



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

Interim Condensed Consolidated Financial Statements

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

Novi Sad, 08 November 2012

Interim condensed consolidated financial statements

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

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Interim condensed consolidated financial statements

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

CONSOLIDATED BALANCE SHEET

	Notes	30 September 2012	31 December 2011
ASSETS		<i>(unaudited)</i>	
Non-current assets			
Intangible assets	5	8,223,826	4,708,964
Property, plant and equipment	6	151,791,478	129,217,516
Investment property		1,370,192	1,338,269
Investments in equity instruments		189,936	225,232
Other long-term investments		1,257,643	1,087,147
		162,833,075	136,577,128
Current assets			
Inventories	7	36,238,461	35,403,205
Non current assets held for sale		16,238	181,608
Trade and other receivables	8	33,734,994	20,345,343
Short-term financial investments		2,112,984	2,416,899
Cash and cash equivalents	9	18,759,079	25,832,354
VAT and prepaid expenses	10	3,692,056	4,922,034
Deferred tax assets		7,869,140	7,875,479
		102,422,952	96,976,922
Total assets		265,256,027	233,554,050
Off-balance sheet assets		79,711,369	79,279,565
EQUITY AND LIABILITIES			
Equity			
Share and other capital	11	87,128,073	87,128,073
Reserves		869,535	884,368
Unrealized gains from securities		2,338	29,582
Unrealized losses from securities		(72,142)	(64,090)
Accumulated gain (loss)		30,421,184	(370,084)
<i>Equity attributable to owners of the parent</i>		118,348,988	87,607,849
Non-controlling interests		(12,415)	3,491
Total equity		118,336,573	87,611,340
Long-term provisions and liabilities			
Long-term provisions		14,070,250	13,371,651
Long-term loans	12	29,061,308	33,774,543
Other long-term liabilities	13	52,814,395	48,278,469
		95,945,953	95,424,663
Short-term liabilities			
Short-term financial liabilities	14	8,020,571	3,445,250
Trade and other payables	15	23,659,356	29,621,937
Other short-term liabilities	16	6,003,821	6,694,698
Liabilities for VAT, other taxes and deferred income	17	12,069,959	8,098,259
Income tax liabilities		197,453	1,493,849
		49,951,160	49,353,993
Deferred tax liabilities		1,022,341	1,164,054
Total equity and liabilities		265,256,027	233,554,050
Off-balance sheet liabilities		79,711,369	79,279,565

Notes from page 7 to 32 are part of these Interim Condensed Consolidated Financial Statements.

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Interim condensed consolidated financial statements

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

CONSOLIDATED INCOME STATEMENT

	Notes	Nine month period ended 30 September	
		2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Operating income			
Sales	18	162,158,696	133,145,852
Work performed by the entity and capitalized (Decrease) increase in inventories of finished goods and work in progress		3,306,193 (2,217,772)	2,818,749 2,115,635
Other operating income		212,214	203,181
		<u>163,459,331</u>	<u>138,283,417</u>
Operating expenses			
Cost of goods sold		(18,219,269)	(9,783,676)
Raw material and consumables used	19	(60,182,177)	(70,148,348)
Employee benefits expense	20	(17,478,647)	(16,107,497)
Depreciation, amortization and provision	21	(6,223,659)	(5,674,063)
Other operating expenses	22	(11,734,918)	(9,841,745)
		<u>(113,838,670)</u>	<u>(111,555,329)</u>
Profit from operating activities		<u>49,620,661</u>	<u>26,728,088</u>
Financial income	23	7,062,126	6,512,455
Financial expenses	24	(15,312,401)	(3,066,401)
Other income		2,501,598	2,916,150
Other expenses		(11,521,769)	(4,298,382)
Profit before income tax		<u>32,350,215</u>	<u>28,791,910</u>
Income tax			
Income tax expense		(1,571,926)	(1,790,903)
Deferred tax income (expense)		(1,707,300)	(1,467,249)
		<u>135,374</u>	<u>(323,654)</u>
Profit for the period		<u>30,778,289</u>	<u>27,001,007</u>
Net loss attributable to non-controlling equity holders		(14,762)	(16,160)
Net profit attributable to owners of the parent		30,793,051	27,017,167
Earnings per share			
- Basic	25	0.19	0.17

