



Naftna industrija Srbije A.D.

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

30 September 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.

Interim Condensed Consolidated Financial Statements (Unaudited)

30 September 2016

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

Assets	Note	30 September 2016	31 December 2015
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	6	16,585,007	19,271,435
Short-term financial assets		298,555	201,087
Trade and other receivables	7	36,581,327	34,948,713
Inventories	8	22,175,060	24,178,244
Current income tax prepayments		1,162,144	1,629,761
Other current assets	9	4,649,636	6,225,886
Assets classified as held for sale		3,473	21,703
Total current assets		81,455,202	86,476,829
Non-current assets			
Property, plant and equipment	10	251,155,960	247,213,423
Investment property		1,518,054	1,336,060
Goodwill and other intangible assets		6,881,056	7,155,279
Investments in joint venture	11	2,047,021	1,188,659
Trade and other non-current receivables	12	11,297,838	14,656,649
Long-term financial assets		168,212	321,006
Deferred tax assets		3,821,221	4,268,741
Other non-current assets	13	2,859,815	3,399,135
Total non-current assets		279,749,177	279,538,952
Total assets		361,204,379	366,015,781
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	14	28,561,023	17,135,875
Trade and other payables	15	23,067,436	29,364,018
Other current liabilities	16	4,345,156	6,537,802
Other taxes payable	17	10,008,198	10,445,185
Provisions for liabilities and charges		2,202,267	2,256,470
Total current liabilities		68,184,080	65,739,350
Non-current liabilities			
Long-term debt	18	88,700,777	100,313,640
Provisions for liabilities and charges		10,364,516	9,451,111
Total non-current liabilities		99,065,293	109,764,751
Equity			
Share capital	19	81,530,200	81,530,200
Reserves		(732,819)	(530,528)
Retained earnings		113,366,064	109,698,142
Equity attributable to the Company's owners		194,163,445	190,697,814
Non-controlling interest		(208,439)	(186,134)
Total equity		193,955,006	190,511,680
Total liabilities and shareholder's equity		361,204,379	366,015,781

Kirill Kravchenko
Chief Executive Officer
28 October 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	Nine month period ended	
		2016	2015
		(unaudited)	(unaudited)
Sales of petroleum products and oil and gas sales		120,862,239	152,221,776
Other revenues		13,221,667	6,968,923
Total revenue from sales	5	134,083,906	159,190,699
Purchases of oil, gas and petroleum products	20	(69,670,479)	(91,788,572)
Production and manufacturing expenses	21	(20,513,650)	(13,712,752)
Selling, general and administrative expenses	22	(16,845,192)	(16,383,779)
Transportation expenses		(754,999)	(643,702)
Depreciation, depletion and amortization		(11,793,435)	(10,452,813)
Taxes other than income tax		(3,592,618)	(3,852,278)
Exploration expenses		-	(3,321)
Total operating expenses		(123,170,373)	(136,837,217)
Other expenses, net		(37,433)	(1,247,103)
Operating profit		10,876,100	21,106,379
Net foreign exchange gain/(loss)		422,245	(4,489,442)
Finance income		176,821	266,896
Finance expenses		(2,316,985)	(2,563,331)
Total other expense		(1,717,919)	(6,785,877)
Profit before income tax		9,158,181	14,320,502
Current income tax expense		(1,037,117)	(2,572,718)
Deferred tax expense		(446,724)	(819,425)
Total income tax expense		(1,483,841)	(3,392,143)
Profit for the period		7,674,340	10,928,359
Other comprehensive profit (loss):			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		540	(33,713)
Currency translation differences		(205,593)	18,002
		(205,053)	(15,711)
Other comprehensive loss for the period		(205,053)	(15,711)
Total comprehensive income for the period		7,469,287	10,912,648
Profit attributable to:			
- Shareholders of Naftna Industrija Srbije		7,693,883	10,951,871
- Non-controlling interest		(19,543)	(23,512)
Profit for the period		7,674,340	10,928,359
Total comprehensive income (loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		7,491,592	10,934,312
- Non-controlling interest		(22,305)	(21,664)
Total comprehensive income for the period		7,469,287	10,912,648
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		47.18	67.16
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 SHAREHOLDERS' EQUITY

