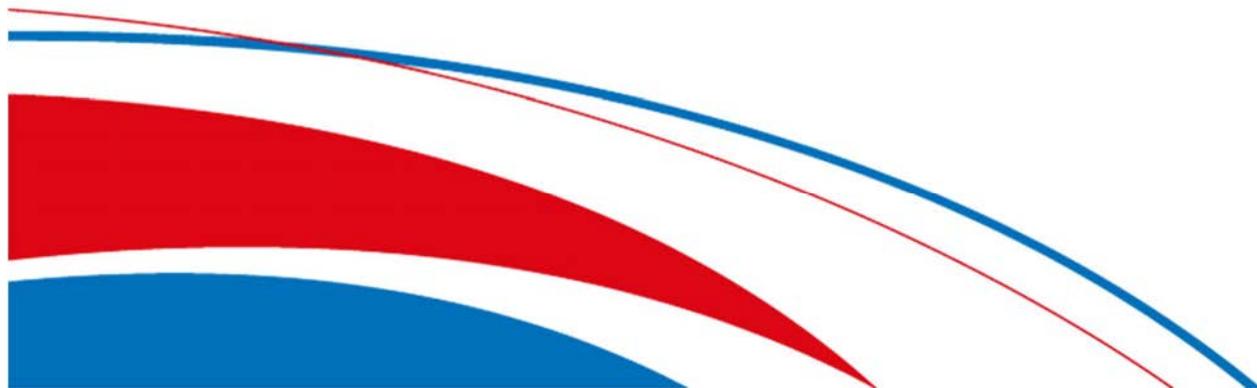




**QUARTERLY REPORT FOR  
SECOND QUARTER OF 2012**





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***This Report contains information for second quarter of 2012. as well as information for first half of 2012 and therefore. in compliance with Law on Capital Markets it is considered to be Semi-annual report for first half of 2012***



## Foreword

In the first 6 months of 2012, NIS continued the positive business operations trend despite unfavourable circumstances not only in the Republic of Serbia, but on a global level as well. The crude oil price instability at the global market is reflected in the fact that the price of «Urals» oil type ranged from 93.21 to 123.23 \$/bbl (average price for the first six months amounts to 111.99 \$/bbl).

In this period a 11.8% fall in the production was recorded compared to the previous year. The decrease in the consumption was mostly conditioned by the poor economic climate and the overall fall in the volume of business activities. The reduced purchasing power of the population due to the increasing unemployment rate and change in the rate of exchange additionally contributed to the reduced consumption of petroleum products.

The devaluation of the domestic currency continued in the second trimester of 2012, thus 10.7% devaluation against euro has been recorded since the beginning of the year, while the devaluation against the dollar amounted to almost 14%. The result of such fluctuations on the foreign exchange market was reflected in currency losses which amounted to 5.4 billion RSD in the second quarter and 9.9 billion RSD in the first six months.

Net profit for the first six months of 2012 amounted to 22 billion RSD which is 3% more than in the same period last year. EBITDA amounted to 36.8 billion RSD which is by 79,6% more than in the first half of 2011. One of EBITDA's growth factors is the 12.7% growth in the domestic oil and gas production compared to the same period last year amounting to 825.6 thousand of tonne of oil equivalent. Refining and sales and distribution recorded a 5% and 6.3% fall respectively. In the first half of the year, we succeeded to make investments in the amount of 17.16 billion RSD which represents a 76% rise compared to the same period in 2011.

In April 2012, the Gazprom Neft Company paid the last installment of the loan for the liabilities under the contract on the purchase and sale of 51% of NIS shares. In that way, the Company fulfilled the conditions of the Contract with the Government of the Republic of Serbia two months before the deadline. The most important project for our Company and the biggest investment project in Serbia – modernization of the refining capacities in Pančevo and/or the construction of the plant for mild hydrocracking and hydrotreatment (MHC/DHT) entered its final phase. The sulphure granulation plant was finalized, the S-500 gas refining plant, key for obtaining different types of gas and engine fuel, was reconstructed, electricity transfer lines and transformer substations were built. The most advanced construction designs were applied, the most up-to-date equipment and the best world and Serbian companies, leaders in the area of production equipment for the petrochemical industry, engineering and construction, were engaged. The start-up of the complex is scheduled for the fourth quarter of 2012.

Also, the construction of the plant for refining depleted sulfuric acid "SARU" in the value of approximately 14.3 billion euros and of special importance for environmental protection due to the use of the so-called non-waste technology in its work operations was completed.

The base oil production development concept for the Novi Sad Refinery was approved. That represents a mode of company product portfolio diversification, orientation towards the European market conditions as well as efficiency and competitiveness increase on the regional market of petroleum products.

The Shareholders' Assembly evaluated positively the results of the Company management team for the last three years. On the Session of the NIS j.s.c. Novi Sad Shareholders' Assembly held on June 25th, a decision was adopted to allocate profit in the amount of 40.6 billion RSD generated in 2011 for covering losses transferred from previous years. Also, the Assembly adopted the long-term Dividend Policy which envisaged that NIS should pay dividends to shareholders in the total amount of minimum 15 per cent of net profit. In accordance with the new Company Law, new internal deeds of the Company were passed which the Shareholders' Assembly adopted and the harmonization of corporate bodies structure was conducted.

In 2012, we will face new business challenges in each area of business operations. We are aware of the fact that the pressure of external factors will significantly influence the results in 2012, so we will have to put in great effort, but at the same time not to expect too much.

*Kirill Kravchenko*

*CEO*

*NIS a. d. Novi Sad*





## BUSINESS REPORT

### Key Events

#### April

- NIS and the Slovak company GGE signed Memorandum of Understanding, thus confirming the intention to establish joint ventures for modernization of the Power Plant in Novi
- New Unit Ceremonially Started Up at Pančevo Oil Refinery
- NIS and City of Pančevo Sign Memorandum of Intent to Establish Pančevo Free Zone
- The Company "Gazprom Neft" fulfilled investment obligations from the purchase agreement of 51% of NIS's shares
- NIS business results for Q1 2012 presented on Belgrade Stock Exchange
- Strategic Cooperation between NIS and AP Vojvodina Government Continues

#### May

- Appointed new independent member of NIS Board of Directors - Wolfgang Ruttenstorfer
- NIS has launched a new consumer brand "Fresh", which brings innovations in restaurants and commercial space of the NIS's retail facilities
- At the session held on May 18, NIS Board of Directors approved the development conception for production of base oils in the Refinery Novi Sad
- The company NIS won the Golden championship cup for Ecology on 79th International agricultural fair in Novi Sad for the construction of SARU for processing spent sulfuric acid

#### June

- Newly formed subsidiaries: Naftagas-Naftni servisi, Naftagas - Tehnički servisi, Naftagas – Transport and NTC NIS Naftagas started doing business
  - Reconstructed gas processing plant in the RNP (S-500), is ready for functional testing and start
  - Two rebrended petrol stations in Kragujevac and one in Niš opened
  - Business Registry Agency announced NIS to be most successful company in Serbia in 2011
  - Credit rating agency Rating d.o.o. Belgrade estimated NIS' grade at 5A2 (previous mark: 5A3)
  - IV annual Shareholders Assembly
-

## General data

### Basic data

<b>Business name:</b>	NIS a.d. Novi Sad
<b>Company ID number:</b>	20084693
<b>Address:</b>	Novi Sad. Narodnogfronta 12
<b>Tax ID number:</b>	104052135
<b>Web site:</b>	<a href="http://www.nis.rs">www.nis.rs</a>
<b>e-mail address:</b>	<a href="mailto:office@nis.rs">office@nis.rs</a>
<b>Industry:</b>	0610 - exploitation of crude oil
<b>Number and date of registration with BRA:</b>	БД 92142. 29.09.2005
<b>Equity as of June 30<sup>th</sup>. 2012:</b>	109.561.602.000 RSD
<b>Share capital as of June 30<sup>th</sup>. 2012:</b>	81.530.200.000 RSD
<b>Number of employees as of June 30<sup>th</sup>. 2012</b>	7.013*
<b>Audit company that audited the last financial report (dated Decembar 31st. 2011):</b>	PricewaterhouseCoopers d.o.o. Omladinskih brigada 88a Belgrade. Serbia

*\*without employees from servicing organizations; Headcount does not include employees from subsidiaries (there was a change in NIS' business structure in Q2 2012 and subsidiaries – Naftagas – naftni servisi. Naftagas – Tehnicki servisi. Naftagas – Transport and NTC NIS Naftagas were founded. Part of employees moved from NIS to subsidiaries)*

### Issued Shares

Number of issued common shares:	163.060.400
Face value:	500.00 RSD
CFI code:	ESVUFR
ISIN number:	RSNISHE79420

### Organized market where Shares of the Issuer are traded in

Belgrade Stock Exchange  
Omladinskih brigada 1  
Belgrade. Serbia

### Shareholders\*

Business name	Number of shares	Part in share capital (%)
Gazprom neft	91,565,887	56.15%
Republic of Serbia	48,712,869	29.87%
Unicredit Bank Serbia a.d. – custody account	612,951	0.38%
Unicredit bank Serbia a.d. – custody account	538,817	0.33%
Erste bank – custody account	451,071	0.28%
Societe Generale bank Serbia – custody account	151,539	0.09%
Julius Baer Multipartner - Balkan	133,686	0.08%
Unicredit bank – custody account	128,264	0.08%
Raiffeisenbank a.d Belgrade –custody account	114,351	0.07%
AWLL Communications d.o.o. Belgrade	110,603	0.07%
Other shareholders	20,540,362	12.60%
<b>Total number of shareholders as of June 30<sup>th</sup>, 2012</b>		<b>2,571,205</b>

*\*As of June 30<sup>th</sup>, 2012*

## Corporate Management

In accordance with the provisions of Article 592 of Company Law (Official Gazette RS no. 36/2011 and 99/2011) (hereinafter the Law) at the IV regular Shareholders Assembly of NIS held on June 25<sup>th</sup> 2012 the Statute of NIS was adopted. Provisions of the Statute are in compliance with the provisions of the Law and by the Statute management of NIS is organized as single tiered. In accordance with the Law new Board of Directors was formed and all members of previous Board of Directors are appointed to be members of Board of Directors formed in compliance with the Law.

### Board of Directors

Full name; position	Education	Current employment	Member of MB or SB other companies
<b>Yakovlev Vadim Vladislavovich.</b> Chairmen of Board of Directors	The Moscow Institute of Engineering Physics (applied nuclear physics). Finance College of the International University of Moscow;	Deputy Chairman of the Executive Board in JSC GazpromNeft. First Deputy to General Manager in JSC GazpromNeft	<ul style="list-style-type: none"> <li>• OJSC NGK „Slavneft“.</li> <li>• «GazpromNeft Development» LLC</li> <li>• LLC «Sever Energija» and its affiliates;</li> <li>• OJSC «GazpromNeft-NNG»;</li> <li>• LLC «GazpromNeftVostok»;</li> <li>• LLC GazpromNeftHantos</li> <li>• LLC GazpromNeft NTC</li> <li>• OOO «GazpromNeft -Angara»;</li> <li>• OJSC «NK Magma»;</li> <li>• CJSC «GazpromNeft Orenburg»;</li> <li>• SalimPertoleum Development N.V. (Supervisory Committee member)</li> </ul>
<b>Kravchenko Kirill Albertovich.</b> BOD Member	State University of Moscow M.V. Lomonosov (Sociology). British Open University (financial management). and IMD school of business. He has h.D. in economic sciences and he is a professor.	Executive Board member in JSC GazpromNeft. Deputy of the General Manager for Foreign Assets in JSC Gazprom Neft.	<ul style="list-style-type: none"> <li>• Council Member club Red Star Council</li> <li>• Vice President of the National Petroleum Committee of Serbia</li> </ul>
<b>Krylov Alexandr Vladimirovich.</b> BOD Member	LMU (Leningrad). Law Faculty SpbGU. Moscow international business school «MIRBIS» MBA. specialty: „ Strategic management and entrepreneurship“	Head of Department for regional sales in JSC „Gazprom Neft“.	<ul style="list-style-type: none"> <li>• CJSC "Gazprom NeftKuzbass".</li> <li>• OJSC "Gazprom Neft Novosibirsk".</li> <li>• OJSC "Gazprom Neft Omsk".</li> <li>• OJSC "Gazprom NeftTumen".</li> <li>• OJSC "Gazprom Neft Ural".</li> <li>• OJSC "Gazprom NeftYaroslavlve".</li> <li>• CJSC"GazpromNeft -North-West".</li> <li>• LLC "Gazprom Neft Asia".</li> <li>• LLC "Gazprom Neft Tajikistan".</li> <li>• LLC "Gazprom Neft Kazakhstan "</li> <li>• LLC «MTK»</li> <li>• LLC «Gazprom neft – Terminal»</li> </ul>
<b>Baryshnikov Vladislav Valeryevich</b> BOD Member	Military Institute of Krasnozamsk; North/west Academy of state service at President of Russian Federation (department „State and Municipal Administration“)	Executive Board member. GM DeputyJSC „Gazprom Neft“for development of international business; state consultant of Russian Federation of the 3rd category.	<ul style="list-style-type: none"> <li>• LLC"Gasprom njeft Development"</li> </ul>
<b>Cherner Anatoly Moyseyevich.</b> BOD Member	Petroleum Institute of Grozensk (chemical processing of oil and gas)	Deputy Chairman of the Executive Board. Deputy of the General Manager forlogistics. processing and trade „Gazprom Neft“;	<ul style="list-style-type: none"> <li>• OJSC NGK „SlavNeft“;</li> <li>• OJSC „Gazprom Neft-ONPZ“;</li> <li>• OJSC „Gazprom Neft-Janos“;</li> <li>• OJSC „Gazprom Neft –MNPZ“;</li> <li>• CJSC „Gazprom Neft-Aero“;</li> <li>• CJSC „St. Petersburg International trade-raw material market “</li> <li>• LLC «Gazprom neft – Belnefteprodukt»</li> <li>• LLC «Gazprom neft –SM»</li> <li>• LLC «Gazprom neftMarin Bunker»</li> <li>• LLC «Gazprom neft – Logistics»</li> <li>• OJSC «Mozirski NPZ»</li> </ul>

<b>Cherner Anatoly Moyshevich</b> BOD Member	Leningrad Institute for production of devices for aviation	The Deputy of General Manager in charge for Security in OJSC "Gazprom Neft"	-
<b>Nikola Martinovic.</b> BOD Member	Faculty of Economics in Subotica;	Special Consultant in NIS JSC; Member of the Board of Governors of the National Bank of Serbia;	-
<b>Danica Draskovic</b> Independent BoD Member	Belgrade Law Faculty	Owner of publishing company „Srpska Reč“;	-
<b>Stanislav Shekshnya Vladimirovich</b> Independent BoD Member	MBA. Northeastern University. Boston. USA Ph. D. (Economics). Moscow State University. Russia	General Manager of „Talent Equity Institute“; Senior partner of company „Ward Howell“; Manager of department „Talent Performance and Leadership Development Consulting“; professor of enterprise leadership of the International School of Business INSEAD.	• Independent member of BoD ENER1
<b>Slobodan Milisavljevic</b> BoD Member	University of Economics in Belgrade. Ph. D. in Economics	Counselor in Serbian Chamber of Commerce; Member of “International Advisory Board UniCredit bank” Rome. Italy	
<b>Wolfgang Rutenstorfer</b> Independent BoD Member (from April 20 <sup>th</sup> . 2012)	Vienna University of Economics and Business, Doctor of Science specialty in Economics and Business Administration		<ul style="list-style-type: none"> <li>• CA Immobilien AG Vienna, chairman of Supervisory Board</li> <li>• Telekom Austrija AG Vienna, member of Supervisory Board</li> <li>• Flughafen Wien AG Vienna, member of Supervisory Board.</li> <li>• Vienna Insurance Group AG Vienna, Chairman of Supervisory Board</li> <li>• RHI AG Vienna, member of Supervisory Board</li> </ul>

Total amount of net reimbursements paid to members of Board of Directors in period January 1<sup>st</sup> – June 30<sup>th</sup> was RSD 13,795,659 (in period April 1<sup>st</sup> – June 30<sup>th</sup> 2012 was RSD 6,287,350). while total amount of net reimbursements paid to General Manager in period January 1<sup>st</sup> – June 30<sup>th</sup> 2012 was RSD 9,841,749.

#### Number and % of NIS shares owned by members of BoD

Full name	Number of shares	% of participation in the total number of shares
<b>Nikola Martinovic</b>	224	0.0001%

## Supervisory Board

In accordance with the provisions of Article 592 of Company Law (Official Gazette RS no. 36/2011 and 99/2011) (hereinafter the Law) at the IV regular Shareholders Assembly of NIS held on June 25th 2012 the Statute of NIS was adopted. Provisions of the Statute are in compliance with the provisions of the Law and by the Statute management of NIS is organized as single tiered. In accordance with the Law Shareholders Assembly Board for supervision over business activities and reporting to shareholders was formed. The Board acts as advisory and expert entity that facilitates work and decision making of Shareholders Assembly.

