



Naftna industrija Srbije A.D.

Interim Condensed Financial Statements (Unaudited)

30 September 2017

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

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

Assets	Note	30 September 2017	31 December 2016
		<i>(unaudited)</i>	
Current assets			
Cash and cash equivalents	6	19,839,057	20,053,651
Short-term financial assets	7	15,198,354	4,536,841
Trade and other receivables	8	32,513,080	39,126,567
Inventories	9	26,831,214	23,479,232
Current income tax prepayments		-	128,703
Other current assets	10	5,685,880	5,217,095
Non-current assets held for sale		101,798	-
Total current assets		100,169,383	92,542,089
Non-current assets			
Property, plant and equipment	11	231,066,344	224,558,949
Investment property		1,581,182	1,549,663
Other intangible assets		3,111,477	3,705,857
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		13,425,586	13,442,631
Trade and other non-current receivables	12	2,865	9,294,969
Long-term financial assets	13	29,570,882	32,576,641
Deferred tax assets		2,838,273	4,059,076
Other non-current assets	14	4,072,082	3,891,821
Total non-current assets		286,707,491	294,118,407
Total assets		386,876,874	386,660,496
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	15	10,259,252	23,014,915
Trade and other payables	16	25,300,725	30,262,793
Other current liabilities	17	4,103,264	4,213,154
Current income tax payable		3,282,875	-
Other taxes payable	18	9,313,059	9,349,638
Provisions for liabilities and charges		2,704,716	1,956,120
Total current liabilities		54,963,891	68,796,620
Non-current liabilities			
Long-term debt	19	91,350,793	93,321,921
Long-term trade and other payables		-	1,859
Provisions for liabilities and charges		9,120,929	9,365,454
Total non-current liabilities		100,471,722	102,689,234
Equity			
Share capital		81,530,200	81,530,200
Reserves		18,536	14,088
Retained earnings		149,892,525	133,630,354
Total equity		231,441,261	215,174,642
Total liabilities and shareholder's equity		386,876,874	386,660,496

Kirill Tyurdenev
Chief Executive Officer
26 October 2017

Anton Fyodorov
Chief Financial Officer

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

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Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

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

	Note	Nine month period ended	
		30 September	
		2017	2016
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		140,336,863	112,941,379
Other revenues		13,070,575	11,023,736
Total revenue from sales	5	153,407,438	123,965,115
Purchases of oil, gas and petroleum products		(80,408,250)	(64,003,637)
Production and manufacturing expenses	20	(21,776,759)	(20,937,883)
Selling, general and administrative expenses	21	(15,193,947)	(14,925,163)
Transportation expenses		(791,895)	(745,364)
Depreciation, depletion and amortization		(10,525,965)	(10,027,762)
Taxes other than income tax		(3,006,015)	(2,761,412)
Exploration expenses		(10,790)	-
Total operating expenses		(131,713,621)	(113,401,221)
Other (expenses) income, net		(583,279)	42,173
Operating profit		21,110,538	10,606,067
Net foreign exchange gain	22	6,169,965	268,106
Finance income	23	1,059,700	899,786
Finance expenses	24	(2,058,521)	(2,227,014)
Total other income (expense)		5,171,144	(1,059,122)
Profit before income tax		26,281,682	9,546,945
Current income tax expense		(4,777,638)	(972,331)
Deferred tax expense		(1,220,804)	(430,792)
Total income tax expense		(5,998,442)	(1,403,123)
Profit for the period		20,283,240	8,143,822
Other comprehensive profit (loss):			
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax			
Revaluation of property, plant and equipment transferred to investment property		1,399	-
		1,399	-
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		3,049	539
Other comprehensive profit (loss) for the period		4,448	539
Total comprehensive income for the period		20,287,688	8,144,361
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		124.42	49.95
Weighted average number of ordinary shares in issue (in millions)		163	163

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

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

Nine month period ended 30 September 2017 and 2016

*(All amounts are in 000 RSD, unless otherwise stated)**(unaudited)***Balance as at 1 January 2016**

Profit for the period

Other comprehensive income (loss)

Change in value of available-for-sale financial assets

Total comprehensive income (loss) for the period

Dividend distribution

Total transaction with owners, recorded in equity**Balance as at 30 September 2016**

	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2016	81,530,200	(79,564)	121,564,459	203,015,095
Profit for the period	-	-	8,143,822	8,143,822
Other comprehensive income (loss)				
Change in value of available-for-sale financial assets	-	539	-	539
Total comprehensive income (loss) for the period	-	539	8,143,822	8,144,361
Dividend distribution	-	-	(4,025,961)	(4,025,961)
Total transaction with owners, recorded in equity	-	-	(4,025,961)	(4,025,961)
Balance as at 30 September 2016	81,530,200	(79,025)	125,682,320	207,133,495

