QUARTERLY REPORT FOR FIRST QUARTER OF 2016

NIS GAZPROM NEFT БУДУЋНОСТ НА ДЕЛУ

NIS.EU

The Quarterly Report of *NIS j.s.c. Novi Sad* for first quarter of 2016 represents a comprehensive review of NIS Group's development and performance in first quarter of 2016.

The Report covers and presents information on NIS Group, which is comprised of *NIS j.s.c. Novi Sad* and its subsidiaries. If any information relates to individual subsidiaries or to *NIS j.s.c. Novi Sad*, it is so noted in the Report. The terms "*NIS j.s.c. Novi Sad*" and "Company" denote the parent company *NIS j.s.c. Novi Sad*, whereas the terms "NIS" and "NIS Group" relate to *NIS j.s.c. Novi Sad* with its subsidiaries.

In accordance with the Law on Capital Market, the Report consists of three parts: the business report, financial statements (stand-alone and consolidated), and the statement of the persons responsible for the preparation of the Report.

The Quarterly Report is rendered in Serbian, English and Russian. In case of any discrepancy, the Serbian version will be given precedence. The Report is also available for download from the corporate web site. For more information on NIS Group, visit the corporate web site www.nis.eu.

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FOREWORD

The NIS Group managed to maintain its profitability in first quarter of 2016. Although unfavourable trends from last year have continued this year as well and oil prices on the global market have remained on their lowest level in the last 12 years, NIS reported net profit of RSD 260 million. The achieved results are much better than a year ago: in the same period of 2015, NIS posted a net loss of RSD 4.7 billion.

These results have been achieved mainly thanks to a comprehensive program of improving operational efficiency in all the business segments. In the first three months of this year alone, the effect on EBITDA of the implemented measures for improvement of operational efficiency amounted to RSD 1.3 billion, which significantly contributed to maintaining the profitability of the NIS Group.

When it comes to operating indicators, the level of crude oil and semi-finished products refining volume grew by 13% compared to the level from first quarter of 2015. Also, when compared to the same period of last year, NIS managed to increase its total sale of petroleum products by 3% in the first three months of 2016.

In the unfavourable conditions for the global oil and gas industry, the growth trend of the level of direct and indirect tax liabilities has continued: in Q1 2016 they amounted to RSD 32.8 billion, which is 11% more than a year ago, when they amounted to RSD 29.5 billion.

Despite more difficult business conditions, NIS did not refrain from new investments and has continued investing in its development. In first quarter of 2016, the total investments amounted to RSD 4.6 billion, mainly in oil and gas explorations, which provide a stable basis for future development. This also contributes to maintaining the country's energy security.

However, the negative business trends on the global level have affected certain results of NIS. In first quarter of 2016, EBITDA amounted to RSD 3.8 billion, which is 48% less than in the same period of last year. Also, a minor decline in domestic oil and gas production has been reported, amounting to 363 tonnes of oil equivalent, which is 5% less than a year ago.

Regardless of all of these unfavourable trends, NIS remains the leader in CSR even during the crisis and continues supporting the projects that will remain for future generations. Within its corporate program "Together for the Community", the company signed agreements on cooperation with 11 cities and municipalities across Serbia. This way, NIS wants to share a part of its success with the community it is operating in. Also, the amount that will be earmark for this purpose in 2016 hasn't been reduced – in 2016 NIS will earmark RSD 110.5 million for support programs for local communities.

Also, NIS has declared the current year, 2016, the "Year of HSE", with the aim of showing that care about employee health and safety, as well as dedication to environmental protection, is priority for us. As confirmed by the extensive international experience, operating with constant HSE improvement is a synonym for business success. HSE indicators and business results are inextricably linked. Implementation of strict procedures and conscientious implementation of this system leads to improving basically all areas of business, growth of financial and production indicators.

First quarter of 2016 indicates that this year will be full of challenges as well. NIS will continue with consistent implementation of the program for improving operational efficiency. The total effect of the measures for improving operational efficiency for the entire 2016 is estimated at RSD 7.4 billion. Besides that, NIS will keep investing in its development and will not abandon its key investment projects.

BUSINESS REPORT

Key Events in Q1 2016

January

- 3D seismic survey successfully completed at *Turija II* exploration area
- New generation of trainees of NIS Chance programme has signed employment contracts
- The Ninth *Küstendorf* International Film and Music Festival was held in *Mokra Gora* under the auspices of PJSC "Gazprom Neft" and the Ministry of Culture and Information of Serbia
- A new language laboratory was opened in the elementary school "Jovan Popović" in Novi Sad with the help of NIS
- The International Mini Basket Festival "Rajko Žižić" was held in Belgrade for the 7th consecutive year, with the support of NIS

February

- NIS published revised Consolidated Financial Statements for 2015
- Commercial production at the Bitumen production unit in Pančevo Refinery started successfully after the regular investment maintenance works
- A new loyalty program "On the Road with Us" was launched
- The General Director of *NIS j.s.c. Novi Sad* participated in the "Partnership in the Balkans - Strengthening Regional Relations" summit held in Brussels
- Kirill Kravchenko, General Director of *NIS j.s.c. Novi Sad*, declared the most powerful foreigner in Serbia by daily "Blic" for the 7th year in a row

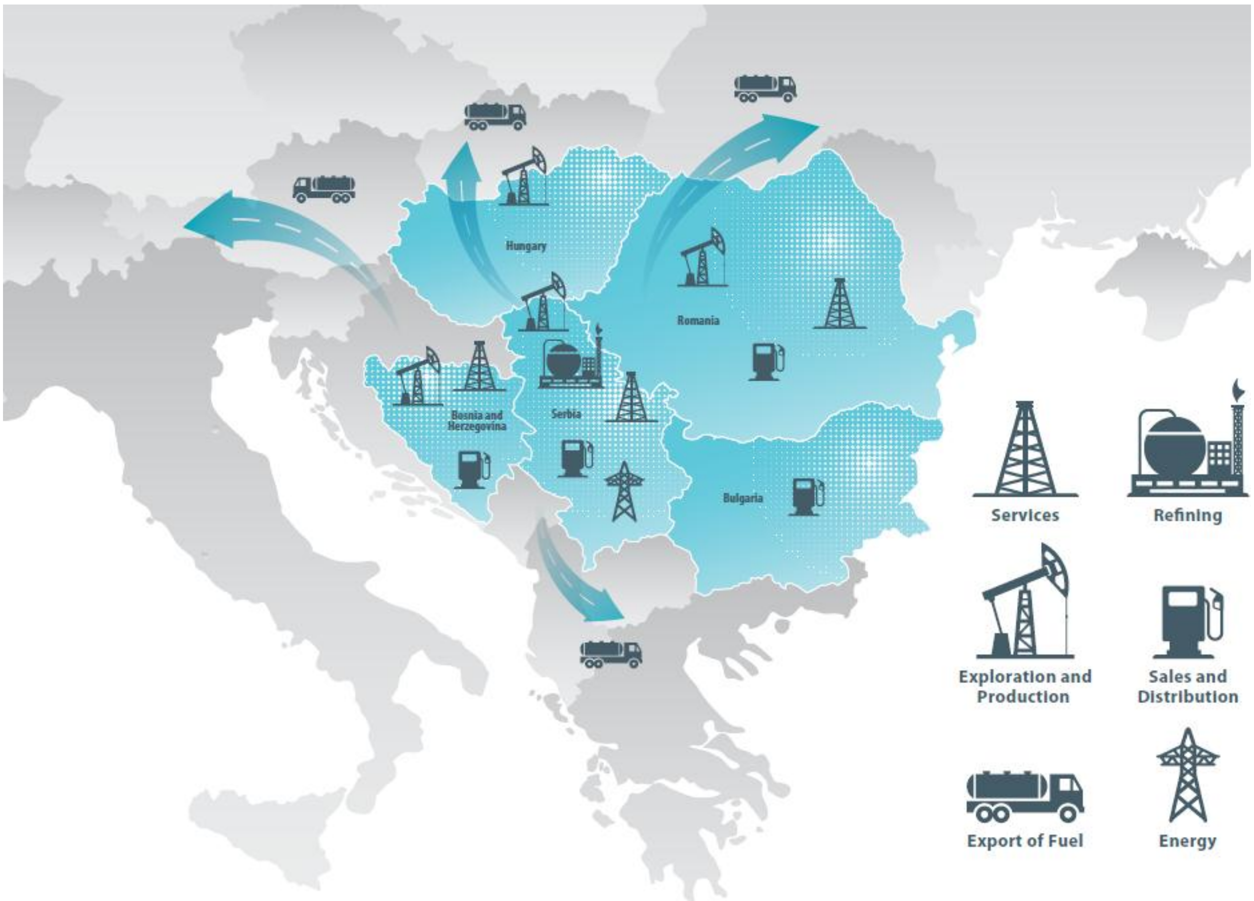
March

- Within a corporate program "Together to the Community", NIS signed cooperation agreements with the representatives of Belgrade and another 10 cities and municipalities in Serbia
- Investment works on some of the process plants in Pančevo Oil Refinery were completed
- It was announced that PJSC "Gazprom Neft" would invest EUR 4 million for interior decoration works in St Sava Cathedral in Belgrade
- At the International Days of Energy and Investments in Novi Sad, NIS presented the advantages of use of compressed natural gas within the panel "Future Technologies in the Energy Industry"
- At the Car Show held at Belgrade Fair, NIS presented the loyalty programme "On the Road with Us" and the advantages of use of compressed natural gas
- Two modern physics and chemistry laboratories were opened at the Technical Faculty "Mihajlo Pupin" in Zrenjanin with the support of NIS

Group's Profile

NIS Group is one of the largest vertically-integrated energy systems in South East Europe. NIS Group operates in crude oil and natural gas exploration and production, refining of crude oil and natural gas; sales and distribution of a wide range of petroleum and gas products; and implementation of petrochemicals and energy projects.

NIS is an international group with an international team of experts and it operates in ten countries.



NIS Group Business Structure[1]

NIS
GAZPROM NEFT

REPRESENTATIVE AND BRANCH OFFICES

- Turkmenistan Branch Office
- Branch offices in Serbia
- Angola Representative Office
- Bulgaria Representative Office
- Croatia Representative Office
- Kingdom of Belgium Representative Office
- B&H Representative Office
- Hungary Representative Office
- Romania Representative Office
- Russian Federation Representative Office

SUBSIDIARIES

- O Zone a.d. Belgrade
  - NIS Energowind d.o.o. Belgrade
- Naftagas – Naftni servisi d.o.o. Novi Sad
- Naftagas – Tehnički servisi d.o.o. Zrenjanin
- Naftagas – Transport d.o.o. Novi Sad
- NTC NIS Naftagas d.o.o. Novi Sad
- NIS Overseas o.o.o. Sankt Peterburg
- NIS Petrol e.o.o.d. Sofia
- NIS Petrol s.r.l. Bucharest
- NIS Petrol d.o.o. Banja Luka
  - G – Petrol d.o.o. Sarajevo
- Pannon Naftagas k.f.t. Budapest
- Jadran Naftagas d.o.o. Banja Luka
- NIS – Svetlost d.o.o. Bujanovac

[1] Under the Law on Tourism of the Republic of Serbia, if a company does not operate a hospitality business as a core activity, in order to perform these activities, it is obligated to form a branch office, i.e. premises outside its headquarters and register it accordingly, or otherwise establish an organisational unit that is recorded in the Tourism Registry. For this reason, the Company registered all petrol stations at which it operates a hospitality business as separate branches. The list of petrol stations which are registered as branches is posted on the website: http://ir.nis.eu/about-the-company/group-structure-hide/.

NIS Group's Business Activities

EXPLORATION AND PRODUCTION BLOCK

Exploration and Production Block covers exploration, production, infrastructure and operational support to production, management of oil and gas reserves, oil and gas reservoir engineering, and major exploration and production projects.

Major portion of NIS oil deposits are in Serbia; however NIS has made a breakthrough into the region, conducting explorations in Bosnia and Herzegovina, Hungary and Romania. In Angola, NIS has been operating since 1980; it began oil exploitation in that country in 1985.

Elemir-located plant for the preparation of natural gas, production of LPG and natural gasoline and CO_2 capture is also operated by *Exploration and Production Block* and it has a total design capacity of 65,000 tonnes of LPG and natural gasoline per year.

Through its subsidiary, Scientific and Technological Centre (STC) NIS Naftagas d.o.o. Novi Sad, NIS provides scientific and technical support to the parent company's prevailing activity and aims to ensure development and innovation in its business area.

SERVICES BLOCK

Services Block provides various services in exploration for and production of oil and gas, ranging from geophysical research, well construction, completion and workover to special well operations and measurement services. This Block also provides services of equipment maintenance and construction and maintenance of oil and gas systems and facilities. In addition to carriage of goods and engagement of machinery, *Services Block* also provides passenger transportation and car rental services.

Services Block has expanded its business to foreign markets, namely Bosnia and Herzegovina, Romania and Russia.

REFINING BLOCK

It deals with refining of crude oil and other raw materials as well as the production of petroleum products. It outputs a wide range of petroleum products: from motor and power fuel to the feed for petrochemical industry, and other crude-oil-related products.

Refining Block's processing complex is made up of two production units located in the towns of Pančevo and Novi Sad. The Pančevo Refinery is operational, with its designed capacity of 4.8 million tons per annum, while the Novi Sad Refinery has been on a stand-by and its designed capacity of 2.5 million tons per annum is currently not in operation.

SALES AND DISTRIBUTION BLOCK

Sales and Distribution Block is structured around external and internal trade, wholesale, retail in petroleum products and associated products.

NIS runs the largest retail network in Serbia and is growing its sales and distribution business into regional countries - Bosnia and Herzegovina, Bulgaria and Romania. In the market of Serbia and the region, NIS is present with two brands: *NIS Petrol* and *GAZPROM*.

As separate business lines, NIS is developing aviation fuel supply, bunkering, lubricants and bitumen sales.

ENERGY BLOCK

Energy Block is in charge of production of electricity and thermal energy from conventional and renewable sources, gas and electricity sales, development and introduction of strategically important energy projects, development and implementation of projects for energy efficiency improvement.

Energy Block develops and implements energy projects within NIS Group, analyses and evaluates investment projects in the Serbian energy sector as part of strategic partnerships.

NIS Group core business is supported by supporting functions within the parent Company *NIS j.s.c. Novi Sad*. Five out of ten supporting functions are partially de-centralized, with their functionally subordinate departments in Blocks[2], while all other functions are centralised[3]. One of the General Director's deputies is in charge of petrochemical operations.

[2] Function for Finance, Economics, Planning and Accounting, Function for Strategy and Investment, Function for Material and Technical and Service Support and Capital Construction, Function for Organisational Issues and Function for HSE.

[3] Function for Legal and Corporate Affairs, Function for Corporate Security, Function for External Affairs and Government Relations, Function for Public Relations and Communications and Function for Internal Audit (Function for Internal Audit reports to CEO, while the person in charge of internal supervision reports to the Audit Commission of the Board of Directors).

General Information on *NIS j.s.c. Novi Sad*

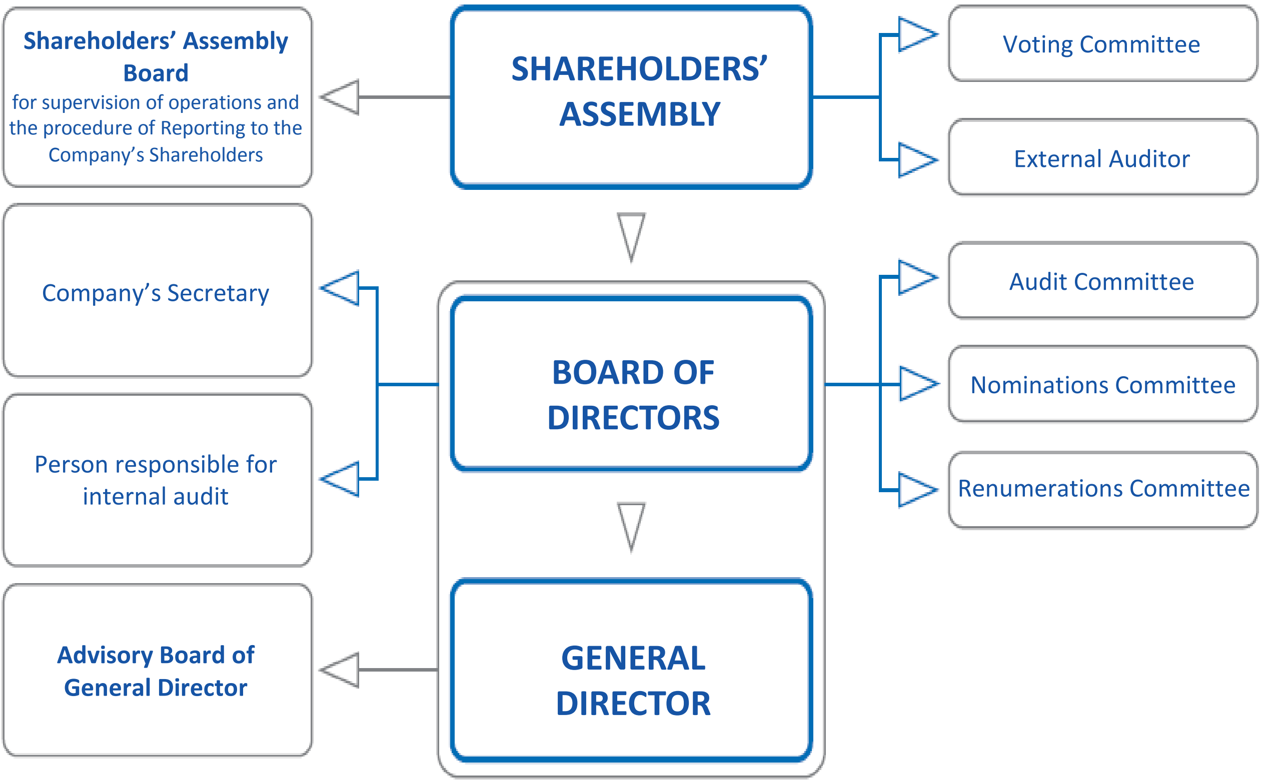
Business Name:	*NIS j.s.c. Novi Sad*
Company Identity Number::	20084693
Address:	Novi Sad, 12, Narodnog fronta street
Tax ID:	104052135
Web site:	www.nis.eu
e-mail:	office@nis.eu
Activity:	0610 – crude oil exploitation
Number and date of registration in BRA:	BD 92142, 09/29/2005
Total equity as at March, 31st 2016:	203,603,291,000.00 RSD
Share capital as at March, 31st 2016:	81,530,200,000.00 RSD
Number of employees[4] as at March, 31st 2016:	3,884
Audit company that audited the last financial statements (dated December, 31st 2015):	Pricewaterhouse Coopers d.o.o Belgrade 88a, Omladinskih brigada street 11070 Belgrade
Name and address of organised market where shares of the issuer are traded in:	Belgrade Stock Exchange 1, Omladinskih brigada street 11070 Belgrade

[4] Number of leased employees, employees in subsidiaries and representative offices excluded.

Company Governance System

NIS j.s.c. Novi Sad has established a one-tier governance system where the Board of Directors holds the central role in the Company governance. The Board of Directors is responsible for the accomplishment of set goals and achievement of results, while shareholders exercise their rights and control primarily through the Shareholders' Assembly.

The provisions of the Article of Association make a full and distinct delineation between the scope of operations of the Board of Directors and the scope of work of the Shareholders' Assembly, the General Director of the Company and the bodies appointed by corporate governance bodies.



Shareholders' Assembly

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders.

Board of Directors

The Board of Directors has a central role in the management of the Company and it is collectively responsible for the long-term success of the Company and for setting up basic business goals and guiding the directions of the Company's further development, as well as identification and control of the effectiveness of the Company's business strategy.

The Board of Directors consists of 11 members appointed by the Shareholders' Assembly. The members elect the Board of Directors' Chairperson, while the functions of the Board of Directors' Chairperson and the General Director are separated.

Members of Board of Directors as of March, 31st 2016

Vadim Yakovlev

Chairman of NIS j.s.c. Novi Sad Board of Directors

Deputy Chairman of the Executive Board of PJSC "Gazprom Neft", First CEO Deputy, in charge of exploration and production, strategic planning and mergers and acquisitions

Born on September 30, 1970 in Sharkan, Udmurtskaya ASSR.

In 1993, Mr Yakovlev graduated from the Moscow Engineering Physics Institute, Department of Applied Nuclear Physics. Mr Yakovlev graduated from the Faculty of Finance at the International University in Moscow in 1995. Since 1999, he has been a qualified member of the ACCA (Chartered Association of Certified Accountants). In 2009, he earned a degree from the British Institute of Directors (IoD). During his employment with PricewaterhouseCoopers from 1995 to 2000, Mr Yakovlev held various positions, starting from a Consultant to being promoted to Audit Manager. In the period from 2001 to 2002, he served as Deputy Head of Financial and Economics Department, YUKOS EP c.j.s.c. From 2003 to 2004, he was Financial Director of Yugansk Neftegaz, NK Yukos. From 2005 to 2006, Mr Yakovlev held the position of Deputy General Director in charge of economy and finance at SIBUR-Russian Tyres.

Mr Yakovlev was elected member of the *NIS j.s.c. Novi Sad* Board of Directors as of February 10, 2009 and he was elected Chairman of the *NIS j.s.c. Novi Sad* Board of Directors as of July 7, 2009.

Kirill Kravchenko

General Director of NIS j.s.c. Novi Sad

Member of Nominations Committee

Deputy CEO for Foreign Asset Management at PJSC "Gazprom Neft"

Born on May 13, 1976 in Moscow, USSR.

