



NIS

GAZPROM NEFT

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

Interim Condensed Financial Statements

**As of 31 March 2012 and 31 December 2011 and
for the three-month period ended 31 March 2012 and 2011
(unaudited)**

Novi Sad, 26 April 2012

Interim condensed financial statements

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

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Interim condensed financial statements

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

BALANCE SHEET

ASSETS	Notes	31 March 2012	31 December 2011
		<i>(unaudited)</i>	
Non-current assets			
Intangible assets	5	6,543,253	4,441,599
Property, plant and equipment	6	127,778,005	124,923,027
Investment property		1,383,733	1,338,269
Investments in equity instruments		2,523,512	2,542,882
Other long-term investments	7	4,324,961	3,376,034
		142,553,464	136,621,811
Current assets			
Inventories	8	30,807,333	35,397,598
Non current assets held for sale		-	165,371
Trade and other receivables	9	25,577,109	20,373,239
Short-term financial investments		2,339,067	2,413,567
Cash and cash equivalents	10	15,957,029	25,228,726
VAT and prepaid expenses	11	6,594,982	4,626,921
Deferred tax assets		7,875,436	7,875,436
		89,150,956	96,080,858
Total assets		231,704,420	232,702,669
Off-balance sheet assets		86,340,599	79,279,565
EQUITY AND LIABILITIES			
Equity			
Share and other capital	12	87,128,024	87,128,024
Reserves		889,424	889,424
Revaluation reserves		12	12
Unrealized gains from securities		9,511	29,582
Unrealized losses from securities		(63,546)	(64,090)
Accumulated loss		7,986,590	(396,287)
		95,950,015	87,586,665
Long-term provisions and liabilities			
Long-term provisions		13,490,413	13,365,464
Long-term loans	13	34,925,759	33,774,543
Other long-term liabilities		49,513,331	47,666,041
		97,929,503	94,806,048
Short-term liabilities			
Short-term financial liabilities	14	4,549,360	3,444,922
Trade and other payables	15	16,571,575	29,458,654
Other short-term liabilities	16	6,073,703	6,666,892
Liabilities for VAT, other taxes and deferred income		8,873,727	8,087,096
Income tax liabilities		416,386	1,491,881
		36,484,751	49,149,445
Deferred tax liabilities		1,340,151	1,160,511
Total equity and liabilities		231,704,420	232,702,669
Off-balance sheet liabilities		86,340,599	79,279,565

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Interim condensed financial statements

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

INCOME STATEMENT

	Notes	Three-month period ended 31 March	
		2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Operating income			
Sales	17	45,597,285	36,742,340
Work performed by the entity and capitalized (Decrease) increase in inventories of finished goods and work in progress		908,441 (2,401,617)	338,547 62,465
Other operating income		97,274	63,082
		<u>44,201,383</u>	<u>37,206,434</u>
Operating expenses			
Cost of goods sold		(2,476,772)	(2,446,818)
Raw material and consumables used	18	(18,036,333)	(19,073,201)
Employee benefits expense	20	(5,230,035)	(5,363,308)
Depreciation, amortisation and provision	19	(1,771,966)	(2,005,402)
Other operating expenses	21	(3,360,450)	(2,830,794)
		<u>(30,875,556)</u>	<u>(31,719,523)</u>
Profit from operating activities		<u>13,325,827</u>	<u>5,486,911</u>
Financial income	22	1,928,510	5,355,145
Financial expenses	23	(6,447,967)	(1,154,721)
Other income		1,031,836	1,685,986
Other expenses		(712,935)	(1,141,116)
Profit before income tax		<u>9,125,271</u>	<u>10,232,205</u>
Income tax		<u>(742,394)</u>	<u>(402,082)</u>
Income tax expense		(562,754)	(575,504)
Deferred tax income		(179,640)	173,422
Profit for the period		<u>8,382,877</u>	<u>9,830,123</u>
Earnings per share			
- Basic	24	0,05	0,06

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Interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***STATEMENT OF CASH FLOWS**

