



Naftna industrija Srbije A.D.

Interim Condensed Financial Statements (Unaudited)

30 September 2015

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

Assets	Note	30 September 2015	31 December 2014
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	6	15,853,231	5,338,023
Short-term financial assets		3,522,670	2,786,555
Trade and other receivables	7	51,370,394	56,658,222
Inventories	8	25,712,975	35,774,304
Current income tax prepayments		2,857,205	2,627,622
Other current assets	9	5,355,378	6,939,633
Total current assets		104,671,853	110,124,359
Non-current assets			
Property, plant and equipment	10	210,623,855	201,627,904
Investment property		1,617,199	1,381,832
Other intangible assets		4,323,691	4,711,241
Investments in subsidiaries and joint ventures	11	13,442,656	7,556,020
Trade and other non-current receivables		2,874	2,427,259
Long-term financial assets		33,396,913	32,814,852
Deferred tax assets		7,042,419	7,834,155
Other non-current assets	12	4,095,464	3,733,444
Total non-current assets		274,545,071	262,086,707
Total assets		379,216,924	372,211,066
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	13	19,604,409	14,831,489
Trade and other payables	14	39,036,614	43,511,405
Other current liabilities	15	3,332,736	4,466,671
Other taxes payable	16	9,448,275	8,326,910
Provisions for liabilities and charges		2,252,949	2,461,013
Total current liabilities		73,674,983	73,597,488
Non-current liabilities			
Long-term debt	17	95,164,712	92,612,697
Deferred tax liabilities		2,748,789	2,724,064
Provisions for liabilities and charges		8,925,497	8,690,515
Total non-current liabilities		106,838,998	104,027,276
Equity			
Share capital	18	81,530,200	81,530,200
Reserves		(75,990)	(42,277)
Retained earnings		117,248,733	113,098,379
Total equity		198,702,943	194,586,302
Total liabilities and shareholder's equity		379,216,924	372,211,066

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

Kirill Kravchenko
 Chief Executive Officer

26 October 2015



Anton Fyodorov
 Chief Financial Officer

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STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

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

		Nine month period ended	
		30 September	
	Note	2015	2014
		(unaudited)	(unaudited)
Sales of petroleum products and oil and gas sales		145,173,536	182,340,763
Other revenues		5,021,816	3,987,155
Total revenue from sales	5	150,195,352	186,327,918
Purchases of oil, gas and petroleum products	19	(86,630,946)	(104,936,181)
Production and manufacturing expenses	20	(14,010,730)	(13,698,318)
Selling, general and administrative expenses	21	(14,849,636)	(14,599,415)
Transportation expenses		(654,844)	(805,690)
Depreciation, depletion and amortization		(8,848,784)	(7,951,604)
Taxes other than income tax		(3,203,409)	(3,786,004)
Exploration expenses		-	(44,394)
Total operating expenses		(128,198,349)	(145,821,606)
Other expenses, net		(974,036)	(205,023)
Operating profit		21,022,967	40,301,289
Net foreign exchange loss		(4,487,458)	(8,188,023)
Finance income		1,012,015	1,392,266
Finance expenses		(2,466,847)	(2,740,243)
Total other expense		(5,942,290)	(9,536,000)
Profit before income tax		15,080,677	30,765,289
Current income tax expense		(2,474,483)	(3,612,789)
Deferred tax expense		(816,460)	(1,784,679)
Total income tax expense		(3,290,943)	(5,397,468)
Profit for the period		11,789,734	25,367,821
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		(33,713)	14,579
Other comprehensive (loss)/profit for the period		(33,713)	14,579
Total comprehensive income for the period		11,756,021	25,382,400
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		72.10	155.66
Weighted average number of ordinary shares in issue (in millions)		163	163

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STATEMENT OF CHANGES IN EQUITY