In 1998, Mr Kravchenko graduated with honours from Lomonosov Moscow State University with a degree in Sociology. He completed postgraduate studies at the same university. He continued his studies at the Open British University (Financial Management) and IMD Business School. He holds a PhD in Economics. Mr Kravchenko worked in consulting until 2000, and from 2000 to 2004 he held various positions in YUKOS in Moscow and Western Siberia and with Schlumberger (under partnership program with NK Yukos) in Europe and Latin America. In the period 2004 to 2007 he was Administrative Director at JSC MHK EuroChem Mineral and Chemical Company. Mr Kravchenko was elected member to the Board of Directors several times in major Russian and international companies. In April 2007, he was appointed Vice-Chairman, PJSC "Gazprom Neft", and in January 2008 he was made Deputy Chairman of Management Board of PJSC "Gazprom Neft", as well as Deputy General Director for Organizational Affairs. Since February 2009, he was appointed General Director of the Serbian petroleum company *NIS j.s.c. Novi Sad*, and member of the Company's Board of Directors. As of March 2009, he holds the position of Deputy CEO for Foreign Assets Management in PJSC "Gazprom Neft".

Mr Kravchenko was elected member of the *NIS j.s.c. Novi Sad* Board of Directors as of February 10, 2009.

Alexander Bobkov

Member of NIS j.s.c. Novi Sad Board of Directors
Advisor to the CEO of PJSC "Gazprom Neft"
Executive Director of MFC "Lakhta Center" j.s.c.

Born on October 18, 1966 in Vinnica, USSR.

Mr Bobkov graduated from "Zhdanov" Leningrad State University, Department of politic economy, in 1988. On 16.06.2006, Mr Bobkov received his Master's Degree in Economics and attained his PhD in Economics on 17.06.2011. From 1991 to 2010 he held various positions in the following fields: civil engineering, production, real estate and sales with the Leningrad Centre of Business Co-operation "Perekryostok", "Proxima" j.s.c. and "General Civil Engineering Corporation" Ltd. Since 2010, Mr Bobkov has served as Executive Director of "Okhta" c.j.s.c. Public Business Centre (presently "Lakhta Center" Multifunctional complex j.s.c.) and in 2012, he was appointed Advisor to the CEO of PJSC "Gazprom Neft".

Mr Bobkov was elected member of the *NIS j.s.c. Novi Sad* Board of Directors as of July 22, 2013.

Danica Drašković

Member of NIS j.s.c. Novi Sad Board of Directors

Born on November 14, 1945 in Kolašin, Montenegro.

Ms Drašković graduated from the Faculty of Law, University of Belgrade in 1968. From 1968 to 1990, she worked in the field of finance in the banking sector, and in the field of law and commerce within the economy sector, and as a Belgrade City Magistrate. Ms Drašković is the owner of the publishing house "Srpska reč", founded in 1990. She is the author of two books written in the opinion journalism style.

From April 1, 2009 to June 18, 2013, Ms Danica Drašković was a member of the *NIS j.s.c. Novi Sad* Board of Directors, being re-elected on June 30, 2014.

Alexey Yankevich

Member of NIS j.s.c. Novi Sad Board of Directors
Deputy CEO for Economics and Finance at PJSC "Gazprom Neft"

Born on December 19, 1973 in Leningrad, USSR.

In 1997, Mr Yankevich graduated from Saint-Petersburg State Electrical Engineering University ("LETI"), majoring in optical and electronic instruments and systems. In 1998, he completed a course at LETI-Lovanium International School of Management in Saint-Petersburg. Mr Yankevich was employed with CARANA, a consulting company from 1998 to 2001. In the period from 2001 to 2005 he served as Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM c.j.s.c. (business unit responsible for logistics and downstream operations). In 2004, he became a Certified Management Accountant (CMA). From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group). From 2007 to 2011 he held the post of Head of the Planning and Budgeting Department, and was Head of Economics and Corporate Planning Department at PJSC "Gazprom Neft". Since August 2011 he has served as acting Deputy CEO for Economics and Finance at PJSC "Gazprom Neft". Mr Yankevich has been a member of the Management Board of PJSC "Gazprom Neft" and Deputy CEO" for Economics and Finance at PJSC "Gazprom Neft since March 2012.

Mr Yankevich was elected member of the *NIS j.s.c. Novi Sad* Board of Directors as of June 18, 2013.

Goran Knežević

Member of NIS j.s.c. Novi Sad Board of Directors
Chairman of Nominations Committee

Born on May 12, 1957 in Banatski Karlovac, Serbia.

Mr Knežević graduated from the Faculty of Economics, University of Belgrade. He worked at "Servo Mihalj" in Zrenjanin from 1983 to 1990. Mr Knežević served as General Manager at "Servo Mihalj Turist" from 1990 to 2000. Since 2000, he has been the Executive Committee Chairman of the city of Zrenjanin and the City Mayor holding office for three consecutive terms. Mr Knežević was appointed Minister of Agriculture of the Republic of Serbia in 2012. From 01 October 2013 to 30 June 2014, he was Advisor to the General Director of *NIS j.s.c. Novi Sad*.

Mr Knežević was elected member of the *NIS j.s.c. Novi Sad* Board of Directors as of June 30, 2014.

Alexander Krilov

Member of NIS j.s.c. Novi Sad Board of Directors
Director of the Department for Regional Sales at PJSC "Gazprom Neft"

Born on March 17, 1971 in Leningrad, USSR.

In 1992, Mr Krylov graduated from LMU (Leningrad) and graduated from the Faculty of Law of Saint Petersburg State University in 2004. In 2007, he earned MBA degree from Moscow International Business School MIRBIS, specializing in Strategic management and Entrepreneurship. From 1994 to 2005 Mr Krylov held managerial

positions in the field of real estate sales (Chief Executive Officer, Chairman) in the following companies: Russian-Canadian JC "Petrobild"; c.j.s.c. "Alpol". From 2005 – 2007 he was deputy director in the Division for implementation in "Sibur" Ltd. In April 2007, Mr Krylov was appointed Head of the Division for Petroleum Product Supply, head of the Regional Sales Division and Director of the Regional Sales Department at PJSC "Gazprom Neft".

Mr Krylov was elected member of the *NIS j.s.c. Novi Sad* Board of Directors as of November 29, 2010.

Nikola Martinović

Member of NIS j.s.c. Novi Sad Board of Directors
Member of Audit Committee

Born on December 3, 1947 in Feketić, Serbia.

Mr Martinović completed his primary education in Feketić, and secondary in Srbobran. He graduated from the Faculty of Economics in Subotica, where he also defended his Master's Thesis, titled "Transformation of Tax System in Serbia by implementing VAT". From 1985 to 1990, he was the CEO of "Solid" company from Subotica, and from 1990 to 1992, he served as Assistant Minister of the Interior of the Republic of Serbia. From 1992 to 2000, Mr Martinović held the position of Assistant CEO of the Serbian Petroleum Industry in charge of financial affairs, and was CEO of "Naftagas Promet" from 1996 to 2000. From 2005 until 31.08.2013, Mr Martinović worked as a Special Advisor at *NIS j.s.c. Novi Sad*. On 01.09.2013, he was appointed Special Advisor to the CEO of O Zone j.s.c. Belgrade, and from 15.12.2013 to 17.11.2014, he was performing the duties of the Advisor to the Director of NTC NIS Naftagas d.o.o. Novi Sad. Furthermore, he currently serves as member of the National Bank of Serbia Governor Council.

Mr Martinović was a member of *NIS j.s.c. Novi Sad* Board of Directors from 2004 to 2008, and he was re-elected on February 10, 2009.

Wolfgang Ruttenstorfer

Independent Member of NIS j.s.c. Novi Sad Board of Directors
Chairman of Audit Committee

Born on October 15, 1950 in Vienna, Austria.

In 1976, he graduated from the Economics and Business Administration at the Vienna University of Economics and business, and he holds a PhD degree. Mr Ruttenstorfer's career started in the Austrian company OMV in 1976. In 1985, he was transferred to the Planning and Control Department and in 1989; he became responsible for the strategic development of the OMV Group. Being appointed Marketing Director in 1990, he became a member of the Executive Board in 1992, and was in charge of finance and chemical products. By early 1997, he was a member of the OMV Executive Board, when he was appointed Deputy Minister of Finance. On 01.01.2000, he was re-appointed a member of the OMV Executive Board in charge of finance, a function he performed by April 2002. He was in charge of gas affairs by December 2006. In the period from 01.01.2002 to 31.03.2011, Mr Ruttenstorfer was the Chairman of the Executive Board of the OMV Group.

He was elected Independent member of the *NIS j.s.c. Novi Sad* Board of Directors as of April 20, 2012.

Anatoly Cherner

Member of NIS j.s.c. Novi Sad Board of Directors
Member of Remuneration Committee
Deputy Chairman of the Executive Board, Deputy CEO for logistics, refining and sales in PJSC "Gazprom Neft"

Born on August 27, 1954 in Grozny, USSR.

Mr Cherner graduated from Grozny Oil Institute in 1976 with a degree in chemical oil and gas engineering. In period from 1976 to 1993 he was employed at the "Sheripov Grozny Refinery", starting as an operator to become refinery director. In 1996, he joined "SlavNeft" as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of "NGK SlavNeft". He joined SibNeft (from June 2006 – "Gazprom Neft") as Vice-Chairman for refining and marketing in April 2006.

Mr Cherner was elected member of the *NIS j.s.c. Novi Sad* Board of Directors as of February 10, 2009.

Stanislav Shekshnia

Independent Member of NIS j.s.c. Novi Sad Board of Directors
Chairman of Remuneration Committee
Member of Nominations Committee
Professor at the International Business School INSEAD

He was born on May 29, 1964 in Moscow, USSR.

Mr Shekshnia serves as the Chief of practice in the Talent Performance and Leadership Development Consulting Department. Director of Talent Equity Institute and a senior partner at Ward Howell. He teaches the course "Entrepreneur Leadership" at the International Business School INSEAD. Mr Shekshnia has more than 15 years of practical experience in management. He held the following positions: CEO of Alfa Telecom, chairman and CEO of Millicom International Cellular, Russia and CIS, Chief Operational Director of Vimpelkom, Director of Personnel Management in OTIS Elevator, Central and East Europe. He has been a member of o.j.s.c. SUEK and c.j.s.c. Vimpelkom-R Boards of Directors.

Mr Sheknia was elected Independent member of the *NIS j.s.c. Novi Sad* Board of Directors as of June 21, 2010.

The number and % of *NIS j.s.c. Novi Sad* shares owned by BoD members		
Name	**No. of shares**	**% in the total no. of issued shares**
Nikola Martinović	224	0.0001%

Total amount of remunerations paid out to BoD members in first quarter of 2016, RSD net	
General Director	6,162,427
Other members of the BoD	17,169,723

Board of Directors' Committees

With a view to ensuring the efficient performance of its activities, the Board of Directors has established three standing committees as its advisory and expert bodies providing assistance to its activities, especially in terms of deliberating on issues within its scope of competence, preparation and monitoring of the enforcement of decisions and adopting and performing certain specialized tasks to meet the Board of Directors' needs.

The Board of Directors has established the following committees:

- Audit Committee:
  - Wolfgang Ruttenstorfer, Chairman of the Audit Committee,
  - Alexey Urusov, Member of the Audit Committee, and
  - Nikola Martinović, Member of the Audit Committee.
- Remuneration Committee:
  - Stanislav Shekshnia, Chairman of the Remuneration Committee,
  - Anatoly Cherner, Member of the Remuneration Committee, and
  - Zoran Grujčić, Member of the Remuneration Committee.
- Nominations Committee:
  - Goran Knežević, Chairman of the Nominations Committee,
  - Kirill Kravchenko, Member of the Nominations Committee and,
  - Stanislav Shekshnia, Member of the Nominations Committee.

As appropriate, the Board of Directors may establish other standing or ad hoc committees to deal with the issues relevant for the activities of the Board of Directors.

Shareholders' Assembly Board

The Shareholders' Assembly Board for the Supervision of Operations and the Procedure for Reporting to Company's Shareholders (hereinafter the Shareholders' Assembly Board) is an advisory and expert body of the NIS j.s.c. Novi Sad Shareholders' Assembly which provides assistance to the Shareholders' Assembly in its activities and deliberation on issues falling within their scope of competence. The members of the Shareholders' Assembly Board are accountable to the Shareholders' Assembly which appoints them to and relieves them of their duty.

Members of Shareholders' Assembly Board as of March 31st, 2016

Nenad Mijailović

Chairman of Shareholders' Assembly Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Novi Sad Shareholders

Born on October 14, 1980 in Čačak, Serbia.

Mr Mijailović graduated from the Faculty of Economics, University of Belgrade in 2003. In 2007, he obtained an MBA degree from the University of Lausanne, Switzerland. In 2010, he started his PhD studies at the Faculty of Economics, University of Belgrade. As from 2011, he has held an international CFA license in the field of Finance. From 2003 to 2009, he worked as a consultant and manager in finance and banking in the following companies: Deloitte Belgrade, AVS Fund de Compensation Geneva, JP Morgan London, and KBC Securities Corporate Finance Belgrade. From December 2009 to August 2012, Mr Mijailović served as Advisor to the Minister in the Ministry of Economy and Regional Development, Department of Economy and Privatization. Since August 2012, he has held the position of Deputy Minister of Finance of the Republic of Serbia. As of August 2014, he served as the Secretary of State in the Ministry of Finance of the Republic of Serbia.

Mr Mijailović was a member of *NIS j.s.c. Novi Sad* Board of Directors from June 18, 2013 to June 30, 2014. He was appointed Chairman of the *NIS j.s.c. Novi Sad* Shareholders' Assembly Board for the Supervision of Operations and Procedure for Reporting to Company's Shareholders as of June 30, 2014.

Zoran Grujičić

Member of Shareholder Assembly Board for Supervision of Operations and Procedure for Reporting to
NIS j.s.c. Novi Sad Shareholders
Member of Remuneration Committee

Born on July 28, 1955 in Čačak, Serbia.

Mr Grujičić graduated from the Faculty of Mechanical Engineering, University of Belgrade. From 1980 to 1994, he was employed with Heat Transfer Appliances Plant "Cer" in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of Interkomerc, Belgrade. From February 1998 to June 2004, he was Managing Director of the Company MNG Group d.o.o., Čačak. From June 2004 to February 2007, he was Director of the Trading Company Agrostroj j.s.c. Čačak, Director of the limited partnership company Leonardo from Čačak and Director of the Vojvodina Highway Centre. Since February 2007, Mr Grujičić has been employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department, Jugopetrol; Head of RC Čačak at the Retail Department – Čačak Region; Manager of the Retail Network Development of the Development Department, Sales and Distribution Block. Since 01.10.2012, he has served as Advisor to the Sales and Distribution Block's Director.

He was appointed member of the *NIS j.s.c. Novi Sad* Shareholders' Assembly Board for the Supervision of Operations and Procedure for Reporting to Company's Shareholders as of June 30, 2014.

Alexey Urusov

Member of Shareholder Assembly Board for Supervision of Operations and Procedure for Reporting to NIS j.s.c. Novi Sad Shareholders
Member of Audit Commission
Director of Economics and Corporate Planning Department in PJSC "Gazprom Neft"

Born on November 17, 1974 in Tyumen, USSR.

Mr Urusov graduated from the Tyumen University (specialist in finance) and the University of Wolverhampton in the United Kingdom (BA (Hons) Business Administration). Mr Urusov holds and MSc degree in Sociology. From 2006 to 2008 worked as executive vice-president for planning and performance management in the Integra Group. From 2002 to 2006 worked in TNK-VR. From 2002 to 2003 member of TNK BoD's Group for monitoring and, and in period from 2004 to 2006 worked as CFO in TNK-VR Ukraine. From 2009 to 2012, Mr Urusov was employed with *NIS j.s.c. Novi Sad* as Chief Finance Officer.

He was appointed member of the *NIS j.s.c. Novi Sad* Shareholders' Assembly Board for the Supervision of Operations and Procedure for Reporting to Company's Shareholders as of June 25, 2012.

The number and % of *NIS j.s.c. Novi Sad* shares owned by SAB members

Name	No. of shares	% in the total no. of issued shares
Nenad Mijailović	5	0.000003066%

A total amount of remunerations paid out to SAB members in first quarter of 2016, net RSD

SAB Members	4,380,113

General Director

The Board of Directors appoints one of its executive members to act as the General Director. The General Director coordinates the activities of the executive members of the Board of Directors and organizes the Company's activities. In addition to this, the General Director performs daily management activities and decides on matters which do not fall within the competence of the Shareholders' Assembly and the Board of Directors. The General Director is a legal representative of NIS.

Mr Kirill Kravchenko is the General Director of NIS j.s.c Novi Sad.

The Advisory Board of General Director

The Advisory Board of General Director as an expert body that provides assistance to the General Director in his activities and consideration of issues within its scope of competence. The composition of the Advisory Board of General Director has been determined by the General Director's Decision and it is composed of the Directors of all Blocks and Functions within the Company, the General Director's Deputy for petrochemical operations and Regional Directors of NIS j.s.c. Novi Sad. The Advisory Board has a Council composed of Block Directors and the General Director's Deputy in charge of petrochemical operations. The Advisory Board of General Director is managed by the General Director and provides him assistance in relation to the issues concerning the Company's business operations management. In addition to issues concerning the Company's current operations (monthly and quarterly operating results, annual business plans, monthly investment plans), the Advisory Board deals with issues related to strategy and development policy, whose basic principles are established by the Shareholders' Assembly and the Company's Board of Directors.

Transactions Involving Personal Interest and Transactions with Related Parties

A person entrusted with special duties at the Company must notify the Board of Directors without delay of the personal interest (or the interest of a related party) in a legal transaction concluded by the Company, or a legal action undertaken by the Company.

By the conclusion of the Contract on regulating the mutual rights and obligations with the Company, the members of the Board of Directors are additionally informed about the obligation to notify the Company due to a possible conclusion of a legal transaction with the Company, as well as with the obligation to not represent competition to the Company and other special duties of the members of the Board of Directors.

The Company identifies legal transactions and legal actions with related parties to ensure that their conclusion only takes places if they are not damaging to Company operations. Legal transactions and legal actions with related parties are authorized by the Board of Directors in line with the Law. Once per year, the Board of Directors submits to the regular Shareholders Assembly the information on the approval of the conclusion of personal interest transactions. In addition, with the aim of monitoring potential competition, the Company has the practice of quarterly surveys of members of the Board of Directors about the circumstances of their current engagement, as well as about memberships in Boards of Directors and Steering Committees at other companies.

In first three months of 2016, NIS has entered into business transactions with its related legal entities. The most important transactions with related legal entities occurred based on procurement/delivery of crude oil, petroleum products and energy. An overview of transactions with related parties is provided in the notes accompanying the financial statements.

Risk Managements

Integrated Risk Management System

NIS has set its risk management targets and established an integrated risk management system (IRMS).

Risk management goal is to ensure additional guarantees for meeting strategic and operational objectives by timely identification and prevention of risks, identification of effective measures and delivery of maximum efficiency of risk management measures.

IRMS is a systematic, structured, unified and on-going process of risk identification and assessment, identification of risk management measures and monitoring of their implementation. It allows for a consistent and clear-cut framework for risk management and reporting from business operations to the management of *NIS j.s.c. Novi Sad*.

Risk management has been incorporated into the NIS environment through the implementation of the following activities:

- Adoption of the risk-oriented approach in all aspects of production and management activity;
- Systematic analysis of identified risks;
- Establishment of a risk monitoring system and monitoring of the efficiency of risk management measures;
- Communication of adopted basic risk management principles and approaches to all employees;
- Provision of necessary normative and methodological support;
- Distribution of risk management powers and responsibilities between organisational units.

NIS IRMS Process Flow

Risk identification/ registry revision (annually*)

Qualitative/ quantitative risk assessment (annually*)

Identification of risk management measures (annually*)

Monitoring of measures (quarterly, semiannualy, annually)

*Or as needed.

The system‘s underlying principle is that the responsibility for managing various risks is assigned to different management levels depending on an estimated financial impact of the risk. Such approach allows for defining areas of responsibility for risk management and monitoring at all management levels, and for preparing corresponding action plans for managing key risks at the level of organisational units and NIS j.s.c. Novi Sad as a whole.

All major subsidiaries[5] are also covered by the process through the preparation of a consolidated risk registry. The parent Company has set up the Risk Assessment Section, which coordinates the process and ensures its continuous development.

Furthermore, management systems, the organisational structure, processes, standards and other regulatory documents, the Code of Corporate Governance and the Code of Business Ethics altogether form an internal control system which gives guidance for implementing NIS’ business activities and effective management of associated risks.

IRMS Integration into Business Planning Process

Risk assessment is incorporated into business planning processes and information on key risks is incorporated into business plans.

Risks are reviewed in parallel with business planning processes.

[5] NIS Petrol EOOD, NIS PETROL s.r.l., NIS Petrol d.o.o., Jadran – Naftagas d.o.o., Pannon Naftagas Kft, Naftagas – Tehnički servisi d.o.o., Naftagas – Naftni servisi d.o.o., Naftagas – Transport d.o.o.

With respect to key risks, management targets (management strategies) are defined, as well as risk management measures, financial resources needed and people responsible for the implementation of measures. If internal and external circumstances should change, the list of key risks and corresponding risk management measures and resources needed may be revised throughout the year.

In its business operations, the Group is exposed to industrial (operational) and financial risks.

Operational Risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Risks Associated with Oil and Gas Exploration and Production	
With respect to geological research, the goal of NIS Group is to increase the resource base and production. This largely depends on the outcome of geological and exploration activities aiming at increasing the number of active wells in the country and abroad. The main risk in oil and gas exploration and production ensues from failure to prove estimated reserves and, consequently, failure to achieve planned resource base growth.	Measures applied to mitigate the risks are selecting candidates for exploration drilling based on seismic and geological interpretation of new 3D seismic data, expertise in geological research provided by the majority shareholder and selection of most prospective wells, application of latest exploration methods, and experience in geological research, all of which reduces the probability of risks arising.