	Three-month period ended 31 March	
	2012	2011
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Sales and advances received	57,843,481	53,648,038
Interest from operating activities	783,133	122
Other inflow from operating activities	97,274	63,082
<i>Cash inflow from operating activities</i>	<u>58,723,888</u>	<u>53,711,242</u>
Payments and prepayments to suppliers	(35,283,746)	(27,224,010)
Salaries, benefits and other personal expenses	(5,667,325)	(5,472,431)
Interest paid	(903,071)	(767,898)
Income tax paid	(1,638,248)	(825,691)
Payments for other public revenues	(17,279,285)	(20,469,694)
<i>Cash outflow from operating activities</i>	<u>(60,771,675)</u>	<u>(54,759,724)</u>
Net cash used in operating activities	<u>(2,047,787)</u>	<u>(1,048,482)</u>
Cash flows from investing activities		
Proceeds from sale of intangible assets and property, plant and equipment	165,991	661
<i>Cash inflow from investing activities</i>	<u>165,991</u>	<u>661</u>
Purchase of shares (net outflow)	(158)	(19,011)
Purchase of intangible assets, property, plant and equipment	(6,925,374)	(2,857,024)
Other financial investments (net outflow)	(707,695)	-
<i>Cash outflow from investing activities</i>	<u>(7,633,227)</u>	<u>(2,876,035)</u>
Net cash used in investing activities	<u>(7,467,236)</u>	<u>(2,875,374)</u>
Cash flows from financing activities		
Proceeds from long-term and short term borrowings	-	2,560,684
<i>Cash inflow from financing activities</i>	<u>-</u>	<u>2,560,684</u>
Outflows from long-term, short-term and other liabilities	(340,479)	(1,733,184)
<i>Cash outflow from financing activities</i>	<u>(340,479)</u>	<u>(1,733,184)</u>
Net cash (used in) provided by financing activities	<u>(340,479)</u>	<u>827,500</u>
Decrease in cash and cash equivalents	(9,855,502)	(3,096,356)
Cash and cash equivalents at beginning of period	25,228,726	10,595,830
Currency translation gains on cash and cash equivalents	667,481	18,044
Currency translation losses on cash and cash equivalents	(83,676)	(476,396)
Cash and cash equivalents at end of period	<u>15,957,029</u>	<u>7,041,122</u>

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Interim condensed financial statements

*(All amounts are in 000 RSD, unless otherwise stated)***STATEMENT OF CHANGES IN EQUITY**

for the three month period ended 31 March 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:								
- Loss	-	-	-	-	-	-	9,830,123	9,830,123
- Gains from securities	-	-	-	-	3,191	(2,863)	-	328
Balance as at 31 March 2011	81,530,200	5,597,824	889,424	39	51,608	(52,099)	(31,167,831)	56,849,165
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:								
- Net income	-	-	-	-	-	-	8,382,877	8,382,877
- Losses from securities	-	-	-	-	(20,071)	544	-	(19,527)
Balance as at 31 March 2012	81,530,200	5,597,824	889,424	12	9,511	(63,546)	7,986,590	95,950,015

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Notes to the interim condensed financial statements

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1. GENERAL INFORMATION

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

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

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

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

These interim condensed financial statements have been approved by CEO.

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

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

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

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

Notes to the interim condensed financial statements

(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“). In Company, Bord of Directors and Executive Committee is seen as CODM.

During the third quarter of 2011 a new business segment within the company - "Energy" was founded for the operations expansion to electricity and heat production. On 31 March 2012 the business segment Energy did not qualify as a separate reporting segment and was included within Other reporting segment.

As of 31 March 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 three-month period ended 31 March 2012 are shown in the following table:

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	23,110,898	1,575,287	26,643,414	39,247,057	86,344	90,663,000
Inter-segment revenue	(17,299,627)	(627,607)	(28,594,036)	82,381	(22,728)	(46,461,617)
Operating income - total	5,811,271	947,680	(1,950,622)	39,329,438	63,616	44,201,383
Depreciation	(500,723)	(205,138)	(501,787)	(175,367)	(228,286)	(1,611,301)
Impairment losses	237	-	2,427	12,044	-	14,708
Segment profit (loss) from operating activities	19,651,274	(244,078)	(4,015,193)	(419,564)	(1,646,612)	13,325,827
Financial income (expenses)	39,498	16,210	(864,015)	58,389	(3,769,539)	(4,519,457)
Other income (expenses)	313,656	11,746	57,981	(22,764)	(41,718)	318,901
Segment Profit (loss) before tax	20,004,428	(216,122)	(4,821,227)	(383,939)	(5,457,869)	9,125,271
Deferred income tax expense	-	-	-	-	(179,640)	(179,640)
Income tax expense	-	-	-	-	(562,754)	(562,754)
Segment profit (loss)	20,004,428	(216,122)	(4,821,227)	(383,939)	(6,200,263)	8,382,877

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Notes to the interim condensed financial statements

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4. SEGMENT INFORMATION (continued)

Reportable segments results for the three-month period ended 31 March 2011 are shown in the following table:

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	16,626,956	820,991	25,103,452	34,629,298	52,491	77,233,188
Inter-segment revenue	(13,308,515)	(397,731)	(26,080,730)	(239,778)	-	(40,026,754)
Operating income - total	3,318,441	423,260	(977,278)	34,389,520	52,491	37,206,434
Depreciation	(687,659)	(199,287)	(498,185)	(146,753)	(239,515)	(1,771,399)
Impairment losses	(7,096)	-	(9,888)	-	(225)	(17,209)
Segment profit (loss) from operating activities	13,477,043	(718,318)	(5,622,009)	(91,237)	(1,558,568)	5,486,911
Financial income	40,249	4,962	1,653,286	197,289	2,304,638	4,200,424
Other income (expenses)	312,620	(34,469)	(70,395)	61,934	275,180	544,870
Segment Profit (loss) before tax	13,829,912	(747,825)	(4,039,118)	167,986	1,021,250	10,232,205
Deferred income tax	-	-	-	-	173,422	173,422
Income tax expense	-	-	-	-	(575,504)	(575,504)
Segment profit (loss)	13,829,912	(747,825)	(4,039,118)	167,986	619,168	9,830,123

