



**Naftna industrija Srbije A.D.**

**Interim Condensed Consolidated Financial  
Statements (Unaudited)**

31 March 2019

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

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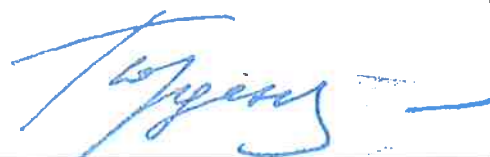
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**NIS Group**

**Interim Condensed Consolidated Statement of Financial Position**

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

<b>Assets</b>	Note	<b>31 March 2019</b>	<b>31 December 2018</b>
		<i>(unaudited)</i>	
<b>Current assets</b>			
Cash and cash equivalents	6	14,410,353	15,480,830
Short-term financial assets	7	3,535,207	2,188,488
Trade and other receivables	8	26,480,542	26,933,563
Inventories	9	39,883,043	47,856,312
Current income tax prepayments		145,671	-
Other current assets	10	6,014,187	6,283,241
Non-current assets held for sale		30,633	-
<b>Total current assets</b>		<b>90,499,636</b>	<b>98,742,434</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	289,975,687	286,454,546
Right-of-use assets	3	1,742,141	-
Investment property		1,615,592	1,615,391
Goodwill and other intangible assets		4,351,932	4,653,550
Investments in associates and joint ventures	12	1,961,182	1,980,388
Trade and other non-current receivables		2,936	73,858
Long-term financial assets		294,154	129,345
Deferred tax assets		341,153	545,497
Other non-current assets	13	1,737,914	1,781,202
<b>Total non-current assets</b>		<b>302,022,691</b>	<b>297,233,777</b>
<b>Total assets</b>		<b>392,522,327</b>	<b>395,976,211</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	6,618,192	6,614,417
Current lease liabilities	19	297,925	-
Trade and other payables	15	27,222,519	30,357,413
Other current liabilities	16	6,189,855	5,956,257
Current income tax payable		-	625,985
Other taxes payable	17	10,130,438	9,575,333
Provisions for liabilities and charges		1,880,308	1,941,795
<b>Total current liabilities</b>		<b>52,339,237</b>	<b>55,071,200</b>
<b>Non-current liabilities</b>			
Long-term debt	18	85,353,318	87,819,202
Non-current lease liabilities	19	1,254,849	-
Provisions for liabilities and charges		10,407,949	10,210,005
<b>Total non-current liabilities</b>		<b>97,016,116</b>	<b>98,029,207</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		209,674	77,130
Retained earnings		161,678,610	161,516,302
<b>Equity attributable to the Company's owners</b>		<b>243,418,484</b>	<b>243,123,632</b>
Non-controlling interest		(251,510)	(247,828)
<b>Total equity</b>		<b>243,166,974</b>	<b>242,875,804</b>
<b>Total liabilities and shareholder's equity</b>		<b>392,522,327</b>	<b>395,976,211</b>



Kirill Tyurdenev  
Chief Executive Officer  
24 April 2019



Anton Cherepanov  
Chief Financial Officer

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

**NIS Group**  
**Interim Condensed Consolidated Statement of Profit and Loss and Other**  
**Comprehensive Income**

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

	Note	Three month period ended 31 March	
		2019	2018
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of petroleum products, oil and gas		50,836,498	49,025,608
Other revenues		2,674,694	3,458,563
<b>Total revenue from sales</b>	5	<b>53,511,192</b>	<b>52,484,171</b>
Purchases of oil, gas and petroleum products		(34,508,679)	(30,579,988)
Production and manufacturing expenses	20	(5,508,132)	(5,862,031)
Selling, general and administrative expenses	21	(5,649,988)	(5,524,978)
Transportation expenses		(248,107)	(262,018)
Depreciation, depletion and amortization		(5,094,972)	(4,411,995)
Taxes other than income tax		(1,263,355)	(1,232,680)
Exploration expenses		(11,474)	(15,771)
<b>Total operating expenses</b>		<b>(52,284,707)</b>	<b>(47,889,461)</b>
Other income (expenses), net		(67,656)	(80,708)
<b>Operating profit</b>		<b>1,158,829</b>	<b>4,514,002</b>
Share of loss of associates and joint ventures		(19,206)	-
Net foreign exchange gain (loss)	22	(204,360)	444,356
Finance income	23	107,806	243,554
Finance expenses	24	(494,400)	(590,577)
<b>Total other income (expense)</b>		<b>(610,160)</b>	<b>97,333</b>
<b>Profit before income tax</b>		<b>548,669</b>	<b>4,611,335</b>
Current income tax expense		(186,141)	(600,534)
Deferred tax expense		(204,401)	(286,361)
<b>Total income tax expense</b>		<b>(390,542)</b>	<b>(886,895)</b>
<b>Profit for the period</b>		<b>158,127</b>	<b>3,724,440</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit</b>			
Gains (loss) from investments in equity instruments		6,410	(1,159)
		6,410	(1,159)
<b>Items that may be subsequently reclassified to profit</b>			
Currency translation differences		126,633	8,626
		126,633	8,626
<b>Other comprehensive income for the period</b>		<b>133,043</b>	<b>7,467</b>
<b>Total comprehensive income for the period</b>		<b>291,170</b>	<b>3,731,907</b>
<b>Profit attributable to:</b>			
- Shareholders of Naftna Industrija Srbije		162,308	3,728,530
- Non-controlling interest		(4,181)	(4,090)
<b>Profit for the period</b>		<b>158,127</b>	<b>3,724,440</b>
<b>Total comprehensive income (loss) attributable to:</b>			
- Shareholders of Naftna Industrija Srbije		294,852	3,735,815
- Non-controlling interest		(3,682)	(3,908)
<b>Total comprehensive income for the period</b>		<b>291,170</b>	<b>3,731,907</b>
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		1.00	22.87
Weighted average number of ordinary shares in issue (in millions)		163	163

