



**Naftna industrija Srbije A.D.**

**Interim Condensed Financial Statements (Unaudited)**

30 September 2014

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## STATEMENT OF FINANCIAL POSITION

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

Assets	Note	30 September 2014 <i>(unaudited)</i>	31 December 2013
<b>Current assets</b>			
Cash and cash equivalents	5	11,222,983	5,180,156
Short-term financial assets		3,042,475	2,176,381
Trade and other receivables	6	60,613,604	59,380,882
Inventories	7	34,759,294	38,409,866
Current income tax prepayments		775,661	-
Other current assets	8	8,509,679	5,638,830
Assets classified as held for sale		-	1,272,306
<b>Total current assets</b>		<b>118,923,696</b>	<b>112,058,421</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	194,192,006	178,003,944
Investment property		1,337,367	1,363,353
Other intangible assets		4,045,935	3,890,416
Investments in subsidiaries		7,556,020	7,556,542
Trade and other non-current receivables		2,431,678	2,434,588
Long-term financial assets		33,823,954	29,169,824
Deferred tax assets		8,181,112	9,776,709
Other non-current assets	10	5,012,463	6,247,455
<b>Total non-current assets</b>		<b>256,580,535</b>	<b>238,442,831</b>
<b>Total assets</b>		<b>375,504,231</b>	<b>350,501,252</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	11	26,689,525	28,054,370
Trade and other payables	12	47,308,526	54,507,915
Other current liabilities	13	3,176,943	2,964,691
Current income tax payable		-	2,626,080
Other taxes payable	14	6,367,593	8,418,130
Provisions for liabilities and charges		2,360,240	2,739,909
<b>Total current liabilities</b>		<b>85,902,827</b>	<b>99,311,095</b>
<b>Non-current liabilities</b>			
Long-term debt	15	85,977,461	60,626,546
Deferred tax liabilities		2,342,564	2,153,482
Provisions for liabilities and charges		12,096,991	11,527,436
<b>Total non-current liabilities</b>		<b>100,417,016</b>	<b>74,307,464</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		(45,306)	(59,885)
Retained earnings		107,699,494	95,412,378
<b>Total equity</b>		<b>189,184,388</b>	<b>176,882,693</b>
<b>Total liabilities and shareholder's equity</b>		<b>375,504,231</b>	<b>350,501,252</b>

Kirill Kravchenko  
CEO

22 October 2014

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

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

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

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## 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	2014	2013
		(unaudited)	(unaudited)
Sales of petroleum products and oil and gas sales		182,340,763	176,925,915
Other revenues		3,987,155	3,242,272
<b>Total revenue from sales</b>	4	<b>186,327,918</b>	<b>180,168,187</b>
Purchases of oil, gas and petroleum products	16	(104,936,181)	(96,991,350)
Production and manufacturing expenses	17	(13,698,318)	(12,160,943)
Selling, general and administrative expenses	18	(14,599,415)	(16,850,299)
Transportation expenses		(805,690)	(791,449)
Depreciation, depletion and amortization		(7,951,604)	(6,960,889)
Taxes other than income tax		(3,786,004)	(4,174,059)
Exploration expenses		(44,394)	(737,803)
<b>Total operating expenses</b>		<b>(145,821,606)</b>	<b>(138,666,792)</b>
Other expenses, net		(205,023)	(875,257)
<b>Operating profit</b>		<b>40,301,289</b>	<b>40,626,138</b>
Net foreign exchange (loss) gain		(8,188,023)	847,570
Finance income		1,392,266	1,228,795
Finance expenses		(2,740,243)	(2,560,958)
<b>Total other expense</b>		<b>(9,536,000)</b>	<b>(484,593)</b>
<b>Profit before income tax</b>		<b>30,765,289</b>	<b>40,141,545</b>
Current income tax expense		(3,612,789)	(5,121,663)
Deferred income tax expense		(1,784,679)	(193,288)
<b>Total income tax expense</b>		<b>(5,397,468)</b>	<b>(5,314,951)</b>
<b>Profit for the period</b>		<b>25,367,821</b>	<b>34,826,594</b>
<b>Other comprehensive loss:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in value of available-for-sale financial assets		14,579	21,755
<b>Other comprehensive profit for the period</b>		<b>14,579</b>	<b>21,755</b>
<b>Total comprehensive income for the period</b>		<b>25,382,400</b>	<b>34,848,349</b>
<b>Earnings per share attributable to shareholders of Naftna Industrija Srbije</b>			
- Basic earnings (RSD per share)		155.66	213.71
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 2014 and 2013

