



**NIS A.D. – Naftna industrija Srbije  
Novi Sad**

**Interim Condensed Financial Statements**

**As at 30 September 2012 and 31 December 2011 and  
for the nine month period ended 30 September 2012 and 2011  
(unaudited)**

Novi Sad, 26 October 2012

**Interim condensed financial statements**

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

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**Interim condensed financial statements**

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

**BALANCE SHEET**

	Notes	<b>30 September 2012</b>	<b>31 December 2011</b>
<b>ASSETS</b>		<i>(unaudited)</i>	
<b>Non-current assets</b>			
Intangible assets	5	7,234,868	4,441,599
Property, plant and equipment	6	135,934,135	124,923,027
Investment property		1,370,192	1,338,269
Investments in equity instruments	7	7,730,012	2,542,882
Other long-term investments	8	9,881,008	3,376,034
		<b>162,150,215</b>	<b>136,621,811</b>
<b>Current assets</b>			
Inventories	9	35,492,689	35,397,598
Non current assets held for sale		-	165,371
Trade and other receivables	10	36,029,699	20,373,239
Short-term financial investments		2,659,637	2,413,567
Cash and cash equivalents	11	17,837,598	25,228,726
VAT and prepaid expenses	12	3,455,850	4,626,921
Deferred tax assets		7,875,436	7,875,436
		<b>103,350,909</b>	<b>96,080,858</b>
<b>Total assets</b>		<b>265,501,124</b>	<b>232,702,669</b>
Off-balance sheet assets		79,711,369	79,279,565
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share and other capital	13	87,128,024	87,128,024
Reserves		889,424	889,424
Revaluation reserves		12	12
Unrealized gains from securities		2,338	29,582
Unrealized losses from securities		(72,142)	(64,090)
Accumulated gain (loss)		31,800,129	(396,287)
		<b>119,747,785</b>	<b>87,586,665</b>
<b>Long-term provisions and liabilities</b>			
Long-term provisions		14,029,725	13,365,464
Long-term loans	14	28,858,784	33,774,543
Other long-term liabilities	15	52,197,900	47,666,041
		<b>95,086,409</b>	<b>94,806,048</b>
<b>Short-term liabilities</b>			
Short-term financial liabilities	16	8,020,529	3,444,922
Trade and other payables	17	23,492,659	29,458,654
Other short-term liabilities	18	5,544,949	6,666,892
Liabilities for VAT, other taxes and deferred income	19	12,395,563	8,087,096
Income tax liabilities		194,437	1,491,881
		<b>49,648,137</b>	<b>49,149,445</b>
Deferred tax liabilities		1,018,793	1,160,511
<b>Total equity and liabilities</b>		<b>265,501,124</b>	<b>232,702,669</b>
Off-balance sheet liabilities		79,711,369	79,279,565

Notes from page 7 to 34 are part of these Interim Condensed Financial Statements.

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**INCOME STATEMENT**

	Notes	Nine month period ended 30 September	
		2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
<b>Operating income</b>			
Sales	20	161,947,703	132,958,057
Work performed by the entity and capitalized (Decrease) increase in inventories of finished goods and work in progress		1,994,645 (2,224,204)	2,795,279 2,116,242
Other operating income		233,989	221,486
		<u>161,952,133</u>	<u>138,091,064</u>
<b>Operating expenses</b>			
Cost of goods sold		(18,111,951)	(9,774,609)
Raw material and consumables used	21	(59,485,372)	(70,111,785)
Employee benefits expense	22	(15,551,227)	(15,979,952)
Depreciation, amortisation and provision	23	(5,855,941)	(5,657,504)
Other operating expenses	24	(12,176,457)	(9,665,492)
		<u>(111,180,948)</u>	<u>(111,189,342)</u>
<b>Profit from operating activities</b>		<b><u>50,771,185</u></b>	<b><u>26,901,722</u></b>
Financial income	25	7,181,790	6,510,855
Financial expenses	26	(15,201,795)	(3,063,141)
Other income		2,496,085	2,858,015
Other expenses		(11,504,305)	(4,274,245)
<b>Profit before income tax</b>		<b><u>33,742,960</u></b>	<b><u>28,933,206</u></b>
<b>Income tax</b>		<b><u>(1,546,544)</u></b>	<b><u>(1,790,817)</u></b>
Income tax expense		(1,688,262)	(1,467,163)
Deferred tax income (expense)		141,718	(323,654)
<b>Profit for the period</b>		<b><u>32,196,416</u></b>	<b><u>27,142,389</u></b>
<b>Earnings per share</b>			
- Basic	27	0.20	0.17

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**Interim condensed financial statements**

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**STATEMENT OF CASH FLOWS**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b> <i>(unaudited)</i>	<b>2011</b> <i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
Sales and advances received	220,441,264	202,453,366
Interest from operating activities	1,535,384	629,522
Other inflow from operating activities	233,989	221,486
<i>Cash inflow from operating activities</i>	<u>222,210,637</u>	<u>203,304,374</u>
Payments and prepayments to suppliers	(103,842,080)	( 90,620,361)
Salaries, benefits and other personal expenses	(15,932,561)	(15,977,047)
Interest paid	(2,623,419)	(2,415,893)
Income tax paid	(2,985,706)	(1,361,960)
Payments for other public revenues	(69,390,782)	( 75,537,037)
<i>Cash outflow from operating activities</i>	<u>(194,774,548)</u>	<u>(185,912,298)</u>
<b>Net cash provided by operating activities</b>	<b><u>27,436,089</u></b>	<b><u>17,392,076</u></b>
<b>Cash flows from investing activities</b>		
Sales of shares (net inflow)	228	17,103
Proceeds from sale of intangible assets and property, plant and equipment	233,515	268,495
Other financial investments (net inflow)	666,707	-
<i>Cash inflow from investing activities</i>	<u>900,450</u>	<u>285,598</u>
Purchase of shares (net outflow)	(213)	(26,234)
Purchase of intangible assets, property, plant and equipment	(25,557,738)	(19,974,437)
Other financial investments (net outflow)	(7,308,979)	(69,053)
<i>Cash outflow from investing activities</i>	<u>(32,866,930)</u>	<u>(20,069,724)</u>
<b>Net cash used in investing activities</b>	<b><u>(31,966,480)</u></b>	<b><u>(19,784,126)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term and short term borrowings (net inflow)	-	15,054,469
Proceeds from other long term and short term liabilities	3,818,459	11,360,028
<i>Cash inflow from financing activities</i>	<u>3,818,459</u>	<u>26,414,497</u>
Outflows from long-term, short-term and other liabilities (net outflow)	(7,838,425)	(22,747,972)
<i>Cash outflow from financing activities</i>	<u>(7,838,425)</u>	<u>(22,747,972)</u>
<b>Net cash (used in) provided by financing activities</b>	<b><u>(4,019,966)</u></b>	<b><u>3,666,525</u></b>
<b>(Decrease) Increase in cash and cash equivalents</b>	<b><u>(8,550,357)</u></b>	<b><u>1,274,475</u></b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>25,228,726</u></b>	<b><u>10,595,830</u></b>
Currency translation gains on cash and cash equivalents	2,008,027	636,849
Currency translation losses on cash and cash equivalents	(848,798)	(1,188,880)
<b>Cash and cash equivalents at end of period</b>	<b><u>17,837,598</u></b>	<b><u>11,318,274</u></b>

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**Interim condensed financial statements**