Nine month period ended 30 September 2016 and 2015

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

	Equity attributable to the Company's owners				Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total		
<i>(unaudited)</i>						
Balance as at 1 January 2015	81,530,200	(452,813)	102,696,156	183,773,543	(153,042)	183,620,501
Profit / (loss) for the period	-	-	10,951,871	10,951,871	(23,512)	10,928,359
Other comprehensive income/(loss)						
Change in value of available-for-sale financial assets	-	(33,713)	-	(33,713)	-	(33,713)
Currency translation differences	-	16,154	-	16,154	1,848	18,002
Total comprehensive income (loss) for the period	-	(17,559)	10,951,871	10,934,312	(21,664)	10,912,648
Dividend distribution	-	-	(7,639,380)	(7,639,380)	-	(7,639,380)
Total transaction with owners, recorded in equity	-	-	(7,639,380)	(7,639,380)	-	(7,639,380)
Other	-	-	(234)	(234)	-	(234)
Balance as at 30 September 2015	81,530,200	(470,372)	106,008,413	187,068,241	(174,706)	186,893,535
Balance as at 1 January 2016	81,530,200	(530,528)	109,698,142	190,697,814	(186,134)	190,511,680
Profit / (loss) for the period	-	-	7,693,883	7,693,883	(19,543)	7,674,340
Other comprehensive income/(loss)						
Change in value of available-for-sale financial assets	-	540	-	540	-	540
Currency translation differences	-	(202,831)	-	(202,831)	(2,762)	(205,593)
Total comprehensive income (loss) for the period	-	(202,291)	7,693,883	7,491,592	(22,305)	7,469,287
Dividend distribution	-	-	(4,025,961)	(4,025,961)	-	(4,025,961)
Total transaction with owners, recorded in equity	-	-	(4,025,961)	(4,025,961)	-	(4,025,961)
Balance as at 30 September 2016	81,530,200	(732,819)	113,366,064	194,163,445	(208,439)	193,955,006

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)

	Nine month period ended 30 September	
	2016	2015
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Profit before income tax	9,158,181	14,320,502
Adjustments for:		
Finance costs	2,316,985	2,563,331
Finance income	(176,821)	(266,896)
Depreciation, depletion and amortization	11,793,435	10,452,813
Adjustments for other provisions	387,722	264,769
Allowance for doubtful accounts	300,791	78,223
Payables write off	(34,981)	(257,795)
Net unrealised foreign exchange losses	857,387	3,425,503
Other non-cash items	(217,712)	290,445
	15,226,806	16,550,393
<i>Changes in working capital:</i>		
Trade and other receivables	1,725,516	2,426,856
Inventories	1,936,116	9,862,564
Other current assets	808,134	1,265,252
Trade payables and other current liabilities	(7,784,658)	(5,064,069)
Other taxes payable	(425,518)	1,210,762
	(3,740,410)	9,701,365
Income taxes paid	(560,632)	(2,780,273)
Interest paid	(2,260,963)	(2,224,756)
Interest received	332,506	464,520
	(2,489,089)	(4,540,509)
Net cash generated by operating activities	18,155,488	36,031,751
Cash flows from investing activities		
Acquisition of equity-accounted investments	(858,362)	(25)
Loans issued	(67,549)	(386,333)
Loan proceeds received	121,923	18,032
Capital expenditures	(15,501,064)	(22,098,297)
Proceeds from sale of property, plant and equipment	395,389	184,043
Other inflow	218	77,076
	(15,909,445)	(22,205,504)
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from borrowings	14,737,364	28,081,912
Repayment of borrowings	(15,619,787)	(24,029,578)
Dividends paid	(4,025,961)	(7,639,380)
	(4,908,384)	(3,587,046)
Net cash used in financing activities		
Net (decrease)/increase in cash and cash equivalents	(2,662,341)	10,239,201
Effect of foreign exchange on cash and cash equivalents	(24,087)	(172,196)
Cash and cash equivalents as of the beginning of the period	19,271,435	8,326,704
Cash and cash equivalents as of the end of the period	16,585,007	18,393,709

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 nine month period ended 30 September 2016

(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.

Subsequent events occurring after 30 September 2016 were evaluated through 28 October 2016, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the nine month period ended 30 September 2016 are not necessarily indicative of the results expected for the full year.

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2015, except for those described in Application of new IFRS paragraph.

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

3. APPLICATION OF NEW IFRS

IFRS 14 - Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

The new standard will not have any impact on the Company's financial position or performance.

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 1 January 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 1 January 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 1 January 2016).

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 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 31 December 2015.

The following new amendments were issued during the nine months period ended 30 September 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 1 January 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 1 January 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.