### Supervisory Board/Board of Shareholders Assembly for supervision over business activities and procedures of reporting to shareholders

Full name position	Education	Current employment	Member of MB or SB other companies
<b>Milivoje Cvetanovic</b> Chairman of Audit Committee to June 25 <sup>th</sup> . 2012. i.e. Chairman of Board of Shareholders Assembly from June 25 <sup>th</sup> . 2012	Faculty of Economics. Belgrade University	Consultant of practical application of MSFI. creation and implementation of information systems. including the system of internal control; chairman of the Chamber of Certified Auditors for the quality control of audits; member of Chamber of Authorized Auditors; internal auditor in DIPOS DOO Company. Belgrade; owner of the company „Cvetanovic Consulting“ d.o.o. Belgrade; Authorized auditor in „NDP Audit & Consulting“ Belgrade	<ul style="list-style-type: none"> <li>• An independent member of the BoD of “Energoprojekt arhitektura i urbanizam” d.o.o. Belgrade and “Energoprojekt Industrija” d.o.o. Belgrade</li> <li>• Member of the Audit Committee – “Energoprojekt Holding” a.d. Belgrade</li> </ul>
<b>Bozo Stanisic.</b> Member of Supervisory Board to June 25th. 2012. i.e. Member of Board of Shareholders Assembly from June 25 <sup>th</sup> . 2012	Faculty of Technology- Metallurgy (Department of Technological Operations).	Consultant of the President of the Chamber of Commerce	<ul style="list-style-type: none"> <li>• MB Vice president of “Industry of machines and tractors”; (IMT) New Belgrade;</li> <li>• MB President of Association of Citizens Bicycle Race ‘Through Serbia“.</li> </ul>
<b>Maxim Shakhov Viktorovich.</b> Member of Supervisory Board to June 25th. 2012	Faculty of Chemistry- Technology of the Technical University of Yaroslav (high level of technical education);	Head of Department for audit of the exploration and production in JSC Gazprom Neft	<ul style="list-style-type: none"> <li>• LLC «NNK»</li> </ul>
<b>Alexey Urusov</b> Member of Board of Shareholders Assembly from June 25th. 2012	Tyumen State University (finance and loans) and Wolverhampton University in the United Kingdom (business administration). Master in Social Sciences.	Head of Department for Economics and Corporate Planning in JSC Gazprom neft	

Total amount of net reimbursements paid to members of Audit Committee in the period 1<sup>st</sup> January – 24<sup>th</sup> June. 2012 was RSD 3.824.999 (in the period 1<sup>st</sup> April -24<sup>th</sup> June. 2012 was RSD 1.899.353)

### Number and % of NIS shares owned by members of SB/ Board of Shareholders Assembly

Full name	Number of shares	% of participation in the total number of shares
<b>Bozo Stanisic</b>	149	0.0001%



## Risk Management

NIS has defined Risk management targets as well as a formal risk management process. Standards of Risk Management were adopted in 2011. The Standards establish risk management principles for the purposes of increasing business efficiency of the company from a short-term and long-term perspective.

The aim of Company's risk management is to have additional guarantees for reaching of strategic goals by way of early risk prevention/identification and to ensure maximum efficiency of risk measurement measures.

### Industrial risks

Main business areas of the Company are crude oil and gas production, oil refining and oil product sales, and that means that the Company is exposed to the oil and gas industry specific risks. The Company is especially exposed to the risks caused by:

- potential changes in oil and oil product prices – Company financial success ratios directly depend on the oil and oil product price level. Oil and oil product price movement is not controlled by the Company; it depends on external factors such as global changes and changes in the Republic of Serbia of supply and demand balance, scope of consumption in these markets, and the activities of regulatory bodies
- oil exploration and production risks – The main risk in the field of exploration and production is uncertainty about reserves assessment and, consequently, failure to form the planned resource base.

### Financial risks

Business activities of the Company are exposed to various financial risks: market risk (including currency risk, price risk and interest rate risk), loan risk, and liquidity risk. Risk management in the Company is directed to the efforts to bring down to the minimum potential negative effects of the volatile situation in financial markets on financial operations of the Company.

- Market Risk

Currency risk - The Company conducts business on the international level and it exposed to the foreign currency exchange risk coming from conducting business with various currencies involved, USD and EUR in the first place. The risk comes from future trade transactions and acknowledged funds and commitments.

Price Change Risk - Due to its basic business activities the Company is exposed to price change risks, specifically, the crude oil and oil product price, affecting the stock value; and oil refining margins, which further affects future money flow.

Interest Rate Risk - Loans given at changeable interest rates expose the Company to the cash flow interest rate risk, while loans given at fixed interest rates expose the Company to the risk of the change in fair values of interest rates. Depending on net indebtedness in a certain period of time any change of the basic interest rate (EURIBOR or LIBOR) has an impact on the Company results.

- Loan risk

Loan risk occurs in relation to: the cash and cash equivalents, deposits in banks and financial institutions, as well as to the exposure to risk in wholesale and retail trade, including outstanding receivables and undertaken commitments.

- Liquidity risk

The Company continuously checks liquidity so as to provide enough cash for the business purposes, while maintaining the level of unused credit lines so as not to allow a credit limit overdraft with banks or breaking terms of loan agreements. Such projections take into consideration the Company plans concerning debt settlement, compliance with terms of agreements, compliance with internal targets, and, if applicable, external legislative or legal requirements – e.g. currency restrictions.





## Business environment

### World

Whether the Eurozone will withstand the debt crisis remains uncertain in the second quarter of 2012. The growing uncertainty at financial markets raises investor concern due to dangerous trends in both the European and world economy.

The Eurozone is still focused on considering ways to overcome the debt crisis. Early in April, the Eurozone Ministers of Finance agreed to increase the relief fund to 700 billion eur in order to prevent the expansion of the debt crisis while at the end of May, the European Commission proposed direct relief for endangered banks in the Eurozone as well as the introduction of eurobonds thus questioning the German recipe for handling crisis.

The second quarter of 2012 was also marked with uncertainty on the crude oil market. In May, the price of crude oil dropped due to speculations that stocks in the USA reached the highest level since 1990, that euro was becoming weaker while the debt crisis was threatening to hit Spain. However, in June, the price of crude oil increased upon speculations that embargo on oil from Iran would be imposed on the EU as well as that the strike in Norway would affect the offer fluctuation. Crude oil price received an additional positive incentive upon the EU President Herman VanRompuuy stated that leaders on the Brussels Summit had decided to give up on the condition as regards urgent loans to Spain.

### Serbia

The event which marked the second quarter of 2012 in Serbia were definitely the Presidential and Parliamentary Elections as well as the still ongoing process of establishing the new government of the Republic of Serbia. Political uncertainty, low influx of foreign investments and a growing budget deficit in Serbia affected the devaluation of the domestic currency.

Also, according to the data of the Statistical Office of the Republic of Serbia, the real interannual fall in the Gross Domestic Product in prices in the first quarter of 2012 amounted to 1.3% in the previous year with the estimation that this year there would be certain improvements in business activities thus the GDP should nevertheless grow by 0.3%.

In May 2012, according to deseasonalized data, the industrial output fell by 0.9% compared to the previous month, while it was lower by 3.1% compared to the same month in the previous year. When observed by sectors, a 1.4 % interannual growth was achieved in the processing industry while a 14.4 % and 17.4 % interannual fall was recorded in the mining sector and electricity, gas and steam supply sector respectively.

### Macroeconomic Indicators

- Incline of USD/RSD rate in first half of 2012 was 13,95% or +11,28 RSD  
(USD/RSD rate changed from 80,8662 RSD as of January 1st 2012; to 92,1476 RSD as of June 30th 2012)
- Incline of EUR/RSD rate in first half of 2012 was 10,68% or +11,18 RSD  
(EUR/RSD rate changed from 104,6409 RSD as of January 1st 2012; to 115,8203 RSD as of June 30th 2012)
- Incline of USD/RSD rate in first half of 2011 was 10,9% or -8,64 RSD  
(USD/RSD rate changed from 79,2802 RSD as of January 1st 2011; to 70,6398 RSD as of June 30th 2011)
- Incline of EUR/RSD rate in first half of 2011 was 2,9% or -3,03 RSD  
(EUR/RSD rate changed from 105,4982 RSD as of January 1st 2011; to 102,4631 RSD as of June 30th 2011)
- Average price of "Urals" crude oil in first half of 2012 was app. 112 USD/bbl



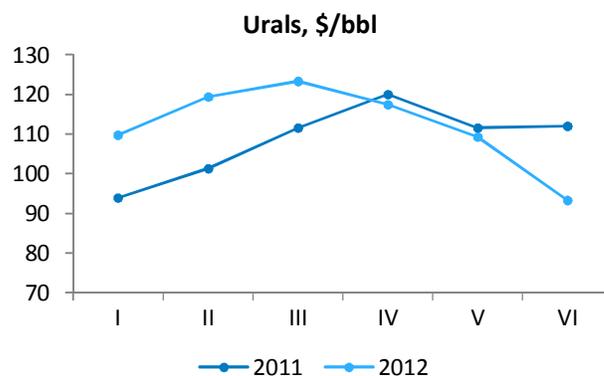
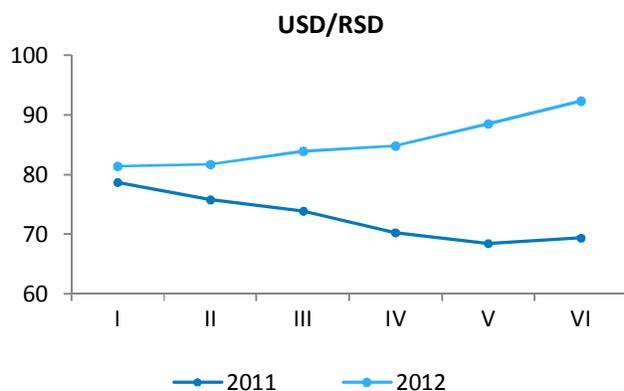


Figure 1: Graph of trends of USD/RSD exchange rate and oil price trends

### Market share

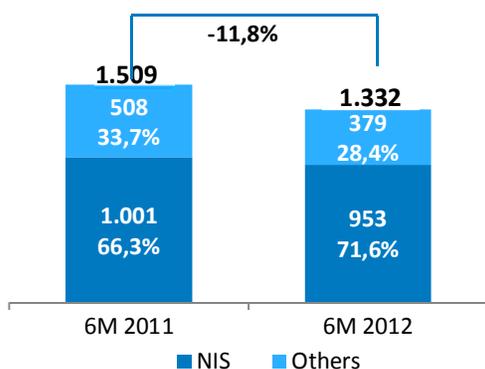


Figure 2: RS Market volumes\* in thousands of tons

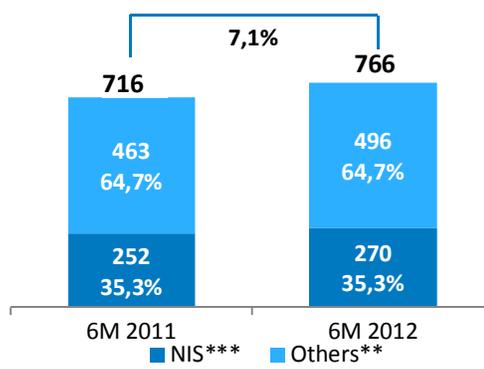


Figure 3: Share structure of Serbian retail market

\* Serbian market is shown without the oil products that NIS does not produce

\*\* For others motor fuels, EL and euro EL sales shown

\*\*\* Sales for NIS includes motor fuels, EL and LPG bottles

Source: Ministry of Finance, Ministry of Infrastructure and Energy, Serbian Chamber of Commerce

- Bad economic situation and general downturn of all economic activities have significant negative impact on consumption of oil derivatives
- Reduced purchasing power due to growing unemployment rates and exchange rate changes additionally influence on lower consumption of oil derivatives
- The largest drop in consumption was noted for naphtha as a result of the three-month overhaul at HIP Petrohemija
- Decrease in retail caused by lower number of petrol stations is compensated by the increase of turnover on the reconstructed petrol stations and distribution of significant quantities of diesel to farmers in compliance with contract with the Ministry of Agriculture.
- NIS market share was affected by increased consumption in the retail due to import of heating oil EL, which is almost entirely done through private petrol stations

## Analysis of achieved results

### Key Performance Indicators

Q2 2012	Q2 2011	%	Key Performance Indicators	Units of measurement	6M 2012	6M 2011	%
1	2	3(1:2)	4	5	6	7	8(6:7)
106.6	114.5	-6.9%	Urals	\$/bbl	112.0	108.3	3.4%
13.6	11.6	17.5%	Net profit	billion RSD	22.0	21.4	2.8%
-5.4	1.8	-404.1%	Net foreign exchange differences	billion RSD	-9.9	6.4	-256.2%
19.0	9.8	94.2%	Net profit before FX differences	billion RSD	31.9	15.1	111.5%
21.3	12.8	66.8%	EBITDA*	billion RSD	36.84	20.5	79.6%
54.1	46.3	16.8%	Sales (without excise tax)	billion RSD	99.7	83.1	20.1%
21.7	14.0	55.7%	OCF	billion RSD	19.7	12.9	52.5%
19.5	21.4	-8.9%	Paid taxes and fiscal obligations**	billion RSD	34.4	37.0	-7.1%
412.3	373.3	10.4%	Domestic oil and gas production	thous. cond. tons***	825.6	732.5	12.7%
273.2	251.5	8.6%	Domestic oil production	thousand tons	547.2	497.5	10.0%
706.2	667.4	5.8%	Oil refining volume	thousand tons	1119.3	1180.4	-5.2%
563.5	624.6	-9.8%	Total sales of oil products	thousand tons	1067.0	1139.4	-6.3%
499.8	532.2	-6.1%	Oil products local market sales	thousand tons	936.0	986.9	-5.2%
155.0	135.7	14.2%	Retail	thousand tons	270.2	252.3	7.1%
384.3	409	-6.0%	Light oil products sales	thousand tons	683.8	731.1	-6.5%
47.3	47.6	-0.7%	CAPEX from GPN loan****	million EUR	71.96	56.6	27.1%
500	255	96.1%	Inflow of funds from GPN (cumulative from 2009.)	million EUR	500	255	96.1%
4.1	2.4	71.7%	CAPEX from OCF (NIS projects)	billion RSD	9.1	4.0	128.0%
354	574	-38.3%	Total debt to banks	million USD	354	574	-38.3%
366	648	-43.5%	Total bank indebtedness*****	million USD	366	648	-43.5%

Calculation of percentage values is based on values expressed in millions of RSD

All possible discrepancies in percentage values and total values are due to rounding errors

Values for CAPEX from GPN loan and CAPEX from OCF are without VAT

\*EBITDA = Sales (without excise tax) – inventories (of oil, oil products and other products) – operational expenditure (OPEX) – other costs, which management cannot affect

\*\* Taxes paid and fiscal obligations include taxes, duties, fees and other public revenues.

\*\*\* 1,256 m<sup>3</sup> gas = 1 conditional ton of oil

\*\*\*\* Data for total sales of oil products in 2011 corrected due to comparability with data for 2011 (lubricants are not included in oil products sales in retail segment)

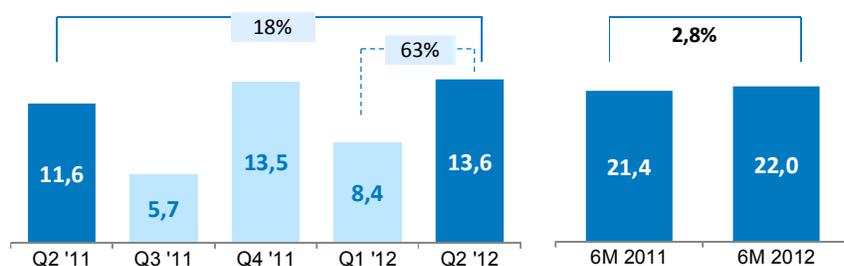
\*\*\*\*\* Under the Agreement of sale and purchase of shares of NIS a.d. Novi Sad, clause 8.1.2, JSC Gazprom Neft (GPN) has an obligation to provide EUR 500 million to NIS a.d. Novi Sad by way of special purpose loans in order to implement NIS Novi Sad technological complex reconstruction and modernization program. CAPEX from GPN loan does not include letters of credit.

