



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

Interim Condensed Financial Statements

**As of September 30, 2011 and December 31, 2010 and
for the nine month period ended September 30, 2011 and 2010
(unaudited)**

Novi Sad, October 24, 2011

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 | September 30, 2011 | December 31, 2010 |
|---|-------|-------------------------------|------------------------------|
| | | <i>(unaudited)</i> | |
| Non-current assets | | | |
| Intangible assets | | 4,671,296 | 4,835,761 |
| Property, plant and equipment | 5 | 115,049,889 | 98,014,391 |
| Investment property | | 1,469,937 | 1,393,170 |
| Investments in equity instruments | | 2,554,148 | 2,578,753 |
| Other long term investments | | 1,381,280 | 1,504,268 |
| | | 125,126,550 | 108,326,343 |
| Current assets | | | |
| Inventories | 6 | 35,862,166 | 33,999,967 |
| Trade receivables | 7 | 20,525,673 | 12,945,719 |
| Short term financial investments | | 2,503,915 | 2,513,880 |
| VAT and prepaid expenses | | 3,916,847 | 3,940,358 |
| Cash and cash equivalents | 8 | 11,318,274 | 10,595,830 |
| Deferred tax assets | | 4,804,904 | 4,804,904 |
| | | 78,931,779 | 68,800,658 |
| Total assets | | 204,058,329 | 177,127,001 |
| Off-balance sheet assets | | 78,684,286 | 88,793,346 |
| LIABILITIES AND EQUITY | | | |
| Equity | | | |
| Share capital | 9 | 87,128,024 | 87,128,024 |
| Reserves | | 889,424 | 889,424 |
| Revaluation reserves | | 12 | 39 |
| Unrealized gains from securities | | 39,102 | 48,417 |
| Unrealized losses from securities | | (62,709) | (49,236) |
| Accumulated loss | | (13,855,565) | (40,997,954) |
| | | 74,138,288 | 47,018,714 |
| Long-term provisions and liabilities | | | |
| Long-term provisions | | 18,366,664 | 18,501,540 |
| Long-term loans | 10 | 26,343,464 | 26,645,540 |
| Other long-term liabilities | 11 | 32,727,673 | 22,281,614 |
| | | 77,437,801 | 67,428,694 |
| Short-term liabilities | | | |
| Short-term financial liabilities | 12 | 11,483,072 | 21,805,638 |
| Trade and other payables | 13 | 24,857,580 | 24,944,688 |
| Other short-term liabilities | | 6,422,155 | 6,394,456 |
| Liabilities for VAT and other taxes and deferred income | | 7,212,635 | 7,456,869 |
| Income tax liabilities | | 724,610 | 619,407 |
| | | 50,700,052 | 61,221,058 |
| Deferred tax liabilities | | 1,782,188 | 1,458,535 |
| Total liabilities and equity | | 204,058,329 | 177,127,001 |
| Off-balance sheet liabilities | | 78,684,286 | 88,793,346 |

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Interim condensed financial statements

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

STATEMENT OF INCOME

| | Notes | Nine-month period ended September 30, | |
|---|-------|--|----------------------------|
| | | 2011 <i>(unaudited)</i> | 2010 <i>(unaudited)</i> |
| Operating income | | | |
| Sales | 14 | 132,958,057 | 111,897,485 |
| Work performed by the entity and capitalized Increase in the value of finished goods and work in progress | | 2,795,279 | 1,654,814 |
| Other operating income | | 2,116,242 | 5,941,110 |
| | | 221,486 | 84,197 |
| | | 138,091,064 | 119,577,606 |
| Operating expenses | | | |
| Cost of goods sold | | (9,774,609) | (2,582,352) |
| Cost of material | 15 | (70,111,785) | (74,803,286) |
| Cost of salaries, benefits and other personnel expenses | 16 | (15,979,952) | (15,201,142) |
| Depreciation and provisions | | (5,657,504) | (4,991,359) |
| Other operating expenses | 17 | (9,665,492) | (8,546,829) |
| | | (111,189,342) | (106,124,968) |
| Net operating income | | 26,901,722 | 13,452,638 |
| Financial income | 18 | 6,510,855 | 6,063,365 |
| Financial expenses | 19 | (3,063,141) | (17,828,513) |
| Other income | | 2,858,015 | 4,111,235 |
| Other expenses | | (4,274,245) | (3,433,040) |
| Income before income tax | | 28,933,206 | 2,365,685 |
| Income tax | | (1,790,817) | 311,483 |
| Income tax expense | | (1,467,163) | (42,331) |
| Deferred tax (expenses) income | | (323,654) | 353,814 |
| Net Profit for the period | | 27,142,389 | 2,677,168 |
| Earnings per share | | | |
| - from continuing operations | 20 | 0.17 | 0.02 |

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Interim condensed financial statements

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

CASH FLOW STATEMENT

| | Nine-month period ended September 30, | |
|---|--|---------------------------|
| | 2011 | 2010 |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Cash flows from operating activities | | |
| Sales and advances received | 202,453,366 | 178,061,255 |
| Interest from operating activities | 629,522 | 421,169 |
| Other inflow from operating activities | 221,486 | 84,197 |
| <i>Cash inflow from operating activities</i> | <u>203,304,374</u> | <u>178,566,621</u> |
| Payments and prepayments to suppliers | (111,201,086) | (76,754,561) |
| Salaries, benefits and other personal expenses | (15,977,047) | (16,550,340) |
| Interest paid | (2,415,893) | (2,269,428) |
| Income tax paid | (1,361,960) | (197,907) |
| Payments for other public revenues | (54,956,312) | (68,611,536) |
| <i>Cash outflow from operating activities</i> | <u>(185,912,298)</u> | <u>(164,383,772)</u> |
| Net cash inflow from operating activities | <u>17,392,076</u> | <u>14,182,849</u> |
| Cash flows from investing activities | | |
| Sale of shares | 17,103 | - |
| Proceeds from sale of intangible assets and property, plant and equipment | 268,495 | 30,117 |
| <i>Cash inflow from investing activities</i> | <u>285,598</u> | <u>30,117</u> |
| Purchase of shares (net outflow) | (26,234) | (172,030) |
| Purchase of intangible assets, property, plant and equipment | (19,974,437) | (8,269,985) |
| Other financial investments (net outflow) | (69,053) | - |
| <i>Cash outflow from investing activities</i> | <u>(20,069,724)</u> | <u>(8,442,015)</u> |
| Net cash outflow from investing activities | <u>(19,784,126)</u> | <u>(8,411,898)</u> |
| Cash flows from financing activities | | |
| Proceeds from long term and short term borrowings | 15,054,469 | 9,756,867 |
| Proceeds from other long term and short term liabilities | 11,360,028 | 5,616,669 |
| <i>Cash inflow from financing activities</i> | <u>26,414,497</u> | <u>15,373,536</u> |
| Outflows from long term, short term and other liabilities | (22,747,972) | (19,188,251) |
| <i>Cash outflow from financing activities</i> | <u>(22,747,972)</u> | <u>(19,188,251)</u> |
| Net cash inflow (outflow) from financing activities | <u>3,666,525</u> | <u>(3,814,715)</u> |
| Net cash flows | 1,274,475 | 1,956,236 |
| Cash and cash equivalents at beginning of period | 10,595,830 | 8,671,501 |
| Currency translation gains on cash and cash equivalents | 636,849 | 537,962 |
| Currency translation losses on cash and cash equivalents | (1,188,880) | (504,371) |
| Cash and cash equivalents at end of period | <u>11,318,274</u> | <u>10,661,328</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 nine month period ended September 30, 2011