Financial Risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Market Risks	
Foreign Exchange Risk – NIS Group operates in an international setting and it is exposed to the risk of volatile foreign currency exchange rates, arising from business transactions in different currencies, primarily USD and EUR. The risk is associated with future business transactions and recognised assets and liabilities.	Part of the risks relating to the impact of the national currency exchange rate against USD is neutralised through natural hedging of petroleum product selling prices, which are adjusted to changes in the exchange rate. Risk management instruments are also used, including forward transactions on the foreign exchange market, which reduces the impact of foreign currency losses in the event of depreciation of national currency against USD or EUR. Other measures include balancing of the foreign exchange equilibrium in terms of adjusting the currencies in which export transactions are denominated with the currencies of foreign liabilities; managing the currency structure of the loan portfolio etc.

Financial Risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Market Risks	
Price Change Risk – In view of its core activity, NIS Group is exposed to price change risks, namely the price of crude oil and petroleum products, which affects the value of inventories and margins in oil refining, which in turn affects future cash flows.	These risks are partly offset by adjusting petroleum product selling prices against the changes in oil and petroleum product prices. Whether commodity hedging instruments will be applied in Gazprom Neft Group's subsidiaries, including *NIS j.s.c. Novi Sad* as a subsidiary is at the discretion of Gazprom Neft Group. In addition, the following actions are undertaken in order to reduce potentially negative impact of the risk: • Annual planning based on the multiple scenarios approach, plan follow-up and timely adjustment of crude oil procurement plans; • regular sessions of *NIS j.s.c. Novi Sad* Committee for procurement/sales of crude oil for discussion of all significant issues in the procurement and the sales process of crude oil (sales of crude oil from Angola – Palanca crude); • Tendency to enter into long-term contracts for crude oil purchase at most favourable commercial terms, including extended payment terms on an open account basis and entering into purchase contracts based on which NIS would, in line with current intergovernmental agreements, be exempted from the payment of customs clearance fees at import based on preferential status; • Wider range of suppliers, successful cooperation with EU companies, higher competitiveness in import procurement tender procedure and ever more visible results of the shift in procurement prices; • Diversification of crude oil basket for the potential import procurement, ensuring the samples of the types of crude which have not been yet refined in Pančevo Oil Refinery; constant strive to optimize the process and efforts to achieve the best possible economic effects and indicators; • Occasional benchmarking for the purpose of market research and price trend analysis, i.e. analysing commercial capacities of major prospective suppliers of crude oil, renowned companies which are dominant and reliable in crude oil trading; • Daily follow-up of crude oil publications, analysis/testing of crude oil which has not been used in NIS refining plants, with analysing and reviewing potential commercial terms of procurement.

Financial Risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Market Risks	
Interest Rate Risk – NIS Group is exposed to the interest rate risk both in terms of its indebtedness with banks and placement of deposits.	*NIS j.s.c. Novi Sad* takes out loans from commercial banks at floating interest rates and performs sensitivity analysis with respect to changes in interest rates in order to estimate if raising a loan at a flat interest rate is required to a certain extent. Term deposits are placed exclusively with major commercial banks from which *NIS j.s.c. Novi Sad* takes out loans and/or credit/documentary lines. Moreover, the term deposits, both in RSD and in foreign currency, are short-term (up to 90 days), at flat interest rates. Based on the aforesaid, revenues and cash flows are substantially independent of changes in market interest rates on deposited funds in the form of term deposits, although the interest rates that *NIS j.s.c. Novi Sad* can obtain in the market heavily rely on the base interest rate at the moment of depositing (Belibor - reference interest rate of the National Bank of Serbia).
Credit Risk	
Credit Risk is related to cash and cash equivalents, deposits with banks and financial institutions, intercompany loans granted to foreign or local subsidiaries, as well as due to the exposure in wholesale and retail sale risks, including unrecoverable debt and assumed payment obligations.	Credit risk management is established at the level of NIS Group. With respect to credit limits, banks are ranked in line with adopted methodologies applicable to core and other banks with the aim of setting the maximum amount of exposure of *NIS j.s.c. Novi Sad* to the bank at any given time (through facilities to secure claims from one bank, documentary instruments – bank guarantees, Letters of Credit etc. issued to *NIS j.s.c. Novi Sad*). Regarding the accounts receivable, a methodology for credit limits has been developed and serves as a basis for defining the level of exposure in relation to specific customers, depending on their financial indicators.

Financial Risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Liquidity Risk	
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities. It is the risk of having insufficient sources of financing for the Group's business operations.	NIS Group continuously monitors liquidity in order to ensure sufficient cash to meet its operational and investment needs and financial liabilities. To this end, it is continually contracting and securing sufficient credit and documentary lines while maintaining the maximum allowable level of credit exposure and meeting the commitments under commercial bank arrangements (covenants). Liquidity forecasts take into account the Group's plans debt repayment schedules, compliance with contractual terms and compliance with internally-set goals, and it is based on the daily cash flow projections of the entire NIS Group which are the basis for making decisions regarding raising external loans, in which case adequate bank financing sources are secured, provided compliance with the allowable limits set by PJSC "Gazprom Neft". Aiming to increase liquidity and decrease dependence on external financing sources, as well as to decrease NIS Group's costs of financing, as of January 1, 2014 the Group has applied the cash pooling system for liquidity management, which involves centralized management of liquidity and financing with respect to the division of NIS Group in the Republic of Serbia.[6] Since mid-September 2014 *NIS j.s.c. Novi Sad* has been exposed to limited external financing capabilities, as already stated, due to the imposing of sectorial sanctions by the EU and the U.S.A. on the largest Russian-owned power generating companies incorporated outside EU. Owing to continuous monitoring of geopolitical situation and capital market trends, as well as timely response and entering into lines of credits with banks before the aforesaid sanctions were imposed, NIS managed to secure sufficient limits for documentary business and for credit financing of NIS Group in 2015. Furthermore, with the aim of acquiring necessary funds for future transactions, in 2015. NIS has negotiated/contracted new credit lines with Serbian banks for unlimited funding purposes and with Serbia-based European banks for funding imports from the EU (exempt from the sanctions), thus ensuring the necessary funds for 2016.

[6] NIS j.s.c. Novi Sad and subsidiaries Naftagas – Naftni servisis d.o.o., Naftagas – Tehnički servisi d.o.o. and NTC (STC) NIS Naftagas d.o.o.

Other Risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
Risk of the introduction of economic restrictive measures by the EU and the USA against Gazprom Neft Group	
The introduction of economic restrictive measures by the EU and the USA against Gazprom Neft Group created a risk for its long term development due to the limited possibilities of getting long-term loans from business banks belonging to banking groups with head offices in the EU and the USA.	NIS continuously monitors international developments, assessing consequences to the business and undertaking appropriate actions to minimize any adverse impacts on the Group's performance.

Business Environment

World

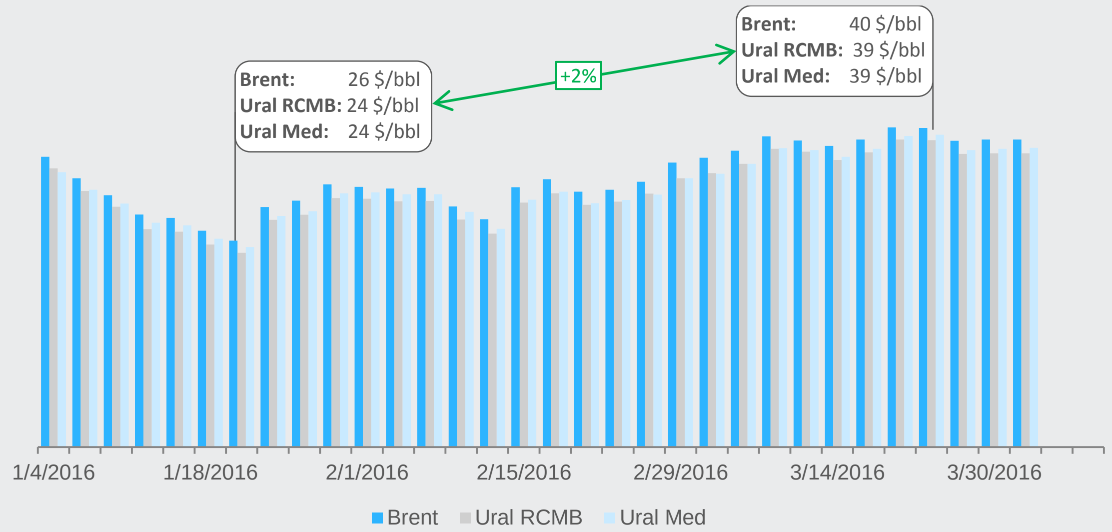
After what the international community abolished sanctions to Iran (upon reaching agreement on nuclear program), daily oil exports from this country has doubled. Iran is the fourth country with largest oil reserves in the world, but the export of this resource was limited because of the sanctions. Despite concerns about the global oversupply of oil market, which caused prices to fall even below $ 30 $/bbl in the past period, Iran has increased its exports and for now there is no intention to reduce production.

According to some sources, Saudi Arabia has no longer a possibility to control oil price on the global market. If oil prices should increase to 60 $/bbl – shale production in USA would become profitable and USA would once again increase its production. The fact that the United States has already taken the first place in terms of crude oil production and that, after a decade-long ban, USA began to export oil, does not go in favour to Saudi Arabia and other members of OPEC and Russia.

The IMF warns that the global economy is losing momentum and urges the Governments to take measures to maintain recovery. In a speech in Frankfurt, Germany, Director Lagarde said that the global economic recovery after the crisis of 2007-2009 is "still too slow and too fragile." She also stated that the prospects for global economic growth in next six months, have weakened and she indicated that the IMF would have to review its growth forecasts.

Euro zone economy at the beginning of 2016 maintained the last year pace when the healthy consumption has led to an increase in GDP of 1.5%, which was the largest increase since 2011. The conditions that led to last year's recovery are still present and it is expected that the economy will record other healthy expansion in 2016. However, the growth rate will remain moderate at an aggregate level, as slower economic growth in key emerging economies reflects on the rest of the euro zone, and there are also many political risks. In this context, analysts retain the euro zone economic growth stable at 1.6% in 2016.

Brent and Urals crude oil price trends of in first quarter of 2016[7]



[7] Source: Platts

Serbia

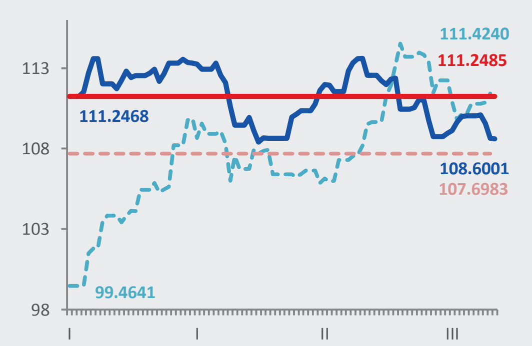
Favourable trends of strengthening economic activity from 2015 continued in the first quarter of 2016. In 2016, as in the medium term, growth in economic activity will continue to be predominantly defined by recovery speed of the euro zone, trends on international commodity markets and the implementation of structural reforms within the country.

It is estimated that in the first quarter of 2016, GDP will record growth of 0.6%, which will be achieved mainly in the industry and construction, and supported by the domestic and external demand. Throughout 2016, accelerated GDP growth to 1.8% is expected, primarily as a result of the relaxation of monetary policy, improvement of the business environment, structural reforms and recovery in external demand. Growth will also be driven by investments. It is expected that the growing dynamics of industrial production will be maintained in the future period.

IMF mission visited Serbia in the period from 18 to 26 February, in order to harmonize activities on the fourth review of stand-by arrangement, signed in February 2015 (focused on three main issues: the growing fiscal withdrawal because of the growing ratio of public debt to GDP, the strengthening of the banking and financial system and restructuring of the real economy). Negotiations will be finalized after the formation of the new government. IMF said that the work on the fulfilment of conditions of the arrangement is satisfactory, and that in 2015 the consolidated budget deficit is 3.75%, and that this is the lowest deficit since 2008. However, fiscal and structural reforms are still delayed, particularly headcount cuts in the public sector, and public debt remains high at around 73% of GDP. The reform of state-owned companies is also lagging behind.

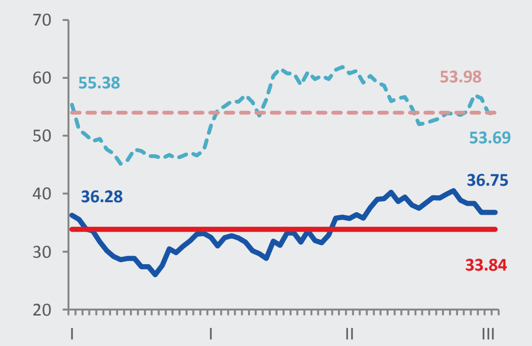
The sharp decline in interest rates from 2015 continues. Interest rates on new loans in dinars in January of this year fell to the lowest level (5.9% for industry and 12.1% of the population).

USD/RSD exchange rate trends[8] **+3%**



- Average USD/RSD exchange rate is by RSD 3.55 i.e. 3% in Q1 2016 higher in Q1 2016 than the average rate in Q1 2015
- USD/RSD exchange rate decreased by RSD 2.6467 i.e. 2% in Q1 2016
- USD/RSD exchange rate increased by RSD 11.9599 i.e. 12% in Q1 2015

Brent oil price trend[9], $/bbl **-37%**



- Average price of Brent crude oil is by 20,11 $/bbl i.e. 37% lower in Q1 2016 than the average price in Q1 2015
- Price of Brent crude oil increased by +0.47 $/bbl i.e. 1% in Q1 2016
- Price of Brent crude oil decreased by -1.69 $/bbl i.e. 3% in Q1 2015

[8] Source: National Bank of Serbia.

[9] Data for Europe Brent Spot Price FOB. Source: U.S. Energy Information Administration (http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm).

Market Share

Serbian Market

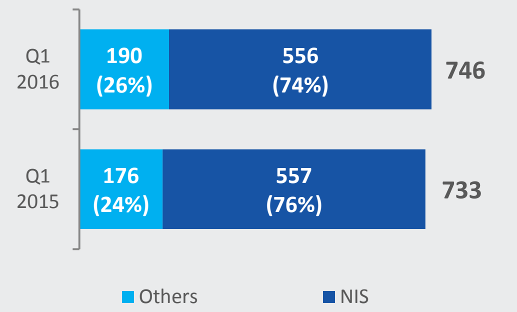
The purchasing power of petroleum products in Serbia in first three months is growing when compared to the same period of 2015. This was mainly contributed by growth in the consumption of naphtha and motor fuel, fuel oil and bitumen, due to lower prices of these petroleum products. In the same comparative period, the consumption of heating oil, diesel and aviation fuel is lower.

The reasons for maintaining the extremely high market share is NIS' business flexibility and willingness to adapt the offer to clients, even under conditions of extremely dynamic market changes.

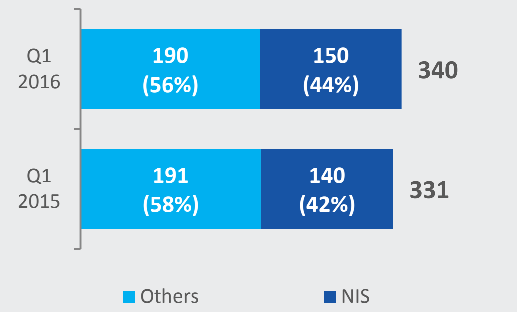
In first quarter of 2016 retail market increased by 2.6% in the total compared to the same period in 2015. NIS has increased its total market share in the retail market of Serbia, with growth in sales of gasoline and diesel, as well as auto gas.

The growth in consumption of fuels is related to lower prices, mild winter and early onset of agricultural works.

Volume of petroleum products market[10]
thousand tonnes **+2%**



Volume of retail market[11]
thousand tonnes **+3%**



Regional Markets

Bosnia and Herzegovina

Due to the low excise duties and VAT rates motor fuel prices in Bosnia and Herzegovina are significantly lower than in the rest of the region. This made Bosnia and Herzegovina attractive for cross-border fuel procurement for all countries in the region. The Board of Directors of the Bosnian Indirect Taxation Authority (ITA) adopted a proposal to increase excise on oil and petroleum products and to introduce excise duty on auto gas. In this way, the excise tax per litre of petroleum product should increase by 0.40 BAM, which could lead to balancing of fuel sales in border areas.

Amendments of Trade Law of Bosnia and Herzegovina stipulates ban on sales of heating oil on petrol stations in Republika Srpska, which should address long-term practice of substitution of diesel with heating oil on both local market and on cross-border procurement for farmers from bordering areas of Serbia and Croatia.

NIS owns 35[12] active petrol stations in Bosnia and Herzegovina.

NIS' share in petroleum products market is 10.0%, and share in retail market is 10.7%.

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[10] Estimate

[11] The sales range of NIS and other competitors includes motor fuel (gas, motor fuel, Diesel and EL heating oil used as the motor fuel). LPG cylinders are not included.
Information on market volumes for Q1 2015 was ajdusted after receiving all relevant market data from National Oil Committee of Serbia. Information for 2016 is an estimate.

[12] Two more petrol stations operate in DODO (Dealer Owned Dealer Operated) mode.

Bulgaria

Retail market of Bulgaria is facing fierce competition dominated by loyalty programmes participating with more than 60% in total turnover of individual persons.

The company Bulro Gas, a leading distributor of LPG in the Bulgarian market, intends to open its first ten petrol stations under the brand *OCTANE* this year.

NIS owns 35 active petrol stations in Bulgaria.

NIS' share in petroleum products market is 4.8%, and share in retail market is 4.8%.

Romania

Decrease of VAT rate in Romania by 4% as of January 1st, 2016 brought additional cut in fuel prices and contributed to the increase in consumption.

China Energy Company (CEFC) purchased a 51% stake in the company KMGI, also known as Rompetrol, which has so far been owned by Kazakh oil company KazMunaiGaz. The Chinese company has already announced an investment plan to increase its retail network to 3,000 Rompetrol petrol stations and expansion of business in South-eastern Europe.

NIS owns 18 active petrol stations in Romania.

NIS' share in petroleum products market is 0.7%, and share in retail market is 1.1%.

Result Analysis

Key Performance Indicators

Indicator	Unit of measure	Q1 2016	Q1 2015	Δ $\frac{Q1\ 2016}{Q1\ 2015}$ (%)[13]
NIS Group				
Urals	$/bbl	32.23	52.93	-39%
Net profit	bn RSD	0.3	-4.7	+ 106%
EBITDA[14]	bn RSD	3.8	7.2	-48%
Sales revenues	bn RSD	35.4	46.4	-24%
OCF	bn RSD	3.6	4.4	-20%
Liabilities from taxes and other public revenues[15]	bn RSD	32.8	29.5	+11%
CAPEX[16]	bn RSD	4.6	7.1	-34%
Total indebtedness[17]	mn USD	633	654	-3%
Exploration and production				
EBITDA	bn RSD	4.2	10.0	-58%
Oil and gas production[18]	thousand t.o.e.	377	397	-5%
Domestic oil production[19]	thousand tonnes	251	269	-7%
CAPEX	bn RSD	3.9	5.8	-33%
Services				
EBITDA	bn RSD	0.3	0.2	+50%
Well workover services	no. of operations	1.609	2.230	-28%
CAPEX	bn RSD	0.1	0.3	-52%
Refining				
EBITDA	bn RSD	-1.1	-4.3	+74%
Oil and semi-finished products refining volume	thousand tonnes	776	684	+13%
CAPEX	bn RSD	0.3	0.5	-47%
Sales and distribution				
EBITDA	bn RSD	1.9	1.6	+19%
Total petroleum product sales	thousand tonnes	703	680	+3%
Sales - foreign assets[20]	thousand tonnes	56	41	+36%
Domestic sales of petroleum products	thousand tonnes	562	549	+2%
Motor fuels	thousand tonnes	431	327	+32%
Retail	thousand tonnes	151	141	+7%
CAPEX	bn RSD	0.1	0.2	-72%
Energy				
EBITDA	bn RSD	0.4	0.6	-33%
Electricity generation	MWh	40,047	31,398	+28%
CAPEX	bn RSD	0.2	0.2	+15%

[13] All possible discrepancies in percentage values are due to rounding errors. Changes presented in percentage were calculated using indicator values that are not rounded to billions RSD.
[14] EBITDA = Sales revenue (excluding excise duty) – inventory costs (crude oil, petroleum and other products) – operating expenses (OPEX) – other costs that can be controlled by the management
[15] Taxes, duties, fees and other public revenues accrued for the observed period. The overview includes NIS' tax obligations and other public revenues in Serbia and other countries in which it operates.
[16] CAPEX amounts do not include VAT.
[17] Total indebtedness = total debt to banks + Letters of Credit. As at 31 March 20152016, it stands at USD 622.9 million of total debt + USD 10.3 million in Letters of Credit.
[18] Domestic oil production includes natural gasoline and light condensate, while gas production takes into account commercial production of gas.
[19] Including natural gasoline and light condensate.
[20] The sales of foreign assets represent the sales accomplished by NIS subsidiaries abroad (retail and wholesale).

Operational Indicators

Exploration and production

Despite the reduced scope of investments, *Exploration and Production Block* managed to meet the hydrocarbon production plan while increasing hydrocarbon reserves by 3.7%. The first quarter of 2016 was also marked by the application of new technologies and innovative solutions - multistage fracturing, horizontal drilling etc. We continued with the implementation of operational efficiency increase programme and reduced costs.

Main priorities and initiatives for 2016

- Accomplishment of the planned hydro-carbons production, geological explorations efficiency improvement, completion of geological explorations projects concerning tight reserves and unconventional resources.
- Increased production and technological efficiency, implementation of operational efficiency boost measures.

Accomplishments in first quarter of 2016

In first quarter of 2016, as part of implementation of geological exploration works *Exploration and Production Block* drilled three exploration wells which are currently being tested. Well drilled at the end of 2015 was put into trial production. The estimated increase in hydro-carbon reserves for 2016 is 3.7%.

Preparation of Investment Project for drilling and testing the exploratory well *Kumane* is underway (specific accumulation of heavy oil).

3D seismic testing on the exploratory area *Turija II* was finished in January of 2016. Regional model of Pannonian Basin was finished and presented.

