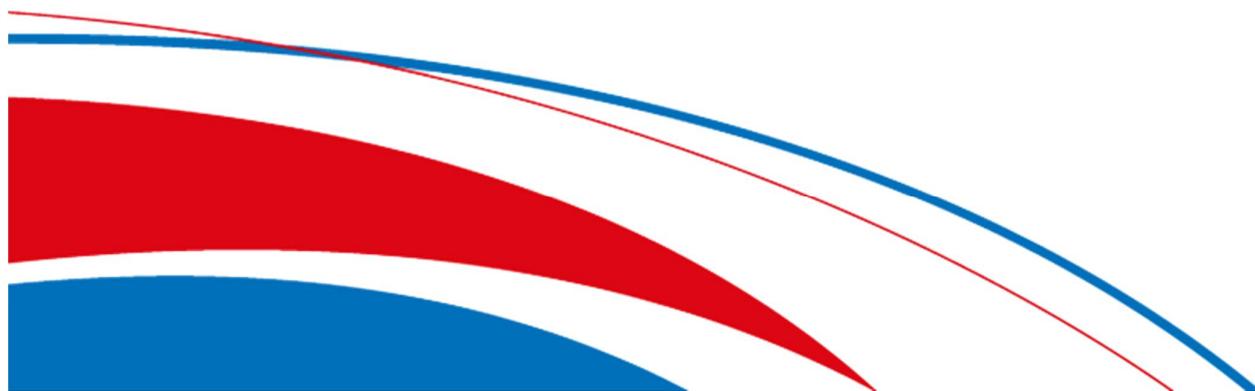




NIS

GAZPROM NEFT

**QUARTERLY REPORT FOR
THIRD QUARTER OF 2012**





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Foreword

Global crisis and instability are still the prevailing features in the business world today. NIS has continued the positive business trend in the third quarter of 2012.

When compared to US dollar, in September Serbian dinar started to show signs of recovery; however, it marked a significant drop in value for almost 10%, compared to the beginning of the year. In the first nine months, "Urals" naphtha price ranged between 93.21 and 123.23 \$/bbl (average price for the first nine months is 111.11 \$/bbl).

Compared to the previous year, a 8% drop in consumption of has been recorded. This drop in consumption resulted from a poor economic situation and an overall drop in industrial activity, as well as a lower purchasing power due to a higher unemployment and devaluation of the national currency compared to US dollar and Euro.

The third quarter in 2012 was marked by the final works on modernization of refinery capacities in Pančevo. This is the largest investment project in Serbia which will by the end of the year provide the population with one of the most up-to-date refineries for production of motor fuel in accordance with the European standards. That will be the fruit of our four-year-long hard work! We are on the right track to accomplish our goal and become the top company in the region. We have a vision, we have experts, knowledge, skills, modern technology and facilities. Streamlining of our business operations is our long-term priority as well as the process of a constant development.

Investments play a significant role in the implementation of the business strategy. This year is the year of strategic investments, the year of laying foundations for the achievements which are yet to come.

Also, important projects developed in the first nine months of the year included the reconstruction and modernization of petrol stations, renovation of the jetty and railway loading rack, construction of the spent sulfuric acid plant as well as oil and gas exploration and production. We have also launched the modernization program of the "Oilfield Services" including the 15-20 million euros investment to be made by the end of 2012. Additionally, another new business activity was started – supplying vessels with diesel and eurodiesel and the construction of the LPG tanker in the Pančevo Oil Refinery was completed. We have strengthened the partnership with Mercedes Benz and signed an agreement related to the promotion of our products' quality and renewal of the car pool. We continue to work in line with environment protection and occupational health and safety.

We continue to put in effort in the area of corporate responsibility. Numerous activities and projects have been supported in order to help the development of the local community. Others have also acknowledged our efforts, so we can proudly say that we are the winners of the "My Serbia" Organization's award as the company who has made the biggest contribution in this area. That makes us proud. We are also proud of the "NIS Chance" activity which provided more than 200 young educated people from the labour market with the opportunity to get employed in our Company, show their knowledge and gain experience.

Nevertheless, concrete figures are what best shows our success and work conditions. The net profit in for the first nine months in 2012 was RSD 32.2 billion, which is 18.6% more than in the previous year, EBITDA is RSD 48.1 billion, which is 49% more than in the first nine months of 2011. One of the main factors in EBITDA growth is the 13% growth in production of domestic oil and gas compared to the same period in 2011, i.e. 1,255 tons. Refining dropped by 17% compared to the first nine months in 2011, and the sales fell by 5.1%. In the first nine months in 2012, we invested RSD 30.35 billion, which is 62% more than in the same period of 2011.

Taking into account business results in the previous quarters, and the positive macroeconomic trend, we hope to maintain the positive business trend by the end of 2012.

Kirill Kravchenko

CEO

NIS a. d. Novi Sad





BUSINESS REPORT

Key Events

July

- NIS visited European Energy Community
- NIS published the 2011 Report on Sustainable Development. The report was published in accordance with international standards.
- NIS vehicle fleet modernisation. New tank trucks, under the new tricolour NIS Petrol brand, were purchased.
- NIS delegation met with the European Union representatives in Brussels.
- NIS presented its business results for the first six months of 2012 at the Belgrade Stock Exchange
- New web site for investors and shareholders launched (ir.nis.rs)

August

- Quarterly Report for the second quarter of 2012 was published
- Consolidated summary financial reports for the first 6 months of 2012 were published
- Construction of the LPG tanks at the Pančevo Oil Refinery completed
- NIS presented its Base Oil Production Strategy at the Novi Sad Oil Refinery
- 2012 NIS OPPORTUNITY Programme Has Started

September

- New NIS website (www.nispetrol.rs) for consumers and corporate clients was launched
 - NIS received an award for corporate responsibility
 - Jadran Naftagas presented its exploration result in Republika Srpska
 - NIS started the project to increase the efficiency of the power supply system for company oilfields in Serbia.
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General data

Basic data

Business name:	NIS a.d. Novi Sad
Company ID number:	20084693
Address:	Novi Sad. Narodnogfronta 12
Tax ID number:	104052135
Web site:	www.nis.eu
e-mail address:	office@nis.rs
Industry:	0610 - exploitation of crude oil
Number and date of registration with BRA:	БД 92142. 29.09.2005
Equity as of September 30th. 2012:	119,747,785,000 RSD
Share capital as of September 30th. 2012:	81,530,200,000 RSD
Number of employees as of September 30th. 2012	6.552*
Audit company that audited the last financial report (dated Decembar 31st. 2011):	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	48,712,674	29.87%
Unicredit Bank Serbia a.d. – custody account	622,201	0.38%
Unicredit bank Serbia a.d. – custody account	540,700	0.33%
Erste bank – custody account	361,469	0.22%
Unicredit bank – custody account	175,765	0.11%
AWLL Communications d.o.o. Belgrade	155,285	0.10%
Societe Generale bank Serbia – custody account	152,039	0.09%
Julius Baer Multipartner - Balkan	133,686	0.08%
Raiffeisenbank a.d Belgrade –custody account	117,094	0.07%
Other shareholders	20,523,600	12.59%
Total number of shareholders as of September 30th, 2012		2,530,727

**As of September 30th, 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 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 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
Yakovlev Vadim Vladislavovich. 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"> • OJSC NGK «Slavneft» • OJSC «SN-MNG». • «GazpromNeft Development» LLC • LLC «Sever Energija» and its affiliates; • OJSC «GazpromNeft-NNG»; • LLC «GazpromNeftVostok»; • LLC GazpromNeftHantos • LLC GazpromNeft NTC • OOO «GazpromNeft -Angara»; • OJSC «NK Magma»; • CJSC «GazpromNeft Orenburg»; • SalimPertroleum Development N.V. (Supervisory Committee member)
Kravchenko Kirill Albertovich. 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"> • Council Member club Red Star Council • Vice President of the National Petroleum Committee of Serbia • Member of Board of Directors of Tennis Federation of Serbia.
Krylov Alexandr Vladimirovich. 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"> • CJSC «Gazprom Neft Kuzbass» • OJSC «Gazprom Neft Novosibirsk». • OJSC «Gazprom Neft Omsk». • OJSC «Gazprom NeftTumen». • OJSC «Gazprom Neft Ural». • OJSC «Gazprom NeftYaroslavl». • CJSC «GazpromNeft -North-West». • LLC «Gazprom Neft Asia». • LLC «Gazprom Neft Tajikistan» • LLC «Gazprom Neft Kazakhstan» • LLC «MTK» • LLC «Gazprom neft – Terminal»
Baryshnikov Vladislav Valeryevich 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"> • •LLC"Gasprom Neft Development"
Cherner Anatoly Moyseyevich. 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"> • OJSC NGK «SlavNeft»; • OJSC «Gazprom Neft-ONPZ»; • OJSC «Gazprom Neft-Janos»; • OJSC «Gazprom Neft –MNPZ»; • CJSC «Gazprom Neft-Aero»; • CJSC «St. Petersburg International trade-raw material market » • LLC «Gazprom Neft – Belnefteprodukt» • LLC «Gazprom Neft –SM» • LLC «Gazprom Neft Marin Bunker» • LLC «Gazprom Neft – Logistics» • OJSC «Mozirski NPZ»

