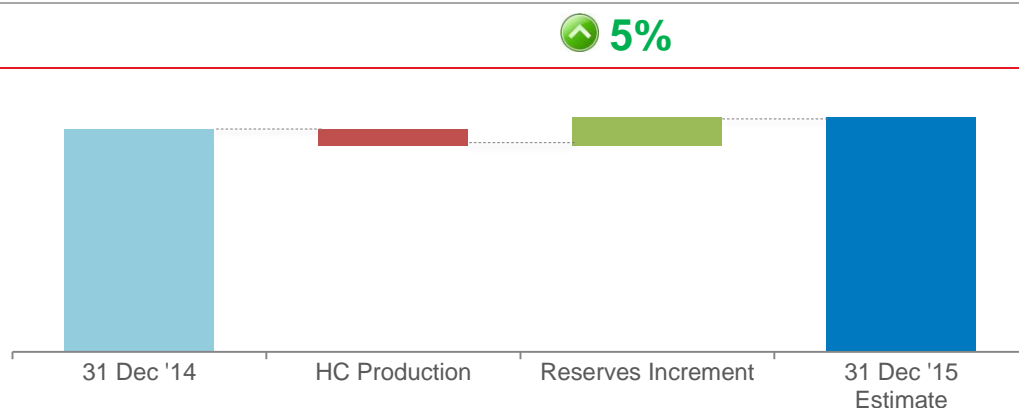
The production of oil and gas in Q1 2015 was in line with the business plan for this period.

Total production of oil and gas in first quarter of 2015 was 397 thousand t.o.e. which is by 5% lower comparing to the same period last year.

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



Estimate on growth of hydrocarbon reserves in 2015.



SERVICES

“Services” Block fulfilled business plan regarding number of drilled wells and also drilled wells with more complex constructions. In Q1 2015, besides Serbia, Block “Services” was engaged on projects of 3D seismic in Romania.

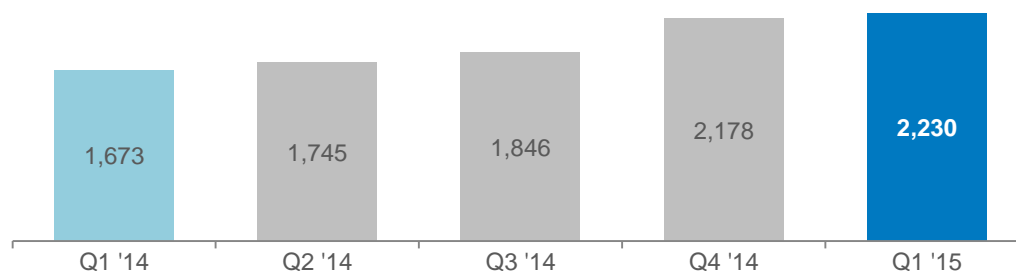
Total of 7 drilling units were in operation in Q1 2015. Average number of 15 workover crews worked on fulfilment of “Exploration and Production” Block plan. The plan for the 2015 is to engage one of the workover crews in Bosnia and Herzegovina and on EU project “Mirecol”.

New training center for workers in drilling and workover units was opened at the end of January. Training center will provide services to candidates outside of NIS. NIS made agreement with Ministry for education and Municipality of Zrenjanin to train candidates.

Operational unit “Construction” extensively uses already used material for the preparation of sites by conveying material from the old to the new location in this, as well as in previous year. Such rational use of materials significantly reduces NIS’ costs for preparation of location.

Drilling services, number of operations

2,230

 33%


REFINING

There was a decrease in oil and semi-finished products refining volume by 6% in Q1 2015 comparing to same period last year. Total volume of oil and semi-finished products refining was 684 thousand tons. The refining volumes are in line with operational plans, which were formed according to market needs.

The Contract for preparation of base and extended base project (BDP/FEED) for "Bottom of the barrel" project was signed with company CB&I.

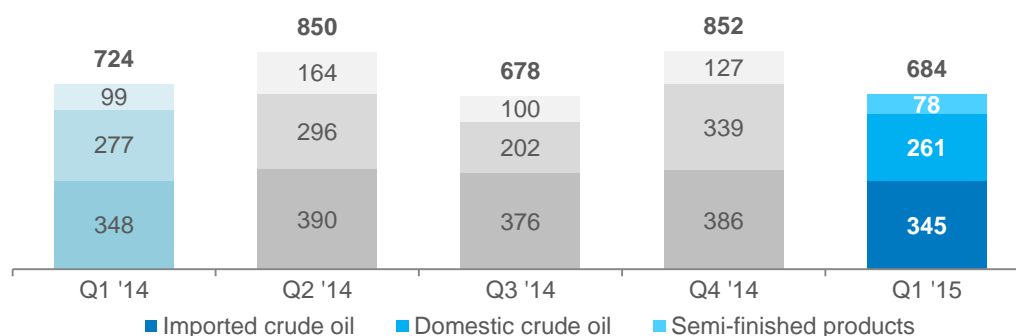
In order to increase the yield of VGO (vacuum gas-oil) operations of vacuum distillery (C-2200) were optimized during this period. As an addition to stable operation of the plant the result was also significant reduction of vapour use in the ejector system. Consumption of medium pressure steam is reduced by approximately 6 t/h which brings annual savings of app. EUR 1.5 million.

In order to improve low-temperature characteristics of diesel and thus achieving the acceptable quality of diesel fuel the plant for deparaffining of diesel (C-2400 HDS) was launched. The catalytic convertor was changed and this caused the change in purpose of the facility which is now being used for dewaxing of euro diesel on C-4300 facility. C-2400 facility started operations (after the replacement of catalytic convertor) on 31 January, and test run was performed in March.

Capital overhaul of Bitumen facility was performed in January. All operations within planned overhaul outage were performed with good quality and on time. This will provide continuous, reliable and safe operations of the facility. Cleaning of equipment (reactors, tanks, vessels, oxidation gas lines....) was carried out during the one month halt of Bitumen facility. Overhaul was also opportunity for detailed inspection of equipment and elimination of defects on stationary and rotating equipment.

Refining volume, thousand tons

684

 -6%


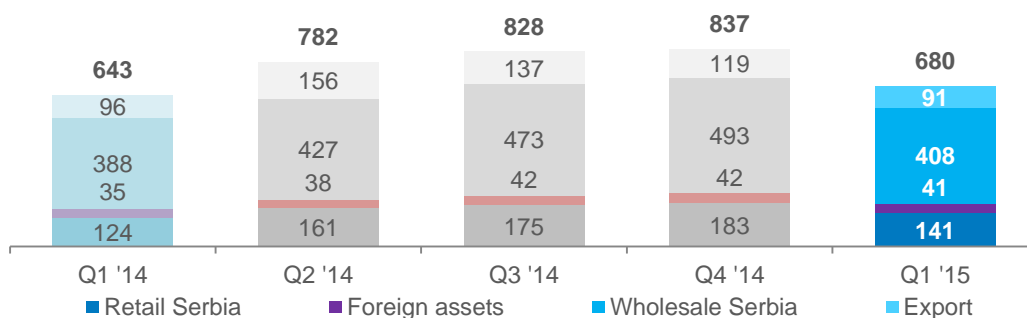
SALES AND DISTRIBUTION

Sales volumes recorded growth of 6% in Q1 2015 compared with the same period last year, and total sales volume – in Serbia together with foreign assets and export – amounted to 680 thousand tons.

- Retail – 13% increase.
 - Increase of retail is primarily result of increase in sales of diesel fuels by 22%, as well as increase in sales of motor gasoline by 2%.
- Wholesale – 5% increase.
 - Increase is a result of increase of sales of motor fuels by 4% - out of which increase in sales of gasoline is 13% and in sales of diesel – 45%.
 - Increase in sales of fuel oil is 45%.
 - Decrease in sales of naphtha (9%) and bitumen (10%) was recorded.
- Export – 5% decrease.
 - Decrease of export comparing to Q1 2014 is due to decrease of sales of fuel oil (73%).
 - Increase in sales of gasoline by 72% and bitumen by 2%.
- Foreign assets – 17% increase.
 - Increase in sales of motor fuels by 18% out of which increase in sales of diesel fuels is 84% and decrease in sales of gasoline is 46%.

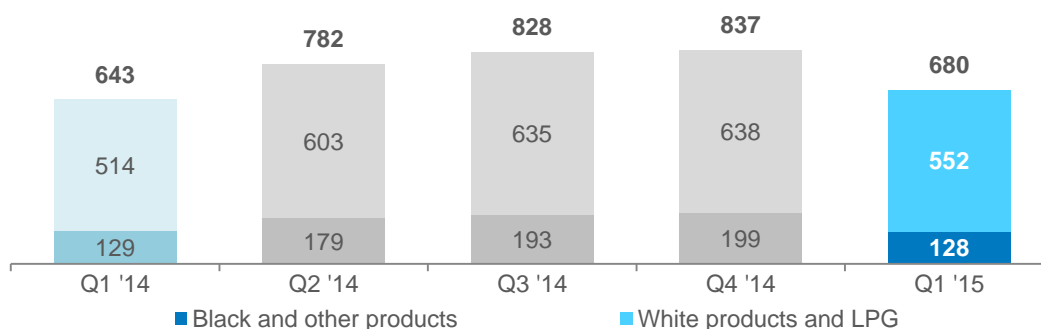
Sales volume, thousand tons

680

 6%


Sales structure, thousand tons

684

 6%


ENERGY

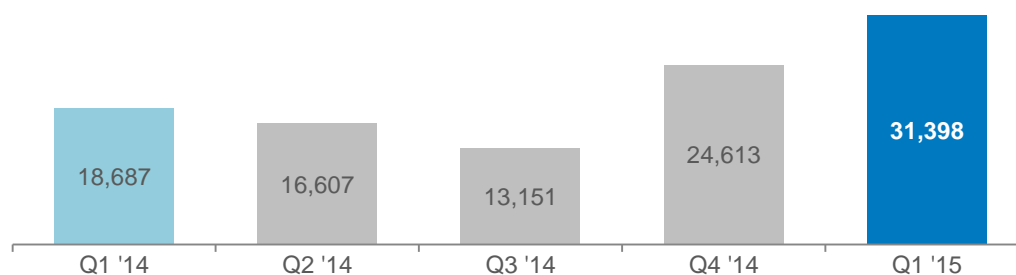
- Total production of electricity in Q1 2015 was 31,398 MWh. Small power plants produced 15,847 MWh of electricity out of 5.5 million m³ of non-commercial gas. Power plant in Pančevo produced 15,551 MWh of electricity.

- Activities on establishing Project Company for CHPP Pančevo project continued. The preparation of feasibility study and preliminary design according to Serbian regulations is in the process. The plan of general regulation is coming to an end.
- Small power plants Bradarac (0.3MW), Velebit 3 (2 MW) and Turija (1 MW) are put into operation. Construction work on small power plant Sirakovo 2 (2 MW) are finished. Possibilities for construction of small power plant Majdan (2.65 MW) are analysed.
- Daily volume of electricity trading went up to 30 MWh/h. Cooperation with Electric Power Industry of Republic of Srpska and Electric Power of Bosnia and Herzegovina started in Q1 2015.
- Construction of CNG facility on PS Novi Sad 10 is carried out, as well as preparations for construction of CNG facilities on PS Čačak and Fontana Niš.
- Construction of Gas Collector Station and CNG facility are being prepared on Ostrovo location.
- Assessment of possibilities for financing of project „Plandište wind farm“ with German company ECA Hermes and preparation for purchase of share in this project by Chinese company CEE is in process.

Produced electricity, in MWh

31,398

📈 68%



FINANCIAL INDICATORS

Continuing trend of USD/RSD exchange rate increase together with change in crude oil price had negative impact on overall result of NIS operations in Q1 2015. In spite increase of retail volumes compared with same period last year - the drop in retail prices led to decrease in sales revenues. The length of procurement-production-sales cycle along with prices of crude oil and petroleum products decreased EBITDA. Negative foreign exchange differences were almost ten times bigger than in the same period last year and practically "ate" NIS' net profit.

SALES

In spite increase of sales volumes, drop in prices of petroleum products caused decrease in revenues from sales.

Average price of Urals crude oil in Q1 2015 was 52.93 \$/bbl., which is by 51% lower than the average price of Urals in same period last year.

Decrease of retail prices of petroleum products in Q1 2015 is app. -10% compared to the same period last year.

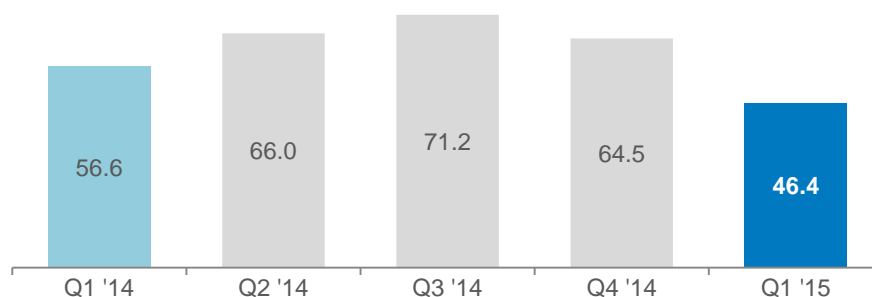
| Changes in retail prices ¹⁷ | $\Delta \frac{Q1\ 2015}{Q1\ 2014}$ (%) |
|----------------------------------------|----------------------------------------|
| Euro premium BMB95 | -12.78% |
| Euro diesel | -7.15% |

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

Sales, bn RSD

46.4

📉 -18%

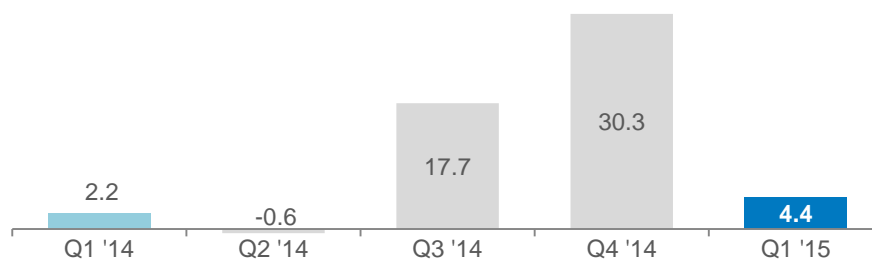


OCF

Operating Cash Flow increased due to:

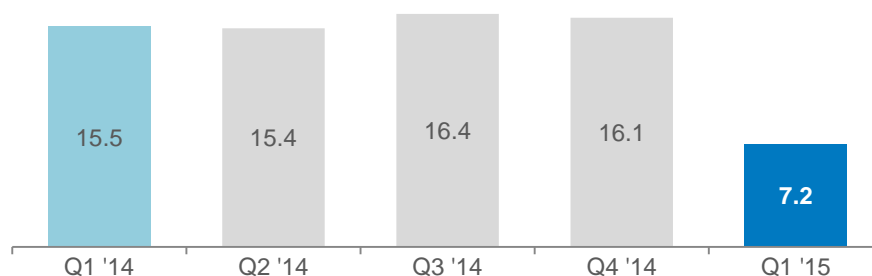
- Lower payment for crude oil procurement
- Lower operating expenses
- Payment of old debt of JAT (Air Serbia) at the end of March

¹⁷ Comparison of average of daily prices in Q1 2015 and Q1 2014

OCF, bn RSD**4.4**
 **103%**
**EBITDA**

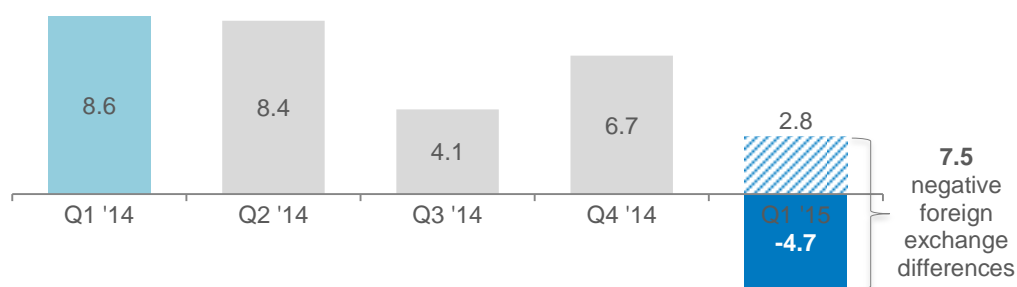
EBITDA for Q1 2015 was by 53% lower than in Q1 2014:

- Crude oil price trends
- Length of procurement-refining-sales cycle combined with changes in crude oil and petroleum products prices had negative impact on Q1 2015 EBITDA

EBTDA, bn RSD**7.2**
 **-53%**
**NET (LOSS) PROFIT**

Negative foreign exchange differences as a result of stronger USD vs. local currency caused negative net result:

- Negative foreign exchange differences amounted to 0.8 billion RSD in Q1 2014, and
- Negative foreign exchange differences amounted to 7.5 billion RSD in Q1 2015, which is 9.7 times higher than in Q1 2014

Net (Loss) Profit, bn RSD**-4.7****▼ -155%****OPERATING EFFICIENCY**

On-going program of increasing operation efficiency brought NIS 0.8 billion RSD in Q1 2015.