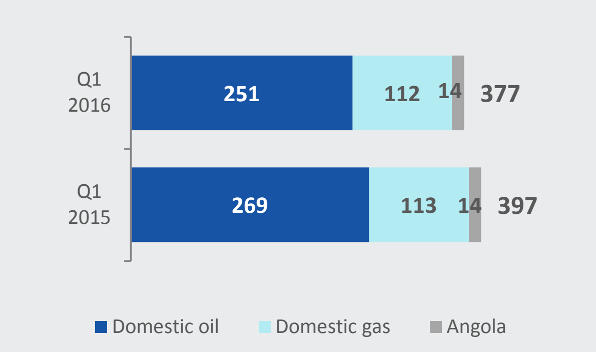
At Kiskunhalas exploration block in Hungary test exploitation was completed at *RAG Kiha-003* well and preparations for drilling of *RAG Kiha-004* were initiated. The revision of gathered data is in progress and the strategy for further activities is in preparation. Interpretation of data surveyed on blocks *Ex-7* and *Ex-8* by STC NIS experts is underway (first and second phase – joint project with East West Petroleum). Third phase of seismic operations on blocks *Ex-7* and *Ex-8* initiated and testing of *Jimbolia 100* well started.

Operating indicators

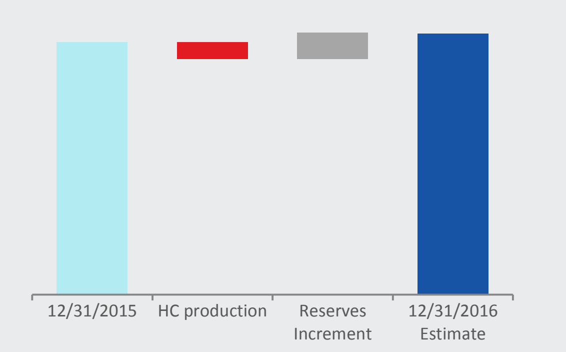
Volume of oil production in first quarter of 2016 exceeds the planned by 4.7 thousand tonnes. From the planned activities aspect, production from the new drilling, application of geotechnical operations and base production are above the plan. Total effect of geotechnical operations together with production from the new drilling amounts to 12.1 thousand tonnes which is 4.5 thousand tonnes more than planned.

Production of domestic gas exceeds the plan for first quarter of 2016 (+0.4%), while the production of oil in Angola is below the plan for the same period (-5.6%)

Oil and gas production
thousand t.o.e. **-5%**



Estimated hydrocarbon reserves increase **+3.7%**



Services

Main priorities and initiatives for 2016

- "Mega Macs" plant to reach its full operational capacity and drill in machinery to be put on stream within the expansion of range of operations and services provided by *Services Block*.
- Further operational efficiency boost, optimisation of the number of crews and accomplishing maximum efficiency, increase effective time rate in Workover Unit.

Accomplishments in first quarter of 2016

Besides its activities in Serbia, *Services Block* was also engaged in overhaul of Ji-6 well in Romania, which was successfully completed. *Services Block* worked with 7 drilling rigs. Gantt chart for current drilling is quite restrictive due to market price of crude oil and this will lead to reduction in number of drilling rigs in use. Twelve new wells were drilled, three out of which are complicated exploration wells. Complex works on wells *Tus-138* and *Majdan-2* were also carried out where additional canals were drilled.

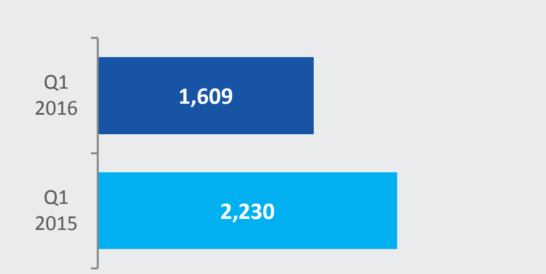
On average, 14 workover units were engaged for the needs of *Exploration and Production Block* on fulfilment of the production plan. Engagement of one unit on EU project *„Mirecol"* is planned by the end of the year. Well Workover Unit monitored all drilling and overhauls operations, as well as work of international brigades in Well Logging Unit, Mud Lodgging Unit, tools on cable, coiled tubing, nitrogen plans, Gravel Pack, chemical treatment of wells and cementation aggregates.

Training for the perpetrators of overhaul of *CAT* engines was carried out. Job of maintenance of cogeneration units in *Energy Block* was obtained and training of employees for this job was completed. Works on preventive overhaul of pumps for oil transportation and injection of formation water is been carried out since January 2016. Rebranding of pumping units is also continued.

3D seismic on Turija II project that was started last year was finished before deadline by Seismic Services Unit.

Operating indicators

Well services
number of operations **-28%**



Refining

Main priorities and initiatives for 2016

- Key tasks for 2016 in operational efficiency boost are: implementation of project and measures with the aim of increasing operational efficiency (Solomon index); development and implementation of the program of measures in order to reduce irrecoverable hydrocarbon losses; continuation of activities on finding Quick Wins technological solutions; improvement of technological possibilities for refining a wide oil range (including heavy oil) and implementation of the risk management system in Refining business processes.
- In investments "Bottom of the barrel" project will be continued (the front end engineering design for the construction of the main delayed coking unit and auxiliary delayed coking units prepared), and there are also plans for a series of construction works (the catalytic reforming unit - installation of Packinox heat exchangers; Replacement of 0.4 MCC control panels at the process units of Block 5, cleaning of gas ejector at the C-2200 Vacuum Distillation Unit), as well as major overhaul.

Accomplishments in first quarter of 2016

Reconstruction of the plant for the production of bitumen and polymer bitumen *S-0250 / 0290* was main event in past period. Also, as part of preparation for summer season and major overhaul planned for September, *C-4300* and *C-5000* units were a halted and mechanical works were performed.

During a short 7-day halt the furnace on Atmospheric and Vacuum Distillation Units were thoroughly cleaned, all segments on refrigerator and heat exchanger on Atmospheric Distillation Unit were washed, and regularity of serpent pipe Vacuum Distillation furnace was tested. *C-750/850* was overhauled and prepared for start with the fulfilment of legal obligations (external examination, internal examination, hydro test).

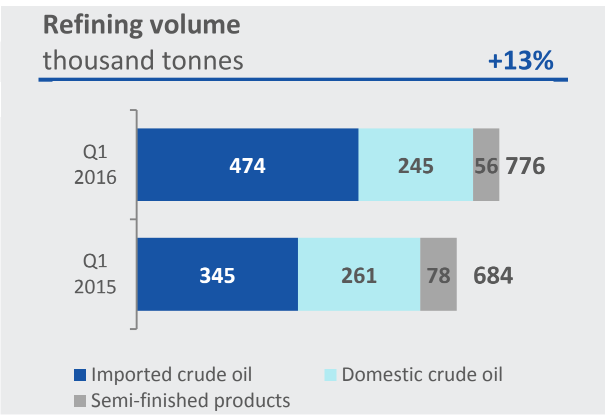
In the "NIS' Year of HSE" special focus is put on safety and health of all employees in *Refining Block*, as well as on development of special programmes for improvement of existing systems (work permits programme, improvement of risk assessment, training for increase of employees' knowledge and skills in the field of HSE). All activities and tasks that were performed in Pančevo Oil Refinery were carried out in line with the highest HSE standards.

Implementation of "LANDLORD" principle is in progress - train shunting station is being introduced under the management of *Refining Block*. The values of the basic efficiency indicators (Solomon) are in line with or exceed the plan. On-line display of energy consumption (natural gas, fuel oil, steam and electricity) was implemented in the production process. *Refining Block* obtained the certificate on compliance of quality management system with the requirements of ISO 9001: 2008 by the Organization for Quality System Certification (JUQS).

Operating indicators

Refining volume is a result of fulfilling the needs of the market and optimization of refining of different crude oil types and other raw materials (decrease of imported VGO, giving up on refining of Gasoil 1.1%).

Refining of crude oil is slightly increased compared with 2016 business plan which is in line with *Exploration and Production* plan. Reduction in *CPC* and *REB* refining is result of optimisation of refined raw materials basket and substitution with new types of crude oil – *Kirkuk* and *Forcados*.



Sales and Distribution

As for *Sales and Distribution Block*, we can say that this Block operated successfully against a backdrop of the oil crisis in 2015 and continued to do so in first quarter of 2016. We managed to increase market share in Serbian retail market by 1.5%. Total sales volume rose by 3% compared to first quarter of 2015.

Main priorities and initiatives for 2016

- Activities this year will also focus on the improvement of retail network efficiency by way of implementing a plan for reconstruction and optimisation of the number of petrol stations, increased average daily sales at each petrol station, introduction of branded fuel *G-Drive 100*, *G-Diesel*, *Ultra D*, *Ultra 98* into the markets of Serbia, Bulgaria and Bosnia and Herzegovina, optimisation of procurement prices and non-fuel goods, and price positioning by different types of goods.
- Further development of wholesale channels, logistics and business units will be achieved by increasing the volume of premium sales, revamping warehouse operations and reducing logistics costs, as well as by exporting petroleum products to neighbouring countries (Romania, Bulgaria, Macedonia, and Montenegro) where margin is higher than in distant export destinations.

Accomplishments in first quarter of 2016

Since the end of 2015, loyalty program (“On the Road with US”) is developing, and cumulatively 190 thousand cards have been distributed until March 31st, 2016. Loyalty program for farmers is also being developed.

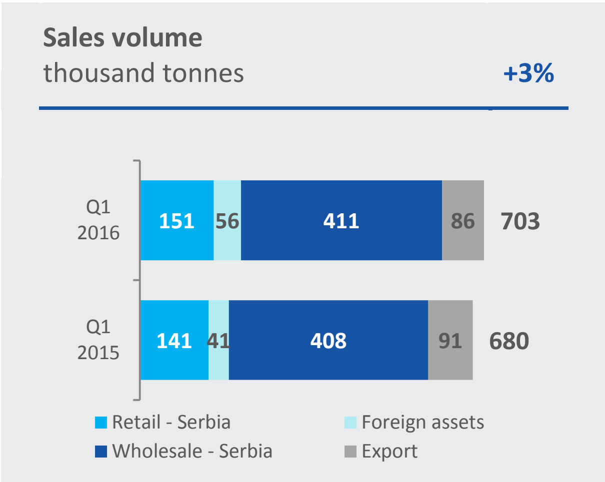
New types of crude oil (*Kirkuk* and *Forcados*) were imported. For existing crude oil types (*REB* and *CPC*) better import premium was achieved.

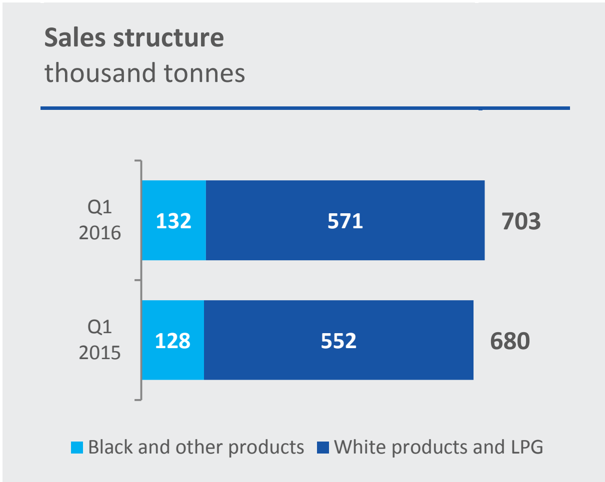
Six new auto-cisterns were put into service for transportation of aviation fuel. New locomotive for shunting station was procured and handed over to *Refining Block* together with train shunting station for further use.

Operating indicators

Increase of total sales volume by 3% was recorded in first quarter of 2016. Total sales volume in Serbia together with foreign sales was 703 thousand tonnes.

- Retail in Serbia – increase by 7%.
  - Increase in retail in Serbia is result of increase in sales of diesel fuels by 7%, as well as increase in sales of motor gasoline by 7%.
- Wholesale in Serbia – increase by 1%.
  - Increased sales of motor fuels by 3%,
  - Decrease of oil fuel sales by 1%.
- Export – decrease by 5%.
  - Decrease of export compared to first quarter 2015 is result of decrease in export of non-energy fuels by 3.8% and decrease in export of motor fuels by 0.3%.
- Foreign sales – sales of foreign assets in Bosnia and Herzegovina, Bulgaria and Romania recorded increase by 36% in first quarter of 2016 and amounts to 55.6 thousand tonnes.
  - Increase in sales of motor fuels by 36%, out of which diesel sales increase by 34% and increase in gasoline sales was +57%.





Energy

Start of 2016 was successful for *Energy Block*. EBITDA from continuing operations amounted to USD 3.2 million in the first quarter, and in relation to the business plan for Q1 2016 it recorded USD 1.3 million increase. Activities on further business development and improvement of operational efficiency were continued.

Main priorities and initiatives for 2016

Principal objectives of *Energy Block* in 2016 are to further develop its business and monetise gas.

- The start of construction and equipment (140 MW) manufacturing for CHPP Pančevo project is expected in 2016, its commissioning is scheduled for 2018. By late 2016, within Plandište wind farm project it is expected that electricity sales contract will be signed (Power Purchase Agreement) by preferential tariffs (feed in), the allocation of project funds, ordering of equipment, start of construction, while the start of operation is scheduled for 2017. The next year business development plan stipulate the creation of a model and a platform to make a decision on the completion of *Kovin* (CHPP, coal extraction) and *Aleksinac* projects (oil shale extraction and processing).
- As for the utilisation of gas in 2016, two power plants will be built and put in service on *Majdan* field (9.6 million m3 of gas annually, 2.4 MW). A compressed natural gas production plant is to be built and commissioned in *Ostrovo* (7.1 million Sm^3 of gas annually), as well as the construction and commissioning of CNG module at Čačak 1 petrol station (0.3 million Sm^3 of gas annually).

Accomplishments in first quarter of 2016

During the first quarter of 2016, activities on *Energy Block*'s Projects were continued. Equipment for the construction of small power plants *Majdan* (2.4 MW) was delivered to the site, building permit for a small power station and substation was issued, and also the location conditions for the switchgear and the connecting pipe were obtained. Tender for construction works is in its final stage. Reserves of gas and its quality on *Novo Miloševo* small power (9.8 MW) location were confirmed.

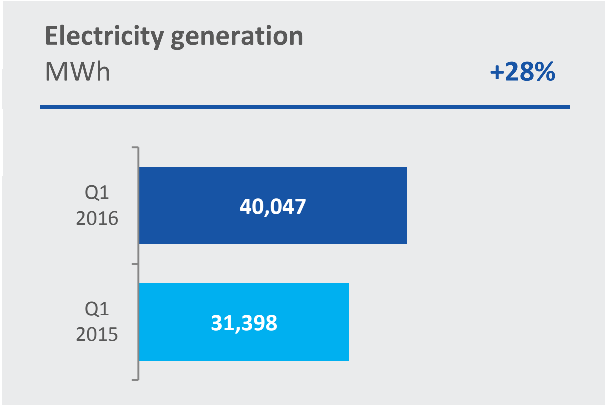
Main equipment for LPG supply to PS Čačak 1 was delivered and works on connection of the station to gas network started. Construction is in progress as part of the project of CNG production at the *Ostrava* site (a study on gas reserves has been made, gas compressors arrived in the contractor's warehouse, the equipment is ready for installation upon receiving the approval for the construction of mining facilities).

As for CHPP Pančevo project – prequalifying tender is completed. Final stage of the tender is in progress. For wind farm Plandište project endorsement of regulations required for project funds disbursement is still expected.

NIS j.s.c. Novi Sad trades electrical power in Serbia's market, but also partners in cross-border trade on Serbia's borders with Bosnia and Herzegovina, Macedonia, Hungary and Romania. NIS PETROL Srl, Bucharest, trades on Romania's *OPCOM* Stock Exchange and on Serbian border. At beginning of 2016 NIS Petrol Srl registered to participate on Slovenian exchange *BSP SouthPool*.

Operating indicators

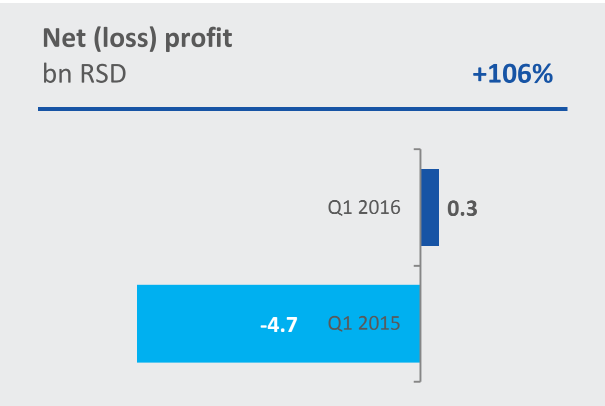
40.047 MWh of electricity was generated in first quarter of 2016, and 6.9 million m^3 of non-commercial gas was utilised.



Financial Indicators

Crude oil and petroleum products prices remained main factors that affected financial result in first quarter of 2016. Increase in sales volume of 3% and increase in market share on Serbian retail market were not enough to offset the drop in retail prices. This leaded to decrease of revenues from sales and EBITDA. Lower interests (due to decrease in indebtedness and more favourable interest rates) and income taxes together with changed dynamics of activation of fixed assets resulted in positive net result.

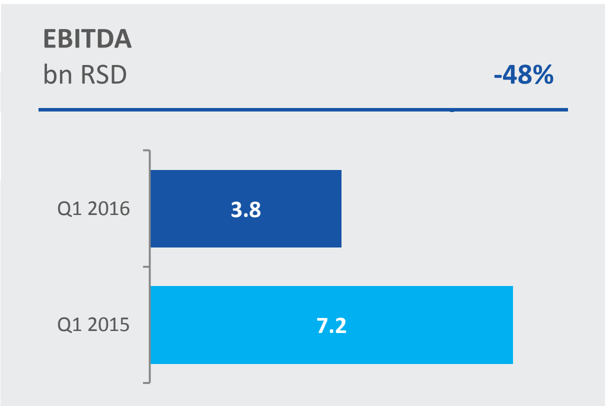
Net profit



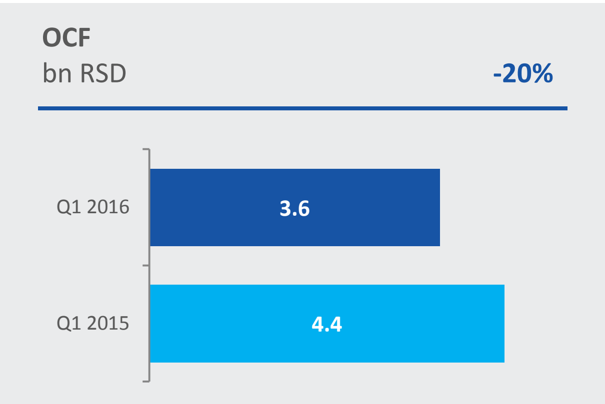
Although unfavourable trends from last year have continued this year as well and oil prices on the global market have remained on their lowest level in the last 12 years, NIS reported net profit of RSD 260 million. This result has been achieved mainly thanks to a comprehensive program of improving operational efficiency in all the business segments.

EBITDA

Negative impact of crude oil prices (average Urals crude oil price decreased by 39% compared to same period last year) is fully visible on EBITDA for Q1 2016.



OCF



Inflows in first quarter of 2016 are by 8.4 billion lower than in the same period last year, mainly as result of lower prices of petroleum products.

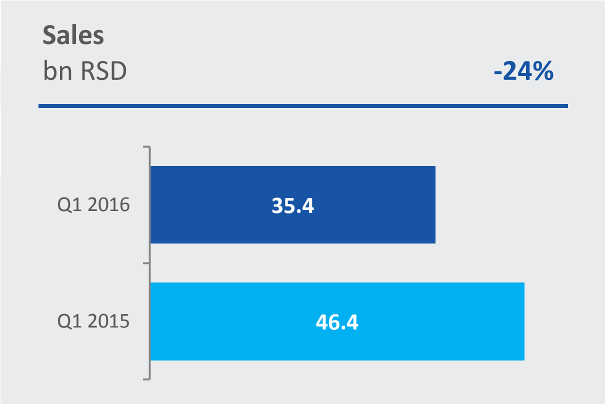
At the same time operating expenses are by 7.5 lower than last year, mainly due to lower prices of crude oil and imported petroleum products.

Sales

Average price of Urals crude oil amounts 32.23 $/bbl in first quarter of 2016, which is by 39% lower than average price of this type of crude oil in same period last year.

Average retail prices of petroleum products decreased by 7.8% in first quarter of 2016 compared to first quarter of 2015.