*(unaudited)***Balance as at 1 January 2017**

Profit for the period

Other comprehensive income (loss)

Change in value of available-for-sale financial assets

Revaluation of property, plant and equipment

transferred to investment property

Total comprehensive income (loss) for the period

Dividend distribution

Total transaction with owners, recorded in equity**Balance as at 30 September 2017**

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

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

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Interim Condensed Statement of Cash Flows

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

		Nine month period ended	
		30 September	
	Note	2017	2016
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before income tax		26,281,682	9,546,945
Adjustments for:			
Finance expenses	24	2,058,521	2,227,014
Finance income	23	(1,059,700)	(899,786)
Net unrealised foreign exchange (gain) losses		(5,324,247)	2,360,792
Depreciation, depletion and amortization		10,525,965	10,027,762
Adjustments for other provisions		478,381	375,704
Allowance for doubtful accounts		217,828	297,398
Payables write-off		(2,867)	(1,757)
Other non-cash items		211,316	(108,290)
Operating cash flow before changes in working capital		7,105,197	14,278,837
Changes in working capital:			
Trade and other receivables		15,900,505	1,902,750
Inventories		(3,417,644)	1,997,494
Other current assets		(1,239,968)	(589,303)
Trade payables and other current liabilities		(4,106,475)	(5,335,351)
Other taxes payable		(35,181)	(442,453)
Total effect on working capital changes		7,101,237	(2,466,863)
Income taxes paid		(1,197,351)	(519,595)
Interest paid		(2,181,767)	(2,271,550)
Interest received		923,883	671,543
Net cash generated from operating activities		38,032,881	19,239,317
Cash flows from investing activities			
Acquisition of equity-accounted investments		-	(858,362)
Loans issued		(3,662,119)	(8,866,217)
Loan proceeds received		2,802,327	6,885,722
Capital expenditures		(17,895,126)	(14,483,888)
Proceeds from sale of property, plant and equipment		102,341	374,664
Bank deposits placements		(7,945,830)	-
Other inflow		156	65
Net cash used in investing activities		(26,598,251)	(16,948,016)
Cash flows from financing activities			
Proceeds from borrowings	19	35,915,950	16,108,460
Repayment of borrowings	19	(43,223,916)	(17,396,806)
Repayments of finance lease liabilities	19	(38,189)	-
Dividends paid		(4,021,069)	(4,025,961)
Net cash used in financing activities		(11,367,224)	(5,314,307)
Net increase (decrease) in cash and cash equivalents		67,406	(3,023,006)
Effect of foreign exchange on cash and cash equivalents		(282,000)	(44,795)
Cash and cash equivalents as of the beginning of the period		20,053,651	16,729,893
Cash and cash equivalents as of the end of the period		19,839,057	13,662,092

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

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

1. GENERAL INFORMATION

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Company does not disclose information which would substantially duplicate the disclosures contained in its audited Financial Statements for 2016, 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 2016.

At the date of signing financial statements, crude oil price has increased since 31 December 2016 to 58.305 \$/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

Subsequent events occurring after 30 September 2017 were evaluated through 26 October 2017, the date these Interim Condensed Financial Statements were authorised for issue.

The results for the nine month period ended 30 September 2017 are not necessarily indicative of the results expected for the full year.

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

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2016, except for those described in the Application of new IFRS paragraph.

3. APPLICATION OF NEW IFRS

The following standards or amended standards became effective for the Company from 1 January 2017:

- **The amendments to IAS 7 – Statement of Cash Flow** (issued in January 2016 effective for annual periods beginning on or after 1 January 2017) require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Company made disclosure in the Interim Condensed Financial Statements (note 19).

The following standards or amended standards that became effective for the Company from 1 January 2017 did not have any material impact on the Company:

- **The amendments to IAS 12 – Income Taxes:** Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 effective for annual periods beginning on or after 1 January 2017).

4. NEW ACCOUNTING STANDARDS

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

IFRS 9 – Financial Instruments: Classification and Measurement (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value (either through profit and loss or other comprehensive income), and at amortised cost. The decision is to be made at initial recognition.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only. All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is no recycling of fair value gains and losses to profit or loss.

The Company is currently assessing the impact of the new standard on its Financial Statements.

IFRS 15 – Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2018) and Amendments to IFRS 15 (issued in April 2016 and effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods and services are transferred to the customer, at the transaction price. Any bundled goods and services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Company is currently assessing the impact of the new standard on its Financial Statements.