| <i>(unaudited)</i> | Share capital | Other capital | Reserves | Revaluation reserves | Unrealised gains from securities | Unrealised losses from securities | Accumulated loss | Total |
|--|-------------------|------------------|----------------|-------------------------|--|---|---------------------|-------------------|
| Balance as at January 1, 2010 | 81,530,200 | 5,597,824 | 889,424 | 39 | 130,243 | (28,172) | (55,836,391) | 32,283,167 |
| Income | | | | | | | | |
| - Loss | - | - | - | - | - | - | 2,677,168 | 2,677,168 |
| - Losses from securities | - | - | - | - | (80,746) | (21,720) | - | (102,466) |
| Balance as at September 30, 2010 | 81,530,200 | 5,597,824 | 889,424 | 39 | 49,497 | (49,892) | (53,159,223) | 34,857,869 |
| Balance as at January 1, 2011 | 81,530,200 | 5,597,824 | 889,424 | 39 | 48,417 | (49,236) | (40,997,954) | 47,018,714 |
| Income | | | | | | | | |
| - Net income | - | - | - | - | - | - | 27,142,389 | 27,142,389 |
| - Losses from securities | - | - | - | - | (9,315) | (13,473) | - | (22,788) |
| Decrease through transfers and other changes, equity | - | - | - | (27) | - | - | - | (27) |
| Balance as at September 30, 2011 | 81,530,200 | 5,597,824 | 889,424 | 12 | 39,102 | (62,709) | (13,855,565) | 74,138,288 |

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Notes to the interim condensed financial statements

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

1. GENERAL INFORMATION

These interim condensed financial statements have been approved by CEO and they were not audited.

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

These condensed interim financial statements for the nine-month period ended September 30, 2011 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 December 31, 2010. The Company has prepared these 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 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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The policies are consistent to the policies applied in the financial statements for the year ended December 31, 2010.

Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***4. SEGMENT INFORMATION**

Operating segments, are segments whose operating results are regularly reviewed by the Chief Operating Decision Maker („CODM“). In Company, Executive Committee is seen as CODM.

As of September 30, 2011 business activities of the Company are organized into five operating segments (with the change of business structure in 2010 Oil field services became the new reportable segment):

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 energetics.

The reportable segments derive their revenue in following manner:

1. Exploration and production of oil and natural gas derive its revenue from sale of crude oil and gas to Refinery and Srbijagas
2. Oil field services derives revenue from drilling services, constructing and services of geophysical measurement and transportation services.
3. Refining segments derives its revenue from sale of refinery products to NIS trade segment
4. Oil and refinery products trading derives revenue from retail and wholesale activities consistent with the policy.

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

| | Exploration and production | Oil field services | Refining | Trade | Other | Total |
|-----------------------------|---------------------------------------|-------------------------------|---------------------|--------------------|-----------------|--------------------|
| Segment revenue | 77,644,439 | 12,957,659 | 178,718,964 | 245,788,844 | 6,073,926 | 521,183,832 |
| Inter-segment revenue | 60,050,364 | 12,275,171 | 160,177,968 | 144,654,823 | 5,934,442 | 383,092,768 |
| Total revenue | 17,594,075 | 682,488 | 18,540,996 | 101,134,021 | 139,484 | 138,091,064 |
| Operating income (expenses) | 44,016,389 | (1,707,809) | (13,186,788) | (2,102,264) | (117,806) | 26,901,722 |
| Financial income (expenses) | (167,020) | 3,999 | 1,572,455 | 265,071 | 1,773,209 | 3,447,714 |
| Other income (expenses) | 328,638 | (155,556) | (2,100,861) | 405,542 | 106,007 | (1,416,230) |
| Profit / loss before tax | 44,178,007 | (1,859,366) | (13,715,194) | (1,431,651) | 1,761,410 | 28,933,206 |
| Deferred tax | - | - | - | - | (323,654) | (323,654) |
| Income tax expense | - | - | - | - | (1,467,163) | (1,467,163) |
| Net profit / (loss) | 44,178,007 | (1,859,366) | (13,715,194) | (1,431,651) | (29,407) | 27,142,389 |

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Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***4. SEGMENT INFORMATION (continued)**

Reportable segments results for the nine-month period ended September 30, 2010 are shown in the following table:

| | Exploration and production | Refining | Trade | Other | Total |
|-----------------------------|---------------------------------------|---------------------|------------------|---------------------|------------------|
| Segment revenue | 49,146,405 | 106,743,836 | 119,110,150 | 4,857,894 | 279,858,285 |
| Inter-segment revenue | 40,267,706 | 97,583,437 | 17,746,769 | 4,682,767 | 160,280,679 |
| Total revenue | 8,878,699 | 9,160,399 | 101,363,381 | 175,127 | 119,577,606 |
| Operating income (expenses) | 23,217,116 | (9,811,672) | 758,368 | (711,174) | 13,452,638 |
| Financial income (expenses) | 568,217 | (3,331,041) | 1,781,205 | (10,783,529) | (11,765,148) |
| Other income | 370,643 | 18,464 | 146,405 | 142,683 | 678,195 |
| Profit / loss before tax | 24,155,976 | (13,124,249) | 2,685,978 | (11,352,020) | 2,365,685 |
| Deferred tax | - | - | - | 353,814 | 353,814 |
| Income tax expense | - | - | - | (42,331) | (42,331) |
| Net profit / (loss) | 24,155,976 | (13,124,249) | 2,685,978 | (11,040,537) | 2,677,168 |

Sales among operating segment are performed in accordance with a transfer pricing policy.