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:

	Three-month period ended 31 March	
	2012	2011
<i>Sales:</i>		
Sale of crude oil	1,819,154	-
Sale of petroleum products	40,714,630	33,801,938
Sale of goods	2,730,156	2,661,682
Sale of services	333,345	278,720
	45,597,285	36,742,340
Work performed by the entity and capitalized	908,441	338,547
Increase in inventories of finished goods and work in progress	(2,401,617)	62,465
Other operating income	97,274	63,082
Total Operating Income	44,201,383	37,206,434

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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 31 March 2011					
Opening net book amount	-	693,689	145,566	3,996,506	4,835,761
Additions	-	-	203,527	-	203,527
Transfer from CIP	-	20,312	(32,043)	11,731	-
Depreciation	-	(21,167)	-	(147,546)	(168,713)
Disposals	-	-	(42)	-	(42)
Other transfers	-	-	(658)	-	(658)
Closing net book amount	-	692,834	316,350	3,860,691	4,869,875
As at 31 March 2011					
Cost	-	898,432	2,014,643	4,733,457	7,646,532
Accumulated depreciation and impairment	-	(205,598)	(1,698,293)	(872,766)	(2,776,657)
Net book amount	-	692,834	316,350	3,860,691	4,869,875
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 31 March 2012					
Opening net book amount	-	645,454	271,673	3,524,472	4,441,599
Additions	-	-	662,061	-	662,061
Transfer from CIP	-	3,377	(13,249)	9,872	-
Transfer from PP&E	1,612,354	-	-	-	1,612,354
Depreciation	-	(22,484)	-	(146,836)	(169,320)
Impairment	-	-	(3,441)	-	(3,441)
Closing net book amount	1,612,354	626,347	917,044	3,387,508	6,543,253
As at 31 March 2012					
Cost	1,612,354	878,283	1,059,322	4,763,565	8,313,524
Accumulated depreciation and impairment	-	(251,936)	(142,278)	(1,376,057)	(1,770,271)
Net book amount	1,612,354	626,347	917,044	3,387,508	6,543,253

Other intangible assets as of 31 March 2012 mostly relate to investment in SAP system in the amount of 3,266,569 RSD (2011: 3,401,832 RSD) .

Notes to the interim condensed financial statements

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
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 31 March 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	-	-	-	2,857,721	-	-	1,176,913	4,034,634
Transfer from CIP	-	1,292,466	242,823	(1,535,816)	527	-	-	-
Other transfers	(328)	494,159	(481,201)	(12,839)	867	-	-	658
Disposals and advances paid used	-	28,121	(794)	(1,511)	(325)	-	(729,607)	(704,116)
Depreciation	-	(808,832)	(793,764)	-	-	(90)	-	(1,602,686)
Impairment charge	-	(225)	-	(16,984)	-	-	-	(17,209)
Closing net book amount	10,536,797	39,597,866	24,615,347	11,725,725	89,581	630	13,159,726	99,725,672
As at 31 March 2011								
Cost	11,274,498	64,783,163	54,995,448	15,122,408	90,140	110,630	13,234,401	159,610,688
Accumulated depreciation and impairment	(737,701)	(25,185,297)	(30,380,101)	(3,396,683)	(559)	(110,000)	(74,675)	(59,885,016)
Net book amount	10,536,797	39,597,866	24,615,347	11,725,725	89,581	630	13,159,726	99,725,672
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 31 March 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	-	-	-	8,242,178	-	-	1,614,817	9,856,995
Transfer from CIP	5,084	384,025	1,331,417	(1,720,526)	-	-	-	-
Other transfers	-	(47,079)	(164,623)	211,702	-	-	-	-
Disposals and advances paid used	-	(9)	(18,851)	(250,170)	(1)	-	(3,618,480)	(3,887,511)
Depreciation	-	(618,998)	(822,893)	-	(90)	(90)	-	(1,441,981)
Impairment charge	-	(238)	(14,470)	-	-	-	-	(14,708)
Transfer to intangible assets	-	-	-	(1,612,354)	-	-	-	(1,612,354)
Transfer to investment property	(37,737)	(7,726)	-	-	-	-	-	(45,463)
Closing net book amount	10,457,688	38,241,806	25,716,519	46,528,225	88,258	270	6,745,239	127,778,005
As at 31 March 2012								
Cost	11,151,639	63,200,919	61,622,325	49,298,466	93,278	110,630	6,766,657	192,243,914
Accumulated depreciation and impairment	(693,951)	(24,959,113)	(35,905,806)	(2,770,241)	(5,020)	(110,360)	(21,418)	(64,465,909)
Net book amount	10,457,688	38,241,806	25,716,519	46,528,225	88,258	270	6,745,239	127,778,005

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

The additions to property, plant and equipment for the three-month period ended 31 March 2012 in the amount of 9,856,995 RSD (2011: 4,034,634 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 4,772,641 RSD. Advances paid to suppliers, related to the MHC/DHT project, as of 31 March 2012 amounted to 4,736,837 RSD.