Nine month period ended 30 September 2015 and 2014

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

<i>(unaudited)</i>	Note	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		-	-	25,367,821	25,367,821
Other comprehensive income					
Change in value of available-for-sale financial assets		-	14,579	-	14,579
Total comprehensive income for the period		-	14,579	25,367,821	25,382,400
Dividend distribution		-	-	(13,080,705)	(13,080,705)
Total transaction with owners, recorded in equity		-	-	(13,080,705)	(13,080,705)
Balance as at 30 September 2014		81,530,200	(45,306)	107,699,494	189,184,388
Balance as at 1 January 2015		81,530,200	(42,277)	113,098,379	194,586,302
Profit for the period		-	-	11,789,734	11,789,734
Other comprehensive income (loss)					
Change in value of available-for-sale financial assets		-	(33,713)	-	(33,713)
Total comprehensive income/(loss) for the period		-	(33,713)	11,789,734	11,756,021
Dividend distribution	14	-	-	(7,639,380)	(7,639,380)
Total transaction with owners, recorded in equity		-	-	(7,639,380)	(7,639,380)
Balance as at 30 September 2015		81,530,200	(75,990)	117,248,733	198,702,943

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STATEMENT OF CASH FLOWS

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

	Nine month period ended	
	30 September	
Note	2015	2014
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Profit before income tax	15,080,677	30,765,289
Adjustments for:		
Finance costs	2,466,847	2,740,243
Finance income	(1,012,015)	(1,392,266)
Depreciation, depletion and amortization	8,848,784	7,951,604
Adjustments for other provisions	225,002	263,925
Allowance for doubtful accounts	94,348	2,540,988
Payables write off	(189,331)	(11,552)
Net unrealised foreign exchange losses	3,811,170	6,202,725
Other non-cash items	242,899	26,630
	14,487,704	18,322,297
Changes in working capital:		
Trade and other receivables	2,615,210	(1,230,766)
Inventories	10,001,012	3,650,572
Other current assets	1,049,954	(5,784,995)
Trade payables and other current liabilities	(3,925,689)	(14,564,536)
Other taxes payable	1,124,963	(2,041,233)
	10,865,450	(19,970,958)
Income taxes paid	(2,707,712)	(7,013,139)
Interest paid	(2,225,493)	(2,273,626)
Interest received	1,203,593	430,070
	(3,729,612)	(8,856,695)
Net cash generated by operating activities	36,704,219	20,259,933
Cash flows from investing activities		
Acquisition of subsidiaries or other business, net of cash acquired	-	(411,586)
Loans issued	(11,624,581)	(11,430,296)
Loan proceeds received	9,121,936	7,733,342
Capital expenditures	(20,257,076)	(27,335,971)
Proceeds from sale of property, plant and equipment	174,446	154,308
Other inflows of cash	77,031	-
Net cash used in investing activities	(22,508,244)	(31,290,203)
Cash flows from financing activities		
Proceeds from borrowings	28,641,181	34,619,297
Repayment of borrowings	(24,516,218)	(17,899,148)
Dividends paid	(7,639,380)	-
Net cash (used in) generated by financing activities	(3,514,417)	16,720,149
Net increase in cash and cash equivalents	10,681,558	5,689,879
Effect of foreign exchange on cash and cash equivalents	(166,350)	352,948
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	15,853,231	11,222,983

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 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 Gazprom Neft PJSC ("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 nine month period ended 30 September 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 nine month period ended
30 September 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 1 July 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.

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 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 31 December 2014.

No other new standards were issued during the nine months period ended 30 September 2015. Unless otherwise stated the new standards and interpretations are not expected to have significant impact on the Company's Financial Statements.

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 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 nine month period ended 30 September 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 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	40,301,533	149,202,084	(39,308,264)	150,195,353
Intersegment	38,232,326	1,075,938	(39,308,264)	-
External	2,069,207	148,126,146	-	150,195,353
EBITDA (Segment results)	29,629,247	830,564	-	30,459,811
Depreciation, depletion and amortization	(2,567,464)	(6,281,320)	-	(8,848,784)
Impairment losses	(10,332)	(244,371)	-	(254,703)
Net foreign exchange loss	(19,242)	(4,468,216)	-	(4,487,458)
Finance expenses, net	(83,530)	(1,371,302)	-	(1,454,832)
Income tax	-	(3,290,943)	-	(3,290,943)
Segment profit (loss)	26,611,304	(14,821,570)	-	11,789,734