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

IFRS 16 – Leases (issued in January 2016 and replaces the previous IAS 17 Leases, effective for annual periods beginning on or after 1 January 2019 with early adoption permitted in case of implementation of IFRS 15 Revenue from Contracts with Customers). Key features of the standard are:

- IFRS 16 changes the lessees accounting requirements given in IAS 17 and eliminates the classification of leases as either operating leases or finance leases. Instead, introduces a single lessee accounting model where a lessee is required to recognise:
 - (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
 - (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.
- IFRS 16 does not change the accounting for services.

The Company is currently assessing the impact of the new standard on its Financial Statements.

IFRIC 23 – Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019). IFRIC 23 clarifies the accounting for uncertainties in income taxes. The Company is currently assessing the impact of the new interpretation on its Financial Statements.

The new standards and interpretations are not expected to have significant impact on the Company's Interim Condensed Financial Statements.

5. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the nine month periods ended 30 September 2017 and 2016. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

NIS a.d.**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017***(All amounts are in 000 RSD, unless otherwise stated)*

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

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

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	25,763,224	124,829,524	(26,627,633)	123,965,115
Intersegment	24,276,020	2,351,613	(26,627,633)	-
External	1,487,204	122,477,911	-	123,965,115
EBITDA (Segment results)	15,331,311	5,064,566	-	20,395,877
Depreciation, depletion and amortization	(3,657,485)	(6,370,277)	-	(10,027,762)
Reversal surpluses	-	158,108	-	158,108
Net foreign exchange gain	10,558	257,548	-	268,106
Finance expenses, net	(81,186)	(1,246,042)	-	(1,327,228)
Income tax	(162,230)	(1,240,893)	-	(1,403,123)
Segment profit (loss)	11,257,426	(3,113,604)	-	8,143,822

Income tax in Upstream segment increased due to Global agreement with the Ministry of finance and General Tax administration of the Republic of Angola signed in June 2017 by which Company agreed to pay tax contingencies for the fiscal years 2002 – 2016.

EBITDA for the nine month period ended 30 September 2017 and 2016 is reconciled below:

	Nine month period ended 30 September	
	2017	2016
Profit for the period	20,283,240	8,143,822
Income tax expenses	5,998,442	1,403,123
Finance expenses	2,058,521	2,227,014
Finance income	(1,059,700)	(899,786)
Depreciation, depletion and amortization	10,525,965	10,027,762
Net foreign exchange (gain) loss	(6,169,965)	(268,106)
Other expense (income), net	583,279	(42,173)
Other non-operating (income) expense, net	(534,588)	(195,779)
EBITDA	31,685,194	20,395,877

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

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

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

	Nine month period ended 30 September 2016		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,305,751	1,305,751
Sale of gas	2,309,441	-	2,309,441
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	2,309,441	-	2,309,441
Sale of petroleum products	91,823,146	17,503,040	109,326,186
<i>Through a retail network</i>	32,867,315	-	32,867,315
<i>Wholesale activities</i>	58,955,831	17,503,040	76,458,871
Sale of electricity	375,306	5,703,111	6,078,417
Other sales	4,819,158	126,162	4,945,320
Total sales	99,327,051	24,638,064	123,965,115

Out of the amount of 96,866,576 RSD (2016: 76,458,871 RSD) revenue from sale of petroleum products (wholesale), the amount of 15,198,024 RSD (2016: 9,416,348 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Gazprom Marketing & Trading Co., Ltd. in the amount of 7,022,733 RSD (2016: 5,509,850 RSD). These sales are presented within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 3,912,733 RSD (2016: 3,538,860 RSD).

The Company is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 121,164,947 RSD (2016: 99,327,051 RSD), and the total revenue from external customer from other countries is 32,242,492 RSD (2016: 24,638,064 RSD).

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

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

	Nine month period ended 30 September	
	2017	2016
Sale of crude oil	891,183	1,305,751
Sale of petroleum products (retail and wholesale)		
Bulgaria	5,331,605	4,010,140
Bosnia and Herzegovina	4,634,272	3,674,305
Romania	3,387,235	2,903,157
All other markets	10,364,510	6,915,438
	23,717,622	17,503,040
Sale of electricity	7,462,832	5,703,111
Other sales	170,855	126,162
	32,242,492	24,638,064

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

6. CASH AND CASH EQUIVALENTS

	30 September	31 December
	2017	2016
Cash in bank and in hand	5,987,593	13,010,884
Deposits with original maturity of less than three months	13,565,000	7,000,000
Cash held on escrow account	44,116	41,783
Cash equivalents	242,348	984
	19,839,057	20,053,651

Deposits with original maturity of less than three months as of 30 September 2017 amounting to 13,565,000 (31 December 2016: 7,000,000 RSD) relate to term deposits up to 90 days with commercial banks.