In 2012 the Company has capitalized borrowing costs for construction of qualifying assets as part of their acquisition cost in the amount of 483,585 RSD (2011: 177,284 RSD).

7. OTHER LONG-TERM INVESTMENTS

	31 March 2012	31 December 2011
Rescheduled receivables	5,234,986	5,601,478
Long-term loans to subsidiaries	3,154,555	2,289,198
Long-term loans to employees	1,129,299	1,052,371
Property finance lease receivables	148,043	148,043
Investments in Crni Vrh – O Zone	1,616,295	1,616,295
Other long-term financial assets	791,176	769,623
	<u>12,074,354</u>	<u>11,477,008</u>
<i>Less provision:</i>		
- rescheduled receivables	(5,234,986)	(5,601,478)
- property finance lease receivables	(114,186)	(120,668)
- investments in Crni Vrh – O Zone	(1,616,295)	(1,616,295)
- other long-term financial assets	(783,926)	(762,533)
	<u>(7,749,393)</u>	<u>(8,100,974)</u>
Total – net	<u>4,324,961</u>	<u>3,376,034</u>

Long-term loans to subsidiaries

Long-term loans to subsidiaries translated into RSD as of 31 March 2012 consist of:

	Currency	31 March 2012	31 December 2011
NIS Petrol e.o.o.d., Sofija, Bulgaria	EUR	2,343,175	1,628,515
Jadran-Naftagas d.o.o., Banja Luka, BiH	EUR	502,678	387,571
NIS Petrol SRL, Bucharest, Romania	EUR	16,148	-
Pannon naftagas Kft, Budapest, Hungary	EUR	1,893	-
NIS Petrol d.o.o., Laktasi, BiH	EUR	290,661	273,112
		<u>3,154,555</u>	<u>2,289,198</u>

Long-term loans to subsidiaries are approved at the variable interest rates (3M Euribor + 7.5% and 3M Euribor + 5%), for a period of 7 years from the date of payment of the last tranche, with a grace period of 5 years. The carrying value of long-term loans is equal to their fair value.

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Notes to the interim condensed financial statements

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

8. INVENTORIES

	<u>31 March 2012</u>	<u>31 December 2011</u>
Raw materials	19,262,557	23,272,508
Spare parts	2,849,049	2,783,196
Tools	122,083	137,291
Work in progress	5,935,994	5,802,756
Finished goods	6,013,337	8,548,192
Merchandise	3,901,253	2,270,553
	<u>38,084,273</u>	<u>42,814,496</u>
Advances	<u>900,218</u>	<u>764,659</u>
<i>Less provision:</i>		
- for inventories	(7,801,869)	(7,801,869)
- for advances	(375,289)	(379,688)
	<u>(8,177,158)</u>	<u>(8,181,557)</u>
Total inventories – net	<u>30,807,333</u>	<u>35,397,598</u>

Movement on inventory provision is as follows:

	<u>2012</u>	<u>2011</u>
As at January 1	(8,181,557)	(5,334,979)
Provision for impaired inventories charged to the period	(765)	(5,292)
Provision reversed	5,164	35,775
Other	-	20,154
As at March 31	<u>(8,177,158)</u>	<u>(5,284,342)</u>

Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***9. TRADE AND OTHER RECEIVABLES**

	<u>31 March 2012</u>	<u>31 December 2011</u>
Trade receivables:		
- domestic	26,226,716	22,564,614
- foreign	2,346,107	1,054,202
- related parties	1,545,318	2,096,242
	<u>30,118,141</u>	<u>25,715,058</u>
Receivables from specific operations	8,598,488	7,998,971
Interest receivables	4,683,800	4,984,235
Receivables from employees	85,155	86,656
Other receivables	7,440,022	7,428,788
	<u>12,208,977</u>	<u>12,499,679</u>
	<u>50,925,606</u>	<u>46,213,708</u>
<i>Less provision:</i>		
- trade receivables	(4,871,160)	(5,684,020)
- receivables from specific operations	(8,593,073)	(7,978,573)
- interest receivables	(4,561,056)	(4,854,318)
- other receivables	(7,323,208)	(7,323,558)
	<u>(25,348,497)</u>	<u>(25,840,469)</u>
Total receivables – net	<u>25,577,109</u>	<u>20,373,239</u>

Trade receivables as of 31 March 2012 in amount 6,293,189 RSD that are more than 90 days overdue are considered as impaired, except for receivables in the amount of 1,477,985 RSD (31 December 2011: 269,440 RSD) out of which 1,310,800 RSD relate to Srbijagas Novi Sad. .