Amendments to IFRS 15 - Revenue from Contracts with Customers (issued in April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation in a contract; how to determine whether a company is a principal or an agent; and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

The amendments to IFRS 2 – Share-based Payment (issued in June 2016 effective for annual periods beginning on or after 1 January 2018) clarifies guidance on the following:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled; and
- share-based payment transactions with a net settlement feature for withholding tax obligations.

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

5. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the nine month periods ended 30 September 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 unrealised profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

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

Reportable segment results for the nine month period ended 30 September 2016 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	26,378,732	134,915,607	(27,210,433)	134,083,906
Intersegment	24,858,820	2,351,613	(27,210,433)	-
External	1,519,912	132,563,994	-	134,083,906
EBITDA (Segment results)	16,108,425	6,354,959	-	22,463,384
Depreciation, depletion and amortization	(4,691,002)	(7,102,433)	-	(11,793,435)
Reversal surpluses	-	158,073	-	158,073
Net foreign exchange gain	52,948	369,297	-	422,245
Finance expenses, net	(94,870)	(2,045,294)	-	(2,140,164)
Income tax	(233,300)	(1,250,541)	-	(1,483,841)
Segment profit (loss)	11,054,283	(3,379,943)	-	7,674,340

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

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

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	40,250,483	158,248,480	(39,308,264)	159,190,699
Intersegment	38,232,326	1,075,938	(39,308,264)	-
External	2,018,157	157,172,542	-	159,190,699
EBITDA (Segment results)	30,543,850	1,715,664	-	32,259,514
Depreciation, depletion and amortization	(3,439,015)	(7,013,798)	-	(10,452,813)
Impairment losses	(10,332)	(249,738)	-	(260,070)
Net foreign exchange gain (loss)	54,184	(4,543,626)	-	(4,489,442)
Finance expenses, net	(90,082)	(2,206,353)	-	(2,296,435)
Income tax	(94,581)	(3,297,562)	-	(3,392,143)
Segment profit (loss)	26,265,702	(15,337,343)	-	10,928,359

EBITDA for the nine month period ended 30 September 2016 and 2015 is reconciled below:

	Nine month period ended	
	30 September	
	2016	2015
Profit for the period	7,674,340	10,928,359
Income tax expenses	1,483,841	3,392,143
Finance expenses	2,316,985	2,563,331
Finance income	(176,821)	(266,896)
Depreciation, depletion and amortization	11,793,435	10,452,813
Net foreign exchange (gain)/loss	(422,245)	4,489,442
Other expense, net	37,433	1,247,103
Other non-operating income, net*	(243,584)	(546,781)
EBITDA	22,463,384	32,259,514

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

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

	Nine month period ended 30 September 2016		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,305,751	1,305,751
Sale of gas	2,305,199	-	2,305,199
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	2,305,199	-	2,305,199
Sale of petroleum products	91,494,273	25,757,016	117,251,289
<i>Through a retail network</i>	32,867,316	-	32,867,316
<i>Wholesale activities</i>	58,626,957	25,757,016	84,383,973
Sale of electricity	381,762	5,703,110	6,084,872
Other sales	4,635,624	2,501,171	7,136,795
Total sales	98,816,858	35,267,048	134,083,906

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

	Nine month period ended 30 September 2015		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,740,490	1,740,490
Sale of gas	5,692,700	-	5,692,700
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	5,692,700	-	5,692,700
Sale of petroleum products	114,763,509	30,025,077	144,788,586
<i>Through a retail network</i>	37,104,041	-	37,104,041
<i>Wholesale activities</i>	77,659,468	30,025,077	107,684,545
Sale of electricity	274,907	328,663	603,570
Other sales	3,842,581	2,522,772	6,365,353
Total sales	124,573,697	34,617,002	159,190,699

Out of the amount of 84,383,973 RSD (2015: 107,684,545 RSD) revenue from sale of petroleum products (wholesale), the amount of 9,416,348 RSD (2015: 12,097,149 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 5,334,701 RSD (2015: 4,627,271 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 98,816,858 RSD (2015: 124,573,697 RSD), and the total of revenue from external customer from other countries is 35,267,048 RSD (2015: 34,617,002 RSD).