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

<i>(unaudited)</i>	Note	Share capital	Reserves	Retained earnings	Total
<b>Balance as at 1 January 2013</b>		81,530,200	814,908	54,658,053	137,003,161
Profit for the period		-	-	34,826,594	34,826,594
<b>Other comprehensive income</b>					
Change in value of available-for-sale financial assets		-	21,755	-	21,755
<b>Total comprehensive income for the period</b>		-	21,755	34,826,594	34,848,349
Dividend distribution		-	-	(12,364,129)	(12,364,129)
<b>Total transaction with owners, recorded in equity</b>		-	-	(12,364,129)	(12,364,129)
Other		-	(889,436)	889,424	(12)
<b>Balance as at 30 September 2013</b>		<b>81,530,200</b>	<b>(52,773)</b>	<b>78,009,942</b>	<b>159,487,369</b>
<b>Balance as at 1 January 2014</b>		81,530,200	(59,885)	95,412,378	176,882,693
Profit for the period		-	-	25,367,821	25,367,821
<b>Other comprehensive income</b>					
Change in value of available-for-sale financial assets		-	14,579	-	14,579
<b>Total comprehensive income for the period</b>		-	14,579	25,367,821	25,382,400
Dividend distribution	12	-	-	(13,080,705)	(13,080,705)
<b>Total transaction with owners, recorded in equity</b>		-	-	(13,080,705)	(13,080,705)
<b>Balance as at 30 September 2014</b>		<b>81,530,200</b>	<b>(45,306)</b>	<b>107,699,494</b>	<b>189,184,388</b>

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**STATEMENT OF CASH FLOWS**

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

	<b>Nine month period ended 30 September</b>	
	<b>2014</b>	<b>2013</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
Profit before income tax	30,765,289	40,141,545
<b>Adjustments for:</b>		
Finance costs	2,740,243	2,560,958
Finance income	(1,392,266)	(1,228,795)
Depreciation, depletion and amortization	7,951,604	6,960,889
Adjustments for other provisions	263,925	1,338,111
Allowance for doubtful accounts	2,540,988	3,463,923
Payables write off	(11,552)	(141,089)
Net unrealised foreign exchange losses, net	6,202,725	118,201
Other non-cash items	26,630	850,356
	<u>18,322,297</u>	<u>13,922,554</u>
<b>Changes in working capital:</b>		
Trade and other receivables	(1,230,766)	(11,120,657)
Inventories	3,650,572	9,263,808
Other current assets	(5,784,995)	(2,018,472)
Trade payables and other current liabilities	(14,564,536)	3,991,140
Other taxes payable	(2,041,233)	261,601
<b>Cash (used in) generated by operations</b>	<u>(19,970,958)</u>	<u>377,420</u>
Income taxes paid	(7,013,139)	(3,672,592)
Interest paid	(2,273,626)	(2,289,188)
Interest received	430,070	624,612
	<u>(8,856,695)</u>	<u>(5,337,168)</u>
<b>Net cash generated by operating activities</b>	<u><b>20,259,933</b></u>	<u><b>49,104,351</b></u>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries or other business, net of cash acquired	(411,586)	-
Loans issued	(11,430,296)	(10,756,221)
Loan proceeds received	7,733,342	404,734
Capital expenditures	(27,335,971)	(32,688,036)
Proceeds from sale of property, plant and equipment	154,308	145,781
<b>Net cash used in investing activities</b>	<u><b>(31,290,203)</b></u>	<u><b>(42,893,742)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	34,619,297	21,696,382
Repayment of borrowings	(17,899,148)	(20,109,484)
Dividends paid	-	(12,364,129)
<b>Net cash generated by (used in) financing activities</b>	<u><b>16,720,149</b></u>	<u><b>(10,777,231)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	5,689,879	(4,566,622)
Effect of foreign exchange on cash and cash equivalents	352,948	152,600
<b>Cash and cash equivalents as of the beginning of the period</b>	<u>5,180,156</u>	<u>8,311,266</u>
<b>Cash and cash equivalents as of the end of the period</b>	<u><b>11,222,983</b></u>	<u><b>3,897,244</b></u>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**1. GENERAL INFORMATION**

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

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 2013, 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 2013.

The results for the nine month period ended 30 September 2014 are not necessarily indicative of the results expected for the full year.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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 2013, except for those described in Application of new IFRS paragraph.

### **Application of new IFRS**

A number of amendments to current IFRS and new IFRIC became effective for the periods beginning on or after 1 January 2014:

- amendments regarding set off rules to IAS 32 Financial Instruments,
- amendments in respect of Investment entities to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other entities and IAS 27 Separate Financial Statements,
- amendments to IAS 36 Impairment of Assets, regarding additional disclosure
- amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding novation of derivatives and hedge accounting,
- IFRIC 21 – Levies, Annual improvements 2013.

The Company has initially applied amended standards and new IFRIC while preparing these Interim Condensed Financial statements. It has no significant impact on the Company's Interim Condensed Financial Statements.

## **3. NEW ACCOUNTING STANDARDS**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after October 1, 2014 or later, and that the Company has not early adopted.

**IFRS 9, Financial Instruments** Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 November 2013 and July 2014 to address the classification and measurement of financial liabilities. Key features of the standard:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- 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 (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.