Cherner Anatoly Moyshevich BOD Member	Leningrad Institute for production of devices for aviation	The Deputy of General Manager in charge for Security in OJSC «Gazprom Neft»	-
Nikola Martinovic. BOD Member	Faculty of Economics in Subotica;	Special Consultant of General Manager in NIS JSC; Member of the Board of Governors of the National Bank of Serbia;	-
Danica Draskovic Independent BoD Member	Belgrade Law Faculty		-
Stanislav Shekshnya Vladimirovich 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
Slobodan Milisavlevic 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	
Wolfgang Rutenstorfer Independent BoD Member (from April 20 th . 2012)	Vienna University of Economics and Business, Doctor of Science specialty in Economics and Business Administration		<ul style="list-style-type: none"> • CA Immobilien AG Vienna, chairman of Supervisory Board • Telekom Austrija AG Vienna, member of Supervisory Board • Flughafen Wien AG Vienna, member of Supervisory Board. • Vienna Insurance Group AG Vienna, Chairman of Supervisory Board • RHI AG Vienna, member of Supervisory Board

Total amount of net reimbursements paid to members of Board of Directors in period January 1st – September 30th was RSD 20.509.907 (in period July 1st – September 30th 2012 was RSD 6.714.247). while total amount of net reimbursements paid to General Manager in period January 1st – September 30th 2012 was RSD 14.947.737.

Number and % of NIS shares owned by members of BoD

Full name	Number of shares	% of participation in the total number of shares
Nikola Martinovic	224	0.0001%

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

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.

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
Milivoje Cvetanovic Chairman of Board of Shareholders Assembly from June 25 th . 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"> • An independent member of the BoD of «Energoprojekt arhitektura i urbanizam» d.o.o. Belgrade and «Energoprojekt Industrija» d.o.o. Belgrade • Member of the Audit Committee – «Energoprojekt Holding» a.d. Belgrade
Bozo Stanisic. Member of Board of Shareholders Assembly from June 25 th . 2012	Faculty of Technology-Metallurgy (Department of Technological Operations).	Technical Director in «Silikoni» d.o.o. Baric	<ul style="list-style-type: none"> • MB Vice president of «Industry of machines and tractors»; (IMT) New Belgrade; • MB President of Association of Citizens Bicycle Race «Through Serbia».
Alexey Urusov 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). PhD in Social Science.	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 25st June – 30th September 2012 was RSD 2.319.063.

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

Full name	Number of shares	% of participation in the total number of shares
Bozo Stanisic	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

The latest research suggests that the crisis which has started off in smaller euro-countries is currently gaining momentum also in Germany and France, the most significant economies in the Eurozone. Even though the declining trend slowed down to some extent in September, the Eurozone industrial activity for the period from July to September had the worst trimester results in the last three years.

The US economic growth in the second trimester was reviewed in late-September and it was significantly lower than what had been estimated – the annual GDP growth totalled 1.3% instead of projected 1.7%. Notwithstanding the gradual recovery of the real estate market, currently available third trimester data do not indicate any significant acceleration, because of the slackening of the industrial sector and lower global demand.

After 11 months in succession, China's manufacturing activities dropped in September again, as factories had been hit by a declining trend in demand, reflecting the country's broader economic weakness and reduced demand in key international markets.

One of the outcomes of negative trends in 2012 third quarter is that Fitch Ratings, the American rating agency, has reduced its 2012 global growth forecast to 2.1 %, from previous 2.2 %. Fitch has also reduced its April views of 2013 and 2014 global growth expectations from 2.8 % and 3.1 %, respectively to 2.6 % and 3 %, respectively.

Due to this lower growth in the third quarter, global economy is also characterised by lower oil and petroleum derivatives demand. On the other hand, the supply was considerable due to increased production in the USA and other countries. However, two factors contributed to the oil price remaining relatively high: central banks' campaigns to stimulate economic development as well as the fear of possible clashes in Iran which would affect the oil supply relations in the global market. By the end of the quarter, natural gas price reached its peak value.

Serbia

The new government of the Republic of Serbia was formed in late-July, following the May parliamentary and presidential elections, and at the very beginning of its term it confirmed Serbia's intention to retain its course towards the EU integration. One of the primary challenges our government has been confronted with is the budgetary deficit ranked among the lowest in the country's history.

This quarter has also been marked with the lowering of the country's credit ranking by the largest global rating agencies. In early August Standard&Poor's lowered the Republic of Serbia's credit rating to BB-/B with a negative outlook, whereas only about ten days later Fitch Ratings altered Serbia's credit rating outlook from stable to negative.

Seasonal adjustment figures illustrate that compared to the previous month, industrial production increased by 1.5% in August, whereas it dropped by 0.9% when compared to the same month last year. All industrial sectors mark inter-annual reduction, in manufacturing industry by 0.5%, whereas the mining sector and the electricity, gas and steam supply sector show a decrease of 3.4% and 1.1% respectively.

According to seasonal adjustment figures, manufacturing industry achieved the increase of 2.2% in August. Within the manufacturing industry, the greatest positive contribution to the overall industry comes from the production of charcoal and petroleum derivatives.

Macroeconomic Indicators

- Incline of USD/RSD rate in first 9M of 2012 was 9,98% or +8,07 RSD
(USD/RSD rate changed from 80,8662 RSD as of January 1st 2012; to 88,9377 RSD as of September 30th 2012)
- Incline of EUR/RSD rate in first half of 2012 was 9,93% or +10,39 RSD
(EUR/RSD rate changed from 104,6409 RSD as of January 1st 2012; to 115,0320 RSD as of September 30 th 2012)
- Decline of USD/RSD rate in first 9M of 2011 was 5,81% or 4,6026 RSD
(USD/RSD rate changed from 79,2802 RSD as of January 1st 2011; to 74,6776 RSD as of September 30th 2011)
- Decline of EUR/RSD rate in first 9M of 2011 was 4,1% or 4,325 RSD
(EUR/RSD rate changed from 105,4982 RSD as of January 1st 2011; to 101,1732 RSD as of September 30th 2011)
- Average price of "Urals" crude oil in first 9M of 2012 was app. 111 USD/bbl



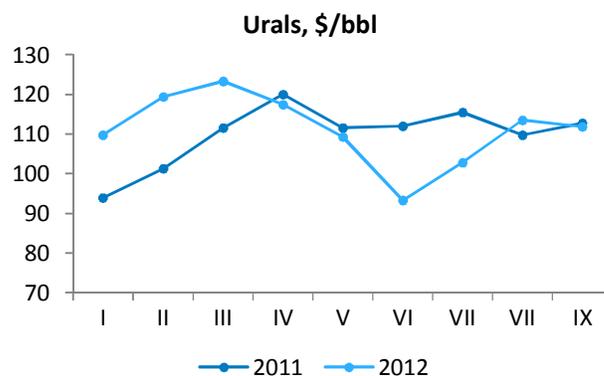
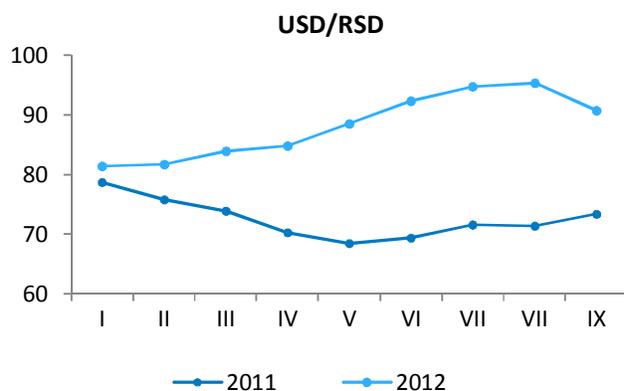