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

**NIS Group**  
**Interim Condensed Consolidated Statement of Changes in Shareholders' Equity**  
 Three month period ended 31 March 2019 and 2018

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

	Equity attributable to the Company's owners			
	Share capital	Reserves	Retained earnings	Non-controlling interest
			Total	Total equity
<i>(unaudited)</i>				
<b>Balance as at 1 January 2018</b>	<b>81,530,200</b>	<b>40,453</b>	<b>143,713,351</b>	<b>(232,496)</b>
<b>Adoption of IFRS 9:</b>				
- remeasurement of expected credit losses, net of tax	-	-	(401,527)	-
<b>Restated total equity at 1 January 2018</b>	<b>81,530,200</b>	<b>40,453</b>	<b>224,882,477</b>	<b>(232,496)</b>
<b>Profit (loss) for the period</b>	-	-	3,728,530	(4,090)
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(1,159)	-	-
Currency translation differences	-	8,444	-	182
<b>Total comprehensive income (loss) for the period</b>	-	7,285	3,728,530	(3,908)
<b>Balance as at 31 March 2018</b>	<b>81,530,200</b>	<b>47,738</b>	<b>228,618,292</b>	<b>(236,404)</b>

	Equity attributable to the Company's owners			
	Share capital	Reserves	Retained earnings	Non-controlling interest
			Total	Total equity
<i>(unaudited)</i>				
<b>Balance as at 1 January 2019</b>	<b>81,530,200</b>	<b>77,130</b>	<b>161,516,302</b>	<b>(247,828)</b>
<b>Profit (loss) for the period</b>	-	-	162,308	(4,181)
<b>Other comprehensive income (loss)</b>				
Gains from investments in equity instruments	-	6,410	-	-
Currency translation differences	-	126,134	-	499
<b>Total comprehensive income (loss) for the period</b>	-	132,544	162,308	(3,682)
<b>Balance as at 31 March 2019</b>	<b>81,530,200</b>	<b>209,674</b>	<b>243,418,484</b>	<b>(251,510)</b>

**NIS Group**  
**Interim Condensed Consolidated Statement of Cash Flows<sup>1</sup>**  
*(All amounts are in 000 RSD, unless otherwise stated)*

	Note	Three month period ended	
		31 March	
		2019	2018
		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit before income tax		548,669	4,611,335
<b>Adjustments for:</b>			
Share of loss of associates and joint ventures		19,206	-
Finance expenses	24	494,400	590,577
Finance income	23	(107,806)	(243,554)
Net unrealised foreign exchange (gain) loss, net		(188,305)	(213,610)
Depreciation, depletion and amortization		5,094,972	4,411,995
Other non-cash items		100,653	216,678
<b>Operating cash flow before changes in working capital</b>		<b>5,961,789</b>	<b>9,373,421</b>
<b>Changes in working capital:</b>			
Accounts receivable		436,629	(1,251,765)
Inventories		8,007,653	3,310,080
Other assets		476,382	(535,738)
Accounts payables and other liabilities		(2,852,629)	(5,239,821)
Taxes payable		555,685	(53,510)
<b>Total effect on working capital changes</b>		<b>6,623,720</b>	<b>(3,770,754)</b>
Income taxes paid		(960,457)	(578,539)
Interest paid		(382,469)	(541,139)
Interest received		60,962	106,395
<b>Net cash generated from operating activities</b>		<b>11,303,545</b>	<b>4,589,384</b>
<b>Cash flows from investing activities</b>			
Loans issued		-	(47,250)
Capital expenditures <sup>2</sup>		(9,263,303)	(9,380,521)
Proceeds from sale of property, plant and equipment		15,103	27,412
Bank deposits repayment (placements)		(1,481,707)	3,606,718
Other (outflow)/inflow		(23,855)	-
<b>Net cash used in investing activities</b>		<b>(10,753,762)</b>	<b>(5,793,641)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	18	2,210,246	2,356,535
Repayment of borrowings	18	(3,767,631)	(7,912,701)
Repayment of lease liabilities	19	(82,588)	(24,425)
<b>Net cash used in financing activities</b>		<b>(1,639,973)</b>	<b>(5,580,591)</b>
Net decrease in cash and cash equivalents		(1,090,190)	(6,784,848)
Effect of foreign exchange on cash and cash equivalents		19,713	(64,703)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>15,480,830</b>	<b>27,075,370</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>14,410,353</b>	<b>20,225,819</b>

