



**Naftna industrija Srbije A.D.**

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

31 March 2016

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

**Naftna industrija Srbije A.D.**  
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**Statements (Unaudited)**

**31 March 2016**

**Contents**

<b>Interim Condensed Consolidated Statement of Financial Position</b>	<b>3</b>
<b>Interim Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income</b>	<b>4</b>
<b>Interim Condensed Consolidated Statement of Changes in Shareholders' Equity</b>	<b>5</b>
<b>Interim Condensed Consolidated Statement of Cash Flows</b>	<b>6</b>
<b>Notes to the Interim Condensed Consolidated Financial Statements</b>	
1. General information	7
2. Summary of Significant Accounting Policies	7
3. Critical Accounting Estimates, Assumptions and Judgments	8
4. New Accounting Standards	8
5. Segment Information	9
6. Cash and Cash Equivalents	11
7. Trade and Other Receivables	12
8. Inventories	13
9. Other Current Assets	13
10. Property, Plant and Equipment	15
11. Other Non-current Assets	17
12. Short-term Debt and Current Portion of Long-term Debt	17
13. Trade and Other Payables	17
14. Other Current Liabilities	17
15. Other Taxes Payable	17
16. Long-term Debt	18
17. Share capital	19
18. Purchases of oil, gas and petroleum products	19
19. Production and manufacturing expenses	19
20. Selling, general and administrative expenses	19
21. Fair value measurement	19
22. Contingencies and commitments	20
23. Significant group entities	21
24. Related party transactions	21
25. Events after the reporting date	23

**NIS Group**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(All amounts are in 000 RSD, unless otherwise stated)*

<b>Assets</b>	Note	<b>31 March 2016</b>	<b>31 December 2015</b>
		<i>(unaudited)</i>	
<b>Current assets</b>			
Cash and cash equivalents	6	10,740,266	19,271,435
Short-term financial assets		250,111	201,087
Trade and other receivables	7	30,993,652	34,948,713
Inventories	8	22,776,101	24,178,244
Current income tax prepayments		1,529,815	1,629,761
Other current assets	9	5,714,064	6,225,886
Assets classified as held for sale		-	21,703
<b>Total current assets</b>		<b>72,004,009</b>	<b>86,476,829</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	248,501,523	247,213,423
Investment property		1,522,298	1,336,060
Goodwill and other intangible assets		7,137,133	7,155,279
Investments in joint venture		1,188,659	1,188,659
Trade and other non-current receivables		14,802,627	14,656,649
Long-term financial assets		259,900	321,006
Deferred tax assets		4,219,528	4,268,741
Other non-current assets	11	3,259,400	3,399,135
<b>Total non-current assets</b>		<b>280,891,068</b>	<b>279,538,952</b>
<b>Total assets</b>		<b>352,895,077</b>	<b>366,015,781</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	12	20,918,190	17,135,875
Trade and other payables	13	24,990,178	29,364,018
Other current liabilities	14	4,782,833	6,537,802
Other taxes payable	15	10,234,460	10,445,185
Provisions for liabilities and charges		2,264,835	2,256,470
<b>Total current liabilities</b>		<b>63,190,496</b>	<b>65,739,350</b>
<b>Non-current liabilities</b>			
Long-term debt	16	89,382,181	100,313,640
Provisions for liabilities and charges		9,700,752	9,451,111
<b>Total non-current liabilities</b>		<b>99,082,933</b>	<b>109,764,751</b>
<b>Equity</b>			
Share capital	17	81,530,200	81,530,200
Reserves		(679,892)	(530,528)
Retained earnings		109,966,215	109,698,142
<b>Equity attributable to the Company's owners</b>		<b>190,816,523</b>	<b>190,697,814</b>
Non-controlling interest		(194,875)	(186,134)
<b>Total equity</b>		<b>190,621,648</b>	<b>190,511,680</b>
<b>Total liabilities and shareholder's equity</b>		<b>352,895,077</b>	<b>366,015,781</b>