\*\*\*\*\* Data for 2010 was corrected due to internal activities on projects with direct economic effect (UPS) and capitalized expenses that affected increase in investments in MHC/DHT and ecology projects

\*\*\*\*\* Total bank indebtedness = Total debt to banks + letters of credit

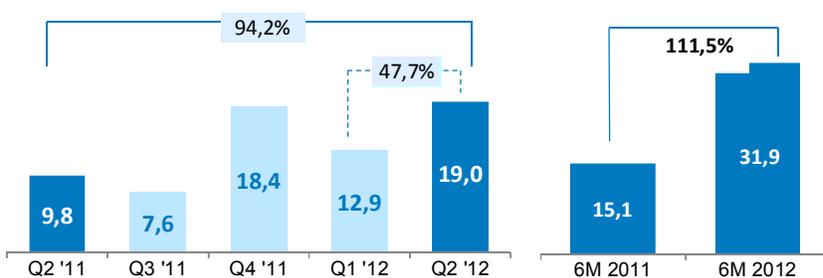
## Financial Indicators

### Net profit



- Increase in domestic oil and gas production
- Cost cuttings
- Increased business efficiency
- Net FX differences in Q2 2012 are negative and they amount to 5.4 billion of RSD, and to 9.9 billion of RSD for first half of 2012
- Increase of market share

### Net profit before FX differences



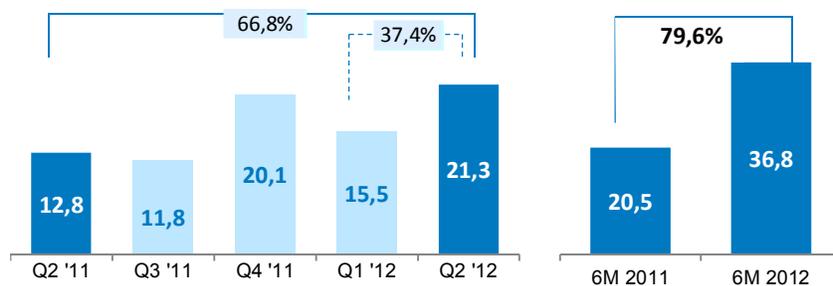
- Increase in domestic oil and gas production
- Increased business efficiency

### Net FX differences



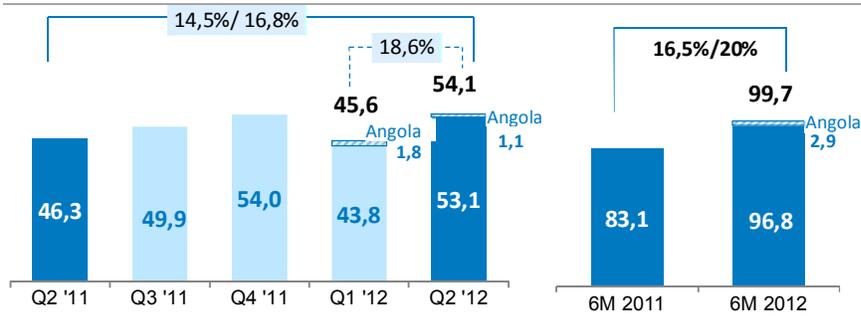
- Increase in USD/RSD rate of 13,95% or +11,28 RSD
- Increase in EUR/RSD rate of 10,68% or +11,18 RSD

### EBITDA



- Increased business efficiency
- Increase in domestic oil and gas production

## Sales



- Increase in crude oil price in first half of 2012 (\$/bbl), comparing to last year, is app +3.4%
- Increase of retail prices of oil derivatives in first half of 2012. for app +14% compared to first half of 2011

## OCF



- Increased receivables collection
- Increase in business efficiency

## Operating indicators

### 1. Oil and gas production

- > Increase in domestic oil and gas production in first six months of 2012 by 13% compared to same period last year
- > Domestic oil and gas production in Q2 2012 amounts to 412 thousand conditional tons which is by 10.4% higher than last year
- > Increase in domestic gas production by 14% compared to first 6 months of 2011
- > Implementation of geological technical measures

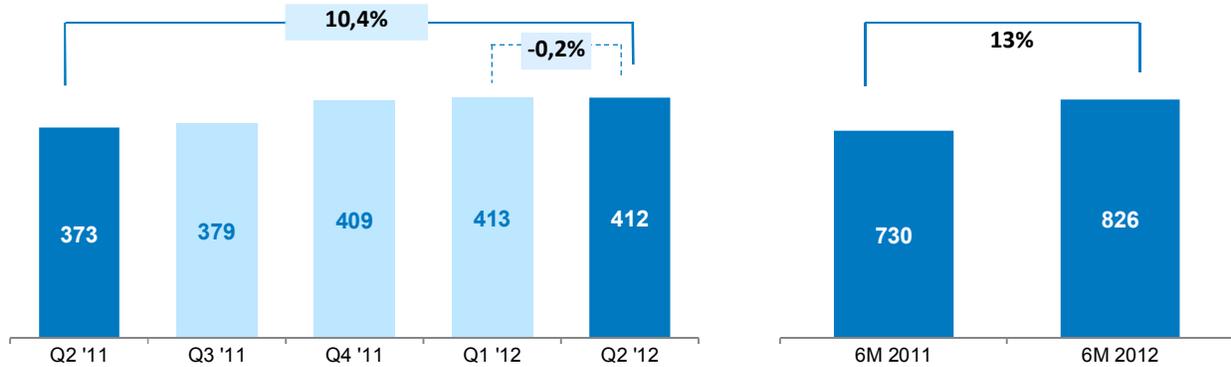


Figure 4: Domestic oil and gas production (in thousands of conditional tons)

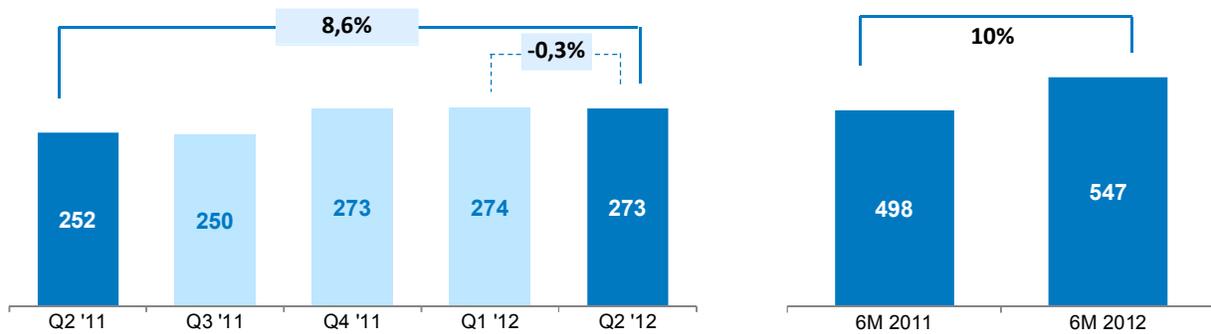


Figure 5: Domestic oil production (in thousands of tons)

## 2. Refining

- > Refining is increased by 6% comparing to Q2 2011 and decreased by 5% comparing to first 6 months of 2011
- > Overhaul of Pancevo refinery from February 23rd until April 2nd 2012
- > Overhaul of FCC started at the end of June

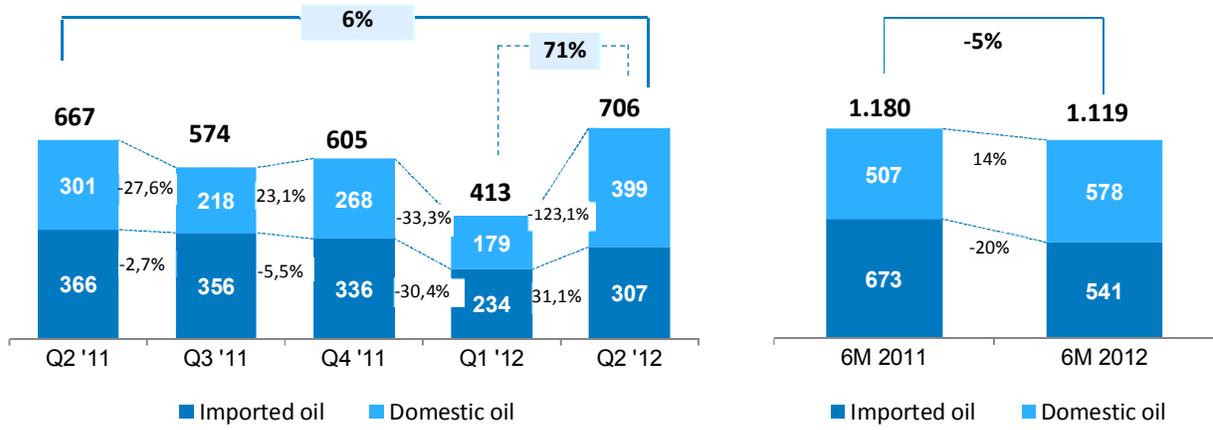


Figure 6: Oil refining volume (in thousands of tons)

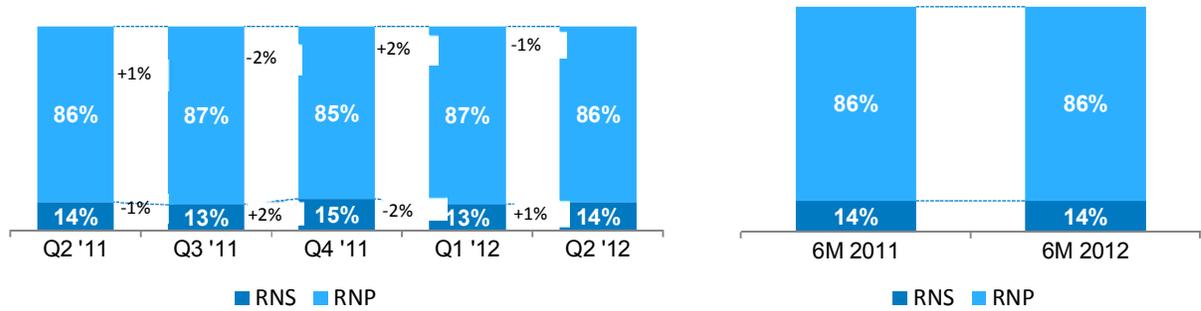


Figure 7: Oil refining per refineries; RNP – Oil Refinery Pančevo, RNS – Oil Refinery Novi Sad

### 3. Sales

- > Total sales of oil derivatives decreased by 10% compared to Q2 2011
- > **Retail – increase by 7%**
  - Increase in sales volume of diesel fuel D-2 (due to the realization of agreement signed with the Ministry of Agriculture)
  - Expansion of the network of PS that sell autogas and EL heating oil
- > **Wholesale – decrease by 9%**
  - Decreased consumption of BMB 95
  - Reduced sales of D2 due to the transfer of these sales volumes into retail channel and import of heating oil EL by competitors
  - Decrease of sale volumes of naphtha due to overhaul of HIP Petrohemija
- > **Export – decrease by 14%**
  - Reduced volume of export of fuel oil because of the greater demand in the domestic market

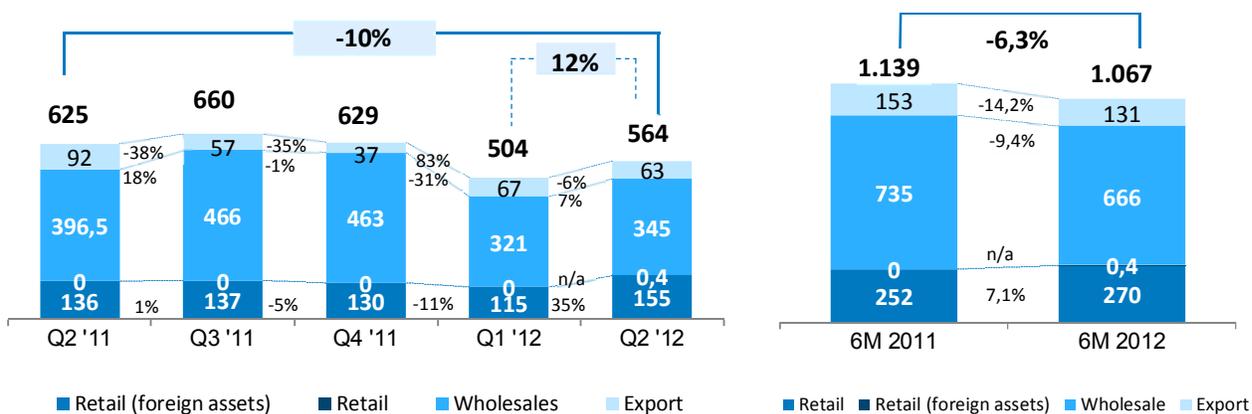


Figure 8: Oil derivatives sales (in thousands of tons)

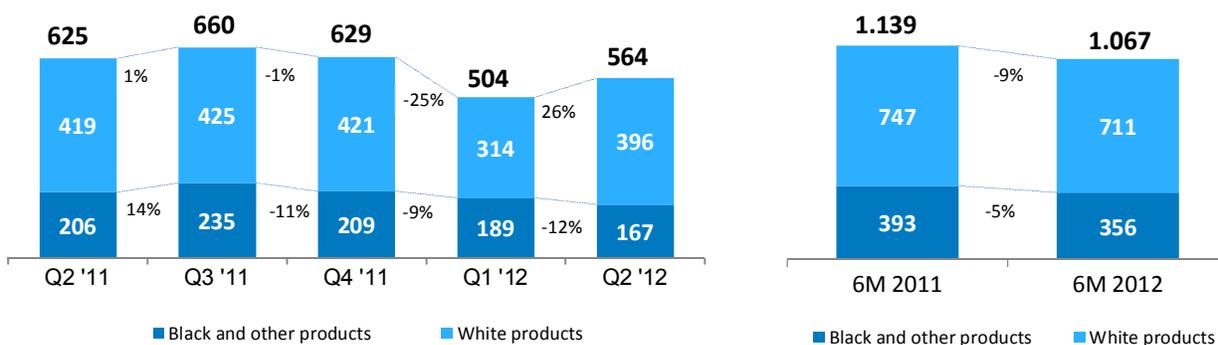


Figure 9: Sales structure per oil derivatives (in thousands of tons)

## Bank indebtedness

- > Obligation of GPN from SPA fulfilled
- > Total indebtedness decreased by 92 million USD

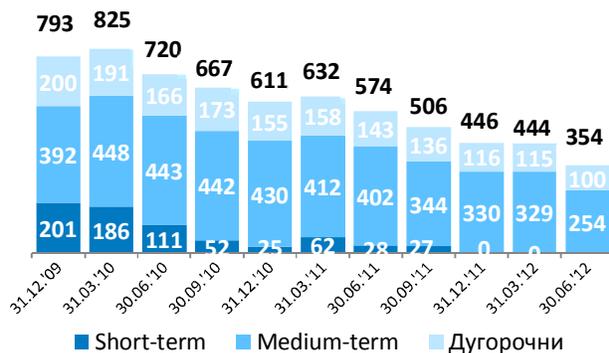


Figure 10: Total debt to banks (in millions of USD)\*

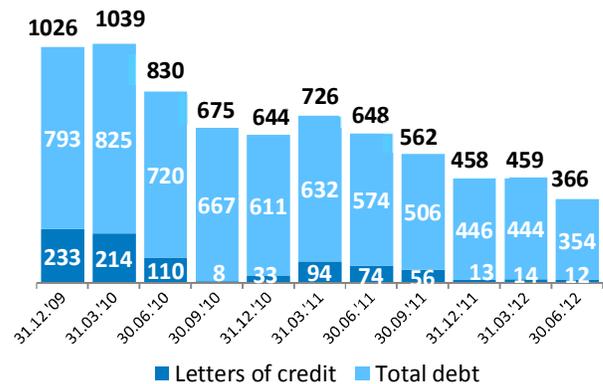


Figure 11: Total indebtedness (in millions of USD)

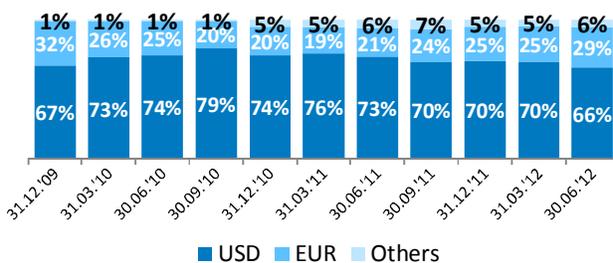


Figure 12: Structure of total debt to banks per currency in %

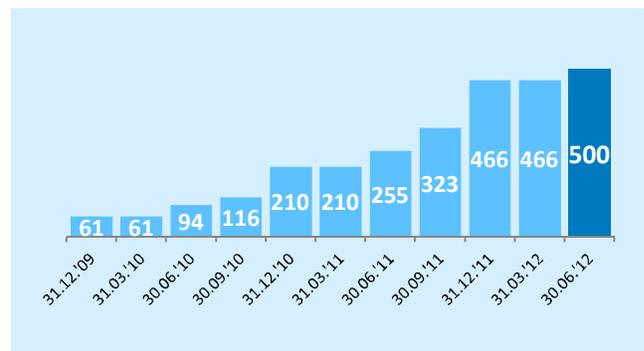


Figure 13: GPN loan (in millions of EUR)

\* Term structure of the debt to banks is shown according to Contract terms and not by maturity of the debt as of June 30th 2012

## Ratios

Ratio	6M 2011	6M 2012	Change % 6M '12/6M '11
<b>Return on total capital</b> (Gross profit/total capital)	33%	21%	-36%
<b>Net return on equity</b> (Net profit/shareholders equity*)	25%	25%	1%
<b>Operating net profit</b> (operating profit/net sales income)	22%	35%	59%
<b>Degree of leverage</b> (short term and long term liabilities/total capital)	168%	124%	-26%
<b>Degree of leverage</b> (short term and long term liabilities/ shareholders equity*)	132%	157%	19%
<b>1<sup>st</sup> degree liquidity</b> (cash and cash equivalents/short term liabilities)	20%	49%	147%
<b>2<sup>nd</sup> degree liquidity</b> (working assets/stocks/short term liabilities)	62%	126%	104%
<b>Net working fund ratio</b>	21%	50%	137%

\* shareholders equity = share capital + other capital

## Per share indicators

(for period 01.01.- 30.06.2012)

Indicator	Value	
Price	605.00 RSD	
High	748.00 RSD	
Low	532.00 RSD	
Market capitalization as of June 30th 2012	161,727,564.00RSD	
EPS for period January 1 <sup>st</sup> – June 30 <sup>th</sup> 2012	134.95 RSD	
EPS for period January 1 <sup>st</sup> – December 31 <sup>st</sup> 2011	248.99 RSD	
P/E* ratio	2.43	
Book value as of June 30 <sup>th</sup> 2012	671.91 RSD	
P/BV ratio	0.9	
Dividends paid (in last three years)	2011.	Company reported net profit of 40,601,667,000.00 RSD. On July 25 <sup>th</sup> 2012 Shareholders Assembly reached the Decision on allocation of profit and/or coverage of accumulated losses for 2011 and according to decision entire net profit was used to cover accumulated losses and therefore no dividend was payed out.
	2010.	Company reported net profit of 16,484,381,000.00 RSD On July 27 <sup>th</sup> 2011 Board of Directors** reached the Decision on allocation of profit and/or coverage of accumulated losses for 2010 and according to decision entire net profit was used to cover accumulated losses and therefore no dividend was payed out.
	2009.	Company reported loss of 37,636,111,000.00 RSD
	2008.	Company reported loss of 8,022,615,000.00 RSD