In 2015 the expected total effect of implementation of increase of operating efficiency program is 6.6 billion RSD and it is consisted of activities defined by 2015 Business Plan (2.1 billion RSD), additional activities (2.9 billion RSD) and potential additional activities recognized by Blocks and Functions (1.6 billion RSD).

RATIOS

| | Q1 2015 | Q1 2014 |
|------------------------------------------------------------------------------|---------|---------|
| Return on total capital (Gross profit/total capital) | -3% | 6% |
| Net return on equity¹⁸ (Net profit/shareholders equity) | -6% | 11% |
| Operating net profit (Operating profit/net sales income) | 8% | 23% |

| | Q1 2015 | FY 2014 |
|---------------------------------------------------------------------------------------------------------|---------|---------|
| Degree of leverage (short term and long term liabilities/shareholders equity ¹⁸) | 96% | 97% |
| Degree of leverage (short term and long term liabilities/ shareholders equity ¹⁸) | 211% | 218% |
| 1st degree liquidity (cash and cash equivalents/short term liabilities) | 13% | 11% |
| 2nd degree liquidity (current assets - inventories/short term liabilities) | 96% | 94% |
| Net working fund ratio (current assets – current liabilities/total assets) | 8% | 10% |

¹⁸ shareholders equity = share capital

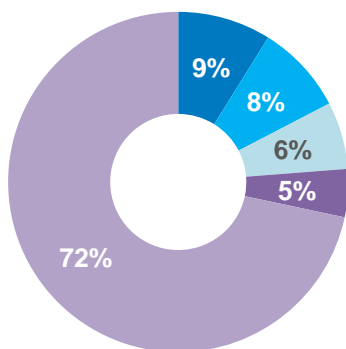
CHANGES IN ASSETS AND LIABILITIES OF MORE THAN 10%

| Assets | Change (in %) | Explanation |
|----------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Long-term receivables | -18% | Decrease in long-term receivables as of 31 March 2015 compared to 31 December 2014 completely refers to decrease of receivables from financial lease in amount of 2,224 thousand RSD. |
| Inventories | -25% | Decrease in inventories as of 31 March 2015 compared to 31 December 2014 is mainly related to the decrease in crude oil inventories in the amount of RSD 7,074,422 thousand. |
| Other receivables | 30% | The growth of other receivables as at 31 March 2015 compared to December 31, 2014 is mainly related to the increase in receivables for overpaid income tax in the amount of RSD 940,285 thousand. |
| Value added tax | -12% | Decrease in receivables for overpaid value added tax at 31 March 2015 compared to December 31st 2014 as a whole refers to the decrease in receivables arising from VAT. |
| Prepayments and accrued income | -35% | Decrease in prepayments and accrued income as of 31 March 2015 compared to 31 December 2014 in the amount of RSD 2,199,129 thousand relates to the decrease in receivables based on reimbursement of excise duty. |
| Liabilities | Change (in %) | Explanation |
| Unrealized loss from securities and other comprehensive income items | 18% | Increase in Unrealized loss from securities and other comprehensive income items as at 31 March 2015 compared to 31 December 2014 is mainly related to losses arising from translation of financial statements of foreign operations in the amount of 104,546 thousand RSD. |
| Short-term financial liabilities | 74% | Increase in short-term financial liabilities as at 31 March 2015 compared to 31 December 2014, mainly relate to short-term loans granted by the Bank Societe Generale Serbia and the transfer of current part of long-term liabilities to Erste Bank, Netherlands. Also, in the same period obligations to UniCredit Bank Serbia were paid. |
| Advances received | -45% | Decrease in advances received as of 31 March 2015 compared to 31 December 2014, mainly relates to closure of advances received in the country, most notably the Ministry of Defence of the Republic of Serbia and NAFTA a.d . Belgrade. |
| Trade payables | -42% | Decrease in trade payables as of 31 March 2015 compared to 31 December 2014, is mainly related to a decrease of liabilities for crude oil payment to Gazprom Neft, the Russian Federation and decrease in liabilities to Litasco SA Switzerland. |
| Other short-term liabilities | 13% | Increase in other short-term liabilities and associated with the same decrease in accrued liabilities as at 31 March 2015 compared to 31 December 2014 is mainly related to the final settlement of earlier accrued bonuses. |
| Liabilities for VAT | 760% | Increase in liabilities for VAT as at 31 March 2015 compared to 31 December 2014 is entirely related to the increase in VAT liabilities. |
| Liabilities for other taxes | -15% | Decrease of liabilities for other taxes as at 31 March 2015 compared to 31 December 2014 is mainly related to the decrease of liabilities for excise duty and liabilities for buffer stocks. |

BIGGEST BUYERS AND SUPPLIERS

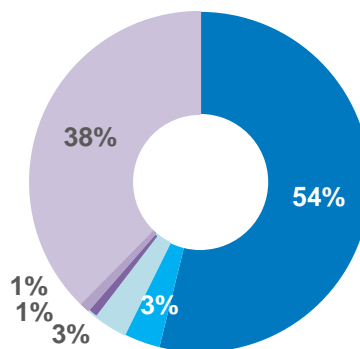
Biggest Buyers¹⁹

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



Biggest Suppliers²⁰

- Gazprom neft
- HIP Petrohemija
- Likoil Serbia
- Schlumberger Oilfield
- Srbijagas
- Other suppliers



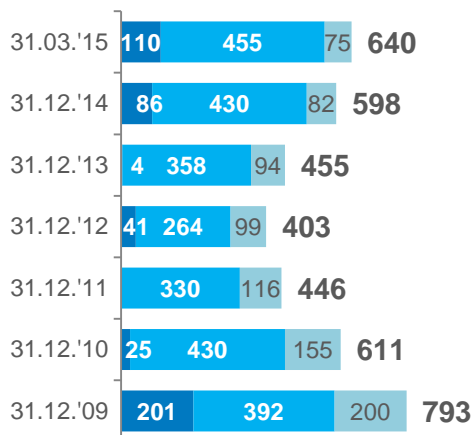
¹⁹ Data for NIS j.s.c. Novi Sad for period from 1 January until 31 March 2015

²⁰ Data for NIS j.s.c. Novi Sad as of 31 March 2015

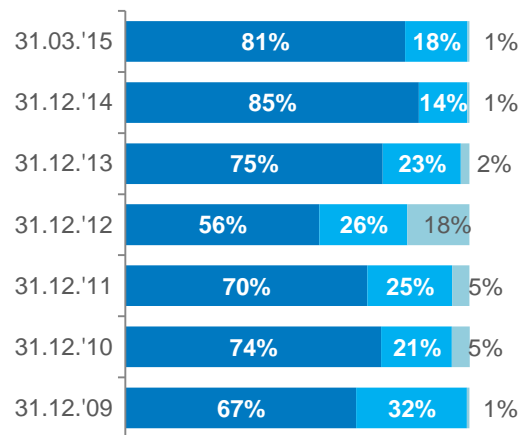
INDEBTEDNESS

Total debt to banks,
million USD²¹**640****7%**

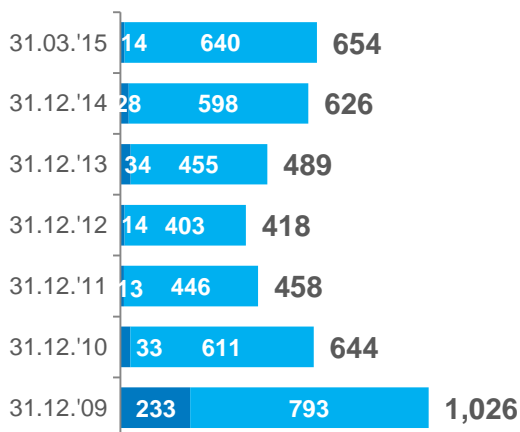
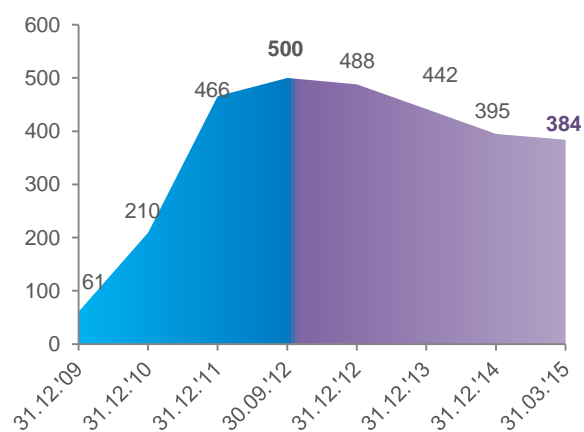
- Short-term
- Mid-term
- Long-term

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

- USD
- EUR
- Other

Total bank indebtedness²²,
million USD**654****4%**

- Letters of credit
- Total debt

GPN loan,
million EUR**384****-3%**

²¹Term structure of the debt to banks is shown according to Contract terms and not by maturity of the debt as of 31 March 2015

²²In addition to the debt to the banks and Letters of Credit, as at 31 March 2015, NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of USD 48 million, corporate guarantees in the amount of USD 54 million and signed Letters of Intent in the amount of USD 0.12 million

INVESTMENTS

INVESTMENT PROJECTS

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

According to the MIP, the main investment areas in 2014 were oriented towards implementation of the following groups of projects: environmental protection projects, projects in refining, sales and distribution, oil and gas production, and a certain number of projects at the corporate headquarters.

In first quarter of 2015, RSD 7.05 billion was earmarked²³ for investment funding, which is 27% less than in same period in 2014.

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

- Drilling of development wells
- Programme of 3D Seismic Exploration and Drilling of Exploration Wells in the Republic of Serbia
- Investment in concession rights
- Separation of CO₂ from natural gas
- Elimination of accidents at GP systems

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

- Diesel blending with bio-diesel
- Reconstruction and modernization of port on Danube
- Reconstruction of loading terminal
- Project involving construction of a closed drainage system (s-100/ 300/ 400/ 500/ 2100/ 2300/ 2400/ 2500/ 2600)

| Investment funding by type of project²⁴ | Q1 2015 | Q1 2014 |
|-----------------------------------------------------------|----------------|----------------|
| Ecology | 0.09 | 0.21 |
| Angola | 0.27 | 0.06 |
| Projects with direct economic effects | 5.12 | 6.51 |
| Projects without direct economic effects | 1.42 | 2.23 |
| Design and research work | 0.14 | 0.62 |
| TOTAL: | 7.05 | 9.62 |

| Investments by segments | Q1 2015 | Q1 2014 |
|--------------------------------|----------------|----------------|
| Exploration and Production | 5.77 | 6.04 |
| Refining | 0.54 | 2.57 |
| Sales and Distribution | 0.22 | 0.62 |
| Services | 0.29 | 0.10 |
| Energy | 0.16 | 0.07 |
| NIS Corporate Centre | 0.07 | 0.22 |

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

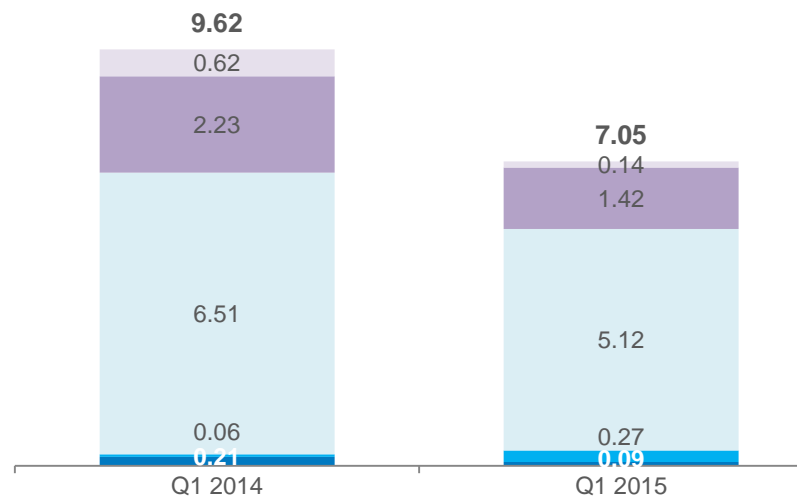
²⁴ The amounts are in RSD billion VAT exclusive.

CAPEX by investment projects, funding
in RSD billion VAT exclusive

7.05

📉 -27%

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



TAXES AND OTHER PUBLIC REVENUES

ANALYTICAL OVERVIEW OF ACCRUED LIABILITIES FOR TAXES AND OTHER PUBLIC REVENUES ²⁵

| NIS j.s.c. Novi Sad | Q1 2015 | Q1 2014 | $\frac{Q1\ 2015}{Q1\ 2014}$ (%) |
|-------------------------------------------------------------------|----------------|----------------|---------------------------------------------------|
| Contributions for social insurance paid by the employer | 0.36 | 0.41 | -12% |
| Income tax | 0.00 | 1.25 | -100% |
| VAT | 4.58 | 2.62 | 75% |
| Excise tax | 20.20 | 18.43 | 10% |
| Contribution for buffer stocks | 1.40 | 0.00 | - |
| Custom duty | 0.10 | 0.29 | -65% |
| Royalties | 0.39 | 0.59 | -34% |
| Other taxes | 0.33 | 0.25 | 32% |
| Total | 27.37 | 23.85 | 15% |
| NIS subsidiaries in Serbia ²⁶, | | | |
| Contributions for social insurance paid by the employer | 0.13 | 0.13 | 0% |
| Income tax | 0.04 | 0.01 | 509% |
| VAT | 0.12 | 0.13 | -10% |
| Excise tax | 0.00 | 0.00 | - |
| Custom duty | 0.02 | 0.01 | 89% |
| Royalties | 0.00 | 0.00 | - |
| Other taxes | 0.01 | 0.01 | 54% |
| Total | 0.33 | 0.29 | 12% |
| Total NIS with subsidiaries in Serbia | 27.70 | 24.14 | 15% |
| NIS subsidiaries in the region and Angola and Turkmenistan | | | |
| Contributions for social insurance paid by the employer | 0.03 | 0.05 | -25% |
| Income tax | 0.15 | 0.20 | -27% |
| VAT | 0.17 | -0.03 | 6x |
| Excise tax | 1.51 | 0.80 | 89% |
| Custom duty | 0.00 | 0.00 | - |
| Royalties | 0.00 | 0.00 | - |
| Other taxes | 0.03 | 0.02 | 35% |
| Total | 1.89 | 1.04 | 82% |
| Deferred tax assets (total for Group) | -0.06 | 0.67 | -109% |
| Total NIS Group ²⁷ | 29.53 | 25.85 | 14% |

Total amount of obligations based on public revenue to be paid in Serbia by NIS j.s.c. Novi Sad with its daughter companies, derived from NIS's organizational structure²⁶, amounts to RSD 27.7 billion, which is higher by 3.6 billion, i.e., 15% more than in the same period previous year.