Kirill Kravchenko  
 Chief Executive Officer  
 26 April 2016



Anton Fyodorov  
 Chief Financial Officer

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

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

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

	Note	Three month period ended	
		31 March 2016	2015
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products and oil and gas sales		31,945,481	44,373,257
Other revenues		3,405,867	2,073,629
<b>Total revenue from sales</b>	<b>5</b>	<b>35,351,348</b>	<b>46,446,886</b>
Purchases of oil, gas and petroleum products	18	(19,283,812)	(27,691,296)
Production and manufacturing expenses	19	(5,731,230)	(4,547,706)
Selling, general and administrative expenses	20	(5,344,361)	(5,526,945)
Transportation expenses		(224,605)	(178,001)
Depreciation, depletion and amortization		(3,916,120)	(3,310,921)
Taxes other than income tax		(1,077,767)	(1,289,405)
Exploration expenses		-	(6,972)
<b>Total operating expenses</b>		<b>(35,577,895)</b>	<b>(42,551,246)</b>
Other expenses, net		256,751	(163,455)
<b>Operating profit</b>		<b>30,204</b>	<b>3,732,185</b>
Net foreign exchange loss		1,288,276	(7,463,146)
Finance income		44,374	62,022
Finance expenses		(855,416)	(899,086)
<b>Total other expense</b>		<b>477,234</b>	<b>(8,300,210)</b>
<b>(Loss)/Profit before income tax</b>		<b>507,438</b>	<b>(4,568,025)</b>
Current income tax expense		(197,385)	(191,986)
Deferred tax (expense) income		(48,594)	58,866
<b>Total income tax expense</b>		<b>(245,979)</b>	<b>(133,120)</b>
<b>(Loss)/Profit for the period</b>		<b>261,459</b>	<b>(4,701,145)</b>
<b>Other comprehensive loss:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in value of available-for-sale financial assets		(3,493)	312
Currency translation differences		(147,998)	(104,546)
		(151,491)	(104,234)
<b>Other comprehensive loss for the period</b>		<b>(151,491)</b>	<b>(104,234)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>109,968</b>	<b>(4,805,379)</b>
<b>Profit attributable to:</b>			
- Shareholders of Naftna Industrija Srbije		268,073	(4,693,529)
- Non-controlling interest		(6,614)	(7,616)
<b>Profit (loss) for the period</b>		<b>261,459</b>	<b>(4,701,145)</b>
<b>Total comprehensive income (loss) attributable to:</b>			
- Shareholders of Naftna Industrija Srbije		118,709	(4,798,867)
- Non-controlling interest		(8,741)	(6,512)
<b>Total comprehensive income (loss) for the period</b>		<b>109,968</b>	<b>(4,805,379)</b>
<b>Earnings per share attributable to shareholders of Naftna Industrija Srbije</b>			
- Basic earnings (RSD per share)		1.64	(28.78)
Weighted average number of ordinary shares in issue (in millions)		163	163

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

## NIS Group

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2016 and 2015

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

(unaudited)

#### Balance as at 1 January 2015

Profit / (loss) for the period

#### Other comprehensive loss

Change in value of available-for-sale financial assets

Currency translation differences

#### Total comprehensive income (loss) for the period

Other

#### Balance as at 31 March 2015

#### Balance as at 1 January 2016

Profit (loss) for the period

#### Other comprehensive income / (loss)

Change in value of available-for-sale financial assets

Currency translation differences

#### Total comprehensive income (loss) for the period

#### Balance as at 31 March 2016

Equity attributable to the Company's owners					
Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>81,530,200</b>	<b>(452,813)</b>	<b>102,696,156</b>	<b>183,773,543</b>	<b>(153,042)</b>	<b>183,620,501</b>
-	-	(4,693,529)	(4,693,529)	(7,616)	(4,701,145)
-	312	-	312	-	312
-	(105,650)	-	(105,650)	1,104	(104,546)
-	(105,338)	(4,693,529)	(4,798,867)	(6,512)	(4,805,379)
-	-	-	-	(250)	(250)
<b>81,530,200</b>	<b>(558,151)</b>	<b>98,002,627</b>	<b>178,974,676</b>	<b>(159,804)</b>	<b>178,814,872</b>
<b>81,530,200</b>	<b>(530,528)</b>	<b>109,698,142</b>	<b>190,697,814</b>	<b>(186,134)</b>	<b>190,511,680</b>
-	-	268,073	268,073	(6,614)	261,459
-	(3,493)	-	(3,493)	-	(3,493)
-	(145,871)	-	(145,871)	(2,127)	(147,998)
-	(149,364)	268,073	118,709	(8,741)	109,968
<b>81,530,200</b>	<b>(679,892)</b>	<b>109,966,215</b>	<b>190,816,523</b>	<b>(194,875)</b>	<b>190,621,648</b>