Assets and liabilities of operating segments as of September 30, 2011 are presented in the following table:

| | Exploration and production | Oil field services | Refining | Trade | Other | Total |
|--------------------|---------------------------------------|-------------------------------|-----------------|--------------|--------------|---------------|
| Assets | 36,217,321 | 7,579,413 | 85,367,752 | 38,097,218 | 36,796,625 | 204,058,329 |
| Liabilities | (11,055,570) | (1,485,068) | (23,449,487) | (8,931,350) | (84,998,566) | (129,920,041) |
| Net assets | 25,161,751 | 6,094,345 | 61,918,265 | 29,165,868 | (48,201,941) | 74,138,288 |

Assets and liabilities of operating segments as of December 31, 2010 are presented in the following table:

| | Exploration and production | Oil field services | Refining | Trade | Other | Total |
|--------------------|---------------------------------------|-------------------------------|-----------------|--------------|--------------|---------------|
| Assets | 30,433,074 | 7,765,691 | 74,665,749 | 32,569,271 | 31,693,216 | 177,127,001 |
| Liabilities | (11,597,999) | (1,345,711) | (23,261,474) | (10,445,114) | (83,457,989) | (130,108,287) |
| Net assets | 18,835,075 | 6,419,980 | 51,404,275 | 22,124,157 | (51,764,773) | 47,018,714 |

Analysis of the Company's revenue per main products and services is given in the following table:

| | Nine-month period ended September 30, | |
|----------------------------------|--|--------------------|
| | 2011 | 2010 |
| Sale of oil and oil products | 130,425,942 | 109,674,856 |
| Sale of services and other sales | 2,532,115 | 2,222,629 |
| | 132,958,057 | 111,897,485 |

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Notes to interim condensed financial statements

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5. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery and equipment | Construction in Progress | Other PP&E | Investments in other PP&E | Advances to suppliers | Total |
|---|-------------------|-------------------|-------------------------|--------------------------|---------------|---------------------------|-----------------------|--------------------|
| At January 1, 2010 | | | | | | | | |
| Cost | 11,209,371 | 55,763,533 | 53,911,498 | 8,709,106 | 89,396 | 110,630 | 5,012,342 | 134,805,876 |
| Accumulated depreciation and impairment | (723,950) | (18,824,017) | (26,801,956) | (4,099,314) | (43,877) | (103,676) | (76,577) | (50,673,367) |
| Net book amount | 10,485,421 | 36,939,516 | 27,109,542 | 4,609,792 | 45,519 | 6,954 | 4,935,765 | 84,132,509 |
| Year ended December 31, 2010 | | | | | | | | |
| Opening net book amount | 10,485,421 | 36,939,516 | 27,109,542 | 4,609,792 | 45,519 | 6,954 | 4,935,765 | 84,132,509 |
| Additions | - | - | - | 14,322,530 | - | - | 9,444,345 | 23,766,875 |
| Transfer from CIP | 65,706 | 7,274,440 | 1,616,169 | (8,956,850) | 535 | - | - | - |
| Other transfers | - | (1,172,903) | 582,436 | 685,001 | 43,877 | - | - | 138,411 |
| Disposals and advances paid used | (579) | (5,764) | (40,920) | (162,458) | - | - | (1,667,690) | (1,877,411) |
| Depreciation | - | (3,239,131) | (3,335,029) | - | - | (6,234) | - | (6,580,394) |
| Adjust. of depreciat. on impaired property | - | (273,123) | - | - | - | - | - | (273,123) |
| Impairment charge | (13,423) | (503,581) | (376,299) | (48,838) | (1,426) | - | - | (943,567) |
| Transfer to intangible assets | - | 259 | - | (14,023) | - | - | - | (13,764) |
| Transfer to investment property | - | (455,926) | - | - | - | - | - | (455,926) |
| Transferred from disposal group classified as held for sale | - | 28,390 | 92,384 | - | 7 | - | - | 120,781 |
| Closing net book amount | 10,537,125 | 38,592,177 | 25,648,283 | 10,435,154 | 88,512 | 720 | 12,712,420 | 98,014,391 |
| At December 31, 2010 | | | | | | | | |
| 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 September 30, 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 | - | - | - | 19,117,269 | - | - | 8,965,480 | 28,082,749 |
| Transfer from CIP | 1,026 | 1,856,330 | 1,228,798 | (3,086,680) | 526 | - | - | - |
| Other transfers | (327) | 426,201 | (552,866) | 166,695 | 867 | - | - | 40,570 |
| Disposals and advances paid used | (232) | 20,568 | (79,285) | (51,749) | (1,358) | - | (6,332,176) | (6,444,232) |
| Depreciation | - | (2,013,026) | (2,442,068) | - | - | (270) | - | (4,455,364) |
| Impairment charge | - | (5,812) | (19,794) | (28,191) | (18) | - | - | (53,815) |
| Transfer to intangible assets | - | - | - | (73,196) | - | - | - | (73,196) |
| Transfer to investment property | (18,559) | (42,655) | - | - | - | - | - | (61,214) |
| Closing net book amount | 10,519,033 | 38,833,783 | 23,783,068 | 26,479,302 | 88,529 | 450 | 15,345,724 | 115,049,889 |
| At September 30, 2011 | | | | | | | | |
| Cost | 11,228,862 | 64,666,966 | 55,745,045 | 29,509,234 | 89,088 | 110,630 | 15,420,399 | 176,770,224 |
| Accumulated depreciation and impairment | (709,829) | (25,833,183) | (31,961,977) | (3,029,932) | (559) | (110,180) | (74,675) | (61,720,335) |
| Net book amount | 10,519,033 | 38,833,783 | 23,783,068 | 26,479,302 | 88,529 | 450 | 15,345,724 | 115,049,889 |

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Notes to interim condensed financial statements

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

The most significant investments for the nine month period ended September 30, 2011 in amount of 10,198,330 thousand RSD mostly relate to investments in MHC/DHT project (investments in construction of Mild Hydrocracking Complex and Hydrofinishing in Pančevo Oil Refinery). Balance of advances paid to supplier, related to the same project, as of September 30, 2011 amounted to 9,524,574 thousand RSD.