Total amount of obligations based on public revenue to be paid by NIS Group in Q1 2015 amounts to RSD 29.5 billion, which is higher by 3.7 billion, i.e., 14% more.

²⁵ in bn. RSD

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

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

SECURITIES

SHARE CAPITAL STRUCTURE

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

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

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

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

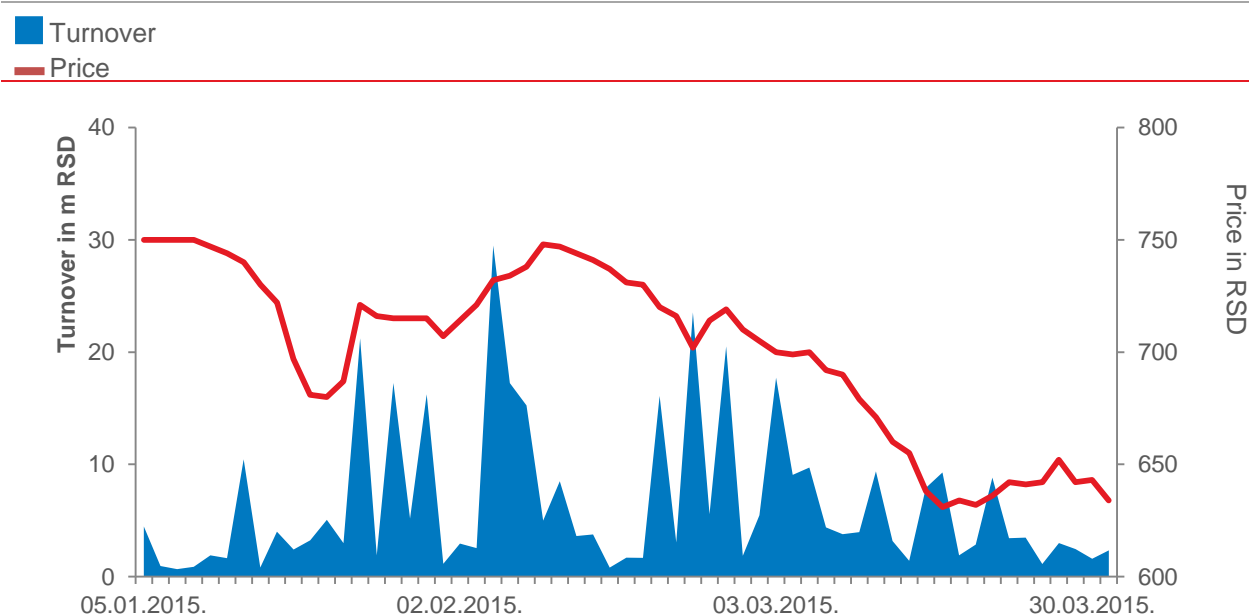
In the ranking of ten top shareholders, holding the largest share in the equity capital, the following custodial accounts dominate:

| Shareholder | Number of shares | % in share capital |
|---------------------------------------------------------|------------------|--------------------|
| Gazprom Neft | 91,565,887 | 56.1546% |
| Republic of Serbia | 48,712,044 | 29.8736% |
| UniCredit Bank Srbija a.d. – custody account | 598,912 | 0.3673% |
| Societe Genera Bank Serbia – custody account | 454,849 | 0.2789% |
| Raiffeisen Bank a.d. Belgrade – custody account | 303,022 | 0.1858% |
| East Capital (Lux) – Balkan fund | 296,039 | 0.1816% |
| UniCredit Bank Srbija a.d. – collective account | 252,387 | 0.1548% |
| Global Macro Capital Opportunities | 216,465 | 0.1328% |
| AWLL Communications d.o.o. Belgrade | 207,392 | 0.1272% |
| Keramika Jovanović d.o.o. Zrenjanin | 203,824 | 0.1250% |
| Other shareholders | 20,249,579 | 12.4185% |
| Total number of shareholders as of 31 March 2015 | | 2,208,137 |

SHARE TRADING AND INDICATORS PER SHARE

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

Price and turnover trends in 2014



Overview of trading in NIS shares at the Belgrade Stock Exchange in 2015

| | |
|---------------------------------------------|------------------------|
| Last price (as of 31 March 2015) | 634 RSD |
| Highest price (as of 5 January 2015) | 770 RSD |
| Lowest price (as of 18 March 2015) | 621 RSD |
| Total turnover | 381,540,228.00 RSD |
| Total volume (number of shares) | 541,303 shares |
| Total number of transactions | 16,030 transaction |
| Market capitalization as of 31 March 2015 | 103,380,293,600.00 RSD |
| EPS | - |
| Consolidated EPS | - |
| P/E ratio | - |
| Consolidated P/E ratio | - |
| Book value as of 31 March 2015 | 1,168.45 RSD |
| Consolidated book value as of 31 March 2015 | 1,096.62 RSD |
| P/BV ratio | 0.54 |
| Consolidated P/BV ratio | 0.58 |

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

DIVIDENDS

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

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------------------------|-------|--------------------|--------------------|-------|-------|
| Net profit (loss), in bn. RSD ²⁸ | (4.4) | 16.5 ²⁹ | 40.6 ³⁰ | 49.5 | 52.3 |
| Total dividend amount, in bn. RSD | 0.00 | 0.00 | 0.00 | 12.4 | 13.1 |
| Payment ratio | - | - | - | 25% | 25% |
| Earnings per share, in RSD | - | 101.1 | 249.0 | 303.3 | 320.9 |
| Dividend per share, gross, in RSD | 0.00 | 0.00 | 0.00 | 75.83 | 80.22 |
| Price share as of 31 December, in RSD | - | 475 | 605 | 736 | 927 |
| Shareholders' dividend yield, in % ³¹ | - | - | - | 10.3 | 8.7 |

OVERVIEW OF FINANCIAL INSTRUMENTS USED BY THE GROUP

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

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

²⁸ NIS j.s.c. Novi Sad net revenue

²⁹ Net revenue used to cover accumulated losses

³⁰ Net revenue used to cover accumulated losses

³¹ Calculated as a ratio between gross dividend and share price at year-end

HUMAN RESOURCES

HEADCOUNT

| Organizational unit | 31 March 2015 | | | 31 March 2014 | | |
|------------------------------------------|-------------------------|--------------|---------------|-------------------------|--------------|---------------|
| | Employees ³² | Leasing | Total | Employees ³³ | Leasing | Total |
| NIS j.s.c. Novi Sad | 4,253 | 3,411 | 7,664 | 4,357 | 3,629 | 7,986 |
| Exploration and Production Block | 771 | 194 | 965 | 736 | 198 | 934 |
| Refining Block | 841 | 46 | 887 | 912 | 54 | 966 |
| Sales and Distribution Block | 945 | 2,633 | 3,578 | 1,052 | 2,927 | 3,979 |
| Services Block | 128 | 15 | 143 | 131 | 10 | 141 |
| Energy Block | 234 | 14 | 248 | 232 | 7 | 239 |
| Corporate Centre | 1,334 | 509 | 1,843 | 1,294 | 433 | 1,727 |
| Representative and Branch Offices | 47 | 4 | 51 | 40 | 0 | 40 |
| Local Subsidiaries | 1,406 | 1,338 | 2,744 | 1,459 | 1,527 | 2,986 |
| Naftagas - Naftni servisi ³⁴ | 577 | 586 | 1,163 | 614 | 694 | 1,308 |
| Naftagas - Tehnički servisi | 422 | 470 | 892 | 427 | 550 | 977 |
| Naftagas - Transport | 111 | 253 | 364 | 113 | 249 | 362 |
| NTC NIS Naftagas | 296 | 29 | 325 | 305 | 34 | 339 |
| Foreign Subsidiaries | 182 | 2 | 184 | 349 | 9 | 358 |
| NIS Petrol, Bulgaria | 124 | 0 | 124 | 209 | 0 | 209 |
| NIS Petrol, Romania | 31 | 0 | 31 | 57 | 5 | 62 |
| NIS Petrol, B&H | 15 | 1 | 16 | 69 | 3 | 72 |
| Jadran Naftagas, B&H | 7 | 0 | 7 | 7 | 0 | 7 |
| Pannon Naftagas, Hungary | 5 | 1 | 6 | 7 | 1 | 8 |
| Other Subsidiaries | 257 | 167 | 424 | 162 | 13 | 175 |
| Jubos d.o.o. Bor – in liquidation | 0 | 0 | 0 | 0 | 0 | 0 |
| O Zone a.d. Belgrade | 4 | 100 | 104 | 4 | 0 | 4 |
| NIS Overseas o.o.o. St Petersburg | 117 | 0 | 117 | 105 | 0 | 105 |
| NIS Svetlost d.o.o. Bujanovac | 15 | 3 | 18 | 15 | 7 | 22 |
| G Petrol d.o.o. Sarajevo | 121 | 64 | 185 | 38 | 6 | 44 |
| TOTAL: | 6,145 | 4,922 | 11,067 | 6,367 | 5,178 | 11,545 |

CAUSES OF EMPLOYMENT TERMINATION

In first three months of 2015, a total of 115 employees left NIS: two employees retired, 46 left NIS after termination of employment by mutual agreement, while the employment of 67 people was terminated on other grounds (involuntary termination, voluntary termination, death etc.).

| | NIS j.s.c. Novi Sad | Domestic subsidiaries of NIS |
|----------------------------------|---------------------|------------------------------|
| Retirement | 0 | 2 |
| Mutual termination of employment | 35 | 11 |
| Other | 53 | 14 |
| Total: | 88 | 27 |

³² The numbers include NIS Chance

³³ The numbers include NIS Chance

³⁴ Also including the employees in branches

RESEARCH AND DEVELOPMENT

SYSTEM OF MANAGING RESEARCH AND DEVELOPMENT

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

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

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

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

FINANCIAL STATEMENTS

STAND-ALONE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

| | Note | 31 March 2015 (unaudited) | 31 December 2014 |
|-------------------------------------------------------|------|------------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 6,586,234 | 5,338,023 |
| Short-term financial assets | | 3,336,352 | 2,786,555 |
| Trade and other receivables | 7 | 54,114,839 | 56,658,222 |
| Inventories | 8 | 25,266,595 | 35,774,304 |
| Current income tax prepayments | | 3,576,678 | 2,627,622 |
| Other current assets | 9 | 5,041,537 | 6,939,633 |
| Total current assets | | 97,922,235 | 110,124,359 |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 203,633,196 | 201,627,904 |
| Investment property | | 1,356,387 | 1,381,832 |
| Other intangible assets | | 4,657,479 | 4,711,241 |
| Investments in subsidiaries | | 7,555,836 | 7,556,020 |
| Trade and other non-current receivables | | 2,430,145 | 2,427,259 |
| Long-term financial assets | | 32,750,888 | 32,814,852 |
| Deferred tax assets | | 7,834,155 | 7,834,155 |
| Other non-current assets | 11 | 4,681,489 | 3,733,444 |
| Total non-current assets | | 264,899,575 | 262,086,707 |
| Total assets | | 362,821,810 | 372,211,066 |
| Liabilities and shareholder's equity | | | |
| Current liabilities | | | |
| Short-term debt and current portion of long-term debt | 12 | 25,774,907 | 14,831,489 |
| Trade and other payables | 13 | 28,144,266 | 43,511,405 |
| Other current liabilities | 14 | 3,934,236 | 4,466,671 |
| Other taxes payable | 15 | 8,774,262 | 8,326,910 |
| Provisions for liabilities and charges | | 2,341,534 | 2,461,013 |
| Total current liabilities | | 68,969,205 | 73,597,488 |
| Non-current liabilities | | | |
| Long-term debt | 16 | 91,823,416 | 92,612,697 |
| Deferred tax liabilities | | 2,697,318 | 2,724,064 |
| Provisions for liabilities and charges | | 8,803,853 | 8,690,515 |
| Total non-current liabilities | | 103,324,587 | 104,027,276 |
| Equity | | | |
| Share capital | 17 | 81,530,200 | 81,530,200 |
| Reserves | | (41,965) | (42,277) |
| Retained earnings | | 109,039,783 | 113,098,379 |
| Total equity | | 190,528,018 | 194,586,302 |
| Total liabilities and shareholder's equity | | 362,821,810 | 372,211,066 |

in RSD ,000

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

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Three month period ended 31 March | |
|------------------------------------------------------------------------------------|------|-----------------------------------|---------------------|
| | | 2015 (unaudited) | 2014 (unaudited) |
| Sales of petroleum products and oil and gas sales | | 42,488,686 | 53,521,437 |
| Other revenues | | 1,456,654 | 1,158,643 |
| Total revenue from sales | 5 | 43,945,340 | 54,680,080 |
| Purchases of oil, gas and petroleum products | 18 | (26,273,046) | (28,589,503) |
| Production and manufacturing expenses | 19 | (4,347,150) | (4,428,427) |
| Selling, general and administrative expenses | 20 | (5,018,668) | (4,438,819) |
| Transportation expenses | | (168,042) | (231,453) |
| Depreciation, depletion and amortization | | (2,821,631) | (2,580,726) |
| Taxes other than income tax | | (1,082,848) | (1,251,699) |
| Exploration expenses | | - | (32,084) |
| Total operating expenses | | (39,711,385) | (41,552,711) |
| Other expenses, net | | (95,803) | (53,819) |
| Operating profit | | 4,138,152 | 13,073,550 |
| Net foreign exchange loss | | (7,534,947) | (795,141) |
| Finance income | | 328,422 | 487,699 |
| Finance expenses | | (868,807) | (818,371) |
| Total other expense | | (8,075,332) | (1,125,813) |
| Loss (profit) before income tax | | (3,937,180) | 11,947,737 |
| Current income tax expense | | (148,162) | (1,453,828) |
| Deferred tax income (expense) | | 26,746 | (706,105) |
| Total income tax expense | | (121,416) | (2,159,933) |
| Loss (profit) for the period | | (4,058,596) | 9,787,804 |
| Other comprehensive loss: | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Change in value of available-for-sale financial assets | | 312 | (797) |
| | | 312 | (797) |
| Other comprehensive income (loss) for the period | | 312 | (797) |
| Total comprehensive income (loss) for the period | | (4,058,284) | 9,787,007 |
| Earnings per share attributable to shareholders of Naftna Industrija Srbije | | | |
| - Basic earnings (RSD per share) | | (24.89) | 60.02 |
| Weighted average number of ordinary shares in issue (in millions) | | 163 | 163 |

in RSD ,000

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

STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2015 and 2014

| | Share capital | Reserves | Retained earnings | Total |
|---------------------------------------------------------|-------------------|-----------------|--------------------|--------------------|
| Balance as at 1 January 2014 | 81,530,200 | (59,885) | 95,412,378 | 176,882,693 |
| Profit for the period | - | - | 9,787,804 | 9,787,804 |
| Other comprehensive loss | | | | |
| Change in value of available-for-sale financial assets | - | (797) | - | (797) |
| Total comprehensive income (loss) for the period | - | (797) | 9,787,804 | 9,787,007 |
| Balance as at 31 March 2014 | 81,530,200 | (60,682) | 105,200,182 | 186,669,700 |
| Balance as at 1 January 2015 | 81,530,200 | (42,277) | 113,098,379 | 194,586,302 |
| Loss for the period | - | - | (4,058,596) | (4,058,596) |
| Other comprehensive income | | | | |
| Change in value of available-for-sale financial assets | - | 312 | - | 312 |
| Total comprehensive income (loss) for the period | - | 312 | (4,058,596) | (4,058,284) |
| Balance as at 31 March 2015 | 81,530,200 | (41,965) | 109,039,783 | 190,528,018 |