\*Price as of June 30<sup>th</sup> 2012 in compare to EPS for period January 1<sup>st</sup> - December 31<sup>st</sup> 2011

\*\* In accordance with NIS' Articles of Association in force at the time Decision on the allocation of profit and/or coverage of accumulated losses was in the competence of the Board of Directors

Per share indicators (historically)	
Last price	605 RSD
High	865 RSD
Low	442 RSD
Total turnover	8,299,348,829 RSD
Total volume	14,985,784
% Of total number of issued shares	9.19%
% Of total number of issued shares owned by minority shareholders	56.71%
Total number of transactions	2,119,542

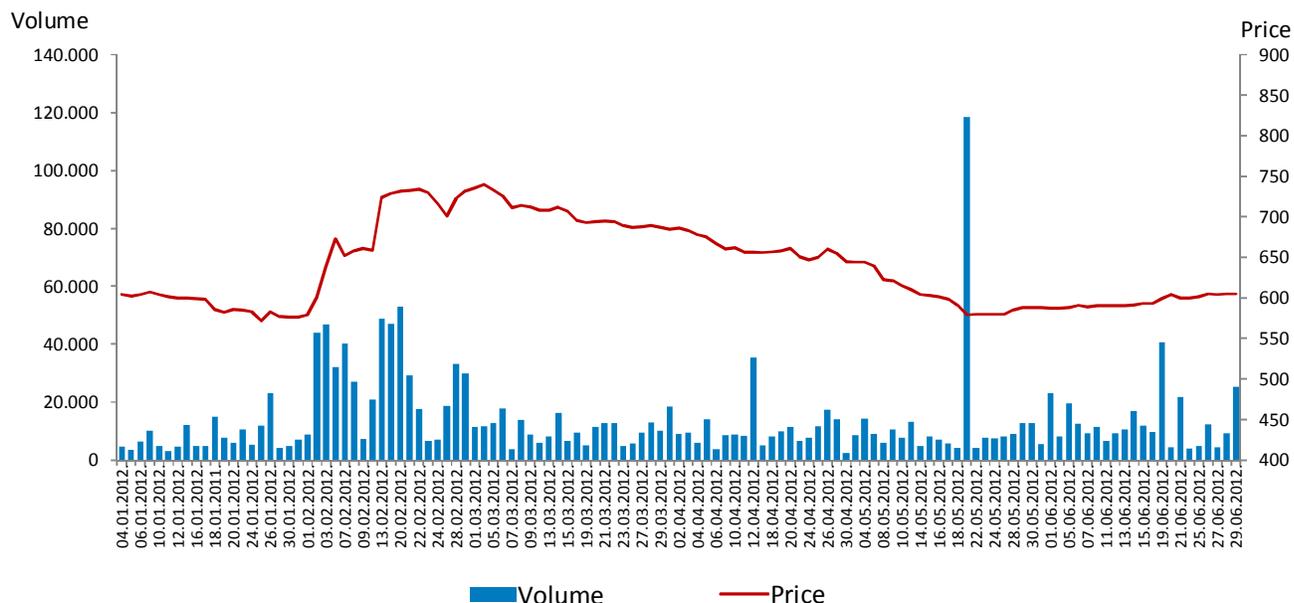


Figure 14: Display of price and volume trends

Changes of more than 10% on assets, liabilities and net profit

Assets	Changes larger than 10%	Explanation
Intangible Assets	47%	<p>The growth of intangible assets as at June 30th 2012 compared to December 31st 2011 is mostly related to investments in exploration and development in the total amount of 1.602.487 thousand RSD reversed from the account of buildings, plants and equipment.</p> <p>The growth of equity share as at June 30th 2012 compared to December 31st 2011 is entirely related to the establishment of the following companies: 1. Naftagas-Naftni Servisi d.o.o. Novi Sad (total registered equity of the newly founded company as at June 30th 2012 amounts to 3.579.983 thousand RSD out of which non-cash capital contribution amounts to 3.579.930 thousand RSD); 2. NTC – NIS – Naftagasd.o.o. Novi Sad (total registered equity of the newly founded company as at June 30th 2012 amounts to 321.500 thousand RSD out of which non-cash capital contribution amounts to 321.447 thousand RSD); 3. Naftagas – Tehnički Servisi d.o.o. Zrenjanin (total registered equity of the newly founded company as at June 30th 2012 amounts to 1.044.554 thousand RSD out of which non-cash capital contribution amounts to 1.044.501 thousand RSD); 4. Naftagas – Transport d.o.o. Zrenjanin (total registered equity of the newly founded company as at June 30th 2012 amounts to 327.751 thousand RSD out of which non-cash capital contribution amounts to 327.695 thousand RSD).</p>
Equity Share	204%	<p>Based on the Decision on founding and registering non-cash capital contribution in the equity of the newly founded subsidiaries (Naftagas – Naftni Servisi d.o.o. Novi Sad, Naftagas – Tehnički Servisi d.o.o. Zrenjanin, Naučno-tehnički centar NIS – Naftagas d.o.o. Novi Sad i Naftagas – Transport d.o.o. Zrenjanin), the Company transferred intangible assets, buildings, plants and equipment in the amount of 5.608.062 thousand RSD (Notes 5 and 6 in the Periodical Semiannual Summarized Financial Statements) and stocks of materials, tools and other assets in the amount of 704.943 thousand RSD (Note 9 in the Periodical Semiannual Summarized Financial Statement). For the amount exceeding the registered equity, the Company set up a receivable based on the sale of buildings, plants, equipment and inventories of material and tools in the amount of 1.083.335 thousand RSD (Note 10 in the Periodical Semiannual Summarized Financial Statements). The sale of assets was conducted as per book value.</p>

Other long-term financial investments	75%	The growth of other long-term financial investments as at June 30th 2012 compared to December 31st 2011 is mostly related to the approval of long-term loans to subsidiaries in the amount of 2.086.422 thousand RSD. Long-term loans to subsidiaries were approved as per changeable exchange rates (3M and 6M Euribor + 7.5% and 3M Euribor + 5%) for the period of 7 years as of the date of settling the last installment and a 5-year grace period. The book value of long-term loans corresponds to their fair value.
Fixed assets for sale	-100%	The fall in non-current assets for sale as at June 30th 2012 compared to December 31st 2011 is entirely related to the sale of the "Trn 2 Laktaši" petrol station to the subsidiary NIS Petrol Bosnia and Herzegovina.
Receivables	57%	The growth of receivables as at June 30th 2012 compared to December 31st 2011 and the related growth of income from sale in 2012 is entirely related to the growth of Company products and services sale, extension of the receivables maturity date as well as the growth of receivables from Srbijagas Novi Sad and Naftachem d.o.o. (in the amount of 8.047 million RSD and/or 1.012 million RSD). Based on the Agreement on Debt Settlement closed with JP Srbijagas Novi Sad on the date of June 25th 2012, the Company reprogrammed receivables on the basis of natural gas sale in the total amount of 10.360.842 RSD whose payment will be collected in four equal monthly installments. The last installment falls due on December 31st 2012.
Liabilities	Changes larger than 10%	Explanation
Unrealized gains based on securities	-80%	The fall in the amount of Unrealized Gains based on Securities as at June 30th 2012 compared to December 31st 2011 is entirely related to the fall in the value of investment into securities designed for sale based on reducing investment value to fair (market) value (Linde Gas Srbija a.d. Bečej; Komercijalna banka a.d. Beograd; Jubmes banka a.d. Beograd).
Unrealized losses based on securities	10%	The growth of Unrealized Losses based on Securities as at June 30th 2012 compared to December 31st 2011 is entirely related to the fall in the value of investment into securities designed for sale based on reducing the investment value to fair (market) value (Politika a.d. Beograd; Dunav osiguranje a.d.o. Beograd; SPC Pinki).
Retained earnings	-46%	Retained earnings as at June 30th 2012 is entirely related to the result achieved in the period ending at June 30th 2012.
Loss	-99%	Based on the Decision of the Shareholders' Assembly dated June 25th 2012, the distribution of profit for 2011 in the amount of 40.601.667 thousand RSD was conducted in favour of previous years' losses.
Other long-term liabilities	13%	The growth of other long-term liabilities as at June 30th 2012 compared to December 31st 2011 is mostly related to the withdrawal of new installments of the loan approved by the parent company Gazprom Neft in the amount of 3.818.459 thousand RSD.
Short-term financial liabilities	49%	The growth of short-term financial liabilities as at June 30th 2012 compared to December 31st 2011 is related to the transfer of short-term liabilities based on long-term loans to the parent company.
Other short-term financial liabilities	-15%	The fall in other short-term liabilities as at June 30th 2012 compared to December 31st 2011 is mostly related to settling liabilities related to salaries and fees.
Liabilities for VAT, other public revenues and accrued costs and deferred revenues	43%	The growth of liabilities for VAT, other public revenues and accrued costs and deferred revenues as at June 30th 2012 compared to December 31st 2011 is mostly related to the growth of liabilities related to VAT (1.247.230 thousand RSD) and liabilities related to excises (1.841.926 thousand RSD).
Liabilities for income tax	-87%	Fall in the liabilities for income tax as at June 30th 2012 compared to December 31st 2011 is related to settling liabilities for 2011 income tax.
Result	Change	Explanation
Net gain (loss)*	3%	In the six-month period of 2012 ending at June 30th 2012, the Company achieved a 92% growth in business gain compared to the same period in the previous year. However, the devaluation of dinar and related currency loss growth (in the amount of 16.281 million RSD net) led to a 3% growth of net gain compared to the same period in the previous year.

\*comparable data of June 30<sup>th</sup> 2011

### Major Byers

Buyer	From January 1 <sup>st</sup> – June 30 <sup>th</sup> 2012	
	Turnover in millions RSD	Share in total income
Srbijagas a.d. Serbia	11,787	10%
OMV Serbia d.o.o. Serbia	7,426	6%
Knez Petrol d.o.o. Serbia	6,377	5%
HIP Petrohemija a.d. Serbia	5,480	5%
<b>Total:</b>	<b>31,070</b>	<b>27%</b>
Other byers	85,738	73%
<b>Total:</b>	<b>116,808</b>	<b>100%</b>

### Major Suppliers

Suppliers	Total debt in mln. RSD	Share in the total liabilities to suppliers
Gazprom neft trading GMBH	21,507	75%
HIP Petrohemija a.d. Serbia	888	3%
Lukoil oil company -Litasco SA	529	2%
Master Chem Oil Ltd	477	2%
<b>Total:</b>	<b>23,401</b>	<b>81%</b>
Other suppliers	5,341	19%
<b>Total:</b>	<b>28,742</b>	<b>100%</b>

*\*as of June 30<sup>th</sup> 2012*

## Investments

Board of Directors' 44th session held on 11th November, 2011 saw the adoption of the Business Plan and the Mid-Term Investment Programme (hereinafter MIP). Plan of Investment into CAPEX in the period 2012 – 2014 was also announced at that session.

In 2012, MIP stipulates for the main investment areas to focus on the implementation of the following projects: - MHC/DHT+H2, environmental projects, refining projects, distribution and sales, production of crude and gas, as well as a number of projects related to the Head Office.

In the first six months of 2012, as much as 17.2 billion RSD was put into investments, which are by +76% more on the same period in 2011.

The most significant investments into the production of crude and gas in the first half of 2012 were in projects:

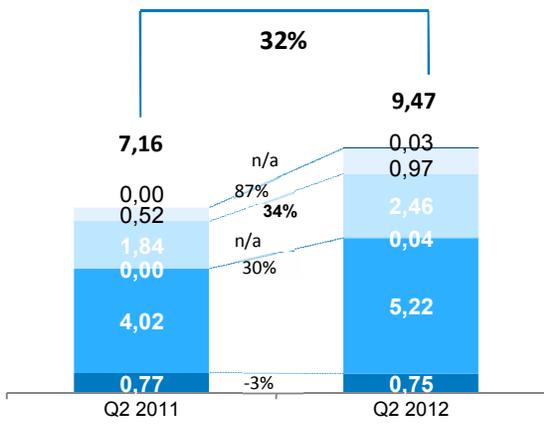
- > Investments into the concessionary rights (RAG(Hungary))
- > Geological explorations on the territory of Vojvodina
- > Exploratory drilling
- > Geological explorations in Serbia proper
- > GTM projects (GRP, ESP...)

The most significant capital investments in the first half of 2012, related to environment, were implemented in the Pančevo Refinery by way of the following projects:

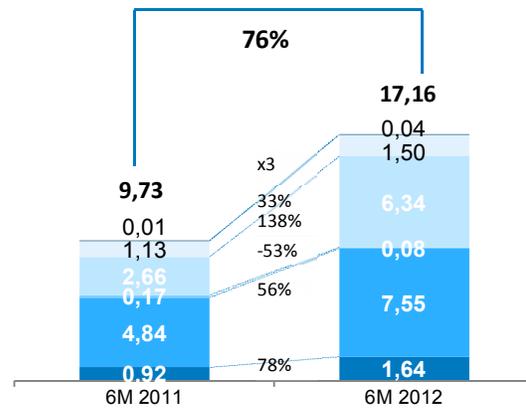
- > Jetty Overhaul
- > Revamp of LPG loading/unloading facility
- > Construction of Spent Sulphuric Acid Recovery Unit

Q2 '11	Q2 '12	Sources of investment funding	6M '11	6M '12
<b>4.75</b>	<b>5.38</b>	<b>CAPEX from GPN loan (without letters of credit)</b>	<b>5.69</b>	<b>8.06</b>
0.72	0.68	Ecology	0.87	1.50
4.02	4.70	MHC/DHT	4.82	6.55
<b>2.41</b>	<b>4.09</b>	<b>CAPEX from OCF (NIS funds)</b>	<b>4.04</b>	<b>9.10</b>
0.05	0.07	Ecology	0.05	0.14
0.00	0.52	MHC/DHT	0.02	1.00
0.00	0.04	Angola	0.17	0.08
1.84	2.46	Projects with direct economic effect	2.66	6.34
0.52	0.97	Projects without direct economic effect	1.13	1.50
0.00	0.03	Project research works	0.01	0.04
<b>7.16</b>	<b>9.47</b>	<b>TOTAL:</b>	<b>9.73</b>	<b>17.16</b>

*\*in bln RSD, VAT excluded*



- Project research works
- Projects without direct economic effect2
- Projects with direct economic effect
- Angola
- MHC/DHT
- Ecology



- Project research works
- Projects without direct economic effect2
- Projects with direct economic effect
- Angola
- MHC/DHT
- Ecology

Figure 15: Graph of realized investments  
(in billions of RSD, VAT and letters of credit excluded)

## Number of employees

Organizational part	As of December 31 <sup>st</sup> 2011			As of June 30 <sup>th</sup> 2012			Change (%)
	NIS	Услугне организације	Total	NIS	Услугне организације	Total	
1	2	3	4(2+3)	5	6	7(5+6)	8(7:4)
Block Upstream	1.140	26	1.166	967	37	1.004	-13,9%
Block Oilfield services	1.812	270	2.082	113	6	119	-94,3%
Block Sales and Distribution	3.204	1.298	4.502	3.009	1.421	4.430	-1,6%
Block Refining	1.697	-	1.697	1.661	53	1.714	1,0%
Block Energy	12	-	12	18	2	20	66,7%
NIS Corporate headquarters	1.211	17	1.228	1.245	148	1.393	13,4%
<b>Total</b>	<b>9.076</b>	<b>1.611</b>	<b>10.687</b>	<b>7.013</b>	<b>1.667</b>	<b>8.680</b>	<b>-18,8%</b>

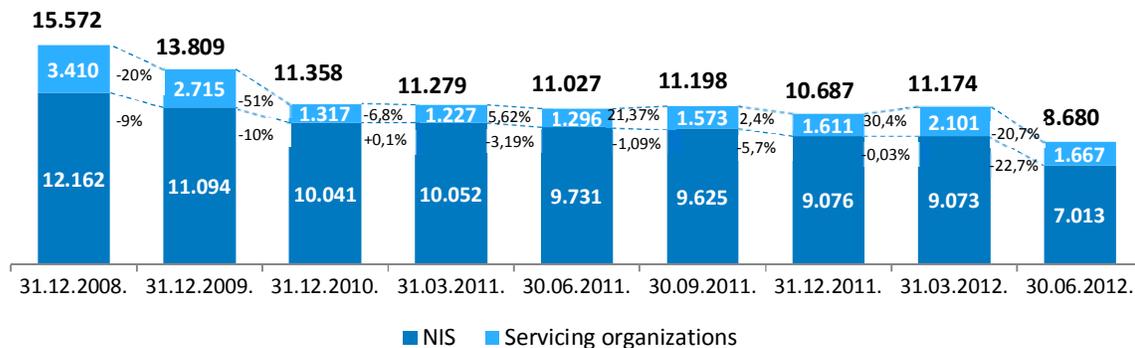


Figure 16: Number of employees (without employees in subsidiaries)

In second quarter of 2012, i.e. from June 1st 2012 newly formed subsidiaries started operating:

1. Naftagas-Naftni servisi;
2. Naftagas-Tehnički servisi.
3. Naftagas-Transport i
4. Naučno-tehnološki centar NIS Naftagas.

The newly formed subsidiaries were established in order to increase production efficiency and improve organizational structure and business processes.

Part of the NIS staff Novi Sad moved to subsidiaries.

