



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

**Interim Condensed Consolidated Financial Statements**

**As of 30 June 2012 and 31 December 2011 and  
for the six month period ended 30 June 2012 and 2011  
(unaudited)**

Novi Sad, 06 August 2012

**Interim condensed consolidated financial statements**

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

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**Interim condensed consolidated financial statements**

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

**CONSOLIDATED BALANCE SHEET**

	Notes	<b>30 June 2012</b>	<b>31 December 2011</b>
<b>ASSETS</b>		<i>(unaudited)</i>	
<b>Non-current assets</b>			
Intangible assets	5	7,276,744	4,708,964
Property, plant and equipment	6	141,289,633	129,217,516
Investment property		1,383,998	1,338,269
Investments in equity instruments		195,092	225,232
Other long-term investments		1,236,414	1,087,147
		<b>151,381,881</b>	<b>136,577,128</b>
<b>Current assets</b>			
Inventories	7	37,858,583	35,403,205
Non current assets held for sale		16,238	181,608
Trade and other receivables	8	30,765,292	20,345,343
Short-term financial investments		2,224,468	2,416,899
Cash and cash equivalents	9	25,619,719	25,832,354
VAT and prepaid expenses	10	5,289,051	4,922,034
Deferred tax assets		7,878,726	7,875,479
		<b>109,652,077</b>	<b>96,976,922</b>
<b>Total assets</b>		<b>261,033,958</b>	<b>233,554,050</b>
Off-balance sheet assets		75,354,513	79,279,565
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share and other capital	11	87,128,073	87,128,073
Reserves		860,849	884,368
Unrealized gains from securities		5,982	29,582
Unrealized losses from securities		(70,630)	(64,090)
Accumulated gain (loss)		20,864,903	(370,083)
<i>Equity attributable to owners of the parent</i>		<b>108,789,177</b>	<b>87,607,850</b>
Non-controlling interests		(6,508)	3,490
<b>Total equity</b>		<b>108,782,669</b>	<b>87,611,340</b>
<b>Long-term provisions and liabilities</b>			
Long-term provisions		13,349,133	13,371,651
Long-term loans	12	31,524,814	33,774,543
Other long-term liabilities	13	54,528,477	48,278,469
		<b>99,402,424</b>	<b>95,424,663</b>
<b>Short-term liabilities</b>			
Short-term financial liabilities	14	5,143,461	3,445,250
Trade and other payables	15	28,787,791	29,621,937
Other short-term liabilities	16	6,052,438	6,694,698
Liabilities for VAT, other taxes and deferred income	17	11,547,242	8,098,259
Income tax liabilities		197,023	1,493,849
		<b>51,727,955</b>	<b>49,353,993</b>
Deferred tax liabilities		1,120,910	1,164,054
<b>Total equity and liabilities</b>		<b>261,033,958</b>	<b>233,554,050</b>
Off-balance sheet liabilities		75,354,513	79,279,565

Notes from page 7 to 30 are part of these Interim Condensed Consolidated Financial Statements.

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**CONSOLIDATED INCOME STATEMENT**

	Notes	Six month period ended 30 June	
		2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
<b>Operating income</b>			
Sales	18	99,715,031	83,134,711
Work performed by the entity and capitalized Increase in inventories of finished goods and work in progress		2,089,286	1,375,317
Other operating income		3,640,819	2,983,189
		194,610	133,953
		<u>105,639,746</u>	<u>87,627,170</u>
<b>Operating expenses</b>			
Cost of goods sold		(7,663,214)	(5,933,319)
Raw material and consumables used	19	(44,104,045)	(44,609,341)
Employee benefits expense	20	(11,183,158)	(10,111,816)
Depreciation, amortisation and provision	21	(3,722,468)	(3,768,627)
Other operating expenses	22	(7,403,252)	(6,524,055)
		<u>(74,076,137)</u>	<u>(70,947,158)</u>
<b>Profit from operating activities</b>		<b><u>31,563,609</u></b>	<b><u>16,680,012</u></b>
Financial income	23	4,881,099	8,000,132
Financial expenses	24	(14,668,609)	(2,262,876)
Other income		1,963,017	2,381,180
Other expenses		(1,422,771)	(1,989,697)
<b>Profit before income tax</b>		<b><u>22,316,345</u></b>	<b><u>22,808,751</u></b>
<b>Income tax</b>			
Income tax expense		(1,090,566)	(1,427,373)
Deferred tax income (expense)		(1,136,856)	(1,021,424)
		<u>46,290</u>	<u>(405,949)</u>
<b>Profit for the period</b>		<b><u>21,225,779</u></b>	<b><u>21,381,378</u></b>
Net (loss) profit attributable to non-controlling equity holders		(8,632)	574
Net profit attributable to owners of the parent		21,234,411	21,380,804
<b>Earnings per share</b>			
- Basic	25	0.13	0.13

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**Interim condensed consolidated financial statements**

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six month period ended 30 June</b>	
	<b>2012</b> <i>(unaudited)</i>	<b>2011</b> <i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
Sales and advances received	136,440,385	122,678,568
Interest from operating activities	1,169,172	415,996
Other inflow from operating activities	194,613	133,953
<i>Cash inflow from operating activities</i>	<u>137,804,170</u>	<u>123,228,517</u>
Payments and prepayments to suppliers	(62,084,508)	(50,002,753)
Salaries, benefits and other personal expenses	(11,616,872)	(10,829,770)
Interest paid	(1,772,248)	(1,557,824)
Income tax paid	(2,434,370)	(1,132,292)
Payments for other public revenues	(40,585,225)	(46,809,201)
<i>Cash outflow from operating activities</i>	<u>(118,493,223)</u>	<u>(110,331,840)</u>
<b>Net cash provided by operating activities</b>	<u>19,310,947</u>	<u>12,896,677</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of intangible assets and property, plant and equipment	31,581	321,148
<i>Cash inflow from investing activities</i>	<u>31,581</u>	<u>321,148</u>
Purchase of intangible assets, property, plant and equipment	(17,149,333)	(10,723,029)
<i>Cash outflow from investing activities</i>	<u>(17,149,333)</u>	<u>(10,723,029)</u>
<b>Net cash used in investing activities</b>	<u>(17,117,752)</u>	<u>(10,401,881)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term and short term borrowings (net inflow)	-	3,193,380
Proceeds from other long term and short term liabilities	3,818,459	4,412,700
<i>Cash inflow from financing activities</i>	<u>3,818,459</u>	<u>7,606,080</u>
Outflows from long-term, short-term and other liabilities (net outflow)	(7,542,217)	(6,611,112)
<i>Cash outflow from financing activities</i>	<u>(7,542,217)</u>	<u>(6,611,112)</u>
<b>Net cash (used in) provided by financing activities</b>	<u>(3,723,758)</u>	<u>994,968</u>
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>(1,530,563)</b>	<b>3,489,764</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>25,832,354</b>	<b>10,636,669</b>
Currency translation gains on cash and cash equivalents	1,664,380	417,982
Currency translation losses on cash and cash equivalents	(346,452)	(958,163)
<b>Cash and cash equivalents at end of period</b>	<u><b>25,619,719</b></u>	<u><b>13,586,252</b></u>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the six month period ended 30 June 2012 and 2011

