



QUARTERLY REPORT FOR
FIRST QUARTER OF 2012





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FOREWORD

Following an exceptional business success in 2011, in which NIS prevailed over a string of adverse circumstances both global ones and those in the Republic of Serbia, and now continues to positively develop its business areas by strict adherence to clearly defined planes continuously fine-tuning them to the market requirements by employing novel technologies and boosting business and social partnerships.

Looking at the macroeconomic factors, the first quarter of 2012 was marked by decrease in consumption of 7.5% over the same period last year, as well as significant fluctuations in the foreign exchange market. Decrease in consumption is mainly caused by the fall in economic activity and the extraordinary situation in the country due to extremely low temperatures and extensive snowfall. There was a significant decline in domestic currency; the euro has dropped 6%, while the decline in the dollar was around 3%.

Fluctuation of oil products was registered as a consequence of bad weather conditions and soaring of the price of crude in the world market, and the crisis in Iran, which engulfed not only Serbia and the region, but Europe at large. Under such circumstances, NIS sought to maintain its competitiveness and strike a balance between the needs of the business and market requirements, while placing on the market oil products priced not above the region's average.

Against all odds, we not only firmly stand behind our anticipated investments, but intend to make them even more ambitious! This year shall see the completion of our company's pivotal and Serbia's largest investment project – a revamp of refining facilities. We have put our internal resources into the development of other business areas such as extraction and refining of crude oil and gas, retail network streamlining, environment protection and efficiency improvement as well as management process modernisation. Over the course of the coming three years another 1.5 billion euros shall be allocated for the development of all business areas.

We have continued to implement hydrocarbons exploration and extraction projects in the region, specifically in Hungary, with the involvement of our foreign partners, Austria's RAG. We keep our activities aimed at overhauling our sales venues and the first two fuel stations opened for business under the revamped brand of NIS Petrol. Creation of a unified network under the revamped brand aims to strengthen the position in local engine fuel retail market and materialise our commitment to provide our clients with guaranteed quality of fuel and services.

Power generation is a new business area for which we have devised a business strategy envisaging a step up in the use of renewable sources of energy and start of electricity production, which we see as great potential for our company and Serbia. We have a great interaction in this concern with the relevant ministries and the regions, where we operate, so we pooled efforts with Vojvodina, Serbia's autonomous province, and its Secretariat for Power Generation and Mineral Resources, and entered into the agreement with Hungarian companies GMV and Euro-fire to jointly tap into geothermal resources.

Our overall activities aim not only to financially recuperate and stabilise the company, but to make planned profit. In the first quarter of 2012 EBITDA amounted to 15.5 billion RSD, which is two times higher compared to same period last year (7.8 billion RSD). Revenue from sales is increased by 24%, and amounts to 45.6 billion USD. Net profit for the first quarter of 2012 amounted to RSD 8.4 billion which is 15% less than the same period last year. For this result are the most affected by foreign exchange losses amounting to 4.5 billion USD.

The year of 2012 holds new business challenges in store for us. Putting on stream our pivotal investment project, specifically the Hydrocracking Unit in the Pančevo Oil Refinery is company's paramount priority. Other than that, we shall strive to increase the scope of production and crude oil and gas resources and further expand operations in the region. Our important goals include the increase of scope of sales of high margin products and developing new business areas – power generation, petrochemistry and unconventional hydrocarbon resources. I am confident that, building on the first quarter results, we shall successfully rise to those challenges.

