



Naftna industrija Srbije A.D.

Interim Condensed Financial Statements (Unaudited)

30 September 2018

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

Contents

INTERIM CONDENSED FINANCIAL STATEMENTS

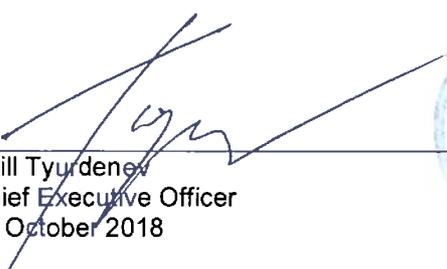
Interim Condensed Statement of Financial Position	3
Interim Condensed Statement of Profit and Loss and Other Comprehensive Income	4
Interim Condensed Statement of Changes in Shareholders' Equity	5
Interim Condensed Statement of Cash Flows	6

Notes to the Interim Condensed Financial Statements

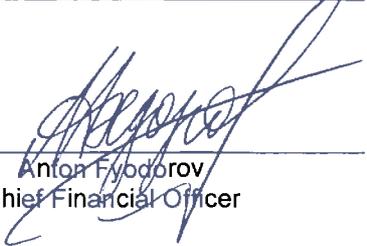
1. General Information	7
2. Summary of Significant Accounting Policies	7
3. Application of New IFRS	8
4. New Accounting Standards	9
5. Segment Information	9
6. Cash and Cash Equivalents	12
7. Short-term Financial Assets	12
8. Trade and Other Receivables	13
9. Inventories	14
10. Other Current Assets	14
11. Property, Plant and Equipment	16
12. Long-term Financial Assets	17
13. Other Non-Current Assets	18
14. Short-term Debt and Current Portion of Long-term Debt	18
15. Trade and Other Payables	18
16. Other Current Liabilities	18
17. Other Taxes Payable	18
18. Long-term Debt	19
19. Production and Manufacturing Expenses	20
20. Selling, General and Administrative Expenses	20
21. Net Foreign Exchange Gain (Loss)	21
22. Finance Income	21
23. Finance Expenses	21
24. Fair Value Measurement	21
25. Business Combinations	21
26. Contingencies and Commitments	21
27. Related Party Transactions	22
Contact Information	25

NIS a.d.
Interim Condensed Statement of Financial Position
(All amounts are in 000 RSD, unless otherwise stated)

Assets	Note	30 September 2018	31 December 2017
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	6	19,080,154	23,410,724
Short-term financial assets	7	15,082,173	11,507,390
Trade and other receivables	8	35,237,488	30,213,371
Inventories	9	36,756,207	33,451,244
Other current assets	10	4,923,229	4,868,561
Non-current assets held for sale		16,715	163
Total current assets		111,095,966	103,451,453
Non-current assets			
Property, plant and equipment	11	252,918,304	237,108,439
Investment property		1,603,370	1,530,356
Intangible assets		2,475,492	3,082,914
Investments in associates and joint ventures		1,038,800	1,038,800
Investments in subsidiaries		13,425,586	13,425,586
Trade and other non-current receivables		2,842	2,222
Long-term financial assets	12	26,469,748	34,188,042
Deferred tax assets		1,392,350	2,487,491
Other non-current assets	13	3,086,912	3,835,469
Total non-current assets		302,413,404	296,699,319
Total assets		413,509,370	400,150,772
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	8,414,075	8,305,932
Trade and other payables	15	35,553,391	34,596,516
Other current liabilities	16	4,508,718	4,880,705
Current income tax payable		743,373	1,915,676
Other taxes payable	17	11,053,819	9,235,139
Provisions for liabilities and charges		2,048,704	2,837,875
Total current liabilities		62,322,080	61,771,843
Non-current liabilities			
Long-term debt	18	86,919,097	89,751,052
Long-term trade and other payables		17,936	-
Provisions for liabilities and charges		9,862,096	9,660,582
Total non-current liabilities		96,799,129	99,411,634
Equity			
Share capital		81,530,200	81,530,200
Reserves		20,287	17,782
Retained earnings		172,837,674	157,419,313
Total equity		254,388,161	238,967,295
Total liabilities and shareholder's equity		413,509,370	400,150,772


 Kirill Tyudenev
 Chief Executive Officer
 29 October 2018




 Anton Fyodorov
 Chief Financial Officer

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

NIS a.d.

Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

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

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>	2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		75,475,148	50,159,865	179,642,312	140,336,863
Other revenues		4,245,053	5,301,472	10,809,257	13,070,575
Total revenue from sales	5	79,720,201	55,461,337	190,451,569	153,407,438
Purchases of oil, gas and petroleum products		(48,191,688)	(29,160,161)	(110,205,399)	(80,408,250)
Production and manufacturing expenses	19	(7,378,956)	(8,253,648)	(20,100,156)	(21,776,759)
Selling, general and administrative expenses	20	(5,235,925)	(5,359,192)	(15,541,374)	(15,193,947)
Transportation expenses		(345,568)	(295,863)	(908,910)	(791,895)
Depreciation, depletion and amortization		(4,596,912)	(3,543,463)	(12,869,917)	(10,525,965)
Taxes other than income tax		(1,160,573)	(998,780)	(3,327,472)	(3,006,015)
Exploration expenses		(41,169)	(3,338)	(56,940)	(10,790)
Total operating expenses		(66,950,791)	(47,614,445)	(163,010,168)	(131,713,621)
Other income (expenses), net		(170,973)	(348,476)	(138,294)	(583,279)
Operating profit		12,598,437	7,498,416	27,303,107	21,110,538
Net foreign exchange gain (loss)	21	(237,240)	2,058,339	(234,701)	6,169,965
Finance income	22	389,941	435,027	1,209,825	1,059,700
Finance expenses	23	(542,979)	(683,085)	(1,663,485)	(2,058,521)
Total other income (expense)		(390,278)	1,810,281	(688,361)	5,171,144
Profit before income tax		12,208,159	9,308,697	26,614,746	26,281,682
Current income tax expense		(1,508,875)	(919,199)	(3,149,785)	(4,777,638)
Deferred tax expense		(465,260)	(471,385)	(1,095,141)	(1,220,804)
Total income tax expense		(1,974,135)	(1,390,584)	(4,244,926)	(5,998,442)
Profit for the period		10,234,024	7,918,113	22,369,820	20,283,240
Other comprehensive profit (loss):					
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax					
Revaluation of property, plant and equipment transferred to investment property		-	-	-	1,399
		-	-	-	1,399
Items that may be subsequently reclassified to profit or loss					
Change in value of available-for-sale financial assets		(364)	1,326	(950)	3,049
		(364)	1,326	(950)	3,049
Other comprehensive profit (loss) for the period		(364)	1,326	(950)	4,448
Total comprehensive income for the period		10,233,660	7,919,439	22,368,870	20,287,688
Earnings per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		62.76	48.57	137.18	124.42
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

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

NIS a.d.**Interim Condensed Statement of Changes in Shareholders' Equity**

Nine month period ended 30 September 2018 and 2017

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

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2017	81,530,200	14,088	133,630,354	215,174,642
Profit for the period	-	-	20,283,240	20,283,240
Other comprehensive income (loss)				
Change in value of available-for-sale financial assets	-	3,049	-	3,049
Revaluation of intangible assets, property, plant and equipment transferred to investment property	-	1,399	-	1,399
Total comprehensive income (loss) for the period	-	4,448	20,283,240	20,287,688
Dividend distribution	-	-	(4,021,069)	(4,021,069)
Balance as at 30 September 2017	81,530,200	18,536	149,892,525	231,441,261

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2018	81,530,200	17,782	157,419,313	238,967,295
Profit for the period	-	-	22,369,820	22,369,820
Other comprehensive income (loss)				
Change in value of available-for-sale financial assets	-	(950)	-	(950)
Sale of available-for-sale financial assets	-	3,455	(3,455)	-
Total comprehensive income (loss) for the period	-	2,505	22,366,365	22,368,870
Dividend distribution	-	-	(6,948,004)	(6,948,004)
Balance as at 30 September 2018	81,530,200	20,287	172,837,674	254,388,161

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

NIS a.d.

Interim Condensed Statement of Cash Flows¹

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

		Nine month period ended	
		30 September	
Note		2018	2017
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
	Profit before income tax	26,614,746	26,281,682
Adjustments for:			
	Finance expenses	23 1,663,485	2,058,521
	Finance income	22 (1,209,825)	(1,059,700)
	Net unrealised foreign exchange (gain) losses	565,384	(5,324,247)
	Depreciation, depletion and amortization	12,869,917	10,525,965
	Adjustments for other provisions	345,118	478,381
	Allowance for doubtful accounts	(255,814)	217,828
	Write off of dry holes	56,940	10,790
	Payables write off	-	(2,867)
	Other non-cash items	115,166	200,526
Operating cash flow before changes in working capital		40,765,117	33,386,879
Changes in working capital:			
	Trade and other receivables	(4,797,963)	15,900,505
	Inventories	(3,367,640)	(3,417,644)
	Other current assets	74,005	(1,239,968)
	Trade payables and other current liabilities	1,704,643	(4,106,475)
	Other taxes payable	1,818,680	(35,181)
Total effect on working capital changes		(4,568,275)	7,101,237
	Income taxes paid	(4,328,368)	(1,197,351)
	Interest paid	(1,625,204)	(2,181,767)
	Interest received	652,870	923,883
Net cash generated from operating activities		30,896,140	38,032,881
Cash flows from investing activities			
	Loans issued	(2,621,606)	(3,662,119)
	Loan proceeds received	1,606,005	2,802,327
	Capital expenditures ²	(29,787,703)	(17,895,126)
	Proceeds from sale of property, plant and equipment	179,938	102,341
	Repayment (placements) of bank deposits	5,586,458	(7,945,830)
	Other inflow	32,122	156
Net cash used in investing activities		(25,004,786)	(26,598,251)
Cash flows from financing activities			
	Proceeds from borrowings	18 29,941,738	35,915,950
	Repayment of borrowings	18 (33,253,718)	(43,223,916)
	Repayments of finance lease liabilities	18 (39,388)	(38,189)
	Dividends paid	(6,948,004)	(4,021,069)
Net cash used in financing activities		(10,299,372)	(11,367,224)
	Net increase (decrease) in cash and cash equivalents	(4,408,018)	67,406
	Effect of foreign exchange on cash and cash equivalents	77,448	(282,000)
Cash and cash equivalents as of the beginning of the period		23,410,724	20,053,651
Cash and cash equivalents as of the end of the period		19,080,154	19,839,057

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

¹ Group policy is to present cash flow inclusive of related VAT.