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	
	2016	2015
Sale of crude oil	1,305,751	1,740,490
Sale of petroleum products (retail and wholesale)		
Bulgaria	7,332,712	8,328,810
Bosnia and Herzegovina	5,350,840	6,806,191
Romania	6,401,921	5,007,969
All other markets	6,671,543	9,882,107
	<u>25,757,016</u>	<u>30,025,077</u>
Sale of electricity	5,703,110	328,663
Other sales	2,501,171	2,522,772
	<u>35,267,048</u>	<u>34,617,002</u>

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

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

	30 September 2016	31 December 2015
Serbia	236,420,437	232,868,821
Bulgaria	8,027,745	8,246,434
Bosnia and Herzegovina	8,110,148	8,152,524
Romania	6,996,646	6,436,983
Hungary	94	-
	<u>259,555,070</u>	<u>255,704,762</u>

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

6. CASH AND CASH EQUIVALENTS

	30 September 2016	31 December 2015
Cash in bank and in hand	9,956,045	11,302,285
Deposits with original maturity of less than three months	4,993,564	6,385,304
Cash held on escrow account	1,634,529	1,562,453
Cash equivalents	869	21,393
	16,585,007	19,271,435

Cash held on escrow accounts as of 30 September 2016 amounting to 1,634,529 RSD (31 December 2015: 1,562,453 RSD) mainly relate to deposited funds in accordance with share purchase agreement with Energowind doo (through which the operation of future wind farm 'Plandiste' will be managed).

7. TRADE AND OTHER RECEIVABLES

	30 September 2016	31 December 2015
Trade receivables:		
- related parties	961,159	253,057
- third parties	31,672,947	29,781,907
- state and state owned companies	19,020,125	19,369,662
	51,654,231	49,404,626
Other receivables:		
- third parties	242,443	209,227
- state and state owned companies	10,424,734	10,314,622
	10,667,177	10,523,849
Accrued assets	36,684	660,401
	62,358,092	60,588,876
<i>Less impairment provision for trade and other receivables:</i>		
- <i>third parties</i>	(9,873,512)	(9,862,727)
- <i>state and state owned companies</i>	(15,903,253)	(15,777,436)
	(25,776,765)	(25,640,163)
Total trade and other receivables	36,581,327	34,948,713

The ageing of trade and other receivables is as follows:

	30 September 2016	31 December 2015
Neither impaired nor past due	23,138,097	27,139,823
Past due but not impaired:		
within 30 days:	2,029,063	1,831,215
1 to 3 months	1,647,953	1,200,167
3 months to 1 year	7,268,975	2,198,059
over 1 year	2,497,239	2,579,449
Total	36,581,327	34,948,713

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

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

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

	30 September 2016	31 December 2015
RSD	43,223,163	41,704,312
EUR	17,233,005	16,348,409
USD	920,239	1,507,433
Other	981,685	1,028,722
	62,358,092	60,588,876

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

	Trade & other receivables		Total
	Third parties	State and state owned companies	
As at 1 January 2015	10,062,347	19,522,269	29,584,616
Provision for receivables impairment	34,497	76,362	110,859
Unused amounts reversed	(66,356)	(51,486)	(117,842)
Receivables written off during the year as uncollectible	468,562	(1,808,979)	(1,340,417)
Exchange differences	-	(81,498)	(81,498)
Other	(10,908)	-	(10,908)
As at 30 September 2015	10,488,142	17,656,668	28,144,810
As at 1 January 2016	9,862,727	15,777,436	25,640,163
Provision for receivables impairment	73,186	67,696	140,882
Unused amounts reversed	(42,776)	(46,348)	(89,124)
Receivables written off during the year as uncollectible	(20,860)	(7,871)	(28,731)
Exchange differences	-	112,340	112,340
Other	1,235	-	1,235
As at 30 September 2016	9,873,512	15,903,253	25,776,765

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

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

8. INVENTORIES

	30 September 2016	31 December 2015
Crude oil	10,204,138	11,069,970
Petroleum products	9,358,567	13,738,263
Materials and supplies	7,187,705	4,120,087
Other	870,856	838,428
Less impairment provision	(5,446,206)	(5,588,504)
	22,175,060	24,178,244

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

9. OTHER CURRENT ASSETS

	30 September 2016	31 December 2015
Advances paid	559,670	536,372
VAT receivables	265,654	227,121
Deferred VAT	1,726,195	2,014,262
Prepaid expenses	201,181	120,106
Prepaid custom duties	31,790	33,190
Prepaid excise	1,566,012	3,028,713
Other current assets	14,579,704	14,308,833
Less impairment provision	(14,280,570)	(14,042,711)
	4,649,636	6,225,886

Deferred VAT as at 30 September 2016 amounting to 1,726,195 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 30 September 2016 amounting to 1,566,012 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:

	Advances paid	Other current assets	Total
As at 1 January 2015	244,828	20,758,935	21,003,763
Provision for receivables impairment	1,135	110,968	112,103
Unused amounts reversed	(4,424)	(14,974)	(19,398)
Receivables written off during the year as uncollectible	(6)	(501,296)	(501,302)
Other	(865)	8,918	8,053
As at 30 September 2015	240,668	20,362,551	20,603,219
As at 1 January 2016	270,296	13,772,415	14,042,711
Provision for receivables impairment	5,360	262,456	267,816
Unused amounts reversed	(6,425)	(12,974)	(19,399)
Other	(475)	(10,083)	(10,558)
As at 30 September 2016	268,756	14,011,814	14,280,570

The ageing of other current assets is as follows:

	30 September 2016	31 December 2015
Neither impaired nor past due	4,555,293	6,071,893
Not impaired and past due in the following periods:		
Less than 1 month	23,969	30,136
01 - 03 months	12,915	31,372
03 month - one year	7,687	43,018
Over 1 year	49,772	49,467
Total	4,649,636	6,225,886

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 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
As at 1 January 2015						
Cost	82,284,653	114,595,854	49,338,344	20,285,937	46,177,226	312,682,014
Depreciation and impairment	(21,058,518)	(32,895,538)	(14,910,568)	(8,614,025)	(2,813,514)	(80,292,163)
Net book value	61,226,135	81,700,316	34,427,776	11,671,912	43,363,712	232,389,851
Period ended 30 September 2015						
Additions	-	-	-	-	19,331,709	19,331,709
Transfer from assets under construction	15,630,385	3,505,380	2,203,647	192,308	(21,531,720)	-
Impairment	-	(29,826)	(147,634)	-	(103,708)	(281,168)
Depreciation	(3,168,378)	(4,297,427)	(1,623,872)	(589,989)	(3,666)	(9,683,332)
Transfer to investment property	-	-	(38,046)	(180,595)	-	(218,641)
Disposals and write-off	(40,909)	(51,978)	(44,937)	(95,528)	(79,010)	(312,362)
Other transfers	(24,248)	(2,953)	149,303	40,207	(506,780)	(344,471)
Translation differences	(10)	-	(106,351)	-	(17,458)	(123,819)
	73,622,975	80,823,512	34,819,886	11,038,315	40,453,079	240,757,767
As at 30 September 2015						
Cost	97,767,045	117,956,070	51,089,131	20,056,693	43,103,241	329,972,180
Depreciation and impairment	(24,144,070)	(37,132,558)	(16,269,245)	(9,018,378)	(2,650,162)	(89,214,413)
Net book value	73,622,975	80,823,512	34,819,886	11,038,315	40,453,079	240,757,767
As at 1 January 2016						
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)
Net book value	83,582,668	81,487,384	34,916,608	10,986,290	36,240,473	247,213,423
Period ended 30 September 2016						
Additions	-	-	-	117	14,427,556	14,427,673
Changes in decommissioning obligations	634,193	-	-	-	-	634,193
Transfer from assets under construction	11,950,134	787,045	1,554,699	215,038	(14,506,916)	-
Impairment	-	-	-	-	(21,135)	(21,135)
Depreciation	(4,375,145)	(4,196,547)	(1,735,860)	(587,561)	(3,796)	(10,898,909)
Disposals and write-off	(128,586)	(13,088)	(89,813)	(49,588)	(174,514)	(455,589)
Other transfers	(19,744)	(2,974,908)	2,960,677	20,803	(115,298)	(128,470)
Translation differences	999	-	276,957	(67)	106,885	384,774
	91,644,519	75,089,886	37,883,268	10,585,032	35,953,255	251,155,960
As at 30 September 2016						
Cost	121,224,108	108,882,883	65,248,047	20,045,103	38,340,620	353,740,761
Depreciation and impairment	(29,579,589)	(33,792,997)	(27,364,779)	(9,460,071)	(2,387,365)	(102,584,801)
Net book value	91,644,519	75,089,886	37,883,268	10,585,032	35,953,255	251,155,960