6. INVENTORIES

| | September 30, 2011 | December 31, 2010 |
|--------------------------------|-------------------------------|------------------------------|
| Raw materials | 21,017,058 | 19,319,424 |
| Finished goods | 10,086,272 | 6,995,641 |
| Work in progress | 5,612,467 | 6,586,856 |
| Spare parts | 3,062,385 | 3,089,881 |
| Merchandise | 1,497,648 | 1,925,793 |
| Tools | 200,085 | 120,241 |
| | 41,475,915 | 38,037,836 |
| Advances | 1,548,833 | 1,297,110 |
| <i>Less provision:</i> | | |
| - for inventories | (6,632,825) | (4,771,037) |
| - for advances | (529,757) | (563,942) |
| | (7,162,582) | (5,334,979) |
| Total inventories – net | <u>35,862,166</u> | <u>33,999,967</u> |

Movement on inventory provision is as follows:

| | 2011 | 2010 |
|--|---------------------------|---------------------------|
| At January 1st | (5,334,979) | (5,348,930) |
| Provision for impaired inventories charged to the period | (1,901,535) | (54,383) |
| Provision reversed | - | 60,548 |
| Writte off | 53,778 | 27,970 |
| Other | 20,154 | (20,184) |
| At September 30 / December 31 | <u>(7,162,582)</u> | <u>(5,334,979)</u> |

In the nine-month period ended on September 30, 2011, the obsolete and the slow moving inventory in the amount of 1,881,942 RSD thousand was impaired in accordance with the Company's accounting policy.

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Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***7. TRADE AND OTHER RECEIVABLES**

| | September 30, 2011 | December 31, 2010 |
|--|-------------------------------|------------------------------|
| Trade receivables | | |
| - domestic | 23,323,900 | 16,054,686 |
| - foreign | 1,150,340 | 1,291,755 |
| - related parties | 1,625,258 | 1,192,453 |
| | <u>26,099,498</u> | <u>18,538,894</u> |
| Receivables from specific operations | <u>8,010,345</u> | <u>8,037,783</u> |
| Interest receivables | 5,125,157 | 4,922,863 |
| Receivables from employees | 105,733 | 112,592 |
| Other receivables | 7,450,217 | 7,437,431 |
| | <u>12,681,107</u> | <u>12,472,886</u> |
| | <u>46,790,950</u> | <u>39,049,563</u> |
| <i>Less provision:</i> | | |
| - trade receivables | (5,958,279) | (6,022,505) |
| - receivables from specific operations | (7,980,436) | (7,971,114) |
| - interest and other receivables | (12,326,562) | (12,110,225) |
| | <u>(26,265,277)</u> | <u>(26,103,844)</u> |
| Total receivables – net | <u>20,525,673</u> | <u>12,945,719</u> |

Increase of domestic trade receivables, as of September 30, 2011 amounted 23,323,900 thousand RSD (December 31, 2010 16,054,686 thousand RSD), mostly relates to the increase of not-due receivables participation in total receivables.

Trade receivables as of September 30, 2011 in amount 6,138,450 thousand RSD from state controlled companies that are less than three months past due and trade receivables from other companies that are less than two months past due are not considered impaired, except for receivables from a number of independent customers for whom there is no recent history of default, amounted to 237,119 thousand RSD (December 31, 2010: 129,960 thousand RSD).

The ageing analysis of trade receivables is as follows:

| | September 30, 2011 | December 31, 2010 |
|----------------|-------------------------------|------------------------------|
| Up to 3 months | 19,961,048 | 13,232,787 |
| Over 3 months | 6,138,450 | 5,306,107 |
| | <u>26,099,498</u> | <u>18,538,894</u> |

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Notes to the interim condensed financial statements

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

7. TRADE AND OTHER RECEIVABLES (continued)

As of September 30, 2011 trade receivables in amount of 5,958,279 thousand RSD (December 31, 2010: 6,022,505 thousand RSD) were either impaired or provided for. The individually impaired receivables mainly relate to customers which are assessed as unexpected to be collected. The ageing of receivables provided for is as follows:

| | September 30, 2011 | December 31, 2010 |
|----------------|-------------------------------|------------------------------|
| Up to 3 months | 56,948 | 846,358 |
| Over 3 months | 5,901,331 | 5,176,147 |
| | 5,958,279 | 6,022,505 |

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

| | September 30, 2011 | December 31, 2010 |
|-----|-------------------------------|------------------------------|
| RSD | 45,456,259 | 37,622,691 |
| USD | 1,028,586 | 1,197,914 |
| EUR | 305,908 | 228,573 |
| GBP | 123 | 317 |
| CHF | 45 | 46 |
| RUB | 22 | 22 |
| SEK | 7 | - |
| | 46,790,950 | 39,049,563 |

8. CASH AND CASH EQUIVALENTS

| | September 30, 2011 | December 31, 2010 |
|------------------------|-------------------------------|------------------------------|
| Cash in bank | 10,764,313 | 10,485,780 |
| Cash on hand | 321,056 | 33,512 |
| Other cash equivalents | 232,905 | 76,538 |
| | 11,318,274 | 10,595,830 |

As at September 30, 2011 short term bank deposits in amount 5,992,117 thousand RSD (December 31, 2010: 10,205,106 thousand RSD) represent short term deposits in banks with due date within 30 days are presented in line cash in bank.

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Notes to interim condensed financial statements

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

9. SHARE CAPITAL

Share capital represent share capital of publicly listed company.

In accordance with the following documents: The Sale and Purchase Agreement No OV. II 266/2009, dated February 10, 2009 that was made between the Republic of Serbia and the Gazprom Neft company, the Law on the Joint stock companies takeover, Conclusion of The Government of The Republic of Serbia 05 No 023-9986/2010 dated December 30, 2010, The Decision of The Securities Commission on the approval of takeover bid No 4/0-32-172/8-11 dated 27.01.2011, on January 31, 2011 Gazprom Neft announced takeover bid to acquire shares of NIS a.d. Novi Sad from minority shareholders i.e. 31,180,256 ordinary shares or 19.12% of the total number of the ordinary shares. The bid was valid for 45 days until 16.03.2011 when 8,405,087 ordinary shares were acquired or 5.15% of the total number of ordinary shares at a price of 506.48 RSD per share that is the equivalent of 4.80996 EUR per share as of January 13, 2011.