The ageing of trade receivables is as follows:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Up to 3 months	23,824,952	19,824,325
Over 3 months	6,293,189	5,890,733
	<u>30,118,141</u>	<u>25,715,058</u>

As of 31 March 2012 trade receivables in the amount of 4,871,160 RSD (31 December 2011: 5,684,020 RSD) were either impaired or provided for. The individually impaired receivables mainly relate to customers which are assessed as uncollectable. The ageing of receivables provided for is as follows:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Up to 3 months	55,956	62,727
Over 3 months	4,815,204	5,621,293
	<u>4,871,160</u>	<u>5,684,020</u>

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Notes to the interim condensed financial statements

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

9. TRADE AND OTHER RECEIVABLES (continued)

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

	<u>31 March 2012</u>	<u>31 December 2011</u>
RSD	47,335,394	45,056,177
EUR	942,744	241,141
USD	2,647,261	916,156
Other	207	234
	<u>50,925,606</u>	<u>46,213,708</u>

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

	<u>2012</u>	<u>2011</u>
As at January 1	(25,840,469)	(26,103,844)
Provision for impaired receivables	(440,326)	(352,870)
Written off	174,137	22,729
Unused amounts reversed	758,161	233,284
Other	-	(2,173)
As at March 31	<u>(25,348,497)</u>	<u>(26,202,874)</u>

10. CASH AND CASH EQUIVALENTS

	<u>31 March 2012</u>	<u>31 December 2011</u>
Cash in bank	15,317,043	24,793,781
Cash on hand	606,328	391,896
Other cash equivalents	33,658	43,049
	<u>15,957,029</u>	<u>25,228,726</u>

As at 31 March 2012 short-term bank deposits with maturity up to 30 days in amount of 9,735,462 RSD (2011: 16,473,646 RSD) are presented as Cash in bank.

Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***11. VAT AND PREPAID EXPENSES**

	<u>31 March 2012</u>	<u>31 December 2011</u>
Prepayment for VAT	997,019	1,746,469
Prepaid expenses	191,132	55,361
Accrued revenue	3,163,479	483,920
Prepaid excise duty	870,011	1,119,985
Housing loans and other prepayments	1,373,341	1,221,186
	<u>6,594,982</u>	<u>4,626,921</u>

Prepayment for VAT as of 31 March 2012 in the amount of 997,019 RSD represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise duty amounting to 870,011 RSD (2011: 1,119,985 RSD) refers to the excise paid to the state for finished products stored in non-excise warehouse.

Accrued revenue as of 31 March 2012 in the amount of 3,163,479 RSD (31 December 2011: 483,920 RSD) relates to a receivable from a debtor for current period sales of oil and oil products that have not been billed by the Company in current period.

12. SHARE CAPITAL

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

The structure of the share capital as at 31 March 2012 was:

Shareholders	<u>Number of shares</u>	<u>Structure in %</u>
Gazprom Neft	91,565,887	56.15%
Republic of Serbia	48,713,569	29.87%
Unicredit bank Serbia ad - custody account	612,951	0.38%
Erste bank a.d. Novi Sad - custody account	538,874	0.33%
Unicredit bank Serbia ad - custody account	528,866	0.32%
Societe Generale Bank Serbia - custody account	140,000	0.09%
Julius Baer Multipartner	133,686	0.08%
Unicredit bank Serbia ad - custody account	128,264	0.08%
The Royal bank of Scotland N.V.	121,355	0.07%
Vojvodjanska banka ad Novi Sad - custody account	94,520	0.06%
Other	20,482,428	12.57%
	<u>163,060,400</u>	<u>100.00%</u>

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Notes to the interim condensed financial statements

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

13. LONG-TERM LOANS

	31 March 2012	31 December 2011
Domestic	19,558,490	19,064,657
Foreign	17,468,952	16,984,538
	<u>37,027,442</u>	<u>36,049,195</u>
Current portion of long-term loans	<u>(2,101,683)</u>	<u>(2,274,652)</u>
Total	<u>34,925,759</u>	<u>33,774,543</u>

The maturity of non-current loans was as follows:

	31 March 2012	31 December 2011
Between 1 and 2 years	4,698,587	4,538,604
Between 2 and 5 years	23,280,433	22,487,295
Over 5 years	6,946,739	6,748,644
	<u>34,925,759</u>	<u>33,774,543</u>

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

	31 March 2012	31 December 2011
RSD	1,281,410	1,281,436
EUR	9,331,815	8,900,998
USD	25,921,664	25,352,982
JPY	492,553	513,779
	<u>37,027,442</u>	<u>36,049,195</u>

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Notes to the interim condensed financial statements

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

13. LONG-TERM LOANS (continued)

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

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

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

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

Creditor	Currency	31 March 2012	31 December 2011
Domestic long-term loans			
NLB bank, Novi Sad (London club)	USD	48,476	47,052
NLB bank, Novi Sad (Paris club)	USD	512,311	506,761
NLB bank, Novi Sad (Paris club)	JPY	492,553	513,779
Erste bank, Novi Sad (London club)	USD	4,610	4,475
Erste bank, Novi Sad (Paris club)	EUR	467,732	446,569
Erste bank, Novi Sad (Paris club)	USD	292,603	288,582
Hypo Alpe Adria Bank, Belgrade	EUR	170,759	280,786
Piraeus bank, Belgrade	USD	4,165,645	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	236,968	227,822
Bank Postanska stedionica, Belgrade (Paris club)	USD	1,655,281	1,643,661
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,814,809	4,524,125
Government of Republic of Serbia, Agency for deposit assurance	USD	583,185	566,059
UniCredit bank, Belgrade	USD	4,832,148	4,690,240
UniCredit bank, Belgrade	RSD	1,278,900	1,278,900
Other loans	RSD	2,510	2,536
		19,558,490	19,064,657
Foreign long-term loans			
Erste Bank, Holland	EUR	3,340,929	3,139,227
VUB (Bank Intesa), Slovakia	USD	8,331,290	8,086,620
NBG Bank, London	USD	1,330,470	1,432,912
NBG Bank, London	EUR	300,618	282,469
Alpha Bank, London	USD	4,165,645	4,043,310
		17,468,952	16,984,538
Less current portion of long-term loans		(2,101,683)	(2,274,652)
		34,925,759	33,774,543