Figure 1: Graph of trends of USD/RSD exchange rate and oil price trends

Market share

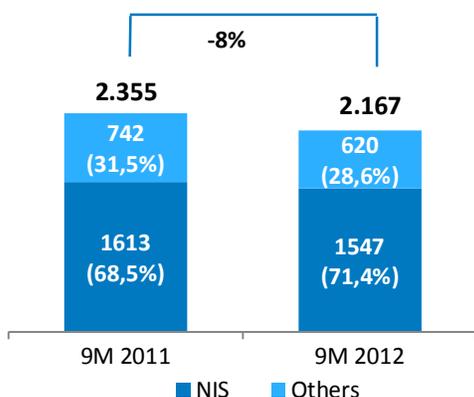


Figure 2: RS Market volumes* in thousands of tonnes

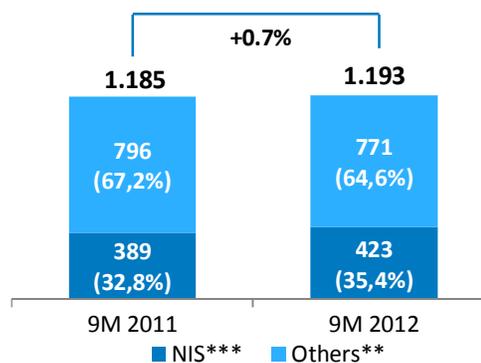


Figure 3: Share structure of Serbian retail market

* Serbian market is shown without the oil products that NIS does not produce (Euro BMB 98, fuel oil Euro EL, petroleum coke, base oils, petroleum jelly, paraffin, various solvents, etc.);

** 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

- Extremely bad economic situation and an overall decrease in industrial activity have a negative impact on the consumption of petroleum products
- The largest drop in consumption (more than 50%) has been recorded for naphtha, as a result of HIP Petrohemija shut-down.
- Purchasing power has dropped due to a higher unemployment and devaluation of the national currency compared to the euro.
- Retail market is at the same level as in the previous year, while NIS share in the market has increased compared to the same period last year.
- In 2012, the network of active petrol stations has been reduced by 120, and 25 petrol stations have been reconstructed under the new NIS Petrol brand.
- New brand of restaurants and shops has been launched, as a part of the rebranding project. By the end of 2012, over 100 retail facilities are planned for reconstruction.

Analysis of achieved results

Key Performance Indicators

Q3 2012	Q3 2011	%	Key Performance Indicators	Units of measurement	9M 2012	9M 2011	%
1	2	3(1:2)	4	5	6	7	8(6:7)
109,34	112,61	-2,9%	Urals	\$/bbl	111,1	109,8	1,2%
10,2	5,7	77,9%	Net profit	billion RSD	32,2	27,1	18,6%
1,4	-1,9	174%	Net foreign exchange differences	billion RSD	-8,6	4,4	-295%
8,8	7,6	15,2%	Net profit before FX differences	billion RSD	40,7	22,7	79,4%
11,3	11,8	-4,2%	EBITDA*	billion RSD	48,1	32,3	49,0%
62,2	49,9	24,6%	Sales (without excise tax)	billion RSD	162,0	133,0	21,8%
7,7	4,5	73,0%	OCF	billion RSD	27,4	17,4	57,8%
21,4	15,2	41,0%	Taxes and fiscal obligations**	billion RSD	55,9	52,2	7,0%
429,8	378,8	13,5%	Domestic oil and gas production	thous. cond. tons***	1255,4	1111,2	13,0%
286,4	250,4	14,4%	Domestic oil production	thousand tons	833,6	747,9	11,5%
340,7	573,8	-40,6%	Oil refining volume	thousand tons	1460,0	1754,3	-16,8%
639,4	659,6	-3,1%	Total sales of oil products	thousand tons	1706,5	1799,0	-5,1%
585,0	602,6	-2,9%	Oil products local market sales	thousand tons	1521,0	1589,5	-4,3%
152,6	136,8	11,5%	Retail	thousand tons	422,8	389,1	8,7%
463,0	455,2	1,7%	Light oil products sales	thousand tons	1207,2	1245,5	-3,1%
37,7	59,9	-37,0%	CAPEX from GPN loan****	million EUR	109,7	116,5	-6%
500	323	54,8%	Inflow of funds from GPN (cumulative from 2009.)	million EUR	500	323,0	54,8%
9,2	2,9	213,4%	CAPEX from OCF (NIS projects)	billion RSD	18,27	6,99	161%
354,0	506,0	-30,0%	Total debt to banks	million USD	354,0	506,0	-30,0%
367,0	562,0	-34,7%	Total bank indebtedness*****	million USD	367,0	562,0	-34,7%

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 m³ 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)

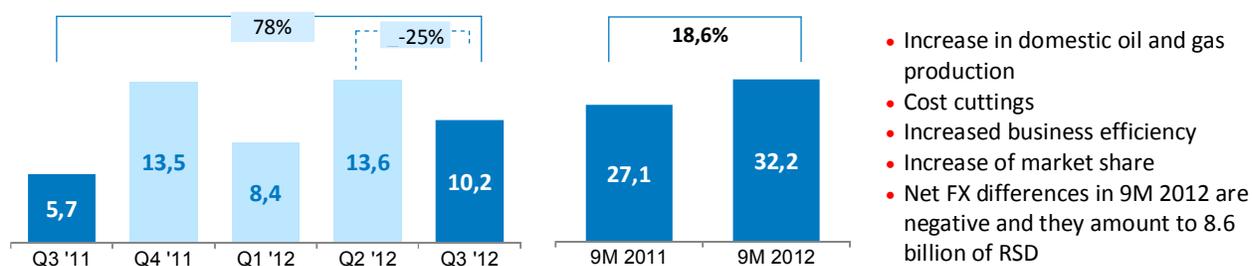
***** Under the Agreement of sale and purchase of shares of NIS a.d. Novi Sad, clause 8.1.2, JSC Gazprom Neft (GPN) has an obligation to provide EUR 500 million to NIS a.d. Novi Sad by way of special purpose loans in order to implement NIS Novi Sad technological complex reconstruction and modernization 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

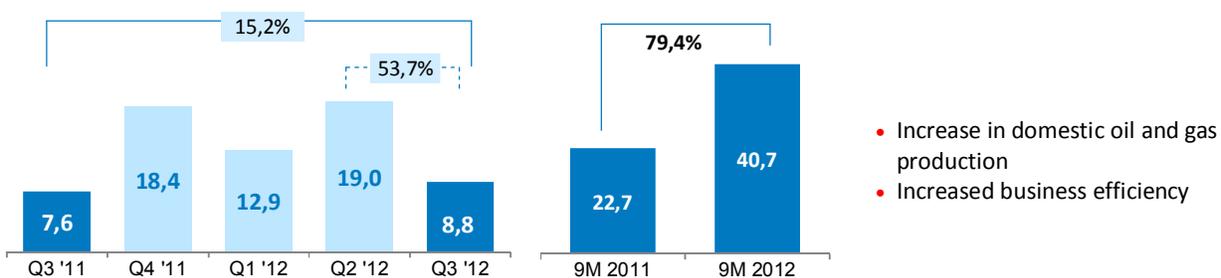
***** Total bank indebtedness = Total debt to banks + letters of credit