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

<sup>1</sup> Group policy is to present cash flow inclusive of related VAT.

<sup>2</sup> CF from investing activities includes VAT in the amount of 1,0 bln RSD (2018: 1,5 bln RSD)

## **NIS Group**

### **Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019**

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

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#### **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 and
- Electricity generation and trading.

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

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

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 2018, 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 2018.

Subsequent events occurring after 31 March 2019 were evaluated through 24 April 2019, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

The results for the three month period ended 31 March 2019 are not necessarily indicative of the results expected for the full year.

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

##### **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 2018, except for those described in the Application of new IFRS paragraph.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

#### 3. APPLICATION OF NEW IFRS

##### Accounting policies applied from 1 January 2019

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

##### Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Operating lease commitments disclosed as at 31 December 2018	1,548,081
(Less): short-term leases recognised on a straight-line basis as expense	(54,306)
(Less): contracts with commencement date after 1.1.2019	(385,001)
(Less): low-value leases recognised on a straight-line basis as expense	(206,937)
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	2,954
(Less): advances paid as of date of initial application of IFRS 16	(71,944)
Other	(11,255)
<b>Undiscounted leases recognized under IFRS 16</b>	<b>821,592</b>
<b>Discounted using the lessee's incremental borrowing rate of at the date of initial application</b>	<b>790,946</b>
Add: finance lease liabilities recognised as at 31 December 2018	828,104
<b>Lease liability recognised as at 1 January 2019</b>	<b>1,619,050</b>
Of which are:	
Current lease liabilities	298,269
Non-current lease liabilities	1,320,781
	<b>1,619,050</b>

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustments to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relates to the following types of assets:

	<b>31 March 2019</b>	<b>1 January 2019</b>
Property (land and buildings)	1,345,269	1,414,558
Plant and equipment	317,550	335,712
Motor vehicles	79,322	85,151
<b>Total right-of-use assets</b>	<b>1,742,141</b>	<b>1,835,421</b>



## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Property, plant and equipment and intangible assets – decrease	(972,531)
Right-of-use assets – increase	1,835,421
Prepayments – decrease	(71,944)
Borrowings – decrease	828,104
Lease liabilities – increase	(1,619,050)

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the accounting for operating leases for which the underlying asset is of low value
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a lease.

#### **Accounting policy**

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

#### 4. NEW ACCOUNTING STANDARDS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on 1 January 2019 or later, and that the Group has not early adopted.

**Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

**Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).** The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

**Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its financial statements.

The following other new standards and pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Unless otherwise described above, the new standards and interpretations are not expected to have significant impact on the Group's Interim Condensed Consolidated Financial Statements.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

#### 5. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the three month periods ended 31 March 2019 and 2018. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The 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. Corporate centre and Energy business activities are presented within the Downstream segment.

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

EBITDA represents the 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 2019 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	11,285,187	53,826,691	(11,600,686)	53,511,192
Intersegment	11,262,768	337,918	(11,600,686)	-
External	22,419	53,488,773	-	53,511,192
<b>EBITDA (Segment results)</b>	<b>8,319,250</b>	<b>(2,029,671)</b>	<b>-</b>	<b>6,289,579</b>
Depreciation, depletion and amortization	(2,855,936)	(2,239,036)	-	(5,094,972)
Impairment of non-financial assets	-	(18,472)	-	(18,472)
Share of loss of associates and joint ventures	-	(19,206)	-	(19,206)
Net foreign exchange loss	(160,743)	(43,617)	-	(204,360)
Finance expenses, net	(55,405)	(331,189)	-	(386,594)
Income tax	(43,096)	(347,446)	-	(390,542)
<b>Segment profit (loss)</b>	<b>5,207,329</b>	<b>(5,049,202)</b>	<b>-</b>	<b>158,127</b>

Reportable segment results for the three month period ended 31 March 2018 are shown in the table below:

	<b>Upstream</b>	<b>Downstream</b>	<b>Eliminations</b>	<b>Total</b>
Segment revenue	11,072,077	53,033,313	(11,621,219)	52,484,171
Intersegment	11,038,415	582,804	(11,621,219)	-
External	33,662	52,450,509	-	52,484,171
<b>EBITDA (Segment results)</b>	<b>7,993,534</b>	<b>941,929</b>	<b>-</b>	<b>8,935,463</b>
Depreciation, depletion and amortization	(2,014,674)	(2,397,321)	-	(4,411,995)
Impairment of non-financial assets	(1,050)	(8,253)	-	(9,303)
Net foreign exchange gain	47,279	397,077	-	444,356
Finance income (expenses), net	48,220	(395,243)	-	(347,023)
Income tax	(25,456)	(861,439)	-	(886,895)
<b>Segment profit (loss)</b>	<b>6,022,869</b>	<b>(2,298,429)</b>	<b>-</b>	<b>3,724,440</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019***(All amounts are in 000 RSD, unless otherwise stated)*

EBITDA for the three month period ended 31 March 2019 and 2018 is reconciled below:

	<b>Three month period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
Profit for the period	158,127	3,724,440
Income tax expenses	390,542	886,895
Finance expenses	494,400	590,577
Finance income	(107,806)	(243,554)
Depreciation, depletion and amortization	5,094,972	4,411,995
Share of loss of associates and joint ventures	19,206	-
Net foreign exchange (gain) loss	204,360	(444,356)
Other expense, net	67,656	80,708
Other non-operating income, net	(31,878)	(71,242)
<b>EBITDA</b>	<b>6,289,579</b>	<b>8,935,463</b>

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

	<b>Three month period ended 31 March 2019</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	-	-	-
Sale of gas	817,154	-	817,154
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	817,154	-	817,154
Sale of petroleum products	38,127,130	11,892,214	50,019,344
<i>Through a retail network</i>	13,774,276	3,720,381	17,494,657
<i>Wholesale activities</i>	24,352,854	8,171,833	32,524,687
Sale of electricity	218,308	33,338	251,646
Lease revenue	105,683	2,454	108,137
Other sales	1,549,994	764,917	2,314,911
<b>Total sales</b>	<b>40,818,269</b>	<b>12,692,923</b>	<b>53,511,192</b>

	<b>Three month period ended 31 March 2018</b>		
	<b>Domestic market</b>	<b>Export and international sales</b>	<b>Total</b>
Sale of crude oil	-	-	-
Sale of gas	414,676	-	414,676
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	414,676	-	414,676
Sale of petroleum products	36,373,705	12,237,227	48,610,932
<i>Through a retail network</i>	12,267,996	3,454,356	15,722,352
<i>Wholesale activities</i>	24,105,709	8,782,871	32,888,580
Sale of electricity	82,246	1,040,102	1,122,348
Other sales	1,697,343	638,872	2,336,215
<b>Total sales</b>	<b>38,567,970</b>	<b>13,916,201</b>	<b>52,484,171</b>

Out of the amount of 32,524,687 RSD (2018: 32,888,580 RSD) revenue from sale of petroleum products (wholesale), the amount of 3,827,301 RSD (2018: 5,742,138 RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 1,856,484 RSD (2018: 1,779,633 RSD).

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 40,818,269 RSD (2018: 38,567,970 RSD), and the total revenue from external customer from other countries is 12,692,923 RSD (2018: 13,916,201 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 2019	2018
Sale of crude oil	-	-
Sale of petroleum products (retail and wholesale)		
Bulgaria	3,067,992	3,493,250
Bosnia and Herzegovina	4,487,477	3,096,030
Romania	2,070,255	2,115,681
Switzerland	493,165	949,777
Croatia	222,866	580,082
Macedonia	91,020	421,147
Hungary	364,029	329,204
Great Britain	344,711	289,478
All other markets	750,699	962,578
	11,892,214	12,237,227
Sale of electricity	33,338	1,040,102
Lease revenue	2,454	-
Other sales	764,917	638,872
	<b>12,692,923</b>	<b>13,916,201</b>

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 2019	31 December 2018
Serbia	273,033,561	269,381,825
Bulgaria	7,373,316	6,934,061
Bosnia and Herzegovina	7,513,371	7,304,192
Romania	9,765,104	9,103,409
	<b>297,685,352</b>	<b>292,723,487</b>

## 6. CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Cash in bank and in hand	4,311,443	6,930,192
Deposits with original maturity of less than three months	9,848,130	6,926,396
Cash held on escrow account	16,160	1,407,735
Cash equivalents	234,620	216,507
	<b>14,410,353</b>	<b>15,480,830</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

#### 7. SHORT-TERM FINANCIAL ASSETS

	<b>31 March 2019</b>	<b>31 December 2018</b>
Short-term loans	27,563	27,433
Deposits with original maturity more than 3 months less than 1 year	3,477,930	2,123,007
Other short-term financial assets	31,970	40,304
Less impairment loss provision	(2,256)	(2,256)
	<b>3,535,207</b>	<b>2,188,488</b>

As at 31 March 2019 deposits with original maturity more than 3 months less than 1 year amounting to 3,477,930 RSD (31 December 2018: 2,123,007 RSD) relates to bank deposits placements with interest rates from 3.5% to 4.65% p.a. denominated in RSD (2018: 4.65% p.a.).