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**STATEMENT OF CHANGES IN EQUITY**

for the nine month period ended 30 September 2012 and 2011

<i>(unaudited)</i>	Share capital	Other capital	Reserves	Revaluation reserves	Unrealised gains from securities	Unrealised losses from securities	Accumulated profit (loss)	Total
<b>Balance as at 1 January 2011</b>	81,530,200	5,597,824	889,424	39	48,417	(49,236)	(40,997,954)	47,018,714
Result for the period:								
- Profit	-	-	-	-	-	-	27,142,389	27,142,389
- Losses from securities	-	-	-	-	(9,315)	(13,473)	-	(22,788)
Other	-	-	-	(27)	-	-	-	(27)
<b>Balance as at 30 September 2011</b>	<b>81,530,200</b>	<b>5,597,824</b>	<b>889,424</b>	<b>12</b>	<b>39,102</b>	<b>(62,709)</b>	<b>(13,855,565)</b>	<b>74,138,288</b>
<b>Balance as at 1 January 2012</b>	81,530,200	5,597,824	889,424	12	29,582	(64,090)	(396,287)	87,586,665
Result for the period:								
- Profit	-	-	-	-	-	-	32,196,416	32,196,416
- Losses from securities	-	-	-	-	(27,244)	(8,052)	-	(35,296)
<b>Balance as at 30 September 2012</b>	<b>81,530,200</b>	<b>5,597,824</b>	<b>889,424</b>	<b>12</b>	<b>2,338</b>	<b>(72,142)</b>	<b>31,800,129</b>	<b>119,747,785</b>

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## Notes to the interim condensed financial statements

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

### 1. GENERAL INFORMATION

NIS a.d. – Naftna Industrija Srbije, Novi Sad (hereinafter “the Company”) is an 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 as the successor of five state owned companies of “Javno Preduzece Naftna Industrija Srbije”. On 2 February 2009 OAO Gazprom Neft (“Gazprom Neft”) acquired a 51% of the share capital of NIS a.d. 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 Belgrade Stock Exchange, Listing A (Prime Market). The address of the Company’s registered office is in Novi Sad, no.12 Narodnog fronta Street.

These interim condensed financial statements have been approved by the Company CEO.

### 2. BASIS OF PREPARATION AND PRESENTATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements for the nine month period ended 30 September 2012 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The interim condensed financial statements do not include all disclosure and they should be interpreted in relation with the annual financial statements for the year ended 31 December 2011. The Company has prepared these interim condensed financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia published in Official Gazette of the Republic of Serbia (no. 46/2006 and 111/2009), which requires full scope of IFRS to be applied, and the regulations issued by the Ministry of Finance of the Republic of Serbia. Due to the difference between these two regulations, these interim condensed financial statements differ from IFRS in the following respects:

- The Interim condensed 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.
- Property, plant and equipment were measured at market value by independent appraisal and any revaluation reserves for the excess of fair value against historical value were cancelled against share capital as at 1 January 2006.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

## Notes to the interim condensed financial statements

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal accounting policies are consistent to the policies applied in the financial statements for the year ended 31 December 2011.

### 4. SEGMENT INFORMATION

Operating segments, are segments whose operating results are regularly reviewed by the Chief Operating Decision Maker („CODM“) of the Company. During 2012, the Company has adopted new governance structure in compliance with the new Company law of the Republic of Serbia. The Board of Directors and the General Manager Advisory Board represent the CODM according to newly adopted structure.

In 2011, new business segment within the company - "Energy" was founded for the operations expansion to electricity and heat production. On 30 September 2012 the business segment Energy did not qualify as a separate reporting segment and was included within Other reporting segment.

As at 30 September 2012 business activities of the Company are organized into five operating segments:

1. Exploration and production of oil and natural gas,
2. Oil field services,
3. Refining,
4. Oil and oil products trading,
5. Other – Administration and Energy.

The reportable segments derive their revenue in following manner:

1. Exploration and Production of Oil and Natural Gas – production and sale of crude oil and natural gas.
2. Oil Field Services – drilling services, construction works and geophysical measurement and transportation services.
3. Refining – refining of crude oil and sale of petroleum products to NIS trade segment.
4. Trading Oil and Petroleum Products – retail and wholesale.

**Notes to the interim condensed financial statements**

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

**4. SEGMENT INFORMATION (continued)**

Reportable segment results for the nine month period ended 30 September 2012 are shown in the following table:

	<b>Exploration and production</b>	<b>Oil field services</b>	<b>Refining</b>	<b>Trade</b>	<b>Other</b>	<b>Total</b>
Segment revenue	73,541,134	3,235,509	105,034,728	145,700,659	10,680,857	338,192,887
Inter-segment revenue	(66,046,254)	(1,201,045)	(107,370,326)	(537,801)	(1,085,328)	(176,240,754)
Operating income – total	7,494,880	2,034,464	(2,335,598)	145,162,858	9,595,529	161,952,133
Depreciation	(1,552,095)	(354,778)	(1,457,187)	(537,464)	(737,593)	(4,639,117)
Impairment losses	(739,663)	(10,036)	(47,839)	(28,277)	(26,474)	(852,289)
Segment profit (loss) from operating activities	63,054,250	(335,052)	(5,854,426)	430,739	(6,524,326)	50,771,185
Financial income (expenses)	(58,034)	31,522	(1,508,726)	438,521	(6,923,288)	(8,020,005)
Other income (expenses)	(89,191)	4,360	(26,490)	(496,242)	(8,400,657)	(9,008,220)
Segment Profit (loss) before tax	62,907,025	(299,170)	(7,389,642)	373,018	(21,848,271)	33,742,960
Deferred tax income	-	-	-	-	141,718	141,718
Income tax expense	-	-	-	-	(1,688,262)	(1,688,262)
Segment profit (loss)	<b>62,907,025</b>	<b>(299,170)</b>	<b>(7,389,642)</b>	<b>373,018</b>	<b>(23,394,815)</b>	<b>32,196,416</b>

Reportable segments results for the nine month period ended 30 September 2011 are shown in the following table:

	<b>Exploration and production</b>	<b>Oil field services</b>	<b>Refining</b>	<b>Trade</b>	<b>Other</b>	<b>Total</b>
Segment revenue	49,673,711	4,351,298	100,330,950	124,125,681	141,914	278,623,554
Inter-segment revenue	(38,835,635)	(1,411,451)	(100,062,829)	(222,575)	-	(140,532,490)
Operating income – total	10,838,076	2,939,847	268,121	123,903,106	141,914	138,091,064
Depreciation	(1,534,120)	(645,123)	(1,500,348)	(573,737)	(698,263)	(4,951,591)
Impairment losses	(7,164)	(74)	(21,096)	(25,256)	(225)	(53,815)
Segment profit (loss) from operating activities	40,403,342	(934,254)	(7,492,706)	(20,068)	(5,054,592)	26,901,722
Financial income	76,500	3,999	1,328,935	265,071	1,773,209	3,447,714
Other income (expenses)	328,638	(155,556)	(2,100,861)	405,542	106,007	(1,416,230)
Segment Profit (loss) before tax	40,808,480	(1,085,811)	(8,264,632)	650,545	(3,175,376)	28,933,206
Deferred tax expense	-	-	-	-	(323,654)	(323,654)
Income tax expense	-	-	-	-	(1,467,163)	(1,467,163)
Segment profit (loss)	<b>40,808,480</b>	<b>(1,085,811)</b>	<b>(8,264,632)</b>	<b>650,545</b>	<b>(4,966,193)</b>	<b>27,142,389</b>

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**4. SEGMENT INFORMATION (continued)**

Intersegment revenue are performed in accordance with the transfer pricing policy approved by the Board of Directors.