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

### 3. NEW ACCOUNTING STANDARDS (continued)

- 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. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The amendment made to IFRS 9 in November 2013 allows an entity to continue to measure its financial instruments in accordance with IAS 39 but at the same time to benefit from the improved accounting for own credit in IFRS 9.
- A substantial overhaul of hedge accounting was introduced that will enable entities to better reflect their risk management activities in their financial statements. In particular amendments to IFRS 9 increase the scope of hedged items eligible for hedge accounting (risk components of non-financial items may be designated provided they are separately identifiable and reliable measurable; derivatives may be included as part of the hedged item; groups and net positions may be designated hedged items, etc). The amendments to IFRS 9 also increase eligibility of hedging instruments allowing financial instruments at fair value through profit or loss to be designated as hedging instruments. A fundamental difference to the IAS 39 hedge accounting model is the lack of the 80-125 per cent bright line threshold for effective hedges and the requirement to perform retrospective hedge effectiveness testing. Under the IFRS 9 model, it is necessary for there to be an economic relationship between the hedged item and hedging instrument, with no quantitative threshold.
- Increased disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements.

The mandatory effective date of IFRS 9 is January 1, 2018. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015. The Company does not plan to adopt the standard before the mandatory effective date and is currently assessing the impact of the new standard on its Financial Statements.

Amendments to **IFRS 11 – Joint Arrangements** (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016) on accounting for acquisitions of interests in joint operations. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Amendments to **IAS 16 – Property, Plant and Equipment** and **IAS 38 Intangible Assets** (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016) on clarification of acceptable methods of depreciation and amortization. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Company is currently assessing the impact of the amendments on its Financial Statements.

### 3. NEW ACCOUNTING STANDARDS (continued)

**IFRS 15 – Revenue from Contracts with Customers** (issued in May 2014 and effective for annual periods beginning on or after January 1, 2017). The new standard introduces the core principle that revenue must be recognized 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 recognized, 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 recognized 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.

The amendments to IAS 19 – Employee Benefits (issued in November 2013 and effective for annual periods beginning on or after July 1, 2014) on contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendment has no significant impact on Company's Interim Condensed Financial Statements.

### 4. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the nine month period ended 30 September 2014 and 2013. 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 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 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.

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**4. SEGMENT INFORMATION (continued)**

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	<u>2,786,952</u>	<u>183,540,966</u>	-	<u>186,327,918</u>
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 losses	-	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)	<b>50,004,135</b>	<b>(24,636,314)</b>	-	<b>25,367,821</b>

Reportable segment results for the nine month period ended 30 September 2013 are shown in the table below:

	<u>Upstream</u>	<u>Downstream</u>	<u>Eliminations</u>	<u>Total</u>
Segment revenue	67,336,521	176,619,316	(63,787,650)	180,168,187
Intersegment	63,652,547	135,103	(63,787,650)	-
External	<u>3,683,974</u>	<u>176,484,213</u>	-	<u>180,168,187</u>
EBITDA (Segment results)	57,548,497	(9,333,585)	-	48,214,912
Depreciation, depletion and amortization	(1,722,301)	(5,238,588)	-	(6,960,889)
Impairment losses	-	(9,634)	-	(9,634)
Finance expenses, net	(257,695)	(1,074,468)	-	(1,332,163)
Net foreign exchange (loss) gain	(53,388)	900,958	-	847,570
Income tax	(525,892)	(4,789,059)	-	(5,314,951)
Segment profit (loss)	<b>54,567,564</b>	<b>(19,740,970)</b>	-	<b>34,826,594</b>

EBITDA for the nine month period ended 30 September 2014 and 2013 is reconciled below:

	<b>Nine month period ended</b>	
	<b>30 September</b>	
	<u>2014</u>	<u>2013</u>
Profit for the period	25,367,821	34,826,594
Income tax expenses	5,397,468	5,314,951
Finance expenses	2,740,243	2,560,958
Finance income	(1,392,266)	(1,228,795)
Depreciation, depletion and amortization	7,951,604	6,960,889
Net foreign exchange loss/(gain)	8,188,023	(847,570)
Other expense, net	205,023	875,257
Other non-operating expense (income), net*	<u>95,252</u>	<u>(247,372)</u>
<b>EBITDA</b>	<b><u>48,553,168</u></b>	<b><u>48,214,912</u></b>

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

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**4. SEGMENT INFORMATION (continued)**

Total revenue from sales comprise the following (based on the country of customer incorporation):

	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
<b>Total sales</b>	<b>152,662,708</b>	<b>33,665,210</b>	<b>186,327,918</b>

  

	Nine month period ended 30 September 2013		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	3,548,453	3,548,453
Sale of gas	2,738,764	-	2,738,764
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	2,738,764	-	2,738,764
Sale of petroleum products	147,462,098	23,176,600	170,638,698
<i>Through a retail network</i>	46,549,522	-	46,549,522
<i>Wholesale activities</i>	100,912,576	23,176,600	124,089,176
Other sales	3,236,133	6,139	3,242,272
<b>Total sales</b>	<b>153,436,995</b>	<b>26,731,192</b>	<b>180,168,187</b>