Financial Indicators

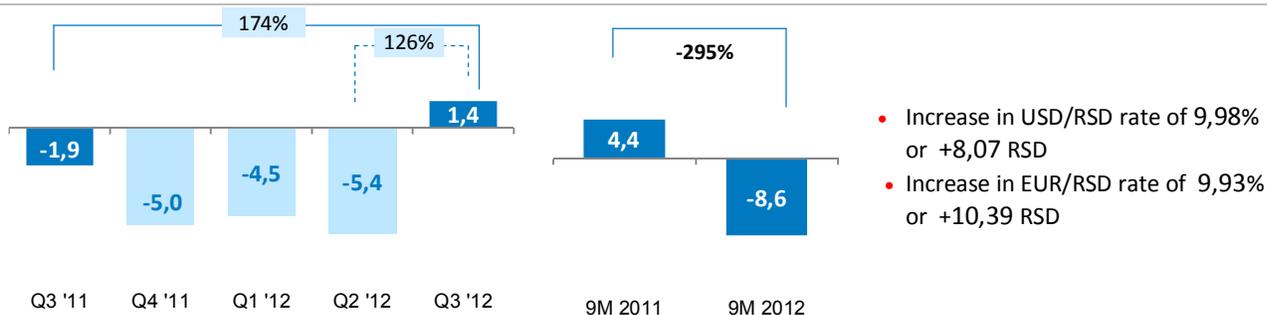
Net profit



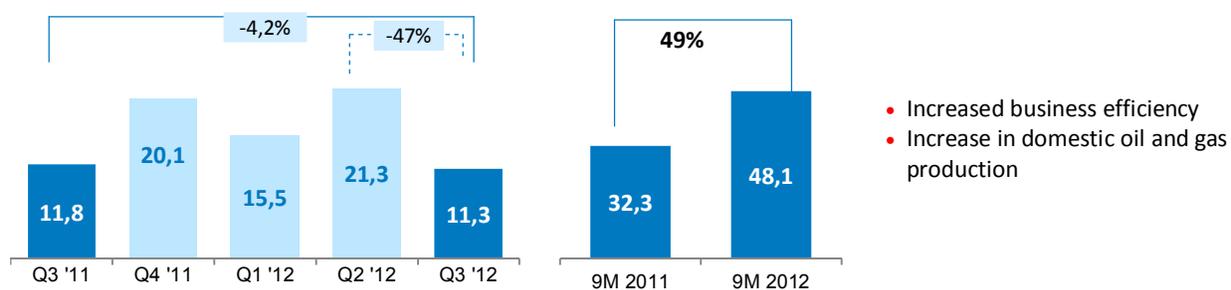
Net profit before FX differences



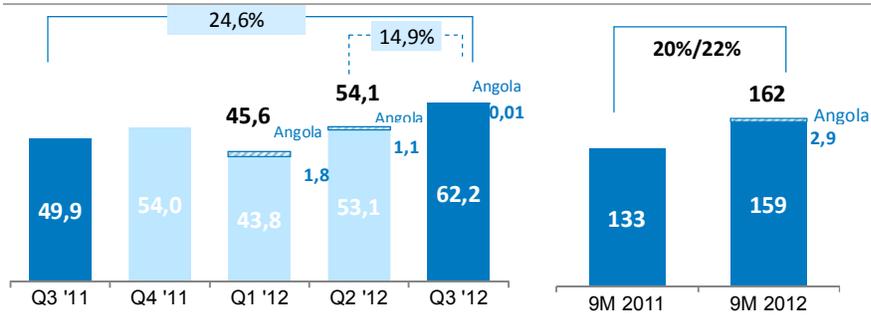
Net FX differences



EBITDA



Sales



- Increase in crude oil price in first 9M of 2012 (\$/bbl), comparing to last year, is app +1.2%
- Increase of retail prices of oil derivatives in first 9M of 2012. for app +15% compared to first 9M of 2011

OCF



- Increased receivables collection
- Lower import of crude oil

Operating indicators

1. Oil and gas production

- > Increase in domestic oil and gas production in first nine months of 2012 by 13% compared to same period last year
- > Domestic oil and gas production in Q3 2012 amounts to 430 thousand conditional tons which is by 13.5 % higher than last year
- > Increase in domestic gas production in first nine months of 2012 by 11%
- > Implementation of geological technical measures

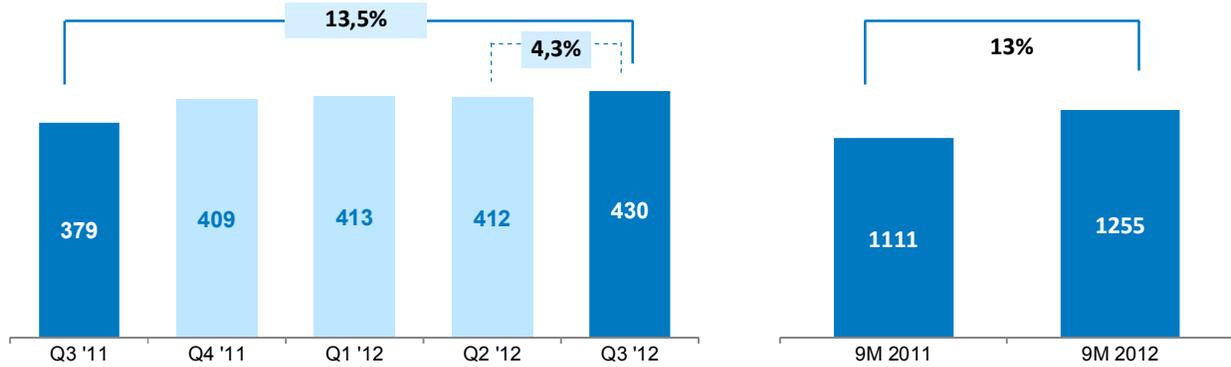


Figure 4: Domestic oil and gas production (in thousands of conditional tons)

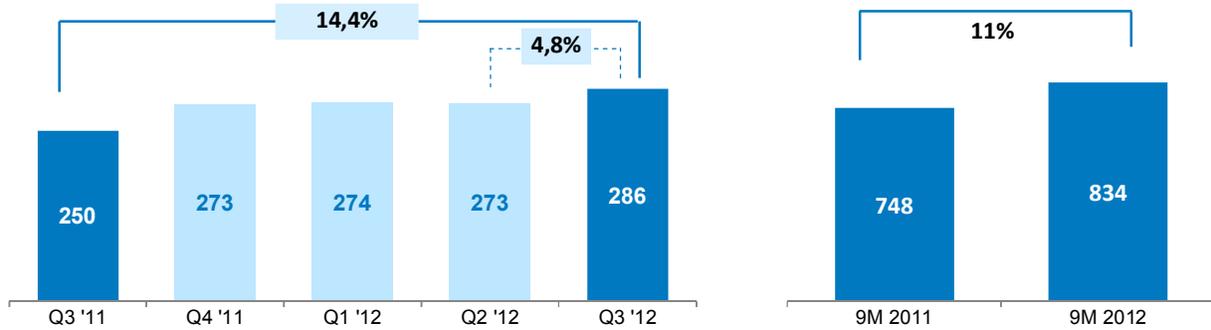


Figure 5: Domestic oil production (in thousands of tons)

2. Refining

- > In the first nine months the volume of refining decreased by 17% comparing to the same period 2011, while the volume of refining in Q3 2012 amounts to 341 thousand tons, which is by 41% less than the same period last year
- > Planned overhauls of Pancevo Refinery were realized in following periods:
 - o February 23rd – April 2nd 2012
 - o July 1st – July 22nd 2012
 - o September 1st – October 2nd 2012
- > Finalizing and testing before commissioning new MHC/DHT facility in Pancevo Refinery
- > Refining in period from January – September 2012 is in line with operational plans formed according to market demand for oil and oil derivatives which is also reason for decrease in refining

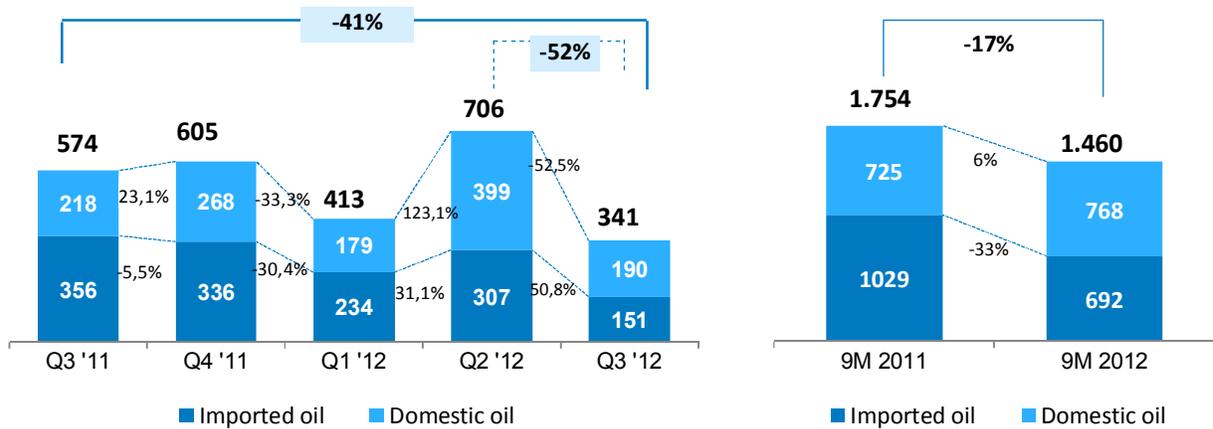


Figure 6: Oil refining volume (in thousands of tons)