The analysis of the Company's revenue from the main products and services is presented below in the table below:

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
<i>Sales of:</i>		
- crude oil	2,914,185	-
- petroleum products	138,242,926	121,268,397
- goods for resale	19,824,165	10,705,582
- services	966,427	984,078
	<b>161,947,703</b>	<b>132,958,057</b>
Work performed by the entity and capitalized	1,994,645	2,795,279
(Decrease) increase in inventories of finished goods and work in progress	(2,224,204)	2,116,242
Other operating income	233,989	221,486
	<b>161,952,133</b>	<b>138,091,064</b>

Sales of goods for resale for the nine month period ended 30 September 2012 in the amount of 19,824,165 RSD (2011: 10,705,582 RSD) mostly relate to sales of imported Eurodiesel in the amount of 16,588,950 RSD (2011: 9,163,671 RSD).

## Notes to the interim condensed financial statements

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## 5. INTANGIBLE ASSETS

	Research and development	Concessions, patents, licenses and rights	Intangible assets under development	Other intangibles	Total
<b>As at 1 January 2011</b>					
Cost	-	878,120	1,843,860	4,721,726	7,443,706
Accumulated depreciation and impairment	-	(184,431)	(1,698,294)	(725,220)	(2,607,945)
<b>Net book amount</b>	<b>-</b>	<b>693,689</b>	<b>145,566</b>	<b>3,996,506</b>	<b>4,835,761</b>
<b>Period ended 30 September 2011</b>					
Opening net book amount	-	693,689	145,566	3,996,506	4,835,761
Additions	-	-	320,731	-	320,731
Transfer from IA under development	-	-	(45,311)	45,311	-
Transfer from PP&E	-	-	-	73,196	73,196
Amortisation	-	(8,855)	-	(497,294)	(506,149)
Disposals	-	-	-	(48,267)	(48,267)
Other transfers	-	(54,452)	18	50,458	(3,976)
<b>Closing net book amount</b>	<b>-</b>	<b>630,382</b>	<b>421,004</b>	<b>3,619,910</b>	<b>4,671,296</b>
<b>As at 30 September 2011</b>					
Cost	-	878,120	2,119,298	4,742,559	7,739,977
Accumulated depreciation and impairment	-	(247,738)	(1,698,294)	(1,122,649)	(3,068,681)
<b>Net book amount</b>	<b>-</b>	<b>630,382</b>	<b>421,004</b>	<b>3,619,910</b>	<b>4,671,296</b>
<b>As at 1 January 2012</b>					
Cost	-	874,906	413,952	4,753,693	6,042,551
Accumulated depreciation and impairment	-	(229,452)	(142,279)	(1,229,221)	(1,600,952)
<b>Net book amount</b>	<b>-</b>	<b>645,454</b>	<b>271,673</b>	<b>3,524,472</b>	<b>4,441,599</b>
<b>Period ended 30 September 2012</b>					
Opening net book amount	-	645,454	271,673	3,524,472	4,441,599
Additions	766,390	-	1,056,567	-	1,822,957
Transfer to subsidiaries (note 7)	-	(2,291)	-	(59,391)	(61,682)
Transfer from IA under development	-	768,443	(847,341)	78,898	-
Transfer from PP&E	1,716,106	-	15,252	-	1,731,358
Amortisation	-	(67,611)	-	(437,350)	(504,961)
Impairment	(107,758)	-	(43,867)	-	(151,625)
Disposals	-	-	(187)	-	(187)
Other transfers	-	353	(42,591)	(353)	(42,591)
<b>Closing net book amount</b>	<b>2,374,738</b>	<b>1,344,348</b>	<b>409,506</b>	<b>3,106,276</b>	<b>7,234,868</b>
<b>As at 30 September 2012</b>					
Cost	2,482,496	1,640,758	638,244	4,668,242	9,429,740
Accumulated depreciation and impairment	(107,758)	(296,410)	(228,738)	(1,561,966)	(2,194,872)
<b>Net book amount</b>	<b>2,374,738</b>	<b>1,344,348</b>	<b>409,506</b>	<b>3,106,276</b>	<b>7,234,868</b>

Other intangible assets as at 30 September 2012 mostly relate to investment in SAP system in the amount of 3,052,842 RSD (31 December 2011: 3,401,832 RSD) .

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Notes to the interim condensed financial statements

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
<b>As at 1 January 2011</b>								
Cost	11,274,498	62,752,974	55,498,519	13,801,387	89,938	110,630	12,787,121	156,315,067
Accumulated depreciation and impairment	(737,373)	(24,160,797)	(29,850,236)	(3,366,233)	(1,426)	(109,910)	(74,701)	(58,300,676)
<b>Net book amount</b>	<b>10,537,125</b>	<b>38,592,177</b>	<b>25,648,283</b>	<b>10,435,154</b>	<b>88,512</b>	<b>720</b>	<b>12,712,420</b>	<b>98,014,391</b>
<b>Period ended 30 September 2011</b>								
Opening net book amount	10,537,125	38,592,177	25,648,283	10,435,154	88,512	720	12,712,420	98,014,391
Additions	1,026	1,856,330	1,228,798	16,030,589	526	-	8,965,480	28,082,749
Other transfers	(327)	426,201	(552,866)	166,695	867	-	-	40,570
Disposals and advances paid used	(232)	20,568	(79,285)	(51,749)	(1,358)	-	(6,332,176)	(6,444,232)
Depreciation	-	(2,013,026)	(2,442,068)	-	-	(270)	-	(4,455,364)
Impairment charge	-	(5,812)	(19,794)	(28,191)	(18)	-	-	(53,815)
Transfer to intangible assets	-	-	-	(73,196)	-	-	-	(73,196)
Transfer to investment property	(18,559)	(42,655)	-	-	-	-	-	(61,214)
<b>Closing net book amount</b>	<b>10,519,033</b>	<b>38,833,783</b>	<b>23,783,068</b>	<b>26,479,302</b>	<b>88,529</b>	<b>450</b>	<b>15,345,724</b>	<b>115,049,889</b>
<b>As at 30 September 2011</b>								
Cost	11,228,862	64,666,966	55,745,045	29,509,234	89,088	110,630	15,420,399	176,770,224
Accumulated depreciation and impairment	(709,829)	(25,833,183)	(31,961,977)	(3,029,932)	(559)	(110,180)	(74,675)	(61,720,335)
<b>Net book amount</b>	<b>10,519,033</b>	<b>38,833,783</b>	<b>23,783,068</b>	<b>26,479,302</b>	<b>88,529</b>	<b>450</b>	<b>15,345,724</b>	<b>115,049,889</b>
<b>As at 1 January 2012</b>								
Cost	11,185,907	62,832,533	60,387,999	44,639,338	93,279	110,630	8,770,320	188,020,006
Accumulated depreciation and impairment	(695,566)	(24,300,702)	(34,982,060)	(2,981,943)	(5,020)	(110,270)	(21,418)	(63,096,979)
<b>Net book amount</b>	<b>10,490,341</b>	<b>38,531,831</b>	<b>25,405,939</b>	<b>41,657,395</b>	<b>88,259</b>	<b>360</b>	<b>8,748,902</b>	<b>124,923,027</b>
<b>Period ended 30 September 2012</b>								
Opening net book amount	10,490,341	38,531,831	25,405,939	41,657,395	88,259	360	8,748,902	124,923,027
Additions	153,747	5,741,789	4,861,061	19,193,779	-	-	3,865,857	33,816,233
Transfer to subsidiaries (note 7)	(114,522)	(1,039,910)	(4,588,292)	-	(12,243)	-	-	(5,754,967)
Other transfers	-	(22,441)	13,066	(6,547)	-	-	-	(15,922)
Disposals and advances paid used	-	(7,604)	4,779	(30,508)	-	-	(10,389,970)	(10,423,303)
Depreciation	-	(1,883,566)	(2,250,320)	-	-	(270)	-	(4,134,156)
Impairment charge	-	(15,230)	(39,905)	(644,553)	-	-	-	(699,688)
Transfer to intangible assets	-	-	-	(1,731,358)	-	-	-	(1,731,358)
Transfer to investment property	(37,736)	(7,995)	-	-	-	-	-	(45,731)
<b>Closing net book amount</b>	<b>10,491,830</b>	<b>41,296,874</b>	<b>23,406,328</b>	<b>58,438,208</b>	<b>76,016</b>	<b>90</b>	<b>2,224,789</b>	<b>135,934,135</b>
<b>As at 30 September 2012</b>								
Cost	11,185,780	67,025,673	54,248,285	61,764,247	76,551	110,630	2,246,207	196,657,373
Accumulated depreciation and impairment	(693,950)	(25,728,799)	(30,841,957)	(3,326,039)	(535)	(110,540)	(21,418)	(60,723,238)
<b>Net book amount</b>	<b>10,491,830</b>	<b>41,296,874</b>	<b>23,406,328</b>	<b>58,438,208</b>	<b>76,016</b>	<b>90</b>	<b>2,224,789</b>	<b>135,934,135</b>