NIS Group

Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 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
As at 1 January 2015						
Cost	18,087,173	13,477,995	31,565,168	82,284,653	33,457	113,883,278
Depreciation and impairment	(17,291)	(253,585)	(270,876)	(21,058,518)	(20,359)	(21,349,753)
Net book amount	18,069,882	13,224,410	31,294,292	61,226,135	13,098	92,533,525
Period ended 30 September 2015						
Additions	2,950,141	13,290,802	16,240,943	-	-	16,240,943
Transfer from asset under construction	(2,748,993)	(12,881,392)	(15,630,385)	15,630,385	-	-
Other transfers	60,292	(351,573)	(291,281)	(24,248)	-	(315,529)
Impairment	-	(10,332)	(10,332)	-	-	(10,332)
Depreciation and depletion	(3,732)	-	(3,732)	(3,168,378)	-	(3,172,110)
Disposals and write-off	(74,486)	1	(74,485)	(40,909)	-	(115,394)
Translation differences	(13,196)	-	(13,196)	(10)	-	(13,206)
	18,239,908	13,271,916	31,511,824	73,622,975	13,098	105,147,897
As at 30 September 2015						
Cost	18,259,661	13,520,687	31,780,348	97,767,045	33,408	129,580,801
Depreciation and impairment	(19,753)	(248,771)	(268,524)	(24,144,070)	(20,310)	(24,432,904)
Net book amount	18,239,908	13,271,916	31,511,824	73,622,975	13,098	105,147,897
As at 1 January 2016						
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)
Net book amount	19,950,609	7,693,872	27,644,481	83,582,668	11,116	111,238,265
Period ended 30 September 2016						
Additions	2,078,665	9,526,572	11,605,237	-	-	11,605,237
Changes in decommissioning obligations	-	-	-	634,193	-	634,193
Transfer from asset under construction	(220,235)	(11,729,899)	(11,950,134)	11,950,134	-	-
Other transfers	-	(101,349)	(101,349)	(19,744)	-	(121,093)
Depreciation and depletion	(3,796)	-	(3,796)	(4,375,145)	-	(4,378,941)
Disposals and write-off	(14,113)	(87,090)	(101,203)	(128,586)	-	(229,789)
Translation differences	101,701	-	101,701	999	-	102,700
	21,892,831	5,302,106	27,194,937	91,644,519	11,116	118,850,572
As at 30 September 2016						
Cost	21,914,550	5,550,499	27,465,049	121,224,108	33,408	148,722,565
Depreciation and impairment	(21,719)	(248,393)	(270,112)	(29,579,589)	(22,292)	(29,871,993)
Net book amount	21,892,831	5,302,106	27,194,937	91,644,519	11,116	118,850,572

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

11. INVESTMENTS IN JOINT VENTURE

The carrying value of the investments in joint ventures as of 30 September 2016 and 31 December 2015 is summarised below:

	Ownership percentage		30 September 2016	31 December 2015
	30 September 2016	31 December 2015		
Energowind	50%	50%	1,008,221	1,008,221
Serbskaya Generaciya	49%	49%	1,038,800	180,438
			2,047,021	1,188,659

In 2015 the Group and Centrenergoholding OAO Russian Federation established holding company Serbskaya Generaciya, through which they will jointly operate with Thermal and Heating power plant "TETO" Pancevo with projected capacity of 140 MW. On the date of the issuance of these Consolidated Financial Statements there have been no significant business activities. During 2016 the Group increased their investment in Serbskaya Generaciya in the amount of 858,362 RSD.

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

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

12. TRADE AND OTHER NON-CURRENT RECEIVABLES

	30 September 2016	31 December 2015
Non-current trade receivables:		
- state and state owned companies	9,756,970	12,388,550
	9,756,970	12,388,550
Non-current other receivables:		
- third parties	77,098	152,849
- state and state owned companies	2,098,413	4,050,963
	2,175,511	4,203,812
<i>Less impairment provision for trade and other non-current receivables:</i>		
- <i>third parties</i>	(59)	(76,849)
- <i>state and state owned companies</i>	(634,584)	(1,858,864)
	(634,643)	(1,935,713)
	11,297,838	14,656,649

Trade and other non-current receivables amounting to 11,297,838 RSD mainly relate to the long-term receivables from the Republic of Serbia in the amount of 7,584,054 RSD according to the debt of Srbijagas owed to Naftna industrija Srbije takeover and its conversion into public debt. (Short-term part of the receivables: note 7).

These receivables were denominated in EUR on the date of the debt takeover.