The structure of the share capital as at September 30, 2011 was:

| Shareholders | Number of shares | Structure in % |
|--------------------------------------|-------------------------|-----------------------|
| Gazprom Neft | 91,565,887 | 56.15 |
| Republic of Serbia | 48,714,029 | 29.87 |
| Erste bank | 644,541 | 0.40 |
| Unicredit Bank a.d. Serbia - custody | 605,634 | 0.37 |
| The Royal Bank of Scotland | 156,978 | 0.10 |
| Unicredit Bank a.d. Serbia - custody | 152,750 | 0.09 |
| Julius Baer Multipartner | 133,686 | 0.08 |
| Unicredit Bank a.d. Serbia - custody | 100,000 | 0.06 |
| Vojvodjanska bank a.d. Novi Sad | 80,247 | 0.05 |
| Hypo Alpe-Adria Bank a.d. Belgrade | 68,173 | 0.04 |
| Other | 20,838,475 | 12.78 |
| | 163,060,400 | 100.00 |

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Notes to the interim condensed financial statements

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

10. LONG TERM LOANS

| | September 30, 2011 | December 31, 2010 |
|------------------------------------|-------------------------------|------------------------------|
| Domestic | 15,481,299 | 22,162,259 |
| Foreign | 20,708,848 | 24,244,622 |
| | <u>36,190,147</u> | <u>46,406,881</u> |
| Current portion of long-term loans | (9,846,683) | (19,761,341) |
| | <u>26,343,464</u> | <u>26,645,540</u> |

The maturity of non-current loans was as follows:

| | September 30, 2011 | December 31, 2010 |
|-----------------------|-------------------------------|------------------------------|
| Between 1 and 2 years | 5,622,814 | 14,747,653 |
| Between 2 and 5 years | 14,202,355 | 4,758,228 |
| Over 5 years | 6,518,295 | 7,139,659 |
| | <u>26,343,464</u> | <u>26,645,540</u> |

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

| | September 30, 2011 | December 31, 2010 |
|-----|-------------------------------|------------------------------|
| RSD | 405,256 | 2,941 |
| EUR | 8,922,962 | 9,900,092 |
| USD | 26,381,025 | 36,009,703 |
| JPY | 480,904 | 494,145 |
| | <u>36,190,147</u> | <u>46,406,881</u> |

The carrying amounts and fair value of the non-current borrowings 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

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Notes to the interim condensed financial statements

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

10. LONG TERM LOANS (continued)

The carrying amounts of the Company's long term loans as of September 30, 2011 and December 31, 2010:

| Creditor | Currency | September 30, 2011 | December 31, 2010 |
|---|----------|-----------------------|----------------------|
| Domestic long term loans | | | |
| Alfa bank Serbia, Belgrade | USD | 1,915,712 | 6,920,531 |
| NLB bank, Novi Sad (London club) | USD | 45,123 | 49,678 |
| NLB bank, Novi Sad (Paris club) | USD | 467,979 | 513,656 |
| NLB bank, Novi Sad (Paris club) | JPY | 480,904 | 494,145 |
| Erste bank, Novi Sad (London club) | USD | 4,292 | 4,725 |
| Erste bank, Novi Sad (Paris club) | EUR | 431,770 | 463,078 |
| Erste bank, Novi Sad (Paris club) | USD | 266,498 | 290,997 |
| Hypo Alpe Adria Bank, Belgrade | EUR | 387,831 | 768,379 |
| Piraeus bank, Belgrade | USD | 3,733,880 | 5,391,054 |
| Bank Postanska stedionica, Belgrade (Paris club) | EUR | 220,272 | 239,395 |
| Bank Postanska stedionica, Belgrade (Paris club) | USD | 1,517,873 | 1,679,068 |
| Government of Republic of Serbia, Agency for deposit assurance (IBRD) | EUR | 4,483,749 | 4,789,655 |
| Government of Republic of Serbia, Agency for deposit assurance | USD | 522,739 | 554,957 |
| Vojvodjanska bank, Novi Sad | RSD | 402,618 | - |
| UniCredit bank, Belgrade | USD | 597,421 | - |
| Other loans | RSD | 2,638 | 2,941 |
| | | 15,481,299 | 22,162,259 |
| Foreign long term loans | | | |
| Moscow bank, Russian Federation | USD | 7,467,760 | 7,928,020 |
| EFG NEF BV, Holland | USD | - | 4,522,248 |
| Erste Bank, Holland | EUR | 3,035,196 | 3,164,946 |
| VUB (Bank Intesa), Slovakia | USD | 3,733,880 | 3,964,010 |
| NBG Bank, London | USD | 1,459,404 | 2,248,855 |
| NBG Bank, London | EUR | 364,144 | 474,639 |
| Alpha Bank, London | USD | 3,733,880 | - |
| Sinochem , Great Britain | USD | 914,584 | 1,941,904 |
| | | 20,708,848 | 24,244,622 |
| Less current portion of long-term loans | | (9,846,683) | (19,761,341) |
| | | 26,343,464 | 26,645,540 |

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Notes to the interim condensed financial statements