Reportable segment results for the nine month period ended 30 September 2014 are shown in the table below:

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	63,203,175	184,450,458	(61,325,715)	186,327,918
Intersegment	60,416,223	909,492	(61,325,715)	-
External	2,786,952	183,540,966	-	186,327,918
EBITDA (Segment results)	52,866,753	(4,313,585)	-	48,553,168
Depreciation, depletion and amortization	(2,225,302)	(5,726,302)	-	(7,951,604)
Impairment gain	-	73,687	-	73,687
Finance expenses, net	(221,243)	(1,126,734)	-	(1,347,977)
Net foreign exchange loss	(47,345)	(8,140,678)	-	(8,188,023)
Income tax	(372,967)	(5,024,501)	-	(5,397,468)
Segment profit (loss)	50,004,135	(24,636,314)	-	25,367,821

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2015

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

5. SEGMENT INFORMATION (continued)

EBITDA for the nine month period ended 30 September 2015 and 2014 is reconciled below:

	Nine month period ended 30 September	
	2015	2014
Profit for the period	11,789,734	25,367,821
Income tax expenses	3,290,943	5,397,468
Finance expenses	2,466,847	2,740,243
Finance income	(1,012,015)	(1,392,266)
Depreciation, depletion and amortization	8,848,784	7,951,604
Net foreign exchange loss	4,487,458	8,188,023
Other expense, net	974,036	205,023
Other non-operating (income)/expense, net*	(385,976)	95,252
EBITDA	30,459,811	48,553,168

*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):

	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	5,700,294	-	5,700,294
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	5,700,294	-	5,700,294
Sale of petroleum products	115,248,883	22,483,869	137,732,752
<i>Through a retail network</i>	37,104,041	-	37,104,041
<i>Wholesale activities</i>	78,144,842	22,483,869	100,628,711
Other sales	4,459,559	562,257	5,021,816
Total sales	125,408,736	24,786,616	150,195,352
	Nine month period ended 30 September 2014		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	2,584,262	2,584,262
Sale of gas	3,033,455	-	3,033,455
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	3,033,455	-	3,033,455
Sale of petroleum products	145,749,113	30,973,933	176,723,046
<i>Through a retail network</i>	45,172,122	-	45,172,122
<i>Wholesale activities</i>	100,576,991	30,973,933	131,550,924
Other sales	3,880,140	107,015	3,987,155
Total sales	152,662,708	33,665,210	186,327,918

Out of the amount of 100,628,711 RSD (nine month period ended 30 September 2014: 131,550,924 RSD) revenue from sale of petroleum products (wholesale), the amount of 12,097,149 RSD (nine month period ended 30 September 2014: 20,187,745 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2015

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

5. SEGMENT INFORMATION (continued)

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 2,814,115 RSD (nine month period ended 30 September 2014: 2,717,786 RSD).

The Company is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 125,408,736 RSD (nine month period ended 30 September 2014: 152,662,708 RSD), and the total of revenue from external customer from other countries is 24,786,615 RSD (nine month period ended 30 September 2014: 33,665,210 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	
	2015	2014
Sale of crude oil	1,740,490	2,584,262
Sale of petroleum products (retail and wholesale)		
Bulgaria	5,819,919	5,339,429
Bosnia and Herzegovina	4,312,062	4,692,308
Romania	2,165,511	3,482,557
All other markets	10,186,377	17,459,639
	22,483,869	30,973,933
Other sales	562,257	107,015
	24,786,616	33,665,210

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

6. CASH AND CASH EQUIVALENTS

	30 September 2015	31 December 2014
Cash in bank and in hand	13,845,668	4,358,280
Deposits with original maturity of less than three months	2,000,000	724,192
Cash equivalents	7,563	255,551
	15,853,231	5,338,023

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Notes to the Interim Condensed Financial Statements for the nine month period ended
30 September 2015

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

7. TRADE AND OTHER RECEIVABLES

	30 September 2015	31 December 2014
Trade receivables:		
- related parties	3,553,450	6,113,296
- third parties	65,928,059	69,996,807
	<u>69,481,509</u>	<u>76,110,103</u>
Accrued assets	22,121	13,870
Other receivables	10,155,441	10,257,988
	<u>79,659,071</u>	<u>86,381,961</u>
Less impairment provision	<u>(28,288,677)</u>	<u>(29,723,739)</u>
Total trade and other receivables	<u>51,370,394</u>	<u>56,658,222</u>