<i>(unaudited)</i>	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Other capital	Reserves	Unrealised gains from securities	Unrealised losses from securities	Accumulated gain (loss)		
<b>Balance as at 1 January 2011</b>	<b>81,530,200</b>	<b>5,597,873</b>	<b>888,587</b>	<b>48,417</b>	<b>(49,236)</b>	<b>(41,009,046)</b>	<b>25,945</b>	<b>47,032,740</b>
Result for the period:								
- Profit	-	-	-	-	-	21,380,804	574	21,381,378
- Losses from securities	-	-	-	(1,727)	(8,892)	-	-	(10,619)
Other changes	-	-	718	-	-	(3,995)	(236)	(3,513)
<b>Balance as at 30 June 2011</b>	<b>81,530,200</b>	<b>5,597,873</b>	<b>889,305</b>	<b>46,690</b>	<b>(58,128)</b>	<b>(19,632,237)</b>	<b>26,283</b>	<b>68,399,986</b>
<b>Balance as at 1 January 2012</b>	<b>81,530,200</b>	<b>5,597,873</b>	<b>884,368</b>	<b>29,582</b>	<b>(64,090)</b>	<b>(370,084)</b>	<b>3,491</b>	<b>87,611,340</b>
Result for the period:								
- Profit	-	-	-	-	-	21,234,411	(8,632)	21,225,779
- Losses from securities	-	-	-	(23,600)	(6,540)	-	-	(30,140)
Other changes	-	-	(23,519)	-	-	576	(1,367)	(24,310)
<b>Balance as at 30 June 2012</b>	<b>81,530,200</b>	<b>5,597,873</b>	<b>860,849</b>	<b>5,982</b>	<b>(70,630)</b>	<b>20,864,903</b>	<b>(6,508)</b>	<b>108,782,669</b>

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**Notes to the interim condensed consolidated financial statements**

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**1. GENERAL INFORMATION**

NIS a.d. – Naftna Industrija Srbije, Novi Sad (the Parent) and its subsidiaries (together “the Group”) is an vertically integrated oil company operating predominantly in Serbia. The Group’s principal activities include:

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

The Parent 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 Parent’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 Parent is an open joint stock company, listed on the Belgrade Stock Exchange (Prime Market). The address of the Parent’s registered office is in Novi Sad, no.12 Narodnog fronta Street.

The financial statements of below listed subsidiaries are consolidated as at 30 June 2012:

Name	Share %
O Zone a.d. Belgrade, Serbia	100
NIS Petrol d.o.o., Laktasi, BiH	100
NIS Petrol e.o.o.d., Sofija, Bulgaria	100
NIS Petrol SRL, Bucharest, Romania	100
Pannon naftagas Kft, Budapest, Hungary	100
NIS Oversiz, Moscow, Russian Federation	100
NTC NIS-Naftagas d.o.o., Novi Sad, Serbia	100
Naftagas-Tehnicki servisi d.o.o., Zrenjanin, Serbia	100
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	100
Naftagas-Transport d.o.o. Zrenjanin, Serbia	100
Jadran - Naftagas d.o.o., Banja Luka, B&H	66
Ranis, Moscow region, Russian Federation	51
Jubos, Bor, Serbia	51
Svetlost, Bujanovac, Serbia	51

In 2012., the Parent established following companies:

- Naftagas-Naftni servisi d.o.o., Novi Sad. As of 30 June 2012 the total equity 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 of 30 June 2012 the total equity of the new company amounts to 321,500 RSD (non-cash contribution 321,447 RSD).
- Naftagas-Tehnicki servisi d.o.o., Zrenjanin. As of 30 June 2012 the total equity of the new company amounts to 1,044,554 RSD (non-cash contribution 1,044,501 RSD).
- Naftagas-Transport d.o.o., Zrenjanin. As of 30 June 2012 the total equity of the new company amounts to 327,751 RSD (non-cash contribution 327,695 RSD).

These interim condensed consolidated financial statements have been approved by CEO.

**Notes to the interim condensed consolidated financial statements**

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

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

These interim condensed consolidated financial statements for the six month period ended 30 June 2012 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial statements do not include all disclosures and they should be interpreted in relation with the annual financial statements for the year ended 31 December 2011. The Group has prepared these interim condensed consolidated 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 consolidated financial statements differ from IFRS in the following respects:

- The Interim condensed consolidated 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 Group's accounting policies.



**Notes to the interim condensed consolidated financial statements**

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**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 Parent. 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 Group - "Energy" was founded for the operations expansion to electricity and heat production. On 30 June 2012 the business segment Energy did not qualify as a separate reporting segment and was included within Other reporting segment.