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

10. LONG TERM LOANS (continued)

| | Currency | Current portion | | Long term | |
|---|----------|--------------------|-------------------|--------------------|-------------------|
| | | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Domestic long term loans | | | | | |
| Alfa bank Serbia, Belgrade | USD | - | 1,845,475 | 1,915,712 | 5,075,056 |
| NLB bank, Novi Sad (London club) | USD | 3,342 | 3,548 | 41,781 | 46,130 |
| NLB bank, Novi Sad (Paris club) | USD | 18,114 | 16,834 | 449,865 | 496,822 |
| NLB bank, Novi Sad (Paris club) | JPY | 16,477 | 14,414 | 464,427 | 479,731 |
| Erste bank, Novi Sad (London club) | USD | 318 | 337 | 3,974 | 4,388 |
| Erste bank, Novi Sad (Paris club) | EUR | 14,150 | 12,850 | 417,620 | 450,228 |
| Erste bank, Novi Sad (Paris club) | USD | 8,734 | 8,075 | 257,764 | 282,922 |
| Hypo Alpe Adria Bank, Belgrade | EUR | 387,831 | 485,292 | - | 283,087 |
| Piraeus bank, Belgrade | USD | - | - | 3,733,880 | 5,391,054 |
| Bank Postanska stedionica, Belgrade (Paris club) | EUR | 10,208 | 9,708 | 210,064 | 229,687 |
| Bank Postanska stedionica, Belgrade (Paris club) | USD | 69,908 | 67,644 | 1,447,965 | 1,611,424 |
| Government of Republic of Serbia, Agency for deposit assurance (IBRD) | EUR | 219,099 | 228,465 | 4,264,650 | 4,561,190 |
| Government of Republic of Serbia, Agency for deposit assurance | USD | - | - | 522,739 | 554,957 |
| Vojvodjanska bank, Novi Sad | RSD | - | - | 402,618 | - |
| UniCredit bank, Belgrade | USD | - | - | 597,421 | - |
| Other loans | RSD | 413 | 402 | 2,225 | 2,539 |
| | | 748,594 | 2,693,044 | 14,732,705 | 19,469,215 |
| Foreign long term loans | | | | | |
| Moscow bank, Russian Federation | USD | 7,467,760 | 7,928,020 | - | - |
| EFG NEF BV, Holland | USD | - | 340,508 | - | 4,181,740 |
| Erste Bank, Holland | EUR | - | 1,582,473 | 3,035,196 | 1,582,473 |
| VUB (Bank Intesa), Slovakia | USD | - | 3,964,010 | 3,733,880 | - |
| NBG Bank, London | USD | 533,673 | 1,121,527 | 925,731 | 1,127,328 |
| NBG Bank, London | EUR | 182,072 | 189,855 | 182,072 | 284,784 |
| Alpha Bank, London | USD | - | - | 3,733,880 | - |
| Sinochem , Great Britain | USD | 914,584 | 1,941,904 | - | - |
| | | 9,098,089 | 17,068,297 | 11,610,759 | 7,176,325 |
| | | 9,846,683 | 19,761,341 | 26,343,464 | 26,645,540 |

11. OTHER LONG-TERM LIABILITIES

| | September 30, 2011 | December 31, 2010 |
|---------------------------------|--------------------|-------------------|
| Liabilities to Parent | 32,667,266 | 22,193,617 |
| Liabilities for financial lease | 59,198 | 86,788 |
| Other long-term liabilities | 1,209 | 1,209 |
| | 32,727,673 | 22,281,614 |

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Notes to the interim condensed financial statements

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

11. OTHER LONG-TERM LIABILITIES (continued)

a) Liabilities to parent

As at September 30, 2011 other long-term liabilities to the Parent in the amount of 32,667,266 thousand RSD (EUR 322,884,577) relate to borrowings from JSC Gazprom Neft, with respect to its obligation, from Sales and Purchase Agreement signed on 24 December 2008, to approve borrowing facility for financing of Program for reconstruction and modernization of technology capacities. Total investments amount to EUR 500 million and should be finalized not later than 31 December 2012. Instalments are quarterly starting from December 2012 until May 15, 2023.

12. SHORT TERM FINANCIAL LIABILITIES

| | September 30, 2011 | December 31, 2010 |
|--|-------------------------------|------------------------------|
| Current portion of long term loans (note 10) | 9,846,683 | 19,761,341 |
| Short term loans | 1,601,922 | 2,004,540 |
| Current portion of financial lease | 33,213 | 39,716 |
| Other short term liabilities | 1,254 | 41 |
| | 11,483,072 | 21,805,638 |

13. TRADE AND OTHER PAYABLES

| | September 30, 2011 | December 31, 2010 |
|---|-------------------------------|------------------------------|
| Advances received | 1,472,465 | 2,061,165 |
| Trade payables: | | |
| - domestic | 3,203,815 | 2,129,440 |
| - foreign | 1,616,398 | 647,824 |
| Trade payables – parents and subsidiaries | 7,765 | 3,436 |
| Trade payables – other related parties | 18,110,182 | 19,475,154 |
| Liabilities from other operations | 103,638 | 70,113 |
| Liabilities from specific operations | 343,317 | 557,556 |
| | 24,857,580 | 24,944,688 |

As at September 30, 2011 payables to other related parties in the amount of 18,110,182 thousand RSD (December 31, 2010: 19,475,154 thousand RSD) mostly relate to liabilities for delivered crude oil by Gazprom Neft Trading, Austria in the amount of 17,601,039 thousand RSD (December 31, 2010: 19,376,889 thousand RSD).

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Notes to the interim condensed financial statements

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

14. SALES

| | Nine-month period ended September 30, | |
|--|--|---------------------------|
| | 2011 | 2010 |
| Sales of products | | |
| - domestic | 100,609,549 | 92,445,202 |
| - foreign | 12,536,021 | 12,632,754 |
| | <u>113,145,570</u> | <u>105,077,956</u> |
| Sales of goods and services: | | |
| - domestic | 10,692,956 | 2,962,959 |
| - foreign | 12,613 | 4,272 |
| | <u>10,705,569</u> | <u>2,967,231</u> |
| Revenue from sales to subsidiaries and other related parties | <u>9,106,918</u> | <u>3,852,298</u> |
| | <u>132,958,057</u> | <u>111,897,485</u> |

Analysis of sales in accordance with IFRS 8 “Operating segments” are presented in note 4.

15. COST OF MATERIAL

| | Nine-month period ended September 30, | |
|-----------------------------------|--|-------------------|
| | 2011 | 2010 |
| Cost of raw materials | 68,105,390 | 72,775,478 |
| Cost of office and other material | 606,545 | 701,600 |
| Other fuel and energy expenses | 1,399,850 | 1,326,208 |
| | <u>70,111,785</u> | <u>74,803,286</u> |

16. COST OF SALARIES, BENEFITS AND OTHER PERSONNEL EXPENSES

| | Nine-month period ended September 30, | |
|--|--|--------------------------|
| | 2011 | 2010 |
| Wages and salaries (gross) | 11,091,941 | 9,508,092 |
| Taxes and contributions on wages and salaries paid by employer | 1,895,204 | 1,659,843 |
| Cost for temporary service agreement | 260,516 | 249,120 |
| Cost of other temporary service agreements | 11,626 | 45,288 |
| Fees paid to management and supervisory board members | 21,258 | 14,210 |
| Cost for employees termination payments | 1,854,145 | 2,676,387 |
| Other personal expenses and benefits | 845,262 | 1,048,202 |
| | <u>15,979,952</u> | <u>15,201,142</u> |