The ageing of trade and other receivables is as follows:

	30 September 2015	31 December 2014
Neither impaired nor past due	24,845,824	25,727,489
Past due but not impaired:		
within 30 days:		
1 to 3 months	3,777,307	3,839,535
3 months to 1 year	4,121,642	2,060,031
over 1 year	6,033,628	13,129,697
	<u>12,591,993</u>	<u>11,901,470</u>
Total	<u>51,370,394</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:

	30 September 2015	31 December 2014
RSD	66,330,142	72,826,293
EUR	12,193,247	10,862,728
USD	1,135,660	2,692,920
Other	22	20
	<u>79,659,071</u>	<u>86,381,961</u>

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Notes to the Interim Condensed Financial Statements for the nine month period ended
30 September 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	91,615	176,888	-	268,503
Unused amounts reversed	(164,447)	(277,685)	-	(442,132)
Receivables written off during the year as uncollectible	(1)	(47,233)	1	(47,233)
Exchange differences	-	-	287,371	287,371
Other	(216,111)	216,111	-	-
As at 30 September 2014	17,399,704	4,370,009	8,114,985	29,884,698
As at 1 January 2015	17,387,910	4,183,437	8,152,392	29,723,739
Provision for receivables impairment	118	99,876	-	99,994
Unused amounts reversed	(144)	(106,950)	-	(107,094)
Receivables written off during the year as uncollectible	(1,317,897)	(22,519)	-	(1,340,416)
Exchange differences	-	-	(81,498)	(81,498)
Other	-	(6,048)	-	(6,048)
As at 30 September 2015	16,069,987	4,147,796	8,070,894	28,288,677

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 2015	31 December 2014
Crude oil	14,812,891	21,306,426
Gas	-	161,206
Petroleum products	13,119,495	13,712,462
Materials and supplies	2,960,238	5,797,035
Other	407,578	411,021
Less impairment provision	(5,587,227)	(5,613,846)
	25,712,975	35,774,304

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Notes to the Interim Condensed Financial Statements for the nine month period ended
30 September 2015

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

9. OTHER CURRENT ASSETS

	30 September 2015	31 December 2014
Advances paid	704,454	627,709
Deferred VAT	1,646,065	1,640,431
Prepaid expenses	169,483	108,427
Prepaid custom duties	54,413	51,810
Prepaid excise	2,488,461	4,323,739
Other current assets	20,883,441	21,178,580
Less impairment provision	<u>(20,590,939)</u>	<u>(20,991,063)</u>
	<u>5,355,378</u>	<u>6,939,633</u>

Deferred VAT as at 30 September 2015 amounting to 1,646,065 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 30 September 2015 amounting to 2,488,461 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	260	2,779,648	2,779,908
Unused amounts reversed	(12,073)	(54,171)	(66,244)
Receivables written off during the year as uncollectible	(961)	(108,362)	(109,323)
Other	7	-	7
As at 30 September 2014	<u>235,580</u>	<u>20,316,329</u>	<u>20,551,909</u>
As at 1 January 2015	239,845	20,751,218	20,991,063
Provision for receivables impairment	723	110,065	110,788
Unused amounts reversed	(2,777)	(14,974)	(17,751)
Receivables written off during the year as uncollectible	(5)	(501,296)	(501,301)
Other	(822)	8,962	8,140
As at 30 September 2015	<u>236,964</u>	<u>20,353,975</u>	<u>20,590,939</u>