² CF from investing activities includes VAT in the amount of 4,3 bln RSD (2017: 2,1 bln RSD)

NIS a.d.

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

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

1. GENERAL INFORMATION

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

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

Other activities primarily include sales of other goods, works and services.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Company does not disclose information which would substantially duplicate the disclosures contained in its audited Financial Statements for 2017, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the 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 2017.

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

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

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

NIS a.d.

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

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

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

3. APPLICATION OF NEW IFRS

Accounting policies applied from 1 January 2018

IFRS 9 – Financial Instruments (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). From 1 January 2018 the Company classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss (FVPL), those to be measured subsequently at fair value through other comprehensive income (FVOCI), and those to be measured subsequently at amortized cost.

The classification of debt instruments depends on the organization's business model for managing financial assets and whether contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI").

The Company presents in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short-to-medium term.

Financial assets and liabilities previously classified in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" within categories loans and receivables, investments held to maturity and other financial liabilities measured at amortised cost using the effective interest method, in accordance with IFRS 9 "Financial instruments" are classified as financial assets and financial liabilities carried at amortised cost. Measurement of cash and cash equivalents, trade and other receivables and payables, long-term and short-term loans and investments, held-to-maturity investments has not changed and these financial instruments are measured at amortised cost.

IFRS 15 – Revenue from Contracts with Customers (amended in April 2016 and effective for annual periods beginning on or after 1 January 2018). The Company recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

The transaction price excludes amounts collected on behalf of third parties such as value added tax and sales related tax.

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on 1 January 2018 or later, and that the Company has not early adopted.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements.

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

The following other new standards and pronouncements are not expected to have any material impact on the Company when adopted:

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

5. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the nine month periods ended 30 September 2018 and 2017. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The 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. Corporate centre and Energy business activities are presented within the Downstream segment.

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

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

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

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

	Upstream	Downstream	Eliminations	Total
<i>Nine month period ended 30 September 2018</i>				
Segment revenue	25,550,616	190,985,157	(26,084,204)	190,451,569
Intersegment	24,276,020	1,808,184	(26,084,204)	-
External	1,274,596	189,176,973	-	190,451,569
EBITDA (Segment results)	27,739,616	12,444,127	-	40,183,743
Depreciation, depletion and amortization	(6,311,286)	(6,558,631)	-	(12,869,917)
Net of impairment of non-financial assets	(3,471)	(21,164)	-	(24,635)
Net foreign exchange loss	(42,776)	(191,925)	-	(234,701)
Finance income (expenses), net	10,006	(463,666)	-	(453,660)
Income tax	(122,158)	(4,122,768)	-	(4,244,926)
Segment profit /(loss)	21,082,559	1,287,261	-	22,369,820

Nine month period ended 30 September 2017

Segment revenue	30,884,922	153,982,555	(31,460,039)	153,407,438
Intersegment	29,797,225	1,662,814	(31,460,039)	-
External	1,087,697	152,319,741	-	153,407,438
EBITDA (Segment results)	20,727,183	10,958,011	-	31,685,194
Depreciation, depletion and amortization	(4,050,306)	(6,475,659)	-	(10,525,965)
Net of impairment of non-financial assets	-	(23,506)	-	(23,506)
Net foreign exchange gain	375,228	5,794,737	-	6,169,965
Finance income (expenses), net	(74,853)	(923,968)	-	(998,821)
Income tax	(1,925,216)	(4,073,226)	-	(5,998,442)
Segment profit (loss)	15,075,861	5,207,379	-	20,283,240

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

	Three month period ended		Nine month period ended	
	30 September		30 September	
	2018	2017	2018	2017
Profit for the period	10,234,024	7,918,113	22,369,820	20,283,240
Income tax expenses	1,974,135	1,390,584	4,244,926	5,998,442
Finance expenses	542,979	683,085	1,663,485	2,058,521
Finance income	(389,941)	(435,027)	(1,209,825)	(1,059,700)
Depreciation, depletion and amortization	4,596,912	3,543,463	12,869,917	10,525,965
Net foreign exchange (gain) loss	237,240	(2,058,339)	234,701	(6,169,965)
Other (income) expense, net	170,973	348,476	138,294	583,279
Other non-operating (income) expense, net	(134,484)	(433,881)	(127,575)	(534,588)
EBITDA	17,231,838	10,956,474	40,183,743	31,685,194

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

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

	Nine month period ended 30 September 2018		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	1,056,256	1,056,256
Sale of gas	1,415,084	-	1,415,084
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,415,084	-	1,415,084
Sale of petroleum products	141,952,328	35,218,645	177,170,973
<i>Through a retail network</i>	46,145,292	-	46,145,292
<i>Wholesale activities</i>	95,807,036	35,218,645	131,025,681
Sale of electricity	478,885	4,466,746	4,945,631
Other sales	5,663,123	200,502	5,863,625
Total sales	149,509,420	40,942,149	190,451,569