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**16. COST OF SALARIES, BENEFITS AND OTHER PERSONNEL EXPENSES
(continued)**

Termination costs in the amount of 1,854,145 thousand RSD mostly relate to costs incurred in relation to voluntary leave program. Total number of employees who accepted the termination of employment in 2011 is 782 (2010: 1,076 employees).

| | Nine-month period ended September 30, | |
|-----------------------------------|--|-------------|
| | 2011 | 2010 |
| Average number of people employed | 9,802 | 10,728 |

17. OTHER OPERATING EXPENSES

| | Nine-month period ended September 30, | |
|---|--|------------------|
| | 2011 | 2010 |
| Mineral extraction tax | 1,519,265 | 965,235 |
| Costs of non production services | 1,390,403 | 1,498,155 |
| Production services | 1,215,476 | 1,495,932 |
| Transportation services | 1,149,285 | 1,171,767 |
| Cost of custom duties, property taxes and other taxes | 1,067,461 | 873,854 |
| Maintenance | 655,844 | 658,154 |
| Cost of other services | 648,143 | 595,670 |
| Fee for emergency situations | 481,462 | - |
| Rental costs | 222,709 | 134,422 |
| Research costs | 185,261 | 162,220 |
| Advertising costs | 184,026 | 128,785 |
| Bank charges | 178,577 | 171,147 |
| Insurance premium | 169,810 | 291,666 |
| Administrative and other taxes | 127,597 | 108,700 |
| Representation costs | 108,886 | 56,417 |
| Cost of legal and consulting services | 102,928 | 90,330 |
| Fairs | 2,528 | 315 |
| Other | 255,831 | 144,060 |
| | 9,665,492 | 8,546,829 |

Fee for emergency situations in the amount of 481,462 thousand RSD represents fee calculated in accordance with the Emergency situations law.

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Notes to the interim condensed financial statements

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

18. FINANCIAL INCOME

| | Nine-month period ended September 30, | |
|------------------------|--|------------------|
| | 2011 | 2010 |
| Foreign exchange gains | 5,626,875 | 4,883,073 |
| Interest income | 883,187 | 1,104,439 |
| Other financial income | 793 | 75,853 |
| | 6,510,855 | 6,063,365 |

19. FINANCIAL EXPENSES

| | Nine-month period ended September 30, | |
|---|--|-------------------|
| | 2011 | 2010 |
| Interest expenses | 1,839,252 | 2,340,125 |
| Foreign exchange losses | 1,188,880 | 15,485,645 |
| Financial expenses – parent, subsidiaries and other related parties | 31,695 | - |
| Other financial expenses | 3,314 | 2,743 |
| | 3,063,141 | 17,828,513 |

20. EARNING PER SHARE

| | Nine-month period ended September 30, | |
|---|--|-------------|
| | 2011 | 2010 |
| Net income | 27,142,389 | 2,677,168 |
| Weighted average number of shares outstanding | 163,060,400 | 163,060,400 |
| Basic Earning per share | 0.17 | 0.02 |

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21. RELATED PARTIES TRANSACTIONS

The majority owner of the Company is Gazprom Neft, St Petersburg, Russian Federation, that owns 56,15% shares of the Company. The remaining 43,85% of shares are quoted on the Stock Exchange and are owned by various shareholders.

The Company was engaged in business transactions with its related entities during 2011 and 2010. The most significant transactions with related parties in the aforementioned periods related to supply/delivery of crude oil, geophysical research and interpretation services, and travel services.

| | September 30, 2011 | December 31, 2010 |
|---|-------------------------------|------------------------------|
| <i>Advances</i> | | |
| O Zone a.d. Belgrade, Serbia | 7 | 115 |
| NIS Oversiz, Moscow, Russia | 1,321 | - |
| | <u>1,328</u> | <u>115</u> |
| <i>Receivables</i> | | |
| O Zone a.d. Belgrade, Serbia | 215,976 | 216,034 |
| Svetlost d.o.o., Bujanovac, Serbia | 72,894 | 34,845 |
| Ranis, Moscow area, Russia | 28,786 | 28,799 |
| Jadran-naftagas d.o.o. Banja Luka, Bosnia and Herzegovina | 22,764 | - |
| Gazprom Neft Aero JSC, Moscow, Russia | 97 | - |
| NIS Oversiz, Moscow, Russia | 22 | 1,031 |
| | <u>340,539</u> | <u>280,709</u> |
| Total receivables: | <u>341,867</u> | <u>280,824</u> |
| <i>Liabilities</i> | | |
| Gazprom Neft, St Petersburg, Russia | (32,779,922) | (22,262,027) |
| Gazprom Neft Trading, Austria | (17,601,039) | (19,376,889) |
| O Zone a.d. Belgrade, Serbia | (7,925) | (5,125) |
| Gazprom Neft Lubricants, Italia | (7,523) | - |
| Svetlost d.o.o., Bujanovac, Serbia | (4) | (4) |
| | <u>(50,396,413)</u> | <u>(41,644,045)</u> |
| <i>Advances received</i> | | |
| Svetlost d.o.o., Bujanovac, Serbia | (3,696) | (18) |
| Gazprom Neft NTC, Moscow, Russia | (6,364) | - |
| | <u>(10,060)</u> | <u>(18)</u> |
| <i>Accrual</i> | | |
| O Zone a.d. Belgrade, Serbia | (10,264) | (1,788) |
| Gazprom Neft, St Petersburg, Russia | - | (1,266) |
| | <u>(10,264)</u> | <u>(3,054)</u> |
| Total liabilities: | <u>(50,416,737)</u> | <u>(41,647,117)</u> |
| Liabilities, net: | <u>(50,074,870)</u> | <u>(41,366,293)</u> |

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Notes to the interim condensed financial statements