### Number of employees in subsidiaries formed in 2012

Sibsiidiary	Aa of June 30 <sup>th</sup> 2012		
	Sibsiidiary	Servicing organiza	Укупно
1	2	3	4(2+3)
Naftagas - Naftni servisi	772	514	1.286
Naftagas - Tehnički servisi	646	115	761
Naftagas -Transport	273	57	330
NTC NIS Naftagas	201	0	201
<b>Total</b>	<b>1.892</b>	<b>686</b>	<b>2.578</b>

Total number of employees that left the company by accepting programs of voluntary leaves for first 6 months of 2012 is 290.

## Subsidiary Companies and Transactions with Affiliates

### Information on subsidiaries

Name	Address	% of interest in the capital of the subsidiary held by the parent company
<b>O Zone</b>	3-5 Marsala Birjuzova str., Belgrade, Serbia	100%
<b>Naftagas – naftni servisi</b>	9 Put Sajsaskog odreda str., Novi Sad, Serbia	100%
<b>Naftagas – tehnički servisi</b>	26 Beogradska str., Zrenjanin, Serbia	100%
<b>NTC NIS – Naftagas</b>	12 Narodnog fronta str., Novi Sad, Serbia	100%
<b>Naftagas-Transport d.o.o. Zrenjanin</b>	nn Lazarevacki put str, Zrenjanin, Serbia	100%
<b>NIS Oversiz o.o.o.</b>	12 Bolyshoy Golovin pereulok, Moscow, RF	100%
<b>„NIS Petrol“ EOOD</b>	51a Bul. Nikola Vapcarov, IV floor, Lozanec district, Sofia, Bulgaria	100%
<b>„NIS Petrol“ S.R.L.</b>	4-6 Daniel Danielopolu str., 3rd floor, District 1, Bucharest, Romania	100%
<b>„NIS Petrol“ d.o.o.</b>	nn Prijedorska str., Trn, Laktaši, Bosnia and Herzegovina	100%
<b>„Panon Naftagas“ kft.</b>	1093 Budapest, Hungary, Kozraktar u., 30-32	100%
<b>Jadran-naftagas d.o.o.</b>	7 Ivana Franje Jukića str., Banja Luka, Republic of Srpska, B&H	66%
<b>NIS– Svetlost d.o.o.</b>	nn Industrijska zona, Bujanovac, Бујановац, Serbia	51.32%
<b>JUBOS d.o.o</b>	29 Djordja Vajferta str., Bor, Serbia	51%
<b>OOO „SP Ranis“</b>	Chernogolovka, Moscow District, RF	51%

### Joint-Stock Company for Hotel Management and Tourism O ZONE a,d, Belgrade

Company ID	20094630			
Headoffice	3-5 Marsala Birjuzova str., Belgrade, Serbia			
Name and main activity code	5510 – Hotels and similar accommodation			
General information	% of interest in the capital of the subsidiary company held by the parent company	100%		
	% of participation of the parent company in decision making	100%		
Management	Kirill Kravchenko, chairman of BoD until May 14th 2012 Dmitry Fomenko, member of BoD until May 14th 2012, chairman of BoD from May 14th 2012 Sergey Fominikh, member of BoD Ana Petrovic-Vukicevic, member of BoD from may 14 <sup>th</sup> until June 25 <sup>th</sup> 2012 Vitaly Rubanov, member of BoD from June 25 <sup>th</sup> 2012			
<b>Financial indicators (in ,000 RSD)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012 (1.1. – 30.06.2012)</b>
Total assets	5.094.492	5.072.036	4.811.354	4.850.233
Noncurrent assets	5.042.374	5.032.987	4.699.328	4.782.680
Current assets	52.118	39.049	112.026	67.553
Total equity	2.226.692	2.271.521	2.361.596	2.413.920
Net profit/loss	(915.084)	(150.262)	90.076	512.247
Sales	263.915	254.475	232.546	74.012

**NAFTAGAS – NAFTNI SERVISI d.o.o. Novi Sad**

	Company ID	20801786
	Headoffice	9 Put Sajskaskog odreda str., Novi Sad, Serbia
	Name and main activity code	0910 - Services related to exploration and exploitation of oil and gas
General information	% of interest in the capital of the subsidiary company held by the parent company	100%
	% of participation of the parent company in decision making	100%
	Management	Goran Stojkovski, CEO

Financial indicators (in ,000 RSD)	2009	2010	2011	30.06.2012 (1.1. – 30.06.2012)
Total assets	-	-	-	4.504.978
Noncurrent assets	-	-	-	3.760.301
Current assets	-	-	-	743.513
Total equity	-	-	-	3.364.149
Net profit/loss	-	-	-	(215.834)
Sales	-	-	-	161.277

**NAFTAGAS – TEHNICKI SERVISI d.o.o. Zrenjanin**

	Company ID	20801794
	Headoffice	26 Beogradska str., Zrenjanin, Serbia
	Name and main activity code	3312 - repair of machinery
General information	% of interest in the capital of the subsidiary company held by the parent company	100%
	% of participation of the parent company in decision making	100%
	Management	Oskar Toth, CEO

Financial indicators (in ,000 RSD)	2009	2010	2011	30.06.2012 (1.1. – 30.06.2012)
Total assets	-	-	-	1.107.948
Noncurrent assets	-	-	-	803.151
Current assets	-	-	-	367.521
Total equity	-	-	-	983.500
Net profit/loss	-	-	-	(17.151)
Sales	-	-	-	157.867

**NTC NIS – NAFTAGAS d.o.o. Novi Sad**

	Company ID	20802421
	Headoffice	12, Narodnog fronta str., Novi Sad, Serbia
	Name and main activity code	0910 - Services related to exploration and exploitation of oil and gas
General information	% of interest in the capital of the subsidiary company held by the parent company	100%
	% of participation of the parent company in decision making	100%
	Management	Alexandr Kulagin, CEO

Financial indicators (in ,000 RSD)	2009	2010	2011	30.06.2012 (1.1. – 30.06.2012)
Total assets	-	-	-	380.689
Noncurrent assets	-	-	-	346.675
Current assets	-	-	-	33.801
Total equity	-	-	-	274.083
Net profit/loss	-	-	-	(47.417)
Sales	-	-	-	25.314

**Naftagas Transport d.o.o. Zrenjanin**

	Company ID	20829923
	Headoffice	nn Lazarevacki put str., Zrenjanin, Serbia
	Name and main activity code	4941 - Road transport of cargo
General information	% of interest in the capital of the subsidiary company held by the parent company	100%
	% of participation of the parent company in decision making	100%
	Management	Dragan Radovic, CEO

<b>Financial indicators (in ,000 RSD)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012 (1.1. – 30.06.2012)</b>
Total assets	-	-	-	684.688
Noncurrent assets	-	-	-	609.741
Current assets	-	-	-	73.459
Total equity	-	-	-	220.206
Net profit/loss	-	-	-	(107.545)
Sales	-	-	-	42.971

**OOO "NIS OVERSIZ" Moscow, Russian Federation**

	Company ID	(Main State Registration Number 5067746792306)
	Headoffice	Bolshoy Golovin pereulok 12, Moscow, RF
	Name and main activity code	Extraction of crude oil and gas
General information	% of interest in the capital of the subsidiary company held by the parent company	100%
	% of participation of the parent company in decision making	100%
	Management	Dmitry Fomenko, CEO

<b>Financial indicators (in ,000 RSD)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012 (1.1. – 30.06.2012)</b>
Total assets	2.399	2.783	7.409	15.135
Noncurrent assets	-	-	-	-
Current assets	2.399	2.783	7.409	15.135
Total equity	1.572	1.748	4.536	(4.307)
Net profit/loss	64	-	6.324	(5.933)
Sales	-	-	-	12.183

**NIS PETROL EOOD. Sofia, Bulgaria**

	Company ID	201703950
	Headoffice	51a Bul. Nikola Vapcarov, IV floor, Lozanec district, Sofia Bulgaria
	Name and main activity code	Trade in oil, liquefied petroleum gas (LPG) and oil products (wholesale and retail), import-export operations
General information	% of interest in the capital of the subsidiary company held by the parent company	100%
	% of participation of the parent company in decision making	100%
	Management	Срђан Бошњаковић. генерални директор

<b>Financial indicators (in ,000 RSD)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012 (1.1. – 30.06.2012)</b>
Total assets	-	-	1.631.223	3.561.770
Noncurrent assets	-	-	1.303.997	2.876.851
Current assets	-	-	327.226	684.919
Total equity	-	-	(49.068)	(287.458)
Net profit/loss	-	-	(51.743)	(223.142)
Sales	-	-	-	42.252

\*Founded on September 14<sup>th</sup> 2011

**NIS PETROL S.R.L., Bucharest, Romania\***

	Company ID	29111546			
	Headoffice	4-6 Daniel Danielopolu str., 3rd floor, District 1, Bucharest, Romania			
	Name and main activity code	4730-Retail sale of motor fuel in specialized stores			
General information	% of interest in the capital of the subsidiary company held by the parent company	100%			
	% of participation of the parent company in decision making	100%			
	Management	Alexey Korobov, CEO until June 14th 2012 Zeljko Kirin, Manager from June 14th 2012 Corbu Mihai, Manager from June 14th 2012			
<b>Financial indicators (in ,000 RSD)</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012 (1.1. – 30.06.2012)</b>
Total assets		-	-	1.027	371.872
Noncurrent assets		-	-	-	183.169
Current assets		-	-	1.027	188.703
Total equity		-	-	1.027	(60.846)
Net profit/loss		-	-	-	(61.714)
Sales		-	-	-	-

\*Founded on September 16<sup>th</sup> 2011.

**NIS PETROL d.o.o.. Laktasi, Bosnia and Herzegovina\***

	Company ID	11081932			
	Headoffice	Prijedorska bb, Trn, Laktaši, Bosnia and Herzegovina			
	Name and main activity code	46.71 - wholesale of solid, liquid and gaseous fuels and related products			
General information	% of interest in the capital of the subsidiary company held by the parent company	100%			
	% of participation of the parent company in decision making	100%			
	Management	Nikola Knezevic, CEO**.			
<b>Financial indicators (in ,000 RSD)</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012 (1.1. – 30.06.2012)</b>
Total assets		-	-	273.553	306.610
Noncurrent assets		-	-	104.641	301.271
Current assets		-	-	168.912	5.191
Total equity		-	-	(271)	(17.393)
Net profit/loss		-	-	(1.307)	(16.534)
Sales		-	-	-	-

\*Founded on September 13<sup>th</sup> 2011

\*\*From July 12<sup>th</sup> 2012 Mr. Alexey Shabashov appointed as CEO

**Pannon Naftagas Kft, Budapest, Hungary\***

Company ID	01-09-969323	
Headoffice	1093 Budapest, Hungary, Kozraktar u., 30-32	
Name and main activity code	0610'08 Extraction of crude oil	
General information	% of interest in the capital of the subsidiary company held by the parent company	100%
	% of participation of the parent company in decision making	100%
Management	Slavko Pecanac, CEO	

Послови који се обављају ван седишта - организационе јединице и представништва

Financial indicators (in ,000 RSD)	2009	2010	2011	30.06.2012 (1.1. – 30.06.2012)
Total assets	-	-	168	2.997
Noncurrent assets	-	-	-	-
Current assets	-	-	168	2.997
Total equity	-	-	168	200
Net profit/loss	-	-	-	-
Sales	-	-	-	-

\*Founded on October 3<sup>rd</sup> 2011.

**Jadran-Naftagas d.o.o. Banja Luka**

Company ID	57-01-0312-10	
Headoffice	7 Ivana Franje Jukica str., Banja Luka, Republic of Srpska, B&H	
Name and main activity code	06.10 crude oil extraction;	
General information	% of interest in the capital of the subsidiary company held by the parent company	66%
	% of participation of the parent company in decision making	66%
Management	Predrag Radanovic, CEO	

Financial indicators (in ,000 RSD)	2009	2010	2011	30.06.2012 (1.1. – 30.06.2012)
Total assets	-	108	542.741	812.750
Noncurrent assets	-	-	265.962	689.668
Current assets	-	108	276.779	123.082
Total equity	-	108	(24.480)	(62.037)
Net profit/loss	-	-	(23.958)	(33.538)
Sales	-	-	-	-

**NIS-SVETLOST BUJANOVAC**

Company ID	20125535	
Headoffice	nn Industrijska zona, Bujanovac, Serbia	
Name and main activity code	4671 – wholesale of solid, liquid and gaseous fuels and related products	
General information	% of interest in the capital of the subsidiary company held by the parent company	51.32%
	% of participation of the parent company in decision making	51.32%
Management	Dragan Stojanovic, CEO	

Financial indicators (in ,000 RSD)	2009	2010	2011	30.06.2012 (1.1. – 30.06.2012)
Total assets	80.886	82.707	137.628	88.613
Noncurrent assets	43.824	42.215	40.794	40.117
Current assets	37.062	40.492	96.834	48.496
Total equity	53.552	54.526	56.054	61.743
Net profit/loss	10.611	974	1.528	5.689
Sales	296.595	572.557	547.105	511.124

**JUBOS d.o.o. Bor**

General information	Company ID	20133597			
	Headoffice	29 Djordja Vajferta str., Bor, Serbia			
	Name and main activity code	2444 – Copper production			
	% of interest in the capital of the subsidiary company held by the parent company	51%			
	% of participation of the parent company in decision making	51%			
Management	Snezana Djukic, chairman BOD Katarina Vukmirovic, member BOD Olivera Basta, member BOD Dragan Bojovic, member BOD Borivoje Stojadinovic, member BOD				
<b>Financial indicators (in ,000 RSD)</b>					
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012</b> <b>(1.1. – 30.06.2012)</b>	
Total assets	1.744	1.744	1.744	1.744	
Noncurrent assets	-	-	-	-	
Current assets	1.744	1.744	1.744	1.744	
Total equity	1.744	1.744	1.744	1.744	
Net profit/loss	-	-	-	-	
Sales	-	-	-	-	

**OOO «Joint Venture RANIS», Moscow Region, Chernogolovka, Russian Federation**

General information	Company ID	(Main State Registration Number 1045006116198)			
	Headoffice	Chernogolovka, Moscow District, RF			
	Name and main activity code	Scientific research and development in the field of natural and technical sciences			
	% of interest in the capital of the subsidiary company held by the parent company	51%			
	% of participation of the parent company in decision making	51%			
Management	Bozidar Djukic, CEO				
<b>Financial indicators (in ,000 RSD)</b>					
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30.06.2012</b> <b>(1.1. – 30.06.2012)</b>	
Total assets	29.621	34.395	841	842	
Noncurrent assets	-	-	-	-	
Current assets	29.621	34.395	841	842	
Total equity	3.701	4.297	(25.976)	(25.976)	
Net profit/loss	-	-	(29.805)	-	
Sales	-	-	-	-	

**Transactions with Affiliates**

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

The overview of transactions with the affiliates is shown in the notes to the financial statements



## Cases of uncertainty (uncertainty of collection)

As a part of the financial reports, the NIS j.s.c. Novi Sad management makes accounting estimates and assumptions related to the future. As a rule, the resulting estimations will hardly correspond to the accomplished results. The most significant estimations and assumptions are the estimated provisions for decrease in value of trade receivables, provisions for expected effects of negative litigation outcomes as well as provisions for environment protection.

Trade receivables are initially recognized as per their fair value. Provisions for decrease in value of receivables are determined when based on objective evidence the Company will not be able to collect all the receivables in accordance with the original terms.

For the first-class clients (clients representing 80% of total receivables by the total amount as at balance sheet date), receivables collectability risk is evaluated taking into consideration indicators of decrease in receivables' purchase value including as follows: receivables' age structure, estimated client debt collectability in accordance with his financial capabilities and existing history of late payments. In accordance with the previously stated, provisions for decrease in value of receivables are made and/or corrections of provisions charged to the expense of the relevant period.

For the second-class clients (clients representing 20% of total receivables by the total amount as at balance sheet date), receivables collectability risk is evaluated taking into consideration late payments thus corrections of provisions for these clients are made if the payment is not settled within sixty (60) days as of the maturity date and/or date of foreign currency influx in the country and/or within ninety (90) days as of the receivables maturity date for liquefied petroleum gas, delivered goods/energy to domestic consumers in the category «remote heating systems» (heating plants), trade receivables-clients financed from the budget (army, police, health service, educational service, railroads etc.).

The book value of receivables is decreased through provisions while the decreased value is recorded in the profit and loss account within the position 'other expenses'. When a receivable cannot be collected, it is written off and charged to the provisions for receivables. As at June 30th 2012, the Company made provisions for approximately 44% of gross value of total receivables.

The Company management evaluated and made provisions for environment protection as at balance sheet date in the amount of RSD 919.707 RSD based on internal evaluation on the Company's compliance with the legislation of the Republic of Serbia. The management believes that, based on the existing legislation, expenses related to environmental protection are not significantly higher compared to the provisions made. However, the stated expenses could significantly increase in the future period in case the legislation becomes more restrictive.

As at June 30th 2012, the Company made provisions for potential loss which could emerge from tax liabilities evaluation by the Ministry of Finances of Angola to which the Company is to pay the difference in tax assessment including interest in the amount of 40 million USD related to additional profit oil for the period from 2002 to 2007. The management believes that, based on the terms set forth in the concession contracts with Angola and the opinions of legal consultants from Angola, such a request is not in accordance with the valid legal framework in Angola due to the fact that the government did not make correct oil profit calculations and that oil profit is a contractual obligation towards the national concessionaire which is opposite to the opinion of the Ministry of Finances of Angola. The management will file a complaint against any action of enforced tax collection by the Ministry of Finances of Angola and take all the necessary steps in order to postpone the collection of tax until the court in Angola reaches a final decision regarding the issue. Based on the experience of other concessionaires, the court in Angola has not yet reached a decision related to their complaints against the decision of the Ministry of Finances even though the complaints were filed three years ago. Taking all the previously stated into consideration, the Company management believes that as at March 31st 2012, there is a significant level of uncertainty as regards the time required to settle the request of the Ministry of Finances of Angola and the amount of additional tax on profit oil, if any.