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

**NIS Group**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(All amounts are in 000 RSD, unless otherwise stated)*

	Three month period ended 31 March	
	2016	2015
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
Profit/(Loss) before income tax	507,437	(4,568,025)
Adjustments for:		
Finance costs	855,416	899,086
Finance income	(44,374)	(62,022)
Depreciation, depletion and amortization	3,916,120	3,310,921
Adjustments for other provisions	90,834	97,032
Allowance for doubtful accounts	(19,725)	787,189
Net unrealised foreign exchange gains (losses)	(413,517)	5,620,093
Other non-cash items	(207,239)	100,267
	<b>4,177,515</b>	<b>10,752,566</b>
<i>Changes in working capital:</i>		
Trade and other receivables	3,871,616	2,466,445
Inventories	1,373,256	10,364,791
Other current assets	320,008	1,156,003
Trade payables and other current liabilities	(5,721,306)	(14,394,937)
Other taxes payable	(222,326)	438,090
	<b>(378,752)</b>	<b>30,392</b>
Income taxes paid	(78,606)	(1,138,004)
Interest paid	(755,394)	(782,915)
Interest received	90,164	135,540
	<b>(743,836)</b>	<b>(1,785,379)</b>
<b>Net cash generated by operating activities</b>	<b>3,562,364</b>	<b>4,429,554</b>
<b>Cash flows from investing activities</b>		
Capital expenditures	(5,328,559)	(8,237,517)
Proceeds from sale of property, plant and equipment	86,164	46,833
Loan proceeds received	9,818	-
Other inflow	93	374
	<b>(5,232,484)</b>	<b>(8,190,310)</b>
<b>Net cash used in investing activities</b>	<b>(5,232,484)</b>	<b>(8,190,310)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,017,186	15,918,666
Repayment of borrowings	(8,876,923)	(11,646,491)
	<b>(6,859,737)</b>	<b>4,272,175</b>
<b>Net cash (used in) generated by financing activities</b>	<b>(6,859,737)</b>	<b>4,272,175</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,529,857)</b>	<b>511,419</b>
Effect of foreign exchange on cash and cash equivalents	(1,312)	142,840
<b>Cash and cash equivalents as of the beginning of the period</b>	<b>19,271,435</b>	<b>8,326,704</b>
<b>Cash and cash equivalents as of the end of the period</b>	<b>10,740,266</b>	<b>8,980,963</b>

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

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**1. GENERAL INFORMATION**

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

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1. Basis of preparation**

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2015, 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 2015.

The results for the three month period ended 31 March 2016 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 Consolidated Financial Statements as of and for the year ended 31 December 2015, except for those described in Application of new IFRS paragraph.

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**2.3. Application of new IFRS**

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group:

- Amendments to IFRS 11 – Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IFRS 7 Financial instruments: Disclosure (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 19 Employee Benefits (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 34 Interim Financial Reporting (issued in September 2014 effective for annual periods beginning on or after January 1, 2016).

**3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

**3.1. 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, 2016 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, 2015.

The following new standards were issued during the three months period ended 31 March 2016.

***The amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 effective for annual periods beginning on or after January 1, 2017)*** on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

***The amendments to IAS 7 – Statement of Cash Flow (issued in January 2016 effective for annual periods beginning on or after January 1, 2017)*** require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

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

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**5. SEGMENT INFORMATION**

Presented below is information about the Group's operating segments for the three month periods ended 31 March 2016 and 2015. 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 2016 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	7,671,905	35,371,382	(7,691,940)	35,351,347
Intersegment	7,075,717	616,223	(7,691,940)	-
External	596,188	34,755,159	-	35,351,347
EBITDA (Segment results)	4,522,496	(756,483)	-	3,766,013
Depreciation, depletion and amortization	(1,544,069)	(2,372,051)	-	(3,916,120)
Net foreign exchange gain	44,566	1,243,710	-	1,288,276
Finance expenses, net	(29,439)	(781,603)	-	(811,042)
Income tax	(240,489)	(5,490)	-	(245,979)
Segment profit (loss)	<b>2,825,466</b>	<b>(2,564,007)</b>	-	<b>261,459</b>

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

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
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	-	(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)	<b>8,605,026</b>	<b>(13,306,171)</b>	-	<b>(4,701,145)</b>

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

EBITDA for the three month period ended 31 March 2016 and 2015 is reconciled below:

	<b>Three month period ended 31 March</b>	
	<b>2016</b>	<b>2015</b>
Profit/(Loss) for the period	261,459	(4,701,145)
Income tax expenses	245,979	133,120
Finance expenses	855,416	899,086
Finance income	(44,374)	(62,022)
Depreciation, depletion and amortization	3,916,120	3,310,921
Net foreign exchange loss	(1,288,276)	7,463,146
Other expense, net	(256,751)	163,455
Other non-operating expense, net*	76,440	12,882
<b>EBITDA</b>	<b>3,766,013</b>	<b>7,219,443</b>

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

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

	<b>Three month period ended 31 March 2016</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	438	522,557	522,995
Sale of gas	927,012	-	927,012
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	927,012	-	927,012
Sale of petroleum products	23,900,363	6,595,111	30,495,474
<i>Through a retail network</i>	8,516,704	-	8,516,704
<i>Wholesale activities</i>	15,383,659	6,595,111	21,978,770
Other sales	1,682,898	1,722,969	3,405,867
<b>Total sales</b>	<b>26,510,711</b>	<b>8,840,637</b>	<b>35,351,348</b>

  

	<b>Three month period ended 31 March 2015</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
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
<b>Total sales</b>	<b>36,394,932</b>	<b>10,051,954</b>	<b>46,446,886</b>

Out of the amount of 21,978,770 RSD (2015: 29,672,753 RSD) revenue from sale of petroleum products (wholesale), the amount of 2,774,329 RSD (2015: 4,095,230 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 1,501,335 RSD (2015: 1,342,601 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 24,318,503 RSD (2015: 36,394,932 RSD), and the total of revenue from external customer from other countries is 11,032,845 RSD (2015: 10,051,954 RSD).

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

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

	<b>Three month period ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2015</b>
Sale of crude oil	522,557	829,435
Sale of petroleum products (retail and wholesale)		
Bulgaria	1,915,517	1,744,808
Bosnia and Herzegovina	1,342,480	1,534,783
Romania	1,436,844	1,030,269
All other markets	1,900,270	3,824,265
	<b>6,595,111</b>	<b>8,134,125</b>
Other sales	1,722,969	1,088,394
	<b>8,840,637</b>	<b>10,051,954</b>

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

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

	<b>31 March</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
Serbia	234,029,227	232,868,821
Bulgaria	8,248,960	8,246,434
Bosnia and Herzegovina	8,157,919	8,152,524
Romania	6,724,848	6,436,983
	<b>257,160,954</b>	<b>255,704,762</b>

**6. CASH AND CASH EQUIVALENTS**

	<b>31 March</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
Cash in bank and in hand	8,652,749	11,302,285
Deposits with original maturity of less than three months	508,239	6,385,304
Cash held on escrow account	1,578,535	1,562,453
Cash equivalents	743	21,393
	<b>10,740,266</b>	<b>19,271,435</b>

Cash held on escrow accounts as of 31 March 2016 amounting to 1,578,535 RSD (31 December 2015: 1,562,453 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).

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**7. TRADE AND OTHER RECEIVABLES**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Trade receivables:		
- related parties	134,382	253,057
- third parties	26,473,591	29,781,907
- state and state owned companies	18,842,309	19,369,662
	<b>45,450,282</b>	<b>49,404,626</b>
Other receivables:		
- third parties	209,227	209,227
- state and state owned companies	10,424,734	10,314,622
	<b>10,633,961</b>	<b>10,523,849</b>
Accrued assets	663,378	660,401
	<b>56,747,621</b>	<b>60,588,876</b>
<i>Less impairment provision for trade and other receivables:</i>		
- <i>third parties</i>	(9,900,663)	(9,862,727)
- <i>state and state owned companies</i>	(15,853,306)	(15,777,436)
	<b>(25,753,969)</b>	<b>(25,640,163)</b>
<b>Total trade and other receivables</b>	<b>30,993,652</b>	<b>34,948,713</b>

The ageing of trade and other receivables is as follows:

	<b>31 March 2016</b>	<b>31 December 2015</b>
Neither impaired nor past due	22,942,813	27,139,823
Past due but not impaired:		
within 30 days:	1,971,301	1,831,215
1 to 3 months	1,830,266	1,200,167
3 months to 1 year	1,736,467	2,198,059
over 1 year	2,512,805	2,579,449
<b>Total</b>	<b>30,993,652</b>	<b>34,948,713</b>

