



Naftna industrija Srbije A.D.

Interim Condensed Financial Statements (Unaudited)

31 March 2015

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NIS a.d.**STATEMENT OF FINANCIAL POSITION***(All amounts are in 000 RSD, unless otherwise stated)*

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

 Kirill Kravchenko
 CEO

27 April 2015

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

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

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NIS a.d.**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME***(All amounts are in 000 RSD, unless otherwise stated)*

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

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NIS a.d.

STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2015 and 2014

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

(unaudited)

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

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NIS a.d.**STATEMENT OF CASH FLOWS***(All amounts are in 000 RSD, unless otherwise stated)*

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

2.1. Basis of preparation

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

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

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

2.2. Changes in significant accounting policies

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

2.3. Application of new IFRS

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

3.1. Economic Environment in the Russian Federation

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

3.2. Impact of recent crude oil volatility

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

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

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2015 or later, and that the Company has not early adopted. The full list of such Standards and interpretations was disclosed in the Financial Statements as of and for the year ended December 31, 2014. No new documents were issued during the three months period ended March 31, 2015.

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

NIS a.d.**Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015***(All amounts are in 000 RSD, unless otherwise stated)***5. SEGMENT INFORMATION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Three month period ended 31 March 2014		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,248,245	1,248,245
Sale of gas	1,679,055	-	1,679,055
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	1,679,055	-	1,679,055
Sale of petroleum products	42,453,630	8,140,507	50,594,137
<i>Through a retail network</i>	12,186,227	-	12,186,227
<i>Wholesale activities</i>	30,267,403	8,140,507	38,407,910
Other sales	1,140,027	18,616	1,158,643
Total sales	45,272,712	9,407,368	54,680,080

Out of the amount of 27,779,600 RSD (2014: 38,407,910 RSD) revenue from sale of petroleum products (wholesale), the amount of 4,095,230 RSD (2014: 8,024,380 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

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Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 743,628 RSD (2014: 811,958 RSD).

The Company is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 36,777,398 RSD (2014: 45,272,712 RSD), and the total of revenue from external customer from other countries is 7,167,942 RSD (2014: 9,407,368 RSD). The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Three month period ended	
	31 March	
	2015	2014
Sale of crude oil	829,435	1,248,245
Sale of petroleum products (retail and wholesale)		
Bulgaria	1,114,573	1,631,711
Bosnia and Herzegovina	1,320,138	1,297,391
Romania	268,911	317,896
All other markets	3,364,973	4,893,509
	<u>6,068,595</u>	<u>8,140,507</u>
Other sales	269,912	18,616
	<u>7,167,942</u>	<u>9,407,368</u>

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

6. CASH AND CASH EQUIVALENTS

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

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**Notes to the Interim Condensed Financial Statements for the three month period ended
31 March 2015**

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

7. TRADE AND OTHER RECEIVABLES

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

The ageing of trade and other receivables is as follows:

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

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

7. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

8. INVENTORIES

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

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NIS a.d.**Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015***(All amounts are in 000 RSD, unless otherwise stated)***9. OTHER CURRENT ASSETS**

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

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

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

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Oil and gas production assets

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

11. OTHER NON-CURRENT ASSETS

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

14. OTHER CURRENT LIABILITIES

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

15. OTHER TAXES PAYABLE

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

16. LONG-TERM DEBT

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

(a) Long-term loan - Gazprom Neft

As at 31 March 2015 long-term loan - Gazprom Neft amounting to 46,129,127 RSD (383,720,935 EUR) (2014: 47,820,723 RSD), with current portion of 5,591,409 RSD (2014: 5,625,967 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) Bank loans

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

The maturity of bank loans was as follows:

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

16. LONG-TERM DEBT (continued)

(b) Bank loans (continued)

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

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

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

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

16. LONG-TERM DEBT (continued)

(b) *Bank loans (continued)*

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

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

17. SHARE CAPITAL

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

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

19. PRODUCTION AND MANUFACTURING EXPENSES

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

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

21. FAIR VALUE MEASUREMENT

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

22. CONTINGENCIES AND COMMITMENTS

Transfer of property ownership

As at 31 March 2015, the Company had ownership and the right to use and possess of 7,917 properties, which represent 97% of the total Company properties (buildings and land). The remaining 3% of properties titles should be transferred by Republic of Serbia in accordance with the Agreement for the Sale and Purchase of Shares of Naftna Industrija Srbije a.d., signed in 2007.

Finance Guarantees

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

Environmental protection

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

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

Other contingent liabilities

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

22. CONTINGENCIES AND COMMITMENTS (continued)

Tax risks

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

Commitments

There were no material commitments of the Company.

23. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

23. RELATED PARTY TRANSACTIONS (continued)

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

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2015

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

23. RELATED PARTY TRANSACTIONS (continued)

Key management compensation

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

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

24. EVENTS AFTER THE REPORTING DATE

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

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

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**Notes to the Interim Condensed Financial Statements for the three month period ended
31 March 2015**

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

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