Out of the amount of 131,550,924 RSD (2013: 124,089,176 RSD) revenue from sale of petroleum products (wholesale), the amount of 20,187,745 RSD (2013: 25,374,764 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenues 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 2014**

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

**5. CASH AND CASH EQUIVALENTS**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Cash in bank and in hand	10,965,521	4,961,288
Deposits with original maturity of less than three months	11,885	-
Cash equivalents	245,577	218,868
	<b>11,222,983</b>	<b>5,180,156</b>

**6. TRADE AND OTHER RECEIVABLES**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Trade receivables:		
- related parties	6,448,307	3,790,384
- third parties	73,846,161	74,223,194
	80,294,468	78,013,578
Accrued assets	19,937	1,362,235
Other receivables	10,183,896	9,823,260
	90,498,301	89,199,073
Less impairment provision	(29,884,697)	(29,818,191)
<b>Total trade and other receivables</b>	<b>60,613,604</b>	<b>59,380,882</b>

The ageing of trade receivables is as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Up to 3 months	41,681,484	41,334,538
Over 3 months	38,612,984	36,679,040
	<b>80,294,468</b>	<b>78,013,578</b>

As at 30 September 2014 out of 38,612,984 RSD of overdue receivables (31 December 2013: 36,679,040 RSD), trade receivables in amount of 21,769,712 RSD (31 December 2013: 21,990,577 RSD) were fully provided for. The remaining amount of 16,843,272 RSD (31 December 2013: 14,688,463 RSD) relates to a number of independent customers for whom management believes that will be recovered in the near future.

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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)*

**6. TRADE AND OTHER RECEIVABLES (continued)**

The ageing of trade receivables provided for is as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Up to 3 months	35,282	1,002,942
Over 3 months	21,734,430	20,987,635
	<b>21,769,712</b>	<b>21,990,577</b>

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

	<b>30 September 2014</b>	<b>31 December 2013</b>
RSD	76,787,171	74,910,652
EUR	10,536,422	10,431,944
USD	3,174,687	3,856,453
Other	21	24
	<b>90,498,301</b>	<b>89,199,073</b>

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

	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Total</b>
<b>As at 1 January 2013</b>	21,560,538	5,820,064	27,380,602
Provision for receivables impairment (note 18)	543,421	-	543,421
Unused amounts reversed (note 18)	(757,345)	-	(757,345)
Transfer from non-current to current part	-	1,591,471	1,591,471
Other	4,623	413,505	418,128
<b>As at 30 September 2013</b>	<b>21,351,237</b>	<b>7,825,040</b>	<b>29,176,277</b>
<b>As at 1 January 2014</b>	21,990,577	7,827,614	29,818,191
Provision for receivables impairment (note 18)	268,503	-	268,503
Unused amounts reversed (note 18)	(442,132)	-	(442,132)
Other	(47,236)	287,371	240,135
<b>As at 30 September 2014</b>	<b>21,769,712</b>	<b>8,114,985</b>	<b>29,884,697</b>

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Statement of Profit and Loss and Other Comprehensive Income. The amounts charged to provision for impairment are written off when their collection is not expected.

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**7. INVENTORIES**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Crude oil	21,075,854	25,490,951
Gas	174,132	98,558
Petroleum products	13,321,575	12,780,938
Materials and supplies	5,896,131	5,582,457
Other	370,609	593,212
Less impairment provision	(6,079,007)	(6,136,250)
	<b>34,759,294</b>	<b>38,409,866</b>

**8. OTHER CURRENT ASSETS**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Advances paid	414,872	700,072
VAT receivables	-	621,864
Deferred VAT	882,618	2,466,870
Prepaid expenses	203,878	114,807
Prepaid custom duties	58,421	52,378
Prepaid excise	6,488,062	1,431,422
Other current assets	21,013,737	18,198,978
Less impairment provision	(20,551,909)	(17,947,561)
	<b>8,509,679</b>	<b>5,638,830</b>

Deferred VAT as at 30 September 2014 amounting to 882,618 RSD (31 December 2013: 2,466,870 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 2014 amounting to 6,488,062 RSD (31 December 2013: 1,431,422 RSD) relates to the excise paid to the State for finished products stored in non-excise warehouse and imported excise goods used in further production.

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

	<b>Advances paid</b>	<b>Other current assets</b>	<b>Total</b>
<b>As at 1 January 2013</b>	373,071	13,188,420	13,561,491
Provision for other current assets impairment (note 18)	12,460	3,778,140	3,790,600
Unused amounts reversed (note 18)	(2,492)	(116,050)	(118,542)
Other	-	(27,782)	(27,782)
<b>As at 30 September 2013</b>	<b>383,039</b>	<b>16,822,728</b>	<b>17,205,767</b>
<b>As at 1 January 2014</b>	248,347	17,699,214	17,947,561
Provision for other current assets impairment (note 18)	260	2,779,648	2,779,908
Unused amounts reversed (note 18)	(12,073)	(54,171)	(66,244)
Other	(954)	(108,362)	(109,316)
<b>As at 30 September 2014</b>	<b>235,580</b>	<b>20,316,329</b>	<b>20,551,909</b>