Kirill Kravchenko

*CEO
NIS a. d. Novi Sad*





BUSINESS REPORT

Key Events

January

- NIS Petrol commissions “Zmaj 2”, petrol station rebranded in “tricolor” brand in Belgrade
- NIS Petrol opens its petrol station rebranded in “tricolor” brand in the town Požarevac
- Together with Austria’s RAG NIS starts drilling of the first test well („RAG Pirto-1”) within the “Kiskunhalas” Block in South Hungary

February

- Economic journalists declared NIS Serbia’s best company in 2011
- NIS showcased its environment investment programme in the Government of Serbia
- NIS makes public information from unrevised stand-alone financial report
- Independent Auditor PWC confirms veracity of NIS financial results for 2011
- NIS presents its 2011 operation results at Belgrade Stock Exchange

March

- NIS makes public information from unrevised consolidated financial report
 - Independent Auditor PWC confirms veracity of NIS consolidated financial results
 - NIS presented its new jet fuel business area
 - An Agreement signed on tapping into geothermal resources on the territory of Serbia’s autonomous province of Vojvodina with the Secretariat for Power Generation and Mineral Resources
 - The first ship bunkering terminal opens at the Novi Sad Refinery
 - NIS purchased modern equipment for crude and gas exploration
-

General data

Basic data

Business name:	NIS a.d. Novi Sad
Company ID number:	20084693
Address:	Novi Sad, Narodnog fronta 12
Tax ID Number:	104052135
Web site:	www.nis.rs
e-mail address:	office@nis.rs
Industry:	0610 - exploitation of crude oil
Number and date of registration with BRA:	БД 92142, 29.09.2005
Equity as of March 31st, 2012:	95,950,015,000 RSD
Share capital as of March 31st, 2012:	81,530,200,000 RSD
Number of employees as of March 31st, 2012:	9,073*
Audit company that audited the last financial report (dated 31st December 2011)	PricewaterhouseCoopers d.o.o. Omladinskih brigada 88a Belgrade, Serbia

* Without employees from servicing organizations

Issued Shares

Number of issued common shares:	163,060,400
Face value:	500.00 RSD
CFI code:	ESVUFR
ISIN number:	RSNISHE79420

Organized Market where Shares of the Issuer are traded in

Belgrade Stock Exchange
Omladinskih brigada 1
Belgrade, Serbia

Shareholders*

Business name	Number of shares	Part in share capital (%)
Gazprom neft	91,565,887	56.1546%
Republic of Serbia	48,713,569	29.8746%
Unicredit Bank Srbija a.d. – custody account	612,951	0.3759%
Erste Bank – custody account	538,874	0.3305%
Unicredit Bank Srbija a.d. – custody account	528,866	0.3243%
Societe Generale Banka Srbija – custody account	140,000	0.0859%
Julius Baer Multipartner-Balkan	133,686	0.0820%
Unicredit Bank Srbija a.d. – custody account	128,264	0.0787%
The Royal Bank of Scotland	121,355	0.0744%
Vojvođanska banka a.d. Novi Sad – custody account	94,520	0.0580%
Other shareholders	20,482,428	12.56125%
Total number of shareholders as of March 31st 2012		2,625,310