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Interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine month period ended 30 September	
	2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Cash flows from operating activities		
Sales and advances received	221,112,197	202,492,573
Interest from operating activities	1,169,172	629,522
Other inflow from operating activities	212,217	203,181
<i>Cash inflow from operating activities</i>	<u>222,493,586</u>	<u>203,325,276</u>
Payments and prepayments to suppliers	(102,336,948)	(90,674,284)
Salaries, benefits and other personal expenses	(17,291,532)	(16,115,543)
Interest paid	(2,623,419)	(2,415,893)
Income tax paid	(2,985,969)	(1,362,122)
Payments for other public revenues	(69,542,363)	(75,537,039)
<i>Cash outflow from operating activities</i>	<u>(194,780,231)</u>	<u>(186,104,881)</u>
Net cash provided by operating activities	<u>27,713,355</u>	<u>17,220,395</u>
Cash flows from investing activities		
Sales of shares (net inflow)	-	17,103
Proceeds from sale of intangible assets and property, plant and equipment	73,895	582,339
<i>Cash inflow from investing activities</i>	<u>73,895</u>	<u>599,442</u>
Purchase of intangible assets, property, plant and equipment	(32,204,985)	(19,967,700)
<i>Cash outflow from investing activities</i>	<u>(32,204,985)</u>	<u>(19,967,700)</u>
Net cash used in investing activities	<u>(32,131,090)</u>	<u>(19,368,258)</u>
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	4,023,561	11,360,028
<i>Cash inflow from financing activities</i>	<u>4,023,561</u>	<u>26,414,497</u>
Outflows from long-term, short-term and other liabilities (net outflow)	(7,838,425)	(22,747,972)
<i>Cash outflow from financing activities</i>	<u>(7,838,425)</u>	<u>(22,747,972)</u>
Net cash (used in) provided by financing activities	<u>(3,814,864)</u>	<u>3,666,525</u>
(Decrease) increase in cash and cash equivalents	(8,232,599)	1,518,662
Cash and cash equivalents at beginning of period	25,832,354	10,636,669
Currency translation gains on cash and cash equivalents	2,008,404	636,850
Currency translation losses on cash and cash equivalents	(849,080)	(1,188,880)
Cash and cash equivalents at end of period	<u>18,759,079</u>	<u>11,603,301</u>

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Interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine month period ended 30 September 2012 and 2011

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Other capital	Reserves	Unrealized gains from securities	Unrealized losses from securities	Accumulated gain (loss)		
<i>(unaudited)</i>								
Balance as at 1 January 2011	81,530,200	5,597,873	888,587	48,417	(49,236)	(41,009,046)	25,945	47,032,740
Result for the period:								
- Profit	-	-	-	-	-	27,017,167	(16,160)	27,001,007
- Losses from securities	-	-	-	(9,315)	(13,473)	-	-	(22,788)
Decrease in the number of companies within a group for consolidation	-	-	(1,789)	-	-	(7,618)	-	(9,407)
Other	-	-	2,245	-	-	(7,122)	(205)	(5,082)
Balance as at 30 September 2011	81,530,200	5,597,873	889,043	39,102	(62,709)	(14,006,619)	9,580	73,996,470
Balance as at 1 January 2012	81,530,200	5,597,873	884,368	29,582	(64,090)	(370,084)	3,491	87,611,340
Result for the period:								
- Profit	-	-	-	-	-	30,793,051	(14,762)	30,778,289
- Losses from securities	-	-	-	(27,244)	(8,052)	-	-	(35,296)
Other	-	-	(14,833)	-	-	(1,783)	(1,144)	(17,760)
Balance as at 30 September 2012	81,530,200	5,597,873	869,535	2,338	(72,142)	30,421,184	(12,415)	118,336,573

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Notes to the interim condensed consolidated financial statements

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1. GENERAL INFORMATION

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

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

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

The Parent is an open joint stock company; listed on the Belgrade Stock Exchange (Prime Market). The address of the Parent’s registered office is in Novi Sad, 12 Narodnog fronta Street.

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

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

In 2012, the Parent established the following companies:

- Naftagas-Naftni servisi d.o.o., Novi Sad. As at 30 September 2012 the total registered equity of the new company amounts to 3,579,983 RSD (non-cash contribution 3,579,930 RSD).
- NTC NIS-Naftagas d.o.o., Novi Sad. As at 30 September 2012 the total registered equity 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 equity 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 equity of the new company amounts to 327,751 RSD (non-cash contribution 327,695 RSD).

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

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Notes to the interim condensed consolidated financial statements

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

These interim condensed consolidated 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 consolidated financial statements do not include all disclosures and they should be interpreted in relation with the annual financial statements for the year ended 31 December 2011. The Group has prepared these interim condensed consolidated financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia published in Official Gazette of the Republic of Serbia (no. 46/2006 and 111/2009), which requires full scope of IFRS to be applied, and the regulations issued by the Ministry of Finance of the Republic of Serbia. Due to the difference between these two regulations, these interim condensed consolidated financial statements differ from IFRS in the following respects:

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

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

Notes to the interim condensed consolidated financial statements

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

4. SEGMENT INFORMATION

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

In 2011, new business segment within the Group - "Energy" was founded for the operations expansion to electricity and heat production. On 30 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 Group are organized into five operating segments:

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

The reportable segments derive their revenue in following manner:

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

Notes to the interim condensed consolidated financial statements

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

4. SEGMENT INFORMATION (continued)

Reportable segment results for the 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	5,510,954	105,034,728	146,840,802	11,379,511	342,307,129
Inter-segment revenue	(66,045,943)	(2,551,532)	(107,370,326)	(1,281,452)	(1,598,545)	(178,847,798)
Operating income – total	7,495,191	2,959,422	(2,335,598)	145,559,350	9,780,966	163,459,331
Depreciation	(1,554,789)	(590,742)	(1,457,187)	(569,956)	(799,824)	(4,972,498)
Impairment losses	(739,663)	(10,036)	(47,839)	(45,056)	(26,474)	(869,068)
Segment profit (loss) from operating activities	63,008,863	(1,015,803)	(5,854,426)	76,858	(6,594,831)	49,620,661
Financial (expenses) income	(60,175)	20,457	(1,508,726)	248,040	(6,949,871)	(8,250,275)
Other (expenses) income	(89,254)	4,277	(26,490)	(511,930)	(8,396,774)	(9,020,171)
Segment profit (loss) before tax	62,859,434	(991,069)	(7,389,642)	(187,032)	(21,941,476)	32,350,215
Deferred tax income (expense)	-	(1,462)	-	-	136,836	135,374
Income tax expense	-	(17,078)	-	(245)	(1,689,977)	(1,707,300)
Segment profit (loss)	62,859,434	(1,009,609)	(7,389,642)	(187,277)	(23,494,617)	30,778,289

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	124,672,786	410,392	279,439,137
Inter-segment revenue	(38,835,635)	(1,411,451)	(100,062,829)	(740,468)	(105,337)	(141,155,720)
Operating income – total	10,838,076	2,939,847	268,121	123,932,318	305,055	138,283,417
Depreciation	(1,534,120)	(645,123)	(1,500,348)	(574,805)	(713,754)	(4,968,150)
Impairment losses	(7,164)	(74)	(21,096)	(25,256)	(226)	(53,816)
Segment profit (loss) from operating activities	40,394,498	(934,254)	(7,492,706)	(22,016)	(5,217,434)	26,728,088
Financial income	76,358	3,999	1,328,935	264,198	1,772,564	3,446,054
Other (expenses) income	324,990	(155,556)	(2,100,861)	414,008	135,187	(1,382,232)
Segment profit (loss) before tax	40,795,846	(1,085,811)	(8,264,632)	656,190	(3,309,683)	28,791,910
Deferred tax expense	-	-	-	-	(323,654)	(323,654)
Income tax expense	-	-	-	(16)	(1,467,233)	(1,467,249)
Segment profit (loss)	40,795,846	(1,085,811)	(8,264,632)	656,174	(5,100,570)	27,001,007

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

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

	Nine month period ended 30 September	
	2012	2011
<i>Sales of:</i>		
- crude oil	2,914,185	-
- petroleum products	138,211,945	120,763,349
- goods for resale	20,020,839	11,252,461
- services	1,011,727	1,130,042
	162,158,696	133,145,852
Work performed by the entity and capitalized	3,306,193	2,818,749
(Decrease) increase in inventories of finished goods and work in progress	(2,217,772)	2,115,635
Other operating income	212,214	203,181
Total Operating Income	163,459,331	138,283,417

Sales of goods for resale for the nine month period ended 30 September 2012 in the amount of 20,020,839 RSD (2011: 11,252,461 RSD) mostly relate to sales of imported Eurodiesel in the amount of 16.743.188 RSD (2011: 9,163,671 RSD).

Notes to the interim condensed consolidated financial statements

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

5. INTANGIBLE ASSETS

	Research and development	Concessions, patents, licenses and rights	Intangible assets under development	Other intangibles	Total
As at 1 January 2011					
Cost	-	878,120	1,843,860	4,732,177	7,454,157
Accumulated amortization and impairment	-	(184,432)	(1,698,294)	(730,013)	(2,612,739)
Net book amount	-	693,688	145,566	4,002,164	4,841,418
Period ended 30 September 2011					
Opening net book amount	-	693,688	145,566	4,002,164	4,841,418
Additions	26,252	79,173	320,731	-	426,156
Transfer from IA under development	-	-	(45,311)	45,311	-
Transfer from property, plant and equipment	-	-	-	73,196	73,196
Amortization	-	(8,855)	-	(498,298)	(507,153)
Disposals and other transfers	-	(54,452)	18	1,720	(52,714)
Closing net book amount	26,252	709,554	421,004	3,624,093	4,780,903
As at 30 September 2011					
Cost	26,252	957,293	2,119,298	4,750,597	7,853,440
Accumulated amortization and impairment	-	(247,739)	(1,698,294)	(1,126,504)	(3,072,537)
Net book amount	26,252	709,554	421,004	3,624,093	4,780,903
As at 1 January 2012					
Cost	182,322	956,792	413,952	4,761,744	6,314,810
Accumulated amortization and impairment	-	(230,183)	(142,279)	(1,233,384)	(1,605,846)
Net book amount	182,322	726,609	271,673	3,528,360	4,708,964
Period ended 30 September 2012					
Opening net book amount	182,322	726,609	271,673	3,528,360	4,708,964
Additions	1,363,649	807,914	209,226	78,898	2,459,687
Transfer from property, plant and equipment	1,716,106	-	15,252	-	1,731,358
Amortization	-	(70,076)	-	(446,029)	(516,105)
Impairment	(107,758)	-	(43,867)	-	(151,625)
Disposals	-	-	(187)	-	(187)
Translation reserves	27,069	7,237	-	19	34,325
Other transfers	-	(1,470)	(42,591)	1,470	(42,591)
Closing net book amount	3,181,388	1,470,214	409,506	3,162,718	8,223,826
As at 30 September 2012					
Cost	3,289,146	1,772,058	638,244	4,840,680	10,540,128
Accumulated amortization and impairment	(107,758)	(301,844)	(228,738)	(1,677,962)	(2,316,302)
Net book amount	3,181,388	1,470,214	409,506	3,162,718	8,223,826