7. SHORT-TERM FINANCIAL ASSETS

	30 September	31 December
	2017	2016
Short-term loans	751,206	585,545
Deposits with original maturity more than 3 months less than 1 year	3,996,786	-
Current portion of long-term loans issued (note 13)	9,456,659	3,077,384
Current portion of long-term loans issued - interest	1,218,882	1,103,200
Less impairment loss provision	(225,179)	(229,288)
	15,198,354	4,536,841

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

8. TRADE AND OTHER RECEIVABLES

	30 September 2017	31 December 2016
Trade receivables:		
- related parties	4,889,627	4,484,856
- third parties	27,409,052	30,558,693
- state and state owned companies	11,815,231	15,815,559
	44,113,910	50,859,108
Other receivables:		
- state and state owned companies	9,352,806	9,642,293
	9,352,806	9,642,293
Accrued assets	274,372	30,013
	53,741,088	60,531,414
<i>Less impairment provision for trade and other receivables:</i>		
- <i>third parties</i>	(9,879,740)	(9,841,314)
- <i>state and state owned companies</i>	(11,348,268)	(11,563,533)
	(21,228,008)	(21,404,847)
Total trade and other receivables	32,513,080	39,126,567

The ageing of trade and other receivables is as follows:

	30 September 2017	31 December 2016
Neither impaired nor past due	29,020,872	35,140,866
Past due but not impaired:		
within 30 days	1,408,880	1,354,435
1 to 3 months	640,227	988,410
3 months to 1 year	174,572	29,816
over 1 year	1,268,529	1,613,040
Total	32,513,080	39,126,567

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

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

	30 September 2017	31 December 2016
RSD	22,750,856	25,650,795
EUR	8,815,088	12,784,196
USD	947,136	691,576
	32,513,080	39,126,567

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

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

	Trade & other receivables		
	Third parties	State and state owned companies	Total
As at 1 January 2016	10,001,877	15,777,436	25,779,313
Provision for receivables impairment	65,054	67,696	132,750
Release of provision	(36,279)	(46,348)	(82,627)
Receivables written off during the year as uncollectible	(19,584)	(7,871)	(27,455)
Exchange differences	1	112,340	112,341
As at 30 September 2016	10,011,069	15,903,253	25,914,322
As at 1 January 2017	9,841,314	11,563,533	21,404,847
Provision for receivables impairment	258,534	19,907	278,441
Release of provision	(145,969)	(19,983)	(165,952)
Receivables written off during the year as uncollectible	(24,074)	-	(24,074)
Exchange differences	(449)	(323,771)	(324,220)
Unwinding of discount (note 24)	-	(100,225)	(100,225)
Transfer from non-current part (note 12)	-	208,808	208,808
Other	(49,616)	(1)	(49,617)
As at 30 September 2017	9,879,740	11,348,268	21,228,008

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

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

9. INVENTORIES

	30 September 2017	31 December 2016
Crude oil	16,207,711	15,067,495
Petroleum products	10,801,457	8,721,079
Materials and supplies	4,216,837	4,086,896
Other	592,683	642,224
Less impairment provision	(4,987,474)	(5,038,462)
	26,831,214	23,479,232

10. OTHER CURRENT ASSETS

	30 September 2017	31 December 2016
Advances paid	398,720	319,986
Deferred VAT	1,132,015	1,004,151
Prepaid expenses	286,058	75,971
Prepaid custom duties	32,310	31,117
Prepaid excise	1,471,759	1,527,393
Other current assets	14,442,184	14,235,708
Less impairment provision	(12,077,166)	(11,977,231)
	5,685,880	5,217,095

Deferred VAT as at 30 September 2017 amounting to 1,132,015 RSD (31 December 2016: 1,004,151 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.