As of 30 June 2012 business activities of the Group 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 consolidated financial statements**

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

**4. SEGMENT INFORMATION (continued)**

Reportable segment results for the six month period ended 30 June 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	48,234,340	3,546,474	74,476,489	89,234,246	4,939,042	220,430,591
Inter-segment revenue	(41,311,151)	(1,432,363)	(70,899,902)	(954,726)	(192,703)	(114,790,845)
Operating income – total	6,923,189	2,114,111	3,576,587	88,279,520	4,746,339	105,639,746
Depreciation	(1,024,402)	(424,744)	(996,999)	(373,001)	(480,766)	(3,299,912)
Impairment losses	(238)	(10,036)	(14,869)	(44,923)	(21,432)	(91,498)
Segment profit (loss) from operating activities	41,377,016	(322,431)	(4,467,604)	(1,044,474)	(3,978,898)	31,563,609
Financial income (expenses)	(7,711)	26,088	(1,977,344)	252,230	(8,080,773)	(9,787,510)
Other income (expenses)	636,972	5,126	17,476	(149,012)	29,684	540,246
Segment Profit (loss) before tax	42,006,277	(291,217)	(6,427,472)	(941,256)	(12,029,987)	22,316,345
Deferred tax income	-	1,653	-	-	44,637	46,290
Income tax expense	-	(10,674)	-	(245)	(1,125,937)	(1,136,856)
Segment profit (loss)	<b>42,006,277</b>	<b>(300,238)</b>	<b>(6,427,472)</b>	<b>(941,501)</b>	<b>(13,111,287)</b>	<b>21,225,779</b>

Reportable segments results for the six month period ended 30 June 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	32,638,692	2,223,757	64,655,027	78,527,244	270,153	178,314,873
Inter-segment revenue	(26,079,101)	(796,891)	(63,085,159)	(657,413)	(69,139)	(90,687,703)
Operating income – total	6,559,591	1,426,866	1,569,868	77,869,831	201,014	87,627,170
Depreciation	(1,013,253)	(397,220)	(1,004,716)	(395,171)	(488,551)	(3,298,911)
Impairment losses	(7,164)	(17)	(9,888)	(6,231)	(2,231)	(25,531)
Segment profit (loss) from operating activities	26,651,062	(950,107)	(5,434,042)	(226,832)	(3,360,069)	16,680,012
Financial income	85,623	10,726	1,987,351	303,041	3,350,515	5,737,256
Other income (expenses)	225,504	(73,231)	(109,313)	62,858	285,665	391,483
Segment Profit (loss) before tax	26,962,189	(1,012,612)	(3,556,004)	139,067	276,111	22,808,751
Deferred tax expense	-	-	-	-	(405,949)	(405,949)
Income tax expense	-	-	-	(16)	(1,021,408)	(1,021,424)
Segment profit (loss)	<b>26,962,189</b>	<b>(1,012,612)</b>	<b>(3,556,004)</b>	<b>139,051</b>	<b>(1,151,246)</b>	<b>21,381,378</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 Group's revenue from the main products and services is presented below in the table below:

	<b>Six month period ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
<i>Sales:</i>		
Sale of crude oil	2,901,744	-
Sale of petroleum products	87,345,740	75,634,067
Sale of goods	8,823,859	6,816,297
Sale of services	643,688	684,347
	<b>99,715,031</b>	<b>83,134,711</b>
Work performed by the entity and capitalized	2,089,286	1,375,317
Increase in inventories of finished goods and work in progress	3,640,819	2,983,189
Other operating income	194,610	133,953
<b>Total Operating Income</b>	<b>105,639,746</b>	<b>87,627,170</b>

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Notes to the interim condensed consolidated 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	4,732,177	7,454,157
Accumulated depreciation and impairment	-	(184,432)	(1,698,294)	(730,013)	(2,612,739)
<b>Net book amount</b>	<b>-</b>	<b>693,688</b>	<b>145,566</b>	<b>4,002,164</b>	<b>4,841,418</b>
<b>Period ended 30 June 2011</b>					
Opening net book amount	-	693,688	145,566	4,002,164	4,841,418
Additions	18,956	107,334	188,926	-	315,216
Transfer from property, plant and equipment	-	65,808	-	-	65,808
Depreciation	-	(42,785)	-	(296,092)	(338,877)
Disposals and other transfers	-	(8)	-	(429)	(437)
<b>Closing net book amount</b>	<b>18,956</b>	<b>824,037</b>	<b>334,492</b>	<b>3,705,643</b>	<b>4,883,128</b>
<b>As at 30 June 2011</b>					
Cost	18,956	1,051,262	2,032,786	4,728,128	7,831,132
Accumulated depreciation and impairment	-	(227,225)	(1,698,294)	(1,022,485)	(2,948,004)
<b>Net book amount</b>	<b>18,956</b>	<b>824,037</b>	<b>334,492</b>	<b>3,705,643</b>	<b>4,883,128</b>
<b>As at 1 January 2012</b>					
Cost	182,322	956,792	413,952	4,761,744	6,314,810
Accumulated depreciation and impairment	-	(230,183)	(142,279)	(1,233,384)	(1,605,846)
<b>Net book amount</b>	<b>182,322</b>	<b>726,609</b>	<b>271,673</b>	<b>3,528,360</b>	<b>4,708,964</b>
<b>Period ended 30 June 2012</b>					
Opening net book amount	182,322	726,609	271,673	3,528,360	4,708,964
Additions	582,861	3,378	724,120	16,977	1,327,336
Transfer from property, plant and equipment	1,602,487	-	(8,734)	7,529	1,601,282
Depreciation	-	(44,375)	-	(299,273)	(343,648)
Impairment	(21,159)	-	-	-	(21,159)
Disposals	-	-	-	754	754
Translation reserves	37,150	8,606	-	22	45,778
Other transfers	-	(1,823)	(35,063)	(5,677)	(42,563)
<b>Closing net book amount</b>	<b>2,383,661</b>	<b>692,395</b>	<b>951,996</b>	<b>3,248,692</b>	<b>7,276,744</b>
<b>As at 30 June 2012</b>					
Cost	2,404,820	968,919	1,136,866	4,778,763	9,289,368
Accumulated depreciation and impairment	(21,159)	(276,524)	(184,870)	(1,530,071)	(2,012,624)
<b>Net book amount</b>	<b>2,383,661</b>	<b>692,395</b>	<b>951,996</b>	<b>3,248,692</b>	<b>7,276,744</b>

Other intangible assets as of 30 June 2012 mostly relate to investment in SAP system in the amount of 3,137,006 RSD (31 December 2011: 3,401,832 RSD) .