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 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 30 September 2014						
Additions	13,733,106	3,163,601	1,428,015	202,910	6,204,858	24,732,490
Acquisitions through business combinations	-	-	-	-	332,353	332,353
Impairment	-	-	(37,097)	-	(4,142)	(41,239)
Depreciation	(2,194,253)	(3,906,253)	(883,194)	(370,357)	-	(7,354,057)
Transfer from investment property	35,121	9,358	1,377	7,399	-	53,255
Disposals and write-off	(1,095,620)	(47,549)	(48,358)	(38,062)	(184,314)	(1,413,903)
Other transfers	251,322	(585,085)	(136,518)	468,827	(119,383)	(120,837)
	46,321,953	78,645,605	17,588,484	9,690,116	41,945,848	194,192,006
As at 30 September 2014						
Cost	64,768,246	110,233,287	30,692,381	17,624,673	45,983,285	269,301,872
Depreciation and impairment	(18,446,293)	(31,587,682)	(13,103,897)	(7,934,557)	(4,037,437)	(75,109,866)
Net book value	46,321,953	78,645,605	17,588,484	9,690,116	41,945,848	194,192,006
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 30 September 2015						
Additions	14,431,027	3,505,380	1,947,636	164,803	(1,878,439)	18,170,407
Impairment	-	(29,826)	(147,634)	-	(100,750)	(278,210)
Depreciation	(2,544,953)	(4,297,426)	(945,826)	(419,942)	-	(8,208,147)
Transfer to investment property	-	-	(38,046)	(180,595)	-	(218,641)
Disposals and write-off	(177,259)	(51,979)	(40,063)	(95,459)	(35,288)	(400,048)
Other transfers	(24,248)	(2,953)	(2,066)	6,887	(47,030)	(69,410)
	65,929,067	80,823,513	18,750,402	9,372,719	35,748,154	210,623,855
As at 30 September 2015						
Cost	87,658,110	117,956,072	32,744,484	17,572,992	38,412,420	294,344,078
Depreciation and impairment	(21,729,043)	(37,132,559)	(13,994,082)	(8,200,273)	(2,664,266)	(83,720,223)
Net book value	65,929,067	80,823,513	18,750,402	9,372,719	35,748,154	210,623,855

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 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 30 September 2014						
Additions	3,488,485	13,659,717	17,148,202	-	-	17,148,202
Transfer from asset under construction	(1,950,136)	(11,782,970)	(13,733,106)	13,733,106	-	-
Other transfers	50,654	(26,778)	23,876	251,322	(81)	275,117
Depreciation and depletion	-	-	-	(2,194,253)	-	(2,194,253)
Transfer from investment property	-	-	-	35,121	-	35,121
Disposals and write-off	(102,555)	(198,852)	(301,407)	(1,095,620)	-	(1,397,027)
	11,735,079	13,087,487	24,822,566	46,321,953	1,894	71,146,413
As at 30 September 2014						
Cost	11,735,079	13,325,546	25,060,625	64,768,246	22,203	89,851,074
Depreciation and impairment	-	(238,059)	(238,059)	(18,446,293)	(20,309)	(18,704,661)
Net book amount	11,735,079	13,087,487	24,822,566	46,321,953	1,894	71,146,413
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 30 September 2015						
Additions	2,511,561	12,698,240	15,209,801	-	-	15,209,801
Transfer from asset under construction	(2,781,977)	(11,658,741)	(14,440,718)	14,431,027	-	(9,691)
Other transfers	60,693	(33,229)	27,464	(24,248)	-	3,216
Impairment	-	(10,332)	(10,332)	-	-	(10,332)
Depreciation and depletion	-	-	-	(2,544,953)	-	(2,544,953)
Disposals and write-off	(38,480)	(1)	(38,481)	(177,261)	(1)	(215,743)
	14,753,167	12,320,630	27,073,797	65,929,065	1,844	93,004,706
As at 30 September 2015						
Cost	14,795,758	12,569,401	27,365,159	87,658,108	22,153	115,045,420
Depreciation and impairment	(42,591)	(248,771)	(291,362)	(21,729,043)	(20,309)	(22,040,714)
Net book amount	14,753,167	12,320,630	27,073,797	65,929,065	1,844	93,004,706

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*(All amounts are in 000 RSD, unless otherwise stated)***11. INVESTMENTS IN SUBSIDIARIES**

In 2015, Company has increased investments in following subsidiaries:

- Naftagas-naftni servisi d.o.o., Novi Sad in amount of 3,720,017 RSD. The increase is registered on 24 June 2015.
- NTC NIS-Naftagas d.o.o., Novi Sad in amount of 583,500 RSD. The increase is registered on 24 June 2015;
- Naftagas-tehnicki servisi d.o.o., Zrenjanin in amount of 193,679 RSD. The increase is registered on 24 June 2015.
- Naftagas-Transport d.o.o., Novi Sad in amount of 1,389,598 RSD. The increase is registered on 24 June 2015
- Pannon naftagas Kft, Budapest in amount of 1,710,726 RSD. The increase is registered on 14 May 2015. The investment is totally impaired.