#### 8. TRADE AND OTHER RECEIVABLES

	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade receivables	35,968,186	36,154,738
Other financial receivables	475,016	450,274
Accrued assets	80,440	370,858
<i>Less credit loss allowance for trade receivables</i>	(9,985,524)	(9,982,695)
<i>Less credit loss allowance for other receivables</i>	(57,576)	(59,612)
<b>Total trade and other receivables</b>	<b>26,480,542</b>	<b>26,933,563</b>

The Management of the Group regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Group.

Management believes that not impaired trade and other receivables and other current assets are fully recoverable.

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
RSD	24,012,790	23,712,198
EUR	683,280	1,053,529
USD	193,239	698,248
Other	1,591,233	1,469,588
	<b>26,480,542</b>	<b>26,933,563</b>

#### 9. INVENTORIES

	<b>31 March 2019</b>	<b>31 December 2018</b>
Crude oil	20,231,662	24,596,883
Petroleum products	16,160,115	20,155,760
Materials and supplies	7,389,187	6,959,371
Other	993,876	1,091,372
<i>Less impairment provision</i>	(4,891,797)	(4,947,074)
	<b>39,883,043</b>	<b>47,856,312</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019**

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

**10. OTHER CURRENT ASSETS**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Advances paid	890,535	834,950
VAT receivables	430,490	295,900
Deferred VAT	1,814,451	1,774,863
Prepaid expenses	547,885	270,456
Prepaid custom duties	6,499	4,935
Prepaid excise	2,136,469	2,818,462
Other current assets	7,826,012	7,920,632
Less impairment provision	(7,638,154)	(7,636,957)
	<b>6,014,187</b>	<b>6,283,241</b>

Deferred VAT as at 31 March 2019 amounting to 1,814,451 RSD (31 December 2018: 1,774,863 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 2019 amounting to 2,136,469 RSD (31 December 2018: 2,818,462 RSD) relates to the excise paid for finished products stored in non-excise warehouse.