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## Notes to the interim condensed consolidated financial statements

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

## 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	11,505,502	63,318,757	55,614,069	15,994,254	94,782	129,318	12,828,807	159,485,489
Accumulated depreciation and impairment	(737,373)	(24,278,791)	(29,939,778)	(3,366,233)	(1,356)	(120,887)	(116,387)	(58,560,805)
<b>Net book amount</b>	<b>10,768,129</b>	<b>39,039,966</b>	<b>25,674,291</b>	<b>12,628,021</b>	<b>93,426</b>	<b>8,431</b>	<b>12,712,420</b>	<b>100,924,684</b>
<b>Period ended 30 June 2011</b>								
Opening net book amount	10,768,129	39,039,966	25,674,291	12,628,021	93,426	8,431	12,712,420	100,924,684
Additions	1,024	1,797,719	697,918	6,438,892	527	-	4,741,458	13,677,538
Other transfers	(327)	433,879	(439,541)	45,582	867	-	-	40,460
Transfer to intangible assets	-	-	-	(65,808)	-	-	-	(65,808)
Disposals and advances paid used	(231)	(6,696)	(24,518)	(1,397)	(2,208)	-	(2,633,299)	(2,668,349)
Depreciation	-	(1,347,614)	(1,610,915)	-	-	(1,505)	-	(2,960,034)
Impairment charge	-	(5,813)	(2,717)	(16,983)	(18)	-	-	(25,531)
Transfer to investment property	(3,000)	(17,192)	-	-	-	-	-	(20,192)
<b>Closing net book amount</b>	<b>10,765,595</b>	<b>39,894,249</b>	<b>24,294,518</b>	<b>19,028,307</b>	<b>92,594</b>	<b>6,926</b>	<b>14,820,579</b>	<b>108,902,768</b>
<b>As at 30 June 2011</b>								
Cost	11,489,959	65,692,574	55,620,306	22,120,337	93,153	129,318	14,936,940	170,082,587
Accumulated depreciation and impairment	(724,364)	(25,798,325)	(31,325,788)	(3,092,030)	(559)	(122,392)	(116,361)	(61,179,819)
<b>Net book amount</b>	<b>10,765,595</b>	<b>39,894,249</b>	<b>24,294,518</b>	<b>19,028,307</b>	<b>92,594</b>	<b>6,926</b>	<b>14,820,579</b>	<b>108,902,768</b>
<b>As at 1 January 2012</b>								
Cost	12,417,133	63,546,775	60,477,344	47,106,611	96,308	129,318	8,770,320	192,543,809
Accumulated depreciation and impairment	(695,565)	(24,435,060)	(35,063,390)	(2,981,943)	(5,020)	(123,897)	(21,418)	(63,326,293)
<b>Net book amount</b>	<b>11,721,568</b>	<b>39,111,715</b>	<b>25,413,954</b>	<b>44,124,668</b>	<b>91,288</b>	<b>5,421</b>	<b>8,748,902</b>	<b>129,217,516</b>
<b>Period ended 30 June 2012</b>								
Opening net book amount	11,721,568	39,111,715	25,413,954	44,124,668	91,288	5,421	8,748,902	129,217,516
Additions	908,107	2,001,320	2,008,040	15,252,617	-	-	2,617,976	22,788,060
Acquisitions through business combinations (note 27)	-	-	-	1,293,551	-	-	-	1,293,551
Other transfers	-	51,575	(56,060)	-	4,485	-	-	-
Disposals and advances paid used	-	(10,553)	(21,516)	(281,314)	(4,485)	-	(7,247,570)	(7,565,438)
Translation reserves	156,924	20,413	6,951	46,502	-	-	-	230,790
Depreciation	-	(1,259,452)	(1,695,307)	-	-	(1,505)	-	(2,956,264)
Impairment charge	-	(13,404)	(38,388)	(18,547)	-	-	-	(70,339)
Transfer to intangible assets	-	-	-	(1,601,282)	-	-	-	(1,601,282)
Transfer to investment property	(37,736)	(9,225)	-	-	-	-	-	(46,961)
<b>Closing net book amount</b>	<b>12,748,863</b>	<b>39,892,389</b>	<b>25,617,674</b>	<b>58,816,195</b>	<b>91,288</b>	<b>3,916</b>	<b>4,119,308</b>	<b>141,289,633</b>
<b>As at 30 June 2012</b>								
Cost	13,424,480	65,723,879	62,405,890	61,511,719	96,308	129,318	4,140,726	207,432,320
Accumulated depreciation and impairment	(675,617)	(25,831,490)	(36,788,216)	(2,695,524)	(5,020)	(125,402)	(21,418)	(66,142,687)
<b>Net book amount</b>	<b>12,748,863</b>	<b>39,892,389</b>	<b>25,617,674</b>	<b>58,816,195</b>	<b>91,288</b>	<b>3,916</b>	<b>4,119,308</b>	<b>141,289,633</b>

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**Notes to the interim condensed consolidated 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 six month period ended 30 June 2012 in the amount of 22,788,060 RSD (2011: 13,677,538 RSD) mostly relate to investments in MHC/DHT project (investments in construction of Mild Hydrocracking Complex and Hydrofinishing in Pančevo Oil Refinery) in amount of 11,648,353 RSD. Advances paid to suppliers, related to the MHC/DHT project, as of 30 June 2012 amounted to 2,836,770 RSD.

In 2012 the Group has capitalized borrowing costs for construction of qualifying assets as part of their acquisition cost in the amount of 972,422 RSD (2011: 423,763 RSD).