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014

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

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2013</b>						
Cost	42,567,439	96,895,807	27,042,790	16,318,460	25,997,306	208,821,802
Depreciation and impairment	(14,450,260)	(23,887,053)	(13,010,240)	(6,848,950)	(4,315,892)	(62,512,395)
<b>Net book value</b>	<b>28,117,179</b>	<b>73,008,754</b>	<b>14,032,550</b>	<b>9,469,510</b>	<b>21,681,414</b>	<b>146,309,407</b>
<b>Period ended 30 September 2013</b>						
Additions	8,178,476	10,119,486	2,872,154	458,134	4,468,043	26,096,293
Investments in subsidiaries	(1,273,863)	(30,657)	(15,172)	-	-	(1,319,692)
Impairment	-	-	(8,341)	-	(932)	(9,273)
Depreciation	(1,715,725)	(3,654,588)	(708,565)	(358,079)	-	(6,436,957)
Transfer to investment property	-	-	(1,195)	(2,455)	(4,810)	(8,460)
Disposals and write-off	-	(299)	(145,234)	(7,934)	(942,822)	(1,096,289)
Other transfers	5,547	(10,132)	4,616	5,861	(65,034)	(59,142)
	33,311,614	79,432,564	16,030,813	9,565,037	25,135,859	163,475,887
<b>As at 30 September 2013</b>						
Cost	48,902,906	106,418,740	29,438,986	17,154,915	29,437,390	231,344,876
Depreciation and impairment	(15,591,292)	(26,986,176)	(13,408,173)	(7,589,878)	(4,301,531)	(67,868,989)
<b>Net book value</b>	<b>33,311,614</b>	<b>79,432,564</b>	<b>16,030,813</b>	<b>9,565,037</b>	<b>25,135,859</b>	<b>163,475,887</b>
<b>As at 1 January 2014</b>						
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)
<b>Net book value</b>	<b>35,592,277</b>	<b>80,011,533</b>	<b>17,264,259</b>	<b>9,419,399</b>	<b>35,716,476</b>	<b>178,003,944</b>
<b>Period ended 30 September 2014</b>						
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
<b>As at 30 September 2014</b>						
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)
<b>Net book value</b>	<b>46,321,953</b>	<b>78,645,605</b>	<b>17,588,484</b>	<b>9,690,116</b>	<b>41,945,848</b>	<b>194,192,006</b>

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Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014

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

9. 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
<b>As at 1 January 2013</b>						
Cost	5,304,044	5,097,738	10,401,782	42,567,439	112,666	53,081,887
Depreciation and impairment	-	(304,214)	(304,214)	(14,450,260)	(110,630)	(14,865,104)
<b>Net book amount</b>	<b>5,304,044</b>	<b>4,793,524</b>	<b>10,097,568</b>	<b>28,117,179</b>	<b>2,036</b>	<b>38,216,783</b>
<b>Period ended 30 September 2013</b>						
Additions	4,586,579	9,806,659	14,393,238	-	-	14,393,238
Transfer from asset under construction	(50,789)	(8,127,687)	(8,178,476)	8,178,476	-	-
Other transfers	(3)	(9,220)	(9,223)	5,547	(46)	(3,722)
Depreciation and depletion	-	-	-	(1,715,725)	-	(1,715,725)
Investments in subsidiaries	-	-	-	(1,273,863)	-	(1,273,863)
Disposals and write-off	(704,773)	(9,971)	(714,744)	-	-	(714,744)
	9,135,058	6,453,305	15,588,363	33,311,614	1,990	48,901,967
<b>As at 30 September 2013</b>						
Cost	9,135,058	6,756,469	15,891,527	48,902,906	110,820	64,905,253
Depreciation and impairment	-	(303,164)	(303,164)	(15,591,292)	(108,830)	(16,003,286)
<b>Net book amount</b>	<b>9,135,058</b>	<b>6,453,305</b>	<b>15,588,363</b>	<b>33,311,614</b>	<b>1,990</b>	<b>48,901,967</b>
<b>As at 1 January 2014</b>						
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)
<b>Net book amount</b>	<b>10,248,631</b>	<b>11,436,370</b>	<b>21,685,001</b>	<b>35,592,277</b>	<b>1,975</b>	<b>57,279,253</b>
<b>Period ended 30 September 2014</b>						
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
<b>As at 30 September 2014</b>						
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)
<b>Net book amount</b>	<b>11,735,079</b>	<b>13,087,487</b>	<b>24,822,566</b>	<b>46,321,953</b>	<b>1,894</b>	<b>71,146,413</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**10. OTHER NON-CURRENT ASSETS**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Advances paid for PPE	2,920,915	4,160,931
Prepaid expenses	981,697	1,033,330
Other assets	1,139,108	1,083,093
Less impairment provision	(29,257)	(29,899)
	<b>5,012,463</b>	<b>6,247,455</b>