As at 31 May 2016, the second instalment was paid in accordance with the repayment schedule defined by the Law.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016***(All amounts are in 000 RSD, unless otherwise stated)***13. OTHER NON-CURRENT ASSETS**

	30 September 2016	31 December 2015
Advances paid for PPE	990,643	1,360,565
Prepaid expenses	811,953	908,248
Other assets	1,088,028	1,161,131
Less impairment provision	(30,809)	(30,809)
	2,859,815	3,399,135

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

	30 September 2016	31 December 2015
Short-term loans	11,570,450	3,553,120
Interest liabilities	169,191	164,324
Current portion of long-term loans (note 18)	16,770,083	13,417,421
Current portion of finance lease liabilities (note 18)	51,299	1,010
	28,561,023	17,135,875

15. TRADE AND OTHER PAYABLES

	30 September 2016	31 December 2015
Trade payables:		
- related parties	8,548,045	10,170,810
- third parties	10,734,643	15,334,596
Dividends payable	3,772,308	3,772,308
Other accounts payable	12,440	86,304
	23,067,436	29,364,018

As at 30 September 2016 payables to related parties amounting to 8,548,045 RSD (31 December 2015: 10,170,810 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 7,572,603 RSD (31 December 2015: 10,104,805 RSD), mostly for the purchase of crude oil.

16. OTHER CURRENT LIABILITIES

	30 September 2016	31 December 2015
Advances received	1,158,010	3,207,205
Payables to employees	2,903,223	3,296,282
Accruals and deferred income	269,182	19,878
Other current non-financial liabilities	14,741	14,437
	4,345,156	6,537,802

17. OTHER TAXES PAYABLE

	30 September 2016	31 December 2015
Mineral extraction tax	252,292	241,017
VAT	3,141,990	1,651,548
Excise tax	3,920,756	6,066,530
Contribution for buffer stocks	203,793	350,301
Custom duties	460,873	85,332
Other taxes	2,028,494	2,050,457
	10,008,198	10,445,185

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

18. LONG-TERM DEBT

	30 September 2016	31 December 2015
Long-term loan - Gazprom Neft	38,708,236	42,427,710
Bank loans	66,326,123	71,016,461
Finance lease liabilities	378,592	199,289
Other long-term borrowings	109,208	88,611
Less Current portion	(16,821,382)	(13,418,431)
	88,700,777	100,313,640

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

As at 30 September 2016 long-term loan - Gazprom Neft amounting to 38,708,236 RSD (31 December 2015: 42,427,710 RSD), with current portion of 5,734,553 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*

	30 September 2016	31 December 2015
Domestic	21,770,144	18,693,334
Foreign	44,555,979	52,323,127
	66,326,123	71,016,461
Current portion of long-term loans	(11,035,530)	(7,760,393)
	55,290,593	63,256,068

The maturity of bank loans was as follows:

	30 September 2016	31 December 2015
Between 1 and 2 years	13,238,236	11,829,773
Between 2 and 5 years	37,719,462	46,347,221
Over 5 years	4,332,895	5,079,074
	55,290,593	63,256,068

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

	30 September 2016	31 December 2015
USD	45,401,624	53,388,078
EUR	20,507,370	17,247,010
RSD	515	1,174
JPY	416,614	380,199
	66,326,123	71,016,461

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 30 September 2016 and 31 December 2015, respectively.

NIS Group**Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016***(All amounts are in 000 RSD, unless otherwise stated)***19. SHARE CAPITAL**

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

Share capital as of 30 September 2016 and 31 December 2015 comprise of 163,060,400 shares.

20. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Nine month period ended 30 September	
	2016	2015
Crude oil	55,017,158	68,037,213
Petroleum products	14,485,101	23,590,119
Other	168,220	161,240
	69,670,479	91,788,572

21. PRODUCTION AND MANUFACTURING EXPENSES

	Nine month period ended 30 September	
	2016	2015
Employee costs	4,146,467	5,103,986
Materials and supplies (other than purchased oil, petroleum products and gas)	1,614,042	2,026,694
Repair and maintenance services	2,796,401	2,209,311
Electricity for resale	5,823,756	279,382
Electricity and utilities	1,114,623	2,097,556
Safety and security expense	255,056	108,223
Insurance services	215,782	31,536
Transportation services for production	1,447,797	1,260,630
Other	3,099,726	595,434
	20,513,650	13,712,752

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine month period ended 30 September	
	2016	2015
Employee costs	7,767,382	7,024,304
Legal, audit, and consulting services	899,743	1,344,657
Rent expense	430,957	258,460
Business trips expense	235,304	258,175
Safety and security expense	397,792	388,016
Insurance expense	77,440	235,631
Transportation and storage	276,971	462,140
Allowance for doubtful accounts	(105,036)	78,223
Other	6,864,639	6,334,173
	16,845,192	16,383,779

23. 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 30 September, 2016 carrying value of financial assets approximate their fair value.