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

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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	11,505,502	63,318,757	55,614,069	15,994,254	94,782	129,318	12,828,807	159,485,489
Accumulated depreciation and impairment	(737,373)	(24,278,791)	(29,939,778)	(3,366,233)	(1,356)	(120,887)	(116,387)	(58,560,805)
Net book amount	10,768,129	39,039,966	25,674,291	12,628,021	93,426	8,431	12,712,420	100,924,684
Period ended 30 September 2011								
Opening net book amount	10,768,129	39,039,966	25,674,291	12,628,021	93,426	8,431	12,712,420	100,924,684
Additions	1,026	1,856,330	1,232,367	16,030,589	526	-	8,965,480	28,086,318
Disposals, other transfers and advances paid used	(558)	446,767	(644,681)	114,947	(2,375)	-	(6,332,176)	(6,418,076)
Transfer to intangible assets	-	-	-	(73,196)	-	-	-	(73,196)
Depreciation	-	(2,021,349)	(2,446,938)	-	-	(2,257)	-	(4,470,544)
Impairment charge	-	(5,812)	(19,794)	(28,192)	(18)	-	-	(53,816)
Transfer to investment property	(18,559)	(42,654)	-	-	-	-	-	(61,213)
Closing net book amount	10,750,038	39,273,248	23,795,245	28,672,169	91,559	6,174	15,345,724	117,934,157
As at 30 September 2011								
Cost	11,459,866	65,230,115	55,826,834	31,702,101	92,118	129,318	15,462,085	179,902,437
Accumulated depreciation and impairment	(709,828)	(25,956,867)	(32,031,589)	(3,029,932)	(559)	(123,144)	(116,361)	(61,968,280)
Net book amount	10,750,038	39,273,248	23,795,245	28,672,169	91,559	6,174	15,345,724	117,934,157
As at 1 January 2012								
Cost	12,417,133	63,546,775	60,477,344	47,106,611	96,308	129,318	8,770,320	192,543,809
Accumulated depreciation and impairment	(695,565)	(24,435,060)	(35,063,390)	(2,981,943)	(5,020)	(123,897)	(21,418)	(63,326,293)
Net book amount	11,721,568	39,111,715	25,413,954	44,124,668	91,288	5,421	8,748,902	129,217,516
Period ended 30 September 2012								
Opening net book amount	11,721,568	39,111,715	25,413,954	44,124,668	91,288	5,421	8,748,902	129,217,516
Additions	1,700,877	6,646,108	5,207,766	18,879,499	-	-	4,505,351	36,939,601
Acquisitions through business combinations (note 27)	-	-	-	2,721,425	-	-	-	2,721,425
Disposals, other transfers and advances paid used	-	(28,539)	15,749	(43,461)	-	-	(10,374,729)	(10,430,980)
Translation reserves	113,152	1,517	4,519	11,897	-	-	-	131,085
Depreciation	-	(1,922,413)	(2,531,723)	-	-	(2,257)	-	(4,456,393)
Impairment charge	-	(24,123)	(47,791)	(644,553)	-	-	-	(716,467)
Transfer to intangible assets	-	-	-	(1,731,358)	-	-	-	(1,731,358)
Transfer to investment property	(37,736)	(7,995)	-	-	-	-	-	(45,731)
Transfer from non current assets held for sale	-	-	-	162,780	-	-	-	162,780
Closing net book amount	13,497,861	43,776,270	28,062,474	63,480,897	91,288	3,164	2,879,524	151,791,478
As at 30 September 2012								
Cost	14,191,811	70,206,865	65,548,053	66,806,936	91,825	129,319	2,900,942	219,875,751
Accumulated depreciation and impairment	(693,950)	(26,430,595)	(37,485,579)	(3,326,039)	(537)	(126,155)	(21,418)	(68,084,273)
Net book amount	13,497,861	43,776,270	28,062,474	63,480,897	91,288	3,164	2,879,524	151,791,478

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Notes to the interim condensed consolidated financial statements*(All amounts are in 000 RSD, unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT (continued)**

The additions to property, plant and equipment for the nine month period ended 30 September 2012 in the amount of 36,939,601 RSD (2011: 28,086,318 RSD) mostly relate to investments in MHC/DHT project (investments in construction of Mild Hydrocracking Complex and Hydrofinishing in Pančevo Oil Refinery) in amount of 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 at 30 September 2012 amounted to 2,173,402 RSD.

In 2012 the Group has capitalized borrowing costs for construction of qualifying assets as part of their acquisition cost in the amount of 1,487,222 RSD (2011: 743,440 RSD).