**7. INVENTORIES**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Raw materials	19,152,018	23,275,562
Spare parts	2,908,040	2,783,196
Tools	189,103	137,703
Work in progress	6,567,866	5,808,325
Finished goods	11,429,470	8,548,192
Merchandise	4,930,789	2,272,222
	<u>45,177,286</u>	<u>42,825,200</u>
Advances	858,912	764,590
<i>Less provision:</i>		
- for inventories	(7,805,485)	(7,806,896)
- for advances	(372,130)	(379,689)
	<u>(8,177,615)</u>	<u>(8,186,585)</u>
<b>Total inventories – net</b>	<b><u>37,858,583</u></b>	<b><u>35,403,205</u></b>

Movement on inventory provision is as follows:

	<b>2012</b>	<b>2011</b>
<b>As at January 1</b>	(8,186,585)	(5,335,000)
Provision for impaired inventories charged to the period	(765)	(12,189)
Provision reversed	8,324	48,201
Other	1,411	20,154
<b>As at June 30</b>	<b><u>(8,177,615)</u></b>	<b><u>(5,278,834)</u></b>

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**Notes to the interim condensed consolidated financial statements**

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

**8. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Trade receivables:		
- domestic	31,239,832	22,616,484
- foreign	1,278,368	1,055,870
- related parties	2,638,251	1,999,116
	<u>35,156,451</u>	<u>25,671,470</u>
Receivables from specific operations	8,383,193	7,787,863
Interest receivables	5,023,953	4,984,493
Receivables from employees	82,594	87,281
Other receivables	7,444,888	7,461,184
	<u>12,551,435</u>	<u>12,532,958</u>
	<u>56,091,079</u>	<u>45,992,291</u>
<i>Less provision:</i>		
- trade receivables	(4,803,682)	(5,695,782)
- receivables from specific operations	(8,379,144)	(7,767,667)
- interest receivables	(4,815,976)	(4,856,030)
- other receivables	(7,326,985)	(7,327,469)
	<u>(25,325,787)</u>	<u>(25,646,948)</u>
<b>Total receivables – net</b>	<b><u>30,765,292</u></b>	<b><u>20,345,343</u></b>

In accordance with the Agreement on debt repayment with JP Srbijagas, Novi Sad, on 25 Jun 2012 the Group has rescheduled its receivable from sales of natural gas in total of 10,360,842 RSD which will be collected in four equal monthly installments. The last installment is due on 31 December 2012.

Trade receivables as of 30 June 2012 in the amount of 4,905,990 RSD that are more than 90 days overdue are considered as impaired, except for receivables in the amount of 166,774 RSD (31 December 2011: 269,440 RSD) which relate to receivables to a certain number of customers which have not defaulted recently.

The ageing of trade receivables is as follows:

	<b>30 June 2012</b>	<b>31 December 2011</b>
Up to 3 months	30,250,461	19,780,737
Over 3 months	4,905,990	5,890,733
	<u>35,156,451</u>	<u>25,671,470</u>

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**Notes to the interim condensed consolidated financial statements***(All amounts are in 000 RSD, unless otherwise stated)***8. TRADE AND OTHER RECEIVABLES (continued)**

As of 30 June 2012 trade receivables in the amount of 4,803,682 RSD (31 December 2011: 5,695,782 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 June 2012</b>	<b>31 December 2011</b>
Up to 3 months	64,466	74,489
Over 3 months	4,739,216	5,621,293
	<b>4,803,682</b>	<b>5,695,782</b>

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

	<b>30 June 2012</b>	<b>31 December 2011</b>
RSD	53,547,143	44,834,760
EUR	206,503	241,141
USD	2,336,216	916,156
Other	1,217	234
	<b>56,091,079</b>	<b>45,992,291</b>

Movements of the Group'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>	(25,646,948)	(25,848,300)
Provision for impaired receivables	(725,245)	(736,814)
Written off	211,996	33,898
Unused amounts reversed	834,410	415,133
Other	-	(2,172)
<b>As at Jun 30</b>	<b>(25,325,787)</b>	<b>(26,138,255)</b>

**9. CASH AND CASH EQUIVALENTS**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Cash in bank	24,925,345	25,397,340
Cash on hand	460,627	391,963
Other cash equivalents	233,747	43,051
	<b>25,619,719</b>	<b>25,832,354</b>

As at 30 June 2012 short-term bank deposits with maturity up to 90 days in amount of 15,215,803 RSD (31 December 2011: 16,473,646 RSD) are presented as Cash in bank.

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**Notes to the interim condensed consolidated financial statements**

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

**10. VAT AND PREPAID EXPENSES**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Prepayment for VAT	1,423,609	2,027,935
Prepaid expenses	224,885	56,682
Accrued revenue	1,458,533	484,112
Prepaid excise duty	790,857	1,119,985
Housing loans and other prepayments	1,391,167	1,233,320
	<b>5,289,051</b>	<b>4,922,034</b>

Prepayment for VAT as of 30 June 2012 in the amount of 1,423,609 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.

Accrued revenue as of 30 June 2012 in the amount of 1,458,533 RSD (31 December 2011: 484,112 RSD) mainly relates to un-invoiced receivables from sales of crude oil during the current period in the amount of 1,072,633 RSD.

Prepaid excise duty amounting to 790,857 RSD (31 December 2011: 1,119,985 RSD) refers to the excise paid for finished products stored in non-excise warehouse.

**11. SHARE CAPITAL**

Share capital represents the Parent's share capital which is listed on Belgrade Stock Exchange.

The structure of the share capital as at 30 June 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	48,712,869	29.87%
Unicredit bank Serbia ad - custody account	612,951	0.38%
Unicredit bank Serbia ad - custody account	538,817	0.33%
Erste bank a.d. Novi Sad - custody account	451,071	0.28%
Societe Generale Bank Serbia - custody account	151,539	0.09%
Julius Baer Multipartner Balka	133,686	0.08%
Unicredit bank Serbia ad - custody account	128,264	0.08%
Raiffeisenbank ad Beograd - custody account	114,351	0.07%
AWLL Communications d.o.o. Beograd	110,603	0.07%
Other	20,540,362	12.60%
	<b>163,060,400</b>	<b>100.00%</b>

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**Notes to the interim condensed consolidated financial statements**

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

**12. LONG-TERM LOANS**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Domestic	17,468,923	19,064,657
Foreign	15,122,830	16,984,538
	<u>32,591,753</u>	<u>36,049,195</u>
Current portion of long-term loans	(1,066,939)	(2,274,652)
<b>Total</b>	<b><u>31,524,814</u></b>	<b><u>33,774,543</u></b>

The maturity of non-current loans was as follows:

	<b>30 June 2012</b>	<b>31 December 2011</b>
Between 1 and 2 years	5,771,877	4,538,604
Between 2 and 5 years	19,101,655	22,487,295
Over 5 years	6,651,282	6,748,644
	<u><b>31,524,814</b></u>	<u><b>33,774,543</b></u>