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**Notes to the interim condensed financial statements**

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

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

The additions to property, plant and equipment for the nine month period ended 30 September 2012 in the amount of 33,816,233 RSD (2011: 28,082,749 RSD) mostly relate to investments in MHC/DHT project (investments in construction of Mild Hydrocracking Complex and Hydrofinishing in Pančevo Oil Refinery) in the amount of 16,941,313 RSD, reconstruction of docks and filling terminals in the amount of 1,711,401 RSD and purchase of transport vehicles in the amount of 1,043,936 RSD. Advances paid to suppliers, related to the MHC/DHT project, as of 30 September 2012 amounted to 2,173,402 RSD.

In 2012 the Company has capitalized borrowing costs for construction of qualifying assets as part of their acquisition cost in the amount of 1,484,512 RSD (2011: 743,440 RSD).

**7. INVESTMENTS IN EQUITY INSTRUMENTS**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Investments in subsidiaries	8,713,244	3,490,817
Investments in other related parties	58,886	69,145
Investments in other legal entities and other securities available for sale	2,114,374	2,142,411
Less: Provision	<u>(3,156,492)</u>	<u>(3,159,491)</u>
	<b><u>7,730,012</u></b>	<b><u>2,542,882</u></b>
 <i>Investments in subsidiaries</i>		
	<b><u>2012</u></b>	<b><u>2011</u></b>
In shares	3,457,576	3,457,576
In stakes	5,255,668	33,241
	<u>8,713,244</u>	<u>3,490,817</u>
Less: Provision	<u>(1,173,167)</u>	<u>(1,173,167)</u>
	<b><u>7,540,077</u></b>	<b><u>2,317,650</u></b>

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**Notes to the interim condensed financial statements**

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

**7. INVESTMENTS IN EQUITY INSTRUMENTS (continued)**

Investments in subsidiaries as at 30 September 2012 relate to the following companies:

<b>Company</b>	<b>Investment</b>	<b>Impairment</b>	<b>Net book value</b>	<b>Share %</b>
O Zone a.d. Belgrade, Serbia	3,457,576	(1,172,263)	2,285,313	100%
NIS Petrol e.o.o.d., Sofija, Bulgaria	997	-	997	100%
NIS Petrol SRL, Bucharest, Romania	2,632	-	2,632	100%
NIS Petrol d.o.o., Laktasi, BiH	1,030	-	1,030	100%
Pannon naftagas Kft, Budapest, Hungary	184	-	184	100%
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	321,500	-	321,500	100%
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	993,193	-	993,193	100%
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	3,579,983	-	3,579,983	100%
Naftagas-Transport d.o.o. Novi Sad, Serbia	327,751	-	327,751	100%
NIS Oversiz, Moscow, Russian Federation	9,856	-	9,856	100%
Jadran-naftagas d.o.o. Banja Luka, BiH	71	-	71	66%
Svetlost d.o.o., Bujanovac, Serbia	17,045	-	17,045	51%
Ranis, Moscow region, Russian Federation	522	-	522	51%
Jubos, Bor, Serbia	904	(904)	-	51%
	<b>8,713,244</b>	<b>(1,173,167)</b>	<b>7,540,077</b>	

Movements on investments in equity instruments:

	<b>30 September 2012</b>	<b>31 December 2011</b>
<b>As at 1 January</b>	3,490,817	3,488,730
Investments in subsidiaries	5,222,427	26,234
Liquidation of NIS Oil Trading, Frankfurt, Germany	-	(24,147)
Less: provision	(1,173,167)	(1,173,167)
<b>As at 30 September</b>	<b>7,540,077</b>	<b>2,317,650</b>

In 2012., the Company established following companies:

- Naftagas-Naftni servisi d.o.o., Novi Sad. As at 30 September 2012 the total registered capital of the new company amounts to 3,579,983 RSD (non-cash contribution 3,579,930 RSD).
- NTC NIS-Naftagas d.o.o., Novi Sad. As at 30 September 2012 the total registered capital of the new company amounts to 321,500 RSD (non-cash contribution 321,447 RSD).
- Naftagas-Tehnicki servisi d.o.o., Zrenjanin. As at 30 September 2012 the total registered capital of the new company amounts to 1,044,554 RSD (non-cash contribution 1,044,501 RSD).
- Naftagas-Transport d.o.o., Novi Sad. As at 30 September 2012 the total registered capital of the new company amounts to 327,751 RSD (non-cash contribution 327,695 RSD).

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**Notes to the interim condensed financial statements**

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

**7. INVESTMENTS IN EQUITY INSTRUMENTS (continued)**

In accordance with the Decision on founding and transfer of equity in kind to newly formed subsidiaries (Naftagas-Naftni servisi d.o.o. Novi Sad, Naftagas-Tehnicki servisi d.o.o. Zrenjanin, NTC NIS-Naftagas d.o.o. Novi Sad and Naftagas-Transport d.o.o. Novi Sad), the Company has transferred intangible assets, property, plant and equipment in total of 5,816,649 RSD (notes 5 and 6) and inventories of material, tools and other assets in total of 704,943 RSD (note 9).

For the amount above the subscribed capital the Company has recognized receivable from sales of property, plant, equipment, material and tools in total of 1,299,377 RSD (note 10). The assets were sold at book value.

**8. OTHER LONG-TERM INVESTMENTS**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Rescheduled receivables	4,049,123	5,601,478
Long-term loans to subsidiaries	8,623,676	2,289,198
Long-term loans to employees	1,229,128	1,052,371
Property finance lease receivables	81,508	148,043
Investments in Crni Vrh – O Zone	1,616,295	1,616,295
Other long-term financial assets	840,442	769,623
	<u>16,440,172</u>	<u>11,477,008</u>
<i>Less provision:</i>		
- rescheduled receivables	(4,049,123)	(5,601,478)
- property finance lease receivables	(60,642)	(120,668)
- investments in Crni Vrh – O Zone	(1,616,295)	(1,616,295)
- other long-term financial assets	(833,104)	(762,533)
	<u>(6,559,164)</u>	<u>(8,100,974)</u>
<b>Total – net</b>	<b><u>9,881,008</u></b>	<b><u>3,376,034</u></b>

*Long-term loans to subsidiaries*

Long-term loans to subsidiaries translated into RSD as at 30 September 2012 consist of:

	<b>Currency</b>	<b>30 September 2012</b>	<b>31 December 2011</b>
NIS Petrol e.o.o.d., Sofija, Bulgaria	EUR	6,376,615	1,628,515
Jadran-Naftagas d.o.o., Banja Luka, BiH	EUR	700,304	387,571
NIS Petrol SRL, Bucharest, Romania	EUR	1,223,292	-
Pannon naftagas Kft, Budapest, Hungary	EUR	2,876	-
NIS Petrol d.o.o., Laktasi, BiH	EUR	320,589	273,112
		<u>8,623,676</u>	<u>2,289,198</u>

Long-term loans to subsidiaries are approved at the variable interest rates (3M and 6M Euribor + 7.5% and 3M Euribor + 5%), for a period of 7 years from the date of payment of the last tranche, with a grace period of 5 years. The carrying value of long-term loans is equal to their fair value.