* as of march 31st 2012

Corporate Management

Board of Directors

Full name; position	Education	Current employment	Member of MB or SB other companies
Yakovlev Vadim Vladislavovich , Chairman of Board of Directors	The Moscow Institute of Engineering-Physics (applied nuclear physics); Finance College of the International University of Moscow;	Deputy Chairman of the Executive Board in JSC GazpromNeft, First Deputy to GM inGazpromNeftJSC	<ul style="list-style-type: none"> • OJSC NGK „Slavneft“, • GazpromNeft Development LLC • LLC Sever Energija and its affiliates; • GazpromNeft NNG OJSC. • LLCGazpromNeftVostok • LLC GazpromNeftHantos • LLCGazpromNeft NTC • SalimPertoleum Development N.V. (Supervisory Committee member)
Kravchenko Kirill Albertovich , BoD Member	State University of Moscow M.V. Lomonosov (Sociology); he studied at British Open University (financial management) and IMD school of business. HehasPh.D.ineconomicscience sandheisa professor.	Executive Board member in Gazprom Neft JSC, Deputy of the General Manager for Managementof Foreign Assets in JSC Gazprom Neft	<ul style="list-style-type: none"> • Chairman of Board of Directors of associated company NIS a.d Novi Sad, „Ozone“ a.d. Belgrade • Member of the Board of Directors of the Tennis Association of Serbia • Member of the Executive Board of the Ski Association of Serbia • Council Member club Red Star Council • Vice President of the National Petroleum Committee of Serbia
KrylovAlexandr Vladimirovich BoD Member	LMU (Leningrad), Law Faculty SpbGU, Moscow international business school «MIRBIS» MBA, specialty: „ Strategic management and entrepreneurship“	Head of Department for regional sales in OAD „Gazprom neft“.	<ul style="list-style-type: none"> • CJSC "Gazprom NeftKuzbass", • OJSC "Gazprom Neft Novosibirsk", • OJSC "Gazprom Neft Omsk", • OJSC "Gazprom NeftTumen", • OJSC "Gazprom Neft Ural", • OJSC "Gazprom Neft Yaroslavllye", • CJSC"Gazprom Neft -North-West", • LLC "Gazprom Neft Asia", • LLC "Gazprom Neft Tajikistan ", • LLC "Gazprom Neft Kazakhstan " • LLC «MTK» • LLC «Gazprom neft – Terminal» •LLC"Gasprom njeft Development"
Baryshnikov Vladislav Valeryevich , BoD Member	Military Institute of Krasnozamsensk; North/west Academy of state service at President of Russian Federation (department „State and Municipal Administration“)	GM DeputyJSC „Gazprom Neft“for development of international business; state consultant of Russian Federation of the 3 rd category.	
Cherner Anatoly Moiseyevich BoD Member	Petroleum Institute of Grozensk (chemical processing of oil and gas)	Deputy Chairman of the Executive Board, Deputy of the General Manager forlogistics, processing and trade „Gazprom Neft“;	<ul style="list-style-type: none"> • OJSCNGK „SlavNeft“; • OJSC „Gazprom Neft-ONPZ“; • OJSC „Gazprom Neft-Janos“; • OJSC „MoskovskiNPZ“; • CJSC „Gazprom Neft-Aero“; • CJSC „St. Petersburg International trade-raw material market “ • LLC «Gazprom neft – Belnefteprodukt» • LLC «Gazprom neft –SM» • LLC «Gazprom neftMarin Bunker» • LLC «Gazprom neft – Logistics» • OJSC «Mozirski NPZ»
Antonov Igor Konstantinovich , BoD Member	St. Petersburg Institute for Production of Airspace Devices	Deputy of the General Manager for safety issues in „Gazprom Neft“;	-
Nikola Martinovic , BoD Member	Faculty of Economics in Subotica;;	Special Consultant in NIS a.d;	-
Danica Draskovic Independent BoD Member	Belgrade Law Faculty	Owner and General Manager of publishing company „SrpskaReč“;	-
Stanislav Shekshnya Vladimirovich IndependentBoD Member	MBA, Northeastern University, Boston, USA Ph. D. (Economics), Moscow State University, Russia	General Manager of „Talent Equity Institute“; Senior partner of company „Ward Howell“; Managerof department „Talent Performance and Leadership Development Consulting“; professor of	<ul style="list-style-type: none"> • Independent member of BoD ENER1

		enterprise leadership of the International School of Business INSEAD.
Slobodan Milisavlevic BoD Member	University of Economics in Belgrade, Ph. D. in Economics	Counselor in Serbian Chamber of Commerce; Member of "International Advisory Board UniCredit bank " Rome, Italy

Total amount of net reimbursements paid to members of Board of Directors in period January 1st – March 31st. was RSD 7.508.310, while total amount of net reimbursements paid to General Manager in the same period was RSD 4.704.471.