	Nine month period ended 30 September 2017		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	891,183	891,183
Sale of gas	1,911,439	-	1,911,439
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,911,439	-	1,911,439
Sale of petroleum products	113,816,619	23,717,622	137,534,241
<i>Through a retail network</i>	40,667,665	-	40,667,665
<i>Wholesale activities</i>	73,148,954	23,717,622	96,866,576
Sale of electricity	343,791	7,462,832	7,806,623
Other sales	5,093,097	170,855	5,263,952
Total sales	121,164,946	32,242,492	153,407,438

Out of the amount of 131,025,681 RSD (2017: 96,866,576 RSD) revenue from sale of petroleum products (wholesale), the amount of 19,494,776 RSD (2017: 15,198,024 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Gazprom Marketing & Trading Co., Ltd. in the amount of 3,988,435 RSD (2017: 7,022,733 RSD). These sales are presented within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 4,223,980 RSD (2017: 3,912,733 RSD).

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 149,509,420 RSD (2017: 121,164,947 RSD), and the total revenue from external customer from other countries is 40,942,149 RSD (2017: 32,242,492 RSD).

NIS a.d.**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2018***(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:

	Nine month period ended 30 September	
	2018	2017
Sale of crude oil	1,056,256	891,183
Sale of petroleum products (retail and wholesale)		
Bulgaria	8,269,231	5,331,605
Bosnia and Herzegovina	8,507,290	4,634,272
Romania	6,169,304	3,387,235
All other markets	12,272,820	10,364,510
	<u>35,218,645</u>	<u>23,717,622</u>
Sale of electricity	4,466,746	7,462,832
Other sales	200,502	170,855
	<u>40,942,149</u>	<u>32,242,492</u>

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

6. CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
Cash in bank and in hand	10,838,633	14,432,605
Deposits with original maturity of less than three months	7,980,000	8,670,000
Cash held on escrow account	41,966	68,765
Cash equivalents	219,555	239,354
	<u>19,080,154</u>	<u>23,410,724</u>

7. SHORT-TERM FINANCIAL ASSETS

	30 September 2018	31 December 2017
Short-term loans	195,774	247,524
Deposits with original maturity more than 3 months less than 1 year	4,186,570	7,645,642
Current portion of long-term investments (note 12)	10,927,755	3,838,872
Less impairment loss provision	(227,926)	(224,648)
	<u>15,082,173</u>	<u>11,507,390</u>

As at 30 September 2018 deposits with original maturity more than three months less than 1 year amounting to 4,186,570 RSD (31 December 2017: 7,645,642 RSD) relates to bank deposits placements with interest rates from 4.15% to 4.65% p.a. denominated in RSD.

NIS a.d.

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

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

8. TRADE AND OTHER RECEIVABLES

	30 September 2018	31 December 2017
Trade receivables:		
- related parties	5,056,015	5,261,268
- third parties	32,373,986	25,991,656
- state and state owned companies	8,753,703	10,233,306
	46,183,704	41,486,230
Accrued assets	187,054	185,641
	46,370,758	41,671,871
<i>Less impairment provision for trade and other receivables:</i>		
- <i>third parties</i>	(9,372,171)	(9,594,055)
- <i>state and state owned companies</i>	(1,761,099)	(1,864,445)
	(11,133,270)	(11,458,500)
Total trade and other receivables	35,237,488	30,213,371

The ageing of trade and other receivables is as follows:

	30 September 2018	31 December 2017
Neither impaired nor past due	31,379,596	27,691,406
Past due but not impaired:		
within 30 days	2,386,875	1,992,337
1 to 3 months	1,044,230	197,904
3 months to 1 year	212,700	121,577
over 1 year	214,087	210,147
Total	35,237,488	30,213,371

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

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

	30 September 2018	31 December 2017
RSD	29,247,513	21,791,608
EUR	4,711,721	7,438,322
USD	1,278,254	982,442
Other	-	999
	35,237,488	30,213,371

NIS a.d.

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

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

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

	Trade & other receivables		
	Third parties	State and state owned companies	Total
As at 1 January 2017	9,841,314	11,563,533	21,404,847
Provision for receivables impairment	258,534	19,907	278,441
Release of provision	(145,969)	(19,983)	(165,952)
Receivables written off during the year as uncollectible	(24,074)	-	(24,074)
Unwinding of discount	-	(100,225)	(100,225)
Transfer from non-current part	-	208,808	208,808
Exchange differences	(449)	(323,771)	(324,220)
Other	(49,616)	(1)	(49,617)
As at 30 September 2017	9,879,740	11,348,268	21,228,008
As at 1 January 2018	9,594,055	1,864,445	11,458,500
Provision for receivables impairment	71,446	4,133	75,579
Release of provision	(258,259)	(85,258)	(343,517)
Receivables written off during the year as uncollectible	(10,772)	(3,534)	(14,306)
Unwinding of discount (note 23)	-	(44,661)	(44,661)
Exchange differences	517	1,158	1,675
Other	(24,816)	24,816	-
As at 30 September 2018	9,372,171	1,761,099	11,133,270

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.