Changes in retail prices	$\Delta \frac{Q1\ 2016}{Q1\ 2015}$ (%)
Euro premium BMB 95	-4.60
Euro diesel	-10.86



Ratio Indicators

Ratio Indicators		
	Q1 2016	**Q1 2015**
Return on total capital (Gross profit/total capital)	0%	-2%
Net return on equity (Net profit/shareholders equity[21])	0%	-6%
Operating net profit (operating profit/net sales income)	-1%	8%
	Q1 2016	**FY 2015**
Degree of leverage (short term and long term liabilities/total equity)	85%	92%
Degree of leverage (short term and long term liabilities/ shareholders equity[22])	199%	215%
1st degree liquidity (cash and cash equivalents/short term liabilities)	17%	29%
2nd degree liquidity (current assets - inventories/short term liabilities)	79%	96%
Net working fund ratio (current assets – current liabilities/total assets)	3%	6%

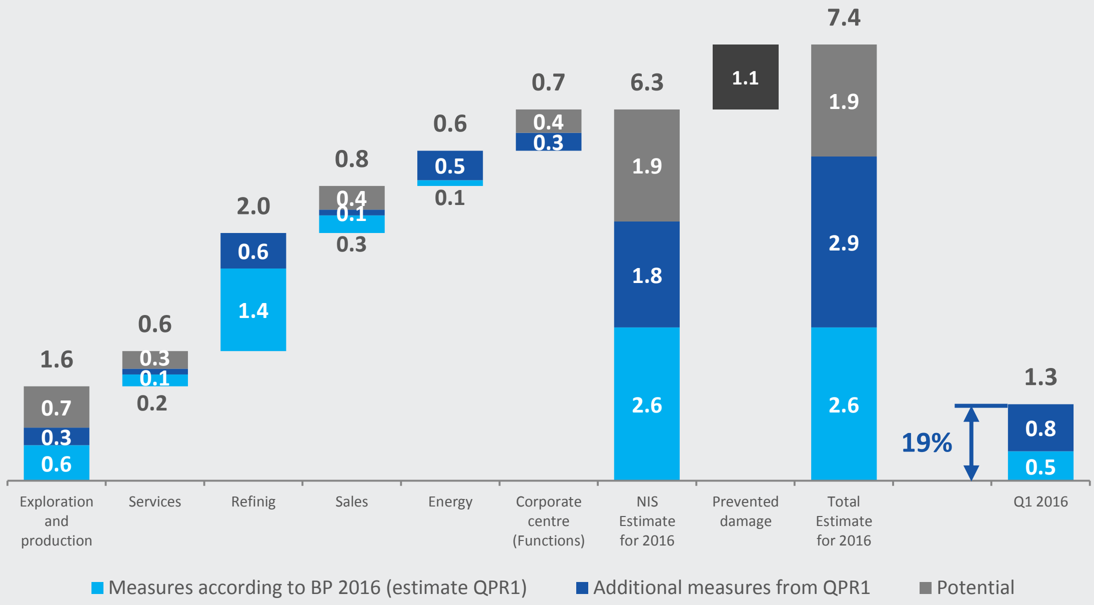
[21] shareholders equity = share capital
[22] shareholders equity = share capital

Improvement of Operational Efficiency

Estimated effect of measures for improvement of operational efficiency on EBITDA in 2016 is RSD 6.3 billion. In addition, the expected effect of the prevented damage is RSD 1.1 billion.

The effect of the measures for improvement of operational efficiency on EBITDA amounted to RSD 1.3 billion in the first quarter of 2016, which is 19% of the expected effect for this year.

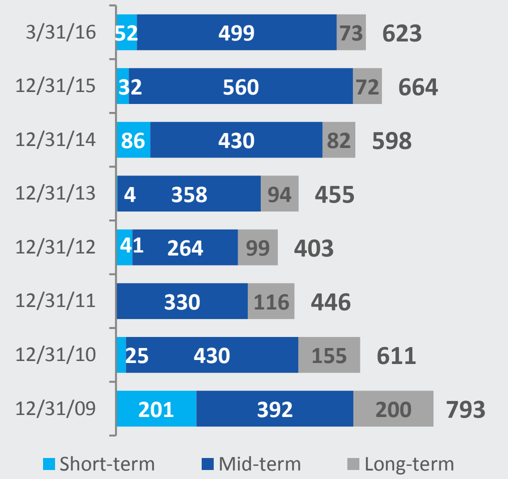
Effect of measures for improvement of operational efficiency on EBITDA
bn RSD



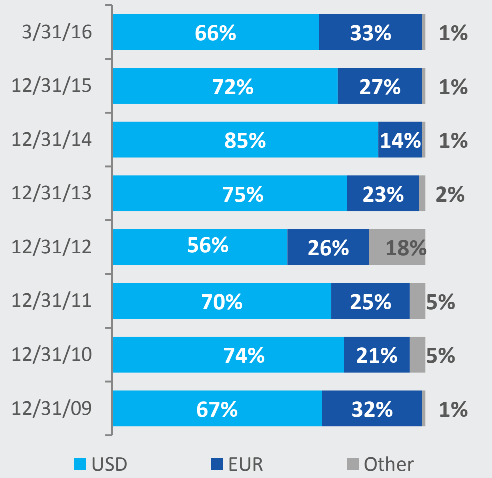
Indebtedness

The amount of debt to the banks was reduced in the first quarter of 2016 owing to regular loan payments down to the level of USD 623 million. A trend of reduction of the level of debt on the basis of documentary instruments continued, which is extremely important under the circumstances of imposed sanctions. Balancing of credit portfolio's currency structure also continued. Additional credit limits for financing loans repayment and investments by the end of 2016 were provided (for general corporate purposes permitted in terms of sanctions – import from EU) during the first quarter of 2016.

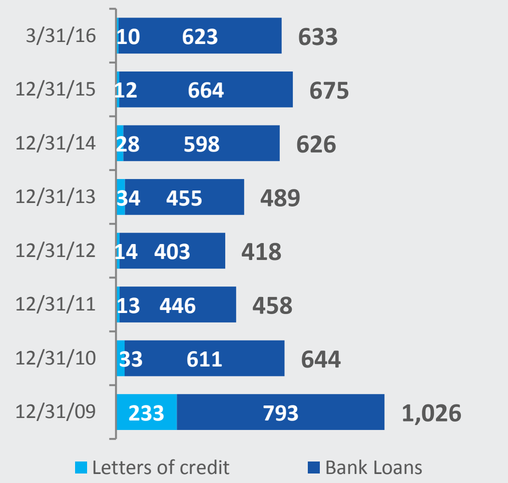
Total bank debt trends[23]
mn USD -6%



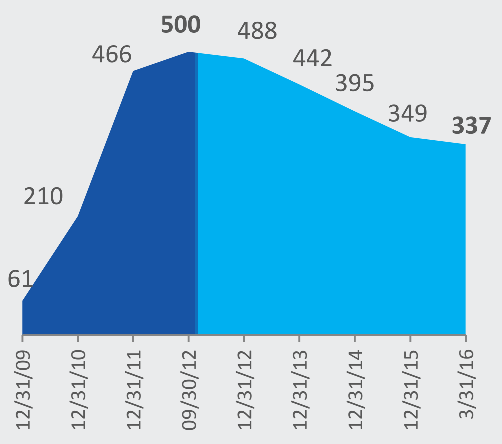
Total bank debt structure
by currencies, in percentage



Total bank indebtedness[24]
mn USD -6%



GPN Loan
mn EUR -3%



[23] Term structure of debt is shown according to contracts signed with banks and not by maturity of the debt as at March 31st, 2016.
[24] In addition to debt to banks and Letters of Credit, as at March 31st, 2016 NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of USD 38.1 million, corporate guarantees in the amount of USD 45.6 million and signed Letters of Intent in the amount of USD 14.3 million and finacial leasing in the amount of USD 2 million.

Investments

The Business Plan for 2016 and Mid-Term Investment Programme (hereinafter referred to as MIP) with a CAPEX investment plan 2016-2018 were adopted at the 13th meeting of the Board of Directors held on December 15th, 2015.

According to MIP, the main investment directions are related to the implementation of the following groups of projects: projects in the oil and gas production, refining, energy industry, projects in the field of sales and distribution, and a certain number of projects in the services and administration. NIS performed prioritization of its investment portfolio also in 2016 in order to achieve the maximum effect of investments. Selected projects include the highly profitable projects, projects generating a fast return on investments, and the projects whose postponement would have a negative effect on the generated profit.

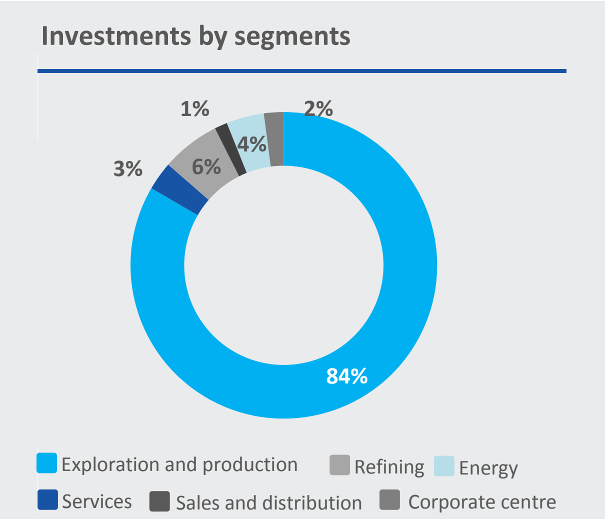
In the first three months of 2016 the amount of RSD 4.63 billion[25] was allocated for investments financing, which is less than the amount allocated in the same period in 2015 by 34%. The most important investments in oil and gas production in 2015 included:

- Drilling of development wells
- Investment in geological and technical measures
- Infrastructure projects and projects in gas business
- Geological exploration projects
- Investments in concession rights

The biggest investments in the *Refining Block* were allocated for the bottom-of-the-barrel project and the investment maintenance program, while the most significant capital investments are related to the environmental protection in the Oil Refinery in Pančevo:

- Reduction of NO_x emission in flue gases from the Energy Plant
- Reconstruction and improvement of the sewage system and waste water treatment plant

Investment funding by project type[26]	Q1 2016	Q1 2015
Environmental protection	0.06	0.09
Angola	0.07	0.27
Projects with direct economic effect	3.35	5.12
Projects without direct economic effect	1.00	1.42
Project research works	0.15	0.14
Total:	**4.63**	**7.05**



[25] NIS j.s.c. Novi Sad with its subsidiaries, excluding NIS Overseas o.o.o. Sankt Peterburg and NIS – Svetlost d.o.o. Bujanovac.
[26] In billions of RSD, VAT excluded.

Taxes and other Public Revenues

Analytical review of accrued liabilities from taxes and other public revenues[27]			
NIS j.s.c. Novi Sad	**Q1 2016**	**Q1 2015**	**$\Delta \frac{Q1\ 2016}{Q1\ 2015}$ (%)**
Social insurance contributions paid by employer	0.37	0.36	1%
Corporate tax	0.09	0.00	-
Value-added tax	4.59	4.58	0%
Excise duties	22.16	20.20	10%
Commodity reserves fee	1.37	1.40	-2%
Customs duties	0.07	0.10	-30%
Royalty	0.21	0.39	-45%
Other taxes	0.31	0.33	-7%
Total	**29.17**	**27.37**	**7%**
NIS subsidiaries in Serbia[28]			
Social insurance contributions paid by employer	0.12	0.13	-8%
Corporate tax	0.03	0.04	-36%
Value-added tax	0.15	0.12	21%
Excise duties	0.00	0.00	-
Customs duties	0.02	0.02	-30%
Royalty	0.00	0.00	-
Other taxes	0.02	0.01	75%
Total	**0.33**	**0.33**	**1%**
Total *NIS j.s.c. Novi Sad* with subsidiaries in Serbia	**29.50**	**27.70**	**6%**
NIS regional subsidiaries and Angola and Turkmenistan			
Social insurance contributions paid by employer	0.02	0.03	-50%
Corporate tax	0.08	0.15	-47%
Value-added tax	0.20	0.17	24%
Excise duties	2.25	1.51	49%
Customs duties	0.67	0.00	-
Royalty	0.00	0.00	-
Other taxes	0.03	0.03	7%
Total	**3.25**	**1.89**	**72%**
Deferred taxes (total for Group)	0.05	(0.06)	-182%
Total NIS Group[29]	**32.79**	**29.53**	**11%**

The accrued liabilities from public revenues paid by *NIS j.s.c. Novi Sad* with its subsidiaries established from NIS' organisational structure[30] in Serbia for first quarter 2016 total RSD 29.5 billion, which represents an increase of RSD 1.8 billion i.e. 6% on the same period last year.

The accrued liabilities from public revenues paid by NIS Group for first quarter 2016 total RSD 32.8 billion, which represents an increase of RSD 3.3 billion i.e. 11% on the same period in 2015.

[27] In billions of RSD.
[28] Subsidiaries include: NTC NIS – Naftagas d.o.o., Naftagas – Transport d.o.o., Naftagas – Tehnički servisi d.o.o. and Naftagas – Naftni servisi d.o.o., and exclude O Zone a.d and NIS – Svetlost d.o.o.
[29] Including taxes and other liabilities from public revenues for regional subsidiaries, profit tax in Angola and deferred tax assets.
[30] Subsidiaries include: NTC NIS – Naftagas d.o.o., Naftagas – Transport d.o.o., Naftagas – Tehnički servisi d.o.o. and Naftagas – Naftni servisi d.o.o., and exclude O Zone a.d. and NIS – Svetlost d.o.o.

Securities

Share Capital Structure

NIS j.s.c. Novi Sad share capital amounts to RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of 500.00 RSD. All issued shares are common stock, which grants the following rights to their holders:

- Right to participate and vote at the shareholders' assembly sessions, according to one-share-one vote rule;
- Right to dividend in compliance with applicable regulations;
- Right to a share in the distribution of the liquidation stock or bankruptcy estate in compliance with the bankruptcy law;
- Pre-emption right to buy a new issue of common stock and other financial instruments tradable for common stock;
- Other rights in accordance with the Company Law and Company documents.

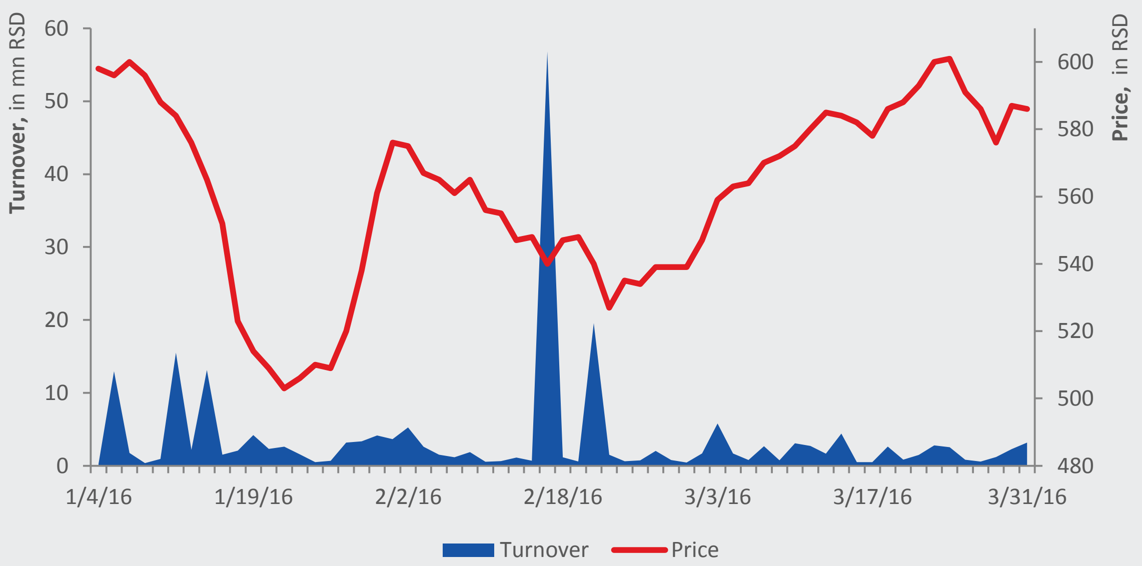
Top 10 shareholders with the largest percentage in share capital are mainly custody accounts:

Shareholders' name	No. of shares	% in share capital
PJSC "Gazprom Neft"	91,565,887	56.15%
Republic of Serbia	48,712,074	29.87%
Societe Generale banka Srbija – custody account	654,997	0.40%
UniCredit Bank Srbija a.d. – custody account	556,015	0.34%
Raiffeisen banka a.d. Beograd – custody account	326,815	0.20%
AWLL communications d.o.o. Belgrade	247,352	0.15%
UniCredit Bank Srbija a.d. – collective account	223,801	0.14%
Global Macro Capital Opportunities	216,465	0.13%
Keramika Jovanović d.o.o. Zrenjanin	203,824	0.12%
Erste Bank a.d. – custody account	187,812	0.12%
Other shareholders	20,165,358	12.37%
	Total number of shareholders as at March 31st, 2016:	**2,164,116**

Share Trading and Indicators per Share

NIS j.s.c. Novi Sad shares are listed in the Prime Listing of the Belgrade Stock Exchange.

Price and turnover trends in first quarter of 2016



Overview of trading in *NIS j.s.c. Novi Sad* shares at Belgrade Stock Exchange in first quarter 2016	
Last price (March 31st, 2016)	586 RSD
Highest price (January 6th, 2016)	605 RSD
Lowest price (January 21st, 2016)	500 RSD
Total turnover	220,795,704 RSD
Total volume (number of shares)	396,920 shares
Total number of transactions	8,278 transactions
Market cap as at March 31st, 2016	95,553,394,400 RSD
EPS	3.63 RSD
Consolidated EPS	1.60 RSD
P/E ratio	161.4
Consolidated P/E ratio	366.3
Book value as at March 31st, 2016	1,248.64 RSD
Consolidated book value as at March 31st, 2016	1,169.02 RSD
P/BV ratio	0.5
Consolidated P/BV ratio	0.5

In first quarter of 2016, there were no acquisitions of treasury shares by the Company.

Dividends

NIS j.s.c. Novi Sad dividend policy is based on a balanced approach which takes into account the necessity of profit retention for investment funding purposes, the rate of return of the invested capital and the amount for dividend payment. The long-term dividend policy stipulates that a minimum of 15% of net profit is to be paid to shareholders in the form of dividends.

When deciding on profit distribution and dividend payment, the Company management takes into consideration a number of factors, including the financial standing, investment plans, loan repayment obligations, macroeconomic environment and legislation. Each of these factors, either individually or combined, if carrying sufficient weight, may affect the proposed dividend payment.

	2009	2010	2011	2012	2013	2014
Net profit (loss), million RSD[31]	(4.4)	16.5[32]	40.6[33]	49.5	52.3	30.6
Total amount of dividend, million RSD	0.00	0.00	0.00	12.4	13.1	7.6
Payment ratio	-	-	-	25%	25%	25%
Earnings per share, in RSD	-	101.1	249.0	303.3	320.9	187.4
Dividend per share, gross, in RSD	0.00	0.00	0.00	75.83	80.22	46.85
Share price as at December 31st, in RSD	-	475	605	736	927	775
Shareholders' dividend yield, in %[34]	-	-	-	10.3	8.7	6.0

Overview of Financial Instruments Used by the Group

Due to its exposure to foreign exchange risk, NIS Group practises forward transactions on the foreign exchange market as the instrument to manage this type of risk.

As the parent company of the entire Gazprom Neft Group, which includes NIS j.s.c. Novi Sad and its subsidiaries, PJSC "Gazprom Neft" manages the commodity hedging instruments at the level of Gazprom Neft Group and decides if it is necessary to use specific commodity hedging instruments.

[31] Net profit of NIS j.s.c. Novi Sad
[32] Net profit used for covering accumulated losses
[33] Net profit used for covering accumulated losses
[34] Calculated as the ratio of gross dividend and year-end share price

Human Resources

Number of employees

Organisational unit	March 31st, 2016			March 31st, 2015		
	Employees[35]	Leasing	Total	Employees[36]	Leasing	Total
NIS j.s.c. Novi Sad	**3,884**	**3,429**	**7,313**	**4,253**	**3,411**	**7,664**
Exploration and Production Block	788	214	1,002	771	194	965
Services Block	94	20	114	128	15	143
Refining Block	796	40	836	841	46	887
Sales and Distribution Block	940	2,689	3,629	945	2,633	3,578
Energy Block	234	18	252	234	14	248
The Corporate Centre	1,032	448	1,480	1,334	509	1,843
Representative offices and branches	**63**	**4**	**67**	**59**[37]	**4**	**63**
Subsidiaries in the country	**1,399**	**1,374**	**2,773**	**1,406**	**1,338**	**2,744**
Naftagas – Oilfield Services[38]	602	627	1,229	577	586	1,163
Naftagas – Technical Services	400	465	865	422	470	892
Naftagas - Transport	103	256	359	111	253	364
STC NIS Naftagas	294	26	320	296	29	325
Subsidiaries abroad	**94**	**1**	**95**	**182**	**2**	**184**
NIS Petrol, Bulgaria	41	0	41	124	0	124
NIS Petrol, Romania	29	0	29	31	0	31
NIS Petrol, B&H	16	0	16	15	1	16
Jadran Naftagas, B&H	6	0	6	7	0	7
Panon Naftagas, Hungary	2	1	3	5	1	6
Other subsidiaries	**343**	**103**	**446**	**257**	**167**	**424**
O Zone a.d. Beograd	6	100	106	4	100	104
NIS Overseas o.o.o. Saint Petersburg	122	0	122	117	0	117
NIS – Svetlost d.o.o. Bujanovac	15	0	15	15	3	18
G – Petrol d.o.o. Sarajevo	200	3	203	121	64	185
NIS j.s.c. Novi Sad	**5,783**	**4,911**	**10,694**	**6,157**	**4,922**	**11,079**

The Basis for Employment Termination

In first quarter of 2016 a total of 57 employees left NIS Group: 5 employees were retired, 17 employees left NIS Group by mutual agreement, and for 35 of employees the basis for the termination of employment was different in nature (termination of employment contract, termination of employment at the request of the employee, redundancy program, death of the employee etc.)

Basis	*NIS j.s.c. Novi Sad*[39]	Subsidiaries in Serbia
Retirement	4	1
Termination of employment by mutual agreement	12	5
Other	30	5
Total:	**46**	**11**

[35] The headcount includes employees through the "NIS Chance" programme.
[36] The headcount includes employees through the "NIS Chance" programme.
[37] Due to the harmonization of data at the end of 2015, number of employees in the branch in Turkmenistan for 2015 was corrected.
[38] Inclusive of the employees in branches.
[39] Representative and branch offices included.

Research and Development

The introduction and efficient use of new technologies is one of the priorities of NIS development in all business areas, from production and refining to human resources. Equipment modernization, innovative approach and preparation of up-to-date technologies are the prerequisite for advancement, competitiveness and taking on the regional leadership. NIS constantly modernizes its operations in the field of oil and gas business, introduces and upgrades new methods of oil and gas exploitation, constructs new refining units, automates its operations, and develops and modernizes the retail network.

In the field of exploration and development, the Rulebook on Planning, Execution, and Control of Innovative, Scientific, Research, Development and Technological Studies (SRDW) in *NIS j.s.c. Novi Sad*, in the Science and Technology Council, has been formed under the competence of *NIS j.s.c. Novi Sad* General Director, which convenes sessions on a quarterly basis; whereas the Research and Development Section has been formed within the Science and Technology Center, which performs tasks of science and research project coordination and execution.