7. INVENTORIES

	30 September 2012	31 December 2011
Raw materials	24,761,741	23,275,562
Spare parts	2,932,667	2,783,196
Tools	187,182	137,703
Work in progress	5,190,705	5,808,325
Finished goods	6,948,040	8,548,192
Merchandise	3,427,373	2,272,222
	<u>43,447,708</u>	<u>42,825,200</u>
Advances	970,308	764,590
<i>Less provision:</i>		
- for inventories	(7,805,485)	(7,806,896)
- for advances	(374,070)	(379,689)
	<u>(8,179,555)</u>	<u>(8,186,585)</u>
Total inventories – net	<u>36,238,461</u>	<u>35,403,205</u>

Movement in inventory provision is as follows:

	2012	2011
As at January 1	(8,186,585)	(5,335,000)
Provision for impaired inventories charged to the period	(3,685)	(1,906,634)
Provision reversed	9,303	53,778
Other	1,412	20,226
As at September 30	<u>(8,179,555)</u>	<u>(7,167,630)</u>

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Notes to the interim condensed consolidated financial statements

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

8. TRADE AND OTHER RECEIVABLES

	30 September 2012	31 December 2011
Trade receivables:		
- domestic	40,282,397	22,616,484
- foreign	1,800,033	1,055,870
- related parties	4,364,455	1,999,116
	<u>46,446,885</u>	<u>25,671,470</u>
Receivables from specific operations	<u>8,394,484</u>	<u>7,787,863</u>
Interest receivables	5,264,007	4,984,493
Receivables from employees	97,969	87,281
Other receivables	<u>7,457,555</u>	<u>7,461,184</u>
	12,819,531	12,532,958
	<u>67,660,900</u>	<u>45,992,291</u>
<i>Less provision:</i>		
- trade receivables	(13,153,270)	(5,695,782)
- receivables from specific operations	(8,378,426)	(7,767,667)
- interest receivables	(5,066,350)	(4,856,030)
- other receivables	<u>(7,327,860)</u>	<u>(7,327,469)</u>
	(33,925,906)	(25,646,948)
Total receivables – net	<u>33,734,994</u>	<u>20,345,343</u>

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) which relate 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	30,895,841	19,780,737
Over 3 months	15,551,044	5,890,733
	<u>46,446,885</u>	<u>25,671,470</u>

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

As at 30 September 2012 trade receivables in the amount of 13,153,270 RSD (31 December 2011: 5,695,782 RSD) were completely impaired and provided for. The individually impaired receivables mainly relate to customers which are assessed as uncollectable. The ageing of receivables provided for is as follows:

	30 September 2012	31 December 2011
Up to 3 months	82,256	74,489
Over 3 months	13,071,014	5,621,293
	13,153,270	5,695,782

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

	30 September 2012	31 December 2011
RSD	65,748,850	44,834,760
EUR	144,329	241,141
USD	1,766,964	916,156
Other	757	234
	67,660,900	45,992,291

Movement in the Group's provision for impairment of trade and other receivables is as follows:

	2012	2011
As at January 1	(25,646,948)	(25,848,300)
Provision for impaired receivables	(9,416,854)	(824,050)
Written off	268,428	107,545
Unused amounts reversed	869,468	534,900
Other	-	(3,928)
As at September 30	(33,925,906)	(26,033,833)

9. CASH AND CASH EQUIVALENTS

	30 September 2012	31 December 2011
Cash in bank	17,346,496	25,397,340
Cash on hand	1,368,530	391,963
Other cash equivalents	44,053	43,051
	18,759,079	25,832,354

As at 30 September 2012 short-term bank deposits with maturity up to 90 days in amount of 10,347,238 RSD (31 December 2011: 16,473,646 RSD) are presented as Cash in bank.

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Notes to the interim condensed consolidated financial statements*(All amounts are in 000 RSD, unless otherwise stated)***10. VAT AND PREPAID EXPENSES**

	30 September 2012	31 December 2011
Prepayment for VAT	1,355,423	2,027,935
Prepaid expenses	223,889	56,682
Accrued revenue	37	484,112
Prepaid excise duty	783,237	1,119,985
Housing loans and other prepayments	1,329,470	1,233,320
	3,692,056	4,922,034

Prepayment for VAT as at 30 September 2012 in the amount of 1,355,423 RSD represents input VAT on invoices received and accounted for in the current period, which will be claimed 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 in non-excise warehouse.

11. SHARE CAPITAL

Share capital represents the Parent's share capital listed on the 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 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 Serbia a.d. - 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 Balkan	133,686	0.08%
Raiffeisenbank a.d. Beograd - custody account	117,094	0.07%
Other	20,523,600	12.60%
	163,060,400	100.00%

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Notes to the interim condensed consolidated financial statements*(All amounts are in 000 RSD, unless otherwise stated)***12. LONG-TERM LOANS**

	30 September 2012	31 December 2011
Domestic	15,817,020	17,997,065
Foreign	15,878,156	18,052,130
	31,695,176	36,049,195
Current portion of long-term loans	(2,633,868)	(2,274,652)
Total	29,061,308	33,774,543

The maturity of long-term loans is 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	6,615,359	6,748,644
	29,061,308	33,774,543

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

	30 September 2012	31 December 2011
RSD	1,281,209	1,281,436
EUR	9,422,987	8,900,998
USD	20,444,499	25,352,982
JPY	546,481	513,779
	31,695,176	36,049,195

The fair value of the long-term loans is equal to their net carrying value.