12. OTHER NON-CURRENT ASSETS

	30 September 2015	31 December 2014
Advances paid for PPE	2,064,584	1,629,280
Prepaid expenses	915,736	977,478
Other assets	2,060,058	2,133,421
Less impairment provision	(944,914)	(1,006,735)
	4,095,464	3,733,444

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

	30 September 2015	31 December 2014
Short-term loans	6,444,865	8,600,082
Interest liabilities	152,656	130,903
Current portion of long-term loans (note 17)	13,006,888	6,100,504
	19,604,409	14,831,489

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Notes to the Interim Condensed Financial Statements for the nine month period ended
30 September 2015

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

14. TRADE AND OTHER PAYABLES

	30 September 2015	31 December 2014
Trade payables		
- related parties	28,033,432	23,047,021
- third parties	7,156,651	16,621,984
Dividends payable	3,772,308	3,772,308
Other accounts payable	74,223	70,092
	39,036,614	43,511,405

As at 30 September 2015 payables to related parties amounting to 28,033,432 RSD (31 December 2014: 23,047,021 RSD) mainly relate to payables to the supplier Gazprom Neft in the amount of 22,304,073 RSD (31 December 2014: 20,122,243 RSD), for the purchase of crude oil.

A dividend in respect of the year ended 31 December 2014 of 46.85 RSD per share, amounting to a total dividend of 7,639,380 RSD was approved by the General Assembly Meeting held on 23 June 2015 and paid on 31 August 2015.

15. OTHER CURRENT LIABILITIES

	30 September 2015	31 December 2014
Advances received	1,033,904	1,551,337
Payables to employees	2,271,587	2,847,285
Accruals and deferred income	11,746	17,988
Other current non-financial liabilities	15,499	50,061
	3,332,736	4,466,671

16. OTHER TAXES PAYABLE

	30 September 2015	31 December 2014
Mineral extraction tax	329,382	407,990
VAT	2,330,416	217,845
Excise tax	4,243,207	4,710,646
Contribution for buffer stocks	252,784	583,400
Custom duties	493,519	414,883
Other taxes	1,798,967	1,992,146
	9,448,275	8,326,910

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Notes to the Interim Condensed Financial Statements for the nine month period ended
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(All amounts are in 000 RSD, unless otherwise stated)

17. LONG-TERM DEBT

	30 September 2015	31 December 2014
Long-term loan - Gazprom Neft	43,165,374	47,820,723
Bank loans	65,005,016	50,891,268
Other long-term borrowings	1,210	1,210
Less Current portion	(13,006,888)	(6,100,504)
	95,164,712	92,612,697

(a) Long-term loan - Gazprom Neft

As at 30 September 2015 long-term loan - Gazprom Neft amounting to 43,165,374 RSD (360,465,121 EUR) (2014: 47,820,723 RSD), with current portion of 5,569,726 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

	30 September 2015	31 December 2014
Domestic	15,601,784	7,175,318
Foreign	49,403,232	43,715,950
	65,005,016	50,891,268
Current portion of long-term loans	(7,437,162)	(474,537)
	57,567,854	50,416,731

The maturity of bank loans was as follows:

	30 September 2015	31 December 2014
Between 1 and 2 years	8,540,237	6,969,316
Between 2 and 5 years	44,094,725	38,044,029
Over 5 years	4,932,892	5,403,386
	57,567,854	50,416,731

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Notes to the Interim Condensed Financial Statements for the nine month period ended
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(All amounts are in 000 RSD, unless otherwise stated)

17. LONG-TERM DEBT (continued)

(b) Bank loans (continued)