9. INVENTORIES

	30 September 2018	31 December 2017
Crude oil	23,001,364	22,312,814
Petroleum products	12,938,875	11,116,609
Materials and supplies	4,989,529	4,288,895
Other	656,984	680,609
Less impairment provision	(4,830,545)	(4,947,683)
	36,756,207	33,451,244

10. OTHER CURRENT ASSETS

	30 September 2018	31 December 2017
Advances paid	800,510	566,382
Deferred VAT	1,814,675	1,099,407
Prepaid expenses	346,606	193,927
Prepaid custom duties	31,832	31,995
Prepaid excise	1,776,563	1,820,845
Other current assets	12,086,475	13,085,751
Less impairment provision	(11,933,432)	(11,929,746)
	4,923,229	4,868,561

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

Deferred VAT as at 30 September 2018 amounting to 1,814,675 RSD (31 December 2017: 1,099,407 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2018 amounting to 1,776,563 RSD (31 December 2017: 1,820,845 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

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

	Advances paid	Other current assets	Total
As at 1 January 2017	257,940	11,719,291	11,977,231
Increase of provision during the year	5,253	136,987	142,240
Release of provision	(338)	(55,247)	(55,585)
Receivables written off during the year as uncollectible	-	(36,341)	(36,341)
Other	1	49,620	49,621
As at 30 September 2017	262,856	11,814,310	12,077,166
As at 1 January 2018	259,236	11,670,510	11,929,746
Increase of provision during the year	1,962	20,092	22,054
Release of provision	(821)	(13,611)	(14,432)
Receivables written off during the year as uncollectible	-	(3,936)	(3,936)
As at 30 September 2018	260,377	11,673,055	11,933,432

The ageing of other current assets is as follows:

	30 September 2018	31 December 2017
Neither impaired nor past due	214,103	1,214,442
Not impaired and past due in the following periods:		
Less than 1 month	5,790	14,972
1 - 3 months	4,031	25,707
3 month - 1 year	57,590	30,192
Over 1 year	21,978	14,658
Total	303,492	1,299,971

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

NIS a.d.

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

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

11. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2017						
Cost	115,864,815	110,525,127	46,383,755	17,548,942	31,776,922	322,099,561
Depreciation and impairment	(27,422,504)	(35,174,792)	(24,349,626)	(8,489,733)	(2,103,957)	(97,540,612)
Net book value	88,442,311	75,350,335	22,034,129	9,059,209	29,672,965	224,558,949
Period ended 30 September 2017						
Additions	-	-	-	-	16,595,854	16,595,854
Changes in decommissioning obligations	134,606	-	-	-	-	134,606
Transfer from assets under construction	13,801,597	2,106,526	1,097,520	267,610	(17,273,253)	-
Transfer to intangible assets	-	-	(22,698)	(2,314)	-	(25,012)
Transfer to investment property	-	(14,361)	-	(101,798)	-	(116,159)
Impairment	-	-	(20,874)	-	(8,059)	(28,933)
Depreciation	(4,006,861)	(4,255,052)	(1,109,465)	(415,854)	-	(9,787,232)
Disposals and write-off	(39,783)	(7,610)	(137,877)	(4,408)	(84,716)	(274,394)
Other transfers	1,314	(141,282)	(37,372)	179,654	6,351	8,665
	98,333,184	73,038,556	21,803,363	8,982,099	28,909,142	231,066,344
As at 30 September 2017						
Cost	129,652,194	112,400,576	47,012,151	17,734,196	31,000,232	337,799,349
Depreciation and impairment	(31,319,010)	(39,362,020)	(25,208,788)	(8,752,097)	(2,091,090)	(106,733,005)
Net book value	98,333,184	73,038,556	21,803,363	8,982,099	28,909,142	231,066,344
As at 1 January 2018						
Cost	135,319,517	114,239,048	47,083,673	17,694,721	32,591,816	346,928,775
Depreciation and impairment	(32,675,985)	(40,818,582)	(25,487,659)	(8,841,365)	(1,996,745)	(109,820,336)
Net book value	102,643,532	73,420,466	21,596,014	8,853,356	30,595,071	237,108,439
Period ended 30 September 2018						
Additions	-	-	-	-	28,635,113	28,635,113
Acquisitions through business combinations	-	-	-	-	217,660	217,660
Changes in decommissioning obligations	158,576	-	-	-	-	158,576
Transfer from assets under construction	11,549,461	1,386,171	3,560,627	140,528	(16,636,787)	-
Transfer to investment property	-	-	(81,328)	-	-	(81,328)
Impairment	-	-	(23,931)	-	(13,412)	(37,343)
Depreciation	(6,269,861)	(4,182,159)	(1,291,547)	(392,613)	-	(12,136,180)
Disposals and write-off	(52,007)	(72,933)	(17,725)	(17,646)	(794,563)	(954,874)
Other transfers	1,980,026	(1,400,947)	20,705	(599,720)	8,177	8,241
	110,009,727	69,150,598	23,762,815	7,983,905	42,011,259	252,918,304
As at 30 September 2018						
Cost	149,474,499	113,765,057	51,043,367	16,217,905	44,021,415	374,522,243
Depreciation and impairment	(39,464,772)	(44,614,459)	(27,280,552)	(8,234,000)	(2,010,156)	(121,603,939)
Net book value	110,009,727	69,150,598	23,762,815	7,983,905	42,011,259	252,918,304

NIS a.d.