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

	<b>30 June 2012</b>	<b>31 December 2011</b>
RSD	1,281,306	1,281,436
EUR	9,342,390	8,900,998
USD	21,404,841	25,352,982
JPY	563,216	513,779
	<u><b>32,591,753</b></u>	<u><b>36,049,195</b></u>

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

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

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

**Notes to the interim condensed consolidated financial statements**

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

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

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

<b>Creditor</b>	<b>Currency</b>	<b>30 June 2012</b>	<b>31 December 2011</b>
<b><i>Domestic long-term loans</i></b>			
NLB bank, Novi Sad (London club)	USD	51,554	47,052
NLB bank, Novi Sad (Paris club)	USD	566,638	506,761
NLB bank, Novi Sad (Paris club)	JPY	563,216	513,779
Erste bank, Novi Sad (London club)	USD	4,903	4,475
Erste bank, Novi Sad (Paris club)	EUR	486,448	446,569
Erste bank, Novi Sad (Paris club)	USD	323,632	288,582
Hypo Alpe Adria Bank, Belgrade	EUR	44,398	280,786
Piraeus bank, Belgrade	USD	1,842,952	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	246,450	227,822
Bank Postanska stedionica, Belgrade (Paris club)	USD	1,830,811	1,643,661
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,882,054	4,524,125
Government of Republic of Serbia, Agency for deposit assurance	USD	-	566,059
UniCredit bank, Belgrade	USD	5,344,561	4,690,240
UniCredit bank, Belgrade	RSD	1,278,900	1,278,900
Other loans	RSD	2,406	2,536
		<b>17,468,923</b>	<b>19,064,657</b>
<b><i>Foreign long-term loans</i></b>			
Erste Bank, Holland	EUR	3,474,609	3,139,227
VUB (Bank Intesa), Slovakia	USD	9,214,760	8,086,620
NBG Bank, London	USD	382,078	1,432,912
NBG Bank, London	EUR	208,431	282,469
Alpha Bank, London	USD	1,842,952	4,043,310
		<b>15,122,830</b>	<b>16,984,538</b>
Less current portion of long-term loans		<b>(1,066,939)</b>	<b>(2,274,652)</b>
		<b>31,524,814</b>	<b>33,774,543</b>

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**Notes to the interim condensed consolidated financial statements**

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

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

	Currency	Current portion		Long-term	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Domestic long - term loans</b>					
NLB bank, Novi Sad (London club)	USD	4,124	3,619	47,430	43,433
NLB bank, Novi Sad (Paris club)	USD	23,907	19,615	542,731	487,146
NLB bank, Novi Sad (Paris club)	JPY	20,922	17,603	542,294	496,176
Erste bank, Novi Sad (London club)	USD	392	344	4,511	4,131
Erste bank, Novi Sad (Paris club)	EUR	17,325	14,635	469,123	431,934
Erste bank, Novi Sad (Paris club)	USD	11,526	9,458	312,106	279,124
Hypo Alpe Adria Bank, Belgrade	EUR	44,398	280,786	-	-
Piraeus bank, Belgrade	USD	-	-	1,842,952	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	12,239	10,558	234,211	217,264
Bank Postanska stedionica, Belgrade (Paris club)	USD	90,376	75,702	1,740,435	1,567,959
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	250,819	226,609	4,631,235	4,297,516
Government of Republic of Serbia, Agency for deposit assurance	USD	-	-	-	566,059
UniCredit bank, Belgrade	USD	-	-	5,344,561	4,690,240
UniCredit bank, Belgrade	RSD	-	-	1,278,900	1,278,900
Other loans	RSD	402	415	2,004	2,121
		<b>476,430</b>	<b>659,344</b>	<b>16,992,493</b>	<b>18,405,313</b>
<b>Foreign long-term loans</b>					
Erste Bank, Holland	EUR	-	-	3,474,609	3,139,227
VUB (Bank Intesa), Slovakia	USD	-	-	9,214,760	8,086,620
NBG Bank, London	USD	382,078	1,426,995	-	5,917
NBG Bank, London	EUR	208,431	188,313	-	94,156
Alpha Bank, London	USD	-	-	1,842,952	4,043,310
		<b>590,509</b>	<b>1,615,308</b>	<b>14,532,321</b>	<b>15,369,230</b>
		<b>1,066,939</b>	<b>2,274,652</b>	<b>31,524,814</b>	<b>33,774,543</b>

**13. OTHER LONG-TERM LIABILITIES**

	30 June 2012	31 December 2011
Liabilities to Gazprom Neft	53,869,908	47,611,714
Financial lease liabilities	40,557	53,117
Other long-term liabilities	618,012	613,638
	<b>54,528,477</b>	<b>48,278,469</b>

**14. SHORT-TERM FINANCIAL LIABILITIES**

	30 June 2012	31 December 2011
Short-term financial liabilities to Gazprom Neft (current portion)	4,040,242	1,133,612
Current portion of long-term loans (note 12)	1,066,939	2,274,652
Current portion of financial lease	36,033	33,069
Other short-term liabilities	247	3,917
	<b>5,143,461</b>	<b>3,445,250</b>

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**Notes to the interim condensed consolidated financial statements***(All amounts are in 000 RSD, unless otherwise stated)***15. TRADE AND OTHER PAYABLES**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Advances received	971,388	871,127
Trade payables:		
- domestic	2,707,730	2,702,845
- foreign	2,339,046	7,060,646
Trade payables – other related parties	22,397,372	18,587,440
Liabilities from other operations	69,413	71,956
Liabilities from specific operations	302,842	327,923
	<b>28,787,791</b>	<b>29,621,937</b>

Trade payables - other related parties mostly relate to liabilities for crude oil delivered by Gazprom Neft Trading, Austria in the amount of 21,506,633 RSD (31 December 2011: 18,116,245 RSD).