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

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

Notes to the interim condensed consolidated financial statements

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

12. LONG-TERM LOANS (continued)

The carrying amounts of the Group's long-term loans as 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
Neftegazovaja Inovacionnaja Korporacija, Russian Federation	EUR	202,524	-
		15,878,156	18,052,130
Less current portion of long-term loans		(2,633,868)	(2,274,652)
		29,061,308	33,774,543

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Notes to the interim condensed consolidated financial statements

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

12. LONG-TERM LOANS (continued)

	Currency	Current portion		Long-term	
		30 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
		<u>2,163,030</u>	<u>618,507</u>	<u>13,653,990</u>	<u>17,378,558</u>
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
Neftegazovaja Inovacionnaja Korporacija, Russian Federation	EUR	-	-	202,524	-
		<u>470,838</u>	<u>1,656,145</u>	<u>15,407,318</u>	<u>16,395,985</u>
		<u>2,633,868</u>	<u>2,274,652</u>	<u>29,061,308</u>	<u>33,774,543</u>

13. OTHER LONG-TERM LIABILITIES

	<u>30 September 2012</u>	<u>31 December 2011</u>
Liabilities to Gazprom Neft	52,165,675	47,611,714
Financial lease liabilities	31,016	53,117
Other long-term liabilities	617,704	613,638
	<u>52,814,395</u>	<u>48,278,469</u>

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Notes to the interim condensed consolidated financial statements

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

14. SHORT-TERM FINANCIAL LIABILITIES

	30 September 2012	31 December 2011
Short-term financial liabilities to Gazprom Neft (current portion)	5,350,325	1,133,612
Current portion of long-term loans (note 12)	2,633,868	2,274,652
Current portion of financial lease	36,249	33,069
Other short-term liabilities	129	3,917
	8,020,571	3,445,250

15. TRADE AND OTHER PAYABLES

	30 September 2012	31 December 2011
Advances received	994,701	871,127
Trade payables:		
- domestic	3,129,186	2,702,845
- foreign	3,114,069	7,060,646
Trade payables – other related parties	16,063,490	18,587,440
Liabilities from other operations	70,014	71,956
Liabilities from specific operations	287,896	327,923
	23,659,356	29,621,937

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).

16. OTHER SHORT-TERM LIABILITIES

	30 September 2012	31 December 2011
Liabilities for unpaid wages and salaries, gross	905,734	1,690,264
Liabilities to employees	6,793	46,973
Liabilities for interest – domestic	345,257	354,633
Liabilities for dividends	3,772,308	3,772,308
Unused holiday accrual	896,377	714,425
Other liabilities	77,352	116,095
	6,003,821	6,694,698

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Notes to the interim condensed consolidated financial statements*(All amounts are in 000 RSD, unless otherwise stated)***17. LIABILITIES FOR VAT ,OTHER TAXES AND DEFERRED INCOME**

	30 September 2012	31 December 2011
Liabilities for VAT	2,662,889	1,161,428
Liabilities for excise	4,650,946	2,422,037
Liabilities for taxes and custom duties	1,797,674	1,772,130
Other liabilities for taxes and contributions	116,108	48,780
Accrued liabilities	712,506	1,149,958
Other accruals	2,129,836	1,543,926
	12,069,959	8,098,259

18. SALES

	Nine month period ended 30 September	
	2012	2011
Sales of products:		
- domestic	118,672,832	100,225,161
- foreign	15,697,152	11,975,885
- other related parties	6,756,146	8,562,303
	141,126,130	120,763,349
Sales of goods for resale:		
- domestic	19,553,417	11,222,435
- foreign	467,269	30,026
- other related parties	153	-
	20,020,839	11,252,461
Sales of services:		
- domestic	610,914	564,925
- foreign	400,782	565,117
- other related parties	31	-
	1,011,727	1,130,042
	162,158,696	133,145,852

19. RAW MATERIAL AND CONSUMABLES USED

	Nine month period ended 30 September	
	2012	2011
Cost of raw materials	57,921,774	68,125,899
Cost of office and other material	592,138	612,885
Other fuel and energy expenses	1,668,265	1,409,564
	60,182,177	70,148,348

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Notes to the interim condensed consolidated financial statements*(All amounts are in 000 RSD, unless otherwise stated)***20. EMPLOYEE BENEFITS EXPENSE**

	Nine month period ended 30 September	
	2012	2011
Wages and salaries (gross)	12,566,151	11,200,190
Taxes and contributions on wages and salaries paid by employer	2,073,623	1,911,402
Costs of temporary service agreements	348,840	274,197
Cost of other service agreements	27,386	13,043
Fees paid to board of directors and general assembly board	25,882	21,258
Cost for employees termination payments	1,467,700	1,916,321
Other personal expenses and benefits	969,065	771,086
	17,478,647	16,107,497

Termination costs in the amount of 1,467,700 RSD (2011: 1,916,321 RSD) mostly relate to costs incurred in relation to voluntary leave agreements. Total number of employees who have accepted the termination of employment in 2012 was 754 (2011: 825 employees).