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***9. INVENTORIES**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Raw materials	23,773,485	23,272,508
Spare parts	1,886,010	2,783,196
Tools	122,882	137,291
Work in progress	5,167,654	5,802,756
Finished goods	7,246,987	8,548,192
Merchandise	3,368,306	2,270,553
	<u>41,565,324</u>	<u>42,814,496</u>
Advances	1,065,680	764,659
<i>Less provision:</i>		
- for inventories	(6,764,245)	(7,801,869)
- for advances	(374,070)	(379,688)
	<u>(7,138,315)</u>	<u>(8,181,557)</u>
<b>Total inventories – net</b>	<b><u>35,492,689</u></b>	<b><u>35,397,598</u></b>

Movement on inventory provision is as follows:

	<b>2012</b>	<b>2011</b>
<b>As at January 1</b>	(8,181,557)	(5,334,979)
Provision for impaired inventories charged to the period	(3,685)	(1,901,535)
Provision reversed	9,303	53,778
Transfer to subsidiaries (note 7)	1,037,624	-
Other	-	20,154
	<u>(7,138,315)</u>	<u>(7,162,582)</u>

In accordance with the Decision on founding the subsidiaries, the Company has transferred inventories of material, spare parts, and tools in total net amount of 704,943 RSD. For the part of transferred assets above the subscribed capital the Company has recognized receivable from sales of assets in total of 334,735 RSD. The inventories were sold at book value.

**Notes to the interim condensed financial statements**

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

**10. TRADE AND OTHER RECEIVABLES**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Trade receivables:		
- domestic	40,186,426	22,564,614
- foreign	1,784,762	1,054,202
- related parties	5,193,622	2,096,242
	<u>47,164,810</u>	<u>25,715,058</u>
Receivables from specific operations	8,726,804	7,998,971
Receivables from sales of assets to subsidiaries (note 7)	1,299,377	-
	<u>5,421,509</u>	<u>4,984,235</u>
Interest receivables	5,421,509	4,984,235
Receivables from employees	92,531	86,656
Other receivables	7,445,873	7,428,788
	<u>12,959,913</u>	<u>12,499,679</u>
	<b><u>70,150,904</u></b>	<b><u>46,213,708</u></b>
<i>Less provision:</i>		
- trade receivables	(13,143,132)	(5,684,020)
- receivables from specific operations	(8,589,332)	(7,978,573)
- interest receivables	(5,064,793)	(4,854,318)
- other receivables	(7,323,948)	(7,323,558)
	<u>(34,121,205)</u>	<u>(25,840,469)</u>
<b>Total receivables – net</b>	<b><u>36,029,699</u></b>	<b><u>20,373,239</u></b>

Trade receivables as at 30 September 2012 in the amount of 15,551,044 RSD that are more than 90 days overdue are considered as impaired, except for receivables in the amount of 2,480,030 RSD (31 December 2011: 269,440 RSD) relating to receivables to a certain number of customers which have not defaulted recently.

The ageing of trade receivables is as follows:

	<b>30 September 2012</b>	<b>31 December 2011</b>
Up to 3 months	31,613,766	19,824,325
Over 3 months	15,551,044	5,890,733
	<u>47,164,810</u>	<u>25,715,058</u>

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**Notes to the interim condensed financial statements**

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

As at 30 September 2012 trade receivables in the amount of 13,143,132 RSD (31 December 2011: 5,684,020 RSD) were completely impaired and provided for. The individually impaired receivables mainly relate to customers which are assessed as uncollectable. The ageing of receivables provided for is as follows:

	<b>30 September 2012</b>	<b>31 December 2011</b>
Up to 3 months	72,118	62,727
Over 3 months	13,071,014	5,621,293
	<b>13,143,132</b>	<b>5,684,020</b>

The carrying amounts of the Company's trade and other receivables relate to following currencies:

	<b>30 September 2012</b>	<b>31 December 2011</b>
RSD	68,131,035	45,056,177
EUR	252,148	241,141
USD	1,766,964	916,156
Other	757	234
	<b>70,150,904</b>	<b>46,213,708</b>

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

	<b>2012</b>	<b>2011</b>
<b>As at January 1</b>	(25,840,469)	(26,103,844)
Provision for impaired receivables	(9,416,854)	(799,693)
Written off	266,650	107,563
Unused amounts reversed	869,468	534,900
Other	-	(4,203)
<b>As at 30 September</b>	<b>(34,121,205)</b>	<b>(26,265,277)</b>

**11. CASH AND CASH EQUIVALENTS**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Cash in bank	16,426,344	24,793,781
Cash on hand	1,367,201	391,896
Other cash equivalents	44,053	43,049
	<b>17,837,598</b>	<b>25,228,726</b>

As at 30 September 2012 short-term bank deposits with maturity up to 90 days in amount of 9,625,542 RSD (31 December 2011: 16,473,646 RSD) are presented as Cash in bank.

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**Notes to the interim condensed financial statements**

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**12. VAT AND PREPAID EXPENSES**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Prepayment for VAT	1,083,702	1,746,469
Prepaid expenses	219,855	55,361
Accrued revenue	-	483,920
Prepaid excise duty	783,237	1,119,985
Housing loans and other prepayments	1,369,056	1,221,186
	<b>3,455,850</b>	<b>4,626,921</b>

Prepayment for VAT as at 30 September 2012 in the amount of 1,083,702 RSD represents input VAT claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise duty amounting to 783,237 RSD (31 December 2011: 1,119,985 RSD) refers to the excise paid for finished products stored in non-excise warehouse.

**13. SHARE CAPITAL**

Share capital represent share capital wich is listed on Belgrade Stock Exchange.

The structure of the share capital as at 30 September 2012 was:

<b>Shareholders</b>	<b>Number of shares</b>	<b>Structure in %</b>
Gazprom Neft, St Petersburg, Russian Federation	91,565,887	56.15%
Republic of Serbia	48,712,674	29.87%
Unicredit bank Serbia ad - custody account	622,201	0.38%
Unicredit bank Serbia ad - custody account	540,700	0.33%
Erste bank a.d. Novi Sad - custody account	361,469	0.22%
Unicredit bank Serbia ad - custody account	175,765	0.11%
AWLL Communications d.o.o. Beograd	155,285	0.10%
Societe Generale Bank Serbia - custody account	152,039	0.09%
Julius Baer Multipartner	133,686	0.08%
Raiffeisenbank ad Beograd - custody account	117,094	0.07%
Other	20,523,600	12.60%
	<b>163,060,400</b>	<b>100.00%</b>

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**Notes to the interim condensed financial statements**

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**14. LONG-TERM LOANS**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Domestic	15,817,020	17,997,065
Foreign	15,675,632	18,052,130
	<b>31,492,652</b>	<b>36,049,195</b>
Current portion of long-term loans	(2,633,868)	(2,274,652)
<b>Total</b>	<b>28,858,784</b>	<b>33,774,543</b>

The maturity of non-current loans was as follows:

	<b>30 September 2012</b>	<b>31 December 2011</b>
Between 1 and 2 years	13,499,150	4,538,604
Between 2 and 5 years	8,946,799	22,487,295
Over 5 years	6,412,835	6,748,644
	<b>28,858,784</b>	<b>33,774,543</b>

The carrying amounts of the Company's loans are denominated in the following currencies:

	<b>30 September 2012</b>	<b>31 December 2011</b>
RSD	1,281,209	1,281,436
EUR	9,220,463	8,900,998
USD	20,444,499	25,352,982
JPY	546,481	513,779
	<b>31,492,652</b>	<b>36,049,195</b>

The carrying amounts and fair value of the non-current loans are equal as they are received under market conditions.