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

Prepaid excise as at 30 September 2017 amounting to 1,471,759 RSD (31 December 2016: 1,527,393 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

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

	Advances paid	Other current assets	Total
As at 1 January 2016	268,118	13,763,836	14,031,954
Increase of provision during the year	426	262,452	262,878
Release of provision	(6,425)	(12,968)	(19,393)
Receivables written off during the year as uncollectible	-	(10,145)	(10,145)
Other	(474)	(1)	(475)
As at 30 September 2016	261,645	14,003,174	14,264,819
As at 1 January 2017	257,940	11,719,291	11,977,231
Increase of provision during the year	5,253	136,987	142,240
Release of provision	(338)	(55,247)	(55,585)
Receivables written off during the year as uncollectible	-	(36,341)	(36,341)
Other	1	49,620	49,621
As at 30 September 2017	262,856	11,814,310	12,077,166

The ageing of other current assets is as follows:

	30 September 2017	31 December 2016
Neither impaired nor past due	5,370,115	5,120,782
Not impaired and past due in the following periods:		
Less than 1 month	9,022	22,090
1 - 3 months	9,810	24,676
3 month - 1 year	38,222	19,481
Over 1 year	258,711	30,066
Total	5,685,880	5,217,095

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

11. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2016						
Cost	98,224,109	120,288,251	32,971,933	17,494,322	34,916,617	303,895,232
Depreciation and impairment	(22,749,386)	(38,800,866)	(14,182,435)	(8,139,485)	(2,375,798)	(86,247,970)
Net book value	75,474,723	81,487,385	18,789,498	9,354,837	32,540,819	217,647,262
Period ended 30 September 2016						
Additions	634,193	-	-	-	13,546,836	14,181,029
Transfer from assets under construction	11,509,079	787,045	1,567,025	114,361	(13,977,510)	-
Impairment	-	-	-	-	(21,100)	(21,100)
Depreciation	(3,627,945)	(4,196,547)	(1,065,202)	(411,519)	-	(9,301,213)
Disposals and write-off	(88,534)	(13,089)	(89,779)	(44,427)	(133,887)	(369,716)
Other transfers	(20,302)	(2,974,908)	2,961,218	20,803	(926)	(14,115)
	83,881,214	75,089,886	22,162,760	9,034,055	31,954,232	222,122,147
As at 30 September 2016						
Cost	110,169,045	108,882,884	46,262,002	17,441,663	34,316,540	317,072,134
Depreciation and impairment	(26,287,831)	(33,792,998)	(24,099,242)	(8,407,608)	(2,362,308)	(94,949,987)
Net book value	83,881,214	75,089,886	22,162,760	9,034,055	31,954,232	222,122,147
As at 1 January 2017						
Cost	115,864,815	110,525,127	46,383,755	17,548,942	31,776,922	322,099,561
Depreciation and impairment	(27,422,504)	(35,174,792)	(24,349,626)	(8,489,733)	(2,103,957)	(97,540,612)
Net book value	88,442,311	75,350,335	22,034,129	9,059,209	29,672,965	224,558,949
Period ended 30 September 2017						
Additions	134,606	-	-	-	16,595,854	16,730,460
Transfer from assets under construction	13,801,597	2,106,526	1,097,520	267,610	(17,273,253)	-
Transfer to investment property	-	-	(22,698)	(2,314)	-	(25,012)
Transfer to non-current assets held for sale	-	(14,361)	-	(101,798)	-	(116,159)
Impairment	-	-	(20,874)	-	(8,059)	(28,933)
Depreciation	(4,006,861)	(4,255,052)	(1,109,465)	(415,854)	-	(9,787,232)
Disposals and write-off	(39,783)	(7,610)	(137,877)	(4,408)	(84,716)	(274,394)
Other transfers	1,314	(141,282)	(37,372)	179,654	6,351	8,665
	98,333,184	73,038,556	21,803,363	8,982,099	28,909,142	231,066,344
As at 30 September 2017						
Cost	129,652,194	112,400,576	47,012,151	17,734,196	31,000,232	337,799,349
Depreciation and impairment	(31,319,010)	(39,362,020)	(25,208,788)	(8,752,097)	(2,091,090)	(106,733,005)
Net book value	98,333,184	73,038,556	21,803,363	8,982,099	28,909,142	231,066,344