	Nine month period ended 30 September	
	2012	2011
Average number of people employed	9,143	9,956

21. DEPRECIATION, AMORTISATION AND PROVISIONS

	Nine month period ended 30 September	
	2012	2011
Depreciation and amortisation expenses	4,972,498	4,968,150
Provision for :		
- asset retirement obligation and environmental protection	-	243,520
- salaries and employees benefits	1,251,161	462,393
	6,223,659	5,674,063

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Notes to the interim condensed consolidated financial statements

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

22. OTHER OPERATING EXPENSES

	Nine month period ended 30 September	
	2012	2011
Cost of production services	1,579,704	1,215,476
Transportation services	1,164,394	1,151,710
Maintenance	866,112	672,150
Rental costs	495,626	369,268
Fairs	1,741	3,028
Advertising costs	319,112	184,272
Research costs	24,690	185,261
Cost of other services	644,079	653,020
Costs of non production services	2,146,395	1,382,564
Representation costs	47,365	104,060
Insurance premium	167,194	170,826
Bank charges	150,349	181,878
Cost of custom duties, property taxes and other taxes	1,061,793	1,076,636
Fee for emergency situations	546,895	481,462
Mineral extraction tax	2,085,227	1,519,265
Cost of legal and consulting services	40,316	102,928
Administrative and other taxes	125,625	127,649
Other	268,301	260,292
	11,734,918	9,841,745

Fee for emergency situations in the amount of 546,895 RSD represents fee calculated in accordance with the Emergency situations law. This fee was revoked as of 6 October 2012 based on amendments to the aforementioned law.

Cost of non-production services for nine month period ended 30 September 2012 in the amount of 2,146,395 RSD (2011: 1,382,564 RSD) mostly relates to costs of service organizations of 1,384,409 RSD, consulting service costs of 200,094 RSD, project management costs of 71,905 RSD and certification and supervision costs of 122,636 RSD.

23. FINANCIAL INCOME

	Nine month period ended 30 September	
	2012	2011
Financial income – other related parties	-	18,266
Interest income	1,899,192	865,277
Foreign exchange gains	5,159,094	5,627,660
Other financial income	3,840	1,252
	7,062,126	6,512,455

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

	Nine month period ended 30 September	
	2012	2011
Financial expenses – Gazprom Neft	97,373	31,695
Interest expenses	1,236,198	1,839,342
Amortization of long-term liabilities	247,214	-
Foreign exchange losses	13,729,495	1,191,907
Other financial expenses	2,121	3,457
	15,312,401	3,066,401

25. EARNINGS PER SHARE

	Nine month period ended 30 September	
	2012	2011
Profit attributable to owners of the parent	30,793,051	27,017,167
Weighted average number of shares outstanding	163,060,400	163,060,400
Basic Earnings per share	0.19	0.17

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

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

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

	30 September 2012	31 December 2011	Category
<i>Receivables</i>			
Gazprom Neft Aero JSC, Moscow, Russian Federation	-	3,717	Other
Total receivables:	-	3,717	
<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
Gazprom Neft Lubricants, Italia	-	(5,594)	Other
	(73,135,335)	(67,009,785)	
<i>Advances received</i>			
Gazprom Neft Aero JSC, Moscow, Russian Federation	(2,851)	-	Other
Total liabilities:	(73,138,186)	(67,009,785)	
Liabilities, net:	(73,138,186)	(67,006,068)	

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

	Nine month period ended 30 September		Category
	2012	2011	
<i>Sales</i>			
Gazprom Neft Aero JSC, Moscow, Russian Federation	82,273	26,503	Other
Gazprom Neft NTC, Moscow, Russian Federation	-	4,981	Other
	<u>82,273</u>	<u>31,484</u>	
<i>Cost of goods sold</i>			
Gazprom Neft Lubricants, Italia	<u>(10,350)</u>	<u>(7)</u>	Other
<i>Cost of raw materials</i>			
Gazprom Neft Trading, Austria	(43,462,775)	(47,128,979)	Other
Gazprom Neft Lubricants, Italia	(8,752)	-	Other
	<u>(43,471,527)</u>	<u>(47,128,979)</u>	
<i>Other operating expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	<u>(39,460)</u>	<u>(45,385)</u>	Parent
Operating expenses, net	<u>(43,439,064)</u>	<u>(47,142,887)</u>	
<i>Financial income</i>			
Gazprom Neft Trading, Austria	-	18,266	Other
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	<u>(97,373)</u>	<u>(31,695)</u>	Parent
Financial expenses, net	<u>(97,373)</u>	<u>(13,429)</u>	
<i>Other income</i>			
Gazprom Neft Trading, Austria	<u>1,050</u>	<u>30,012</u>	Other
<i>Other expenses</i>			
Gazprom Neft Trading, Austria	(98,188)	(131,753)	Other
Gazprom Neft, St Petersburg, Russian Federation	(4,664)	(21,250)	Parent
Gazprom Neft Lubricants, Italia	(4)	-	Other
	<u>(102,856)</u>	<u>(153,003)</u>	
Other expenses, net	<u>(101,806)</u>	<u>(122,991)</u>	

