



**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<br/>2012</b> | <b>31 December<br/>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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**Interim condensed financial statements**

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

**INCOME STATEMENT**

|  | Notes | Nine month period ended<br>30 September |                            |
|--|-------|---|----------------------------|
|  |       | 2012<br><i>(unaudited)</i>              | 2011<br><i>(unaudited)</i> |
| <b>Operating income</b>  |       |   |                            |
| Sales  | 20    | 161,947,703                             | 132,958,057                |
| Work performed by the entity and capitalized<br>(Decrease) increase in inventories of finished<br>goods and work in progress |       | 1,994,645<br>(2,224,204)                | 2,795,279<br>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**

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

**STATEMENT OF CASH FLOWS**

|   | <b>Nine month period ended<br/>30 September</b> |                                   |
|---|---|-----------------------------------|
|   | <b>2012</b><br><i>(unaudited)</i>               | <b>2011</b><br><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<br>capital  | Other<br>capital | Reserves       | Revaluation<br>reserves | Unrealised<br>gains from<br>securities | Unrealised<br>losses from<br>securities | Accumulated<br>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**

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*(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<br/>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**

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

**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

(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                                    | 11,274,498        | 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<br/>2012</b> | <b>31 December<br/>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<br>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>     |
| <br><i>Investments in subsidiaries</i>   |                              |                             |
|  | <b>2012</b>                  | <b>2011</b>                 |
| In shares  | 3,457,576                    | 3,457,576                   |
| In stakes  | 5,255,668                    | 33,241                      |
|  | 8,713,244                    | 3,490,817                   |
| 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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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                    |
| <b>As at September 30</b>                                | <b><u>(7,138,315)</u></b> | <b><u>(7,162,582)</u></b> |

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<br/>2012</b> | <b>31 December<br/>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) | <u>1,299,377</u>             | <u>-</u>                    |
| Interest receivables                                      | 5,421,509                    | 4,984,235                   |
| Receivables from employees                                | 92,531                       | 86,656                      |
| Other receivables   | <u>7,445,873</u>             | <u>7,428,788</u>            |
|   | <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                                       | <u>(7,323,948)</u>           | <u>(7,323,558)</u>          |
|   | <b><u>(34,121,205)</u></b>   | <b><u>(25,840,469)</u></b>  |
| <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<br/>2012</b> | <b>31 December<br/>2011</b> |
|----------------|------------------------------|-----------------------------|
| Up to 3 months | 31,613,766                   | 19,824,325                  |
| Over 3 months  | <u>15,551,044</u>            | <u>5,890,733</u>            |
|                | <b><u>47,164,810</u></b>     | <b><u>25,715,058</u></b>    |

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**Notes to the interim condensed financial statements***(All amounts are in 000 RSD, unless otherwise stated)***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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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***(All amounts are in 000 RSD, unless otherwise stated)***12. VAT AND PREPAID EXPENSES**

|                                     | <b>30 September<br/>2012</b> | <b>31 December<br/>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**

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

**14. LONG-TERM LOANS**

|                                    | <b>30 September<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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<br>2012 | 31 December<br>2011 |
|---|----------|----------------------|---------------------|
| <b>Domestic long-term loans</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>Foreign long-term loans</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                               |          | <b>(2,633,868)</b>   | <b>(2,274,652)</b>  |
|   |          | <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<br/>2012</b> | <b>31 December<br/>2011</b> |
|---|------------------------------|-----------------------------|
| Short-term financial liabilities to Parent<br>(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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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<br/>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<br/>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<br/>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<br/>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<br/>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<br/>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<br/>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**

|                                       | Nine month period ended<br>30 September |                  |
|---------------------------------------|---|------------------|
|                                       | 2012                                    | 2011             |
| 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**

|   | Nine month period ended<br>30 September |             |
|---|---|-------------|
|   | 2012                                    | 2011        |
| 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<br/>2012</b> | <b>31 December<br/>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<br/>2012</b> | <b>31 December<br/>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<br>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<br>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<br>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> |            |

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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)***Main transaction with state owned companies*

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

  
Kirill Kravchenko  
CEO

26 October 2012

  
Branko Mitrovic

The person responsible for the  
preparation of financial statements

26 October 2012