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

**NIS Group**  
**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019**

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

**11. PROPERTY, PLANT AND EQUIPMENT**

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2018</b>						
Cost	147,452,224	114,239,048	65,305,683	20,338,124	36,549,810	383,884,889
Depreciation and impairment	(37,114,232)	(40,818,582)	(29,653,958)	(10,189,787)	(2,058,833)	(119,835,392)
<b>Net book value</b>	<b>110,337,992</b>	<b>73,420,466</b>	<b>35,651,725</b>	<b>10,148,337</b>	<b>34,490,977</b>	<b>264,049,497</b>
<b>Period ended 31 March 2018</b>						
Additions	-	-	-	111	8,477,335	8,477,446
Acquisitions through business combinations	-	-	-	-	217,660	217,660
Changes in decommissioning obligations	38,197	-	-	-	-	38,197
Transfer from assets under construction	4,205,687	349,144	2,048,210	196,653	(6,799,694)	-
Transfer to investment property	-	-	(38,530)	-	-	(38,530)
Transfer to non-current assets held for sale	-	-	-	(5,260)	-	(5,260)
Impairment	-	-	-	-	(1,050)	(1,050)
Depreciation	(1,911,237)	(1,412,209)	(607,495)	(192,725)	(1,202)	(4,124,868)
Disposals and write-off	(3,158)	(27,487)	(3,489)	(1,290)	(53,629)	(89,053)
Other transfers	(23,320)	26	323,905	(300,611)	-	-
Translation differences	3	-	(8,873)	63	440	(8,367)
<b>As at 31 March 2018</b>	<b>112,644,164</b>	<b>72,329,940</b>	<b>37,365,453</b>	<b>9,845,278</b>	<b>36,330,837</b>	<b>268,515,672</b>
Cost	151,645,148	114,511,324	68,002,284	19,815,304	38,364,609	392,338,669
Depreciation and impairment	(39,000,984)	(42,181,384)	(30,636,831)	(9,970,026)	(2,033,772)	(123,822,997)
<b>Net book value</b>	<b>112,644,164</b>	<b>72,329,940</b>	<b>37,365,453</b>	<b>9,845,278</b>	<b>36,330,837</b>	<b>268,515,672</b>
<b>As at 1 January 2019</b>						
Cost	166,462,451	115,028,154	69,909,749	19,153,698	54,204,141	424,758,193
Depreciation and impairment	(47,674,989)	(46,153,659)	(32,557,309)	(9,886,290)	(2,031,400)	(138,303,647)
<b>Net book value</b>	<b>118,787,462</b>	<b>68,874,495</b>	<b>37,352,440</b>	<b>9,267,408</b>	<b>52,172,741</b>	<b>286,454,546</b>
<b>Period ended 31 March 2019</b>						
Additions	-	-	-	194	9,496,438	9,496,632
Changes in decommissioning obligations	26,481	-	-	-	-	26,481
Transfer from assets under construction	5,132,646	88,979	296,230	394,373	(5,912,228)	-
Impairment	-	-	(14,249)	-	(13,039)	(27,288)
Depreciation	(2,693,931)	(1,349,519)	(610,853)	(204,355)	(1,192)	(4,859,850)
Disposals and write-off	9,699	(614)	(5,899)	(6,057)	(66,972)	(69,843)
Transfer to right-of-use assets	(54,331)	-	(765,074)	-	-	(819,405)
Other transfers	(29,417)	757	1,212	(4,204)	32,593	941
Translation differences	(7)	-	(83,224)	197	(143,473)	(226,527)
<b>As at 31 March 2019</b>	<b>121,178,602</b>	<b>67,614,098</b>	<b>36,170,563</b>	<b>9,447,556</b>	<b>55,564,868</b>	<b>289,975,687</b>
Cost	171,478,052	115,109,143	68,993,896	19,539,085	57,613,992	432,734,168
Depreciation and impairment	(50,299,450)	(47,495,045)	(32,823,333)	(10,091,529)	(2,049,124)	(142,758,481)
<b>Net book value</b>	<b>121,178,602</b>	<b>67,614,098</b>	<b>36,170,563</b>	<b>9,447,556</b>	<b>55,564,868</b>	<b>289,975,687</b>

Capitalized borrowing costs for the three months ended 31 March 2019 include interest expense in the amount of 41,081 RSD (31 March 2018: 25,853 RSD).



## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

#### 12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying values of the investments in associates and joint ventures as of 31 March, 2019 and 31 December, 2018 are summarised below:

		Ownership percentage	31 March 2019	31 December 2018
Energowind	Joint venture	50%	1,002,301	1,003,491
Gazprom energoholding Serbia doo Novi Sad	Joint venture	49%	958,881	976,897
HIP Petrohemija ad Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
<b>Total investments</b>			<b>1,961,182</b>	<b>1,980,388</b>

The principal place of business of joint ventures disclosed above is Republic of Serbia.

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

#### Energowind

In 2013 the Group has acquired 50% of interest in a joint venture, Energowind d.o.o. which is intended to be used as a vehicle for operation of future wind farm "Plandiste" with total capacity of 102 MW. On the date of the issuance of these Consolidated Financial Statements there have been no significant business activities. Energowind d.o.o. is a private company and there is no available quoted market price. During March 2019, MET Renewables AG acquired 50% shares in the project from third parties and started working as a joint partner on the project with NIS.

#### Gazprom energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Serbskaya Generaciya, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years. Handing over CHP TE-TO Pancevo is expected to be completed by the 30th August 2020. During the March 2019, Serbskaya Generaciya changed company name to Gazprom energoholding Serbia.

#### HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the conditions were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds, directly more than 20,86% (12,72%) per cent of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory board.

#### 13. OTHER NON-CURRENT ASSETS

	31 March 2019	31 December 2018
Advances paid for PPE	774,662	799,493
Prepaid expenses	144,072	151,070
Other assets	1,231,005	1,240,438
Less allowance of other assets	(373,854)	(371,817)
Less allowance for advances paid	(37,971)	(37,982)
	<b>1,737,914</b>	<b>1,781,202</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019***(All amounts are in 000 RSD, unless otherwise stated)***14. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Interest liabilities	282,951	219,326
Current portion of long-term loans (note 18)	6,335,241	6,322,562
Current portion of finance lease liabilities (note 19)	-	72,529
	<b>6,618,192</b>	<b>6,614,417</b>

**15. TRADE AND OTHER PAYABLES**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade payables:		
- related parties	6,509,693	10,929,844
- third parties	16,925,075	15,643,711
Dividends payable	3,772,308	3,772,308
Other accounts payable	15,443	11,550
	<b>27,222,519</b>	<b>30,357,413</b>

As at 31 March 2019 payables to related parties amounting to 6,509,693 RSD (31 December 2018: 10,929,844 RSD) mainly relate to payables to the supplier Gazprom Neft, St Petersburg in the amount of 5,885,757 RSD mostly based on purchase of crude oil (31 December 2018: 10,243,742 RSD).