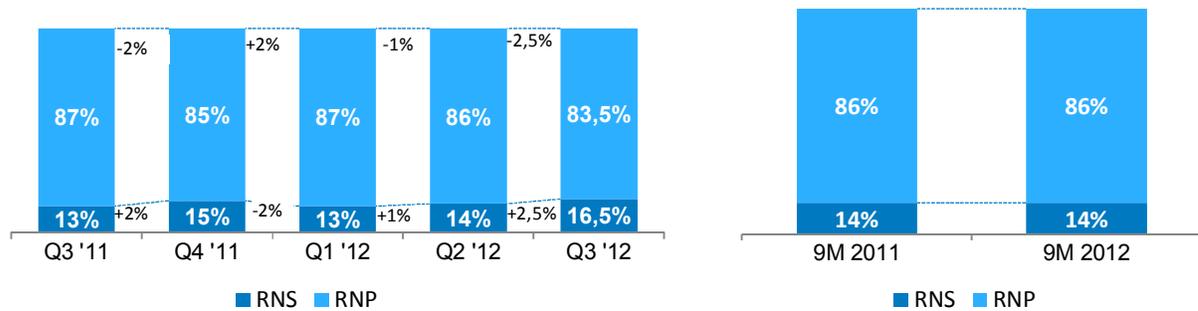


Figure 7: Oil refining per refineries; RNP – Oil Refinery Pančevo, RNS – Oil Refinery Novi Sad

3. Sales

- > In Q3 2012 sales of oil derivatives decreased by 3% compared to the same period 2011, while the sale of oil derivatives decreased in first nine months 2012 amounts 1.706 thousand tons, which is less by 5,1% than the same period last year
- > **Retail – increase by 8,7%**
 - 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 oil
- > **Wholesale – decrease by 8,5%**
 - 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
- > **Export – decrease by 12,4%**
 - Reduced volume of export of fuel oil because of the greater demand in the domestic market

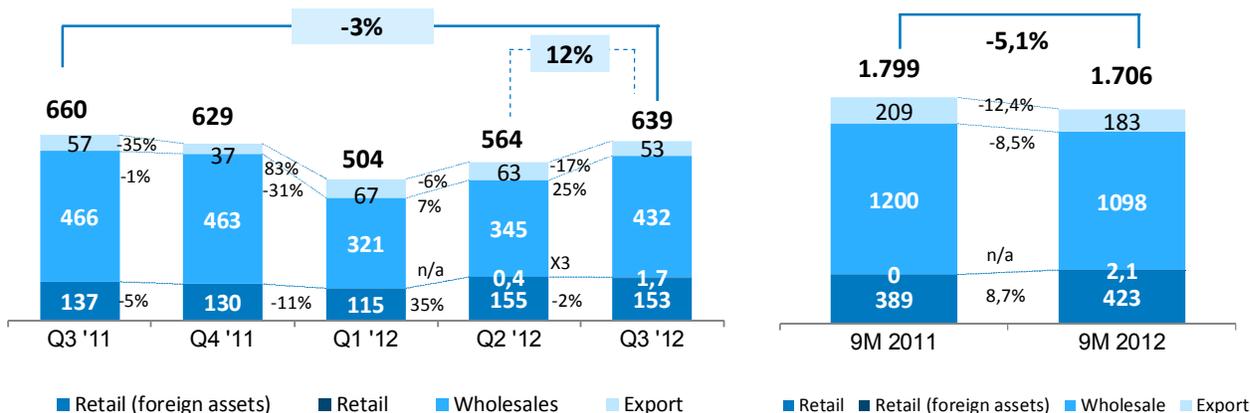


Figure 8: Oil derivatives sales (in thousands of tons)

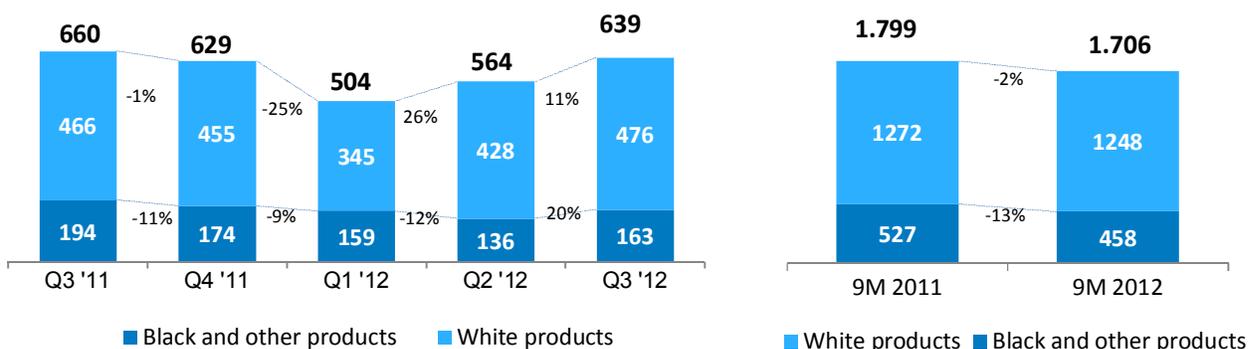


Figure 9: Sales structure per oil derivatives (in thousands of tons)

Bank indebtedness

- > Obligation of GPN from SPA fulfilled
- > Total indebtedness decreased by 91 million USD

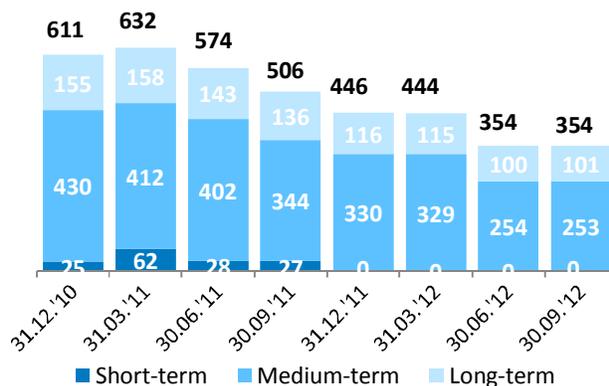


Figure 10: Total debt to banks (in millions of USD)*

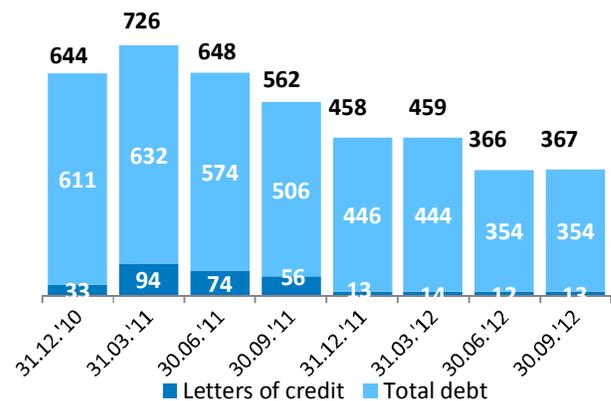


Figure 11: Total indebtedness (in millions of USD)

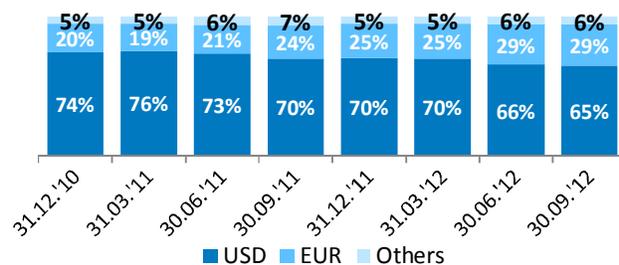


Figure 12: Structure of total debt to banks per currency in %

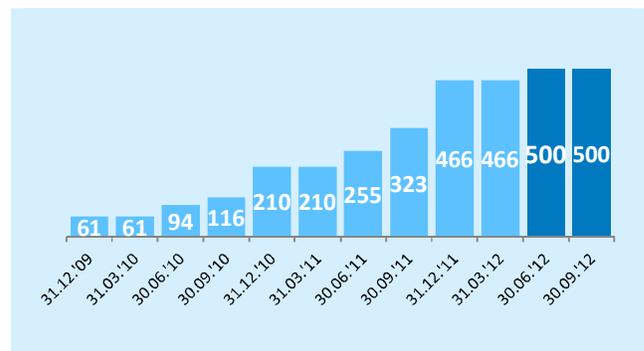


Figure 13: GPN loan (in millions of EUR)

* 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	9M 2011	9M 2012	Change % 9M '12/9M '11
Return on total capital (Gross profit/total capital)	39%	28%	-28%
Net return on equity (Net profit/shareholders equity*)	31%	37%	19%
Operating net profit (operating profit/net sales income)	22%	35%	60%
Degree of leverage (short term and long term liabilities/total capital)	148%	109%	-26%
Degree of leverage (short term and long term liabilities/ shareholders equity*)	126%	150%	19%
1st degree liquidity (cash and cash equivalents/short term liabilities)	22%	36%	63%
2nd degree liquidity (working assets/stocks/short term liabilities)	75%	121%	61%
Net working fund ratio	32%	48%	50%