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Notes to the interim condensed financial statements

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

13. LONG-TERM LOANS (continued)

Currency	Current portion		Long-term		
	31 March 2012	31 December 2011	31 March 2012	31 December 2011	
Domestic long - term loans					
NLB bank, Novi Sad (London club)	USD	3,729	3,619	44,747	43,433
NLB bank, Novi Sad (Paris club)	USD	21,615	19,615	490,696	487,146
NLB bank, Novi Sad (Paris club)	JPY	18,297	17,603	474,256	496,176
Erste bank, Novi Sad (London club)	USD	355	344	4,255	4,131
Erste bank, Novi Sad (Paris club)	EUR	16,659	14,635	451,073	431,934
Erste bank, Novi Sad (Paris club)	USD	10,421	9,458	282,182	279,124
Hypo Alpe Adria Bank, Belgrade	EUR	170,759	280,786	-	-
Piraeus bank, Belgrade	USD	-	-	4,165,645	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	11,768	10,558	225,200	217,264
Bank Postanska stedionica, Belgrade (Paris club)	USD	81,711	75,702	1,573,570	1,567,959
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	241,169	226,609	4,573,640	4,297,516
Government of Republic of Serbia, Agency for deposit assurance	USD	-	-	583,185	566,059
UniCredit bank, Belgrade	USD	-	-	4,832,148	4,690,240
UniCredit bank, Belgrade	RSD	-	-	1,278,900	1,278,900
Other loans	RSD	416	415	2,094	2,121
		576,899	659,344	18,981,591	18,405,313
Foreign long-term loans					
Erste Bank, Holland	EUR	-	-	3,340,929	3,139,227
VUB (Bank Intesa), Slovakia	USD	-	-	8,331,290	8,086,620
NBG Bank, London	USD	1,324,372	1,426,995	6,098	5,917
NBG Bank, London	EUR	200,412	188,313	100,206	94,156
Alpha Bank, London	USD	-	-	4,165,645	4,043,310
		1,524,784	1,615,308	15,944,168	15,369,230
		2,101,683	2,274,652	34,925,759	33,774,543

14. SHORT-TERM FINANCIAL LIABILITIES

	31 March 2012	31 December 2011
Short-term financial liabilities to Parent (current portion)	2,412,898	1,133,612
Current portion of long-term loans (note 13)	2,101,683	2,274,652
Current portion of financial lease	34,708	33,069
Other short-term liabilities	71	3,589
	4,549,360	3,444,922

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

	31 March 2012	31 December 2011
Advances received	738,848	872,581
Trade payables:		
- domestic	2,875,488	2,724,233
- foreign	1,908,926	6,861,872
Trade payables – parents and subsidiaries	15,109	12,505
Trade payables – other related parties	10,680,819	18,587,440
Liabilities from other operations	72,082	71,956
Liabilities from specific operations	280,303	328,067
	16,571,575	29,458,654

As at 31 March 2012 payables to other related parties in the amount of 10,680,819 RSD (31 December 2011: 18,587,440 RSD) mostly relate to liabilities for crude oil delivered by Gazprom Neft Trading, Austria in the amount of 10,432,595 RSD (31 December 2011: 18,116,245 RSD).

16. OTHER SHORT-TERM LIABILITIES

	31 March 2012	31 December 2011
Liabilities for unpaid wages and salaries, gross	1,031,036	1,663,691
Liabilities to employees	7,173	46,715
Liabilities for interest – domestic	344,135	354,633
Liabilities for dividends	3,772,308	3,772,308
Unused holiday accrual	822,636	714,425
Other liabilities	96,415	115,120
	6,073,703	6,666,892

Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***17. SALES**

	Three-month ended 31 March	
	2012	2011
Sales of products:		
- domestic	34,167,053	27,765,859
- foreign	6,575,337	3,480,576
- related parties	1,791,394	2,555,503
	<u>42,533,784</u>	<u>33,801,938</u>
Sales of goods:		
- domestic	2,726,303	2,661,268
- foreign	3,830	414
- related parties	23	-
	<u>2,730,156</u>	<u>2,661,682</u>
Sales of services:		
- domestic	149,918	98,852
- foreign	183,396	179,868
- related parties	31	-
	<u>333,345</u>	<u>278,720</u>
	<u>45,597,285</u>	<u>36,742,340</u>