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

	30 September 2015	31 December 2014
USD	51,108,349	45,401,219
EUR	13,530,098	5,126,540
RSD	1,257	1,519
JPY	365,312	361,990
	65,005,016	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 30 September 2015 and 31 December 2014 are presented in the table below:

Creditor	Currency	30 September 2015	31 December 2014
Domestic long-term loans			
Erste bank, Novi Sad	USD	322,681	319,049
Erste bank, Novi Sad	EUR	428,136	457,835
Bank Postanska stedionica, Belgrade	EUR	210,347	224,938
Bank Postanska stedionica, Belgrade	USD	1,747,748	1,728,210
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,269,680	4,443,767
Banca Intesa, Belgrade	EUR	8,621,935	-
Other loans	RSD	1,257	1,519
		15,601,784	7,175,318
Foreign long-term loans			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	584,515	584,396
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	365,312	361,990
Erste bank, Holland	USD	6,921,915	6,465,167
VUB (Bank Intesa), Slovakia	USD	15,973,650	14,919,615
NBG bank, Great Britain	USD	-	4,973,205
Sberbank Europe AG, Viena, Austria	USD	17,571,015	16,411,577
United Bulgarian bank AD, Sofia, Bulgaria	USD	7,986,825	-
		49,403,232	43,715,950
		(7,437,162)	(474,537)
		57,567,854	50,416,731

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

17. LONG-TERM DEBT (continued)

(b) Bank loans (continued)

	Currency	Current portion		Long-term	
		30 September 2015	31 December 2014	30 September 2015	31 December 2014
Domestic long - term loans					
Erste bank, Novi Sad	USD	21,816	17,872	300,865	301,177
Erste bank, Novi Sad	EUR	28,727	25,376	399,409	432,459
Bank Postanska stedionica, Belgrade	EUR	14,114	12,468	196,233	212,470
Bank Postanska stedionica, Belgrade	USD	117,271	95,789	1,630,477	1,632,421
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	259,327	261,946	4,010,353	4,181,821
Banca Intesa, Belgrade	EUR	-	-	8,621,935	-
Other loans	RSD	239	345	1,018	1,174
		441,494	413,796	15,160,290	6,761,522
Foreign long-term loans					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	49,241	40,677	535,274	543,719
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	24,512	20,064	340,800	341,926
Erste bank, Holland	USD	6,921,915	-	-	6,465,167
VUB (Bank Intesa), Slovakia	USD	-	-	15,973,650	14,919,615
NBG bank, Great Britain	USD	-	-	-	4,973,205
Sberbank Europe AG, Viena, Austria	USD	-	-	17,571,015	16,411,577
United Bulgarian bank AD, Sofia, Bulgaria	USD	-	-	7,986,825	-
		6,995,668	60,741	42,407,564	43,655,209
		7,437,162	474,537	57,567,854	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 30 September 2015 and 31 December 2014, respectively.

18. 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 2015 and 31 December 2014 comprise of 163,060,400 shares.

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Notes to the Interim Condensed Financial Statements for the nine month period ended
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19. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Nine month period ended 30 September	
	2015	2014
Crude oil	68,038,067	78,342,210
Petroleum products	18,431,639	26,557,090
Other	161,240	36,881
	86,630,946	104,936,181

20. PRODUCTION AND MANUFACTURING EXPENSES

	Nine month period ended 30 September	
	2015	2014
Employee costs	2,653,606	2,808,183
Materials and supplies (other than purchased oil, petroleum products and gas)	688,167	536,970
Repair and maintenance services	2,617,981	2,596,568
Electricity and utilities	2,376,938	1,753,767
Safety and security expense	108,223	83,904
Transportation services for production	386,840	408,863
Other	5,178,975	5,510,063
	14,010,730	13,698,318

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine month period ended 30 September	
	2015	2014
Employee costs	6,597,999	6,592,479
Legal, audit, and consulting services	1,184,973	1,208,400
Rent expense	86,026	64,296
Business trips expense	155,414	197,592
Safety and security expense	341,076	322,744
Insurance expense	229,600	196,549
Transportation and storage	862,930	856,702
Allowance for doubtful accounts	85,937	2,540,035
Other	5,305,681	2,620,618
	14,849,636	14,599,415

22. 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 30 September, 2015 carrying value of financial assets approximate their fair value.