**16. OTHER SHORT-TERM LIABILITIES**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Liabilities for unpaid wages and salaries, gross	861,220	1,690,264
Liabilities to employees	8,281	46,973
Liabilities for interest – domestic	387,416	354,633
Liabilities for dividends	3,772,308	3,772,308
Unused holiday accrual	874,096	714,425
Other liabilities	149,117	116,095
	<b>6,052,438</b>	<b>6,694,698</b>

**17. LIABILITIES FOR VAT ,OTHER TAXES AND DEFERRED INCOME**

	<b>30 June 2012</b>	<b>31 December 2011</b>
Liabilities for VAT	2,460,308	1,161,428
Liabilities for excise	4,263,848	2,422,037
Liabilities for taxes and custom duties	1,740,702	1,772,130
Other liabilities for taxes and contributions	293,021	48,780
Accrued liabilities	934,976	1,149,958
Other accruals	1,854,387	1,543,926
	<b>11,547,242</b>	<b>8,098,259</b>

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**Notes to the interim condensed consolidated financial statements**

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

**18. SALES**

	<b>Six month period ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
Sales of products:		
- domestic	73,395,012	62,225,055
- foreign	12,157,774	8,275,692
- related parties	4,694,698	5,133,320
	<u>90,247,484</u>	<u>75,634,067</u>
Sales of goods:		
- domestic	8,763,238	6,801,136
- foreign	60,621	15,161
	<u>8,823,859</u>	<u>6,816,297</u>
Sales of services:		
- domestic	314,549	326,996
- foreign	329,108	357,351
- related parties	31	-
	<u>643,688</u>	<u>684,347</u>
	<b><u>99,715,031</u></b>	<b><u>83,134,711</u></b>

**19. RAW MATERIAL AND CONSUMABLES USED**

	<b>Six month period ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
Cost of raw materials	42,757,625	43,273,994
Cost of office and other material	352,075	412,867
Other fuel and energy expenses	994,345	922,480
	<u>44,104,045</u>	<u>44,609,341</u>

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**Notes to the interim condensed consolidated financial statements**

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

**20. EMPLOYEE BENEFITS EXPENSE**

	<b>Six month period ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
Wages and salaries (gross)	8,389,024	7,116,371
Taxes and contributions on wages and salaries paid by employer	1,383,660	1,162,607
Costs of temporary service agreement	247,995	151,522
Cost of other temporary service agreements	11,948	8,456
Fees paid to board of directors and general assembly board	16,248	14,213
Cost for employees termination payments	532,606	1,065,317
Other personal expenses and benefits	601,677	593,330
	<b>11,183,158</b>	<b>10,111,816</b>

Termination costs in the amount of 532,606 RSD (2011: 1,065,317 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 294 (2011: 421 employees).

	<b>Six month period ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
Average number of people employed	9,228	10,095

**21. DEPRECIATION, AMORTISATION AND PROVISIONS**

	<b>Six month period ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
Depreciation and amortisation expenses	3,299,912	3,298,911
Provision for :		
- asset retirement obligation and environmental protection	-	161,453
- salaries and employees benefits	422,556	308,263
	<b>3,722,468</b>	<b>3,768,627</b>

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**Notes to the interim condensed consolidated financial statements**

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

**22. OTHER OPERATING EXPENSES**

	Six month period ended 30 June	
	2012	2011
Cost of production services	827,677	902,135
Transportation services	783,242	797,893
Maintenance	446,173	463,484
Rental costs	342,518	125,524
Fairs	1,741	2,572
Advertising costs	184,689	107,196
Research costs	20,215	114,598
Cost of other services	402,364	488,883
Costs of non production services	1,307,719	879,709
Representation costs	37,202	88,640
Insurance premium	112,337	115,455
Bank charges	96,623	72,880
Cost of custom duties, property taxes and other taxes	1,033,827	564,549
Fee for emergency situations	156,690	481,462
Mineral extraction tax	1,369,028	998,529
Cost of legal and consulting services	25,308	69,711
Administrative and other taxes	81,731	81,997
Other	174,168	168,838
	<b>7,403,252</b>	<b>6,524,055</b>

Fee for emergency situations in the amount of 156,690 RSD represents fee calculated in accordance with the Emergency situations law.

Cost of non-production services for six month period ended 30 June 2012 in the amount of 1,307,719 RSD (2011: 879,709 RSD) mostly relate to costs incurred for: security and cleaning costs in the amount of 872,697 RSD, project management costs in the amount of 54,767 RSD, certification and supervision costs in amount 69,772 RSD.

**23. FINANCIAL INCOME**

	Six month period ended 30 June	
	2012	2011
Interest income	1,263,873	685,937
Foreign exchange gains	3,614,581	7,313,460
Other financial income	2,645	735
	<b>4,881,099</b>	<b>8,000,132</b>

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**Notes to the interim condensed consolidated financial statements**

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

**24. FINANCIAL EXPENSES**

	Six month period ended 30 June	
	<u>2012</u>	<u>2011</u>
Financial expenses – Gazprom Neft	101,616	26,054
Interest expenses	857,718	1,275,268
Amortization of long-term liabilities	163,206	-
Foreign exchange losses	13,544,593	959,953
Other financial expenses	<u>1,476</u>	<u>1,601</u>
	<b><u>14,668,609</u></b>	<b><u>2,262,876</u></b>

**25. EARNING PER SHARE**

	Six month period ended 30 June	
	<u>2012</u>	<u>2011</u>
Profit attributable to owners of the parent	21,234,411	21,380,804
Weighted average number of shares outstanding	163,060,400	163,060,400
<b>Basic Earning per share</b>	<b><u>0.13</u></b>	<b><u>0.13</u></b>

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**Notes to the interim condensed consolidated financial statements***(All amounts are in 000 RSD, unless otherwise stated)***26. RELATED PARTIES TRANSACTIONS**

The majority owner of the Parent is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Parent. 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 the Group.

The Group 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.