The Company repays for its loans in accordance with agreed dynamics, i.e. determined annuity plans. The Company has both fixed and floating interest rates stipulated with the creditors. Floating interest rates are connected with Euribor and Libor.

Management expects that the Company will be able to fulfill its obligations within agreed timeframe.

**Notes to the interim condensed financial statements**

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

**14. LONG-TERM LOANS (continued)**

The carrying amounts of the Company's long-term loans as at 30 September 2012 and 31 December 2011 are presented below:

Creditor	Currency	30 September 2012	31 December 2011
<b><i>Domestic long-term loans</i></b>			
Erste bank, Novi Sad (London club)	USD	4,732	4,475
Erste bank, Novi Sad (Paris club)	EUR	474,826	446,569
Erste bank, Novi Sad (Paris club)	USD	306,985	288,582
Hypo Alpe Adria Bank, Belgrade	EUR	-	280,786
Piraeus bank, Belgrade	USD	1,778,754	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	238,839	227,822
Bank Postanska stedionica, Belgrade (Paris club)	USD	1,724,462	1,643,661
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,848,826	4,524,125
Government of Republic of Serbia, Agency for deposit assurance	USD	-	566,059
UniCredit bank, Belgrade	USD	5,158,387	4,690,240
UniCredit bank, Belgrade	RSD	1,278,900	1,278,900
Other loans	RSD	2,309	2,536
		<b>15,817,020</b>	<b>17,997,065</b>
<b><i>Foreign long-term loans</i></b>			
NLB Nova Ljubljanska bank d.d., Slovenia (London club)	USD	49,758	47,052
NLB Nova Ljubljanska bank d.d., Slovenia (Paris club)	USD	535,769	506,761
NLB Nova Ljubljanska bank d.d., Slovenia (Paris club)	JPY	546,481	513,779
Erste Bank, Holland	EUR	3,450,960	3,139,227
VUB (Bank Intesa), Slovakia	USD	8,893,770	8,086,620
NBG Bank, London	USD	213,127	1,432,912
NBG Bank, London	EUR	207,012	282,469
Alpha Bank, London	USD	1,778,755	4,043,310
		<b>15,675,632</b>	<b>18,052,130</b>
Less current portion of long-term loans		(2,633,868)	(2,274,652)
		<b>28,858,784</b>	<b>33,774,543</b>

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**Notes to the interim condensed financial statements**

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

**14. LONG-TERM LOANS (continued)**

	Currency	Current portion		Long-term	
		30 September 2012	31 December 2011	30 September 2012	31 December 2011
<b>Domestic long - term loans</b>					
Erste bank, Novi Sad (London club)	USD	379	344	4,353	4,131
Erste bank, Novi Sad (Paris club)	EUR	18,379	14,635	456,447	431,934
Erste bank, Novi Sad (Paris club)	USD	11,883	9,458	295,102	279,124
Hypo Alpe Adria Bank, Belgrade	EUR	-	280,786	-	-
Piraeus bank, Belgrade	USD	1,778,754	-	-	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	12,732	10,558	226,107	217,264
Bank Postanska stedionica, Belgrade (Paris club)	USD	91,388	75,702	1,633,074	1,567,959
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	249,112	226,609	4,599,714	4,297,516
Government of Republic of Serbia, Agency for deposit assurance	USD	-	-	-	566,059
UniCredit bank, Belgrade	USD	-	-	5,158,387	4,690,240
UniCredit bank, Belgrade	RSD	-	-	1,278,900	1,278,900
Other loans	RSD	403	415	1,906	2,121
		<b>2,163,030</b>	<b>618,507</b>	<b>13,653,990</b>	<b>17,378,558</b>
<b>Foreign long-term loans</b>					
NLB Nova Ljubljanska bank d.d., Slovenia (London club)	USD	3,981	3,619	45,777	43,433
NLB Nova Ljubljanska bank d.d., Slovenia (Paris club)	USD	24,700	19,615	511,069	487,146
NLB Nova Ljubljanska bank d.d., Slovenia (Paris club)	JPY	22,018	17,603	524,463	496,176
Erste Bank, Holland	EUR	-	-	3,450,960	3,139,227
VUB (Bank Intesa), Slovakia	USD	-	-	8,893,770	8,086,620
NBG Bank, London	USD	213,127	1,426,995	-	5,917
NBG Bank, London	EUR	207,012	188,313	-	94,156
Alpha Bank, London	USD	-	-	1,778,755	4,043,310
		<b>470,838</b>	<b>1,656,145</b>	<b>15,204,794</b>	<b>16,395,985</b>
		<b>2,633,868</b>	<b>2,274,652</b>	<b>28,858,784</b>	<b>33,774,543</b>

**15. OTHER LONG-TERM LIABILITIES**

	30 September 2012	31 December 2011
Liabilities to the Parent	52,165,675	47,611,714
Financial lease liabilities	31,016	53,117
Other long-term liabilities	1,209	1,210
	<b>52,197,900</b>	<b>47,666,041</b>

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**Notes to the interim condensed financial statements**

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

**16. SHORT-TERM FINANCIAL LIABILITIES**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Short-term financial liabilities to Parent (current portion)	5,350,325	1,133,612
Current portion of long-term loans (note 14)	2,633,868	2,274,652
Current portion of financial lease	36,255	33,069
Other short-term liabilities	81	3,589
	<b>8,020,529</b>	<b>3,444,922</b>

**17. TRADE AND OTHER PAYABLES**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Advances received	997,653	872,581
Trade payables:		
- domestic	3,044,378	2,724,233
- foreign	2,621,794	6,861,872
Trade payables – parents and subsidiaries	310,129	12,505
Trade payables – other related parties	16,063,490	18,587,440
Liabilities from other operations	69,975	71,956
Liabilities from specific operations	385,240	328,067
	<b>23,492,659</b>	<b>29,458,654</b>

Trade payables - other related parties mostly relate to liabilities for crude oil delivered by Gazprom Neft Trading, Austria in the amount of 15,489,749 RSD (31 December 2011: 18,116,245 RSD).