In the NIS Group, the research and development activity is organized within subsidiary "STC NIS Naftagas" d.o.o. Novi Sad, which, in synergy with PJSC "Gazprom Neft", uses resources and technology of the parent company, and performs two functions:

- Coordinator of science and research activities, and
- Executor of science and research activities.

FINANCIAL STATEMENTS

Stand-alone Financial Statements

Statement of Financial Position

	Note	31 March 2016 *(unaudited)*	31 December 2015
Assets			
Current assets			
Cash and cash equivalents	6	8,260,166	16,729,893
Short-term financial assets		3,007,877	2,033,844
Trade and other receivables	7	32,492,922	36,645,567
Inventories	8	19,404,564	20,760,398
Current income tax prepayments		1,542,738	1,618,126
Other current assets	9	5,060,427	5,548,275
Assets classified as held for sale		-	21,703
Total current assets		**69,768,694**	**83,357,806**
Non-current assets			
Property, plant and equipment	10	219,177,859	217,647,262
Investment property		1,522,298	1,336,060
Other intangible assets		4,263,669	4,373,314
Investments in subsidiaries and joint venture		13,623,069	13,623,069
Trade and other non-current receivables		14,728,767	14,583,568
Long-term financial assets		34,137,142	33,823,202
Deferred tax assets		4,470,423	4,521,729
Other non-current assets	11	3,275,409	3,401,988
Total non-current assets		**295,198,636**	**293,310,192**
Total assets		**364,967,330**	**376,667,998**
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	21,324,440	17,865,941
Trade and other payables	13	26,655,894	29,828,377
Other current liabilities	14	4,012,790	5,782,078
Other taxes payable	15	9,378,552	9,484,109
Provisions for liabilities and charges		2,242,852	2,228,885
Total current liabilities		**63,614,528**	**65,189,390**
Non-current liabilities			
Long-term debt	16	88,358,646	99,309,246
Provisions for liabilities and charges		9,390,864	9,154,267
Total non-current liabilities		**97,749,510**	**108,463,513**
Equity			
Share capital	17	81,530,200	81,530,200
Reserves		(83,058)	(79,564)
Retained earnings		122,156,150	121,564,459
Total equity		**203,603,292**	**203,015,095**
Total liabilities and shareholder's equity		**364,967,330**	**376,667,998**

In thousand RSD

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

Statement of Profit And Loss and Other Comprehensive Income

	Note	Three month period ended 31 March 2016 *(unaudited)*	2015 *(unaudited)*
Sales of petroleum products and oil and gas sales		29,852,083	42,488,686
Other revenues		2,790,842	1,456,654
Total revenue from sales	5	**32,642,925**	**43,945,340**
Purchases of oil, gas and petroleum products	18	(17,713,705)	(26,273,046)
Production and manufacturing expenses	19	(5,873,768)	(4,347,150)
Selling, general and administrative expenses	20	(4,728,171)	(5,018,668)
Transportation expenses		(222,174)	(168,042)
Depreciation, depletion and amortization		(3,288,249)	(2,821,631)
Taxes other than income tax		(885,988)	(1,082,848)
Total operating expenses		**(32,712,055)**	**(39,711,385)**
Other expenses, net		237,214	(95,803)
Operating profit		**168,084**	**4,138,152**
Net foreign exchange loss		1,179,967	(7,534,947)
Finance income		285,822	328,422
Finance expenses		(825,092)	(868,807)
Total other expense		**640,697**	**(8,075,332)**
Profit/(Loss) before income tax		**808,781**	**(3,937,180)**
Current income tax expense		(165,784)	(148,162)
Deferred tax income (expense)		(51,306)	26,746
Total income tax expense		**(217,090)**	**(121,416)**
Profit/(Loss) for the period		**591,691**	**(4,058,596)**
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		(3,494)	312
Other comprehensive (loss)/profit for the period		**(3,494)**	**312**
Total comprehensive income/(loss) for the period		**588,197**	**(4,058,284)**
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		3.61	(24.89)
Weighted average number of ordinary shares in issue (in millions)		163	163

in thousand RSD

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

Three month period ended 31 March 2016 and 2015

(unaudited)	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2015	**81,530,200**	**(42,277)**	**113,098,379**	**194,586,302**
Profit for the period	-	-	(4,058,596)	(4,058,596)
Other comprehensive income/(loss)				
Change in value of available-for-sale financial assets	-	312	-	312
Total comprehensive income/(loss) for the period	**-**	**312**	**-**	**312**
Balance as at 31 March 2015	**81,530,200**	**(41,965)**	**109,039,783**	**190,528,018**
Balance as at 1 January 2016	**81,530,200**	**(79,564)**	**121,564,458**	**203,015,094**
Loss for the period	-	-	591,691	591,691
Other comprehensive income				
Change in value of available-for-sale financial assets	-	(3,494)	-	(3,494)
Total comprehensive income (loss) for the period	**-**	**(3,494)**	**-**	**(3,494)**
Balance as at 31 March 2016	**81,530,200**	**(83,058)**	**122,156,149**	**203,603,291**

in thousand RSD

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

	Three month period ended 31 March	
	2016	**2015**
	(unaudited)	*(unaudited)*
Cash flows from operating activities		
Profit/(Loss) before income tax	808,781	(3,937,180)
Adjustments for:		
Finance costs	825,092	868,807
Finance income	(285,822)	(328,422)
Depreciation, depletion and amortization	3,288,249	2,821,631
Adjustments for other provisions	72,963	85,796
Allowance for doubtful accounts	258,820	793,412
Net unrealised foreign exchange (gain)/losses	(243,204)	6,057,606
Other non-cash items	426	(177,425)
	3,916,524	**10,121,405**
Changes in working capital:		
Trade and other receivables	4,029,149	2,535,009
Inventories	1,347,433	10,507,709
Other current assets	(234,076)	980,822
Trade payables and other current liabilities	(4,531,016)	(14,039,035)
Other taxes payable	(122,123)	401,304
	489,367	**385,809**
Income taxes paid	(73,831)	(1,050,859)
Interest paid	(759,036)	(782,915)
Interest received	190,880	126,593
	(641,987)	**(1,707,181)**
Net cash generated by operating activities	**4,572,685**	**4,862,853**
Cash flows from investing activities		
Loans issued	(2,937,891)	(3,850,257)
Loan proceeds received	2,096,904	3,320,614
Capital expenditures	(5,100,152)	(7,542,102)
Proceeds from sale of property, plant and equipment	78,884	45,152
Net cash used in investing activities	**(5,862,255)**	**(8,026,593)**
Cash flows from financing activities		
Proceeds from borrowings	2,606,096	15,918,666
Repayment of borrowings	(9,789,484)	(11,646,491)
Net cash (used in)/generated by financing activities	**(7,183,388)**	**4,272,175**
Net decrease (increase) in cash and cash equivalents	**(8,472,958)**	**1,108,435**
Effect of foreign exchange on cash and cash equivalents	3,231	139,776
Cash and cash equivalents as of the beginning of the period	**16,729,893**	**5,338,023**
Cash and cash equivalents as of the end of the period	**8,260,166**	**6,586,234**

in thousand RSD

The accompanying notes are an integral part of these financial statements.

Notes to Stand-alone Financial Statements[40]

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the “Company”) 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 February2009 PJSC Gazprom Neft (“Gazprom Neft”) acquired a 51% of the share capital ofNaftna 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 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 2015, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the 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 2015.

The results for the three month period ended 31 March 2016 are not necessarily indicative of the results expected for the full year.

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 2015, except for those described in Application of new IFRS paragraph.

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[40] All amounts are in 000 RSD, unless otherwise stated.

2.3. Application of new IFRS

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group:

- Amendments to IFRS 11 – Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016.
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IFRS 7 Financial instruments: Disclosure (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 19 Employee Benefits (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 34 Interim Financial Reporting (issued in September 2014 effective for annual periods beginning on or after January 1, 2016).

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

3.1. Impact of recent crude oil volatility

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

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

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2016 or later, and that the Company has not early adopted. The full list of such Standards and interpretations was disclosed in the Financial Statements as of and for the year ended December 31, 2015.

The following new standards were issued during the three months period ended 31 March 2016:

The amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 effective for annual periods beginning on or after January 1, 2017) on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments to IAS 7 – Statement of Cash Flow (issued in January 2016 effective for annual periods beginning on or after January 1, 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 new standards and interpretations are not expected to have significant impact or affect significantly the Company's Financial Statements.

5. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the three month periods ended 31 March 2016 and 2015. Operating segments are components that engaged in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

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

Reportable segment results for the three month period ended 31 March 2016 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	7,650,333	31,588,429	(7,691,940)	31,546,822
Intersegment	7,075,717	616,223	(7,691,940)	-
External	574,616	30,972,206	-	31,546,822
EBITDA (Segment results)	4,230,781	(994,420)	-	3,236,361
Depreciation, depletion and amortization	(1,160,489)	(2,127,760)	-	(3,288,249)
Net foreign exchange gain	15,924	1,164,045	-	1,179,969
Finance expenses, net	(25,045)	(514,225)	-	(539,270)
Income tax	(73,663)	(143,427)	-	(217,090)
Segment profit (loss)	**2,970,893**	**(2,378,769)**	**-**	**592,124**

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

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

EBITDA for the three month period ended 31 March 2016 and 2015 is reconciled below:

	Three month period ended 31 March	
	2016	2015
(Loss)/Profit for the period	591,691	(4,058,596)
Income tax expenses	217,090	121,416
Finance expenses	825,092	868,807
Finance income	(285,822)	(328,422)
Depreciation, depletion and amortization	3,288,249	2,821,631
Net foreign exchange (gain)/loss	(1,179,967)	7,534,947
Other expense, net	(237,214)	95,803
Other non-operating expense (income), net*	17,242	(47,455)
EBITDA	**3,236,361**	**7,008,131**

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

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

	Three month period ended 31 March 2016		
	Domestic market	Export and international sales	Total
Sale of crude oil	438	522,557	522,995
Sale of gas	931,007	-	931,007
Through a retail network	-	-	-
Wholesale activities	931,007	-	931,007
Sale of petroleum products	23,900,363	4,497,718	28,398,081
Through a retail network	8,516,704	-	8,516,704
Wholesale activities	15,383,659	4,497,718	19,881,377
Other sales	1,717,060	1,073,782	2,790,842
Total sales	**26,548,868**	**6,094,057**	**32,642,925**

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

Out of the amount of 19,881,377 RSD (2015: 27,779,600 RSD) revenue from sale of petroleum products (wholesale), the amount of 2,774,329 RSD (2015: 4,095,230 RSD) are derived from a single domestic customer HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 1,002,913 RSD (2015: 743,628 RSD).

The Company is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 26,548,868 RSD (2015: 36,777,398 RSD), and the total of revenue from external customer from other countries is 6,094,057 RSD (2015: 7,167,942 RSD).

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

	Three month period ended 31 March 2016	2015
Sale of crude oil	522,557	829,435
Sale of petroleum products (retail and wholeasle)		
Bulgaria	1,016,184	1,114,573
Bosnia and Herzegovina	1,001,973	1,320,138
Romania	441,408	268,911
All other markets	1,919,555	3,364,973
	4,497,718	6,068,595
Other sales	1,073,782	269,912
	6,094,057	**7,167,942**

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

6. CASH AND CASH EQUIVALENTS

	31 March 2016	31 December 2015
Cash in bank and in hand	8,257,309	10,725,749
Deposits with original maturity of less than three months	-	6,000,000
Cash equivalents	2,857	4,144
	8,260,166	**16,729,893**

7. TRADE AND OTHER RECEIVABLES

	31 March 2016	31 December 2015
Trade receivables:		
- related parties	3,074,432	3,433,615
- third parties	25,394,073	28,651,802
- state and state owned companies	18,842,309	19,369,662
	47,310,814	**51,455,079**
Other receivables:		
- state and state owned companies	10,424,734	10,314,622
Accrued assets	654,597	655,179
Less impairment provision for trade and other receivables:		
- third parties	(10,043,917)	(10,001,877)
- state and state owned companies	(15,853,306)	(15,777,436)
	(25,897,223)	**(25,779,313)**
Total trade and other receivables	**32,492,922**	**36,645,567**

The ageing of trade and other receivables is as follows:

	31 March 2016	31 December 2015
Neither impaired nor past due	23,671,930	29,966,050
Past due but not impaired:		
within 30 days:	1,867,180	1,935,572
1 to 3 months	1,753,666	1,210,536
3 months to 1 year	1,782,199	118,635
over 1 year	3,417,947	3,414,774
Total	**32,492,922**	**36,645,567**

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

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

	31 March 2016	31 December 2015
RSD	39,603,777	43,281,136
EUR	17,335,450	17,635,878
USD	1,450,896	1,507,845
Other	22	21
	58,390,145	**62,424,880**

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

	Trade&other receivables		
	Third parties	State and state owned companies	Total
As at 1 January 2015	10,201,470	19,522,269	29,723,739
Provision for receivables impairment	125,846	6,576	132,422
Unused amounts reversed	(40,765)	(23,194)	(63,959)
Receivables written off during the year as uncollectible	-	(12,564)	(12,564)
Exchange differences	-	(50,077)	(50,077)
Other	(6,047)	-	(6,047)
As at 31 March 2015	**10,280,504**	**19,443,010**	**29,723,514**
As at 1 January 2016	10,001,877	15,777,436	25,779,313
Provision for receivables impairment	76,659	15,740	92,399
Unused amounts reversed	(57,006)	(925)	(57,931)
Receivables written off during the year as uncollectible	(4,068)	-	(4,068)
Other	26,455	61,055	87,510
As at 31 March 2016	**10,043,917**	**15,853,306**	**25,897,223**

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

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

8. INVENTORIES

	31 March 2016	31 December 2015
Crude oil	9,927,273	11,069,970
Petroleum products	12,079,055	12,887,574
Materials and supplies	1,922,243	1,428,748
Other	504,060	491,761
Less impairment provision	(5,028,067)	(5,117,655)
	19,404,564	**20,760,398**

9. OTHER CURRENT ASSETS

	31 March 2016	31 December 2015
Advances paid	384,906	453,622
Deferred VAT	1,861,975	1,741,957
Prepaid expenses	328,175	84,499
Prepaid custom duties	31,968	33,171
Prepaid excise	2,221,683	3,027,852
Other current assets	14,485,707	14,239,128
Less impairment provision	(14,253,987)	(14,031,954)
	5,060,427	**5,548,275**

Deferred VAT as at 31 March 2016 amounting to 1,861,975 RSD (31 December 2015: 1,741,957 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2016 amounting to 2,221,683 RSD (31 December 2015: 3,027,852 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

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

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

	Advances paid	Other current assets	Total
As at 1 January 2015	239,845	20,751,218	20,991,063
Provision for receivables impairment	377	733,477	733,854
Unused amounts reversed	(1,986)	(6,919)	(8,905)
Other	(827)	(37,236)	(38,063)
As at 31 March 2015	**237,409**	**21,440,540**	**21,677,949**
As at 1 January 2016	268,119	13,763,835	14,031,954
Provision for receivables impairment	-	228,648	228,648
Unused amounts reversed	(2,750)	(2,830)	(5,580)
Write off	-	(1,035)	(1,035)
As at 31 March 2016	**265,369**	**13,988,618**	**14,253,987**

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2015						
Cost	73,455,117	114,595,855	31,255,519	17,838,728	40,592,464	277,737,683
Depreciation and impairment	(19,210,617)	(32,895,538)	(13,279,118)	(7,941,703)	(2,782,803)	(76,109,779)
Net book value	**54,244,500**	**81,700,317**	**17,976,401**	**9,897,025**	**37,809,661**	**201,627,904**
Period ended 31 March 2015						
Additions	3,329,062	1,797,959	693,938	61,159	(980,079)	4,902,039
Impairment	-	-	-	-	(14,258)	(14,258)
Depreciation	(770,277)	(1,415,502)	(298,721)	(138,086)	-	(2,622,586)
Transfer (to) from intangible assets	(21,781)	-	-	-	(40,096)	(61,877)
Transfer (to) from investment property	-	-	(2,877)	-	-	(2,877)
Disposals and write-off	(92,609)	(4,330)	(7,679)	(53,008)	(36,916)	(194,542)
Other transfers	(888)	(1,621)	911	991	-	(607)
	56,688,007	**82,076,823**	**18,361,973**	**9,768,081**	**36,738,312**	**203,633,196**
As at 31 March 2015						
Cost	76,700,747	116,369,950	31,923,609	17,839,256	39,476,303	282,309,865
Depreciation and impairment	(20,012,740)	(34,293,127)	(13,561,636)	(8,071,175)	(2,737,991)	(78,676,669)
Net book value	**56,688,007**	**82,076,823**	**18,361,973**	**9,768,081**	**36,738,312**	**203,633,196**
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 31 March 2016						
Additions	3,596,056	99,745	1,181,856	42,681	(282,527)	4,637,811
Impairment	-	-	-	-	(16,150)	(16,150)
Depreciation	(1,151,681)	(1,407,592)	(329,956)	(143,707)	-	(3,032,936)
Transfer (to)/from intangible assets	-	-	-	-	(4,988)	(4,988)
Transfer (to)/from investment property	-	-	(3,866)	(1,688)	-	(5,554)
Disposals and write-off	(1,977)	(9,113)	(10,365)	(7,286)	(18,845)	(47,586)
Other transfers	(11,514)	96,995	(110,951)	25,470	-	-
	77,905,607	**80,267,420**	**19,516,216**	**9,270,307**	**32,218,309**	**219,177,859**
As at 31 March 2016						
Cost	101,792,833	120,524,894	33,786,619	17,586,761	34,606,747	308,297,854
Depreciation and impairment	(23,887,226)	(40,257,474)	(14,270,403)	(8,316,454)	(2,388,438)	(89,119,995)
Net book value	**77,905,607**	**80,267,420**	**19,516,216**	**9,270,307**	**32,218,309**	**219,177,859**

Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2015						
Cost	15,001,370	11,578,278	26,579,648	73,455,117	22,203	100,056,968
Depreciation and impairment	-	**(253,585)**	**(253,585)**	**(19,210,617)**	**(20,358)**	**(19,484,560)**
Net book amount	**15,001,370**	**11,324,693**	**26,326,063**	**54,244,500**	**1,845**	**80,572,408**
Period ended 31 March 2015						
Additions	865,269	3,405,067	4,270,336	-	-	4,270,336
Transfer from asset under construction	-	(3,329,062)	(3,329,062)	3,329,062	-	-
Other transfers	-	(6,092)	(6,092)	(22,669)	(30)	(28,791)
Depreciation and depletion	-	-	-	(770,277)	-	(770,277)
Disposals and write-off	**8,176**	**(32,650)**	**(24,474)**	**(92,609)**	**-**	**(117,083)**
	15,874,815	**11,361,956**	**27,236,771**	**56,688,007**	**1,815**	**83,926,593**
As at 31 March 2015						
Cost	15,874,815	11,600,395	27,475,210	76,700,747	22,173	104,198,130
Depreciation and impairment	**-**	**(238,439)**	**(238,439)**	**(20,012,740)**	**(20,358)**	**(20,271,537)**
Net book amount	**15,874,815**	**11,361,956**	**27,236,771**	**56,688,007**	**1,815**	**83,926,593**
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 31 March 2016						
Additions	601,163	3,341,040	3,942,203	171,847	-	4,114,050
Transfer from asset under construction	(3,510)	(3,400,446)	(3,403,956)	3,424,209	-	20,253
Other transfers	23,017	7,986	31,003	(11,514)	-	19,489
Depreciation and depletion	-	-	-	(1,151,681)	-	(1,151,681)
Disposals and write-off	(8,887)	-	(8,887)	(1,977)	1	(10,863)
	17,356,151	**7,344,053**	**24,700,204**	**77,905,607**	**1,843**	**102,607,654**
As at 31 March 2016						
Cost	17,356,151	7,592,824	24,948,975	101,792,833	22,152	126,763,960
Depreciation and impairment	-	(248,771)	(248,771)	(23,887,226)	(20,309)	(24,156,306)
Net book amount	**17,356,151**	**7,344,053**	**24,700,204**	**77,905,607**	**1,843**	**102,607,654**

11. OTHER NON-CURRENT ASSETS

	31 March 2016	31 December 2015
Advances paid for PPE	1,237,210	1,363,418
Prepaid expenses	894,462	908,248
Other assets	1,174,546	1,161,131
Less impairment provision	(30,809)	(30,809)
	3,275,409	**3,401,988**

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

	31 March 2016	31 December 2015
Short-term loans	6,020,045	4,282,974
Interest liabilities	153,465	165,546
Other Short-term financial liabilities	37	-
Current portion of long-term loans (note 16)	15,147,349	13,417,421
Current portion of finance lease liabilities (note 16)	3,544	-
	21,324,440	**17,865,941**

13. TRADE AND OTHER PAYABLES

	31 March 2016	31 December 2015
Trade payables		
- related parties	11,664,649	13,600,086
- third parties	11,208,186	12,373,881
Dividends payable	3,772,308	3,772,308
Other accounts payable	10,751	82,102
	26,655,894	**29,828,377**

As at 31 March 2016 payables to related parties amounting to 11,664,649 RSD (31 December 2015: 13,600,086 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 7,548,451 RSD (31 December 2015: 10,104,805 RSD), mostly for the purchase of crude oil.