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2016						
Cost	16,744,368	7,644,244	24,388,612	98,224,109	22,153	122,634,874
Depreciation and impairment	-	(248,771)	(248,771)	(22,749,386)	(20,311)	(23,018,468)
Net book amount	16,744,368	7,395,473	24,139,841	75,474,723	1,842	99,616,406
Period ended 30 September 2016						
Additions	1,556,444	9,251,005	10,807,449	634,193	-	11,441,642
Transfer from asset under construction	(220,295)	(11,286,560)	(11,506,855)	11,509,079	-	2,224
Other transfers	-	26,015	26,015	(20,302)	1	5,714
Depreciation and depletion	-	-	-	(3,627,945)	-	(3,627,945)
Disposals and write-off	(11,328)	(49,370)	(60,698)	(88,534)	-	(149,232)
	18,069,189	5,336,563	23,405,752	83,881,214	1,843	107,288,809
As at 30 September 2016						
Cost	18,069,189	5,584,956	23,654,145	110,169,045	22,153	133,845,343
Depreciation and impairment	-	(248,393)	(248,393)	(26,287,831)	(20,310)	(26,556,534)
Net book amount	18,069,189	5,336,563	23,405,752	83,881,214	1,843	107,288,809
As at 1 January 2017						
Cost	12,345,350	7,915,400	20,260,750	115,864,815	22,129	136,147,694
Depreciation and impairment	-	(876)	(876)	(27,422,504)	(20,309)	(27,443,689)
Net book amount	12,345,350	7,914,524	20,259,874	88,442,311	1,820	108,704,005
Period ended 30 September 2017						
Additions	2,372,057	9,882,806	12,254,863	134,606	-	12,389,469
Transfer from asset under construction	(3,089,976)	(10,701,547)	(13,791,523)	13,801,597	-	10,074
Other transfers	(33,756)	33,717	(39)	1,314	-	1,275
Depreciation and depletion	-	-	-	(4,006,861)	-	(4,006,861)
Disposals and write-off	(63,297)	(19,281)	(82,578)	(39,783)	-	(122,361)
	11,530,378	7,110,219	18,640,597	98,333,184	1,820	116,975,601
As at 30 September 2017						
Cost	11,530,378	7,111,095	18,641,473	129,652,194	22,129	148,315,796
Depreciation and impairment	-	(876)	(876)	(31,319,010)	(20,309)	(31,340,195)
Net book amount	11,530,378	7,110,219	18,640,597	98,333,184	1,820	116,975,601

12. TRADE AND OTHER NON-CURRENT RECEIVABLES

	30 September 2017	31 December 2016
Long-term trade receivables	-	8,969,816
Long-term other receivables	2,924	1,053,755
Less Impairment provision	(59)	(728,602)
	2,865	9,294,969

Decrease in trade and other non-current receivables mostly relates to effect of signed contract with Unicredit bank on the transfer of part of receivables for a fee without recourse. The total amount of EUR 67,200,000 transferred in accordance with the Agreement relates to receivables from the Republic of Serbia with the due dates in 2016-2019. The payment under the Agreement was made on 17 July 2017 in full.

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

Movements on the Company's impairment provision of long-term other receivables are as follows:

	Long-term other receivables
As at 1 January 2016	1,935,712
Receivables written off during the year as uncollectible	(1,051,522)
Exchange differences	35,191
Unwinding of discount (note 24)	(266,016)
Other	(18,722)
As at 30 September 2016	634,643
As at 1 January 2017	728,602
Release of provision	(159,155)
Receivables written off during the year as uncollectible	(132,657)
Exchange differences	(12,859)
Unwinding of discount (note 24)	(215,064)
Transfer to current part (note 8)	(208,808)
As at 30 September 2017	59

13. LONG-TERM FINANCIAL ASSETS

	30 September 2017	31 December 2016
Deposits with original maturity more than 1 year	4,009,222	-
LT loans issued	34,889,162	35,507,395
Available for sale financial assets	2,051,203	1,897,255
Other LT placements	26,700	27,648
<i>Less current portion (note 7)</i>	(9,456,659)	(3,077,384)
<i>Less provision</i>	(1,948,746)	(1,778,273)
	29,570,882	32,576,641

14. OTHER NON-CURRENT ASSETS

	30 September 2017	31 December 2016
Advances paid for PPE	2,362,416	2,062,604
Prepaid expenses	711,917	794,251
Other assets	1,042,530	1,076,724
<i>Less impairment provision</i>	(44,781)	(41,758)
	4,072,082	3,891,821

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

	30 September 2017	31 December 2016
Short-term loans	1,560,220	13,299,544
Interest liabilities	132,392	173,834
Current portion of long-term loans (note 19)	8,520,859	9,516,423
Current portion of finance lease liabilities (note 19)	45,781	25,114
	10,259,252	23,014,915

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

16. TRADE AND OTHER PAYABLES

	30 September 2017	31 December 2016
Trade payables:		
- related parties	5,174,425	10,126,021
- third parties	16,346,686	16,349,956
Dividends payable	3,772,308	3,772,308
Other accounts payable	7,306	14,508
	25,300,725	30,262,793

As at 30 September 2017 payables to related parties amounting to 5,174,425 RSD (31 December 2016: 10,126,021RSD) mainly relate to payables to the supplier Naftagas-Naftni servisi d.o.o. Novi Sad in the amount of 2,420,001 RSD mostly relate to drilling and overhaul services (31 December 2016: Gazprom Neft, St Petersburg in the amount of 5,818,200 RSD mostly for the purchase of crude oil).