**16. OTHER CURRENT LIABILITIES**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Contract liabilities arising from contracts with customers:		
- Advances received	1,222,352	1,456,981
- Customer loyalty	558,175	545,945
Payables to employees	4,396,646	3,888,062
Other current non-financial liabilities	12,682	65,269
	<b>6,189,855</b>	<b>5,956,257</b>

Revenue in the amount of 1,101,497 RSD was recognized in the current reporting period related to the contract liabilities as at 1 January 2019, of which 988,908 RSD related to advances and 112,589 RSD to customer loyalty programme.

**17. OTHER TAXES PAYABLE**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Mineral extraction tax	336,303	378,481
VAT	3,460,105	1,424,142
Excise tax	3,295,865	5,173,979
Contribution for buffer stocks	307,263	260,905
Custom duties	697,106	323,623
Other taxes	2,033,796	2,014,203
	<b>10,130,438</b>	<b>9,575,333</b>

**NIS Group****Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019***(All amounts are in 000 RSD, unless otherwise stated)***18. LONG-TERM DEBT**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Long-term loan - Gazprom Neft	23,320,047	24,738,405
Bank and other long term loans	68,323,329	68,605,682
Finance lease liabilities (note 19)	-	828,104
Other long-term borrowings	45,183	42,102
Less Current portion (note 14)	(6,335,241)	(6,395,091)
	<b>85,353,318</b>	<b>87,819,202</b>

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

	<b>Three month period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
<b>Long-term loans at 1 January</b>	<b>93,344,087</b>	<b>96,103,445</b>
Proceeds	2,210,246	2,356,535
Repayment	(3,767,631)	(7,912,701)
Foreign exchange difference (note 22)	(143,326)	(539,806)
<b>Long-term loans at 31 March</b>	<b>91,643,376</b>	<b>90,007,473</b>

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

As at 31 March 2019 long-term loan - Gazprom Neft amounting to 23,320,047 RSD (2018: 24,738,405 RSD), with current portion of 5,487,070 RSD (2018: 5,497,423 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 and other long-term loans**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Domestic	48,413,007	50,621,092
Foreign	19,910,322	17,984,590
	68,323,329	68,605,682
Current portion of long-term loans	(848,171)	(825,139)
	<b>67,475,158</b>	<b>67,780,543</b>

The maturity of bank and other long-term loans was as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
Between 1 and 2 years	1,853,008	1,479,321
Between 2 and 5 years	60,855,754	61,371,002
Over 5 years	4,766,396	4,930,220
	<b>67,475,158</b>	<b>67,780,543</b>

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
USD	341,516	361,695
EUR	67,700,618	67,947,394
RSD	450	628
JPY	280,745	295,965
	<b>68,323,329</b>	<b>68,605,682</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

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 2019 and 31 December 2018, respectively.

#### 19. LEASE LIABILITIES

	<b>31 March 2019</b>	<b>31 December 2018</b>
Non-current lease liabilities	1,254,849	-
Current lease liabilities	297,925	-
	<b>1,552,774</b>	<b>-</b>

At 31 December 2018 finance lease liabilities was recognised within balance sheet lines Long-term debt (note 18) and Current portion of long-term debt (note 14) in total amount of 828,104 RSD.

Movements on the Group's liabilities from lease activities are as follows:

	<b>Three month period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
As at 1 January	828,104	432,562
Changes in opening balance	790,946	-
Repayment	(82,588)	(24,425)
Non-cash transactions	12,713	337,590
Foreign exchange difference (note 22)	3,599	(139)
<b>As at 31 March</b>	<b>1,552,774</b>	<b>745,588</b>

#### 20. PRODUCTION AND MANUFACTURING EXPENSES

	<b>Three month period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
Employee costs	1,575,993	1,495,829
Cost of service organization	654,998	575,874
Materials and supplies (other than oil and gas)	629,890	610,427
Repair and maintenance services	1,279,906	880,017
Electricity for resale	97,631	966,311
Electricity and utilities	775,506	742,264
Safety and security expense	154,339	82,743
Insurance services	62,241	70,416
Transportation services for production	358,242	472,940
Other	(80,614)	(34,790)
	<b>5,508,132</b>	<b>5,862,031</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