STATEMENT OF CASH FLOWS

| | Note Three month period ended 31 March | |
|--------------------------------------------------------------------|----------------------------------------|---------------------|
| | 2015 (unaudited) | 2014 (unaudited) |
| Cash flows from operating activities | | |
| (Loss) Profit before income tax | (3,937,180) | 11,947,737 |
| Adjustments for: | | |
| Finance costs | 868,807 | 818,371 |
| Finance income | (328,422) | (487,699) |
| Depreciation, depletion and amortization | 2,821,631 | 2,580,726 |
| Adjustments for other provisions | 85,796 | 99,251 |
| Allowance for doubtful accounts | 793,412 | 709,384 |
| Net unrealised foreign exchange losses (gain), net | 6,057,606 | 719,697 |
| Other non-cash items | (177,425) | 108,679 |
| | 10,121,405 | 4,548,409 |
| <i>Changes in working capital:</i> | | |
| Trade and other receivables | 2,535,009 | 4,222,456 |
| Inventories | 10,507,709 | (7,651,573) |
| Other current assets | 980,822 | 844,489 |
| Trade payables and other current liabilities | (14,039,035) | (9,753,342) |
| Other taxes payable | 401,304 | 217,735 |
| | 385,809 | (12,120,235) |
| Income taxes paid | (1,050,859) | (1,170,774) |
| Interest paid | (782,915) | (635,323) |
| Interest received | 126,593 | 176,860 |
| | (1,707,181) | (1,629,237) |
| Net cash generated by operating activities | 4,862,853 | 2,746,674 |
| Cash flows from investing activities | | |
| Loans issued | (3,850,257) | (2,153,001) |
| Loan proceeds received | 3,320,614 | 1,699,285 |
| Capital expenditures | (7,542,102) | (10,110,432) |
| Proceeds from sale of property, plant and equipment | 45,152 | 90,335 |
| Net cash used in investing activities | (8,026,593) | (10,473,813) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 15,918,666 | 10,378,676 |
| Repayment of borrowings | (11,646,491) | (2,773,683) |
| Net cash used in financing activities | 4,272,175 | 7,604,993 |
| Net increase (decrease) in cash and cash equivalents | 1,108,435 | (122,146) |
| Effect of foreign exchange on cash and cash equivalents | 139,776 | (57,661) |
| Cash and cash equivalents as of the beginning of the period | 5,338,023 | 5,180,156 |
| Cash and cash equivalents as of the end of the period | 6,586,234 | 5,000,349 |

in RSD ,000

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

NOTES TO STAND-ALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 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 Financial Statements have been approved and authorized for issue by CEO and will be presented to Board of Directors for approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

2.1. Basis of preparation

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

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

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

The results for the three month period ended 31 March 2015 are not necessarily indicative of the results expected for the full year.

2.2. Changes in significant accounting policies

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

2.3. Application of new IFRS

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

3.1. Economic Environment in the Russian Federation

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

3.2. Impact of recent crude oil volatility

In the line with recent changes in the crude oil price on the world market, management of the company continues to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact if the negative trends on the market continue.

Based on the currently available information and crude oil price forecast, management believes that at the reporting date there are no indicators of asset impairment.

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 Company has not early adopted. The full list of such Standards and interpretations was disclosed in the Financial Statements as of and for the year ended December 31, 2014. No new documents were issued during the three months period ended March 31, 2015.

The new standards and interpretations are not expected to have significant impact or affect significantly the Company's Financial Statements.

5. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the three month periods ended 31 March 2015 and 2014. Operating segments are components that engaged in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the three month period ended 31 March 2015 are shown in the table below:

| | Upstream | Downstream | Eliminations | Total |
|------------------------------------------|------------------|---------------------|--------------|--------------------|
| Segment revenue | 13,907,812 | 43,312,320 | (13,274,792) | 43,945,340 |
| Intersegment | 12,869,978 | 404,814 | (13,274,792) | - |
| External | 1,037,834 | 42,907,506 | - | 43,945,340 |
| EBITDA (Segment results) | 10,092,105 | (3,083,974) | - | 7,008,131 |
| Depreciation, depletion and amortization | (777,168) | (2,044,463) | - | (2,821,631) |
| Impairment losses | - | (43,171) | - | (43,171) |
| Net foreign exchange loss | (21,100) | (7,513,847) | - | (7,534,947) |
| Finance expenses, net | (30,839) | (509,546) | - | (540,385) |
| Income tax | (52,458) | (68,958) | - | (121,416) |
| Segment profit (loss) | 8,924,706 | (12,983,302) | - | (4,058,596) |

Reportable segment results for the three month period ended 31 March 2014 are shown in the table below:

| | Upstream | Downstream | Eliminations | Total |
|------------------------------------------|-------------------|--------------------|--------------|------------------|
| Segment revenue | 21,470,427 | 53,563,527 | (20,353,874) | 54,680,080 |
| Intersegment | 20,167,658 | 186,216 | (20,353,874) | - |
| External | 1,302,769 | 53,377,311 | - | 54,680,080 |
| EBITDA (Segment results) | 17,876,320 | (2,068,379) | - | 15,807,941 |
| Depreciation, depletion and amortization | (696,887) | (1,883,839) | - | (2,580,726) |
| Impairment losses | (1,989) | (126,202) | - | (128,191) |
| Net foreign exchange loss | (25,160) | (769,981) | - | (795,141) |
| Finance expenses, net | (67,493) | (263,179) | - | (330,672) |
| Income tax | (201,700) | (1,958,233) | - | (2,159,933) |
| Segment profit (loss) | 16,872,045 | (7,084,241) | - | 9,787,804 |

EBITDA for the three month period ended 31 March 2015 and 2014 is reconciled below:

| | Three month period ended 31 March | |
|--------------------------------------------|-----------------------------------|-------------------|
| | 2015 | 2014 |
| Profit (loss) for the period | (4,058,596) | 9,787,804 |
| Income tax expenses | 121,416 | 2,159,933 |
| Finance expenses | 868,807 | 818,371 |
| Finance income | (328,422) | (487,699) |
| Depreciation, depletion and amortization | 2,821,631 | 2,580,726 |
| Net foreign exchange loss | 7,534,947 | 795,141 |
| Other expense, net | 95,803 | 53,819 |
| Other non-operating (income) expense, net* | (47,455) | 99,846 |
| EBITDA | 7,008,131 | 15,807,941 |

*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):

| | Three month period ended 31 March 2015 | | |
|----------------------------|----------------------------------------|--------------------------------|-------------------|
| | Domestic market | Export and international sales | Total |
| Sale of crude oil | - | 829,435 | 829,435 |
| Sale of gas | 3,167,782 | - | 3,167,782 |
| Through a retail network | - | - | - |
| Wholesale activities | 3,167,782 | - | 3,167,782 |
| Sale of petroleum products | 32,422,874 | 6,068,595 | 38,491,469 |
| Through a retail network | 10,711,869 | - | 10,711,869 |
| Wholesale activities | 21,711,005 | 6,068,595 | 27,779,600 |
| Other sales | 1,186,742 | 269,912 | 1,456,654 |
| Total sales | 36,777,398 | 7,167,942 | 43,945,340 |

| | Three month period ended 31 March 2014 | | |
|--|----------------------------------------|------------|-------|
| | Domestic | Export and | Total |

| | market | international sales | |
|---------------------------------|-------------------|---------------------|-------------------|
| Sale of crude oil | - | 1,248,245 | 1,248,245 |
| Sale of gas | 1,679,055 | - | 1,679,055 |
| <i>Through a retail network</i> | - | - | - |
| <i>Wholesale activities</i> | 1,679,055 | - | 1,679,055 |
| Sale of petroleum products | 42,453,630 | 8,140,507 | 50,594,137 |
| <i>Through a retail network</i> | 12,186,227 | - | 12,186,227 |
| <i>Wholesale activities</i> | 30,267,403 | 8,140,507 | 38,407,910 |
| Other sales | 1,140,027 | 18,616 | 1,158,643 |
| Total sales | 45,272,712 | 9,407,368 | 54,680,080 |

Out of the amount of 27,779,600 RSD (2014: 38,407,910 RSD) revenue from sale of petroleum products (wholesale), the amount of 4,095,230 RSD (2014: 8,024,380 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenues 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 743,628 RSD (2014: 811,958 RSD).

The Company is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 36,777,398 RSD (2014: 45,272,712 RSD), and the total of revenue from external customer from other countries is 7,167,942 RSD (2014: 9,407,368 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 | |
|---------------------------------------------------|-----------------------------------|------------------|
| | 2015 | 2014 |
| Sale of crude oil | 829,435 | 1,248,245 |
| Sale of petroleum products (retail and wholesale) | | |
| Bulgaria | 1,114,573 | 1,631,711 |
| Bosnia and Herzegovina | 1,320,138 | 1,297,391 |
| Romania | 268,911 | 317,896 |
| All other markets | 3,364,973 | 4,893,509 |
| | 6,068,595 | 8,140,507 |
| Other sales | 269,912 | 18,616 |
| | 7,167,942 | 9,407,368 |

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

6. CASH AND CASH EQUIVALENTS

| | 31 March 2015 | 31 December 2014 |
|-----------------------------------------------------------|------------------|------------------|
| Cash in bank and in hand | 6,332,716 | 4,358,280 |
| Deposits with original maturity of less than three months | - | 724,192 |
| Cash equivalents | 253,518 | 255,551 |
| | 6,586,234 | 5,338,023 |

7. TRADE AND OTHER RECEIVABLES

| | 31 March 2015 | 31 December 2014 |
|------------------------------------------|-------------------|-------------------|
| Trade receivables: | | |
| - related parties | 5,932,767 | 6,113,296 |
| - third parties | 67,543,571 | 69,996,807 |
| | 73,476,338 | 76,110,103 |
| Accrued assets | 167,037 | 13,870 |
| Other receivables | 10,194,978 | 10,257,988 |
| | 83,838,353 | 86,381,961 |
| Less impairment provision | (29,723,514) | (29,723,739) |
| Total trade and other receivables | 54,114,839 | 56,658,222 |

The ageing of trade and other receivables is as follows:

| | 31 March 2015 | 31 December 2014 |
|-------------------------------|-------------------|-------------------|
| Neither impaired nor past due | 25,406,580 | 25,727,489 |
| Past due but not impaired: | | |
| within 30 days: | 4,445,307 | 3,839,535 |
| 1 to 3 months | 3,221,955 | 2,060,031 |
| 3 months to 1 year | 9,714,534 | 13,129,697 |
| over 1 year | 11,326,463 | 11,901,470 |
| Total | 54,114,839 | 56,658,222 |

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

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

| | 31 March 2015 | 31 December 2014 |
|-------|-------------------|-------------------|
| RSD | 70,672,456 | 72,826,293 |
| EUR | 10,882,263 | 10,862,728 |
| USD | 2,283,613 | 2,692,920 |
| Other | 21 | 20 |
| | 83,838,353 | 86,381,961 |

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

| | Trade receivables | | Other receivables | Total |
|----------------------------------------------------------|-----------------------|-----------------------|-----------------------|-------------------|
| | Individually impaired | Collectively impaired | Individually impaired | |
| As at 1 January 2014 | 17,688,648 | 4,301,928 | 7,827,613 | 29,818,189 |
| Provision for receivables impairment | 61,113 | 71,367 | - | 132,480 |
| Unused amounts reversed | (154,709) | (177,546) | - | (332,255) |
| Receivables written off during the year as uncollectible | - | (18,625) | - | (18,625) |
| Other | (551,960) | 551,960 | 50,691 | 50,691 |
| As at 31 March 2014 | 17,043,092 | 4,729,084 | 7,878,304 | 29,650,480 |
| As at 1 January 2015 | 17,387,910 | 4,183,437 | 8,152,392 | 29,723,739 |
| Provision for receivables impairment | - | 132,422 | - | 132,422 |
| Unused amounts reversed | (43) | (63,916) | - | (63,959) |
| Receivables written off during the year as uncollectible | - | (12,563) | - | (12,563) |
| Other | - | (6,048) | (50,077) | (56,125) |
| As at 31 March 2015 | 17,387,867 | 4,233,332 | 8,102,315 | 29,723,514 |

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

| | 31 March 2015 | 31 December 2014 |
|---------------------------|-------------------|-------------------|
| Crude oil | 14,232,004 | 21,306,426 |
| Gas | - | 161,206 |
| Petroleum products | 11,819,386 | 13,712,462 |
| Materials and supplies | 4,486,018 | 5,797,035 |
| Other | 338,500 | 411,021 |
| Less impairment provision | (5,609,313) | (5,613,846) |
| | 25,266,595 | 35,774,304 |

9. OTHER CURRENT ASSETS

| | 31 March 2015 | 31 December 2014 |
|---------------------------|----------------------|-------------------------|
| Advances paid | 1,346,470 | 627,709 |
| Deferred VAT | 1,170,167 | 1,640,431 |
| Prepaid expenses | 70,448 | 108,427 |
| Prepaid custom duties | 51,059 | 51,810 |
| Prepaid excise | 2,105,977 | 4,323,739 |
| Other current assets | 21,975,365 | 21,178,580 |
| Less impairment provision | (21,677,949) | (20,991,063) |
| | 5,041,537 | 6,939,633 |

Deferred VAT as at 31 March 2015 amounting to 1,170,167 RSD (31 December 2014: 1,640,431 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2015 amounting to 2,105,977 RSD (31 December 2014: 4,323,739 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

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

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

| | Advances paid | Other current assets | Total |
|--------------------------------------|----------------------|-----------------------------|-------------------|
| As at 1 January 2014 | 248,347 | 17,699,214 | 17,947,561 |
| Provision for receivables impairment | 13 | 964,737 | 964,750 |
| Unused amounts reversed | (8,888) | (46,730) | (55,618) |
| Other | 6 | (58,935) | (58,929) |
| As at 31 March 2014 | 239,478 | 18,558,286 | 18,797,764 |
| As at 1 January 2015 | 239,845 | 20,751,218 | 20,991,063 |
| Provision for receivables impairment | 377 | 733,477 | 733,854 |
| Unused amounts reversed | (1,986) | (6,919) | (8,905) |
| Other | (827) | (37,236) | (38,063) |
| As at 31 March 2015 | 237,409 | 21,440,540 | 21,677,949 |