# FINANCIAL STATEMENTS

## Stand-alone Financial Statements

### Balance sheet

	Notes	30 June 2012	31 December 2011
<b>ASSETS</b>		<i>(unaudited)</i>	
<b>Non-current assets</b>			
Intangible assets	5	6,545,282	4,441,599
Property, plant and equipment	6	129,588,619	124,923,027
Investment property		1,383,998	1,338,269
Investments in equity instruments	7	7,742,626	2,542,882
Other long-term investments	8	5,909,531	3,376,034
		<b>151,170,056</b>	<b>136,621,811</b>
<b>Current assets</b>			
Inventories	9	37,066,488	35,397,598
Non current assets held for sale		-	165,371
Trade and other receivables	10	31,909,087	20,373,239
Short-term financial investments		2,404,598	2,413,567
Cash and cash equivalents	11	25,194,731	25,228,726
VAT and prepaid expenses	12	4,792,754	4,626,921
Deferred tax assets		7,875,436	7,875,436
		<b>109,243,094</b>	<b>96,080,858</b>
<b>Total assets</b>		<b>260,413,150</b>	<b>232,702,669</b>
Off-balance sheet assets		75,354,513	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		5,982	29,582
Unrealized losses from securities		(70,630)	(64,090)
Accumulated gain (loss)		21,608,790	(396,287)
		<b>109,561,602</b>	<b>87,586,665</b>
<b>Long-term provisions and liabilities</b>			
Long-term provisions		13,335,263	13,365,464
Long-term loans	14	31,524,814	33,774,543
Other long-term liabilities	15	53,911,674	47,666,041
		<b>98,771,751</b>	<b>94,806,048</b>
<b>Short-term liabilities</b>			
Short-term financial liabilities	16	5,143,372	3,444,922
Trade and other payables	17	28,339,198	29,458,654
Other short-term liabilities	18	5,687,137	6,666,892
Liabilities for VAT, other taxes and deferred income	19	11,598,290	8,087,096
Income tax liabilities		194,438	1,491,881
		<b>50,962,435</b>	<b>49,149,445</b>
Deferred tax liabilities		1,117,362	1,160,511
<b>Total equity and liabilities</b>		<b>260,413,150</b>	<b>232,702,669</b>
Off-balance sheet liabilities		75,354,513	79,279,565

\*in, 000.00 RSD

\*Basic capital in the amount of RSD 87,128,024,000.00 is comprised of the share and the other capital. The value of the registered share capital in the amount of RSD 81,530,220,000, registered with the Business Registers Agency is based on the assessment of the value of in kind contribution on 31 May 2005, that was made for the purpose of preparation of division balance and establishment of NIS a.d. Novi Sad by decision of the Government of the Republic of Serbia. Auditor of the financial statements for 2005 has determined that in the accountancy records of NIS a.d. Novi Sad the value of the share capital is higher for the amount of RSD 5,597,804,000 when compared to the amount registered with the Business Registers Agency. Upon order of the auditor this difference is presented as the other capital. In 2009, the amount of RSD 20,000 is moved to the position Other capital in order to bring into line position between the value of the share capital registered with the Central Registry (RSD 81,530,200,000) and the value in the business records (RSD 81,530,220,000) which is shown in the statement for 2009 as the changes in the capital..

## Income statement

	Notes	Six month period ended 30 June	
		2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
<b>Operating income</b>			
Sales	20	99,727,759	83,057,785
Work performed by the entity and capitalized		1,928,880	1,356,198
Increase in inventories of finished goods and work in progress		3,643,305	2,983,189
Other operating income		190,143	132,587
		105,490,087	87,529,759
<b>Operating expenses</b>			
Cost of goods sold		(7,634,413)	(5,933,319)
Raw material and consumables used	21	(44,021,391)	(44,592,864)
Employee benefits expense	22	(10,592,618)	(10,026,035)
Depreciation, amortisation and provision	23	(3,603,136)	(3,757,377)
Other operating expenses	24	(7,423,280)	(6,446,799)
		(73,274,838)	(70,756,394)
<b>Profit from operating activities</b>		<b>32,215,249</b>	<b>16,773,365</b>
Financial income	25	4,971,297	7,999,286
Financial expenses	26	(14,653,294)	(2,261,011)
Other income		1,959,596	2,323,248
Other expenses		(1,405,412)	(1,994,762)
<b>Profit before income tax</b>		<b>23,087,436</b>	<b>22,840,126</b>
<b>Income tax</b>		<b>(1,082,359)</b>	<b>(1,427,282)</b>
Income tax expense		(1,125,508)	(1,021,333)
Deferred tax income (expense)		43,149	(405,949)
<b>Profit for the period</b>		<b>22,005,077</b>	<b>21,412,844</b>
<b>Earnings per share</b>			
- Basic	27	0.13	0.13

\*in, 000.00 RSD

## Statement of cash flows

	Six month period ended	
	30 June	
	2012	2011
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
Sales and advances received	136,390,272	122,583,168
Interest from operating activities	1,169,172	415,996
Other inflow from operating activities	190,143	132,587
<i>Cash inflow from operating activities</i>	137,749,587	123,131,751
Payments and prepayments to suppliers	(61,873,687)	(49,977,741)
Salaries, benefits and other personal expenses	(11,404,786)	(10,740,273)
Interest paid	(1,772,248)	(1,557,824)
Income tax paid	(2,422,952)	(1,132,130)
Payments for other public revenues	(40,583,543)	(46,809,199)
<i>Cash outflow from operating activities</i>	(118,057,216)	(110,217,167)
<b>Net cash provided by operating activities</b>	<b>19,692,371</b>	<b>12,914,584</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of intangible assets and property, plant and equipment	194,385	7,303
Other financial investments (net inflow)	10,610	-
<i>Cash inflow from investing activities</i>	204,995	7,303
Purchase of shares (net outflow)	(213)	(19,011)
Purchase of intangible assets, property, plant and equipment	(15,247,481)	(10,723,029)
Other financial investments (net outflow)	(2,277,527)	-
<i>Cash outflow from investing activities</i>	(17,525,221)	(10,742,040)
<b>Net cash used in investing activities</b>	<b>(17,320,226)</b>	<b>(10,734,737)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term and short term borrowings (net inflow)	-	3,193,380
Proceeds from other long term and short term liabilities	3,818,459	4,412,700
<i>Cash inflow from financing activities</i>	3,818,459	7,606,080
Outflows from long-term, short-term and other liabilities (net outflow)	(7,542,217)	(6,611,112)
<i>Cash outflow from financing activities</i>	(7,542,217)	(6,611,112)
<b>Net cash (used in) provided by financing activities</b>	<b>(3,723,758)</b>	<b>994,968</b>
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>(1,351,613)</b>	<b>3,174,815</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>25,228,726</b>	<b>10,595,830</b>
Currency translation gains on cash and cash equivalents	1,664,070	417,981
Currency translation losses on cash and cash equivalents	(346,452)	(958,163)
<b>Cash and cash equivalents at end of period</b>	<b>25,194,731</b>	<b>13,230,463</b>

\*in, 000.00 RSD

## Statement of changes in equity

for the six month period ended 30 June 2012 and 2011

<i>(unaudited)</i>	Share capital	Other capital	Reserves	Revaluation reserves	Unrealised gains from securities	Unrealised losses from securities	Accumulated profit (loss)	Total
<b>Balance as at 1 January 2011</b>	81,530,200	5,597,824	889,424	39	48,417	(49,236)	(40,997,954)	47,018,714
Result for the period:								
- Profit	-	-	-	-	-	-	21,412,844	21,412,844
- Losses from securities	-	-	-	-	(1,727)	(8,892)	-	(10,619)
<b>Balance as at 30 June 2011</b>	<b>81,530,200</b>	<b>5,597,824</b>	<b>889,424</b>	<b>39</b>	<b>46,690</b>	<b>(58,128)</b>	<b>(19,585,110)</b>	<b>68,420,939</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	-	-	-	-	-	-	22,005,077	22,005,077
- Losses from securities	-	-	-	-	(23,600)	(6,540)	-	(30,140)
<b>Balance as at 30 June 2012</b>	<b>81,530,200</b>	<b>5,597,824</b>	<b>889,424</b>	<b>12</b>	<b>5,982</b>	<b>(70,630)</b>	<b>21,608,790</b>	<b>109,561,602</b>

\*in, 000.00 RSD

## 1. GENERAL INFORMATION

NIS a.d. – Naftna Industrija Srbije, Novi Sad (hereinafter “the Company”) is a vertically integrated oil company operating predominantly in Serbia. The Company’s principal activities include:

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

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005 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 CEO.

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

These interim condensed financial statements for the six month period ended 30 June 2012 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The interim condensed 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.

## 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 June 2012 the business segment Energy did not qualify as a separate reporting segment and was included within Other reporting segment.

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

- Exploration and production of oil and natural gas,
- Oil field services,
- Refining,
- Oil and oil products trading,
- Other – Administration and Energy.

The reportable segments derive their revenue in following manner:

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

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

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	48,234,340	3,204,502	74,476,489	88,680,867	4,791,123	219,387,321
Inter-segment revenue	(41,311,128)	(1,201,691)	(70,899,902)	(465,050)	(19,461)	(113,897,232)
Operating income – total	6,923,212	2,002,811	3,576,587	88,215,817	4,771,660	105,490,087
Depreciation	(1,022,576)	(350,829)	(996,999)	(359,440)	(458,419)	(3,188,263)
Impairment losses	(238)	(10,036)	(14,869)	(28,144)	(21,431)	(74,718)
Segment profit (loss) from operating activities	41,408,206	(49,855)	(4,467,604)	(855,183)	(3,820,315)	32,215,249
Financial income (expenses)	11,397	24,894	(1,977,344)	341,907	(8,082,851)	(9,681,997)
Other income (expenses)	637,035	5,127	17,476	(132,525)	27,071	554,184
Segment Profit (loss) before tax	42,056,638	(19,834)	(6,427,472)	(645,801)	(11,876,095)	23,087,436
Deferred tax income	-	-	-	-	43,149	43,149
Income tax expense	-	-	-	-	(1,125,508)	(1,125,508)
<b>Segment profit (loss)</b>	<b>42,056,638</b>	<b>(19,834)</b>	<b>(6,427,472)</b>	<b>(645,801)</b>	<b>(12,958,454)</b>	<b>22,005,077</b>

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

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	32,638,692	2,223,757	64,655,027	78,164,753	117,030	177,799,259
Inter-segment revenue	(26,079,101)	(796,891)	(63,085,159)	(308,349)	-	(90,269,500)
Operating income – total	6,559,591	1,426,866	1,569,868	77,856,404	117,030	87,529,759
Depreciation	(1,013,253)	(397,220)	(1,004,716)	(394,459)	(478,014)	(3,287,662)
Impairment losses	(7,164)	(17)	(9,888)	(6,231)	(2,230)	(25,530)
Segment profit (loss) from operating activities	26,651,062	(950,107)	(5,434,042)	(225,670)	(3,267,878)	16,773,365
Financial income	85,623	10,726	1,987,351	304,027	3,350,548	5,738,275
Other income (expenses)	229,171	(73,231)	(109,313)	54,556	227,303	328,486
Segment Profit (loss) before tax	26,965,856	(1,012,612)	(3,556,004)	132,913	309,973	22,840,126
Deferred tax expense	-	-	-	-	(405,949)	(405,949)
Income tax expense	-	-	-	-	(1,021,333)	(1,021,333)
<b>Segment profit (loss)</b>	<b>26,965,856</b>	<b>(1,012,612)</b>	<b>(3,556,004)</b>	<b>132,913</b>	<b>(1,117,309)</b>	<b>21,412,844</b>

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:

	Six month period ended 30 June	
	2012	2011
<i>Sales:</i>		
Sale of crude oil	2,901,744	-
Sale of petroleum products	87,852,436	75,977,225
Sale of goods	8,298,821	6,453,974
Sale of services	674,758	626,586
	<b>99,727,759</b>	<b>83,057,785</b>
Work performed by the entity and capitalized	1,928,880	1,356,198
Increase in inventories of finished goods and work in progress	3,643,305	2,983,189
Other operating income	190,143	132,587
<b>Total Operating Income</b>	<b>105,490,087</b>	<b>87,529,759</b>

## 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>693,689</b>	<b>145,566</b>	<b>3,996,506</b>	<b>4,835,761</b>
<b>Period ended 30 June 2011</b>					
Opening net book amount	-	693,689	145,566	3,996,506	4,835,761
Additions	-	-	216,078	-	216,078
Transfer from IA under development	-	27,152	(27,152)	-	-
Transfer from PP&E	-	65,808	-	-	65,808
Depreciation	-	(42,783)	-	(295,358)	(338,141)
Other transfers	-	(2)	-	-	(2)
<b>Closing net book amount</b>	-	<b>743,864</b>	<b>334,492</b>	<b>3,701,148</b>	<b>4,779,504</b>
<b>As at 30 June 2011</b>					
Cost	-	971,080	2,032,786	4,721,726	7,725,592
Accumulated depreciation and impairment	-	(227,216)	(1,698,294)	(1,020,578)	(2,946,088)
<b>Net book amount</b>	-	<b>743,864</b>	<b>334,492</b>	<b>3,701,148</b>	<b>4,779,504</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>645,454</b>	<b>271,673</b>	<b>3,524,472</b>	<b>4,441,599</b>
<b>Period ended 30 June 2012</b>					
Opening net book amount	-	645,454	271,673	3,524,472	4,441,599
Additions	220,413	-	747,917	-	968,330
Transfer to subsidiaries (note 7)	-	(2,291)	-	(58,983)	(61,274)
Transfer from IA under development	-	3,378	(20,355)	16,977	-
Transfer from PP&E	1,602,487	-	(8,733)	7,528	1,601,282
Depreciation	-	(42,797)	-	(294,667)	(337,464)
Impairment	(21,159)	-	-	-	(21,159)
Disposals	-	-	(3,442)	(28)	(3,470)
Other transfers	-	-	(35,062)	(7,500)	(42,562)
<b>Closing net book amount</b>	<b>1,801,741</b>	<b>603,744</b>	<b>951,998</b>	<b>3,187,799</b>	<b>6,545,282</b>
<b>As at 30 June 2012</b>					
Cost	1,822,900	875,693	1,136,867	4,616,180	8,451,640
Accumulated depreciation and impairment	(21,159)	(271,949)	(184,869)	(1,428,381)	(1,906,358)
<b>Net book amount</b>	<b>1,801,741</b>	<b>603,744</b>	<b>951,998</b>	<b>3,187,799</b>	<b>6,545,282</b>

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

## 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 June 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	1,024	1,797,719	695,772	6,438,892	527	-	4,741,458	13,675,392
Other transfers	(327)	433,879	(439,431)	45,582	867	-	-	40,570
Transfer to intangible assets	-	-	-	(65,808)	-	-	-	(65,808)
Disposals and advances paid used	(231)	(6,696)	(12,470)	(1,397)	(324)	-	(2,633,299)	(2,654,417)
Depreciation	-	(1,342,333)	(1,607,008)	-	-	(180)	-	(2,949,521)
Impairment charge	-	(5,812)	(2,717)	(16,983)	(18)	-	-	(25,530)
Transfer to investment property	(3,000)	(17,193)	-	-	-	-	-	(20,193)
<b>Closing net book amount</b>	<b>10,534,591</b>	<b>39,451,741</b>	<b>24,282,429</b>	<b>16,835,440</b>	<b>89,564</b>	<b>540</b>	<b>14,820,579</b>	<b>106,014,884</b>
<b>As at 30 June 2011</b>								
Cost	11,258,955	65,126,791	55,539,735	19,927,470	90,123	110,630	14,895,254	166,948,958
Accumulated depreciation and impairment	(724,364)	(25,675,050)	(31,257,306)	(3,092,030)	(559)	(110,090)	(74,675)	(60,934,074)
<b>Net book amount</b>	<b>10,534,591</b>	<b>39,451,741</b>	<b>24,282,429</b>	<b>16,835,440</b>	<b>89,564</b>	<b>540</b>	<b>14,820,579</b>	<b>106,014,884</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 June 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	1,843,860	1,728,616	16,165,153	-	-	2,617,976	22,509,352
Transfer to subsidiaries (note 7)	(114,522)	(977,999)	(4,442,120)	-	(12,146)	-	-	(5,546,787)
Other transfers	-	(14,853)	10,368	-	4,485	-	-	-
Disposals and advances paid used	-	(10,555)	(20,926)	(460,835)	(4,488)	-	(7,247,569)	(7,744,373)
Depreciation	-	(1,245,555)	(1,605,064)	-	-	(180)	-	(2,850,799)
Impairment charge	-	(4,510)	(30,502)	(18,547)	-	-	-	(53,559)
Transfer to intangible assets	-	-	-	(1,601,282)	-	-	-	(1,601,282)
Transfer to investment property	(37,736)	(9,224)	-	-	-	-	-	(46,960)
<b>Closing net book amount</b>	<b>10,491,830</b>	<b>38,112,995</b>	<b>21,046,311</b>	<b>55,741,884</b>	<b>76,110</b>	<b>180</b>	<b>4,119,309</b>	<b>129,588,619</b>
<b>As at 30 June 2012</b>								
Cost	11,185,780	63,295,179	51,745,588	58,437,408	76,645	110,630	4,140,727	188,991,957
Accumulated depreciation and impairment	(693,950)	(25,182,184)	(30,699,277)	(2,695,524)	(535)	(110,450)	(21,418)	(59,403,338)
<b>Net book amount</b>	<b>10,491,830</b>	<b>38,112,995</b>	<b>21,046,311</b>	<b>55,741,884</b>	<b>76,110</b>	<b>180</b>	<b>4,119,309</b>	<b>129,588,619</b>

The additions to property, plant and equipment for the six month period ended 30 June 2012 in the amount of 22,509,352 RSD (2011: 13,675,392 RSD) mostly relate to investments in MHC/DHT project (investments in construction of Mild Hydrocracking Complex and Hydrofinishing in Pančevo Oil Refinery) in amount of 11,648,353 RSD. Advances paid to suppliers, related to the MHC/DHT project, as of 30 June 2012 amounted to 2,836,770 RSD.