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

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

Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2017						
Cost	12,345,350	7,915,400	20,260,750	115,864,815	22,129	136,147,694
Depreciation and impairment	-	(876)	(876)	(27,422,504)	(20,309)	(27,443,689)
Net book amount	12,345,350	7,914,524	20,259,874	88,442,311	1,820	108,704,005
Period ended 30 September 2017						
Additions	2,372,057	9,882,806	12,254,863	-	-	12,254,863
Changes in decommissioning obligations	-	-	-	134,606	-	134,606
Transfer from asset under construction	(3,089,976)	(10,701,547)	(13,791,523)	13,801,597	-	10,074
Depreciation and depletion	-	-	-	(4,006,861)	-	(4,006,861)
Disposals and write-off	(63,297)	(19,281)	(82,578)	(39,783)	-	(122,361)
Other transfers	(33,756)	33,717	(39)	1,314	-	1,275
	11,530,378	7,110,219	18,640,597	98,333,184	1,820	116,975,601
As at 30 September 2017						
Cost	11,530,378	7,111,095	18,641,473	129,652,194	22,129	148,315,796
Depreciation and impairment	-	(876)	(876)	(31,319,010)	(20,309)	(31,340,195)
Net book amount	11,530,378	7,110,219	18,640,597	98,333,184	1,820	116,975,601
As at 1 January 2018						
Cost	10,805,015	6,481,469	17,286,484	135,319,517	22,129	152,628,130
Depreciation and impairment	-	(2,087)	(2,087)	(32,675,985)	(20,309)	(32,698,381)
Net book amount	10,805,015	6,479,382	17,284,397	102,643,532	1,820	119,929,749
Period ended 30 September 2018						
Additions	3,388,986	9,426,940	12,815,926	-	-	12,815,926
Changes in decommissioning obligations	-	-	-	158,576	-	158,576
Transfer from asset under construction	(1,940,070)	(9,609,391)	(11,549,461)	11,549,461	-	-
Impairment	-	(3,471)	(3,471)	-	-	(3,471)
Depreciation and depletion	-	-	-	(6,269,861)	-	(6,269,861)
Disposals and write-off	(753,455)	(24,651)	(778,106)	(52,007)	-	(830,113)
Other transfers	445,236	(446,609)	(1,373)	1,980,026	168	1,978,821
	11,945,712	5,822,200	17,767,912	110,009,727	1,988	127,779,627
As at 30 September 2018						
Cost	11,945,712	5,827,758	17,773,470	149,474,499	22,300	167,270,269
Depreciation and impairment	-	(5,558)	(5,558)	(39,464,772)	(20,312)	(39,490,642)
Net book amount	11,945,712	5,822,200	17,767,912	110,009,727	1,988	127,779,627

12. LONG-TERM FINANCIAL ASSETS

	30 September 2018	31 December 2017
Deposits with original maturity more than 1 year	-	2,029,483
LT loans issued	37,272,139	35,863,153
Available for sale financial assets	173,890	187,311
Other LT placements	25,882	26,567
Less Current portion of LT loans issued (note 7)	(10,927,755)	(3,838,872)
Less provision of other LT placements	(74,408)	(79,600)
	26,469,748	34,188,042

NIS a.d.

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

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

13. OTHER NON-CURRENT ASSETS

	30 September 2018	31 December 2017
Advances paid for PPE	1,447,168	2,148,358
Prepaid expenses	645,073	689,450
Other assets	1,031,617	1,034,607
Less impairment provision	(36,946)	(36,946)
	3,086,912	3,835,469

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

	30 September 2018	31 December 2017
Short-term loans	1,816,128	2,298,487
Interest liabilities	115,060	106,743
Current portion of long-term loans (note 18)	6,387,147	5,849,547
Current portion of finance lease liabilities (note 18)	95,740	51,155
	8,414,075	8,305,932

15. TRADE AND OTHER PAYABLES

	30 September 2018	31 December 2017
Trade payables:		
- related parties	10,312,649	15,429,094
- third parties	21,444,286	15,371,836
Dividends payable	3,772,308	3,772,308
Other accounts payable	24,148	23,278
	35,553,391	34,596,516

As at 30 September 2018 payables to related parties amounting to 10,312,649 RSD (31 December 2017: 15,429,094 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 6,443,713 RSD mostly based on purchase of crude oil (31 December 2017: 11,727,340 RSD).

16. OTHER CURRENT LIABILITIES

	30 September 2018	31 December 2017
Advances received	1,325,309	1,374,398
Payables to employees	2,716,850	3,041,616
Accruals and deferred income	456,142	435,851
Other current non-financial liabilities	10,417	28,840
	4,508,718	4,880,705

17. OTHER TAXES PAYABLE

	30 September 2018	31 December 2017
Mineral extraction tax	389,819	280,971
VAT	2,438,253	1,668,014
Excise tax	5,528,353	4,777,490
Contribution for buffer stocks	547,235	527,858
Custom duties	265,162	126,946
Other taxes	1,884,997	1,853,860
	11,053,819	9,235,139

NIS a.d.