NIS Group
Notes to the Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2016

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

24. CONTINGENCIES AND COMMITMENTS

Transfer of property ownership

As at 30 September 2016, the Company had ownership and the right to use and possess of 7,948 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.

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 745,344 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 30 September 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 81 million USD related to the additional profit oil for the period from 2002 to 2009. The Group's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Group's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed. Taking all of the above into consideration, the Group's Management is of the view that as at 30 September 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.

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 30 September 2016.

Capital commitments

Purchase of property, plant and equipment

As of 30 September 2016 the Group has entered into contracts to purchase property, plant and equipment for 3,521,740 RSD (31 December 2015: 611,417 RSD).

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Farm-out agreement with East West Petroleum Corporation, Canada

In October 2011, the Group entered into a Farm-out agreement with East West Petroleum Corporation, Canada for exploration and production of hydrocarbons in the Timisoara region in Romania. Under the Contract, the Group shall finance 85% of total exploration costs on four blocks in the region. Depending on the success of exploration, the Group will be entitled to 85% of the total production volume of hydrocarbons. Moreover, under the Joint Operation Agreement signed with East West Petroleum Corporation, Canada, Group will act as the Operator and will be in charge of and shall conduct all Joint Operations. Exploration activities are underway. On 30 September 2016 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to 41.34 USD million.

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

25. SIGNIFICANT GROUP ENTITIES

The financial statements of below listed subsidiaries are consolidated as at 30 September 2016 and 31 December 2015:

Subsidiary	Country of incorporation	Nature of business	Share %	
			30 September 2016	31 December 2015
NIS Petrol d.o.o., Banja Luka	BIH	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	BIH	Trade	100	100
Jadran - Naftagas d.o.o., Banja Luka	BIH	O&G activity	66	66
Svetlost d.o.o., Bujanovac	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.

26. 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 nine month period ended 30 September 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.

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As at 30 September 2016 and 31 December 2015 the outstanding balances with related parties were as follows:

As at 30 September 2016	Parent company	Entities under common control	Joint venture
Trade and other receivables	-	961,159	195,656
Investments in joint venture	-	-	2,047,021
Trade and other payables	(7,572,603)	(975,442)	-
Short-term debt and current portion of long-term debt	(5,734,553)	-	-
Long-term debt	(32,973,683)	-	-
	(46,280,839)	(14,283)	2,242,677

As at 31 December 2015	Parent company	Entities under common control	Joint venture
Trade and other receivables	-	148,105	195,656
Other current assets	-	9,394	-
Investments in joint venture	-	-	1,188,659
Trade and other payables	(10,004,805)	(166,005)	-
Short-term debt and current portion of long-term debt	(5,657,028)	-	-
Long-term debt	(36,770,682)	-	-
	(52,432,515)	(8,506)	1,384,315

For the nine month period ended 30 September 2016 and 2015 the following transaction occurred with related parties:

Nine month period ended 30 September 2016	Parent	Entities under common control	Joint venture
Petroleum products and oil and gas sales	-	395,681	-
Other Revenues	-	5,610,682	-
Purchases of oil, gas and petroleum products	(29,566,123)	(396,618)	-
Production and manufacturing expenses	-	(5,593,596)	-
Selling, general and administrative expenses	-	(113,594)	-
Other (income) expenses, net	18,455	(39)	-
Finance expense	(585,043)	-	-
	(30,132,711)	(97,484)	-

Nine month period ended 30 September 2015	Parent	Entities under common control	Joint venture
Petroleum products and oil and gas sales	-	85,607	-
Other Revenues	-	328,663	-
Purchases of oil, gas and petroleum products	(60,957,424)	(2,037,894)	-
Production and manufacturing expenses	(5,839)	(213,802)	-
Selling, general and administrative expenses	(23,823)	(15,137)	-
Other expenses, net	(16,210)	(19,825)	-
Finance expense	(724,476)	-	-
	(61,727,772)	(1,872,388)	-

Transactions with Key Management Personnel

For the nine month period ended on 30 September 2016 and 2015 the Group recognized 593,172 RSD and 326,210 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.

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NIS Group
Contact information

The Group's office is:

12 Narodnog Fronta St.,
Novi Sad, Republic of Serbia
21000

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

www.nis.eu

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