	<b>30 June 2012</b>	<b>31 December 2011</b>	<b>Category</b>
<i>Receivables</i>			
Gazprom Neft Aero JSC, Moscow, Russian Federation	2,632	3,717	Other
<b>Total receivables:</b>	<b>2,632</b>	<b>3,717</b>	
<i>Liabilities</i>			
Gazprom Neft, St Petersburg, Russian Federation	(58,058,909)	(48,887,946)	Parent
Gazprom Neft Trading, Austria	(21,506,633)	(18,116,245)	Other
Gazprom Neft Lubricants, Italia	(12,674)	(5,594)	Other
	(79,578,216)	(67,009,785)	
<b>Total liabilities:</b>	<b>(79,578,216)</b>	<b>(67,009,785)</b>	
<b>Liabilities, net:</b>	<b>(79,575,584)</b>	<b>(67,006,068)</b>	

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**Notes to the interim condensed consolidated financial statements***(All amounts are in 000 RSD, unless otherwise stated)***26. RELATED PARTIES TRANSACTIONS (continued)**

	Six month period ended 30 June		Category
	2012	2011	
<i>Sales</i>			
Gazprom Neft Aero JSC, Moscow, Russian Federation	50,694	-	Other
Gazprom Neft NTC, Moscow, Russian Federation	-	4,981	Other
	<u>50,694</u>	<u>4,981</u>	
<i>Cost of goods sold</i>			
Gazprom Neft Lubricants, Italia	(5,453)	-	Other
	<u>(5,453)</u>	<u>-</u>	
<i>Purchases of raw materials</i>			
Gazprom Neft Trading, Austria	(32,658,528)	(32,357,065)	Other
Gazprom Neft Lubricants, Italia	(3,571)	-	Other
	<u>(32,662,099)</u>	<u>(32,357,065)</u>	
<i>Other operating expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	(25,698)	(18,233)	Parent
<b>Operating expenses, net</b>	<b><u>(32,642,556)</u></b>	<b><u>(32,370,317)</u></b>	
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	(101,616)	(26,054)	Parent
<b>Financial expenses, net</b>	<b><u>(101,616)</u></b>	<b><u>(26,054)</u></b>	
<i>Other income</i>			
Gazprom Neft Trading, Austria	814	29,426	Other
<i>Other expenses</i>			
Gazprom Neft Trading, Austria	(80,583)	(68,527)	Other
Gazprom Neft, St Petersburg, Russian Federation	(4,664)	(21,250)	Parent
Gazprom Neft Lubricants, Italia	(4)	-	Other
	<u>(85,251)</u>	<u>(89,777)</u>	
<b>Other expenses, net</b>	<b><u>(84,437)</u></b>	<b><u>(60,351)</u></b>	

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**Notes to the interim condensed consolidated financial statements***(All amounts are in 000 RSD, unless otherwise stated)***26. RELATED PARTIES TRANSACTIONS (continued)***Main transaction with state owned companies*

	<b>30 June 2012</b>	<b>31 December 2011</b>
<i>Receivables</i>		
HIP Petrohemija	2,635,619	1,995,294
Srbijagas	15,461,093	7,414,404
	<b>18,096,712</b>	<b>9,409,698</b>
<i>Liabilities</i>		
HIP Petrohemija	(562,639)	(471,195)
Srbijagas	(96,230)	(272,661)
	<b>(658,869)</b>	<b>(743,856)</b>
<i>Advances received</i>		
HIP Petrohemija	(4,259)	(5,386)
Srbijagas	(12,806)	(12,796)
	<b>(17,065)</b>	<b>(18,182)</b>
	<b>Six month period ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
<i>Income</i>		
HIP Petrohemija	4,644,035	5,128,339
Srbijagas	9,988,567	5,079,386
	<b>14,632,602</b>	<b>10,207,725</b>
<i>Costs</i>		
HIP Petrohemija	(78,990)	(82,043)
Srbijagas	(112,641)	(109,501)
	<b>(191,631)</b>	<b>(191,544)</b>

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**Notes to the interim condensed consolidated financial statements**

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**27. BUSINESS COMBINATIONS**

In 2012, as a part of regional expansion the Group acquired nine petrol and gas stations (P&G Station) in Bulgaria. As a result of the acquisition, the Group is expected to further increase its presence in this market.

Name of acquiree	Date of acquisition	Percentage of equity interests acquired
<i>Bulgaria</i>		
P&G station Tsvetan Lazarov	25/01/2012	100%
P&G station Blagoevgrad	20/02/2012	100%
P&G station Priseltsi	14/03/2012	100%
P&G station Kardjali	17/05/2012	100%
P&G station Veliko Tarnovo	21/05/2012	100%
P&G station Smolian	22/06/2012	100%
P&G station Pazardjik	26/06/2012	100%
P&G station Plovdiv	29/06/2012	100%
P&G station Vrajdebna	29/06/2012	100%

The following table summarises the consideration paid for acquired P&G stations, the fair value of assets acquired and liabilities assumed.

	<b>Bulgaria</b>	<b>Total</b>
<b>Purchase consideration:</b>		
Cash paid	1,259,336	1,259,336
Additional consideration	34,215	34,215
<b>Total purchase consideration</b>	<b>1,293,551</b>	<b>1,293,551</b>
Fair value of net identifiable assets acquired (see below)	1,293,551	1,293,551
<b>Goodwill</b>	<b>-</b>	<b>-</b>
<i>Amounts recognised as of acquisition date for each major class of assets acquired and liabilities assumed</i>		
Property, plant and equipment	1,293,551	1,293,551
<b>Net identifiable assets acquired</b>	<b>1,293,551</b>	<b>1,293,551</b>

Acquisition related costs of 2,250 RSD have been charged to expenses in the consolidated Income Statement for the six month period ended 30 Jun 2012.

The acquisition agreements include only acquisition of properties of P&G Station and do not contain any contingent consideration.

**Notes to the interim condensed consolidated financial statements**

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

**28. CONTINGENT LIABILITIES**

*Transfer of property ownership*

Until 30 Jun 2012, the Parent had ownership of 5,549 and the right to use and possess 2,027 items of properties, which make up 65% and 24% of the total number of items of Parent's 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 property listed within the Parent's registry of fixed assets as at 31 December 2007 year.

*Financial Guarantees*

As of 30 June 2012 the total amount of outstanding financial guarantees given by the Parent amounted to 3,781,794 RSD mostly related to customs duties in the amount of 2,401,200 RSD (31 December 2011: 3,200,000 RSD).

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

There were no significant events after the balance sheet date.

 _____ Kirill Kravchenko CEO  <u>06 August</u> <u>2012</u>		 _____ Branko Mitrovic The person responsible for the preparation of financial statements  <u>06 August</u> <u>2012</u>
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