Number and % of NIS shares owned by members of BoD

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

Supervisory Board

Full name position	Education	Current employment	Member of MB or SB other companies
Milivoje Cvetanovic Chairman of Audit Committee	Faculty of Economics, Belgrade University	Consultant of practical application of MSFI, creation and implementation of information systems, including the system of internal control; member of Board of Examiners of the Chamber of Authorized Auditors for exams in „Auditing and professional ethics“ program for certificates in authorized revision; member of Chamber of Authorized Auditors; internal auditor in DIPOS DOO Company, Belgrade; owner of the company „Cvetanovic Consulting“ d.o.o. Belgrade;	<ul style="list-style-type: none"> Chairman of the Supervisory Board Tigara.d.Pirot; Member of Supervisory Board of Energoprojekt Holding a.d
Bozo Stanisic, Member of Supervisory Board	Faculty of Technology-Metallurgy (Department of Technological Operations).	Consultant of the President of the Chamber of Commerce	<ul style="list-style-type: none"> MB Vice president of "Industry of machines and tractors"; (IMT) New Belgrade; MB President of Association of Citizens Bicycle Race "Through Serbia".
Maxim Shakhov Viktorovich Member of Supervisory Board	Faculty of Chemistry-Technology of the Technical University of Yaroslav (high level of technical education);	Head of Department for audit of the exploration and production in JSC Gazprom Neft	<ul style="list-style-type: none"> LLC «NNK»

Total amount of net reimbursements paid to members of Audit Committee in the period 1st January – 31st March, 2012 was RSD 1,925,646.

Number and % of NIS shares owned by members of SB

Full name	Number of shares	% of participation in the total number of shares
Bozo Stanisic	149	0.0001%



Business environment

World

Vestiges of subsiding crisis in the Euro zone along with other economic indicators suggest a more positive trend in global economy development. The Central Bank of Europe has largely been instrumental in stabilizing the Euro zone by offering favorable loans to banks last December and this February hoping that banks' improved liquidity would affect the loans it extends to the real sector of economy.

Stabilization of the Euro zone has also affected the financially connected USA whose macroeconomic indicators show the strengthening of economy and subsiding of market pressures, as well as labor market rebound.

This stabilization might be jeopardized in case Greece fails to honor its commitments to reform and if the Euro zone and IMF suspend their financial assistance to this country from their funds. Other than that, there are announcements of EU funds diminishing significance in aiding economies in predicament during the crisis and that EU-member nations shall first try and tackle their flawed economies.

In addition to the above we should bear in mind the prospects of military action in the Middle East and the crude price increase, which spell instability in 2012 in respect of global economy and further slowdown already lagging rebound from the 2008-2009 recession.

Serbia

Serbia's industrial output in February 2012, according to seasonally adjusted data, recorded a 13.0% slump, while on the same month last year it is lower by 12.8%. Refining industry, according to seasonally adjusted data, recorded a 13.9% slump in the same month, while the year-on-year slump was 16.1%. Furthermore, the mining sector also records a fall (13.5%) and electricity supply sector as well as gas, steam and air conditioning (2.8%).

In the refining industry, the biggest influence in the year-on-year slump of the overall industry was exerted by the production of basic metals, non-metal minerals products, oil products, beverages and basic pharmaceutical products and preparations.

These industry fluctuations in February have largely been provoked by bad weather conditions and problems in electricity supply to industrial producers.

Data from the initial months of 2012 suggest that the economic situation has not been on the rebound. Bad weather conditions, along with poor domestic and foreign demand have affected negatively business activity across the board.

Macroeconomic indicators

- Incline of USD/RSD rate in first quarter of 2012 was +3.03% or +2.45 RSD (USD/RSD rate changed from 80.8662 RSD as of January 1st 2012; to 83.3129 RSD as of March 31st 2012)
- Incline of EUR/RSD rate in first quarter of 2012 was +6.42% or +6.72 RSD (EUR/RSD rate changed from 104.6409 RSD as of January 1st 2012; to 111.3643 RSD as of March 31st 2012)
- Decline of USD/RSD rate in first quarter of 2011 was -7.64% or -6.06 RSD (USD/RSD rate changed from 79.2802 RSD as of January 1st 2011; to 73.2224 RSD as of March 31st 2011)
- Decline of EUR/RSD rate in first quarter of 2011 was -1.8% or -1.9 RSD (EUR/RSD rate changed from 105.4982 RSD as of January 1st 2012; to 103.5951 RSD as of March 31st 2011)
- Average crude oil price in first quarter of 2012 was 117 USD/bbl.