#### 21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended 31 March	
	2019	2018
Employee costs	2,857,318	2,682,805
Cost of service organization	887,432	839,271
Commission and agency fees	241,131	253,289
Legal, audit, and consulting services	130,247	171,432
Current repair cost	177,998	171,341
Costs on advertising and marketing	52,742	76,786
Rent expense	47,432	93,570
Business trips expense	49,800	66,611
Safety and security expense	129,998	123,935
Insurance expense	32,024	23,542
Transportation and storage	32,678	34,258
Allowance/Release of provision for doubtful accounts	(13,948)	15,209
Other	1,025,136	972,929
	<b>5,649,988</b>	<b>5,524,978</b>

#### 22. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended 31 March	
	2019	2018
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain (note 18 and 19)	402,935	780,030
- foreign exchange loss (note 18 and 19)	(263,208)	(240,085)
Net foreign exchange gain (loss) on operating activities	(344,087)	(95,589)
	<b>(204,360)</b>	<b>444,356</b>

#### 23. FINANCE INCOME

	Three month period ended 31 March	
	2019	2018
Interest on bank deposits	105,093	240,899
Interest income on loans issued	2,713	2,655
	<b>107,806</b>	<b>243,554</b>

#### 24. FINANCE EXPENSES

	Three month period ended 31 March	
	2019	2018
Interest expense	504,564	621,498
Decommissioning provision: unwinding of the present value discount	36,134	21,729
Provision of trade and other current receivables : discount	(5,217)	(26,797)
Less: interest expense capitalised on qualifying assets	(41,081)	(25,853)
	<b>494,400</b>	<b>590,577</b>

#### 25. 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 2018. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2019 the carrying value of financial assets approximates their fair value.

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

#### 26. CONTINGENCIES AND COMMITMENTS

##### *Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 643,454 RSD (31 December 2018: 657,686 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.

##### *Taxes*

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 2019.

##### *Capital commitments*

As of 31 March 2019 the Group has entered into contracts to purchase property, plant and equipment for 11,959,941 RSD (31 December 2018: 15,944,407 RSD) and drilling and exploration works estimated to 61.37 USD million (31 December 2018: 69.01 USD million).

There were no other material commitments and contingent liabilities of the Group.

#### 27. RELATED PARTY TRANSACTIONS

For the purpose of these 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. PJSC Gazprom, Russian Federation is the ultimate owner of the Group.

In the three month period ended 31 March 2019 and in the same period in 2018, 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 2019 and 31 December 2018 the outstanding balances with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Joint venture
<b>As at 31 March 2019</b>			
Trade and other receivables	-	147,621	356,672
Investments in joint venture and associates	-	-	1,961,182
Other current assets	-	39,259	-
Trade and other payables	(5,885,757)	(622,025)	(637)
Other current liabilities	-	(2,263)	(242)
Short-term debt and current portion of long-term debt	(5,487,070)	-	-
Long-term debt	(17,832,977)	-	-
	<b>(29,205,804)</b>	<b>(437,408)</b>	<b>2,316,975</b>

## NIS Group

### Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019

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

	Parent company	Parent's subsidiaries and associates	Joint venture
<b>As at 31 December 2018</b>			
Trade and other receivables	99	645,804	333,512
Investments in joint venture and associates	-	-	1,980,388
Other current assets	-	337,220	-
Trade and other payables	(10,243,742)	(684,856)	(1,246)
Other current liabilities	-	(90)	(199)
Short-term debt and current portion of long-term debt	(5,497,423)	-	-
Long-term debt	(19,240,982)	-	-
	<b>(34,982,048)</b>	<b>298,078</b>	<b>2,312,455</b>

For the three month period ended 31 March 2019 and 2018 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Joint venture
<b>Three month period ended 31 March 2019</b>			
Petroleum products and oil and gas sales	-	121,459	188
Other revenues	-	17,195	3,560
Purchases of oil, gas and petroleum products	(16,170,749)	(29,765)	-
Production and manufacturing expenses	-	(49,012)	-
Selling, general and administrative expenses	-	(6,408)	-
Other income (expenses), net	13,320	(94)	-
Finance expense	(110,753)	-	-
	<b>(16,268,182)</b>	<b>53,375</b>	<b>3,748</b>

	Parent	Parent's subsidiaries and associates	Joint venture
<b>Three month period ended 31 March 2018</b>			
Petroleum products and oil and gas sales	-	259,415	-
Other revenues	462	923,759	-
Purchases of oil, gas and petroleum products	(17,564,237)	(260,222)	-
Production and manufacturing expenses	-	(909,956)	-
Selling, general and administrative expenses	-	(1,035)	-
Other expenses, net	(14,904)	(217)	-
Finance expense	(131,075)	-	-
	<b>(17,709,754)</b>	<b>11,744</b>	<b>-</b>

#### Transactions with Key Management Personnel

For the three month period ended on 31 March 2019 and 2018 the Group recognized 225,797 RSD and 246,309 RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

**NIS Group**

**Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2019**

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

**NIS Group  
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