**11. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Short-term loans	2,368,590	300,000
Interest liabilities	189,935	136,403
Current portion of long-term loans (note 15)	24,131,000	27,596,333
Current portion of finance lease liabilities (note 15)	-	21,634
	<b>26,689,525</b>	<b>28,054,370</b>

**12. TRADE AND OTHER PAYABLES**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Trade payables		
- related parties	21,757,662	38,715,029
- third parties	8,628,111	11,950,798
Dividends payable	16,853,013	3,772,308
Other accounts payable	69,740	69,780
	<b>47,308,526</b>	<b>54,507,915</b>

As at 30 September 2014 payables to related parties amounting to 21,757,662 RSD (31 December 2013: 38,715,029 RSD) mainly relate to payables to the supplier Gazprom Neft Trading, Austria in the amount of 19,202,511 RSD (31 December 2013: 28,139,826 RSD), mostly for the purchase of crude oil.

A dividend in respect of the year ended 31 December 2013 of 80.22 RSD per share, amounting to a total dividend of 13,080,705 RSD was approved by the General Assembly Meeting held on 30 June 2014.

**13. OTHER CURRENT LIABILITIES**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Advances received	952,392	864,997
Payables to employees	2,175,170	2,069,305
Accruals and deferred income	33,986	24,013
Other current non-financial liabilities	15,395	6,376
	<b>3,176,943</b>	<b>2,964,691</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended  
30 September 2014**

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

**14. OTHER TAXES PAYABLE**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Mineral extraction tax	572,410	522,953
VAT	1,282,617	461,212
Excise tax	2,527,828	4,294,766
Custom duties	51,167	1,623,065
Other taxes	1,933,571	1,516,134
	<b>6,367,593</b>	<b>8,418,130</b>

**15. LONG-TERM DEBT**

	<b>30 September 2014</b>	<b>31 December 2013</b>
Long-term loans - Gazprom Neft	48,369,553	50,655,813
Bank loans	61,737,698	37,565,857
Finance lease liabilities	-	21,634
Other long-term borrowings	1,210	1,209
Less Current portion	(24,131,000)	(27,617,967)
	<b>85,977,461</b>	<b>60,626,546</b>

*Bank loans*

	<b>30 September 2014</b>	<b>31 December 2013</b>
Domestic	9,903,301	12,048,569
Foreign	51,834,397	25,517,288
	61,737,698	37,565,857
Current portion of long-term loans	(18,603,051)	(22,264,141)
	<b>43,134,647</b>	<b>15,301,716</b>

The maturity of bank loans was as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Between 1 and 2 years	6,574,549	2,926,308
Between 2 and 5 years	31,175,453	6,871,962
Over 5 years	5,384,645	5,503,446
	<b>43,134,647</b>	<b>15,301,716</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**15. LONG-TERM DEBT (continued)**

*Bank loans (continued)*

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

	<b>30 September 2014</b>	<b>31 December 2013</b>
USD	52,631,671	28,343,857
EUR	8,731,441	8,579,494
RSD	1,607	280,783
JPY	372,979	361,723
	<b>61,737,698</b>	<b>37,565,857</b>

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, Belibor 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 2014 and 31 December 2013 are presented in the table below:

<b>Creditor</b>	<b>Currency</b>	<b>30 September 2014</b>	<b>31 December 2013</b>
<b><i>Domestic long-term loans</i></b>			
Erste bank, Novi Sad	USD	300,503	279,719
Erste bank, Novi Sad	EUR	449,859	454,900
Bank Postanska stedionica, Belgrade	EUR	221,019	225,341
Bank Postanska stedionica, Belgrade	USD	1,626,671	1,526,400
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,495,036	4,459,990
UniCredit bank, Belgrade	USD	2,808,606	4,821,436
UniCredit bank, Belgrade	RSD	-	278,900
Other loans	RSD	1,607	1,883
		<b>9,903,301</b>	<b>12,048,569</b>
<b><i>Foreign long-term loans</i></b>			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	552,156	518,612
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	372,979	361,723
Erste bank, Holland	EUR	3,565,527	3,439,263
Erste bank, Holland	USD	6,085,313	5,403,333
VUB (Bank Intesa), Slovakia	USD	14,043,030	8,312,820
NBG bank, Great Britain	USD	4,681,010	2,493,846
Alpha bank, Great Britain	USD	7,087,049	3,325,128
Piraeus bank, Great Britain	USD	-	1,662,563
Sberbank Europe AG, Беч, Аустрија	USD	15,447,333	-
		<b>51,834,397</b>	<b>25,517,288</b>
Less current portion of long-term loans		(18,603,051)	(22,264,141)
		<b>43,134,647</b>	<b>15,301,716</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**15. LONG-TERM DEBT (continued)**