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

21. RELATED PARTIES TRANSACTIONS (continued)

| | Nine-month period ended September 30, | |
|--|--|----------------------------|
| | 2011 | 2010 |
| <i>Sales</i> | | |
| Svetlost d.o.o., Bujanovac, Serbia | 517,893 | 453,292 |
| Gazprom Neft Aero JSC, Moscow, Russia | 26,503 | - |
| Jadran-naftagas d.o.o. Banja Luka, Bosnia and Herzegovina | 23,027 | - |
| Gazprom Neft NTC, Moscow, Russia | 4,981 | - |
| O Zone a.d. Belgrade, Serbia | 3,695 | 5,798 |
| | <u>576,099</u> | <u>459,090</u> |
| <i>Other operating income</i> | | |
| O Zone a.d. Belgrade, Serbia | 844 | 552 |
| | <u>844</u> | <u>552</u> |
| <i>Cost of material</i> | | |
| Gazprom Neft Trading, Austria | (47,128,979) | (63,520,605) |
| | <u>(47,128,979)</u> | <u>(63,520,605)</u> |
| <i>Cost of salaries, benefits and other personnel expenses</i> | | |
| O Zone a.d. Belgrade, Serbia | (110,376) | (65,052) |
| | <u>(110,376)</u> | <u>(65,052)</u> |
| <i>Other operating expenses</i> | | |
| Gazprom Neft, St Petersburg, Russia | (45,385) | (103,444) |
| NIS Oversiz, Moscow, Russia | (19,064) | - |
| O Zone a.d. Belgrade, Serbia | (7,979) | (3,973) |
| | <u>(72,428)</u> | <u>(107,417)</u> |
| | <u>(46,734,840)</u> | <u>(63,233,432)</u> |
| <i>Financial income</i> | | |
| Gazprom Neft Trading, Austria | 18,266 | - |
| | <u>18,266</u> | <u>-</u> |
| <i>Financial expenses</i> | | |
| O Zone a.d. Belgrade, Serbia | - | (213) |
| Gazprom Neft, St Petersburg, Russia | (31,695) | (10,533) |
| | <u>(31,695)</u> | <u>(10,746)</u> |
| | <u>(13,429)</u> | <u>(10,746)</u> |

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Notes to the interim condensed financial statements

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

21. RELATED PARTIES TRANSACTIONS (continued)

| | Nine-month period ended September 30, | |
|-------------------------------------|--|---------------|
| | 2011 | 2010 |
| <i>Other income</i> | | |
| Gazprom Neft Trading, Austria | 30,012 | - |
| O Zone a.d. Belgrade, Serbia | - | 36 |
| NIS Oil Trading, Frankfurt, Germany | - | 42,744 |
| | 30,012 | 42,780 |
| <i>Other expenses</i> | | |
| Gazprom Neft Trading, Austria | (131,753) | - |
| Gazprom Neft, St Petersburg, Russia | (21,250) | - |
| Svetlost d.o.o., Bujanovac, Serbia | (8,187) | - |
| O Zone a.d. Belgrade, Serbia | (1,294) | (2,951) |
| Ranis, Moscow area, Russia | (112) | - |
| | (162,596) | (2,951) |
| | (132,584) | 39,829 |

Transactions with state controlled institution and companies:

| | Receivables | | Advances | |
|-------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Airport Nikola Tesla | 7,469 | 13,470 | 2 | - |
| JAT Airways | 374,852 | 301,330 | 2 | - |
| HIP Petrohemija | 1,489,401 | 1,116,183 | - | - |
| EPS Elektrovojvodina | 11,246 | 21,336 | 14,398 | 442 |
| MUP Republic of Serbia | 475,814 | 492,680 | 202 | 198 |
| RTB BOR Group | 2,414,156 | 2,022,461 | 31,453 | 31,453 |
| Srbijagas | 7,701,261 | 5,278,026 | - | - |
| Telekom Srbija | 101,749 | 42,133 | 492 | 47 |
| Heating companies (sum) | 205,963 | 461,111 | 500 | 499 |
| Road companies (sum) | 41 | 4,519 | 11,430 | - |
| Army of Serbia | 99,843 | 203,757 | 430 | - |
| | 12,881,795 | 9,957,006 | 58,909 | 32,639 |

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Notes to the interim condensed financial statements

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

21. RELATED PARTIES TRANSACTIONS (continued)

| | Liabilities | | Advances received | |
|-------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Airport Nikola Tesla | 26 | 304 | - | - |
| JAT Airways | - | - | 1,283 | 99 |
| HIP Petrohemija | 189,202 | 98,264 | 644 | 447 |
| EPS Elektrovojvodina | 320 | 1,312 | - | - |
| MUP Republic of Serbia | 14 | 17 | 171 | 72 |
| RTB BOR Group | - | - | 3,614 | 395 |
| Srbijagas | 316,036 | 267,519 | 12,796 | 12,804 |
| Telekom Srbija | 8,837 | 3,694 | 231 | 56 |
| Heating companies (sum) | 1,364 | 2,616 | 69,387 | 29,399 |
| Road companies (sum) | 7,350 | 35 | 1,593 | 310 |
| Army of Serbia | - | 2,113 | 1,289 | 318 |
| | 523,149 | 375,874 | 91,008 | 43,900 |

| | Income | | Expenses | |
|-------------------------|---------------------------------------|-------------------|------------------|------------------|
| | Nine-month period ended September 30, | | | |
| | 2011 | 2010 | 2011 | 2010 |
| Airport Nikola Tesla | 62,215 | 47,757 | 25,058 | 3,551 |
| JAT Airways | 1,892,284 | 1,395,982 | - | 44 |
| HIP Petrohemija | 8,530,819 | 5,330,294 | 123,116 | 67,280 |
| EPS Elektrovojvodina | 86,166 | 71,681 | 558,296 | 462,291 |
| MUP Republic of Serbia | 1,058,583 | 677,676 | 242,442 | 807 |
| RTB BOR Group | 1,240,850 | 473,905 | - | 83 |
| Srbijagas | 5,567,555 | 5,277,118 | 178,208 | 184,103 |
| Telekom Srbija | 233,544 | 112,466 | 146,082 | 155,753 |
| Heating companies (sum) | 2,276,592 | 2,745,689 | 48,141 | 44,979 |
| Road companies (sum) | 19,986 | 29,539 | 70,653 | 113,884 |
| Army of Serbia | 1,117,577 | 662,804 | 781 | 5,981 |
| | 22,086,171 | 16,824,911 | 1,392,777 | 1,038,756 |

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Notes to the interim condensed financial statements

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22. CONTINGENT LIABILITIES

Transfer of property ownership

In accordance with SPA, 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.

Until September 30, 2011 the ownership of 2,987 of real estate (buildings and land) is registered, which makes up 36% of the total Company's assets.

23. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Novi Sad, 24.10.2011

The person responsible for
the preparation of financial
statements



Legal representative