**18. OTHER SHORT-TERM LIABILITIES**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Liabilities for unpaid wages and salaries, gross	680,565	1,663,691
Liabilities to employees	4,769	46,715
Liabilities for interest – domestic	342,468	354,633
Liabilities for dividends	3,772,308	3,772,308
Unused holiday accrual	682,128	714,425
Other liabilities	62,711	115,120
	<b>5,544,949</b>	<b>6,666,892</b>

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***19. LIABILITIES FOR VAT ,OTHER TAXES AND DEFERRED INCOME**

	<b>30 September 2012</b>	<b>31 December 2011</b>
Liabilities for VAT	2,560,198	1,161,309
Liabilities for excise	4,650,302	2,421,670
Liabilities for taxes and custom duties	1,753,516	1,770,644
Other liabilities for taxes and contributions	112,813	47,752
Accrued liabilities	1,429,059	1,150,705
Other accruals	1,889,675	1,535,016
	<b>12,395,563</b>	<b>8,087,096</b>

**20. SALES**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Sales of products:		
- domestic	117,893,280	100,213,615
- foreign	15,697,152	11,970,904
- related parties	7,566,679	9,083,878
	<b>141,157,111</b>	<b>121,268,397</b>
Sales of goods:		
- domestic	19,552,703	10,692,956
- foreign	98,771	12,613
- related parties	172,691	13
	<b>19,824,165</b>	<b>10,705,582</b>
Sales of services:		
- domestic	460,394	395,934
- foreign	317,540	565,117
- related parties	188,493	23,027
	<b>966,427</b>	<b>984,078</b>
	<b>161,947,703</b>	<b>132,958,057</b>

**21. RAW MATERIAL AND CONSUMABLES USED**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Cost of raw materials	57,724,815	68,105,390
Cost of office and other material	438,046	606,545
Other fuel and energy expenses	1,322,511	1,399,850
	<b>59,485,372</b>	<b>70,111,785</b>

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***22. EMPLOYEE BENEFITS EXPENSE**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Wages and salaries (gross)	11,148,093	11,091,941
Taxes and contributions on wages and salaries paid by employer	1,835,660	1,895,204
Costs of temporary service agreement	334,141	260,516
Cost of other temporary service agreements	23,053	11,626
Fees paid to board of directors and general assembly board	25,882	21,258
Cost for employees termination payments	1,371,504	1,854,145
Other personal expenses and benefits	812,894	845,262
	<b>15,551,227</b>	<b>15,979,952</b>

Termination costs in the amount of 1,371,504 RSD (2011: 1,854,145 RSD) mostly relate to costs incurred in relation to voluntary leave agreement. Total number of employees who accepted the termination of employment in 2012 was 710 (2011: 782 employees).

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Average number of people employed	8,032	9,802

**23. DEPRECIATION, AMORTISATION AND PROVISIONS**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Depreciation and amortisation expenses	4,639,117	4,951,591
Provision for :		
- asset retirement obligation and environmental protection	-	243,520
- salaries and employees benefits	1,216,824	462,393
	<b>5,855,941</b>	<b>5,657,504</b>

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***24. OTHER OPERATING EXPENSES**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Cost of production services	1,913,633	1,215,476
Transportation services	1,345,937	1,149,285
Maintenance	1,127,412	655,844
Rental costs	370,070	222,709
Fairs	1,741	2,528
Advertising costs	318,633	184,026
Research costs	76,368	185,261
Cost of other services	595,210	648,143
Costs of non production services	2,031,466	1,390,403
Representation costs	45,885	108,886
Insurance premium	165,406	169,810
Bank charges	144,919	178,577
Cost of custom duties, property taxes and other taxes	1,008,079	1,067,461
Fee for emergency situations	546,895	481,462
Mineral extraction tax	2,085,227	1,519,265
Cost of legal and consulting services	29,600	102,928
Administrative and other taxes	119,337	127,597
Other	250,639	255,831
	<b>12,176,457</b>	<b>9,665,492</b>

Fee for emergency situations in the amount of 546,895 RSD represents fee calculated in accordance with the Emergency situations law.

Cost of non-production services for nine month period ended 30 September 2012 in the amount of 2,031,466 RSD (2011: 1,390,403 RSD) mostly relate to costs of service organizations of 1,306,649 RSD, consulting service costs of 194,357 RSD, project management costs of 71,897 RSD and certification and supervision costs of 106,400 RSD.

**25. FINANCIAL INCOME**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Financial income – parent and subsidiaries	192,973	-
Financial income – other related parties	-	18,266
Interest income	1,892,049	864,921
Foreign exchange gains	5,096,054	5,626,875
Other financial income	714	793
	<b>7,181,790</b>	<b>6,510,855</b>

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***26. FINANCIAL EXPENSES**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Financial expenses – parent	97,373	31,695
Interest expenses	1,221,172	1,839,252
Amortization of long-term liabilities	247,214	-
Foreign exchange losses	13,635,622	1,188,880
Other financial expenses	414	3,314
	<b>15,201,795</b>	<b>3,063,141</b>

**27. EARNINGS PER SHARE**

	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Profit	32,196,416	27,142,389
Weighted average number of shares outstanding	163,060,400	163,060,400
<b>Basic Earning per share</b>	<b>0.20</b>	<b>0.17</b>

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***28. RELATED PARTIES TRANSACTIONS**

The majority owner of the Company is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The remaining 43.85% (29.87% owned by Republic of Serbia) of shares are quoted on the Belgrade Stock Exchange and are owned by various shareholders. Gazprom, Russian Federation is the ultimate controlling party of Company.

The Company was engaged in business transactions with its related entities during 2012 and 2011. The most significant transactions with related parties in the aforementioned periods related to supply/delivery of crude oil, geophysical research and interpretation services.

	<b>30 September 2012</b>	<b>31 December 2011</b>	<b>Category</b>
<i>Long-term loans</i>			
NIS Petrol e.o.o.d., Sofija, Bulgaria	6,376,615	1,628,515	Subsidiary
Jadran-Naftagas d.o.o. Banja Luka, BiH	700,304	387,571	Subsidiary
NIS Petrol SRL, Bucharest, Romania	1,223,292	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	2,876	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	320,589	273,112	Subsidiary
	<u>8,623,676</u>	<u>2,289,198</u>	
<i>Advances</i>			
NIS Oversiz, Moscow, Russian Federation	1,765	1,544	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	140,480	-	Subsidiary
	<u>142,245</u>	<u>1,544</u>	
<i>Receivables</i>			
O Zone a.d. Belgrade, Serbia	215,676	216,045	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	71,810	79,746	Subsidiary
Ranis, Moscow area, Russian Federation	144	126	Subsidiary
Jadran-naftagas d.o.o. Banja Luka, BiH	30,439	15,175	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	103,230	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	18,997	-	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russian Federation	-	3,717	Other
NIS Petrol SRL, Bucharest, Romania	3,623	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	65	-	Subsidiary
Naftagas-Transport d.o.o. Novi Sad, Serbia	562,728	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	1,652,182	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	256,552	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	253,737	-	Subsidiary
NIS Oversiz, Moscow, Russian Federation	21	22	Subsidiary
	<u>3,169,204</u>	<u>314,831</u>	
<b>Total receivables:</b>	<b><u>11,935,125</u></b>	<b><u>2,605,573</u></b>	

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**Notes to the interim condensed financial statements**

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

**28. RELATED PARTIES TRANSACTIONS (continued)**

	<b>30 September 2012</b>	<b>31 December 2011</b>	<b>Category</b>
<i>Liabilities</i>			
Gazprom Neft, St Petersburg, Russian Federation	(57,645,586)	(48,887,946)	Parent
Gazprom Neft Trading, Austria	(15,489,749)	(18,116,245)	Other
O Zone a.d. Belgrade, Serbia	(2,691)	(9,148)	Subsidiary
Gazprom Neft Lubricants, Italia	-	(5,594)	Other
Svetlost d.o.o., Bujanovac, Serbia	(4)	(4)	Subsidiary
NIS Oversiz, Moscow, Russian Federation	-	(3,522)	Subsidiary
Naftagas-Transport d.o.o. Novi Sad, Serbia	(29,752)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(245,214)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(73,201)	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	(57,035)	-	Subsidiary
	<u>(73,543,232)</u>	<u>(67,022,459)</u>	
<i>Advances received</i>			
O Zone a.d. Belgrade, Serbia	(127)	(126)	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	(5,196)	(1,966)	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russian Federation	(2,851)	-	Other
	<u>(8,174)</u>	<u>(2,092)</u>	
<i>Accruals</i>			
O Zone a.d. Belgrade, Serbia	(219)	(748)	Subsidiary
Naftagas-Transport d.o.o. Novi Sad, Serbia	(106,988)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(447,392)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(142,686)	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	(37,124)	-	Subsidiary
	<u>(734,409)</u>	<u>(748)</u>	
<b>Total liabilities:</b>	<b><u>(74,285,815)</u></b>	<b><u>(67,025,299)</u></b>	
<b>Liabilities, net:</b>	<b><u>(62,350,690)</u></b>	<b><u>(64,419,726)</u></b>	