* shareholders equity = share capital + other capital

Per share indicators

(for period 01.01.- 30.09.2012)

Indicator	Value
Price	621.00 RSD
High	748.00 RSD
Low	532.00 RSD
Market capitalization as of September 30th 2012	101,260,508,400.00RSD
EPS for period January 1 st – June 30 th 2012	197.45 RSD
EPS for period January 1 st – December 31 st 2011	248.99 RSD
P/E* ratio	2.49
Book value as of June 30 th 2012	734.37 RSD
P/BV ratio	0.85
Dividends paid (in last three years)	<p>2011. Company reported net profit of 40,601,667,000.00 RSD. On July 25th 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.</p> <p>2010. Company reported net profit of 16,484,381,000.00 RSD On July 27th 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.</p> <p>2009. Company reported loss of 37,636,111,000.00 RSD</p>

*Price as of June 30th 2012 in compare to EPS for period January 1st - December 31st 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	621 RSD
High	865 RSD
Low	442 RSD
Total turnover	8,645,015,374 RSD
Total volume	15,541,836
% Of total number of issued shares	9.53%
% Of total number of issued shares owned by minority shareholders	59.15%
Total number of transactions	2,161,402

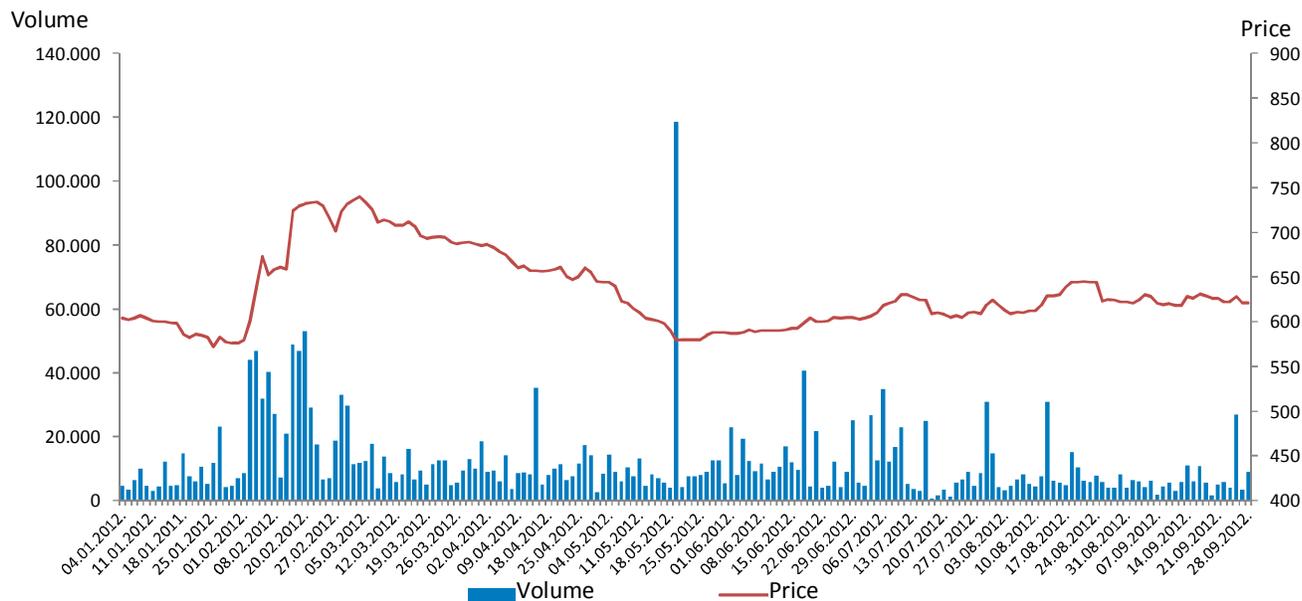


Figure 14: Display of price and volume trends

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

Assets	Changes larger than 10%	Explanation
Intangible assets	63%	<p>The increase in the amount of intangible assets as at 30 September 2012 versus 31 December 2011 mostly refers to new investments in exploration and development in the total amount of 766.390 thousand RSD and 1.716.106 thousand RSD of investments in exploration and development transferred from property, plants and equipment. Also, during 2012 the Company made investments in acquiring the contractual right to exploration and production of hydrocarbon in the area of Kiskunhalas in Hungary in the amount of 722.342 RSD under Farm-in agreement with RAG Hungary Limited.</p>
Investments in equity instruments	204%	<p>The increase of investments in equity instruments as at 30 September 2012 versus 31 December 2011 refers in total to the establishment of the following companies: 1. Naftagas-Naftni servisi d.o.o., Novi Sad (the total registered capital of newly established company as at 30 September 2012 amounts to 3.579.983 thousand RSD, out of which non-cash assets stake amounts to 3.579.930 thousand RSD); 2. NTC NIS-Naftagas d.o.o., Novi Sad (the total registered capital of newly established company as at 30 September 2012 amounts to 321.500 thousand RSD, out of which non-cash assets stake amounts to 321.447 RSD); 3. Naftagas-Tehnički servisi d.o.o. Zrenjanin (the total registered capital of newly established company as at 30 September 2012 amounts to 1.044.554 thousand RSD, out of which non-cash assets stake amounts to 1.044.501 thousand RSD); 4. Naftagas-Transport d.o.o. Novi Sad (the total registered capital of newly established company as at 30 September 2012 amounts to 327.751 thousand RSD, out of which non-cash assets stake amounts to 327.695 thousand RSD).</p> <p>Based on the Decision on establishment and input of non-cash assets stake in capital of newly established affiliated companies (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 and Naftagas – Transport d.o.o. Novi Sad), the Company transferred intangible assets, property, plant and equipment in the amount of 5.816.649 thousand RSD (Note 5 and 6 in Periodical Condensed Financial Statements for the period of nine months in 2012 and as at 30 September 2012), as well as the inventories of materials, tools and other assets in the amount of 704.943 thousand RSD (Note 9 in Periodical Condensed Financial Statements for the period of nine months in 2012 and as at 30 September 2012). The amount exceeding the subscribed</p>

capital accounts for the receivables based on sale of property, plants, equipment and inventories and tools in the amount of 1.299.377 thousand RSD (Note 10 in Periodical Condensed Financial Statements for the period of nine months in 2012 and as at 30 September 2012). The assets were sold at the bookkeeping value.

Other long-term investments	193%	The increase of other long-term financial investments as at 30 September 2012 versus 31 December 2011 mostly refers to granting long-term loans to affiliated legal persons in the amount of 6.334.478 thousand RSD. Long-term loans to affiliated legal persons were granted at variable interest rates (3M и 6M Euribor + 7,5% and 3M Euribor + 5%) for the period of 7 years as of the payment of the last tranche, with the grace period of 5 years. The carried bookkeeping value of long-term loans corresponds to their fair value.
Non-current assets held for sale	-100%	Decrease in non-current assets held for sale as at 30 September 2012 versus 31 December 2011 refers in total to the sale of petrol station Trn 2 Laktaši to the affiliated company NIS Petrol Bosnia and Herzegovina.
Receivables	77%	The increase in receivables as at 30 September 2012 versus 31 December 2011 and the related increase of sales revenue in 2012 refers in total to the increase of the Company's products and services sales revenue, extension of maturity dates for receivables and increase of receivables from Srbijagas, Novi Sad and Knez petrol (in the amount of 11.006 million RSD, and/or 1.792 million RSD) .
Short-term Financial Investments	10%	The increase in short-term financial investments as at 30 September 2012 versus 31 December 2011 mostly refers to granted short-term loans to affiliated legal persons in the country in the amount of 546.929 thousand RSD.
Cash and Cash equivalents	-29%	Decrease in cash and cash equivalents as at 30 September 2012 versus 31 December 2011 mostly refers to the decrease of short-term deposits with banks with maturity dates by 90 days in the amount of 6.848.104 thousand RSD.
VAT and prepaid expenses	-25%	Decrease in VAT and prepayments and deferred expenses as at 30 September 2012 versus 31 December 2011 mostly refers to decrease in prepaid VAT in the amount of 662.767 thousand RSD and decrease in non-invoiced revenue in the amount of 483.920 thousand RSD.