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23. CONTINGENCIES AND COMMITMENTS

Transfer of property ownership

As at 30 September 2015, the Company had ownership and the right to use and possess of 7,929 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 30 September 2015 the total amount of outstanding finance guarantees provided by the Company amounted to 3,162,414 RSD, mostly related to guaranties for customs duties in the amount of 1,913,740 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 475,988 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 30 September 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 30 September 2015 outflow of resources embodying economic benefits is not probable due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

Tax risks

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 September 2015.

Commitments

There were no other material commitments of the Company.

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2015

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

24. 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 nine month period ended 30 September 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 30 September 2015 and 31 December 2014 the outstanding balances with related parties were as follows:

	Subsidiaries	Parent company	Entities under common control	Joint venture	Total
As at 30 September 2015					
Short-term financial assets	3,464,833	-	-	-	3,464,833
Trade and other receivables	3,452,060	-	78,570	-	3,530,630
Other current assets	179,838	-	15,914	-	195,752
Investments in subsidiaries and joint ventures	13,442,631	-	-	25	13,442,656
Long-term financial assets	33,289,682	-	-	-	33,289,682
Other non-current assets	144,242	-	-	-	144,242
Trade and other payables	(5,683,443)	(22,304,073)	(88,110)	-	(28,075,626)
Other current liabilities	(3,931)	-	(2)	-	(3,933)
Short-term debt and current portion of long-term debt	(72,757)	(5,569,726)	-	-	(5,642,483)
Long-term debt	-	(37,595,648)	-	-	(37,595,648)
	48,213,155	(65,469,447)	6,372	25	(17,249,895)
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 and joint ventures	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)

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*(All amounts are in 000 RSD, unless otherwise stated)***24. RELATED PARTY TRANSACTIONS (continued)**

For the nine month period ended 30 September 2015 and 2014 the following transaction occurred with related parties:

	Subsidiaries	Parent company	Entities under common control	Joint venture	Total
Nine month period ended 30 September 2015					
Petroleum products and oil and gas sales	7,001,664	-	85,607	-	7,087,271
Other revenues	416,690	-	328,663	-	745,353
Purchases of oil, gas and petroleum products	(54,050)	(60,957,424)	(2,037,894)	-	(63,049,368)
Production and manufacturing expenses	(2,623,012)	(5,839)	(213,802)	-	(2,842,653)
Selling, general and administrative expenses	(679,729)	(23,823)	(15,137)	-	(718,689)
Transportation expenses	(15,565)	-	-	-	(15,565)
Other expenses, net	(47,832)	(16,210)	(19,825)	-	(83,867)
Finance income	917,527	-	-	-	917,527
Finance expense	(90,345)	(724,476)	-	-	(814,821)
	4,825,348	(61,727,772)	(1,872,388)	-	(58,774,812)
Nine month period ended 30 September 2014					
Petroleum products and oil and gas sales	7,670,104	-	1,801,575	-	9,471,679
Other revenues	369,897	-	-	-	369,897
Purchases of oil, gas and petroleum products	(103,426)	-	(71,151,887)	-	(71,255,313)
Production and manufacturing expenses	(2,520,568)	(8,002)	(22,715)	-	(2,551,285)
Selling, general and administrative expenses	(677,026)	(28,909)	-	-	(705,935)
Transportation expenses	(15,331)	-	-	-	(15,331)
Other expenses, net	(1,882)	(4,556)	(1,546)	-	(7,984)
Finance income	1,182,016	-	-	-	1,182,016
Finance expense	(3,381)	(882,508)	-	-	(885,889)
	5,900,403	(923,975)	(69,374,573)	-	(64,398,145)

Key management compensation

Management compensation paid or payable in nine month period ended 30 September 2015 and 2014 is shown in the table below:

	Nine month period ended 30 September	
	2015	2014
Salaries and other short-term employee benefits	326,210	223,895
	326,210	223,895

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30 September 2015

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

25. 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 30 September 2015 were evaluated through 26 October 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 nine month period ended
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Contact information

The Company'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