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

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
RSD	38,075,696	41,704,312
EUR	16,235,204	16,348,409
USD	1,448,056	1,507,433
Other	988,665	1,028,722
	<b>56,747,621</b>	<b>60,588,876</b>

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

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

	<b>Trade &amp; other receivables</b>		<b>Total</b>
	<b>Third parties</b>	<b>State and state owned companies</b>	
<b>As at 1 January 2015</b>	10,062,347	19,522,269	29,584,616
Provision for receivables impairment	148,956	6,576	155,532
Unused amounts reversed	(70,136)	(23,194)	(93,330)
Receivables written off during the year as uncollectible	-	(12,564)	(12,564)
Exchange differences	(523)	(50,077)	(50,600)
Other	(1,158)	-	(1,158)
<b>As at 31 March 2015</b>	<b>10,139,486</b>	<b>19,443,010</b>	<b>29,582,496</b>
<b>As at 1 January 2016</b>	9,862,727	15,777,436	25,640,163
Provision for receivables impairment	17,023	15,740	32,763
Unused amounts reversed	(28,665)	(925)	(29,590)
Other	49,578	61,055	110,633
<b>As at 31 March 2016</b>	<b>9,900,663</b>	<b>15,853,306</b>	<b>25,753,969</b>

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

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

**8. INVENTORIES**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Crude oil	9,927,273	11,069,970
Petroleum products	12,832,940	13,738,263
Materials and supplies	4,708,828	4,120,087
Other	796,120	838,428
Less impairment provision	(5,489,060)	(5,588,504)
	<b>22,776,101</b>	<b>24,178,244</b>

**9. OTHER CURRENT ASSETS**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Advances paid	474,479	536,372
VAT receivables	262,076	227,121
Deferred VAT	2,053,624	2,014,262
Prepaid expenses	368,558	120,106
Prepaid custom duties	31,982	33,190
Prepaid excise	2,221,863	3,028,713
Other current assets	14,566,275	14,308,833
Less impairment provision	(14,264,793)	(14,042,711)
	<b>5,714,064</b>	<b>6,225,886</b>

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

Deferred VAT as at 31 March 2016 amounting to 2,053,624 RSD (31 December 2015: 2,014,262 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 2016 amounting to 2,221,863 RSD (31 December 2015: 3,028,713 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

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

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

	<b>Advances paid</b>	<b>Other current assets</b>	<b>Total</b>
<b>As at 1 January 2015</b>	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)
<b>As at 31 March 2015</b>	<b>242,360</b>	<b>21,448,268</b>	<b>21,690,628</b>
<b>As at 1 January 2016</b>	270,297	13,772,414	14,042,711
Provision for receivables impairment	-	228,355	228,355
Unused amounts reversed	(2,751)	(2,830)	(5,581)
Other	-	(692)	(692)
<b>As at 31 March 2016</b>	<b>267,546</b>	<b>13,997,247</b>	<b>14,264,793</b>

The ageing of other current assets is as follows:

	<b>31 March 2016</b>	<b>31 December 2015</b>
Neither impaired nor past due	5,596,813	6,071,893
Not impaired and past due in the following periods:		
Less than 1 month	12,359	30,136
01 - 03 months	33,638	31,372
03 month - one year	23,800	43,018
Over 1 year	47,454	49,467
<b>Total</b>	<b>5,714,064</b>	<b>6,225,886</b>