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

## 7. INVESTMENTS IN EQUITY INSTRUMENTS

	30 June 2012	31 December 2011
Investments in subsidiaries	8,720,702	3,490,817
Investments in other related parties	61,886	69,145
Investments in other legal entities and other securities available for sale	2,119,529	2,142,411
Less: Provision	(3,159,491)	(3,159,491)
	<b>7,742,626</b>	<b>2,542,882</b>

Investments in subsidiaries

	30 June 2012	31 December 2011
In shares	3,457,576	3,457,576
In stakes	5,263,126	33,241
	8,720,702	3,490,817
Less: Provision	(1,173,167)	(1,173,167)
	<b>7,547,535</b>	<b>2,317,650</b>

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

Company	Investment	Impairment	Net book value	Share %
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	1,000,651	-	1,000,651	100%
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	3,579,983	-	3,579,983	100%
Naftagas-Transport d.o.o. Zrenjanin, 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>8,720,702</b>	<b>(1,173,167)</b>	<b>7,547,535</b>	

Movements on investments in equity instruments:

	30 June 2012	31 December 2011
<b>As at 1 January</b>	3,490,817	3,488,730
Other movements	5,229,885	19,010
Less: provision	(1,173,167)	(1,173,167)
<b>As at 30 Jun</b>	<b>7,547,535</b>	<b>2,334,573</b>

In 2012, the Company established following companies:

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

- Naftagas-Transport d.o.o., Zrenjanin. As of 30 June 2012 the total equity of the new company amounts to 327,751 RSD (non-cash contribution 327,695 RSD).

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. Zrenjanin), the Company has transferred intangible assets, property, plant and equipment in total of 5,608,062 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 and inventories of material and tools in total of 1,083,335 RSD (note 10). The assets were sold at book value.

## 8. OTHER LONG-TERM INVESTMENTS

	30 June 2012	31 December 2011
Rescheduled receivables	4,727,234	5,601,478
Long-term loans to subsidiaries	4,673,428	2,289,198
Long-term loans to employees	1,194,461	1,052,371
Property finance lease receivables	148,043	148,043
Investments in Crni Vrh – O Zone	1,616,295	1,616,295
Other long-term financial assets	868,526	769,623
	13,227,987	11,477,008
<i>Less provision:</i>		
- rescheduled receivables	(4,727,234)	(5,601,478)
- property finance lease receivables	(113,759)	(120,668)
- investments in Crni Vrh – O Zone	(1,616,295)	(1,616,295)
- other long-term financial assets	(861,168)	(762,533)
	(7,318,456)	(8,100,974)
<b>Total – net</b>	<b>5,909,531</b>	<b>3,376,034</b>

### *Long-term loans to subsidiaries*

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

	Currency	30 June 2012	31 December 2011
NIS Petrol e.o.o.d., Sofija, Bulgaria	EUR	3,395,143	1,628,515
Jadran-Naftagas d.o.o., Banja Luka, BiH	EUR	705,103	387,571
NIS Petrol SRL, Bucharest, Romania	EUR	262,205	-
Pannon naftagas Kft, Budapest, Hungary	EUR	2,895	-
NIS Petrol d.o.o., Laktasi, BiH	EUR	308,082	273,112
		<b>4,673,428</b>	<b>2,289,198</b>

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.

## 9. INVENTORIES

	30 June 2012	31 December 2011
Raw materials	18,546,106	23,272,508
Spare parts	1,857,835	2,783,196
Tools	121,968	137,291
Work in progress	6,572,994	5,802,756
Finished goods	11,421,259	8,548,192
Merchandise	4,893,691	2,270,553
	43,413,853	42,814,496
Advances	789,009	764,659
<i>Less provision:</i>		
- for inventories	(6,764,245)	(7,801,869)
- for advances	(372,129)	(379,688)
	(7,136,374)	(8,181,557)
<b>Total inventories – net</b>	<b>37,066,488</b>	<b>35,397,598</b>

Movement on inventory provision is as follows:

	2012	2011
<b>As at January 1</b>	(8,181,557)	(5,334,979)
Provision for impaired inventories charged to the period	(765)	(12,189)
Provision reversed	8,324	48,201
Transfer to subsidiaries (note 7)	1,037,624	-
Other	-	20,154
<b>As at June 30</b>	<b>(7,136,374)</b>	<b>(5,278,813)</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.

## 10. TRADE AND OTHER RECEIVABLES

	30 June 2012	31 December 2011
Trade receivables:		
- domestic	31,139,621	22,564,614
- foreign	1,248,485	1,054,202
- related parties	2,739,359	2,096,242
	35,127,465	25,715,058
Receivables from specific operations	8,594,023	7,998,971
Receivables from sales of assets to subsidiaries (note 7)	1,083,335	-
Interest receivables	5,103,629	4,984,235
Receivables from employees	80,908	86,656
Other receivables	7,439,805	7,428,788
	12,624,342	12,499,679
	<b>57,429,165</b>	<b>46,213,708</b>
<i>Less provision:</i>		
- trade receivables	(4,792,692)	(5,684,020)
- receivables from specific operations	(8,590,049)	(7,978,573)
- interest receivables	(4,814,264)	(4,854,318)
- other receivables	(7,323,073)	(7,323,558)
	(25,520,078)	(25,840,469)
<b>Total receivables – net</b>	<b>31,909,087</b>	<b>20,373,239</b>

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

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

The ageing of trade receivables is as follows:

	30 June 2012	31 December 2011
Up to 3 months	30,221,475	19,824,325
Over 3 months	4,905,990	5,890,733
	<b>35,127,465</b>	<b>25,715,058</b>

As of 30 June 2012 trade receivables in the amount of 4,792,692 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:

	30 June 2012	31 December 2011
Up to 3 months	53,476	62,727
Over 3 months	4,739,216	5,621,293
	<b>4,792,692</b>	<b>5,684,020</b>

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

	30 June 2012	31 December 2011
RSD	54,915,115	45,056,177
EUR	176,617	241,141
USD	2,336,216	916,156
Other	1,217	234
	<b>57,429,165</b>	<b>46,213,708</b>

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

	2012	2011
<b>As at January 1</b>	(25,840,469)	(26,103,844)
Provision for impaired receivables	(725,246)	(737,234)
Written off	211,227	33,790
Unused amounts reversed	834,410	415,133
Other	-	(2,172)
<b>As at 30 Jun</b>	<b>(25,520,078)</b>	<b>(26,394,327)</b>

## 11. CASH AND CASH EQUIVALENTS

	30 June 2012	31 December 2011
Cash in bank	24,500,963	24,793,781
Cash on hand	460,021	391,896
Other cash equivalents	233,747	43,049
	<b>25,194,731</b>	<b>25,228,726</b>

As at 30 June 2012 short-term bank deposits with maturity up to 90 days in amount of 15,169,475 RSD (31 December 2011: 16,473,646 RSD) are presented as Cash in bank.

## 12. VAT AND PREPAID EXPENSES

	30 June 2012	31 December 2011
Prepayment for VAT	853,344	1,746,469
Prepaid expenses	221,809	55,361
Accrued revenue	1,458,496	483,920
Prepaid excise duty	790,857	1,119,985
Housing loans and other prepayments	1,468,248	1,221,186
	<b>4,792,754</b>	<b>4,626,921</b>

Prepayment for VAT as of 30 June 2012 in the amount of 853,344 RSD represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Accrued revenue as of 30 June 2012 in the amount of 1,458,496 RSD (31 December 2011: 483,920 RSD) mainly relates to un-invoiced receivables from sales of crude oil during the current period in the amount of 1,072,633 RSD.

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

### 13. SHARE CAPITAL

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

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

Shareholders	Number of shares	Structure in %
Gazprom Neft, St Petersburg, Russian Federation	91,565,887	56.15%
Republic of Serbia	48,712,869	29.87%
Unicredit bank Serbia ad - custody account	612,951	0.38%
Unicredit bank Serbia ad - custody account	538,817	0.33%
Erste bank a.d. Novi Sad - custody account	451,071	0.28%
Societe Generale Bank Serbia - custody account	151,539	0.09%
Julius Baer Multipartner	133,686	0.08%
Unicredit bank Serbia ad - custody account	128,264	0.08%
Raiffeisenbank ad Beograd - custody account	114,351	0.07%
AWLL Communications d.o.o. Beograd	110,603	0.07%
Other	20,540,362	12.60%
	163,060,400	100.00%

### 14. LONG-TERM LOANS

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

The maturity of non-current loans was as follows:

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

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

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

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

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

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

## 15. OTHER LONG-TERM LIABILITIES

	30 June 2012	31 December 2011
Liabilities to the Parent	53,869,908	47,611,714
Financial lease liabilities	40,557	53,117
Other long-term liabilities	1,209	1,210
	<b>53,911,674</b>	<b>47,666,041</b>

## 16. SHORT-TERM FINANCIAL LIABILITIES

	30 June 2012	31 December 2011
Short-term financial liabilities to Parent (current portion)	4,040,242	1,133,612
Current portion of long-term loans (note 14)	1,066,939	2,274,652
Current portion of financial lease	36,033	33,069
Other short-term liabilities	158	3,589
	<b>5,143,372</b>	<b>3,444,922</b>

## 17. TRADE AND OTHER PAYABLES

	30 June 2012	31 December 2011
Advances received	944,418	872,581
Trade payables:		
- domestic	2,688,784	2,724,233
- foreign	1,946,932	6,861,872
Trade payables – parents and subsidiaries	1,979	12,505
Trade payables – other related parties	22,397,372	18,587,440
Liabilities from other operations	69,342	71,956
Liabilities from specific operations	290,371	328,067
	<b>28,339,198</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 21,506,633 RSD (31 December 2011: 18,116,245 RSD).

## 18. OTHER SHORT-TERM LIABILITIES

	30 June 2012	31 December 2011
Liabilities for unpaid wages and salaries, gross	680,488	1,663,691
Liabilities to employees	5,719	46,715
Liabilities for interest – domestic	387,416	354,633
Liabilities for dividends	3,772,308	3,772,308
Unused holiday accrual	711,029	714,425
Other liabilities	130,177	115,120
	<b>5,687,137</b>	<b>6,666,892</b>

## 19. LIABILITIES FOR VAT ,OTHER TAXES AND DEFERRED INCOME

	30 June 2012	31 December 2011
Liabilities for VAT	2,408,539	1,161,309
Liabilities for excise	4,263,596	2,421,670
Liabilities for taxes and custom duties	1,724,520	1,770,644
Other liabilities for taxes and contributions	291,404	47,752
Accrued liabilities	1,340,244	1,150,705
Other accruals	1,569,987	1,535,016
	<b>11,598,290</b>	<b>8,087,096</b>

## 20. SALES

	Six month period ended 30 June	
	2012	2011
Sales of products:		
- domestic	73,394,995	62,220,670
- foreign	12,157,773	8,251,754
- related parties	5,201,412	5,504,801
	<b>90,754,180</b>	<b>75,977,225</b>
Sales of goods:		
- domestic	8,258,097	6,447,256
- foreign	12,593	6,718
- related parties	28,131	-
	<b>8,298,821</b>	<b>6,453,974</b>
Sales of services:		
- domestic	294,146	250,279
- foreign	328,912	376,307
- related parties	51,700	-
	<b>674,758</b>	<b>626,586</b>
	<b>99,727,759</b>	<b>83,057,785</b>

## 21. RAW MATERIAL AND CONSUMABLES USED

	Six month period ended 30 June	
	2012	2011
Cost of raw materials	42,728,963	43,268,016
Cost of office and other material	320,393	408,004
Other fuel and energy expenses	972,035	916,844
	<b>44,021,391</b>	<b>44,592,864</b>

## 22. EMPLOYEE BENEFITS EXPENSE

	Six month period ended 30 June	
	2012	2011
Wages and salaries (gross)	7,975,700	7,049,463
Taxes and contributions on wages and salaries paid by employer	1,321,468	1,152,787
Costs of temporary service agreement	243,350	148,824
Cost of other temporary service agreements	11,948	7,190
Fees paid to board of directors and general assembly board	16,248	14,213
Cost for employees termination payments	525,002	1,061,046
Other personal expenses and benefits	498,902	592,512
	<b>10,592,618</b>	<b>10,026,035</b>

Termination costs in the amount of 525,002 RSD (2011: 1,061,046 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 290 (2011: 417 employees).

	Six month period ended 30 June	
	2012	2011
Average number of people employed	8,727	9,899

## 23. DEPRECIATION, AMORTISATION AND PROVISIONS

	Six month period ended 30 June	
	2012	2011
Depreciation and amortisation expenses	3,188,263	3,287,662
Provision for :		
- asset retirement obligation and environmental protection	-	161,453
- salaries and employees benefits	414,873	308,262
	<b>3,603,136</b>	<b>3,757,377</b>

## 24. OTHER OPERATING EXPENSES

	Six month period ended 30 June	
	2012	2011
Cost of production services	957,515	902,135
Transportation services	795,334	797,841
Maintenance	481,961	455,542
Rental costs	248,820	124,241
Fairs	1,741	2,072
Advertising costs	184,477	107,000
Research costs	20,346	114,598
Cost of other services	394,783	486,737
Costs of non production services	1,292,097	838,593
Representation costs	36,141	88,518
Insurance premium	111,749	114,697
Bank charges	94,311	70,901
Cost of custom duties, property taxes and other taxes	1,011,571	558,059
Fee for emergency situations	156,690	481,462
Mineral extraction tax	1,369,028	998,529
Cost of legal and consulting services	20,447	69,711
Administrative and other taxes	80,807	81,964
Other	165,462	154,199
	<b>7,423,280</b>	<b>6,446,799</b>

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

Cost of non-production services for six month period ended 30 June 2012 in the amount of 1,292,097 RSD (2011: 838,593 RSD) mostly relate to costs incurred for: security and cleaning costs in the amount of 867,259 RSD, project management costs in the amount of 54,767 RSD, certification and supervision costs in amount 69,772 RSD.

## 25. FINANCIAL INCOME

	Six month period ended 30 June	
	2012	2011
Financial income – parent and subsidiaries	96,138	-
Interest income	1,263,359	685,812
Foreign exchange gains	3,611,513	7,313,127
Other financial income	287	347
	<b>4,971,297</b>	<b>7,999,286</b>

## 26. FINANCIAL EXPENSES

	Six month period ended 30 June	
	2012	2011
Financial expenses – parent	101,616	26,054
Interest expenses	850,830	1,275,193
Amortization of long-term liabilities	163,206	-
Foreign exchange losses	13,537,236	958,163
Other financial expenses	406	1,601
	<b>14,653,294</b>	<b>2,261,011</b>

## 27. EARNING PER SHARE

	Six month period ended 30 June	
	2012	2011
Profit	22,005,077	21,412,844
Weighted average number of shares outstanding	163,060,400	163,060,400
<b>Basic Earning per share</b>	<b>0.13</b>	<b>0.13</b>

## 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.

	30 June 2012	31 December 2011	Category
<i>Long-term loans</i>			
NIS Petrol e.o.o.d., Sofija, Bulgaria	3,395,143	1,628,515	Subsidiary
Jadran-Naftagas d.o.o. Banja Luka, BiH	705,103	387,571	Subsidiary
NIS Petrol SRL, Bucharest, Romania	262,205	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	2,895	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	308,082	273,112	Subsidiary
	4,673,428	2,289,198	
<i>Advances</i>			
NIS Oversiz, Moscow, Russian Federation	1,750	1,544	Subsidiary
<i>Receivables</i>			
O Zone a.d. Belgrade, Serbia	215,672	216,045	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	25,276	79,746	Subsidiary
Ranis, Moscow area, Russian Federation	140	126	Subsidiary
Jadran-naftagas d.o.o. Banja Luka, BiH	9,843	15,175	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	59,745	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	11,900	-	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russian Federation	2,632	3,717	Other
NIS Petrol SRL, Bucharest, Romania	229	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	28	-	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	372,616	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	872,764	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	38,342	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	52,193	-	Subsidiary
NIS Oversiz, Moscow, Russian Federation	22	22	Subsidiary
	1,661,402	314,831	
<b>Total receivables:</b>	<b>6,336,580</b>	<b>2,605,573</b>	