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***28. RELATED PARTIES TRANSACTIONS (continued)**

	Nine month period ended 30 September		Category
	2012	2011	
<i>Sales</i>			
Svetlost d.o.o., Bujanovac, Serbia	748,243	517,893	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russian Federation	82,273	26,503	Other
Jadran-naftagas d.o.o. Banja Luka, BiH	5,617	23,027	Subsidiary
Gazprom Neft NTC, Moscow, Russian Federation	-	4,981	Other
NIS Petrol e.o.o.d., Sofija, Bulgaria	3,148	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	1,440	-	Subsidiary
Naftagas-Transport d.o.o. Novi Sad, Serbia	141,866	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	185,381	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	55,366	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	30,426	-	Subsidiary
O Zone a.d. Belgrade, Serbia	45	3,695	Subsidiary
	<u>1,253,805</u>	<u>576,099</u>	

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***28. RELATED PARTIES TRANSACTIONS (continued)**

	Nine month period ended 30 September		Category
	2012	2011	
<i>Other operating income</i>			
O Zone a.d. Belgrade, Serbia	62	844	Subsidiary
	<u>62</u>	<u>844</u>	
<i>Cost of goods sold</i>			
Naftagas-Transport d.o.o. Novi Sad, Serbia	(52,544)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(92,172)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(4,381)	-	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	(570)	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	(527)	-	Subsidiary
Gazprom Neft Lubricants, Italia	(10,350)	(7)	Other
	<u>(160,544)</u>	<u>(7)</u>	
<i>Purchases of raw materials</i>			
Gazprom Neft Trading, Austria	(43,462,775)	(47,128,979)	Other
Gazprom Neft Lubricants, Italia	(8,752)	-	Other
	<u>(43,471,527)</u>	<u>(47,128,979)</u>	
<i>Cost of salaries, benefits and other personnel expenses</i>			
O Zone a.d. Belgrade, Serbia	(76,683)	(110,376)	Subsidiary
Naftagas-Transport d.o.o. Novi Sad, Serbia	(63,894)	-	Subsidiary
	<u>(140,577)</u>	<u>(110,376)</u>	
<i>Other operating expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	(39,460)	(45,385)	Parent
NIS Oversiz, Moscow, Russian Federation	(29,512)	(19,064)	Subsidiary
O Zone a.d. Belgrade, Serbia	(228)	(7,979)	Subsidiary
Naftagas-Transport d.o.o. Novi Sad, Serbia	(200,775)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(275,195)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(352,678)	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	(111,767)	-	Subsidiary
	<u>(1,009,615)</u>	<u>(72,428)</u>	
<b>Operating expenses, net</b>	<b><u>(43,528,396)</u></b>	<b><u>(46,734,847)</u></b>	

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***28. RELATED PARTIES TRANSACTIONS (continued)**

	Nine month period ended 30 September		Category
	2012	2011	
<i>Financial income</i>			
Jadran-naftagas d.o.o. Banja Luka, BiH	33,456	-	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	112,123	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	17,368	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	96	-	Subsidiary
NIS Petrol SRL, Bucharest, Romania	13,456	-	Subsidiary
Gazprom Neft Trading, Austria	-	18,266	Other
Naftagas-Transport d.o.o. Novi Sad, Serbia	2,428	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	9,512	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	4,184	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	350	-	Subsidiary
	<u>192,973</u>	<u>18,266</u>	
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	<u>(97,373)</u>	<u>(31,695)</u>	Parent
<b>Financial income (expenses), net</b>	<b><u>95,600</u></b>	<b><u>(13,429)</u></b>	
<i>Other income</i>			
Gazprom Neft Trading, Austria	1,050	30,012	Other
Naftagas-Transport d.o.o. Novi Sad, Serbia	15	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	16	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	1	-	Subsidiary
	<u>1,082</u>	<u>30,012</u>	
<i>Other expenses</i>			
Gazprom Neft Trading, Austria	(98,188)	(131,753)	Other
Gazprom Neft, St Petersburg, Russian Federation	(4,664)	(21,250)	Parent
Ranis, Moscow area, Russian Federation	-	(112)	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	-	(8,187)	Subsidiary
O Zone a.d. Belgrade, Serbia	(136)	(1,294)	Subsidiary
Gazprom Neft Lubricants, Italia	(4)	-	Other
Naftagas-Transport d.o.o. Novi Sad, Serbia	(16)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(2)	-	Subsidiary
	<u>(103,010)</u>	<u>(162,596)</u>	
<b>Other expenses, net</b>	<b><u>(101,928)</u></b>	<b><u>(132,584)</u></b>	

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

**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***28. RELATED PARTIES TRANSACTIONS (continued)***Main transaction with state owned companies*

	<b>30 September 2012</b>	<b>31 December 2011</b>
<i>Receivables</i>		
HIP Petrohemija	4,364,455	1,995,294
Srbijagas	<u>20,101,859</u>	<u>7,414,404</u>
	<b>24,466,314</b>	<b>9,409,698</b>
<i>Liabilities</i>		
HIP Petrohemija	(573,741)	(471,195)
Srbijagas	<u>(96,582)</u>	<u>(272,661)</u>
	<b>(670,323)</b>	<b>(743,856)</b>
<i>Advances received</i>		
HIP Petrohemija	(4,030)	(5,386)
Srbijagas	<u>(12,806)</u>	<u>(12,796)</u>
	<b>(16,836)</b>	<b>(18,182)</b>
	<b>Nine month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
<i>Income</i>		
HIP Petrohemija	6,674,058	8,530,819
Srbijagas	<u>13,342,504</u>	<u>5,567,555</u>
	<b>20,016,562</b>	<b>14,098,374</b>
<i>Costs</i>		
HIP Petrohemija	113,494	123,116
Srbijagas	<u>151,999</u>	<u>178,208</u>
	<b>265,493</b>	<b>301,324</b>

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**Notes to the interim condensed financial statements**

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

**29. CONTINGENT LIABILITIES**

*Transfer of property ownership*

As at 30 September 2012, the Company had ownership of 5,834 and the right to use and possess 1,846 properties, which make up 68% and 22% of the total Company properties (buildings and land), respectively.

In accordance with the Sales and purchase agreement, the Republic of Serbia as the seller is obliged to provide written consent for the transfer of ownership and the right to use properties listed within the NIS a.d. registry of fixed assets as at 31 December 2007 year.

*Financial Guarantees*

As at 30 September 2012 the total amount of outstanding financial guarantees given by the Company amounted to 3,878,292 RSD mostly related to customs duties in the amount of 2,403,960 RSD (31 December 2011: 3,200,000 RSD).

**30. EVENTS AFTER THE BALANCE SHEET DATE**

There were no significant events after the balance sheet date.

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Kirill Kravchenko  
CEO  
**26 October 2012**

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Branko Mitrovic  
The person responsible for the  
preparation of financial statements  
**26 October 2012**