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

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

18. LONG-TERM DEBT

	30 September 2018	31 December 2017
Long-term loan - Gazprom Neft	26,162,094	30,306,970
Bank loans	66,553,926	65,097,574
Finance lease liabilities	685,964	247,210
Less Current portion (note 14)	(6,482,887)	(5,900,702)
	86,919,097	89,751,052

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

	Long-term loans	Short-term loans (note 14)	Finance lease	Total
As at 1 January 2017	102,720,930	13,299,544	142,528	116,163,002
Proceeds	28,733,261	7,182,689	-	35,915,950
Repayment	(24,459,383)	(18,764,533)	(38,189)	(43,262,105)
Non-cash transactions	-	-	115,272	115,272
Foreign exchange difference (note 21)	(7,289,698)	(157,480)	(7,288)	(7,454,466)
As at 30 September 2017	99,705,110	1,560,220	212,323	101,477,653
As at 1 January 2018	95,404,544	2,298,487	247,210	97,950,241
Proceeds	20,732,742	9,208,996	-	29,941,738
Repayment	(23,562,494)	(9,691,224)	(39,388)	(33,293,106)
Non-cash transactions	-	-	478,384	478,384
Foreign exchange difference (note 21)	141,228	(131)	(242)	140,855
As at 30 September 2018	92,716,020	1,816,128	685,964	95,218,112

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

As at 30 September 2018 long-term loan - Gazprom Neft amounting to 26,162,094 RSD (31 December 2017: 30,306,970 RSD), with current portion of 5,507,809 RSD (2017: 5,510,358 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

	30 September 2018	31 December 2017
Domestic	53,405,297	43,338,385
Foreign	13,148,629	21,759,189
	66,553,926	65,097,574
Current portion of long-term loans	(879,338)	(339,189)
	65,674,588	64,758,385

The maturity of bank loans was as follows:

	30 September 2018	31 December 2017
Between 1 and 2 years	11,898,077	23,252,660
Between 2 and 5 years	48,748,360	38,991,710
Over 5 years	5,028,151	2,514,015
	65,674,588	64,758,385

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

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

	30 September 2018	31 December 2017
USD	355,750	17,934,250
EUR	65,914,486	46,852,899
RSD	688	814
JPY	283,002	309,611
	66,553,926	65,097,574

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

The loan agreements contain financial covenants that require the Company's ratio of Indebtedness to EBITDA. Management believes the Company is in compliance with these covenants as of 30 September 2018 and 31 December 2017, respectively.

19. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Employee costs	847,637	760,660	2,525,340	2,293,789
Materials and supplies (other than purchased oil, petroleum products and gas)	185,225	226,261	558,469	669,476
Repair and maintenance services	968,013	1,023,678	3,015,198	2,793,300
Electricity for resale	1,876,257	3,198,279	4,495,713	7,392,331
Electricity and utilities	581,066	414,463	1,538,780	1,155,469
Safety and security expense	133,364	91,209	361,828	235,259
Insurance services	68,018	70,755	206,272	211,900
Transportation services for production	490,428	440,506	1,449,303	1,281,143
Other	2,228,948	2,027,837	5,949,253	5,744,092
	7,378,956	8,253,648	20,100,156	21,776,759

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Employee costs	2,460,715	2,363,255	7,400,661	7,009,847
Legal, audit and consulting services	399,579	455,083	1,030,197	1,141,840
Rent expense	30,545	28,629	96,766	93,551
Business trips expense	75,308	85,085	221,119	226,237
Safety and security expense	111,560	112,438	343,152	343,656
Insurance expense	29,473	23,804	81,861	73,179
Transportation and storage	87,366	85,513	255,842	256,120
Allowance for doubtful accounts	(183,557)	125,011	(317,036)	78,453
Other	2,224,936	2,080,374	6,428,812	5,971,064
	5,235,925	5,359,192	15,541,374	15,193,947

NIS a.d.

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

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

21. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain (note 18)	825,425	2,425,796	1,479,949	8,038,567
- foreign exchange loss (note 18)	(1,144,083)	(136,353)	(1,620,804)	(584,101)
Net foreign exchange gain (loss) on operating activities	81,418	(231,104)	(93,846)	(1,284,501)
	(237,240)	2,058,339	(234,701)	6,169,965

22. FINANCE INCOME

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Interest on bank deposits	138,616	206,539	520,435	372,424
Interest income on loans issued	226,194	228,332	664,259	687,120
Dividend income	25,131	156	25,131	156
	389,941	435,027	1,209,825	1,059,700

23. FINANCE EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2018	2017	2018	2017
Interest expense	552,269	727,263	1,725,140	2,316,193
Decommissioning provision: unwinding of the present value discount	23,154	35,942	66,839	103,429
Trade receivables: unwinding of discount (note 8)	-	(63,922)	(44,661)	(315,289)
Less: interest expense capitalised on qualifying assets	(32,444)	(16,198)	(83,833)	(45,812)
	542,979	683,085	1,663,485	2,058,521

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

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

25. BUSINESS COMBINATIONS

In 2018, the Company acquired one petrol station in Serbia. The total consideration paid for acquisition amounted to 205,722 RSD. The fair value of net identifiable asset acquired amounted to 217,660 RSD and remaining amount was recognised as gain on bargain purchase. The acquisition agreements includes only acquisition of petrol station and do not contain any contingent consideration.