14. OTHER CURRENT LIABILITIES

	31 March 2016	31 December 2015
Advances received	959,322	3,131,988
Payables to employees	3,029,853	2,624,262
Accruals and deferred income	12,547	13,066
Other current non-financial liabilities	11,069	12,763
	4,012,791	**5,782,079**

15. OTHER TAXES PAYABLE

	31 March 2016	31 December 2015
Mineral extraction tax	211,180	241,017
VAT	1,980,446	1,311,122
Excise tax	4,428,286	5,707,561
Contribution for buffer stocks	273,262	350,301
Custom duties	685,083	85,278
Other taxes	1,800,295	1,788,830
	9,378,552	**9,484,109**

16. LONG-TERM DEBT

	31 March 2016	31 December 2015
Long-term loan - Gazprom Neft	41,451,286	42,427,710
Bank loans	62,039,512	70,298,957
Finance lease liabilities	18,741	-
Less Current portion	(15,150,893)	(13,417,421)
	88,358,646	**99,309,246**

(a) Long-term loan - Gazprom Neft

As at 31 March 2016 long-term loan - Gazprom Neft amounting to 41,451,286 RSD (2015: 42,427,710 RSD), with current portion of 5,717,419 RSD (2015: 5,657,028 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) Bank loans

	31 March 2016	31 December 2015
Domestic	18,728,812	18,693,335
Foreign	43,310,700	51,605,622
	62,039,512	70,298,957
Current portion of long-term loans	(9,429,930)	(7,760,393)
	52,609,582	**62,538,564**

The maturity of bank loans was as follows:

	31 March 2016	31 December 2015
Between 1 and 2 years	2,799,680	11,829,773
Between 2 and 5 years	45,121,745	45,785,596
Over 5 years	4,688,157	4,923,195
	52,609,582	**62,538,564**

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

	31 March 2016	31 December 2015
USD	44,968,756	53,388,078
EUR	16,684,739	16,529,505
RSD	1,103	1,175
JPY	384,914	380,199
	62,039,512	70,298,957

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 31 March 2016 and 31 December 2015, respectively.

17. SHARE CAPITAL

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

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

18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Three month period ended 31 March	
	2016	**2015**
Crude oil	15,863,402	19,577,759
Petroleum products	1,850,303	6,695,287
	17,713,705	**26,273,046**

19. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2016	**2015**
Employee costs	790,493	843,933
Materials and supplies (other than purchased oil, petroleum products and gas)	184,985	252,731
Repair and maintenance services	877,858	897,525
Electricity and utilities	1,593,750	737,886
Transportation services for production	415,631	122,886
Other	2,011,051	1,492,189
	5,873,768	**4,347,150**

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 March	
	2016	**2015**
Employee costs	2,227,177	2,322,583
Legal, audit, and consulting services	289,962	305,095
Rent expense	29,114	26,124
Business trips expense	40,130	39,380
Safety and security expense	106,755	131,588
Insurance expense	20,384	58,935
Transportation and storage	129,785	312,329
Allowance for doubtful accounts	(13,311)	793,412
Other	1,898,175	1,029,222
	4,728,171	**5,018,668**

21. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Financial Statements: investment properties and financial investments classified as available for sale. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Financial Statements as of 31 December 2015. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March, 2016 carrying value of financial assets approximate their fair value.

22. CONTINGENCIES AND COMMITMENTS

Transfer of property ownership

As at 31 March 2016, the Company had ownership and the right to use and possess of 7,935 properties, which represent 97% of the total Company properties (buildings and land). The remaining 3% of properties titles should be transferred by Republic of Serbia in accordance with the Agreement for the Sale and Purchase of Shares of Naftna Industrija Srbije a.d., signed in 2007.

Finance Guarantees

As at 31 March 2016 the total amount of outstanding finance guarantees provided by the Company amounted to 3,654,099 RSD, mostly related to guaranties for customs duties in the amount of 1,913,740 RSD (31 December 2015: 2,348,766 RSD).

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 686,075 RSD (31 December 2015: 687,705 RSD).

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

Other contingent liabilities

As at 31 March 2016, the Company did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Company has to pay the difference in tax calculation of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Company's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Company's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed. Taking all of the above into consideration, the Company's Management is of the view that as at 31 March 2016 outflow of resources embodying economic benefits is not probable due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

Tax risks

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 March 2016.

There were no other material commitments of the Company.

23. RELATED PARTY TRANSACTIONS

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

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

In the three month period ended 31 March 2016 and in the same period in 2015, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

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

	Subsidiaries	Parent company	Entities under common control	Total
As at 31 March 2016				
Short-term financial assets	2,864,676	-	-	2,864,676
Trade and other receivables	2,981,002	-	93,430	3,074,432
Other current assets	4,932	-	-	4,932
Investments in subsidiaries and joint ventures	16,325,803	-	-	16,325,803
Long-term financial assets	34,567,392	-	-	34,567,392
Other non-current assets	70,299	-	-	70,299
Trade and other payables	(4,047,622)	(7,548,448)	(109,785)	(11,705,855)
Other current liabilities	(4,359)	-	-	(4,359)
Short-term debt and current portion of long-term debt	(407,360)	(5,717,419)	-	(6,124,779)
Long-term debt	-	(35,733,867)	-	(35,733,867)
	52,354,763	**(48,999,734)**	**(16,355)**	**3,338,674**

	Subsidiaries	Parent company	Entities under common control	Total
As at 31 December 2015				
Short-term financial assets	1,946,998	-	-	1,946,998
Trade and other receivables	3,285,510	-	148,105	3,433,615
Other current assets	2,095	-	9,394	11,489
Investments in subsidiaries and joint ventures	16,325,803	-	-	16,325,803
Long-term financial assets	34,175,533	-	-	34,175,533
Other non-current assets	68,269	-	-	68,269
Trade and other payables	(3,470,404)	(10,004,805)	(166,005)	(13,641,214)
Other current liabilities	(6,607)	-	-	(6,607)
Short-term debt and current portion of long-term debt	(731,105)	(5,657,028)	-	(6,388,133)
Long-term debt	-	(36,770,682)	-	(36,770,682)
	51,596,092	**(52,432,515)**	**(8,506)**	**(844,929)**

For the three month period ended 31 March 2016 and 2015 the following transaction occurred with related parties:

	Subsidiaries	Parent company	Entities under common control	Total
Three month period ended 31 March 2016				
Petroleum products and oil and gas sales	(1,663,354)		(102,792)	(1,766,146)
Other Revenues	(147,330)	-	(1,066,296)	(1,213,626)
Purchases of oil, gas and petroleum products	78,679	8,992,138	103,070	9,173,887
Production and manufacturing expenses	745,658	(1)	988,415	1,734,072
Selling, general and administrative expenses	261,243	(9)	389	261,623
Transportation expenses	20,798	-	-	20,798
Other expenses, net	9,300	4,579	14	13,893
Finance income	(243,534)	-	-	(243,534)
Finance expense	3,548	207,409	-	210,957
	(934,992)	**9,204,116**	**(77,200)**	**8,191,924**
Three month period ended 31 March 2015				
Petroleum products and oil and gas sales	2,026,503	-	(2,642)	2,023,861
Other revenues	138,193	-	(26,303)	111,890
Purchases of oil, gas and petroleum products	(17,085)	(12,368,803)	(1,952,154)	(14,338,042)
Production and manufacturing expenses	(860,870)	(3,137)	-	(864,007)
Selling, general and administrative expenses	(232,171)	-	-	(232,171)
Transportation expenses	(5,735)	-	-	(5,735)
Other expenses, net	(48,958)	(11,057)	111,407	51,392
Finance income	275,347	-	-	275,347
Finance expense	-	(255,701)	-	(255,701)
	1,275,224	**(12,638,698)**	**(1,869,692)**	**(13,233,166)**

Key management compensation

Management compensation paid or payable in three month period ended 31 March 2016 and 2015 is shown in the table below:

	Three month period ended 31 March	
	2016	2015
Salaries and other short-term employee benefits	187,691	128,955
	187,691	**128,955**

24. EVENTS AFTER THE REPORTING DATE

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

Subsequent events occurring after 31 March 2016 were evaluated through 26 April 2016, the date these Interim Condensed Financial Statements were authorised for issue.

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Note	31 March 2016 *(unaudited)*	31 December 2015
Assets			
Current assets			
Cash and cash equivalents	6	10,740,266	19,271,435
Short-term financial assets		250,111	201,087
Trade and other receivables	7	30,993,652	34,948,713
Inventories	8	22,776,101	24,178,244
Current income tax prepayments		1,529,815	1,629,761
Other current assets	9	5,714,064	6,225,886
Assets classified as held for sale		-	21,703
Total current assets		**72,004,009**	**86,476,829**
Non-current assets			
Property, plant and equipment	10	248,501,523	247,213,423
Investment property		1,522,298	1,336,060
Goodwill and other intangible assets		7,137,133	7,155,279
Investments in joint venture		1,188,659	1,188,659
Trade and other non-current receivables		14,802,627	14,656,649
Long-term financial assets		259,900	321,006
Deferred tax assets		4,219,528	4,268,741
Other non-current assets	11	3,259,400	3,399,135
Total non-current assets		**280,891,068**	**279,538,952**
Total assets		**352,895,077**	**366,015,781**
Liabilities and shareholder's equity			
Current liabilities			
Short-term debt and current portion of long-term debt	12	20,918,190	17,135,875
Trade and other payables	13	24,990,178	29,364,018
Other current liabilities	14	4,782,833	6,537,802
Other taxes payable	15	10,234,460	10,445,185
Provisions for liabilities and charges		2,264,835	2,256,470
Total current liabilities		**63,190,496**	**65,739,350**
Non-current liabilities			
Long-term debt	16	89,382,181	100,313,640
Provisions for liabilities and charges		9,700,752	9,451,111
Total non-current liabilities		**99,082,933**	**109,764,751**
Equity			
Share capital	17	81,530,200	81,530,200
Reserves		(679,892)	(530,528)
Retained earnings		109,966,215	109,698,142
Equity attributable to the Company's owners		**190,816,523**	**190,697,814**
Non-controlling interest		(194,875)	(186,134)
Total equity		**190,621,648**	**190,511,680**
Total liabilities and shareholder's equity		**352,895,077**	**366,015,781**

in thousand RSD

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

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 March 2016 (unaudited)	2015 (unaudited)
Sales of petroleum products and oil and gas sales		31,945,481	44,373,257
Other revenues		3,405,867	2,073,629
Total revenue from sales	5	**35,351,348**	**46,446,886**
Purchases of oil, gas and petroleum products	18	(19,283,812)	(27,691,296)
Production and manufacturing expenses	19	(5,731,230)	(4,547,706)
Selling, general and administrative expenses	20	(5,344,361)	(5,526,945)
Transportation expenses		(224,605)	(178,001)
Depreciation, depletion and amortization		(3,916,120)	(3,310,921)
Taxes other than income tax		(1,077,767)	(1,289,405)
Exploration expenses		-	(6,972)
Total operating expenses		**(35,577,895)**	**(42,551,246)**
Other expenses, net		256,751	(163,455)
Operating profit		**30,204**	**3,732,185**
Net foreign exchange loss		1,288,276	(7,463,146)
Finance income		44,374	62,022
Finance expenses		(855,416)	(899,086)
Total other expense		477,234	(8,300,210)
(Loss)/Profit before income tax		507,438	(4,568,025)
Current income tax expense		(197,385)	(191,986)
Deferred tax (expense) income		(48,594)	58,866
Total income tax expense		(245,979)	(133,120)
(Loss)/Profit for the period		261,459	(4,701,145)
Other comprehensive loss: **Items that may be subsequently reclassified to profit or loss**			
Change in value of available-for-sale financial assets		(3,493)	312
Currency translation differences		(147,998)	(104,546)
		(151,491)	(104,234)
Other comprehensive loss for the period		**(151,491)**	**(104,234)**
Total comprehensive (loss)/income for the period		**109,968**	**(4,805,379)**
Profit attributable to:			
- Shareholders of Naftna Industrija Srbije		268,073	(4,693,529)
- Non-controlling interest		(6,614)	(7,616)
Profit (loss) for the period		**261,459**	**(4,701,145)**
Total comprehensive income (loss) attributable to:			
- Shareholders of Naftna Industrija Srbije		118,709	(4,798,867)
- Non-controlling interest		(8,741)	(6,512)
Total comprehensive income (loss) for the period		**109,968**	**(4,805,379)**
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		1.64	(28.78)
Weighted average number of ordinary shares in issue (in millions)		163	163

in thousand RSD

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

Consolidated Statement of Changes in Equity

Three month period ended 31 March 2016 and 2015

	Equity attributable to the Company's owners					
(unaudited)	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2015	**81,530,200**	**(452,813)**	**102,696,156**	**183,773,543**	**(153,042)**	**183,620,501**
Profit /(loss) or the period	-	-	(4,693,529)	(4,693,529)	(7,616)	(4,701,145)
Other comprehensive loss						
Change in value of available-for-sale financial assets	-	312	-	312	-	312
Currency translation differences	-	(105,650)	-	(105,650)	1,104	(104,546)
Total comprehensive income (loss) for the period	-	(105,338)	(4,693,529)	(4,798,867)	(6,512)	(4,805,379)
Other	-	-	-	-	(250)	(250)
Balance as at 31 March 2015	**81,530,200**	**(558,151)**	**98,002,627**	**178,974,676**	**(159,804)**	**178,814,872**
Balance as at 1 January 2016	**81,530,200**	**(530,528)**	**109,698,142**	**190,697,814**	**(186,134)**	**190,511,680**
Profit(loss) for the period	-	-	268,073	268,073	(6,614)	261,459
Other comprehensive income/ (loss)						
Change in value of available-for-sale financial assets	-	(3,493)	-	(3,493)	-	(3,493)
Currency translation differences	-	(145,871)	-	(145,871)	(2,127)	(147,998)
Total comprehensive income (loss) for the period	-	(149,364)	268,073	118,709	(8,741)	109,968
Balance as at 31 March 2016	**81,530,200**	**(679,892)**	**109,966,215**	**190,816,523**	**(194,875)**	**190,621,648**

in thousand RSD

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

Consolidated Statement of Cash Flows

	Three month period ended 31 March 2016 (unaudited)	2015 (unaudited)
Cash flows from operating activities		
Profit/(Loss) before income tax	**507,437**	**(4,568,025)**
Adjustments for:		
Finance costs	855,416	899,086
Finance income	(44,374)	(62,022)
Depreciation, depletion and amortization	3,916,120	3,310,921
Adjustments for other provisions	90,834	97,032
Allowance for doubtful accounts	(19,725)	787,189
Net unrealised foreign exchange gains (losses)	(413,517)	5,620,093
Other non-cash items	**(207,239)**	**100,267**
	4,177,515	**10,752,566**
Changes in working capital:		
Trade and other receivables	3,871,616	2,466,445
Inventories	1,373,256	10,364,791
Other current assets	320,008	1,156,003
Trade payables and other current liabilities	(5,721,306)	(14,394,937)
Other taxes payable	(222,326)	438,090
	(378,752)	**30,392**
Income taxes paid	(78,606)	(1,138,004)
Interest paid	(755,394)	(782,915)
Interest received	90,164	135,540
	(743,836)	**(1,785,379)**
Net cash generated by operating activities	**3,562,364**	**4,429,554**
Cash flows from investing activities		
Capital expenditures	(5,328,559)	(8,237,517)
Proceeds from sale of property, plant and equipment	86,164	46,833
Loan proceeds received	9,818	-
Other inflow	93	374
Net cash used in investing activities	**(5,232,484)**	**(8,190,310)**
Cash flows from financing activities		
Proceeds from borrowings	2,017,186	15,918,666
Repayment of borrowings	(8,876,923)	(11,646,491)
Net cash (used in) generated by financing activities	**(6,859,737)**	**4,272,175**
Net increase (decrease) in cash and cash equivalents	**(8,529,857)**	**511,419**
Effect of foreign exchange on cash and cash equivalents	(1,312)	142,840
Cash and cash equivalents as of the beginning of the period	**19,271,435**	**8,326,704**
Cash and cash equivalents as of the end of the period	**10,740,266**	**8,980,963**

in thousand RSD

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

Notes to Consolidated Financial Statements[41]

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the "Company") and its subsidiaries (together refer to as the "Group") is a vertically integrated oil company operating predominantly in Serbia. The Group's principal activities include:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2015, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group's Consolidated Financial Statements for 2015.

The results for the three month period ended 31 March 2016 are not necessarily indicative of the results expected for the full year.

2.2. Changes in significant accounting policies

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

[41] All amounts are in 000 RSD, unless otherwise stated.

2.3. Application of new IFRS

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group:

- Amendments to IFRS 11 – Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets (issued in
- May 2014 and effective for annual periods beginning on or after January 1, 2016.
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IFRS 7 Financial instruments: Disclosure (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 19 Employee Benefits (issued in September 2014 and effective for annual periods on or after 1 January 2016).
- Amendments to IAS 34 Interim Financial Reporting (issued in September 2014 effective for annual periods beginning on or after January 1, 2016).

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

3.1. Impact of recent crude oil volatility

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

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

4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2016 or later, and that the Group has not early adopted. The full list of such Standards and interpretations was disclosed in the Consolidated Financial Statements as of and for the year ended December 31, 2015.

The following new standards were issued during the three months period ended 31 March 2016:

The amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 effective for annual periods beginning on or after January 1, 2017) on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments to IAS 7 – Statement of Cash Flow (issued in January 2016 effective for annual periods beginning on or after January 1, 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 new standards and interpretations are not expected to have significant impact or affect significantly the Group’s Consolidated Financial Statements.

5. SEGMENT INFORMATION

Presented below is information about the Group’s operating segments for the three month periods ended 31 March 2016 and 2015. Operating segments are components that engaged in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

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

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

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

Reportable segment results for the three month period ended 31 March 2016 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	7,671,905	35,371,382	(7,691,940)	35,351,347
Intersegment	7,075,717	616,223	(7,691,940)	-
External	596,188	34,755,159	-	35,351,347
EBITDA (Segment results)	4,522,496	(756,483)	-	3,766,013
Depreciation, depletion and amortization	(1,544,069)	(2,372,051)	-	(3,916,120)
Net foreign exchange gain	44,566	1,243,710	-	1,288,276
Finance expenses, net	(29,439)	(781,603)	-	(811,042)
Income tax	(240,489)	(5,490)	-	(245,979)
Segment profit (loss)	**2,825,466**	**(2,564,007)**	**-**	**261,459**

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	13,874,183	45,847,495	(13,274,792)	46,446,886
Intersegment	12,869,978	404,814	(13,274,792)	-
External	1,004,205	45,442,681	-	46,446,886
EBITDA (Segment results)	10,177,591	(2,958,148)	-	7,219,443
Depreciation, depletion and amortization	(1,054,199)	(2,256,722)	-	(3,310,921)
Impairment losses	-	(48,425)	-	(48,425)
Net foreign exchange loss	84,577	(7,547,723)	-	(7,463,146)
Finance expenses, net	(33,541)	(803,523)	-	(837,064)
Income tax	(61,437)	(71,683)	-	(133,120)
Segment profit (loss)	**8,605,026**	**(13,306,171)**	**-**	**(4,701,145)**

EBITDA for the three month period ended 31 March 2016 and 2015 is reconciled below:

	Three month period ended 31 March	
	2016	2015
Profit/(Loss) for the period	261,459	(4,701,145)
Income tax expenses	245,979	133,120
Finance expenses	855,416	899,086
Finance income	(44,374)	(62,022)
Depreciation, depletion and amortization	3,916,120	3,310,921
Net foreign exchange loss	(1,288,276)	7,463,146
Other expense, net	(256,751)	163,455
Other non-operating expense, net*	76,440	12,882
EBITDA	**3,766,013**	**7,219,443**

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

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

	Three month period ended 31 March 2016		
	Domestic market	Export and international sales	Total
Sale of crude oil	438	522,557	522,995
Sale of gas	927,012	-	927,012
Through a retail network	-	-	-
Wholesale activities	927,012	-	927,012
Sale of petroleum products	23,900,363	6,595,111	30,495,474
Through a retail network	8,516,704	-	8,516,704
Wholesale activities	15,383,659	6,595,111	21,978,770
Other sales	1,682,898	1,722,969	3,405,867
Total sales	**26,510,711**	**8,840,637**	**35,351,348**

	Three month period ended 31 March 2015		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	829,435	829,435
Sale of gas	3,159,200	-	3,159,200
Through a retail network	-	-	-
Wholesale activities	3,159,200	-	3,159,200
Sale of petroleum products	32,250,497	8,134,125	40,384,622
Through a retail network	10,711,869	-	10,711,869
Wholesale activities	21,538,628	8,134,125	29,672,753
Other sales	985,235	1,088,394	2,073,629
Total sales	**36,394,932**	**10,051,954**	**46,446,886**

Out of the amount of 21,978,770 RSD (2015: 29,672,753 RSD) revenue from sale of petroleum products (wholesale), the amount of 2,774,329 RSD (2015: 4,095,230 RSD) are derived from a single domestic customer HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 1,501,335 RSD (2015: 1,342,601 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 26,510,711RSD (2015: 36,394,932 RSD), and the total of revenue from external customer from other countries is 8,840,637RSD (2015: 10,051,954 RSD).

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

	Three month period ended 31 March	
	2016	2015
Sale of crude oil	522,557	829,435
Sale of petroleum products (retail and wholeasle)		
Bulgaria	1,915,517	1,744,808
Bosnia and Herzegovina	1,342,480	1,534,783
Romania	1,436,844	1,030,269
All other markets	1,900,270	3,824,265
	8,787,319	8,134,125
Other sales	1,722,969	1,088,394
	8,840,637	**10,051,954**

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

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

	31 March 2016	31 December 2015
Serbia	234,029,227	232,868,821
Bulgaria	8,248,960	8,246,434
Bosnia and Herzegovina	8,157,919	8,152,524
Romania	6,724,848	6,436,983
	257,160,954	**255,704,762**

6. CASH AND CASH EQUIVALENTS

	31 March 2016	31 December 2015
Cash in bank and in hand	8,652,749	11,302,285
Deposits with original maturity of less than three months	508,239	6,385,304
Cash held on escrow account	1,578,535	1,562,453
Cash equivalents	743	21,393
	10,740,266	**19,271,435**

Cash held on escrow accounts as of 31 March 2016 amounting to 1,578,535 RSD (31 December 2015: 1,562,453 RSD) relates to deposited funds in accordance with share purchase agreement with Energowind doo (through which the operation of future wind farm ''Plandiste' will be managed).