*Bank loans (continued)*

	Currency	Current portion		Long-term	
		30 September 2014	31 December 2013	30 September 2014	31 December 2013
<b>Domestic long - term loans</b>					
Erste bank, Novi Sad	USD	16,822	13,070	283,681	266,649
Erste bank, Novi Sad	EUR	24,934	20,972	424,925	433,928
Bank Postanska stedionica, Belgrade	EUR	12,250	12,148	208,769	213,193
Bank Postanska stedionica, Belgrade	USD	90,161	82,030	1,536,510	1,444,370
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	257,382	248,267	4,237,654	4,211,723
UniCredit bank, Belgrade	USD	2,808,606	4,821,436	-	-
UniCredit bank, Belgrade	RSD	-	278,900	-	-
Other loans	RSD	350	369	1,257	1,514
		<b>3,210,505</b>	<b>5,477,192</b>	<b>6,692,796</b>	<b>6,571,377</b>
<b>Foreign long-term loans</b>					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	38,287	30,197	513,869	488,415
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	20,673	16,978	352,306	344,745
Erste bank, Holland	EUR	3,565,527	3,439,263	-	-
Erste bank, Holland	USD	-	-	6,085,313	5,403,333
VUB (Bank Intesa), Slovakia	USD	-	8,312,820	14,043,030	-
NBG bank, Great Britain	USD	4,681,010	-	-	2,493,846
Alpha bank, Great Britain	USD	7,087,049	3,325,128	-	-
Piraeus bank, Great Britain	USD	-	1,662,563	-	-
Sberbank Europe AG, Беч, Аустрија	USD	-	-	15,447,333	-
		<b>15,392,546</b>	<b>16,786,949</b>	<b>36,441,851</b>	<b>8,730,339</b>
		<b>18,603,051</b>	<b>22,264,141</b>	<b>43,134,647</b>	<b>15,301,716</b>

**16. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS**

	Nine month period ended	
	30 September 2014	2013
Crude oil	78,342,210	86,957,443
Petroleum products	26,557,090	9,527,217
Other	36,881	506,690
	<b>104,936,181</b>	<b>96,991,350</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended  
30 September 2014**

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

**17. PRODUCTION AND MANUFACTURING EXPENSES**

	Nine month period ended 30 September	
	2014	2013
Employee costs	2,808,183	3,064,359
Materials and supplies (other than purchased oil, petroleum products and gas)	536,970	548,829
Repair and maintenance services	2,596,568	1,995,193
Electricity and utilities	1,753,767	1,121,527
Safety and security expense	83,904	74,679
Other	5,918,926	5,356,356
	<b>13,698,318</b>	<b>12,160,943</b>

**18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Nine month period ended 30 September	
	2014	2013
Employee costs	6,592,479	9,847,713
Legal, audit, and consulting services	1,208,400	857,440
Rent expense	64,296	85,285
Business trips expense	197,592	252,861
Safety and security expense	322,744	231,192
Insurance expense	196,549	192,870
Transportation and storage	856,702	925,958
Allowance for doubtful accounts	2,540,035	3,463,705
Other	2,620,618	993,275
	<b>14,599,415</b>	<b>16,850,299</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**19. BUSINESS COMBINATIONS**

*Acquisition of petrol stations*

In 2014, as a part of regional expansion, the Company has acquired one petrol stations (PS) in Serbia. As a result of the acquisitions, the Company is expected to further increase its presence in these markets.

Name of acquiree	Date of acquisition	Percentage of equity interests acquired
<i>Serbia</i>		
SSG Sava Centar	7/21/2014	100%

The following table summarises the consideration paid for acquired PS in the nine month period ended 30 September 2014, the fair value of assets acquired and liabilities assumed.

	<b>Nine month period ended 30 September 2014</b>	
	<b>Serbia</b>	<b>Total</b>
<b>Purchase consideration:</b>		
Cash paid	332,353	332,353
<b>Total purchase consideration</b>	<b>332,353</b>	<b>332,353</b>
Fair value of net identifiable assets acquired	332,353	332,353
<b>Goodwill</b>	<b>-</b>	<b>-</b>

Amounts recognized as at acquisition date for each major class of assets acquired and liabilities assumed:

	<b>Serbia</b>	<b>Total</b>
Property, plant and equipment	332,353	332,353
<b>Net identifiable assets acquired</b>	<b>332,353</b>	<b>332,353</b>

The acquisition agreements include only acquisition of PS and do not contain any contingent consideration.

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

## **20. CONTINGENT LIABILITIES**

### *Finance Guarantees*

As at 30 September 2014 the total amount of outstanding finance guarantees given by the Company amounted to 3,371,023 RSD mostly related to customs duties in the amount of 1,608,481 RSD (31 December 2013: 2,192,400 RSD).

### *Environmental protection*

As at the reporting date, the Company's management made an environmental provision amounting to 540,632 RSD (31 December 2013: 690,094 RSD), based on an internal assessment of compliance with the Republic of Serbia environmental legislation.

The Company's Management believes that based on current environmental legislation costs associated with environmental issues 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 2014, 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 four years ago. Taking all of the above into consideration, the Company's Management is of the view that as at 30 September 2014 outflow of resources embodying economic benefits is remote due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.