18. RAW MATERIAL AND CONSUMABLES USED

	Three-month ended 31 March	
	2012	2011
Cost of raw materials	17,373,830	18,419,069
Cost of office and other material	148,725	203,205
Other fuel and energy expenses	513,778	450,927
	<u>18,036,333</u>	<u>19,073,201</u>

19. DEPRECIATION, AMORTISATION AND PROVISIONS

	Three-month ended 31 March	
	2012	2011
Depreciation and amortisation expenses	1,611,301	1,771,399
Provision for :		
- asset retirement obligation and environmental protection	-	79,872
- salaries and employees benefits	112,888	154,131
- legal cases	47,777	-
	<u>1,771,966</u>	<u>2,005,402</u>

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

	Three-month ended 31 March	
	2012	2011
Wages and salaries (gross)	4,027,168	3,483,606
Taxes and contributions on wages and salaries paid by employer	678,672	576,321
Costs of temporary service agreement	90,485	71,336
Cost of other temporary service agreements	7,150	3,489
Fees paid to management and supervisory board members	7,065	7,379
Cost for employees termination payments	97,031	753,671
Other personal expenses and benefits	322,464	467,506
	5,230,035	5,363,308

Termination costs in the amount of 97,031 RSD (2011: 753,671 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 56 (2011: 297 employees).

	Three-month ended 31 March	
	2012	2011
Average number of people employed	9,080	10,051

Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***21. OTHER OPERATING EXPENSES**

	Three-month ended 31 March	
	2012	2011
Cost of production services	466,389	452,179
Transportation services	354,825	386,962
Maintenance	136,223	232,812
Rental costs	98,849	60,506
Fairs	-	1,943
Advertising costs	88,555	43,113
Research costs	8,775	26,890
Cost of other services	170,483	226,571
Costs of non production services	556,068	407,030
Representation costs	12,505	41,119
Insurance premium	52,949	62,621
Bank charges	37,141	29,588
Cost of custom duties, property taxes and other taxes	523,488	249,167
Fee for emergency situations	78,345	-
Mineral extraction tax	657,738	464,008
Cost of legal and consulting services	6,425	34,625
Administrative and other taxes	38,047	44,827
Other	73,645	66,833
	3,360,450	2,830,794

Fee for emergency situations in the amount of 78,345 RSD represents fee calculated in accordance with the Emergency situations law.

Cost of non-production services for three month period ended 31 March 2012 in the amount of 556,068 RSD (2011: 407,030 RSD) mostly relate to costs incurred for: security and cleaning costs in the amount of 390,819 RSD, project management costs in the amount of 46,224 RSD, certification and supervision costs in amount 10,651 RSD.

22. FINANCIAL INCOME

	Three-month ended 31 March	
	2012	2011
Financial income – parent and subsidiaries	41,364	-
Interest income	544,372	307,280
Foreign exchange gains	1,342,677	5,047,522
Other financial income	97	343
	1,928,510	5,355,145

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Notes to the interim condensed financial statements

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

23. FINANCIAL EXPENSES

	Three-month ended 31 March	
	2012	2011
Financial expenses – parent	61,804	32,885
Interest expenses	460,272	645,345
Amortization of long-term liabilities	80,896	-
Foreign exchange losses	5,844,604	476,396
Other financial expenses	391	95
	6,447,967	1,154,721

24. EARNING PER SHARE

	Three-month ended 31 March	
	2012	2011
Profit	8,382,877	9,830,123
Weighted average number of shares outstanding	163,060,400	163,060,400
Basic Earning per share	0.05	0.06

25. 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.

Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***25. RELATED PARTIES TRANSACTIONS (continued)**

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.

	31 March 2012	31 December 2011	Category
<i>Long-term loans</i>			
NIS Petrol e.o.o.d., Sofija, Bulgaria	2,343,175	1,628,515	Subsidiary
Jadran-Naftagas d.o.o. Banja Luka, BiH	502,678	387,571	Subsidiary
NIS Petrol SRL, Bucharest, Romania	16,148	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	1,893	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	290,661	273,112	Subsidiary
	<u>3,154,555</u>	<u>2,289,198</u>	
<i>Advances</i>			
NIS Oversiz, Moscow, Russia	1,657	1,544	Subsidiary
<i>Receivables</i>			
O Zone a.d. Belgrade, Serbia	215,672	216,045	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	29,816	79,746	Subsidiary
Ranis, Moscow area, Russia	142	126	Subsidiary
Jadran-naftagas d.o.o. Banja Luka, BiH	9,390	15,175	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	25,230	-	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russia	-	3,717	Other
NIS Oversiz, Moscow, Russia	22	22	Subsidiary
	<u>286,157</u>	<u>314,831</u>	
Total receivables:	<u>3,442,369</u>	<u>2,605,573</u>	
<i>Liabilities</i>			
Gazprom Neft, St Petersburg, Russia	(52,019,895)	(48,887,946)	Parent
Gazprom Neft Trading, Austria	(10,432,595)	(18,116,245)	Other
O Zone a.d. Belgrade, Serbia	(7,900)	(9,148)	Subsidiary
Gazprom Neft Lubricants, Italia	-	(5,594)	Other
Svetlost d.o.o., Bujanovac, Serbia	(4)	(4)	Subsidiary
NIS Oversiz, Moscow, Russia	-	(3,522)	Subsidiary
	<u>(62,460,394)</u>	<u>(67,022,459)</u>	
<i>Advances received</i>			
O Zone a.d. Belgrade, Serbia	(126)	(126)	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	(20)	(1,966)	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russia	(797)	-	Other
	<u>(943)</u>	<u>(2,092)</u>	
<i>Accruals</i>			
O Zone a.d. Belgrade, Serbia	(426)	(748)	Subsidiary
Total liabilities:	<u>(62,461,763)</u>	<u>(67,025,299)</u>	
Liabilities, net:	<u>(59,019,394)</u>	<u>(64,419,726)</u>	