Liabilities	Changes larger than 10%	Explanation
Unrealized gains from securities	-92,1%	Decrease in unrealized income from securities as at 30 September 2012 versus 31 December 2011 refers in total to decrease of investments in securities held for sale based on reducing investment value to fair (market) value (Linde Gas Srbija a.d. Bečej; Komercijalna banka a.d. Belgrade; Jubmes banka a.d. Belgrade)
Unrealized losses from securities	13%	Increase in the amount of unrealized loss from securities as at 30 September 2012 versus 31 December 2011 refers in total to decrease of investments in securities held for sale based on reducing investment value to fair (market) value (Politika a.d. Belgrade; Dunav osiguranje a.d.o. Belgrade; SPC Pinki)
Retained earnings	-21%	The retained earnings as at 30 September 2012 refers in total to the performance in the period ended on 30 September 2012.
Loss	-99%	Based on the Decision of the Shareholders' Meeting dated 25 June 2012, profit for 2011 in the amount of 40.601.667 thousand RSD was distributed for covering losses from previous years.
Long-term loans	-15%	Decrease in long-term loans as at 30 September versus 31 December 2011 mostly refers to settling long-term liabilities towards Piraeus Bank, Belgrade in the amount of 2.264.556 thousand RSD, NBG Bank Greece in the amount of 1.295.243 thousand RSD and Alpha Bank London in the amount of 2.264.556 thousand RSD. Decrease in above liabilities refers to the payment of long-term portion of the debt as well as of the portion due by one year period as at 31

December 2011.

Other Long-Term Liabilities	10%	Increase in other long-term liabilities as at 30 September 2012 versus 31 December 2011 mostly refers to withdrawals of new loan tranches granted by the parent company Gazprom Neft in the amount of 3.818.459 thousand RSD.
Short-Term Liabilities	133%	Increase in short-term financial liabilities as at 30 September 2012 versus 31 December 2011 refers to the transfer of short-term portion of liabilities based on long-term loans to the parent company.
Trade and other payables	-20%	Decrease in trade and other payables as at 30 September 2012 versus 31 December 2011 mostly refers to decrease in payables to crude oil suppliers Gazprom Neft Trading, Austria (decrease by 2.626 million RSD) and Glencore Energy (decrease by 5.367 million RSD).
Other Short-Term Liabilities	-17%	Decrease in other short-term liabilities as at 30 September 2012 versus 31 December 2011 mostly refers to settlement of liabilities for salaries and reimbursements.
Liabilities for VAT and other public taxes and deferred revenue	53%	Increase in liabilities for VAT, other public revenue, accrued costs and deferred revenue as at 30 September 2012 versus 31 December 2011 mostly refers to increase in liabilities for VAT (in the amount of 1.398.889 thousand RSD) and excise tax liabilities (in the amount of 2.228.632 thousand RSD).
Income Tax Liabilities	-87%	Decrease in income tax liabilities as at 30 September 2012 versus 31 December 2011 refers to settlement of liabilities for income tax for 2011.

Result	Change	Explanation
Net gain (loss)*	19%	During the period of nine months in 2012 which ended on 30 September 2012, the Company generated the operating revenue by 89% year-over-year. However, devaluation of RSD and related increase of currency losses (in the amount of 12.978 million RSD, net) mostly resulted in increase in net gain by 19% year-over-year.

* comparison with 30 September 2011

Major Byers

Buyer	From January 1 st – September 30 th 2012	
	Turnover in millions RSD	Share in total income
Srbijagas a.d. Serbia	14,418	8%
Knez Petrol d.o.o. Serbia	16,426	9%
OMV Serbia d.o.o. Serbia	12,303	6%
LUKOIL SRBIJA AD BEOGRAD	8,149	4%
Total:	51,296	27%
Other byers	138,026	73%
Total:	189,322	100%

Major Suppliers

Suppliers	Total debt in mln. RSD	Share in the total liabilities to suppliers
Gazprom neft trading GMBH	15.490	65%
Pancevo Lukoil oil company -Litasco SA	742	3%
NAFTAGAS-NAFTNI SERVISI	692	3%
HIP Petrohemija a.d. Serbia	585	2%
Total:	17.509	73%
Other suppliers	6.423	27%
Total:	23.932	100%

*as of September 30th 2012

Investments

The Business Plan and Midterm Investment Program (hereinafter referred to: MIP) including the CAPEX investment plan for the period 2012 – 2014 were adopted on the 44th session of the Board of Directors held on November 11th 2011.

Based on the MIP (Midterm Investment Program), the main investments in 2012 would be directed towards the implementation of the following group of projects - MHC/DHT+H2, ecological projects, projects in refining, sales and distribution, oil and gas production as well as a certain number of projects in expert services.

In the course of nine months in 2012, 30.3 billion RSD has been spent on investments, which is by +62% more than in the same period in 2011.

The most significant investments in the production of oil and gas in the first nine months of 2012 included the following projects:

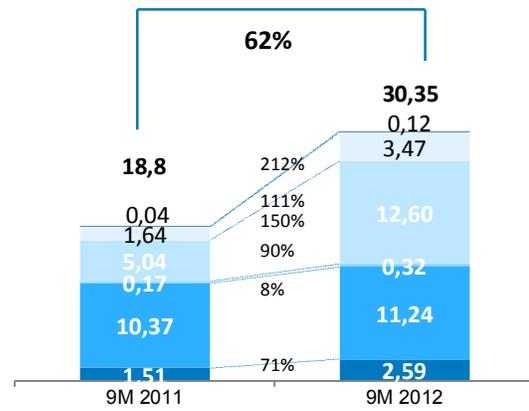
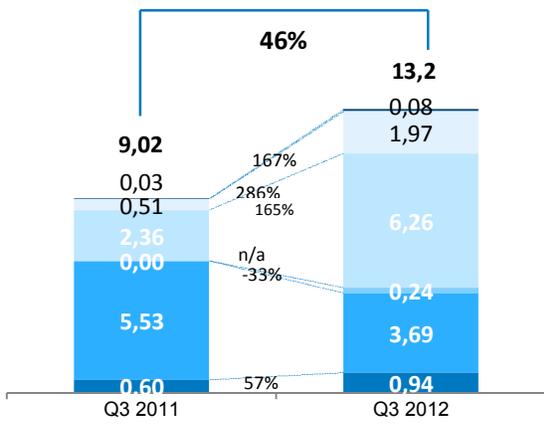
- Investments into concession rights (RAG (Hungary))
- Geological explorations in Vojvodina
- Development drilling
- GTM projects (GRP, ESP etc.)
- Reconstruction of infrastructure
- Geological explorations in central Serbia.

The most important capital investments in the first nine months of 2012 related to ecology were implemented in the Pančevo Oil Refinery through the following projects:

- Reconstruction of the jetty
- Reconstruction and modernization of the LPG loading station
- Reconstruction of the loading terminal
- Construction of the plant for the regeneration of spent sulfuric acid

Q3'11	Q3'12	Sources of investment funding	9M '11	9M '12
6.10	4.02	CAPEX from GPN loan (without letters of credit)	11.79	12.07
0.57	0.76	Ecology	1.43	2.26
5.53	3.26	MHC/DHT	10.35	9.81
2.92	9.17	CAPEX from OCF (NIS funds)	6.99	18.27
0.03	0.18	Ecology	0.08	0.33
0.00	0.43	MHC/DHT	0.02	1.43
0.00	0.24	Angola	0.17	0.32
2.36	6.26	Projects with direct economic effect	5.04	12.60
0.51	1.97	Projects without direct economic effect	1.64	3.47
0.03	0.08	Project research works	0.04	0.12
9.02	13.19	TOTAL:	18.78	30.35

**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 st 2011			As of September 30 th 2012			Change (%)
	NIS	Servicing organizations	Total	NIS	Servicing organizations	Total	
1	2	3	4(2+3)	5	6	7(5+6)	8(7:4)
Block Upstream	1.140	26	1.166	928	48	976	-16,3%
Block Oilfield services	1.812	270	2.082	92	7	99	-95,2%
Block Sales and Distribution	3.204	1.298	4.502	2.683	1.716	4.399	-2,3%
Block Refining	1.697	-	1.697	1.291	37	1.328	-21,7%
Block Energy	12	-	12	194	2	196	1533,3%
NIS Corporate headquarters	1.211	17	1.228	1.364	203	1.567	27,6%
Total	9.076	1.611	10.687	6.552	2.013	8.565	-19,9%

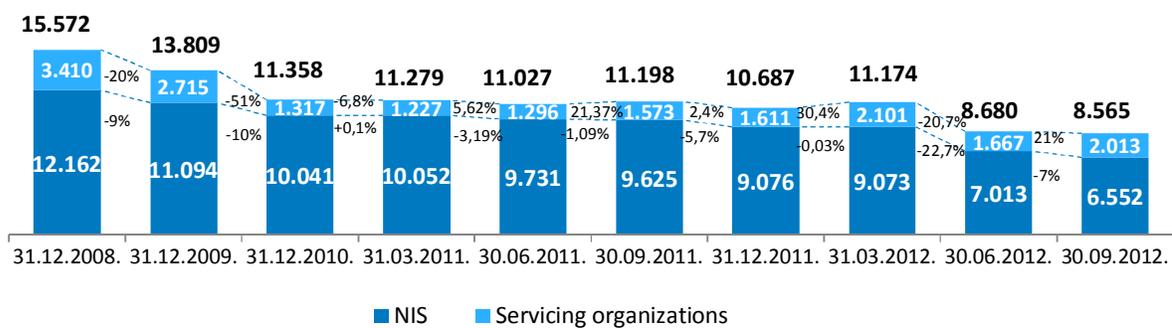


Figure 16: Number of employees (without employees in subsidiaries)

Total number of employees that left the company by accepting programs of voluntary leaves for first 9 months of 2012 is 710.