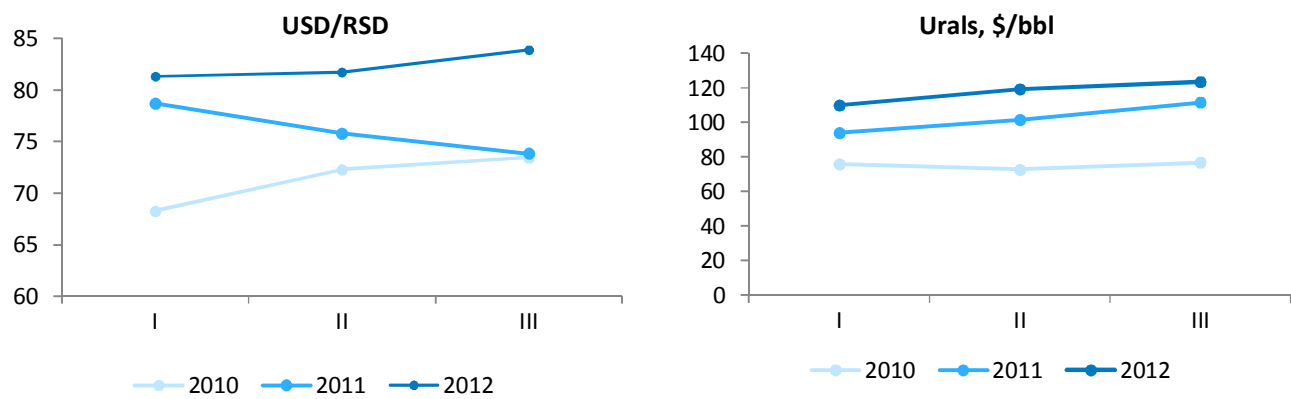


Figure 1: Graph of trends of USD/RSD exchange rate and oil price trends

Market share

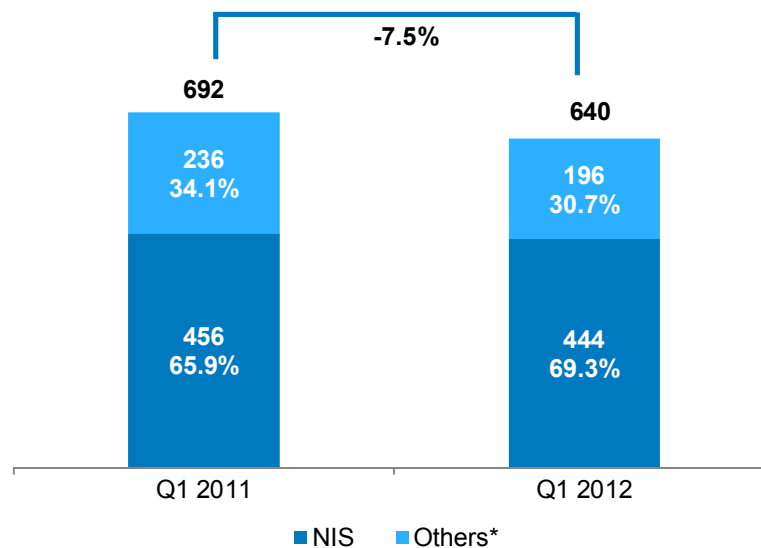


Figure 1: RS Market volumes in thousands of tones

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

* For others autogas sales, gasoline, diesel fuel and EL shown

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

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

- The decline of economic activity and emergency situations due to severe winter had a significant negative effect on consumption of petroleum products
- The largest drop in consumption was noted in naphtha as a result of a two-month overhaul at HIP Petrohemija
- NIS has increased its market share in Serbia due to increased sales of LPG
- Decrease in retail due to reduction in the number of active petrol stations - Q1 2011: 459, Q1 2012: 399. 69 petrol stations were leased.
- The greatest increase in sales at private petrol stations because they were the main channel for the distribution of fuel oil