**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**10. PROPERTY, PLANT AND EQUIPMENT**

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2015</b>						
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)
<b>Net book value</b>	<b>61,226,135</b>	<b>81,700,316</b>	<b>34,427,776</b>	<b>11,671,912</b>	<b>43,363,712</b>	<b>232,389,851</b>
<b>Period ended 31 March 2015</b>						
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)
	<b>63,811,168</b>	<b>82,076,822</b>	<b>34,683,277</b>	<b>11,525,807</b>	<b>42,302,309</b>	<b>234,399,383</b>
<b>As at 31 March 2015</b>						
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)
<b>Net book value</b>	<b>63,811,168</b>	<b>82,076,822</b>	<b>34,683,277</b>	<b>11,525,807</b>	<b>42,302,309</b>	<b>234,399,383</b>
<b>As at 1 January 2016</b>						
Cost	108,928,420	120,288,250	51,644,542	20,010,602	38,640,748	339,512,562
Depreciation and impairment	(25,345,752)	(38,800,866)	(16,727,934)	(9,024,312)	(2,400,275)	(92,299,139)
<b>Net book value</b>	<b>83,582,668</b>	<b>81,487,384</b>	<b>34,916,608</b>	<b>10,986,290</b>	<b>36,240,473</b>	<b>247,213,423</b>
<b>Period ended 31 March 2016</b>						
Additions	3,780,683	99,745	1,164,317	72,477	(326,971)	4,790,251
Impairment	-	-	-	-	(16,150)	(16,150)
Depreciation	(1,443,211)	(1,407,592)	(554,369)	(200,982)	(1,263)	(3,607,417)
Transfer (to) from intangible assets	-	-	1,957	-	(121,680)	(119,723)
Transfer to investment property	-	-	(3,866)	(1,688)	-	(5,554)
Disposals and write-off	(3,293)	(9,113)	(10,365)	(7,739)	(18,855)	(49,365)
Other transfers	(10,958)	96,995	(111,507)	25,470	-	-
Translation differences	16	1	212,794	(1)	83,248	296,058
	<b>85,905,905</b>	<b>80,267,420</b>	<b>35,615,569</b>	<b>10,873,827</b>	<b>35,838,802</b>	<b>248,501,523</b>
<b>As at 31 March 2016</b>						
Cost	112,678,578	120,524,893	52,692,325	20,132,126	38,253,241	344,281,163
Depreciation and impairment	(26,772,673)	(40,257,473)	(17,076,756)	(9,258,299)	(2,414,439)	(95,779,640)
<b>Net book value</b>	<b>85,905,905</b>	<b>80,267,420</b>	<b>35,615,569</b>	<b>10,873,827</b>	<b>35,838,802</b>	<b>248,501,523</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016

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

#### Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
<b>As at 1 January 2015</b>						
Cost	18,087,173	13,477,995	31,565,168	82,284,653	33,457	113,883,278
Depreciation and impairment	(17,291)	(253,585)	(270,876)	(21,058,518)	(20,359)	(21,349,753)
<b>Net book amount</b>	<b>18,069,882</b>	<b>13,224,410</b>	<b>31,294,292</b>	<b>61,226,135</b>	<b>13,098</b>	<b>92,533,525</b>
<b>Period ended 31 March 2015</b>						
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)
	<b>19,127,946</b>	<b>13,211,469</b>	<b>32,339,415</b>	<b>63,811,168</b>	<b>13,068</b>	<b>96,163,651</b>
<b>As at 31 March 2015</b>						
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)
<b>Net book amount</b>	<b>19,127,946</b>	<b>13,211,469</b>	<b>32,339,415</b>	<b>63,811,168</b>	<b>13,068</b>	<b>96,163,651</b>
<b>As at 1 January 2016</b>						
Cost	19,971,794	7,942,643	27,914,437	108,928,420	33,408	136,876,265
Depreciation and impairment	(21,185)	(248,771)	(269,956)	(25,345,752)	(22,292)	(25,638,000)
<b>Net book amount</b>	<b>19,950,609</b>	<b>7,693,872</b>	<b>27,644,481</b>	<b>83,582,668</b>	<b>11,116</b>	<b>111,238,265</b>
<b>Period ended 31 March 2016</b>						
Additions	711,363	3,353,092	4,064,455	171,847	-	4,236,302
Transfer from asset under construction	(3,510)	(3,605,326)	(3,608,836)	3,608,836	-	-
Other transfers	23,017	(60,475)	(37,458)	(10,958)	-	(48,416)
Depreciation and depletion	(1,263)	-	(1,263)	(1,443,211)	-	(1,444,474)
Disposals and write-off	(8,886)	(1)	(8,887)	(3,293)	-	(12,180)
Translation differences	73,112	-	73,112	16	-	73,128
	<b>20,744,442</b>	<b>7,381,162</b>	<b>28,125,604</b>	<b>85,905,905</b>	<b>11,116</b>	<b>114,042,625</b>
<b>As at 31 March 2016</b>						
Cost	20,767,115	7,629,933	28,397,048	112,678,578	33,405	141,109,031
Depreciation and impairment	(22,673)	(248,771)	(271,444)	(26,772,673)	(22,289)	(27,066,406)
<b>Net book amount</b>	<b>20,744,442</b>	<b>7,381,162</b>	<b>28,125,604</b>	<b>85,905,905</b>	<b>11,116</b>	<b>114,042,625</b>