	30 June 2012	31 December 2011	Category
<i>Liabilities</i>			
Gazprom Neft, St Petersburg, Russian Federation	(58,058,909)	(48,887,946)	Parent
Gazprom Neft Trading, Austria	(21,506,633)	(18,116,245)	Other
O Zone a.d. Belgrade, Serbia	(2,139)	(9,148)	Subsidiary
Gazprom Neft Lubricants, Italia	(12,674)	(5,594)	Other
Naftagas-Transport d.o.o. Zrenjanin, Serbia	(784)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(427)	-	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	(4)	(4)	Subsidiary
NIS Oversiz, Moscow, Russian Federation	-	(3,522)	Subsidiary
	(79,581,570)	(67,022,459)	
<i>Advances received</i>			
O Zone a.d. Belgrade, Serbia	(126)	(126)	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	(463)	(1,966)	Subsidiary
	(589)	(2,092)	
<i>Accruals</i>			
O Zone a.d. Belgrade, Serbia	(426)	(748)	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	(18,840)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(189,445)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(169,274)	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	(29,785)	-	Subsidiary
	(407,770)	(748)	
<b>Total liabilities:</b>	<b>(79,989,929)</b>	<b>(67,025,299)</b>	
<b>Liabilities, net:</b>	<b>(73,653,349)</b>	<b>(64,419,726)</b>	

	Six month period ended 30 June		Category
	2012	2011	
<i>Sales</i>			
Svetlost d.o.o., Bujanovac, Serbia	491,982	349,064	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russian Federation	50,694	-	Other
Jadran-naftagas d.o.o. Banja Luka, BiH	5,617	18,956	Subsidiary
Gazprom Neft NTC, Moscow, Russian Federation	-	4,981	Other
NIS Petrol e.o.o.d., Sofija, Bulgaria	799	-	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	31,829	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	36,579	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	14,695	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	4,967	-	Subsidiary
O Zone a.d. Belgrade, Serbia	46	3,461	Subsidiary
	637,208	376,462	

	Six month period ended 30 June		Category
	2012	2011	
<i>Other operating income</i>			
O Zone a.d. Belgrade, Serbia	62	609	Subsidiary
<i>Cost of goods sold</i>			
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(10,474)	-	Subsidiary
Gazprom Neft Lubricants, Italia	(5,453)	-	Other
	(15,927)	-	
<i>Purchases of raw materials</i>			
Gazprom Neft Trading, Austria	(32,658,528)	(32,357,065)	Other
Gazprom Neft Lubricants, Italia	(3,571)	-	Other
	(32,662,099)	(32,357,065)	
<i>Cost of salaries, benefits and other personnel expenses</i>			
O Zone a.d. Belgrade, Serbia	(72,779)	(66,909)	Subsidiary
<i>Other operating expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	(25,698)	(18,233)	Parent
NIS Oversiz, Moscow, Russian Federation	(18,128)	(11,206)	Subsidiary
O Zone a.d. Belgrade, Serbia	(117)	(1,821)	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	(18,130)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(56,528)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(105,677)	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	(12,300)	-	Subsidiary
	(236,578)	(31,260)	
<b>Operating expenses, net</b>	<b>(32,350,113)</b>	<b>(32,078,163)</b>	
<i>Financial income</i>			
Jadran-naftagas d.o.o. Banja Luka, BiH	19,438	-	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	63,306	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	11,463	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	59	-	Subsidiary
NIS Petrol SRL, Bucharest, Romania	1,310	-	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	27	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	432	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	67	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	36	-	Subsidiary
	96,138	-	
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	(101,616)	(26,054)	Parent
<b>Financial expenses, net</b>	<b>(5,478)</b>	<b>(26,054)</b>	

	Six month period ended 30 June		Category
	2012	2011	
<i>Other income</i>			
Gazprom Neft Trading, Austria	814	29,426	Other
<i>Other expenses</i>			
Gazprom Neft Trading, Austria	(80,583)	(68,527)	Other
Gazprom Neft, St Petersburg, Russian Federation	(4,664)	(21,250)	Parent
Svetlost d.o.o., Bujanovac, Serbia	-	(8,187)	Subsidiary
O Zone a.d. Belgrade, Serbia	(137)	(776)	Subsidiary
Gazprom Neft Lubricants, Italia	(4)	-	Subsidiary
	(85,388)	(98,740)	
<b>Other expenses, net</b>	<b>(84,574)</b>	<b>(69,314)</b>	

### Main transaction with state owned companies

	30 June 2012	31 December 2011
<i>Receivables</i>		
HIP Petrohemija	2,635,619	1,995,294
Srbijagas	15,461,093	7,414,404
	<b>18,096,712</b>	<b>9,409,698</b>
<i>Liabilities</i>		
HIP Petrohemija	(562,639)	(471,195)
Srbijagas	(96,230)	(272,661)
	<b>(658,869)</b>	<b>(743,856)</b>
<i>Advances received</i>		
HIP Petrohemija	(4,259)	(5,386)
Srbijagas	(12,806)	(12,796)
	<b>(17,065)</b>	<b>(18,182)</b>

	Six month period ended 30 June	
	2012	2011
<i>Income</i>		
HIP Petrohemija	4,644,035	5,128,339
Srbijagas	9,988,567	5,079,386
	<b>14,632,602</b>	<b>10,207,725</b>
<i>Costs</i>		
HIP Petrohemija	(78,990)	(82,043)
Srbijagas	(112,641)	(109,501)
	<b>(191,631)</b>	<b>(191,544)</b>

## 29. CONTINGENT LIABILITIES

### *Transfer of property ownership*

Until 30 Jun 2012, the Company had ownership of 5,549 and the right to use and possess 2,027 items of properties, which make up 65% and 24% of the total number of items of Company's properties (buildings and land), respectively.

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

### *Financial Guarantees*

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

## 30. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date

## Consolidated Financial Statements

### Interim Condensed Consolidated Balance Sheet

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

\*in, 000.00 RSD

## Interim Condensed Consolidated Income Statement

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

\*in, 000.00 RSD

## Interim Condensed Consolidated Statements of Cash Flow

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

\*in, 000.00 RSD

## Interim Condensed Consolidated Statement of Changes in Equity

for the six month period ended 30 June 2012 and 2011

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

\*in, 000.00 RSD

## Notes to the interim condensed consolidated financial statements

### 1. GENERAL INFORMATION

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

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

The Parent was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005 as the successor of five state owned companies of “Javno Preduzece Naftna Industrija Srbije”. On 2 February 2009 OAO Gazprom Neft (“Gazprom Neft”) acquired a 51% of the share capital of NIS a.d. which became a subsidiary of Gazprom Neft. In March 2011 under the Parent’s Share Sale and Purchase Agreement, Gazprom Neft acquired an additional 5.15% of shares, thereby increasing its percentage of ownership to 56.15%.

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

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

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

In 2012, the Parent established following companies:

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

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

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

These interim condensed consolidated financial statements for the six month period ended 30 June 2012 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The interim condensed consolidated financial statements do not include all disclosures and they should be interpreted in relation with the annual financial statements for the year ended 31 December 2011. The Group has prepared these interim condensed consolidated financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia published in Official Gazette of the Republic of Serbia (no. 46/2006 and 111/2009), which requires full



scope of IFRS to be applied, and the regulations issued by the Ministry of Finance of the Republic of Serbia. Due to the difference between these two regulations, these interim condensed consolidated financial statements differ from IFRS in the following respects:

- The Interim condensed consolidated financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 – “Presentation of Financial Statements” requirements.
- “Off-balance sheet assets and liabilities” are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.
- Property, plant and equipment were measured at market value by independent appraisal and any revaluation reserves for the excess of fair value against historical value were cancelled against share capital as at 1 January 2006.

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

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

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

### **4. SEGMENT INFORMATION**

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

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

As of 30 June 2012 business activities of the Group are organized into five operating segments:

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

The reportable segments derive their revenue in following manner:

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

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



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

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

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

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

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

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

## 5. INTANGIBLE ASSETS

	Research and development	Concessions, patents, licenses and rights	Intangible assets under development	Other intangibles	Total
<b>As at 1 January 2011</b>					
Cost	-	878,120	1,843,860	4,732,177	7,454,157
Accumulated depreciation and impairment	-	(184,432)	(1,698,294)	(730,013)	(2,612,739)
<b>Net book amount</b>	<b>-</b>	<b>693,688</b>	<b>145,566</b>	<b>4,002,164</b>	<b>4,841,418</b>
<b>Period ended 30 June 2011</b>					
Opening net book amount	-	693,688	145,566	4,002,164	4,841,418
Additions	18,956	107,334	188,926	-	315,216
Transfer from property, plant and equipment	-	65,808	-	-	65,808
Depreciation	-	(42,785)	-	(296,092)	(338,877)
Disposals and other transfers	-	(8)	-	(429)	(437)
<b>Closing net book amount</b>	<b>18,956</b>	<b>824,037</b>	<b>334,492</b>	<b>3,705,643</b>	<b>4,883,128</b>
<b>As at 30 June 2011</b>					
Cost	18,956	1,051,262	2,032,786	4,728,128	7,831,132
Accumulated depreciation and impairment	-	(227,225)	(1,698,294)	(1,022,485)	(2,948,004)
<b>Net book amount</b>	<b>18,956</b>	<b>824,037</b>	<b>334,492</b>	<b>3,705,643</b>	<b>4,883,128</b>
<b>As at 1 January 2012</b>					
Cost	182,322	956,792	413,952	4,761,744	6,314,810
Accumulated depreciation and impairment	-	(230,183)	(142,279)	(1,233,384)	(1,605,846)
<b>Net book amount</b>	<b>182,322</b>	<b>726,609</b>	<b>271,673</b>	<b>3,528,360</b>	<b>4,708,964</b>
<b>Period ended 30 June 2012</b>					
Opening net book amount	182,322	726,609	271,673	3,528,360	4,708,964
Additions	582,861	3,378	724,120	16,977	1,327,336
Transfer from property, plant and equipment	1,602,487	-	(8,734)	7,529	1,601,282
Depreciation	-	(44,375)	-	(299,273)	(343,648)
Impairment	(21,159)	-	-	-	(21,159)
Disposals	-	-	-	754	754
Translation reserves	37,150	8,606	-	22	45,778
Other transfers	-	(1,823)	(35,063)	(5,677)	(42,563)
<b>Closing net book amount</b>	<b>2,383,661</b>	<b>692,395</b>	<b>951,996</b>	<b>3,248,692</b>	<b>7,276,744</b>
<b>As at 30 June 2012</b>					
Cost	2,404,820	968,919	1,136,866	4,778,763	9,289,368
Accumulated depreciation and impairment	(21,159)	(276,524)	(184,870)	(1,530,071)	(2,012,624)
<b>Net book amount</b>	<b>2,383,661</b>	<b>692,395</b>	<b>951,996</b>	<b>3,248,692</b>	<b>7,276,744</b>

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

## 6. PROPERTY, PLANT AND EQUIPMENT

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

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

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

## 7. INVENTORIES

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

Movement on inventory provision is as follows:

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

## 8. TRADE AND OTHER RECEIVABLES

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

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

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

The ageing of trade receivables is as follows:

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

As of 30 June 2012 trade receivables in the amount of 4,803,682 RSD (31 December 2011: 5,695,782 RSD) were completely impaired and provided for. The individually impaired receivables mainly relate to customers which are assessed as uncollectable. The ageing of receivables provided for is as follows:

	30 June 2012	31 December 2011
Up to 3 months	64,466	74,489
Over 3 months	4,739,216	5,621,293
	<b>4,803,682</b>	<b>5,695,782</b>

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

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

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

	2012	2011
<b>As at January 1</b>	(25,646,948)	(25,848,300)
Provision for impaired receivables	(725,245)	(736,814)
Written off	211,996	33,898
Unused amounts reversed	834,410	415,133
Other	-	(2,172)
<b>As at Jun 30</b>	<b>(25,325,787)</b>	<b>(26,138,255)</b>

## 9. CASH AND CASH EQUIVALENTS

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

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

## 10. VAT AND PREPAID EXPENSES

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

Prepayment for VAT as of 30 June 2012 in the amount of 1,423,609 RSD represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

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

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

## 11. SHARE CAPITAL

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

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

Shareholders	Number of shares	Structure in %
Gazprom Neft, St Petersburg, Russian Federation	91,565,887	56.15%
Republic of Serbia	48,712,869	29.87%
Unicredit bank Serbia ad - custody account	612,951	0.38%
Unicredit bank Serbia ad - custody account	538,817	0.33%
Erste bank a.d. Novi Sad - custody account	451,071	0.28%
Societe Generale Bank Serbia - custody account	151,539	0.09%
Julius Baer Multipartner Balka	133,686	0.08%
Unicredit bank Serbia ad - custody account	128,264	0.08%
Raiffeisenbank ad Beograd - custody account	114,351	0.07%
AWLL Communications d.o.o. Beograd	110,603	0.07%
Other	20,540,362	12.60%
	163,060,400	100.00%

## 12. LONG-TERM LOANS

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

The maturity of non-current loans was as follows:

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

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

	30 June 2012	31 December 2011
RSD	1,281,306	1,281,436
EUR	9,342,390	8,900,998
USD	21,404,841	25,352,982
JPY	563,216	513,779
	<b>32,591,753</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 Group repays its loans in accordance with agreed dynamics, i.e. determined annuity plans. The Group has both fixed and floating interest rates stipulated with the creditors. Floating interest rates are connected with Euribor and Libor.

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

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

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

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

### 13. OTHER LONG-TERM LIABILITIES

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

### 14. SHORT-TERM FINANCIAL LIABILITIES

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

### 15. TRADE AND OTHER PAYABLES

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

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

### 16. OTHER SHORT-TERM LIABILITIES

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

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

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

## 18. SALES

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

## 19. RAW MATERIAL AND CONSUMABLES USED

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

## 20. EMPLOYEE BENEFITS EXPENSE

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

Termination costs in the amount of 532,606 RSD (2011: 1,065,317 RSD) mostly relate to costs incurred in relation to voluntary leave agreement. Total number of employees who accepted the termination of employment in 2012 was 294 (2011: 421 employees).

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

## 21. DEPRECIATION, AMORTISATION AND PROVISIONS

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

## 22. OTHER OPERATING EXPENSES

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

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

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

## 23. FINANCIAL INCOME

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

## 24. FINANCIAL EXPENSES

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

## 25. EARNING PER SHARE

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

## 26. RELATED PARTIES TRANSACTIONS

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

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

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

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

Main transaction with state owned companies

	30 June 2012	31 December 2011
<i>Receivables</i>		
HIP Petrohemija	2,635,619	1,995,294
Srbijagas	15,461,093	7,414,404
	<b>18,096,712</b>	<b>9,409,698</b>
<i>Liabilities</i>		
HIP Petrohemija	(562,639)	(471,195)
Srbijagas	(96,230)	(272,661)
	<b>(658,869)</b>	<b>(743,856)</b>
<i>Advances received</i>		
HIP Petrohemija	(4,259)	(5,386)
Srbijagas	(12,806)	(12,796)
	<b>(17,065)</b>	<b>(18,182)</b>

	Six month period ended 30 June	
	2012	2011
<i>Income</i>		
HIP Petrohemija	4,644,035	5,128,339
Srbijagas	9,988,567	5,079,386
	<b>14,632,602</b>	<b>10,207,725</b>
<i>Costs</i>		
HIP Petrohemija	(78,990)	(82,043)
Srbijagas	(112,641)	(109,501)
	<b>(191,631)</b>	<b>(191,544)</b>

## 27. BUSINESS COMBINATIONS

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

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

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

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



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

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

## **28. CONTINGENT LIABILITIES**

### *Transfer of property ownership*

Until 30 Jun 2012, the Parent had ownership of 5,549 and the right to use and possess 2,027 items of properties, which make up 65% and 24% of the total number of items of Parent's properties (buildings and land), respectively.

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

### *Financial Guarantees*

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

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

There were no significant events after the balance sheet date.





## STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING OF QUARTERLY REPORTS AND STATEMENT THAT COMPANY DID NOT AUDIT SEMI-ANNUAL FINANCIAL STATEMENTS

We hereby state that, to our best knowledge, the quarterly report has been made by applying the appropriate international financial reporting standards, and also 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<sup>1</sup> and that they show true and objective data on the property, obligations and financial position and business, profits and losses, cash flows and changes in the capital of the public company including subsidiaries that are included in the consolidated financial statements

At the same time we hereby state that the company did not audit the periodic condensed stand alone and consolidated financial statements.

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Anton Fyodorov  
NIS a.d. Novi Sad  
CEO Deputy,  
Head of Function for Finance, Economics, Planning  
and Accounting

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<sup>1</sup> Due to the difference between these two regulations, these interim condensed consolidated financial statements differ from IFRS in the following respects:

- The Interim condensed consolidated financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 – “Presentation of Financial Statements” requirements.
- “Off-balance sheet assets and liabilities” are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.
- Property, plant and equipment were measured at market value by independent appraisal and any revaluation reserves for the excess of fair value against historical value were cancelled against share capital as at 1 January 2006.



## Disclaimer

This document has been prepared by NIS a.d. Novi Sad ("the Company") and contains information related to the Company in accordance with the Law on capital market and by-laws of the Commission for securities of the Republic of Serbia.

Information stated in this document cannot be considered as giving of investment advice or recommendation.

Information in this document can contain statements on uncertain future events. Statements on uncertain future events include statements which are not historical facts, statements related to the intentions of the Company, beliefs or the current expectations related to, among others, the business results of the Company, financial standing and liquidity, views, growth, strategies and industrial branches in which the Company does business. Since they refer to the events and depend on the circumstances which can but do not have to be realized in the future, statements on uncertain future events according to their nature imply risks and uncertainty. The Company warns that there is no guarantee that statements on uncertain future events will be realized in the future and that real business results, financial standing and liquidity, as well as development of industrial branch in which the Company does business can significantly differ from those presented or assumed in the statements on uncertain future events which are contained in this documents. Additionally, and if the business results of the Company, its financial standing and liquidity, as well as development of industrial branch in which the Company does business are in accordance with herein contained statements on uncertain future events, such results and development are not indicative for the results and development in the forthcoming periods.

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