10. PROPERTY, PLANT AND EQUIPMENT

| | Oil and gas properties | Refining assets | Marketing and distribution assets | Other assets | Assets under construction | Total |
|-----------------------------------|------------------------|-------------------|-----------------------------------|------------------|---------------------------|--------------------|
| As at 1 January 2014 | | | | | | |
| Cost | 51,949,129 | 108,204,314 | 29,704,322 | 16,939,009 | 39,760,624 | 246,557,398 |
| Depreciation and impairment | (16,356,852) | (28,192,781) | (12,440,063) | (7,519,610) | (4,044,148) | (68,553,454) |
| Net book value | 35,592,277 | 80,011,533 | 17,264,259 | 9,419,399 | 35,716,476 | 178,003,944 |
| Period ended 31 March 2014 | | | | | | |
| Additions | 3,711,841 | 193,193 | 822,740 | 78,151 | 4,224,414 | 9,030,339 |
| Impairment | - | - | (29,907) | - | (2,431) | (32,338) |
| Depreciation | (692,821) | (1,295,073) | (281,372) | (121,610) | - | (2,390,876) |
| Transfer to intangible assets | - | - | - | - | (94,330) | (94,330) |
| Transfer from investment property | 35,121 | 1,316 | 36,481 | 7,399 | - | 80,317 |
| Disposals and write-off | (129,158) | - | (47,134) | (21,271) | (125,275) | (322,838) |
| Other transfers | (44,373) | (236,340) | (13,643) | 301,905 | - | 7,549 |
| | 38,472,887 | 78,674,629 | 17,751,424 | 9,663,973 | 39,718,854 | 184,281,767 |
| As at 31 March 2014 | | | | | | |
| Cost | 55,443,181 | 108,077,914 | 30,395,884 | 17,331,059 | 43,760,093 | 255,008,131 |
| Depreciation and impairment | (16,970,294) | (29,403,285) | (12,644,460) | (7,667,086) | (4,041,239) | (70,726,364) |
| Net book value | 38,472,887 | 78,674,629 | 17,751,424 | 9,663,973 | 39,718,854 | 184,281,767 |
| As at 1 January 2015 | | | | | | |
| Cost | 73,455,117 | 114,595,855 | 31,255,519 | 17,838,728 | 40,592,464 | 277,737,683 |
| Depreciation and impairment | (19,210,617) | (32,895,538) | (13,279,118) | (7,941,703) | (2,782,803) | (76,109,779) |
| Net book value | 54,244,500 | 81,700,317 | 17,976,401 | 9,897,025 | 37,809,661 | 201,627,904 |
| Period ended 31 March 2015 | | | | | | |
| Additions | 3,329,062 | 1,797,959 | 693,938 | 61,159 | (980,079) | 4,902,039 |
| Impairment | - | - | - | - | (14,258) | (14,258) |
| Depreciation | (770,277) | (1,415,502) | (298,721) | (138,086) | - | (2,622,586) |
| Transfer to intangible assets | (21,781) | - | - | - | (40,096) | (61,877) |
| Transfer to investment property | - | - | (2,877) | - | - | (2,877) |
| Disposals and write-off | (92,609) | (4,330) | (7,679) | (53,008) | (36,916) | (194,542) |
| Other transfers | (888) | (1,621) | 911 | 991 | - | (607) |
| | 56,688,007 | 82,076,823 | 18,361,973 | 9,768,081 | 36,738,312 | 203,633,196 |
| As at 31 March 2015 | | | | | | |
| Cost | 76,700,747 | 116,369,950 | 31,923,609 | 17,839,256 | 39,476,303 | 282,309,865 |
| Depreciation and impairment | (20,012,740) | (34,293,127) | (13,561,636) | (8,071,175) | (2,737,991) | (78,676,669) |
| Net book value | 56,688,007 | 82,076,823 | 18,361,973 | 9,768,081 | 36,738,312 | 203,633,196 |

Oil and gas production assets

| | Capitalised exploration and evaluation expenditure | Capitalised development expenditure | Total - asset under construction (exploration and development expenditure) | Production assets | Other business and corporate assets | Total |
|----------------------------------------|----------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------|----------------------|----------------------------------------|-------------------|
| As at 1 January 2014 | | | | | | |
| Cost | 10,248,631 | 11,674,429 | 21,923,060 | 51,949,129 | 22,241 | 73,894,430 |
| Depreciation and impairment | - | (238,059) | (238,059) | (16,356,852) | (20,266) | (16,615,177) |
| Net book amount | 10,248,631 | 11,436,370 | 21,685,001 | 35,592,277 | 1,975 | 57,279,253 |
| Period ended 31 March 2014 | | | | | | |
| Additions | 1,946,988 | 5,107,839 | 7,054,827 | - | - | 7,054,827 |
| Transfer from asset under construction | (4,503) | (3,707,338) | (3,711,841) | 3,711,841 | - | - |
| Other transfers | - | 31,742 | 31,742 | (9,252) | (82) | 22,408 |
| Impairment | - | (1,989) | (1,989) | - | - | (1,989) |
| Depreciation and depletion | - | - | - | (692,821) | - | (692,821) |
| Disposals and write-off | (24,067) | (161,500) | (185,567) | (129,158) | - | (314,725) |
| | 12,167,049 | 12,705,124 | 24,872,173 | 38,472,887 | 1,893 | 63,346,953 |
| As at 31 March 2014 | | | | | | |
| Cost | 12,167,049 | 12,945,172 | 25,112,221 | 55,443,181 | 22,159 | 80,577,561 |
| Depreciation and impairment | - | (240,048) | (240,048) | (16,970,294) | (20,266) | (17,230,608) |
| Net book amount | 12,167,049 | 12,705,124 | 24,872,173 | 38,472,887 | 1,893 | 63,346,953 |
| As at 1 January 2015 | | | | | | |
| Cost | 15,001,370 | 11,578,278 | 26,579,648 | 73,455,117 | 22,203 | 100,056,968 |
| Depreciation and impairment | - | (253,585) | (253,585) | (19,210,617) | (20,358) | (19,484,560) |
| Net book amount | 15,001,370 | 11,324,693 | 26,326,063 | 54,244,500 | 1,845 | 80,572,408 |
| Period ended 31 March 2015 | | | | | | |
| Additions | 865,269 | 3,405,067 | 4,270,336 | - | - | 4,270,336 |
| Transfer from asset under construction | - | (3,329,062) | (3,329,062) | 3,329,062 | - | - |
| Other transfers | - | (6,092) | (6,092) | (22,669) | (30) | (28,791) |
| Depreciation and depletion | - | - | - | (770,277) | - | (770,277) |
| Disposals and write-off | 8,176 | (32,650) | (24,474) | (92,609) | - | (117,083) |
| | 15,874,815 | 11,361,956 | 27,236,771 | 56,688,007 | 1,815 | 83,926,593 |
| As at 31 March 2015 | | | | | | |
| Cost | 15,874,815 | 11,600,395 | 27,475,210 | 76,700,747 | 22,173 | 104,198,130 |
| Depreciation and impairment | - | (238,439) | (238,439) | (20,012,740) | (20,358) | (20,271,537) |
| Net book amount | 15,874,815 | 11,361,956 | 27,236,771 | 56,688,007 | 1,815 | 83,926,593 |

11. OTHER NON-CURRENT ASSETS

| | 31 March 2015 | 31 December 2014 |
|---------------------------|----------------------|-------------------------|
| Advances paid for PPE | 2,611,780 | 1,629,280 |
| Prepaid expenses | 951,793 | 977,478 |
| Other assets | 1,147,173 | 1,155,943 |
| Less impairment provision | (29,257) | (29,257) |
| | 4,681,489 | 3,733,444 |

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

| | 31 March 2015 | 31 December 2014 |
|----------------------------------------------|----------------------|-------------------------|
| Short-term loans | 12,291,831 | 8,600,082 |
| Interest liabilities | 139,879 | 130,903 |
| Current portion of long-term loans (note 16) | 13,343,197 | 6,100,504 |
| | 25,774,907 | 14,831,489 |

13. TRADE AND OTHER PAYABLES

| | 31 March 2015 | 31 December 2014 |
|------------------------|----------------------|-------------------------|
| Trade payables | | |
| - related parties | 14,848,278 | 23,046,917 |
| - third parties | 9,449,813 | 16,622,088 |
| Dividends payable | 3,772,307 | 3,772,308 |
| Other accounts payable | 73,868 | 70,092 |
| | 28,144,266 | 43,511,405 |

As at 31 March 2015 payables to related parties amounting to 14,848,278 RSD (31 December 2014: 23,046,917 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 12,293,283 RSD (31 December 2014: 20,122,243 RSD), mostly for the purchase of crude oil.

14. OTHER CURRENT LIABILITIES

| | 31 March 2015 | 31 December 2014 |
|-----------------------------------------|----------------------|-------------------------|
| Advances received | 835,348 | 1,551,337 |
| Payables to employees | 3,047,930 | 2,847,285 |
| Accruals and deferred income | 14,230 | 17,988 |
| Other current non-financial liabilities | 36,728 | 50,061 |
| | 3,934,236 | 4,466,671 |

15. OTHER TAXES PAYABLE

| | 31 March 2015 | 31 December 2014 |
|--------------------------------|----------------------|-------------------------|
| Mineral extraction tax | 386,552 | 407,990 |
| VAT | 1,694,882 | 217,845 |
| Excise tax | 3,945,918 | 4,710,646 |
| Contribution for buffer stocks | 268,160 | 583,400 |
| Custom duties | 551,675 | 414,883 |
| Other taxes | 1,927,075 | 1,992,146 |
| | 8,774,262 | 8,326,910 |

16. LONG-TERM DEBT

| | 31 March 2015 | 31 December 2014 |
|-------------------------------|----------------------|-------------------------|
| Long-term loan - Gazprom Neft | 46,129,127 | 47,820,723 |
| Bank loans | 59,036,276 | 50,891,268 |
| Other long-term borrowings | 1,210 | 1,210 |
| Less Current portion | (13,343,197) | (6,100,504) |
| | 91,823,416 | 92,612,697 |

a) *Long-term loan - Gazprom Neft*

As at 31 March 2015 long-term loan - Gazprom Neft amounting to 46,129,127 RSD (383,720,935 EUR) (2014: 47,820,723 RSD), with current portion of 5,591,409 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*

| | 31 March 2015 | 31 December 2014 |
|------------------------------------|-------------------|-------------------|
| Domestic | 7,310,395 | 7,175,318 |
| Foreign | 51,725,881 | 43,715,950 |
| | 59,036,276 | 50,891,268 |
| Current portion of long-term loans | (7,751,788) | (474,537) |
| | 51,284,488 | 50,416,731 |

The maturity of bank loans was as follows:

| | 31 March 2015 | 31 December 2014 |
|-----------------------|-------------------|-------------------|
| Between 1 and 2 years | 8,901,314 | 6,969,316 |
| Between 2 and 5 years | 36,997,746 | 38,044,029 |
| Over 5 years | 5,385,428 | 5,403,386 |
| | 51,284,488 | 50,416,731 |

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

| | 31 March 2015 | 31 December 2014 |
|-----|-------------------|-------------------|
| USD | 53,565,103 | 45,401,219 |
| EUR | 5,076,867 | 5,126,540 |
| RSD | 1,426 | 1,519 |
| JPY | 392,880 | 361,990 |
| | 59,036,276 | 50,891,268 |

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

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

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

| Creditor | Currency | 31 March 2015 | 31 December 2014 |
|-----------------------------------------------------------------------|----------|-------------------|-------------------|
| Domestic long-term loans | | | |
| Erste bank, Novi Sad | USD | 347,963 | 319,049 |
| Erste bank, Novi Sad | EUR | 442,830 | 457,835 |
| Bank Postanska stedionica, Belgrade | EUR | 217,566 | 224,938 |
| Bank Postanska stedionica, Belgrade | USD | 1,884,139 | 1,728,210 |
| Government of Republic of Serbia, Agency for deposit assurance (IBRD) | EUR | 4,416,471 | 4,443,767 |
| Other loans | RSD | 1,426 | 1,519 |
| | | 7,310,395 | 7,175,318 |
| Foreign long-term loans | | | |
| NLB Nova Ljubljanska bank d.d., Slovenia | USD | 635,081 | 584,396 |
| NLB Nova Ljubljanska bank d.d., Slovenia | JPY | 392,880 | 361,990 |
| Erste bank, Holland | USD | 7,242,560 | 6,465,167 |
| VUB (Bank Intesa), Slovakia | USD | 16,713,600 | 14,919,615 |
| NBG bank, Great Britain | USD | 8,356,800 | 4,973,205 |
| Sberbank Europe AG, Vienna, Austria | USD | 18,384,960 | 16,411,577 |
| | | 51,725,881 | 43,715,950 |
| Less current portion of long-term loans | | (7,751,788) | (474,537) |
| | | 51,284,488 | 50,416,731 |

| | Currency | Current portion | | Long-term | |
|-----------------------------------------------------------------------|----------|------------------|------------------|-------------------|-------------------|
| | | 31 March 2015 | 31 December 2014 | 31 March 2015 | 31 December 2014 |
| Domestic long - term loans | | | | | |
| Erste bank, Novi Sad | USD | 21,359 | 17,872 | 326,604 | 301,177 |
| Erste bank, Novi Sad | EUR | 26,946 | 25,376 | 415,884 | 432,459 |
| Bank Postanska stedionica, Belgrade | EUR | 13,239 | 12,468 | 204,327 | 212,470 |
| Bank Postanska stedionica, Belgrade | USD | 114,650 | 95,789 | 1,769,489 | 1,632,421 |
| Government of Republic of Serbia, Agency for deposit assurance (IBRD) | EUR | 260,337 | 261,946 | 4,156,134 | 4,181,821 |
| Other loans | RSD | 323 | 345 | 1,103 | 1,174 |
| | | 436,854 | 413,796 | 6,873,541 | 6,761,522 |
| Foreign long-term loans | | | | | |
| NLB Nova Ljubljanska bank d.d., Slovenia | USD | 48,467 | 40,677 | 586,614 | 543,719 |
| NLB Nova Ljubljanska bank d.d., Slovenia | JPY | 23,907 | 20,064 | 368,973 | 341,926 |
| Erste bank, Holland | USD | 7,242,560 | - | - | 6,465,167 |
| VUB (Bank Intesa), Slovakia | USD | - | - | 16,713,600 | 14,919,615 |
| NBG bank, Great Britain | USD | - | - | 8,356,800 | 4,973,205 |
| Sberbank Europe AG, Vienna, Austria | USD | - | - | 18,384,960 | 16,411,577 |
| | | 7,314,934 | 60,741 | 44,410,947 | 43,655,209 |
| | | 7,751,788 | 474,537 | 51,284,488 | 50,416,731 |

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 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 31 March 2015 and 31 December 2014 comprise of 163,060,400 shares.

18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

| | Three month period ended 31 March | |
|--------------------|-----------------------------------|-------------------|
| | 2015 | 2014 |
| Crude oil | 19,577,759 | 24,726,406 |
| Petroleum products | 6,695,287 | 3,826,216 |
| Other | - | 36,881 |
| | 26,273,046 | 28,589,503 |

19. PRODUCTION AND MANUFACTURING EXPENSES

| | Three month period ended 31 March | |
|-------------------------------------------------------------------------------|-----------------------------------|------------------|
| | 2015 | 2014 |
| Employee costs | 843,933 | 910,976 |
| Materials and supplies (other than purchased oil, petroleum products and gas) | 252,731 | 154,993 |
| Repair and maintenance services | 897,525 | 725,522 |
| Electricity and utilities | 737,886 | 561,251 |
| Transportation services for production | 122,886 | 141,987 |
| Other | 1,492,189 | 1,933,698 |
| | 4,347,150 | 4,428,427 |

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

| | Three month period ended 31 March | |
|---------------------------------------|------------------------------------------|------------------|
| | 2015 | 2014 |
| Employee costs | 2,322,583 | 2,269,611 |
| Legal, audit, and consulting services | 305,095 | 218,806 |
| Rent expense | 26,124 | 19,750 |
| Business trips expense | 39,380 | 48,125 |
| Safety and security expense | 131,588 | 84,619 |
| Insurance expense | 58,935 | 58,821 |
| Transportation and storage | 312,329 | 287,119 |
| Allowance for doubtful accounts | 793,412 | 709,384 |
| Other | 1,029,222 | 742,584 |
| | 5,018,668 | 4,438,819 |

21. FAIR VALUE MEASUREMENT

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

As of 31 March, 2015 carrying value of financial assets approximate their fair value.

22. CONTINGENCIES AND COMMITMENTS*Transfer of property ownership*

As at 31 March 2015, the Company had ownership and the right to use and possess of 7,917 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 31 March 2015 the total amount of outstanding finance guarantees provided by the Company amounted to 5,077,605 RSD, mostly related to guaranties for customs duties in the amount of 1,920,363 RSD (31 December 2014: 3,145,363 RSD).

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 556,232 RSD (31 December 2014: 557,657 RSD).