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Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***25. RELATED PARTIES TRANSACTIONS (continued)**

	Three-month period ended		Category
	2012	2011	
<i>Sales</i>			
Svetlost d.o.o., Bujanovac, Serbia	256,645	169,252	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russia	20,276	-	Other
Jadran-naftagas d.o.o. Banja Luka, BiH	2,755	-	Subsidiary
O Zone a.d. Belgrade, Serbia	27	3,290	Subsidiary
	<u>279,703</u>	<u>172,542</u>	
<i>Other operating income</i>			
O Zone a.d. Belgrade, Serbia	62	374	Subsidiary
<i>Purchases of raw materials</i>			
Gazprom Neft Trading, Austria	<u>(12,051,470)</u>	<u>(15,720,294)</u>	Other
<i>Cost of salaries, benefits and other personnel expenses</i>			
O Zone a.d. Belgrade, Serbia	<u>(51,639)</u>	<u>(28,797)</u>	Subsidiary
<i>Other operating expenses</i>			
Gazprom Neft, St Petersburg, Russia	(12,046)	(12,665)	Parent
NIS Oversiz, Moscow, Russia	-	(4,278)	Subsidiary
O Zone a.d. Belgrade, Serbia	<u>(2,778)</u>	<u>(1,022)</u>	Subsidiary
	<u>(14,824)</u>	<u>(17,965)</u>	
	<u>(11,838,168)</u>	<u>(15,594,140)</u>	
<i>Financial income</i>			
Jadran-naftagas d.o.o. Banja Luka, BiH	8,266	-	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	27,279	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	5,741	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	21	-	Subsidiary
NIS Petrol SRL, Bucharest, Romania	57	-	Subsidiary
	<u>41,364</u>	<u>-</u>	
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russia	<u>(61,804)</u>	<u>(32,885)</u>	Parent
	<u>(20,440)</u>	<u>(32,885)</u>	

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Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***25. RELATED PARTIES TRANSACTIONS (continued)**

	Three-month period ended 31 March		Category
	2012	2011	
<i>Other income</i>			
Gazprom Neft Trading, Austria	457	21,417	Other
<i>Other expenses</i>			
Gazprom Neft Trading, Austria	(33,868)	(37,848)	Other
Gazprom Neft, St Petersburg, Russia	(4,664)	(21,250)	Parent
Svetlost d.o.o., Bujanovac, Serbia	-	(7,767)	Subsidiary
O Zone a.d. Belgrade, Serbia	(1,400)	(82)	Subsidiary
	<u>(39,932)</u>	<u>(66,947)</u>	
	<u>(39,475)</u>	<u>(45,530)</u>	

Main transaction with state owned companies

	31 March 2012	31 December 2011
<i>Receivables</i>		
HIP Petrohemija	1,512,099	1,995,294
Srbijagas	10,464,784	7,414,404
	11,976,883	9,409,698
<i>Liabilities</i>		
HIP Petrohemija	(173,620)	(471,195)
Srbijagas	(81,309)	(272,661)
	(254,929)	(743,856)
<i>Advances received</i>		
Srbijagas	(12,806)	(12,796)

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Notes to the interim condensed financial statements

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

25. RELATED PARTIES TRANSACTIONS (continued)

Main transaction with state owned companies (continued)

	Three-month period ended	
	31 March	
	2012	2011
<i>Income</i>		
HIP Petrohemija	1,511,745	2,382,961
Srbijagas	3,650,739	2,385,995
	<u>5,162,484</u>	<u>4,768,956</u>
<i>Costs</i>		
HIP Petrohemija	(46,252)	(44,335)
Srbijagas	(61,060)	(45,492)
	<u>(107,312)</u>	<u>(89,827)</u>

26. CONTINGENT LIABILITIES

Transfer of property ownership

Until March 31, 2012 the ownership of 5,085 and the use and possession of 2,312 items of properties, which makes up 60% and 27% of the total number of items of Company's properties (buildings and land), respectively.

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

Financial Guarantees

As of 31 March 2012 the total amount of outstanding financial guarantees given by the Company amounted to 3,575,793 RSD and it was mostly related to customs duties in the amount of 2,400,000 RSD (31 December 2011: 3,200,000 RSD).

27. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.



 Kirill Kravchenko
 CEO
 26 April 2012



 Branko Mitrovic
 The person responsible for the
 preparation of financial statements
 26 April 2012

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