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

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

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Notes to the interim condensed consolidated financial statements*(All amounts are in 000 RSD, unless otherwise stated)***27. BUSINESS COMBINATIONS**

In 2012, as a part of regional expansion the Group has acquired 19 petrol and gas stations (P&G station): 10 in Bulgaria, 5 in Romania and 4 in Bosnia and Herzegovina. As a result of the acquisitions, the Group is expected to further increase its presence in these markets.

Name of acquiree	Date of acquisition	Percentage of equity interests acquired
<i>Bulgaria</i>		
P&G station Tsvetan Lazarov	25/01/2012	100%
P&G station Blagoevgrad	17/02/2012	100%
P&G station Priseltsi	14/03/2012	100%
P&G station Kardjali	17/05/2012	100%
P&G station Veliko Tarnovo	21/05/2012	100%
P&G station Smolian	22/06/2012	100%
P&G station Pazardjik	26/06/2012	100%
P&G station Vrajdebna	26/06/2012	100%
P&G station Plovdiv	29/06/2012	100%
P&G station Asenovgrad	21/09/2012	100%
<i>Romania</i>		
P&G station Petroliv	18/06/2012	100%
P&G station Alpha	05/07/2012	100%
P&G station XXL Oil	31/07/2012	100%
P&G station D&C Oil	31/07/2012	100%
P&G station Eso Oil	31/07/2012	100%
<i>Bosnia and Herzegovina</i>		
P&G station Bijeljina	17/09/2012	100%
P&G station Foča	17/09/2012	100%
P&G station Janja	17/09/2012	100%
P&G station Rogatica	17/09/2012	100%

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Notes to the interim condensed consolidated financial statements

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

27. BUSINESS COMBINATIONS (continued)

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

	<u>Bulgaria</u>	<u>Romania</u>	<u>BIH</u>	<u>Total</u>
<i>Purchase consideration:</i>				
Cash paid	1,366,518	980,836	338,607	2,685,961
Additional consideration	36,043	-	214	36,257
Total purchase consideration	1,402,561	980,836	338,821	2,722,218
Fair value of net identifiable assets acquired (see below)	1,402,561	980,836	338,821	2,722,218
Goodwill	-	-	-	-
<i>Amounts recognized as at acquisition date for each major class of assets acquired and liabilities assumed</i>				
Inventories	-	793	-	793
Property, plant and equipment	1,402,561	980,043	338,821	2,721,425
Net identifiable assets acquired	1,402,561	980,836	338,821	2,722,218

Acquisition related costs of 17,285 RSD have been charged to expenses in the consolidated Income Statement for the nine month period ended 30 September 2012.

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

Notes to the interim condensed consolidated financial statements

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

28. CONTINGENT LIABILITIES

Transfer of property ownership

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 and is mostly related to customs duties in the amount of 2,403,960 RSD (31 December 2011: 3,200,000 RSD).

29. COMMITMENTS

a) Farm-out agreement with Zeta Petroleum S.R.L. Romania

In August 2012, the Group has entered into Farm-out agreement with Zeta Petroleum S.R.L. Romania for exploration and production of hydrocarbons in Timis region in Romania. According to the Contract, the Group is committed to finance 51% of total exploration costs in the area covered by the exploration license. Depending on the success of exploration, the Group will be entitled to 51% of total production volume of hydrocarbons. By 30 September 2012, there were no activities with respect to the Agreement.

b) Farm-out agreement with Moesia Oil and Gas PLC Ireland

In June 2012, the Group has entered into a Farm-out agreement with Moesia Oil and Gas PLC Ireland for exploration and production of hydrocarbons in Romania. According to the Contract, the Group is committed to finance sunk costs and 75% of total exploration costs of Phase 1 of the Programme. Depending on the success of exploration, the Group will be entitled to 50% of total production volume of hydrocarbons and committed to finance 50% of further exploration and production costs. By 30 September 2012, there were no activities with respect to the Agreement

Notes to the interim condensed consolidated financial statements

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

30. EVENTS AFTER THE BALANCE SHEET DATE

Business combinations

During October 2012, the Group has acquired one P&G station in Bulgaria. The total consideration for the acquired business equals to 98,928 RSD (860,000 EUR).

Purchase of Land

During October 2012, the Group has purchased the plot of land in Bulgaria. The total purchase consideration equals to 90,415 RSD (786,000 EUR).

Kirill Kravchenko

CEO

08 November 2012

Branko Mitrovic

The person responsible for the
preparation of financial statements

08 November 2012