Analysis of achieved results

Key Performance Indices

Key indicators	Units of measurement	Q1 2011	Q1 2012	Change	
				Amount	%
Urals	\$/bbl	102.2	117.4	15.2	14.9%
Net profit	billion RSD	9.8	8.4	-1.4	-15%
Net foreign exchange differences	billion RSD	4.6	-4.5	-9.1	-198%
Net profit before foreign exchange differences	billion RSD	5.3	12.9	7.6	145%
EBITDA*	billion RSD	7.8	15.5	7.7	100%
Sales (without excise tax)	billion RSD	36.7	45.6	8.9	24%
OCF	billion RSD	-1.0	-2.0	-1.0	-95%
Paid taxes and fiscal obligations**	billion RSD	15.6	14.9	-1.6	-10%
Domestic oil and gas production	Thous. cond. tons***	359.2	413.3	54.1	15%
Domestic oil production	thousand tons	246.0	274.0	28.0	11%
Oil refining volume	thousand tons	513.0	413.1	-100.0	-19%
Total sales of oil products	thousand tons	514.8	503.7	-11.1	-2%
Oil products local market sales	thousand tons	454.7	436.2	-18.5	-4%
Retail	thousand tons	116.6	115.2	-1.4	-1%
Light oil products sales	thousand tons	322.1	299.5	-22.6	-7%
CAPEX from GPN loan****	million EUR	9.0	24.4	15.4	171%
Inflow of funds from GPN (cumulative from 2009.)	million EUR	210	466	256.0	122%
CAPEX from OCF (NIS projects)	billion RSD	1.4	4.9	3.5	250%
Total debt to banks	million USD	632	444	-188.0	-30%
Total bank indebtedness*****	million USD	726	459	-267.0	-37%

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

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

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

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

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

*** 1,256 m³ gas = 1 conditional ton of oil

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

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

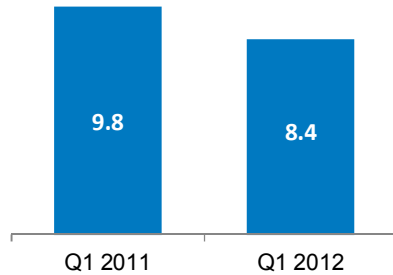
***** Data for 2010 was corrected due to internal activities on projects with direct economic effect (UPS) and capitalized expenses that affected increase in investments in MHC/DHT and ecology projects

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

Financial indicators

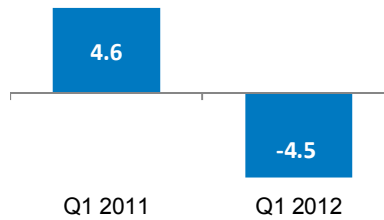
Angola pooling started in Q1 2012.

Net profit



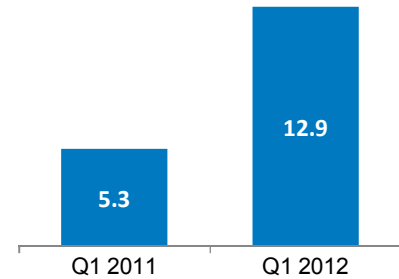
- Net FX costs were negative in Q1 2012 and amounted to 4.5 billion of RSD

Net FX differences



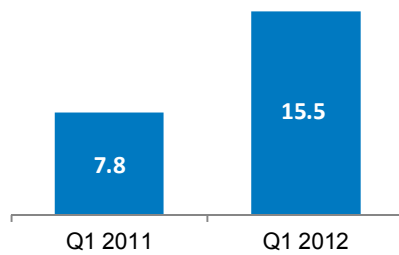
- Increase of USD/RSD exchange rate - 3,03% or 2,45 RSD
- Increase of EUR/RSD exchange rate - 6,42% or 6,72 RSD