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**11. OTHER NON-CURRENT ASSETS**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Advances paid for PPE	1,221,201	1,360,565
Prepaid expenses	894,462	908,248
Other assets	1,174,546	1,161,131
Less impairment provision	(30,809)	(30,809)
	<b>3,259,400</b>	<b>3,399,135</b>

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
Short-term loans	5,613,841	3,553,120
Interest liabilities	152,338	164,324
Other Short-term financial liabilities	37	-
Current portion of long-term loans (note 16)	15,147,349	13,417,421
Current portion of finance lease liabilities (note 16)	4,625	1,010
	<b>20,918,190</b>	<b>17,135,875</b>

**13. TRADE AND OTHER PAYABLES**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Trade payables		
- related parties	7,658,232	10,170,810
- third parties	13,547,449	15,334,596
Dividends payable	3,772,308	3,772,308
Other accounts payable	12,189	86,304
	<b>24,990,178</b>	<b>29,364,018</b>

As at 31 March 2016 payables to related parties amounting to 7,658,232 RSD (31 December 2015: 10,170,810 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 7,548,451 RSD (31 December 2015: 10,104,805 RSD), mostly for the purchase of crude oil.

**14. OTHER CURRENT LIABILITIES**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Advances received	1,040,878	3,207,205
Payables to employees	3,710,519	3,296,282
Accruals and deferred income	19,432	19,878
Other current non-financial liabilities	12,004	14,437
	<b>4,782,833</b>	<b>6,537,802</b>

**15. OTHER TAXES PAYABLE**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Mineral extraction tax	211,180	241,017
VAT	2,118,167	1,651,548
Excise tax	4,851,803	6,066,530
Contribution for buffer stocks	273,262	350,301
Custom duties	724,990	85,332
Other taxes	2,055,058	2,050,457
	<b>10,234,460</b>	<b>10,445,185</b>

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**16. LONG-TERM DEBT**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Long-term loan - Gazprom Neft	41,451,286	42,427,710
Bank loans	62,764,677	71,016,461
Finance lease liabilities	222,207	199,289
Other long-term borrowings	95,985	88,611
Less Current portion	(15,151,974)	(13,418,431)
	<b>89,382,181</b>	<b>100,313,640</b>

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

As at 31 March 2016 long-term loan - Gazprom Neft amounting to 41,451,286 RSD (2015: 42,427,710 RSD), with current portion of 5,717,419 RSD (2015: 5,657,028 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

	<b>31 March 2016</b>	<b>31 December 2015</b>
Domestic	18,728,812	18,693,334
Foreign	44,035,865	52,323,127
	62,764,677	71,016,461
Current portion of long-term loans	(9,429,930)	(7,760,393)
	<b>53,334,747</b>	<b>63,256,068</b>

The maturity of bank loans was as follows:

	<b>31 March 2016</b>	<b>31 December 2015</b>
Between 1 and 2 years	2,799,680	11,829,773
Between 2 and 5 years	45,610,593	46,347,221
Over 5 years	4,924,474	5,079,074
	<b>53,334,747</b>	<b>63,256,068</b>

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
USD	44,968,757	53,388,078
EUR	17,409,903	17,247,010
RSD	1,103	1,174
JPY	384,914	380,199
	<b>62,764,677</b>	<b>71,016,461</b>

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 31 March 2016 and 31 December 2015, respectively.

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016***(All amounts are in 000 RSD, unless otherwise stated)***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 2016 and 31 December 2015 comprise of 163,060,400 shares.

**18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS**

	Three month period ended 31 March	
	2016	2015
Crude oil	13,578,008	19,577,759
Petroleum products	5,705,804	8,113,537
	<b>19,283,812</b>	<b>27,691,296</b>

**19. PRODUCTION AND MANUFACTURING EXPENSES**

	Three month period ended 31 March	
	2016	2015
Employee costs	1,403,778	1,678,404
Materials and supplies (other than purchased oil, petroleum products and gas)	560,563	699,604
Repair and maintenance services	662,907	705,834
Electricity and utilities	1,852,776	937,236
Transportation services for production	520,184	338,568
Other	731,022	188,060
	<b>5,731,230</b>	<b>4,547,706</b>

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

	Three month period ended 31 March	
	2016	2015
Employee costs	2,529,487	2,530,059
Legal, audit, and consulting services	171,868	341,609
Rent expense	91,526	91,914
Business trips expense	50,713	67,129
Safety and security expense	123,201	146,583
Insurance expense	29,729	60,188
Transportation and storage	92,498	134,822
Allowance for doubtful accounts	(19,731)	787,189
Other	2,275,070	1,367,452
	<b>5,344,361</b>	<b>5,526,945</b>

**21. FAIR VALUE MEASUREMENT**

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties and financial investments classified as available for sale. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2015. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March, 2016 carrying value of financial assets approximate their fair value.