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

Other contingent liabilities

As at 31 March 2015, the Company did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Company has to pay the difference in tax calculation of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Company's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Company's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed. Taking all of the above into consideration, the Company's Management is of the view that as at 31 March 2015 outflow of resources embodying economic benefits is not probable due to high level of uncertainty relating to the

timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

Tax risks

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 March 2015.

Commitments

There were no material commitments of the Company.

23. RELATED PARTY TRANSACTIONS

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

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

In the three month period ended 31 March 2015 and in the same period in 2014, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

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

| | Subsidiaries | Parent company | Entities under common control | Total |
|-------------------------------------------------------|-------------------|---------------------|-------------------------------|--------------------|
| As at 31 March 2015 | | | | |
| Short-term financial assets | 3,332,720 | - | - | 3,332,720 |
| Trade and other receivables | 6,023,495 | 420 | 37,252 | 6,061,167 |
| Other current assets | 206,753 | - | - | 206,753 |
| Investments in subsidiaries | 8,729,187 | - | - | 8,729,187 |
| Trade and other non-current receivables | 2,427,259 | - | - | 2,427,259 |
| Long-term financial assets | 34,477,912 | - | - | 34,477,912 |
| Other non-current assets | 55,159 | - | - | 55,159 |
| Trade and other payables | (2,572,345) | (12,293,283) | (24,021) | (14,889,649) |
| Other current liabilities | (137) | - | (5,017) | (5,154) |
| Short-term debt and current portion of long-term debt | - | (5,591,409) | - | (5,591,409) |
| Long-term debt | - | (40,537,718) | - | (40,537,718) |
| | 52,680,003 | (58,421,990) | 8,214 | (5,733,773) |

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

For the three month period ended 31 March 2015 and 2014 the following transaction occurred with related parties:

| | Parent | Entities under common control | Joint venture | Total |
|-----------------------------------------------|------------------|-------------------------------|---------------------|---------------------|
| Three month period ended 31 March 2015 | | | | |
| Petroleum products and oil and gas sales | 2,026,503 | - | (2,642) | 2,023,861 |
| Other Revenues | 138,193 | - | (26,303) | 111,890 |
| Purchases of oil, gas and petroleum products | (17,085) | (12,368,803) | (1,952,154) | (14,338,042) |
| Production and manufacturing expenses | (860,870) | (3,137) | - | (864,007) |
| Selling, general and administrative expenses | (232,171) | - | - | (232,171) |
| Transportation expenses | (5,735) | - | - | (5,735) |
| Other expenses, net | (48,958) | (11,057) | 111,407 | 51,392 |
| Finance income | 275,347 | - | - | 275,347 |
| Finance expense | - | (255,701) | - | (255,701) |
| | 1,275,224 | (12,638,698) | (1,869,692) | (13,233,166) |
| Three month period ended 31 March 2014 | | | | |
| Petroleum products and oil and gas sales | 2,422,084 | - | 718,136 | 3,140,220 |
| Other revenues | 127,262 | - | - | 127,262 |
| Purchases of oil, gas and petroleum products | (1,025,573) | - | (25,682,902) | (26,708,475) |
| Production and manufacturing expenses | (761,371) | (1,849) | (4,907) | (768,127) |
| Selling, general and administrative expenses | (223,044) | (7,229) | - | (230,273) |
| Transportation expenses | (5,191) | - | - | (5,191) |
| Other expenses, net | (1,882) | (4,556) | 3,909 | (2,529) |
| Finance income | 421,996 | - | - | 421,996 |
| Finance expense | (3,382) | (299,073) | - | (302,455) |
| | 950,899 | (312,707) | (24,965,764) | (24,327,572) |

Key management compensation

Management compensation paid or payable in three month period ended 31 March 2015 and 2014 is shown in the table below::

| | Three month period ended 31 March | |
|-------------------------------------------------|-----------------------------------|---------------|
| | 2015 | 2014 |
| Salaries and other short-term employee benefits | 128,955 | 73,824 |
| | 128,955 | 73,824 |

24. EVENTS AFTER THE REPORTING DATE

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

Subsequent events occurring after 31 March 2015 were evaluated through 27 April 2015, the date these Interim Condensed Financial Statements were authorised for issue.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 31 March 2015 (unaudited) | 31 December 2014 |
|-------------------------------------------------------|------|------------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 8,980,963 | 8,326,704 |
| Short-term financial assets | | 3,684 | 6,413 |
| Trade and other receivables | 7 | 49,216,317 | 51,690,689 |
| Inventories | 8 | 28,766,175 | 39,130,966 |
| Current income tax prepayments | | 3,596,807 | 2,656,695 |
| Other current assets | 9 | 5,760,703 | 7,841,611 |
| Total current assets | | 96,324,649 | 109,653,078 |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 234,399,383 | 232,389,851 |
| Investment property | | 1,356,387 | 1,381,832 |
| Goodwill and other intangible assets | | 7,398,214 | 7,494,340 |
| Investments in joint ventures | | 1,008,221 | 1,008,221 |
| Trade and other non-current receivables | | 75,119 | 72,680 |
| Long-term financial assets | | 236,823 | 240,698 |
| Deferred tax assets | | 7,834,202 | 7,834,202 |
| Other non-current assets | 11 | 5,350,578 | 4,572,897 |
| Total non-current assets | | 257,658,927 | 254,994,721 |
| Total assets | | 353,983,576 | 364,647,799 |
| Liabilities and shareholder's equity | | | |
| Current liabilities | | | |
| Short-term debt and current portion of long-term debt | 12 | 25,775,616 | 14,832,341 |
| Trade and other payables | 13 | 27,947,264 | 43,751,998 |
| Other current liabilities | 14 | 4,746,855 | 5,322,163 |
| Other taxes payable | 15 | 9,462,857 | 9,031,015 |
| Provisions for liabilities and charges | | 2,374,344 | 2,508,552 |
| Total current liabilities | | 70,306,936 | 75,446,069 |
| Non-current liabilities | | | |
| Long-term debt | 16 | 92,803,678 | 93,588,043 |
| Deferred tax liabilities | | 2,921,224 | 2,980,602 |
| Provisions for liabilities and charges | | 9,136,866 | 9,012,584 |
| Total non-current liabilities | | 104,861,768 | 105,581,229 |
| Equity | | | |
| Share capital | 17 | 81,530,200 | 81,530,200 |
| Reserves | | (558,151) | (452,813) |
| Retained earnings | | 98,002,627 | 102,696,156 |
| Equity attributable to the Company's owners | | 178,974,676 | 183,773,543 |
| Non-controlling interest | | (159,804) | (153,042) |
| Total equity | | 178,814,872 | 183,620,501 |
| Total liabilities and shareholder's equity | | 353,983,576 | 364,647,799 |

in RSD ,000

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Three month period ended 31 March | |
|------------------------------------------------------------------------------------|------|-----------------------------------|---------------------|
| | | 2015 (unaudited) | 2014 (unaudited) |
| Sales of petroleum products and oil and gas sales | | 44,373,257 | 55,111,004 |
| Other revenues | | 2,073,629 | 1,488,949 |
| Total revenue from sales | 5 | 46,446,886 | 56,599,953 |
| Purchases of oil, gas and petroleum products | 18 | (27,691,296) | (29,830,871) |
| Production and manufacturing expenses | 19 | (4,547,706) | (4,551,374) |
| Selling, general and administrative expenses | 20 | (5,526,945) | (5,082,759) |
| Transportation expenses | | (178,001) | (228,104) |
| Depreciation, depletion and amortization | | (3,310,921) | (3,027,643) |
| Taxes other than income tax | | (1,289,405) | (1,459,571) |
| Exploration expenses | | (6,972) | (32,084) |
| Total operating expenses | | (42,551,246) | (44,212,406) |
| Other expenses, net | | (163,455) | (88,402) |
| Operating profit | | 3,732,185 | 12,299,145 |
| Net foreign exchange loss | | (7,463,146) | (765,671) |
| Finance income | | 62,022 | 67,180 |
| Finance expenses | | (899,086) | (857,490) |
| Total other expense | | (8,300,210) | (1,555,981) |
| (Loss)/Profit before income tax | | (4,568,025) | 10,743,164 |
| Current income tax expense | | (191,986) | (1,460,578) |
| Deferred tax (expense) income | | 58,866 | (674,215) |
| Total income tax expense | | (133,120) | (2,134,793) |
| (Loss)/Profit for the period | | (4,701,145) | 8,608,371 |
| Other comprehensive loss: | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Change in value of available-for-sale financial assets | | 312 | (797) |
| Currency translation differences | | (104,546) | (38,672) |
| | | (104,234) | (39,469) |
| Other comprehensive loss for the period | | (104,234) | (39,469) |
| Total comprehensive (loss)/income for the period | | (4,805,379) | 8,568,902 |
| Profit attributable to: | | | |
| - Shareholders of Naftna Industrija Srbije | | (4,693,529) | 8,616,377 |
| - Non-controlling interest | | (7,616) | (8,006) |
| Profit for the period | | (4,701,145) | 8,608,371 |
| Total comprehensive (loss)/income attributable to: | | | |
| - Shareholders of Naftna Industrija Srbije | | (4,798,867) | 8,577,252 |
| - Non-controlling interest | | (6,512) | (8,350) |
| Total comprehensive income (loss) for the period | | (4,805,379) | 8,568,902 |
| Earnings per share attributable to shareholders of Naftna Industrija Srbije | | | |
| - Basic earnings (RSD per share) | | (28.78) | 52.84 |
| Weighted average number of ordinary shares in issue (in millions) | | 163 | 163 |

in RSD ,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2015 and 2014

| | Note | Equity attributable to the Company's owners | | | Total | Non-controlling interest | Total equity |
|--------------------------------------------------------|------|---------------------------------------------|------------------|--------------------|--------------------|--------------------------|--------------------|
| | | Share capital | Reserves | Retained earnings | | | |
| Balance as at 1 January 2014 | | 81,530,200 | (98,174) | 87,564,495 | 168,996,521 | (43,419) | 168,953,102 |
| Profit (loss) for the period | | - | - | 8,616,377 | 8,616,377 | (8,006) | 8,608,371 |
| Other comprehensive loss | | | | | | | |
| Change in value of available-for-sale financial assets | | - | (797) | - | (797) | - | (797) |
| Currency translation differences | | - | (38,328) | - | (38,328) | (344) | (38,672) |
| Total comprehensive loss for the period | | - | (39,125) | 8,616,377 | 8,577,252 | (8,350) | 8,568,902 |
| Other | | - | (65) | 80 | 15 | (39) | (24) |
| Balance as at 31 March 2014 | | 81,530,200 | (137,364) | 96,180,952 | 177,573,788 | (51,808) | 177,521,980 |
| Balance as at 1 January 2015 | | 81,530,200 | (452,813) | 102,696,156 | 183,773,543 | (153,042) | 183,620,501 |
| Loss for the period | | - | - | (4,693,529) | (4,693,529) | (7,616) | (4,701,145) |
| Other comprehensive income/(loss) | | | | | | | |
| Change in value of available-for-sale financial assets | | - | 312 | - | 312 | - | 312 |
| Currency translation differences | | - | (105,650) | - | (105,650) | 1,104 | (104,546) |
| Total comprehensive loss for the period | | - | (105,338) | (4,693,529) | (4,798,867) | (6,512) | (4,805,379) |
| Other | | - | - | - | - | (250) | (250) |
| Balance as at 31 March 2015 | | 81,530,200 | (558,151) | 98,002,627 | 178,974,676 | (159,804) | 178,814,872 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Three month period ended 31 March | |
|--------------------------------------------------------------------|------|-----------------------------------|---------------------|
| | | 2015 | 2014 |
| | | (unaudited) | (unaudited) |
| Cash flows from operating activities | | | |
| Profit before income tax | | (4,568,025) | 10,743,164 |
| Adjustments for: | | | |
| Finance costs | | 899,086 | 857,490 |
| Finance income | | (62,022) | (67,180) |
| Depreciation, depletion and amortization | | 3,310,921 | 3,027,643 |
| Adjustments for other provisions | | 97,032 | 126,658 |
| Allowance for doubtful accounts | | 787,189 | 724,351 |
| Net unrealised foreign exchange losses | | 5,620,093 | 702,338 |
| Other non-cash items | | 100,266 | 106,113 |
| | | 10,752,566 | 5,478,341 |
| <i>Changes in working capital:</i> | | | |
| Trade and other receivables | | 2,466,445 | 4,611,283 |
| Inventories | | 10,364,791 | (7,668,136) |
| Other current assets | | 1,156,003 | 1,522,191 |
| Trade payables and other current liabilities | | (14,394,937) | (11,255,753) |
| Other taxes payable | | 438,090 | 386,556 |
| | | 30,392 | (12,403,859) |
| Income taxes paid | | (1,138,004) | (1,179,808) |
| Interest paid | | (782,915) | (632,309) |
| Interest received | | 135,540 | 178,336 |
| | | (1,785,379) | (1,633,781) |
| Net cash generated by operating activities | | 4,429,554 | 2,183,865 |
| Cash flows from investing activities | | | |
| Capital expenditures | | (8,237,517) | (11,072,978) |
| Proceeds from sale of property, plant and equipment | | 46,833 | 93,230 |
| Other (outflow) inflow | | 374 | (472) |
| Net cash used in investing activities | | (8,190,310) | (10,980,220) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 15,918,666 | 9,313,922 |
| Repayment of borrowings | | (11,646,491) | (1,732,927) |
| Net cash generated by financing activities | | 4,272,175 | 7,580,995 |
| Net increase (decrease) in cash and cash equivalents | | 511,419 | (1,215,360) |
| Effect of foreign exchange on cash and cash equivalents | | 142,840 | (62,123) |
| Cash and cash equivalents as of the beginning of the period | | 8,326,704 | 8,707,775 |
| Cash and cash equivalents as of the end of the period | | 8,980,963 | 7,430,292 |

in RSD ,000

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 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 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 three month period ended 31 March 2015 are not necessarily indicative of the results expected for the full year.

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of 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.

3.2. Impact of recent crude oil volatility

In the line with recent changes in the crude oil price on the world market, management of the company continues to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact if the negative trends on the market continue.

Based on the currently available information and crude oil price forecast, management believe that at reporting date there are no indicators of asset impairment.

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. No new documents were issued during the three months period ended March 31, 2015.

The new standards and interpretations are not expected to have significant impact or affect significantly the Group's Consolidated Financial Statements.

5. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the three month periods ended 31 March 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 three month period ended 31 March 2015 are shown in the table below:

| | Upstream | Downstream | Eliminations | Total |
|------------------------------------------|------------------|---------------------|--------------|--------------------|
| Segment revenue | 13,874,183 | 45,847,495 | (13,274,792) | 46,446,886 |
| Intersegment | 12,869,978 | 404,814 | (13,274,792) | - |
| External | 1,004,205 | 45,442,681 | - | 46,446,886 |
| EBITDA (Segment results) | 10,177,591 | (2,958,148) | - | 7,219,443 |
| Depreciation, depletion and amortization | (1,054,199) | (2,256,722) | - | (3,310,921) |
| Impairment losses (note 30) | - | (48,425) | - | (48,425) |
| Net foreign exchange gain (loss) | 84,577 | (7,547,723) | - | (7,463,146) |
| Finance expenses, net | (33,541) | (803,523) | - | (837,064) |
| Income tax | (61,437) | (71,683) | - | (133,120) |
| Segment profit (loss) | 8,605,026 | (13,306,171) | - | (4,701,145) |

Reportable segment results for the three month period ended 31 March 2014 are shown in the table below:

| | Upstream | Downstream | Eliminations | Total |
|------------------------------------------|-------------------|--------------------|--------------|------------------|
| Segment revenue | 21,486,201 | 55,467,626 | (20,353,874) | 56,599,953 |
| Intersegment | 20,167,658 | 186,216 | (20,353,874) | - |
| External | 1,318,543 | 55,281,410 | - | 56,599,953 |
| EBITDA (Segment results) | 17,802,712 | (2,297,313) | - | 15,505,399 |
| Depreciation, depletion and amortization | (926,315) | (2,101,328) | - | (3,027,643) |
| Impairment losses | (1,989) | (127,250) | - | (129,239) |
| Net foreign exchange loss | (40,691) | (724,980) | - | (765,671) |
| Finance expenses, net | (69,868) | (720,442) | - | (790,310) |
| Income tax | (176,560) | (1,958,233) | - | (2,134,793) |
| Segment profit (loss) | 16,487,013 | (7,878,642) | - | 8,608,371 |

EBITDA for the three month period ended 31 March 2015 and 2014 is reconciled below:

| | Three month period ended 31 March | |
|------------------------------------------|-----------------------------------|-------------------|
| | 2015 | 2014 |
| (Loss)/Profit for the period | (4,701,145) | 8,608,371 |
| Income tax expenses | 133,120 | 2,134,793 |
| Finance expenses | 899,086 | 857,490 |
| Finance income | (62,022) | (67,180) |
| Depreciation, depletion and amortization | 3,310,921 | 3,027,643 |
| Net foreign exchange loss | 7,463,146 | 765,671 |
| Other expense, net | 163,455 | 88,402 |
| Other non-operating expense, net* | 12,882 | 90,209 |
| EBITDA | 7,219,443 | 15,505,399 |

*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):

| | Three month period ended 31 March 2015 | | |
|---------------------------------|----------------------------------------|--------------------------------|-------------------|
| | Domestic market | Export and international sales | Total |
| Sale of crude oil | - | 829,435 | 829,435 |
| Sale of gas | 3,159,200 | - | 3,159,200 |
| <i>Through a retail network</i> | - | - | - |
| <i>Wholesale activities</i> | 3,159,200 | - | 3,159,200 |
| Sale of petroleum products | 32,250,497 | 8,134,125 | 40,384,622 |
| <i>Through a retail network</i> | 10,711,869 | - | 10,711,869 |
| <i>Wholesale activities</i> | 21,538,628 | 8,134,125 | 29,672,753 |
| Other sales | 985,235 | 1,088,394 | 2,073,629 |
| Total sales | 36,394,932 | 10,051,954 | 46,446,886 |

| | Three month period ended 31 March 2014 | | |
|---------------------------------|----------------------------------------|--------------------------------|-------------------|
| | Domestic market | Export and international sales | Total |
| Sale of crude oil | - | 1,248,245 | 1,248,245 |
| Sale of gas | 1,674,941 | - | 1,674,941 |
| <i>Through a retail network</i> | - | - | - |
| <i>Wholesale activities</i> | 1,674,941 | - | 1,674,941 |
| Sale of petroleum products | 42.255.853 | 9.931.965 | 52.187.818 |
| <i>Through a retail network</i> | 12.186.227 | - | 12.186.227 |
| <i>Wholesale activities</i> | 30.069.626 | 9.931.965 | 40.001.591 |
| Other sales | 1.090.220 | 398.729 | 1.488.949 |
| Total sales | 45,021,014 | 11,578,939 | 56,599,953 |

Out of the amount of 29,672,753 RSD (2014: 40,001,591 RSD) revenue from sale of petroleum products (wholesale), the amount of 4,095,230 RSD (2014: 8,024,380 RSD) is derived from a single domestic customer, HIP Petrohemija. This revenue is attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 1,342,601 RSD (2014: 1,140,213 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 36,394,932 RSD (2014: 45,021,014 RSD), and the total of revenue from external customer from other countries is 10,051,954 RSD (2014: 11,578,939 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 2014 | |
|---------------------------------------------------|----------------------------------------|-------------------|
| | 2015 | 2014 |
| Sale of crude oil | 829,435 | 1,248,245 |
| Sale of petroleum products (retail and wholesale) | | |
| Bulgaria | 1,744,808 | 2,066,363 |
| Bosnia and Herzegovina | 1,534,783 | 2,092,350 |
| Romania | 1,030,269 | 1,065,471 |
| All other markets | 3,824,265 | 4,707,781 |
| | 8,134,125 | 9,931,965 |
| Other sales | 1,088,394 | 398,729 |
| | 10,051,954 | 11,578,939 |

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 2015 | 31 December 2014 |
|------------------------|--------------------|--------------------|
| Serbia | 220,139,020 | 218,176,386 |
| Bulgaria | 8,170,950 | 8,524,519 |
| Bosnia and Herzegovina | 8,408,177 | 8,296,363 |
| Romania | 6,435,813 | 6,268,690 |
| Hungary | 24 | 65 |
| | 243,153,984 | 241,266,023 |

6. CASH AND CASH EQUIVALENTS

| | 31 March 2015 | 31 December 2014 |
|-----------------------------------------------------------|------------------|------------------|
| Cash in bank and in hand | 6,856,644 | 5,117,100 |
| Deposits with original maturity of less than three months | 243,992 | 1,317,248 |
| Cash held on escrow account | 1,626,810 | 1,636,805 |
| Cash equivalents | 253,517 | 255,551 |
| | 8,980,963 | 8,326,704 |

Cash held on escrow accounts as of 31 March 2015 amounting to 1,626,810 RSD (31 December 2014: 1,636,805 RSD) relates to deposited funds in accordance with share purchase agreement with Energowind doo (through which the operation of future wind farm 'Plandiste' will be managed).

7. TRADE AND OTHER RECEIVABLES

| | 31 March 2015 | 31 December 2014 |
|------------------------------------------|-------------------|-------------------|
| Trade receivables: | | |
| - related parties | 37,252 | 36,398 |
| - third parties | 68,382,417 | 70,830,997 |
| | 68,419,669 | 70,867,395 |
| Accrued assets | 40,243 | 16,268 |
| Other receivables | 10,338,901 | 10,391,642 |
| | 78,798,813 | 81,275,305 |
| Less impairment provision | (29,582,496) | (29,584,616) |
| Total trade and other receivables | 49,216,317 | 51,690,689 |

The ageing of trade and other receivables is as follows:

| | 31 March 2015 | 31 December 2014 |
|-------------------------------|-------------------|-------------------|
| Neither impaired nor past due | 23,648,612 | 24,050,369 |
| Past due but not impaired: | | |
| within 30 days: | 4,538,606 | 4,122,003 |
| 1 to 3 months | 3,363,086 | 2,027,385 |
| 3 months to 1 year | 7,367,279 | 10,417,402 |
| over 1 year | 10,298,734 | 11,073,530 |
| Total | 49,216,317 | 51,690,689 |

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:

| | 31 March 2015 | 31 December 2014 |
|-------|-------------------|-------------------|
| RSD | 66,334,840 | 68,417,996 |
| EUR | 10,534,235 | 10,733,307 |
| USD | 1,119,956 | 1,351,117 |
| Other | 809,782 | 772,885 |
| | 78,798,813 | 81,275,305 |

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 | |
| As at 1 January 2014 | 17,481,016 | 4,374,251 | 7,827,614 | 29,682,881 |
| Provision for receivables impairment | 59,840 | 88,768 | - | 148,608 |
| Unused amounts reversed | (154,709) | (180,952) | - | (335,661) |
| Receivables written off during the year as uncollectible | - | (22,520) | - | (22,520) |
| Other | (550,687) | 531,470 | 50,690 | 31,473 |
| As at 31 March 2014 | 16,835,460 | 4,791,017 | 7,878,304 | 29,504,781 |
| As at 1 January 2015 | 17,387,912 | 4,044,312 | 8,152,392 | 29,584,616 |
| Provision for receivables impairment | 25,968 | 129,564 | - | 155,532 |
| Unused amounts reversed | (32,799) | (60,531) | - | (93,330) |
| Receivables written off during the year as uncollectible | - | (12,564) | - | (12,564) |
| Other | 4,985 | (6,666) | (50,077) | (51,758) |
| As at 31 March 2015 | 17,386,066 | 4,094,115 | 8,102,315 | 29,582,496 |

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

| | 31 March 2015 | 31 December 2014 |
|--|---------------|------------------|
|--|---------------|------------------|

| | | |
|---------------------------|-------------------|-------------------|
| Crude oil | 14,232,004 | 21,306,426 |
| Gas | - | 161,206 |
| Petroleum products | 12,623,791 | 14,487,028 |
| Materials and supplies | 7,331,352 | 8,529,435 |
| Other | 713,118 | 802,531 |
| Less impairment provision | (6,134,090) | (6,155,660) |
| | 28,766,175 | 39,130,966 |

9. OTHER CURRENT ASSETS

| | 31 March 2015 | 31 December 2014 |
|---------------------------|------------------|------------------|
| Advances paid | 1,325,095 | 668,211 |
| VAT receivables | 144,232 | 163,230 |
| Deferred VAT | 1,670,569 | 2,241,351 |
| Prepaid expenses | 94,869 | 137,615 |
| Prepaid custom duties | 51,094 | 52,281 |
| Prepaid excise | 2,106,422 | 4,323,747 |
| Other current assets | 22,059,050 | 21,258,939 |
| Less impairment provision | (21,690,628) | (21,003,763) |
| | 5,760,703 | 7,841,611 |

Deferred VAT as at 31 March 2015 amounting to 1,670,569 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 31 March 2015 amounting to 2,106,422 RSD (31 December 2014: 4,323,749 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:

| | Advances paid | Other current assets | Total |
|--------------------------------------|----------------|----------------------|-------------------|
| As at 1 January 2014 | 253,069 | 17,706,623 | 17,959,692 |
| Provision for receivables impairment | 13 | 967,009 | 967,022 |
| Unused amounts reversed | (8,888) | (46,730) | (55,618) |
| Other | 37 | (61,181) | (61,144) |
| As at 31 March 2014 | 244,231 | 18,565,721 | 18,809,952 |
| As at 1 January 2015 | 244,828 | 20,758,935 | 21,003,763 |
| Provision for receivables impairment | 377 | 733,515 | 733,892 |
| Unused amounts reversed | (1,986) | (6,919) | (8,905) |
| Other | (859) | (37,263) | (38,122) |
| As at 31 March 2015 | 242,360 | 21,448,268 | 21,690,628 |

10. PROPERTY, PLANT AND EQUIPMENT

| | Oil and gas properties | Refining assets | Marketing and distribution assets | Other assets | Assets under construction | Total |
|--------------------------------------------|------------------------|-------------------|-----------------------------------|-------------------|---------------------------|--------------------|
| As at 1 January 2014 | | | | | | |
| 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) |
| Net book value | 40,718,701 | 80,011,533 | 31,943,206 | 11,137,858 | 41,121,223 | 204,932,521 |
| Period ended 31 March 2014 | | | | | | |
| Additions | 3,779,341 | 193,193 | 1,722,840 | 97,176 | 4,262,474 | 10,055,024 |
| Acquisitions through business combinations | - | - | - | - | 99,878 | 99,878 |
| Impairment | - | - | (29,907) | - | (2,431) | (32,338) |
| Depreciation | (857,081) | (1,295,074) | (478,687) | (175,623) | (809) | (2,807,274) |
| Transfer (to) from intangible assets | 45 | - | 5,653 | - | (101,100) | (95,402) |
| Transfer (to) from investment property | 35,121 | 1,316 | 36,481 | 7,399 | - | 80,317 |
| Disposals and write-off | (10,149) | 8,044 | (48,974) | (21,469) | (120,642) | (193,190) |
| Other transfers | (44,373) | (244,383) | (13,643) | 301,905 | 456 | (38) |
| Translation differences | 30 | - | 118,644 | - | 20,097 | 138,771 |
| | 43,621,635 | 78,674,629 | 33,255,613 | 11,347,246 | 45,279,146 | 212,178,269 |
| As at 31 March 2014 | | | | | | |
| Cost | 61,842,042 | 108,077,913 | 46,678,567 | 19,538,445 | 49,332,006 | 285,468,973 |
| Depreciation and impairment | (18,220,407) | (29,403,284) | (13,422,954) | (8,191,199) | (4,052,860) | (73,290,704) |
| Net book value | 43,621,635 | 78,674,629 | 33,255,613 | 11,347,246 | 45,279,146 | 212,178,269 |
| As at 1 January 2015 | | | | | | |
| Cost | 82,284,653 | 114,595,854 | 49,338,344 | 20,285,937 | 46,177,226 | 312,682,014 |
| Depreciation and impairment | (21,058,518) | (32,895,538) | (14,910,568) | (8,614,025) | (2,813,514) | (80,292,163) |
| Net book value | 61,226,135 | 81,700,316 | 34,427,776 | 11,671,912 | 43,363,712 | 232,389,851 |
| Period ended 31 March 2015 | | | | | | |
| Additions | 3,601,944 | 1,797,959 | 832,229 | 64,562 | (949,945) | 5,346,749 |
| Impairment | - | - | - | - | (20,561) | (20,561) |
| Depreciation | (969,342) | (1,415,503) | (529,403) | (158,653) | - | (3,072,901) |
| Transfer to intangible assets | (21,781) | - | - | - | (40,379) | (62,160) |
| Transfer to investment property | - | - | (2,877) | - | - | (2,877) |
| Disposals and write-off | (24,902) | (4,329) | (7,680) | (53,005) | (49,461) | (139,377) |
| Other transfers | (888) | (1,621) | 911 | 991 | - | (607) |
| Translation differences | 2 | - | (37,679) | - | (1,057) | (38,734) |
| | 63,811,168 | 82,076,822 | 34,683,277 | 11,525,807 | 42,302,309 | 234,399,383 |
| As at 31 March 2015 | | | | | | |
| Cost | 85,838,150 | 116,369,948 | 50,101,459 | 20,299,075 | 45,077,798 | 317,686,430 |
| Depreciation and impairment | (22,026,982) | (34,293,126) | (15,418,182) | (8,773,268) | (2,775,489) | (83,287,047) |
| Net book value | 63,811,168 | 82,076,822 | 34,683,277 | 11,525,807 | 42,302,309 | 234,399,383 |

Oil and gas production assets

| | Capitalised exploration and evaluation expenditure | Capitalised development expenditure | Total - asset under construction (exploration and development expenditure) | Production assets | Other business and corporate assets | Total |
|----------------------------------------|----------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------|----------------------|----------------------------------------|-------------------|
| As at 1 January 2014 | | | | | | |
| 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) |
| Net book amount | 13,211,220 | 13,159,048 | 26,370,268 | 40,718,701 | 13,243 | 67,102,212 |
| Period ended 31 March 2014 | | | | | | |
| Additions | 2,203,160 | 5,274,246 | 7,477,406 | - | - | 7,477,406 |
| Transfer from asset under construction | (24,837) | (3,747,254) | (3,772,091) | 3,818,388 | - | 46,297 |
| Other transfers | - | (14,100) | (14,100) | (48,254) | (81) | (62,435) |
| Impairment | - | (1,989) | (1,989) | - | - | (1,989) |
| Depreciation and depletion | (809) | - | (809) | (857,081) | - | (857,890) |
| Disposals and write-off | (24,066) | (162,385) | (186,451) | (10,149) | - | (196,600) |
| Translation differences | 18,913 | - | 18,913 | 30 | - | 18,943 |
| | 15,383,581 | 14,507,566 | 29,891,147 | 43,621,635 | 13,162 | 73,525,944 |
| As at 31 March 2014 | | | | | | |
| Cost | 15,395,202 | 14,747,614 | 30,142,816 | 61,842,042 | 33,429 | 92,018,287 |
| Depreciation and impairment | (11,621) | (240,048) | (251,669) | (18,220,407) | (20,267) | (18,492,343) |
| Net book amount | 15,383,581 | 14,507,566 | 29,891,147 | 43,621,635 | 13,162 | 73,525,944 |
| As at 1 January 2015 | | | | | | |
| 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) |
| Net book amount | 18,069,882 | 13,224,410 | 31,294,292 | 61,226,135 | 13,098 | 92,533,525 |
| Period ended 31 March 2015 | | | | | | |
| Additions | 1,055,254 | 3,632,892 | 4,688,146 | - | - | 4,688,146 |
| Transfer from asset under construction | 3,252 | (3,605,196) | (3,601,944) | 3,601,944 | - | - |
| Other transfers | - | (2,840) | (2,840) | (22,669) | (30) | (25,539) |
| Depreciation and depletion | (1,263) | - | (1,263) | (969,342) | - | (970,605) |
| Disposals and write-off | 1,206 | (37,797) | (36,591) | (24,902) | - | (61,493) |
| Translation differences | (385) | - | (385) | 2 | - | (383) |
| | 19,127,946 | 13,211,469 | 32,339,415 | 63,811,168 | 13,068 | 96,163,651 |
| As at 31 March 2015 | | | | | | |
| Cost | 19,146,670 | 13,449,908 | 32,596,578 | 85,838,150 | 33,427 | 118,468,155 |
| Depreciation and impairment | (18,724) | (238,439) | (257,163) | (22,026,982) | (20,359) | (22,304,504) |
| Net book amount | 19,127,946 | 13,211,469 | 32,339,415 | 63,811,168 | 13,068 | 96,163,651 |