17. OTHER CURRENT LIABILITIES

	30 September 2017	31 December 2016
Advances received	1,199,726	1,228,944
Payables to employees	2,486,612	2,914,402
Accruals and deferred income	405,450	24,297
Other current non-financial liabilities	11,476	45,511
	4,103,264	4,213,154

18. OTHER TAXES PAYABLE

	30 September 2017	31 December 2016
Mineral extraction tax	281,684	241,017
VAT	2,154,761	1,410,486
Excise tax	4,464,273	5,009,938
Contribution for buffer stocks	489,333	601,357
Custom duties	89,220	279,104
Other taxes	1,833,788	1,807,736
	9,313,059	9,349,638

19. LONG-TERM DEBT

	30 September 2017	31 December 2016
Long-term loan - Gazprom Neft	31,923,439	37,328,836
Bank and other long term loans	67,781,671	65,392,094
Finance lease liabilities	212,323	142,528
Less Current portion (note 15)	(8,566,640)	(9,541,537)
	91,350,793	93,321,921

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

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

	Long-term loans	Short-term loans (note 15)	Finance lease	Total
As at 1 January 2016	112,726,667	4,282,974	-	117,009,641
Proceeds	3,187,239	12,921,221	-	16,108,460
Repayment	(12,017,265)	(5,379,541)	-	(17,396,806)
Non-cash transactions	-	-	174,403	174,403
Foreign exchange difference (note 22)	410,380	69,728	(342)	479,766
As at 30 September 2016	104,307,021	11,894,382	174,061	116,375,464
As at 1 January 2017	102,720,930	13,299,544	142,528	116,163,002
Proceeds	28,733,261	7,182,689	-	35,915,950
Repayment	(24,459,383)	(18,764,533)	(38,189)	(43,262,105)
Non-cash transactions	-	-	115,272	115,272
Foreign exchange difference (note 22)	(7,289,698)	(157,480)	(7,288)	(7,454,466)
As at 30 September 2017	99,705,110	1,560,220	212,323	101,477,653

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

As at 30 September 2017 long-term loan - Gazprom Neft amounting to 31,923,439 RSD (31 December 2016: 37,328,836 RSD), with current portion of 5,551,902 RSD (2016: 5,742,898 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 and other long-term loans*

	30 September 2017	31 December 2016
Domestic	41,992,259	27,522,764
Foreign	25,789,412	37,869,330
	67,781,671	65,392,094
Current portion of long-term loans	(2,968,957)	(3,773,525)
	64,812,714	61,618,569

The maturity of bank loans was as follows:

	30 September 2017	31 December 2016
Between 1 and 2 years	26,176,525	13,323,750
Between 2 and 5 years	35,523,376	44,038,904
Over 5 years	3,112,813	4,255,915
	64,812,714	61,618,569

The carrying amounts of bank and other long-term loans are denominated in the following currencies:

	30 September 2017	31 December 2016
USD	25,731,860	39,607,916
EUR	38,747,942	22,955,261
RSD	2,985,010	2,443,363
JPY	316,859	385,554
	67,781,671	65,392,094

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

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 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 2017 and 31 December 2016, respectively.

20. PRODUCTION AND MANUFACTURING EXPENSES

	Nine month period ended 30 September	
	2017	2016
Employee costs	2,293,789	2,322,953
Materials and supplies (other than purchased oil, petroleum products and gas)	669,476	642,522
Repair and maintenance services	2,793,300	3,467,815
Electricity for resale	7,392,331	5,825,769
Electricity and utilities	1,155,469	1,112,610
Safety and security expense	235,259	255,056
Insurance services	211,900	215,782
Transportation services for production	1,281,143	1,276,474
Other	5,744,092	5,818,902
	21,776,759	20,937,883

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine month period ended 30 September	
	2017	2016
Employee costs	7,009,847	6,771,277
Legal, audit and consulting services	1,141,840	1,301,863
Rent expense	93,551	99,826
Business trips expense	226,237	204,710
Safety and security expense	343,656	351,040
Insurance expense	73,179	58,328
Transportation and storage	256,120	376,798
Allowance for doubtful accounts	78,453	(107,441)
Other	5,971,064	5,868,762
	15,193,947	14,925,163

22. NET FOREIGN EXCHANGE GAIN (LOSS)

	Nine month period ended 30 September	
	2017	2016
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain (note 19)	8,038,567	2,812,312
- foreign exchange loss (note 19)	(584,101)	(3,292,078)
Net foreign exchange gain (loss) on operating activities	(1,284,501)	747,872
	6,169,965	268,106

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

23. FINANCE INCOME

	Nine month period ended 30 September	
	2017	2016
Interest on bank deposits	372,424	154,664
Interest income on loans issued	687,120	745,057
Dividend income	156	65
	1,059,700	899,786

24. FINANCE EXPENSES

	Nine month period ended 30 September	
	2017	2016
Interest expense	2,316,193	2,449,590
Decommissioning provision: unwinding of the present value	103,429	87,285
Trade receivables: unwinding of discount (note 8 and 12)	(315,289)	(266,016)
Less: interest expense capitalised on qualifying assets	(45,812)	(43,845)
	2,058,521	2,227,014

25. 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 2016. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 30 September, 2017 carrying value of financial assets approximate their fair value.