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**22. CONTINGENCIES AND COMMITMENTS**

*Transfer of property ownership*

As at 31 March 2016, the Company had ownership and the right to use and possess of 7,935 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 2016 the total amount of outstanding finance guarantees provided by the Group amounted to 4,142,973 RSD, mostly related to guaranties for customs duties in the amount of 2,356,257 RSD (31 December 2015: 2,348,766 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 686,075 RSD (31 December 2015: 687,705 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 2016, 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 2016 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 2016.

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

*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 2016 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to 44.28 USD million.

There were no other material commitments of the Group.

**23. SIGNIFICANT GROUP ENTITIES**

The financial statements of below listed subsidiaries are consolidated as at 31 March 2016 and 31 December 2015:

Subsidiary	Country of incorporation	Nature of business	Share %	
			31 March 2016	31 December 2015
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
Svetlost d.o.o., Bujanovac, Serbia	Serbia	Trade	51	51
Jubos d.o.o., Bor	Serbia	Other	-	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 2016 and in the same period in 2015, 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.

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016***(All amounts are in 000 RSD, unless otherwise stated)*

As at 31 March 2016 and 31 December 2015 the outstanding balances with related parties were as follows:

	<b>Parent company</b>	<b>Entities under common control</b>	<b>Joint venture</b>	<b>Total</b>
<b>As at 31 March 2016</b>				
Trade and other receivables	-	93,430	195,656	289,086
Investments in joint venture	-	-	1,188,659	1,188,659
Trade and other payables	(7,548,448)	(109,784)	-	(7,658,232)
Short-term debt and current portion of long-term debt	(5,717,419)	-	-	(5,717,419)
Long-term debt	(35,733,867)	-	-	(35,733,867)
	<b>(48,999,734)</b>	<b>(16,354)</b>	<b>1,384,315</b>	<b>(47,631,773)</b>
<b>As at 31 December 2015</b>				
Trade and other receivables	-	148,105	195,656	343,761
Other current assets	-	9,394	-	9,394
Investments in joint venture	-	-	1,188,659	1,188,659
Trade and other payables	(10,004,805)	(166,005)	-	(10,170,810)
Short-term debt and current portion of long-term debt	(5,657,028)	-	-	(5,657,028)
Long-term debt	(36,770,682)	-	-	(36,770,682)
	<b>(52,432,515)</b>	<b>(8,506)</b>	<b>1,384,315</b>	<b>(51,056,706)</b>

For the three month period ended 31 March 2016 and 2015 the following transaction occurred with related parties:

	<b>Parent</b>	<b>Entities under common control</b>	<b>Joint venture</b>	<b>Total</b>
<b>Three month period ended 31 March 2016</b>				
Petroleum products and oil and gas sales	-	102,792	-	102,792
Other Revenues	-	1,066,296	-	1,066,296
Purchases of oil, gas and petroleum products	(8,992,137)	(103,070)	-	(9,095,207)
Production and manufacturing expenses	-	(988,414)	-	(988,414)
Other expenses, net	(4,569)	(403)	-	(4,972)
Finance expense	(207,409)	-	-	(207,409)
	<b>(9,204,115)</b>	<b>77,201</b>	<b>-</b>	<b>(9,126,914)</b>
<b>Three month period ended 31 March 2015</b>				
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)
	<b>(12,638,698)</b>	<b>(1,869,692)</b>	<b>-</b>	<b>(14,508,390)</b>

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**Key management compensation**

Management compensation paid or payable in three month period ended 31 March 2016 and 2015 is shown in the table below:

	<b>Three month period ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2015</b>
Salaries and other short-term employee benefits	187,691	128,955
	<b>187,691</b>	<b>128,955</b>

**25. EVENTS AFTER THE REPORTING DATE**

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

Subsequent events occurring after 31 March 2016 were evaluated through 26 April 2016, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016**

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

**NIS Group**  
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