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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**21. 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 2014 and in the same period in 2013, 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 and petroleum products.

As at 30 September 2014 and 31 December 2013 the outstanding balances with related parties were as follows:

	<b>Subsidiary</b>	<b>Parent</b>	<b>Entities under common control</b>	<b>Total</b>
<b>As at 30 September 2014</b>				
Short term financial assets	3,036,211	-	-	3,036,211
Trade and other receivables	6,389,182	-	59,125	6,448,307
Other current assets	29,167	-	5	29,172
Investments in subsidiaries	8,729,187	-	-	8,729,187
Long term financial assets	36,018,190	-	-	36,018,190
Other non-current assets	219,525	-	-	219,525
Trade and other payables	(2,663,905)	-	(19,204,236)	(21,868,141)
Other current liabilities	(159)	-	(36,391)	(36,550)
Short-term debt and current portion of long-term debt	-	(5,527,949)	-	(5,527,949)
Long-term debt	-	(42,841,604)	-	(42,841,604)
	<b>51,757,398</b>	<b>(48,369,553)</b>	<b>(19,181,497)</b>	<b>(15,793,652)</b>
<b>As at 31 December 2013</b>				
Short term financial assets	2,114,286	-	-	2,114,286
Trade and other receivables	3,786,847	-	3,537	3,790,384
Other current assets	12,222	-	-	12,222
Investments in subsidiaries	8,729,709	-	-	8,729,709
Long term financial assets	31,380,003	-	-	31,380,003
Other non-current assets	159,524	-	-	159,524
Trade and other payables	(1,072,804)	(9,338,240)	(28,586,819)	(38,997,863)
Other current liabilities	(163)	-	-	(163)
Short-term debt and current portion of long-term debt	-	(5,332,191)	-	(5,332,191)
Long-term debt	-	(45,323,622)	-	(45,323,622)
	<b>45,109,624</b>	<b>(59,994,053)</b>	<b>(28,583,282)</b>	<b>(43,467,711)</b>

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**21. RELATED PARTY TRANSACTIONS (continued)**

For the nine month period ended 30 September 2014 and 2013 the following transaction occurred with related parties:

	<b>Subsidiary</b>	<b>Parent</b>	<b>Entities under common control</b>	<b>Total</b>
<b>Nine month period ended 30 September 2014</b>				
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)
Other finance income	1,182,016	-	-	1,182,016
Other finance expense	(3,381)	(882,508)	-	(885,889)
	<b>5,900,403</b>	<b>(923,975)</b>	<b>(69,374,573)</b>	<b>(64,398,145)</b>
<b>Nine month period ended 30 September 2013</b>				
Petroleum products and oil and gas sales	3,061,555	-	85,602	3,147,157
Other revenues	416,333	-	-	416,333
Purchases of oil, gas and petroleum products	(1,691,634)	-	(77,668,797)	(79,360,431)
Production and manufacturing expenses	(2,316,909)	(3,879)	(14,741)	(2,335,529)
Selling, general and administrative expenses	(719,329)	(28,909)	-	(748,238)
Transportation expenses	(10,273)	-	-	(10,273)
Other expenses, net	(2,483)	(4,437)	(92,329)	(99,249)
Other finance income	935,354	-	-	935,354
Other finance expense	-	(921,464)	-	(921,464)
	<b>(327,386)</b>	<b>(958,689)</b>	<b>(77,690,265)</b>	<b>(78,976,340)</b>

**22. 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 2014.

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**Notes to the Interim Condensed Financial Statements for the nine month period ended 30 September 2014**

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

**23. COMMITMENTS**

*Farm-in agreement with RAG Hungary limited*

In December 2011, the Company entered into a Farm-in agreement with RAG Hungary limited for exploration and production of hydrocarbons in the Kiskunhalas area in Hungary. Under the contract, the Company committed to finance 50% of total exploration costs on at least three oil wells in the area covered by the exploration license. Depending on success of the exploration, the Company will be entitled to 50% of total production volume of hydrocarbons. Under the Joint Operation Agreement signed with RAG Hungary Limited, RAG will act as the Operator and will be in charge of and shall conduct all Joint Operations. On 30 September 2014 drilling and exploration works were estimated to 1.2 USD million.

*Joint Operation agreement with RAG Hungary limited*

In December 2012, the Company entered into a Call Option agreement with RAG Hungary limited for exploration and production of hydrocarbons in the Kelebia area in Hungary. Under the previous agreement NIS has an option which has exercised during June 2014 signing Joint Operation agreement based on which NIS has become equal owner in a jointly owned company (JOC) Rag Kiha, together with Rag Hungary, becoming a 50 % quota holder. With this agreement on newly founded company were tranfered exploration licences in Kelebia area. On 30 September 2014 drilling and exploration works were estimated to 1.12 USD million.

**24. EVENTS AFTER THE REPORTING DATE**

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

Subsequent events occurring after 30 September 2014 were evaluated through 22 October 2014, 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**  
**30 September 2014**

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

**NIS a.d.**  
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