26. CONTINGENCIES AND COMMITMENTS

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 756,371 RSD (31 December 2016: 838,655 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.

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 September 2017.

Capital commitments

As of 30 September 2017 the Company has entered into contracts to purchase property, plant and equipment for 8,467,278 RSD (31 December 2016: 5,324,487 RSD).

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

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

27. RELATED PARTY TRANSACTIONS

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

In the nine month period ended 30 September 2017 and in the same period in 2016, 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 2017 and 31 December 2016 the outstanding balances with related parties were as follows:

	Subsidiaries	Parent	Parent's subsidiaries and associates
As at 31 September 2017			
Short-term financial assets	11,322,658	-	-
Trade and other receivables	3,827,683	-	1,061,944
Other current assets	30,176	-	-
Investments in subsidiaries and joint ventures	16,825,911	-	-
Long-term financial assets	25,432,503	-	-
Other non-current assets	110,335	-	-
Trade and other payables	(4,206,864)	-	(967,561)
Other current liabilities	(1,725)	-	(943)
Short-term debt and current portion of long-term debt	(1,564,771)	(5,551,902)	-
Long-term debt	-	(26,371,537)	-
	51,775,906	(31,923,439)	93,440
	Subsidiaries	Parent	Parent's subsidiaries and associates
As at 31 December 2016			
Short-term financial assets	4,565,622	-	-
Trade and other receivables	3,490,003	-	994,853
Other current assets	1,819	-	-
Investments in subsidiaries and joint ventures	16,825,911	-	-
Long-term financial assets	32,430,011	-	-
Other non-current assets	220,956	-	-
Trade and other payables	(3,248,956)	(5,818,200)	(1,058,865)
Other current liabilities	(2,142)	-	(23,091)
Short-term debt and current portion of long-term debt	(1,110,373)	(5,742,898)	-
Long-term debt	-	(31,585,938)	-
	53,172,851	(43,147,036)	(87,103)

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2017

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

For the nine month period ended 30 September 2017 and 2016 the following transaction occurred with related parties:

		Parent	Parent's
	Subsidiaries	company	subsidiaries
			and
			associates
Nine month period ended 30 September 2017			
Petroleum products and oil and gas sales	8,130,312	-	450,630
Other revenues	870,187	-	7,025,797
Purchases of oil, gas and petroleum products	(8,184,252)	(20,062,252)	(451,934)
Production and manufacturing expenses	(2,947,579)	-	(7,230,421)
Selling, general and administrative expenses	(372,554)	-	(4,776)
Transportation expenses	(68,633)	-	-
Other income (expenses), net	(21,455)	(5,002)	(175)
Finance income	675,469	-	-
Finance expense	(23,679)	(489,792)	-
	(1,942,184)	(20,557,046)	(210,879)

		Parent	Parent's
	Subsidiaries	company	subsidiaries
			and
			associates
Nine month period ended 30 September 2016			
Petroleum products and oil and gas sales	6,154,627	-	395,681
Other revenues	506,502	-	5,511,748
Purchases of oil, gas and petroleum products	(6,184,471)	(29,566,123)	(396,618)
Production and manufacturing expenses	(2,979,091)	-	(5,527,528)
Selling, general and administrative expenses	(427,045)	-	(113,585)
Transportation expenses	(65,131)	-	-
Other income (expenses), net	(26,660)	18,455	(39)
Finance income	727,579	-	-
Finance expense	(10,272)	(585,042)	-
	(2,303,962)	(30,132,710)	(130,341)

Transactions with Key Management Personnel

For the nine month period ended on 30 September 2017 and 2016 the Company recognized 743,813 RSD and 593,172 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

28. SUBSEQUENT EVENTS

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the condition were met for the full implementation the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has also been changed, whereby NIS increased its equity interest in HIP Petrohemija to 20.855912% by the conversion of the remaining part of the receivables after the write-offs. This change was registered in CSD on 19 October 2017.

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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)

NIS Company
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