7. TRADE AND OTHER RECEIVABLES

	31 March 2016	31 December 2015
Trade receivables:		
- related parties	134,382	253,057
- third parties	26,473,591	29,781,907
- state and state owned companies	18,842,309	19,369,662
	45,450,282	49,404,626
Other receivables:		
- third parties	209,227	209,227
- state and state owned companies	10,424,734	10,314,622
	10,633,961	10,523,849
Accrued assets	663,378	660,401
	56,747,621	60,588,876
Less impairment provision for trade and other receivables:		
- third parties	(9,900,663)	(9,862,727)
- state and state owned companies	(15,853,306)	(15,777,436)
	(25,753,969)	(25,640,163)
Total trade and other receivables	**30,993,652**	**34,948,713**

The ageing of trade and other receivables is as follows:

	31 March 2016	31 December 2015
Neither impaired nor past due	22,942,813	27,139,823
Past due but not impaired:		
within 30 days:	1,971,301	1,831,215
1 to 3 months	1,830,266	1,200,167
3 months to 1 year	1,736,467	2,198,059
over 1 year	2,512,805	2,579,449
Total	**30,993,652**	**34,948,713**

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

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

	31 March 2016	31 December 2015
RSD	38,075,696	41,704,312
EUR	16,235,204	16,348,409
USD	1,448,056	1,507,433
Other	988,665	1,028,722
	56,747,621	**60,588,876**

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

	Trade&other receivables		
	Third parties	State and state owned companies	Total
As at 1 January 2015	10,062,347	19,522,269	29,584,616
Provision for receivables impairment	148,956	6,576	155,532
Unused amounts reversed	(70,136)	(23,194)	(93,330)
Receivables written off during the year as uncollectible	-	(12,564)	(12,564)
Exchange differences	(523)	(50,077)	(50,600)
Other	(1,158)	-	(1,158)
As at 31 March 2015	**10,139,486**	**19,443,010**	**29,582,496**
As at 1 January 2016	9,862,727	15,777,436	25,640,163
Provision for receivables impairment	17,023	15,740	32,763
Unused amounts reversed	(28,665)	(925)	(29,590)
Other	49,578	61,055	110,633
As at 31 March 2016	**9,900,663**	**15,853,306**	**25,753,969**

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

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

8. INVENTORIES

	31 March 2016	31 December 2015
Crude oil	9,927,273	11,069,970
Petroleum products	12,832,940	13,738,263
Materials and supplies	4,708,828	4,120,087
Other	796,120	838,428
Less impairment provision	(5,489,060)	(5,588,504)
	22,776,101	**24,178,244**

9. OTHER CURRENT ASSETS

	31 March 2016	31 December 2015
Advances paid	474,479	536,372
VAT receivables	262,076	227,121
Deferred VAT	2,053,624	2,014,262
Prepaid expenses	368,558	120,106
Prepaid custom duties	31,982	33,190
Prepaid excise	2,221,863	3,028,713
Other current assets	14,566,275	14,308,833
Less impairment provision	(14,264,793)	(14,042,711)
	5,714,064	**6,225,886**

Deferred VAT as at 31 March 2016 amounting to 2,053,624 RSD (31 December 2015: 2,014,262 RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2016 amounting to 2,221,863 RSD (31 December 2015: 3,028,713 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

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

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

	Advances paid	Other current assets	Total
As at 1 January 2015	244,828	20,758,935	21,003,763
Provision for receivables impairment	377	733,515	733,892
Unused amounts reversed	(1,986)	(6,919)	(8,905)
Other	(859)	(37,263)	(38,122)
As at 31 March 2015	**242,360**	**21,448,268**	**21,690,628**
As at 1 January 2016	270,297	13,772,414	14,042,711
Provision for receivables impairment	-	228,355	228,355
Unused amounts reversed	(2,751)	(2,830)	(5,581)
Other	-	(692)	(692)
As at 31 March 2016	**267,546**	**13,997,247**	**14,264,793**

The ageing of other current assets is as follows:

	31 March 2016	31 December 2015
Neither impaired nor past due	5,596,813	6,071,893
Not impaired and past due in the following periods:		
Less than 1 month	12,359	30,136
01 - 03 months	33,638	31,372
03 month - one year	23,800	43,018
Over 1 year	47,454	49,467
Total	**5,714,064**	**6,225,886**

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2015						
Cost	82,284,653	114,595,854	49,338,344	20,285,937	46,177,226	312,682,014
Depreciation and impairment	(21,058,518)	(32,895,538)	(14,910,568)	(8,614,025)	(2,813,514)	(80,292,163)
Net book value	**61,226,135**	**81,700,316**	**34,427,776**	**11,671,912**	**43,363,712**	**232,389,851**
Period ended 31 March 2015						
Additions	3,601,944	1,797,959	832,229	64,562	(949,945)	5,346,749
Impairment	-	-	-	-	(20,561)	(20,561)
Depreciation	(969,342)	(1,415,503)	(529,403)	(158,653)	-	(3,072,901)
Transfer to intangible assets	(21,781)	-	-	-	(40,379)	(62,160)
Transfer to investment property	-	-	(2,877)	-	-	(2,877)
Disposals and write-off	(24,902)	(4,329)	(7,680)	(53,005)	(49,461)	(139,377)
Other transfers	(888)	(1,621)	911	991	-	(607)
Translation differences	2	-	(37,679)	-	(1,057)	(38,734)
	63,811,168	**82,076,822**	**34,683,277**	**11,525,807**	**42,302,309**	**234,399,383**
As at 31 March 2015						
Cost	85,838,150	116,369,948	50,101,459	20,299,075	45,077,798	317,686,430
Depreciation and impairment	(22,026,982)	(34,293,126)	(15,418,182)	(8,773,268)	(2,775,489)	(83,287,047)
Net book value	**63,811,168**	**82,076,822**	**34,683,277**	**11,525,807**	**42,302,309**	**234,399,383**
As at 1 January 2016						
Cost	108,928,420	120,288,250	51,644,542	20,010,602	38,640,748	339,512,562
Depreciation and impairment	(25,345,752)	(38,800,866)	(16,727,934)	(9,024,312)	(2,400,275)	(92,299,139)
Net book value	**83,582,668**	**81,487,384**	**34,916,608**	**10,986,290**	**36,240,473**	**247,213,423**
Period ended 31 March 2016						
Additions	3,780,683	99,745	1,164,317	72,477	(326,971)	4,790,251
Impairment	-	-	-	-	(16,150)	(16,150)
Depreciation	(1,443,211)	(1,407,592)	(554,369)	(200,982)	(1,263)	(3,607,417)
Transfer (to) from intangible assets	-	-	1,957	-	(121,680)	(119,723)
Transfer (to) investment property	-	-	(3,866)	(1,688)	-	(5,554)
Disposals and write-off	(3,293)	(9,113)	(10,365)	(7,739)	(18,855)	(49,365)
Other transfers	(10,958)	96,995	(111,507)	25,470	-	-
Translation differences	16	1	212,794	(1)	83,248	296,058
	85,905,905	**80,267,420**	**35,615,569**	**10,873,827**	**35,838,802**	**248,501,523**
As at 31 March 2016						
Cost	112,678,578	120,524,893	52,692,325	20,132,126	38,253,241	344,281,163
Depreciation and impairment	(26,772,673)	(40,257,473)	(17,076,756)	(9,258,299)	(2,414,439)	(95,779,640)
Net book value	**85,905,905**	**80,267,420**	**35,615,569**	**10,873,827**	**35,838,802**	**248,501,523**

Oil and gas production assets

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2015						
Cost	18,087,173	13,477,995	31,565,168	82,284,653	33,457	113,883,278
Depreciation and impairment	(17,291)	(253,585)	(270,876)	(21,058,518)	(20,359)	(21,349,753)
Net book amount	**18,069,882**	**13,224,410**	**31,294,292**	**61,226,135**	**13,098**	**92,533,525**
Period ended 31 March 2015						
Additions	1,055,254	3,632,892	4,688,146	-	-	4,688,146
Transfer from asset under construction	3,252	(3,605,196)	(3,601,944)	3,601,944	-	-
Other transfers	-	(2,840)	(2,840)	(22,669)	(30)	(25,539)
Depreciation and depletion	(1,263)	-	(1,263)	(969,342)	-	(970,605)
Disposals and write-off	1,206	(37,797)	(36,591)	(24,902)	-	(61,493)
Translation differences	(385)	-	(385)	2	-	(383)
	19,127,946	**13,211,469**	**32,339,415**	**63,811,168**	**13,068**	**96,163,651**
As at 31 March 2015						
Cost	19,146,670	13,449,908	32,596,578	85,838,150	33,427	118,468,155
Depreciation and impairment	(18,724)	(238,439)	(257,163)	(22,026,982)	(20,359)	(22,304,504)
Net book amount	**19,127,946**	**13,211,469**	**32,339,415**	**63,811,168**	**13,068**	**96,163,651**
As at 1 January 2016						
Cost	19,971,794	7,942,643	27,914,437	108,928,420	33,408	136,876,265
Depreciation and impairment	(21,185)	(248,771)	(269,956)	(25,345,752)	(22,292)	(25,638,000)
Net book amount	**19,950,609**	**7,693,872**	**27,644,481**	**83,582,668**	**11,116**	**111,238,265**
Period ended 31 March 2016						
Additions	711,363	3,353,092	4,064,455	171,847	-	4,236,302
Transfer from asset under construction	(3,510)	(3,605,326)	(3,608,836)	3,608,836	-	-
Other transfers	23,017	(60,475)	(37,458)	(10,958)	-	(48,416)
Depreciation and depletion	(1,263)	-	(1,263)	(1,443,211)	-	(1,444,474)
Disposals and write-off	(8,886)	(1)	(8,887)	(3,293)	-	(12,180)
Translation differences	73,112	-	73,112	16	-	73,128
	20,744,442	**7,381,162**	**28,125,604**	**85,905,905**	**11,116**	**114,042,625**
As at 31 March 2016						
Cost	20,767,115	7,629,933	28,397,048	112,678,578	33,405	141,109,031
Depreciation and impairment	(22,673)	(248,771)	(271,444)	(26,772,673)	(22,289)	(27,066,406)
Net book amount	**20,744,442**	**7,381,162**	**28,125,604**	**85,905,905**	**11,116**	**114,042,625**

11. OTHER NON-CURRENT ASSETS

	31 March 2016	31 December 2015
Advances paid for PPE	1,221,201	1,360,565
Prepaid expenses	894,462	908,248
Other assets	1,174,546	1,161,131
Less impairment provision	(30,809)	(30,809)
	3,259,400	**3,399,135**

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

	31 March 2016	31 December 2015
Short-term loans	5,613,841	3,553,120
Interest liabilities	152,338	164,324
Other Short-term financial liabilities	37	-
Current portion of long-term loans (note 16)	15,147,349	13,417,421
Current portion of finance lease liabilities (note 16)	4,625	1,010
	20,918,190	**17,135,875**

13. TRADE AND OTHER PAYABLES

	31 March 2016	31 December 2015
Trade payables		
- related parties	7,658,232	10,170,810
- third parties	13,547,449	15,334,596
Dividends payable	3,772,308	3,772,308
Other accounts payable	12,189	86,304
	24,990,178	**29,364,018**

As at 31 March 2016 payables to related parties amounting to 7,658,232 RSD (31 December 2015: 10,170,810 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 7,548,451 RSD (31 December 2015: 10,104,805 RSD), mostly for the purchase of crude oil.

14. OTHER CURRENT LIABILITIES

	31 March 2016	31 December 2015
Advances received	1,040,878	3,207,205
Payables to employees	3,710,519	3,296,282
Accruals and deferred income	19,432	19,878
Other current non-financial liabilities	12,004	14,437
	4,782,833	**6,537,802**

15. OTHER TAXES PAYABLE

	31 March 2016	31 December 2015
Mineral extraction tax	211,180	241,017
VAT	2,118,167	1,651,548
Excise tax	4,851,803	6,066,530
Contribution for buffer stocks	273,262	350,301
Custom duties	724,990	85,332
Other taxes	2,055,058	2,050,457
	10,234,460	**10,445,185**

16. LONG-TERM DEBT

	31 March 2016	31 December 2015
Long-term loan - Gazprom Neft	41,451,286	42,427,710
Bank loans	62,764,677	71,016,461
Finance lease liabilities	222,207	199,289
Other long-term borrowings	95,985	88,611
Less Current portion	(15,151,974)	(13,418,431)
	89,382,181	**100,313,640**

(a) Long-term loan - Gazprom Neft

As at 31 March 2016 long-term loan - Gazprom Neft amounting to 41,451,286 RSD (2015: 42,427,710 RSD), with current portion of 5,717,419 RSD (2015: 5,657,028 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) Bank loans

	31 March 2016	31 December 2015
Domestic	18,728,812	18,693,334
Foreign	44,035,865	52,323,127
	62,764,677	71,016,461
Current portion of long-term loans	(9,429,930)	(7,760,393)
	53,334,747	**63,256,068**

The maturity of bank loans was as follows:

	31 March 2016	31 December 2015
Between 1 and 2 years	2,799,680	11,829,773
Between 2 and 5 years	45,610,593	46,347,221
Over 5 years	4,924,474	5,079,074
	53,334,747	**63,256,068**

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

	31 March 2016	31 December 2015
USD	44,968,757	53,388,078
EUR	17,409,903	17,247,010
RSD	1,103	1,174
JPY	384,914	380,199
	62,764,677	**71,016,461**

The Group repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has both fixed and floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Group will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 31 March 2016 and 31 December 2015, respectively.

17. SHARE CAPITAL

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

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

18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Three month period ended 31 March	
	2016	2015
Crude oil	13,578,008	19,577,759
Petroleum products	5,705,804	8,113,537
	19,283,812	**27,691,296**

19. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2016	2015
Employee costs	1,403,778	1,678,404
Materials and supplies (other than purchased oil, petroleum products and gas)	560,563	699,604
Repair and maintenance services	662,907	705,834
Electricity and utilities	1,852,776	937,236
Transportation services for production	520,184	338,568
Other	731,022	188,060
	5,731,230	**4,547,706**

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 March	
	2016	2015
Employee costs	2,529,487	2,530,059
Legal, audit, and consulting services	171,868	341,609
Rent expense	91,526	91,914
Business trips expense	50,713	67,129
Safety and security expense	123,201	146,583
Insurance expense	29,729	60,188
Transportation and storage	92,498	134,822
Allowance for doubtful accounts	(19,731)	787,189
Other	2,275,070	1,367,452
	5,344,361	**5,526,945**

21. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties and financial investments classified as available for sale. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2015. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March, 2016 carrying value of financial assets approximate their fair value.

22. CONTINGENCIES AND COMMITMENTS

Transfer of property ownership

As at 31 March 2016, the Company had ownership and the right to use and possess of 7,935 properties, which represent 97% of the total Company properties (buildings and land). The remaining 3% of properties titles should be transferred by Republic of Serbia in accordance with the Agreement for the Sale and Purchase of Shares of Naftna Industrija Srbije a.d., signed in 2007.

Finance Guarantees

As at 31 March 2016 the total amount of outstanding finance guarantees provided by the Group amounted to 4,142,973 RSD, mostly related to guaranties for customs duties in the amount of 2,356,257 RSD (31 December 2015: 2,348,766 RSD).

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 686,075 RSD (31 December 2015: 687,705 RSD).

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

Other contingent liabilities

As at 31 March 2016, the Group did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Group has to pay the difference in tax calculation of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Group's Management believes that, based on the concession agreements signed with Angola and the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Group's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed. Taking all of the above into consideration, the Group's Management is of the view that as at 31 March 2016 outflow of resources embodying economic benefits is not probable due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

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 Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 March 2016.

Farm-out agreement with East West Petroleum Corporation, Canada

In October 2011, the Group entered into a Farm-out agreement with East West Petroleum Corporation, Canada for exploration and production of hydrocarbons in the Timisoara region in Romania. Under the Contract, the Group shall finance 85% of total exploration costs on four blocks in the region. Depending on the success of exploration, the Group will be entitled to 85% of the total production volume of hydrocarbons. Moreover, under the Joint Operation Agreement signed with East West Petroleum Corporation, Canada, Group will act as the Operator and will be in charge of and shall conduct all Joint Operations. Exploration activities are underway. On 31 March 2016 drilling and exploration works for Block 2, 3, 7 and 8 were estimated to 44.28 USD million.

There were no other material commitments of the Group.

23. SIGNIFICANT GROUP ENTITIES

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

Subsidiary	Country of incorporation	Nature of business	Share% 31 March 2016	Share% 31 December 2015
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	Trade	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	Trade	100	100
NIS Petrol SRL, Bucharest	Romania	Trade	100	100
Pannon naftagas Kft, Budapest	Hungary	O&G activity	100	100
NIS Oversiz, St Petersburg	Russia	Other	100	100
Naftagas-naftni servisi d.o.o., Novi Sad	Serbia	O&G activity	100	100
NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	O&G activity	100	100
Naftagas-tehnicki servisi d.o.o., Zrenjanin	Serbia	O&G activity	100	100
Naftagas-Transport d.o.o., Novi Sad	Serbia	Transport	100	100
O Zone a.d., Belgrade	Serbia	Other	100	100
G Petrol d.o.o. Sarajevo	Bosnia and Herzegovina	Trade	100	100
Jadran - Naftagas d.o.o., Banja Luka	Bosnia and Herzegovina	O&G activity	66	66
Svetlost d.o.o., Bujanovac,Serbia	Serbia	Trade	51	51
Jubos d.o.o., Bor	Serbia	Other	-	51

24. RELATED PARTY TRANSACTIONS

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

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

In the three month period ended 31 March 2016 and in the same period in 2015, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

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

	Parent company	Entities under common control	Joint venture	Total
As at 31 March 2016				
Trade and other receivables	-	93,430	195,656	289,086
Investments in joint venture	-	-	1,188,659	1,188,659
Trade and other payables	(7,548,448)	(109,784)	-	(7,658,232)
Short-term debt and current portion of long-term debt	(5,717,419)	-	-	(5,717,419)
Long-term debt	(35,733,867)	-	-	(35,733,867)
	(48,999,734)	**(16,354)**	**1,384,315**	**(47,631,773)**

	Parent company	Entities under common control	Joint venture	Total
As at 31 December 2015				
Trade and other receivables	-	148,105	195,656	343,761
Other current assets	-	9,394	-	9,394
Investments in joint venture	-	-	1,188,659	1,188,659
Trade and other payables	(10,004,805)	(166,005)	-	(10,170,810)
Short-term debt and current portion of long-term debt	(5,657,028)	-	-	(5,657,028)
Long-term debt	(36,770,682)	-	-	(36,770,682)
	(52,432,515)	**(8,506)**	**1,384,315**	**(51,056,706)**

For the three month period ended 31 March 2016 and 2015 the following transaction occurred with related parties:

	Parent company	Entities under common control	Joint venture	Total
Three month period ended 31 March 2016				
Petroleum products and oil and gas sales	-	102,792	-	102,792
Other Revenues	-	1,066,296	-	1,066,296
Purchases of oil, gas and petroleum products	(8,992,137)	(103,070)	-	(9,095,207)
Production and manufacturing expenses	-	(988,414)	-	(988,414)
Other expenses, net	(4,569)	(403)	-	(4,972)
Finance expense	(207,409)	-	-	(207,409)
	(9,204,115)	**77,201**	**-**	**(9,126,914)**
Three month period ended 31 March 2015				
Petroleum products and oil and gas sales	-	(2,642)	-	(2,642)
Other revenues	-	(26,303)	-	(26,303)
Purchases of oil, gas and petroleum products	(12,368,803)	(1,952,154)	-	(14,320,957)
Production and manufacturing expenses	(3,137)	-	-	(3,137)
Other expenses, net	(11,057)	111,407	-	100,350
Finance expense	(255,701)	-	-	(255,701)
	(12,638,698)	**(1,869,692)**	**-**	**(14,508,390)**

Key management compensation

Management compensation paid or payable in three month period ended 31 March 2016 and 2015 is shown in the table below:

	Three month period ended 31 March	
	2016	**2015**
Salaries and other short-term employee benefits	187,691	128,955
	187,691	**128,955**

25. EVENTS AFTER THE REPORTING DATE

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

Subsequent events occurring after 31 March 2016 were evaluated through 26 April 2016, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THE PREPARATION OF FINANCIAL STATEMENTS

We hereby state that, to our best knowledge, the interim financial reports have been prepared in compliance with the applicable international financial reporting standards, and also in compliance with the Law on Accounting ("Official Gazette of the Republic of Serbia" no. 62/2013), which requires full scope of IFRS to be applied as well as the regulations issued by the Ministry of Finance of the Republic of Serbia[42] and that they show true and objective information on the assets, liabilities, profit and loss, financial position and operations of the Company, including subsidiaries encompassed by the consolidated statements.

Anton Fyodorov

Deputy CEO,
Head of Function for Finance,
Economics, Planning and Accounting
NIS j.s.c. Novi Sad

Branko Mitrović

Director of Accounting Department,
Function for Finance, Economics,
Planning and Accounting
NIS j.s.c. Novi Sad

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[42] Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

- The financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 – "Presentation of Financial Statements" requirements.
- "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

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The Report contains statements on uncertain future events. Statements on uncertain future events involve statements which are not historical facts, statements with regard to the NIS Group's intentions, beliefs or current expectations related to, inter alia, the NIS Group's business results, financial standing and liquidity, prospects, growth, strategies and industrial sectors in which the NIS Group does business. For the reason that they relate to the events and depend on the circumstances which may or may not realize in the future, statements on uncertain future events by their nature involve risks and uncertainty, including, but without limitation to risks and uncertainties that the NIS Group has identified in other publicly available documents. NIS Group hereby warns that there are no guarantees that the statements on uncertain future events will be realized in the future and that actual business results, financial standing and liquidity, as well as the development of the industrial sector in which the NIS Group does business, may considerably differ from the ones represented or assumed by statements on uncertain future events. In addition, even if the NIS Group's business results, its financial standing and liquidity, and the development of the industrial sector in which the NIS Group does business happen to comply with the statements on uncertain future events contained herein, the results and development are not indicative of the results and development in upcoming periods. The information contained herein has been presented on the date of the Report and may be changed without prior announcement.