26. CONTINGENCIES AND COMMITMENTS

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 649,277 RSD (31 December 2017: 681,162 RSD).

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

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

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 September 2018.

Capital commitments

As of 30 September 2018 the Company has entered into contracts to purchase property, plant and equipment for 10,877,666 RSD (31 December 2017: 11,347,097 RSD).

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

27. RELATED PARTY TRANSACTIONS

For the purpose of these Interim Condensed Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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

As at 30 September 2018	Subsidiaries	Parent company	Parent's subsidiaries and associates
Short-term financial assets	11,072,882	-	-
Trade and other receivables	4,195,727	-	614,966
Other current assets	16,590	-	76,020
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	26,344,384	-	-
Other non-current assets	11,915	-	-
Trade and other payables	(3,226,205)	(6,443,713)	(642,731)
Other current liabilities	(1,057)	-	(120)
Short-term debt and current portion of long-term debt	(1,820,339)	(5,507,809)	-
Long-term debt	-	(20,654,285)	-
	50,019,483	(32,605,807)	1,086,935

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

As at 31 December 2017	Subsidiaries	Parent company	Parent's subsidiaries and associates
Short-term financial assets	3,861,747	-	-
Trade and other receivables	3,992,812	-	1,023,525
Other current assets	16,763	-	2,754
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800
Long-term financial assets	32,024,282	-	-
Other non-current assets	97,920	-	-
Trade and other payables	(2,687,690)	(11,727,340)	(1,014,064)
Other current liabilities	-	-	(60,730)
Short-term debt and current portion of long-term debt	(2,303,209)	(5,510,358)	-
Long-term debt	-	(24,796,612)	-
	48,428,211	(42,034,310)	990,285

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

Nine month period ended 30 September 2018	Subsidiaries	Parent company	Parent's subsidiaries and associates
Petroleum products and oil and gas sales	12,111,754	-	437,068
Other revenues	530,557	462	4,006,428
Purchases of oil, gas and petroleum products	(29,880)	(45,583,790)	(8,608)
Production and manufacturing expenses	(3,141,895)	-	(4,111,756)
Selling, general and administrative expenses	(365,591)	-	(6,198)
Transportation expenses	(69,229)	-	-
Other expenses, net	-	(4,985)	(809)
Finance income	655,249	-	-
Finance expense	(33,225)	(379,285)	-
	9,657,740	(45,967,598)	316,125

Nine month period ended 30 September 2017	Subsidiaries	Parent company	Parent's subsidiaries and associates
Petroleum products and oil and gas sales	8,130,312	-	450,630
Other revenues	870,187	-	7,025,797
Purchases of oil, gas and petroleum products	(25,620)	(20,062,252)	(1,304)
Production and manufacturing expenses	(2,947,579)	-	(7,230,421)
Selling, general and administrative expenses	(372,554)	-	(4,776)
Transportation expenses	(68,633)	-	-
Other expenses, net	(21,455)	(5,002)	(175)
Finance income	675,469	-	-
Finance expense	(23,679)	(489,792)	-
	6,239,506	(20,557,046)	239,751

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

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

	Parent's subsidiaries and associates	Other
As at 30 September 2018		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	2,128,202	-
• <i>Srbijagas</i>	-	67,288
• <i>Other state owned companies</i>	-	6,558,213
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,592,636)	-
• <i>Srbijagas</i>	-	(95,325)
Other current liabilities		
• <i>HIP Petrohemija</i>	(1,370)	-
	534,196	6,530,176
As at 31 December 2017		
Trade and other receivables (gross)		
• <i>HIP Petrohemija</i>	1,446,685	-
• <i>Srbijagas</i>	-	109,748
• <i>Republika Srbija</i>	-	3,740,763
• <i>Other state owned companies</i>	-	4,936,110
Trade and other payables		
• <i>HIP Petrohemija</i>	(1,252,736)	-
• <i>Srbijagas</i>	-	(77,059)
Other current liabilities		
• <i>HIP Petrohemija</i>	(13,646)	-
	180,303	8,709,562
	Parent's subsidiaries and associates	Other
Nine month period ended 30 September 2018		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	19,494,776	-
• <i>Srbijagas</i>	-	632,949
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(159,824)	-
• <i>Srbijagas</i>	-	(655,684)
	19,334,952	(22,735)
Nine month period ended 30 September 2017		
<i>Operating income</i>		
• <i>HIP Petrohemija</i>	15,198,024	-
• <i>Srbijagas</i>	-	677,478
<i>Operating expenses</i>		
• <i>HIP Petrohemija</i>	(138,725)	-
• <i>Srbijagas</i>	-	(691,367)
	15,059,299	(13,889)

Transactions with state and state owned companies controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties.

Transactions with Key Management Personnel

For the nine month period ended on 30 September 2018 and 2017 the Company recognized 740,326 RSD and 743,813 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

NIS a.d.
Notes to the Interim Condensed Financial Statements for the nine month period ended
30 September 2018

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

NIS a.d.
Contact information

The Company's office is:

Narodnog fronta 12,
21000 Novi Sad,
Republic of Serbia

Telephone: (+ 381 21) 481 1111
e-mail: office@nis.eu

www.nis.eu

Investor relations
e-mail: investor.relations@nis.eu