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

Subsidiary	As of September 30 th 2012		
	Subsidiary	Servicing organizations	Укупно
1	2	3	4(2+3)
Naftagas - Naftni servisi	790	523	1.313
Naftagas - Tehnički servisi	704	116	820
Naftagas -Transport	273	65	338
NTC NIS Naftagas	194	10	204
Total	1.961	714	2.675

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Subsidiary Companies and Transactions with Affiliates

Information on subsidiaries

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

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 September 30th 2012, the Company made provisions for approximately 49% 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 888.277 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 September 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 September 30th 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 September 2012 (unaudited)	31 December 2011
ASSETS			
Non-current assets			
Intangible assets	5	7,234,868	4,441,599
Property, plant and equipment	6	135,934,135	124,923,027
Investment property		1,370,192	1,338,269
Investments in equity instruments	7	7,730,012	2,542,882
Other long-term investments	8	9,881,008	3,376,034
		162,150,215	136,621,811
Current assets			
Inventories	9	35,492,689	35,397,598
Non current assets held for sale		-	165,371
Trade and other receivables	10	36,029,699	20,373,239
Short-term financial investments		2,659,637	2,413,567
Cash and cash equivalents	11	17,837,598	25,228,726
VAT and prepaid expenses	12	3,455,850	4,626,921
Deferred tax assets		7,875,436	7,875,436
		103,350,909	96,080,858
Total assets		265,501,124	232,702,669
Off-balance sheet assets		79,711,369	79,279,565
EQUITY AND LIABILITIES			
Equity			
Share and other capital	13	87,128,024	87,128,024
Reserves		889,424	889,424
Revaluation reserves		12	12
Unrealized gains from securities		2,338	29,582
Unrealized losses from securities		(72,142)	(64,090)
Accumulated gain (loss)		31,800,129	(396,287)
		119,747,785	87,586,665
Long-term provisions and liabilities			
Long-term provisions		14,029,725	13,365,464
Long-term loans	14	28,858,784	33,774,543
Other long-term liabilities	15	52,197,900	47,666,041
		95,086,409	94,806,048
Short-term liabilities			
Short-term financial liabilities	16	8,020,529	3,444,922
Trade and other payables	17	23,492,659	29,458,654
Other short-term liabilities	18	5,544,949	6,666,892
Liabilities for VAT, other taxes and deferred income	19	12,395,563	8,087,096
Income tax liabilities		194,437	1,491,881
		49,648,137	49,149,445
Deferred tax liabilities		1,018,793	1,160,511
Total equity and liabilities		265,501,124	232,702,669
Off-balance sheet liabilities		79,711,369	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

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

*in, 000.00 RSD

Statement of cash flows

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

*in, 000.00 RSD

Statement of changes in equity

for the nine month period ended 30 September 2012 and 2011

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

*in, 000.00 RSD



Notes to the interim condensed financial statements

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 the Company CEO.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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



4. SEGMENT INFORMATION

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

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

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

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

The reportable segments derive their revenue in following manner:

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

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

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

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

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

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:

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

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

5. INTANGIBLE ASSETS

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

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

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

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

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

7. INVESTMENTS IN EQUITY INSTRUMENTS

	30 September 2012	31 December 2011
Investments in subsidiaries	8,713,244	3,490,817
Investments in other related parties	58,886	69,145
Investments in other legal entities and other securities available for sale	2,114,374	2,142,411
Less: Provision	(3,156,492)	(3,159,491)
	7,730,012	2,542,882

Investments in subsidiaries

	2012	2011
In shares	3,457,576	3,457,576
In stakes	5,255,668	33,241
	8,713,244	3,490,817
Less: Provision	(1,173,167)	(1,173,167)
	7,540,077	2,317,650

Investments in subsidiaries as at 30 September 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	993,193	-	993,193	100%
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	3,579,983	-	3,579,983	100%
Naftagas-Transport d.o.o. Novi Sad, Serbia	327,751	-	327,751	100%
NIS Oversiz, Moscow, Russian Federation	9,856	-	9,856	100%
Jadran-naftagas d.o.o. Banja Luka, BiH	71	-	71	66%
Svetlost d.o.o., Bujanovac, Serbia	17,045	-	17,045	51%
Ranis, Moscow region, Russian Federation	522	-	522	51%
Jubos, Bor, Serbia	904	(904)	-	51%
	8,713,244	(1,173,167)	7,540,077	

Movements on investments in equity instruments:

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

In 2012., the Company established following companies:

- Naftagas-Naftni servisi d.o.o., Novi Sad. As at 30 September 2012 the total registered capital of the new company amounts to 3,579,983 RSD (non-cash contribution 3,579,930 RSD).

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

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

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

8. OTHER LONG-TERM INVESTMENTS

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

Long-term loans to subsidiaries

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

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

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

Movement on inventory provision is as follows:

	2012	2011
As at January 1	(8,181,557)	(5,334,979)
Provision for impaired inventories charged to the period	(3,685)	(1,901,535)
Provision reversed	9,303	53,778
Transfer to subsidiaries (note 7)	1,037,624	-
Other	-	20,154
As at September 30	(7,138,315)	(7,162,582)

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

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

The ageing of trade receivables is as follows:

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

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

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

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

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

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

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

11. CASH AND CASH EQUIVALENTS

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

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

12. VAT AND PREPAID EXPENSES

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

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

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

13. SHARE CAPITAL

Share capital represent share capital which is listed on Belgrade Stock Exchange. The structure of the share capital as at 30 September 2012 was:

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

14. LONG-TERM LOANS

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

The maturity of non-current loans was as follows:

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

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

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

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 at 30 September 2012 and 31 December 2011 are presented below:

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

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

14. OTHER LONG-TERM LIABILITIES

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

15. SHORT-TERM FINANCIAL LIABILITIES

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

16. TRADE AND OTHER PAYABLES

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

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

17. OTHER SHORT-TERM LIABILITIES

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

18. LIABILITIES FOR VAT ,OTHER TAXES AND DEFERRED INCOME

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

19. SALES

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

20. RAW MATERIAL AND CONSUMABLES USED

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

21. EMPLOYEE BENEFITS EXPENSE

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

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

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

22. DEPRECIATION, AMORTISATION AND PROVISIONS

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

23. OTHER OPERATING EXPENSES

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

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

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

24. FINANCIAL INCOME

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

25. FINANCIAL EXPENSES

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

26. EARNINGS PER SHARE

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

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

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

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

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

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

Main transaction with state owned companies

	30 September 2012	31 December 2011
<i>Receivables</i>		
HIP Petrohemija	4,364,455	1,995,294
Srbijagas	20,101,859	7,414,404
	24,466,314	9,409,698
<i>Liabilities</i>		
HIP Petrohemija	(573,741)	(471,195)
Srbijagas	(96,582)	(272,661)
	(670,323)	(743,856)
<i>Advances received</i>		
HIP Petrohemija	(4,030)	(5,386)
Srbijagas	(12,806)	(12,796)
	(16,836)	(18,182)

	Nine month period ended 30 September	
	2012	2011
<i>Income</i>		
HIP Petrohemija	6,674,058	8,530,819
Srbijagas	13,342,504	5,567,555
	20,016,562	14,098,374
<i>Costs</i>		
HIP Petrohemija	113,494	123,116
Srbijagas	151,999	178,208
	265,493	301,324



29. CONTINGENT LIABILITIES

Transfer of property ownership

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

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

Financial Guarantees

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

30. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

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





STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING OF QUARTERLY REPORT

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 Serbia¹ 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.

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

¹ 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.

Information contained in this document has been given as of the date of this document and it is possible to change it without the previous notification.

It is considered that by taking over and reviewing this document you are familiar with the above stated restrictions.