11. OTHER NON-CURRENT ASSETS

| | 31 March 2015 | 31 December 2014 |
|---------------------------|----------------------|-------------------------|
| Advances paid for PPE | 3,280,916 | 2,468,780 |
| Prepaid expenses | 951,793 | 977,478 |
| Other assets | 1,147,126 | 1,155,896 |
| Less impairment provision | (29,257) | (29,257) |
| | 5,350,578 | 4,572,897 |

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

| | 31 March 2015 | 31 December 2014 |
|--------------------------------------------------------|----------------------|-------------------------|
| Short-term loans | 12,291,860 | 8,600,112 |
| Interest liabilities | 139,879 | 130,902 |
| Current portion of long-term loans (note 16) | 13,343,197 | 6,100,504 |
| Current portion of finance lease liabilities (note 16) | 680 | 823 |
| | 25,775,616 | 14,832,341 |

13. TRADE AND OTHER PAYABLES

| | 31 March 2015 | 31 December 2014 |
|------------------------|----------------------|-------------------------|
| Trade payables | | |
| - related parties | 12,320,141 | 20,253,500 |
| - third parties | 11,779,244 | 19,650,382 |
| Dividends payable | 3,772,308 | 3,772,308 |
| Other accounts payable | 75,571 | 75,808 |
| | 27,947,264 | 43,751,998 |

As at 31 March 2015 payables to related parties amounting to 12,230,141 RSD (31 December 2014: 20,253,500 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 12,293,283 RSD (31 December 2014: 20,122,243 RSD), mostly for the purchase of crude oil.

14. OTHER CURRENT LIABILITIES

| | 31 March 2015 | 31 December 2014 |
|-----------------------------------------|----------------------|-------------------------|
| Advances received | 879,235 | 1,589,530 |
| Payables to employees | 3,807,636 | 3,639,272 |
| Accruals and deferred income | 22,064 | 40,179 |
| Other current non-financial liabilities | 37,920 | 53,182 |
| | 4,746,855 | 5,322,163 |

15. OTHER TAXES PAYABLE

| | 31 March 2015 | 31 December 2014 |
|--------------------------------|----------------------|-------------------------|
| Mineral extraction tax | 386,552 | 407,990 |
| VAT | 1,801,104 | 354,270 |
| Excise tax | 4,123,322 | 4,909,246 |
| Contribution for buffer stocks | 268,160 | 583,400 |
| Custom duties | 553,033 | 414,925 |
| Other taxes | 2,330,686 | 2,361,184 |
| | 9,462,857 | 9,031,015 |

16. LONG-TERM DEBT

| | 31 March 2015 | 31 December 2014 |
|-------------------------------|----------------------|-------------------------|
| Long-term loan - Gazprom Neft | 46,129,127 | 47,820,723 |
| Bank loans | 59,745,458 | 51,604,833 |
| Finance lease liabilities | 202,782 | 199,738 |
| Other long-term borrowings | 70,188 | 64,076 |
| Less Current portion | (13,343,877) | (6,101,327) |
| | 92,803,678 | 93,588,043 |

a) Long-term loan - Gazprom Neft

As at 31 March 2015 long-term loan - Gazprom Neft amounting to 46,129,127 RSD (383,720,935 EUR) (2014: 47,820,723 RSD), with current portion of 5,591,409 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

| | 31 March 2015 | 31 December 2014 |
|------------------------------------|-------------------|-------------------|
| Domestic | 7,310,396 | 7,175,319 |
| Foreign | 52,435,062 | 44,429,514 |
| | 59,745,458 | 51,604,833 |
| Current portion of long-term loans | (7,751,788) | (474,537) |
| | 51,993,670 | 51,130,296 |

The maturity of bank loans was as follows:

| | 31 March 2015 | 31 December 2014 |
|-----------------------|-------------------|-------------------|
| Between 1 and 2 years | 8,901,314 | 6,969,316 |
| Between 2 and 5 years | 37,475,820 | 38,525,058 |
| Over 5 years | 5,616,536 | 5,635,922 |
| | 51,993,670 | 51,130,296 |

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

| | 31 March 2015 | 31 December 2014 |
|-----|-------------------|-------------------|
| USD | 53,565,103 | 45,401,219 |
| EUR | 5,786,048 | 5,840,104 |
| RSD | 1,427 | 1,520 |
| JPY | 392,880 | 361,990 |
| | 59,745,458 | 51,604,833 |

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 31 March 2015 and 31 December 2014 are presented in the table below:

| | Creditor | Currency | 31 March 2015 | 31 December 2014 |
|---------------------------------|-----------------------------------------------------------------------|----------|-------------------|-------------------|
| Domestic long-term loans | | | | |
| | Erste bank, Novi Sad | USD | 347,963 | 319,049 |
| | Erste bank, Novi Sad | EUR | 442,830 | 457,835 |
| | Bank Postanska stedionica, Belgrade | EUR | 217,566 | 224,938 |
| | Bank Postanska stedionica, Belgrade | USD | 1,884,139 | 1,728,210 |
| | Government of Republic of Serbia, Agency for deposit assurance (IBRD) | EUR | 4,416,471 | 4,443,767 |
| | Other loans | RSD | 1,427 | 1,520 |
| | | | 7,310,396 | 7,175,319 |
| Foreign long-term loans | | | | |
| | NLB Nova Ljubljanska bank d.d., Slovenia | USD | 635,081 | 584,396 |
| | NLB Nova Ljubljanska bank d.d., Slovenia | JPY | 392,880 | 361,990 |
| | Erste bank, Holland | USD | 7,242,560 | 6,465,167 |
| | VUB (Bank Intesa), Slovakia | USD | 16,713,600 | 14,919,615 |
| | NBG bank, Great Britain | USD | 8,356,800 | 4,973,205 |
| | Sberbank Europe AG, Vienna, Austria | USD | 18,384,960 | 16,411,577 |
| | NeftgazInKor, Russian Federation | EUR | 401,039 | 403,517 |
| | Neftgazovaja Inovacionnaja Korporacija, Russian Federation | EUR | 308,142 | 310,047 |
| | | | 52,435,062 | 44,429,514 |
| | Less current portion of long-term loans | | (7,751,788) | (474,537) |
| | | | 51,993,670 | 51,130,296 |

| | Currency | Current portion | | Long-term | |
|-----------------------------------------------------------------------|----------|------------------|------------------|-------------------|-------------------|
| | | 31 March 2015 | 31 December 2014 | 31 March 2015 | 31 December 2014 |
| Domestic long - term loans | | | | | |
| Erste bank, Novi Sad | USD | 21,359 | 17,872 | 326,604 | 301,177 |
| Erste bank, Novi Sad | EUR | 26,946 | 25,376 | 415,884 | 432,459 |
| Bank Postanska stedionica, Belgrade | EUR | 13,239 | 12,468 | 204,327 | 212,470 |
| Bank Postanska stedionica, Belgrade | USD | 114,650 | 95,789 | 1,769,489 | 1,632,421 |
| Government of Republic of Serbia, Agency for deposit assurance (IBRD) | EUR | 260,337 | 261,946 | 4,156,134 | 4,181,821 |
| Other loans | RSD | 323 | 345 | 1,103 | 1,174 |
| | | 436,854 | 413,796 | 6,873,541 | 6,761,522 |
| Foreign long-term loans | | | | | |
| NLB Nova Ljubljanska bank d.d., Slovenia | USD | 48,467 | 40,677 | 586,614 | 543,719 |
| NLB Nova Ljubljanska bank d.d., Slovenia | JPY | 23,907 | 20,064 | 368,973 | 341,926 |
| Erste bank, Holland | USD | 7,242,560 | - | - | 6,465,167 |
| VUB (Bank Intesa), Slovakia | USD | - | - | 16,713,600 | 14,919,615 |
| NBG bank, Great Britain | USD | - | - | 8,356,800 | 4,973,205 |
| Sberbank Europe AG, Vienna, Austria | USD | - | - | 18,384,960 | 16,411,577 |
| NeftgazInKor, Russian Federation | EUR | - | - | 401,039 | 403,517 |
| Neftgazovaja Inovacionnaja Korporacija, Russian Federation | EUR | - | - | 308,142 | 310,047 |
| | | 7,314,934 | 60,741 | 45,120,128 | 44,368,773 |
| | | 7,751,788 | 474,537 | 51,993,670 | 51,130,296 |

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 2015 and 31 December 2014, respectively.

17. SHARE CAPITAL

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

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

18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

| | Three month period ended 31 March | |
|--------------------|-----------------------------------|-------------------|
| | 2015 | 2014 |
| Crude oil | 19,577,759 | 24,726,416 |
| Petroleum products | 8,113,537 | 5,067,575 |
| Other | - | 36,880 |
| | 27,691,296 | 29,830,871 |

19. PRODUCTION AND MANUFACTURING EXPENSES

| | Three month period ended 31 March | |
|-------------------------------------------------------------------------------|-----------------------------------|------------------|
| | 2015 | 2014 |
| Employee costs | 1,678,404 | 1,731,008 |
| Materials and supplies (other than purchased oil, petroleum products and gas) | 699,604 | 369,532 |
| Repair and maintenance services | 705,834 | 622,674 |
| Electricity and utilities | 937,236 | 703,165 |
| Transportation services for production | 338,568 | 351,847 |
| Other | 188,060 | 773,148 |
| | 4,547,706 | 4,551,374 |

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

| | Three month period ended 31 March | |
|---------------------------------------|------------------------------------------|------------------|
| | 2015 | 2014 |
| Employee costs | 2,530,059 | 2,605,142 |
| Legal, audit, and consulting services | 341,609 | 251,787 |
| Rent expense | 91,914 | 94,760 |
| Business trips expense | 67,129 | 64,731 |
| Safety and security expense | 146,583 | 102,402 |
| Insurance expense | 60,188 | 59,585 |
| Transportation and storage | 134,822 | 103,196 |
| Allowance for doubtful accounts | 787,189 | 724,351 |
| Other | 1,367,452 | 1,076,805 |
| | 5,526,945 | 5,082,759 |

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 31 March, 2015 carrying value of financial assets approximate their fair value.

22. CONTINGENCIES AND COMMITMENTS*Transfer of property ownership*

As at 31 March 2015, the Company had ownership and the right to use and possess of 7,917 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 31 March 2015 the total amount of outstanding finance guarantees provided by the Group amounted to 5,384,077 RSD, mostly related to guaranties for customs duties in the amount of 2,226,835 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 565,248 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 31 March 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 31 March 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 31 March 2015.

Farm-out agreement with East West Petroleum Corporation, Canada

In October 2011, the Group entered into a Farm-out agreement with East West Petroleum Corporation, Canada for exploration and production of hydrocarbons in the Timisoara region in Romania. Under the Contract, the Group shall finance 85% of total exploration costs on four blocks in the region. Depending on the success of exploration, the Group will be entitled to 85% of the total production volume of hydrocarbons. Moreover, under the Joint Operation Agreement signed with East West Petroleum Corporation, Canada, Group will act as the Operator and will be in charge of and shall conduct all Joint Operations. Exploration activities are underway. On 31 March 2015 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to 48.7 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 31 March 2015 and 31 December 2014:

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

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

24. RELATED PARTY TRANSACTIONS

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

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

In the three month period ended 31 March 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 31 March 2015 and 31 December 2014 the outstanding balances with related parties were as follows:

| | Parent company | Entities under common control | Joint venture | Total |
|-------------------------------------------------------|---------------------|-------------------------------|------------------|---------------------|
| As at 31 March 2015 | | | | |
| Trade and other receivables | 420 | 37,252 | 117,784 | 155,456 |
| Investment in joint ventures | - | - | 1,008,221 | 1,008,221 |
| Trade and other payables | (12,293,283) | (26,858) | - | (12,320,141) |
| Other current liabilities | - | (5,017) | - | (5,017) |
| Short-term debt and current portion of long-term debt | (5,591,409) | - | - | (5,591,409) |
| Long-term debt | (40,537,718) | - | - | (40,537,718) |
| | (58,421,990) | 5,377 | 1,126,005 | (57,290,608) |
| As at 31 December 2014 | | | | |
| Trade and other receivables | - | 36,398 | 117,858 | 154,256 |
| Investment in joint ventures | - | - | 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) |
| | (67,942,966) | (107,690) | 1,126,079 | (66,924,577) |

For the three month period ended 31 March 2015 and 2014 the following transaction occurred with related parties:

| | Parent | Entities under common control | Joint venture | Total |
|-----------------------------------------------|---------------------|-------------------------------|---------------|---------------------|
| Three month period ended 31 March 2015 | | | | |
| Petroleum products and oil and gas sales | - | (2,642) | - | (2,642) |
| Other Revenues | - | (26,303) | - | (26,303) |
| Purchases of oil, gas and petroleum products | (12,368,803) | (1,952,154) | - | (14,320,957) |
| Production and manufacturing expenses | (3,137) | - | - | (3,137) |
| Other expenses, net | (11,057) | 111,407 | - | 100,350 |
| Finance expense | (255,701) | - | - | (255,701) |
| | (12,638,698) | (1,869,692) | - | (14,508,390) |
| Three month period ended 31 March 2014 | | | | |
| Petroleum products and oil and gas sales | - | 718,136 | - | 718,136 |
| Purchases of oil, gas and petroleum products | - | (25,682,902) | - | (25,682,902) |
| Production and manufacturing expenses | (1,849) | (4,907) | - | (6,756) |
| Selling, general and administrative expenses | (7,229) | - | - | (7,229) |
| Other expenses, net | (4,556) | 3,909 | - | (647) |
| Finance expense | (299,073) | - | - | (299,073) |
| | (312,707) | (24,965,764) | - | (25,278,471) |

Key management compensation

Management compensation paid or payable in three month period ended 31 March 2015 and 2014 is shown in the table below::

| | Three month period ended 31 March | |
|-------------------------------------------------|------------------------------------------|---------------|
| | 2015 | 2014 |
| Salaries and other short-term employee benefits | 128,955 | 73,824 |
| | 128,955 | 73,824 |

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 31 March 2015 were evaluated through 27 April 2015, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

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), which requires full scope of IFRS to be applied as well as the regulations issued by the Ministry of Finance of the Republic of Serbia³⁵ and that they show true and objective information on the assets, liabilities, profit and loss, financial position and operations of the Company, including subsidiaries encompassed by the consolidated statements.

Anton Fyodorov

Branko Mitrović

Deputy CEO,
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

³⁵ Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

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

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