Net profit before FX



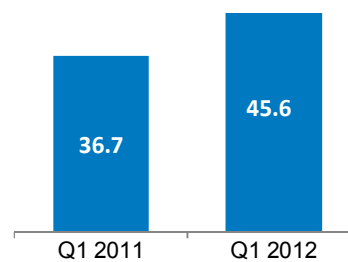
- Increase in oil prices
- Increase in production of domestic oil and gas
- Increased business efficiency

EBITDA



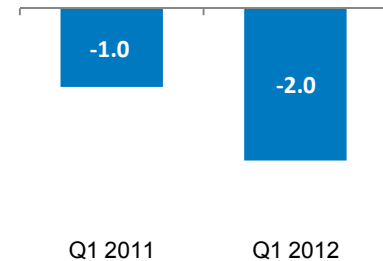
- Increase in business efficiency
- Increase in production of domestic oil and gas
- Angola pooling -1.3 billion RSD

Sales



- Increase in crude oil price in first quarter of 2012 (\$/bbl), comparing to last year, is app +14.9%.
- Increase of retail prices of oil derivatives in first quarter of 2012. for app +15% compared to first quarter of 2012

OCF



- Increase in receivables from JP Srbijagas Novi Sad by app. 3 bln. RSD
- Increase in receivables from companies from EPS group (Thermal power plant Nikola Tesla, Panonske TETO, Mining Kolubara, etc.) in amount of app 2.2 bln. RSD

Operational indicators

1. Upstream

- Increase in production of domestic oil and gas for 15% compared to Q1 2011:
- Capital repair of wells
- Reactivation of inactive wells

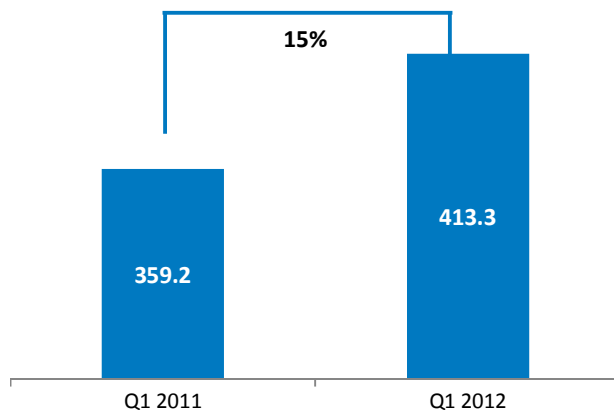


Figure4: Domestic oil and gas production (in thousands of conditional tons)

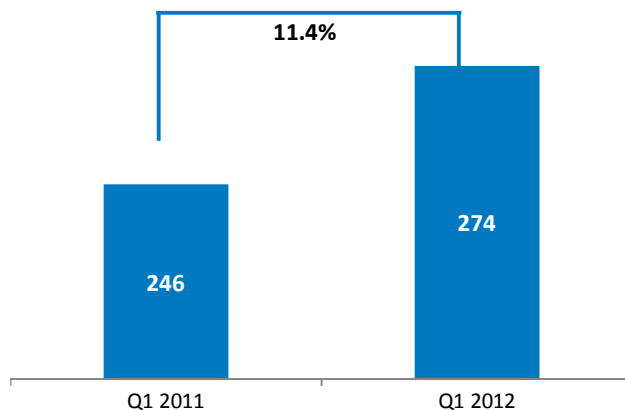


Figure5: Domestic oil production (in thousands of tons)

2. Refining

- Oil processing including third parties is reduced for 19% compared to Q1 2011
- In Q2 2011 planned overhaul of Pancevo Refinery was performed in period:
 - From February 23rd until April 2nd 2012

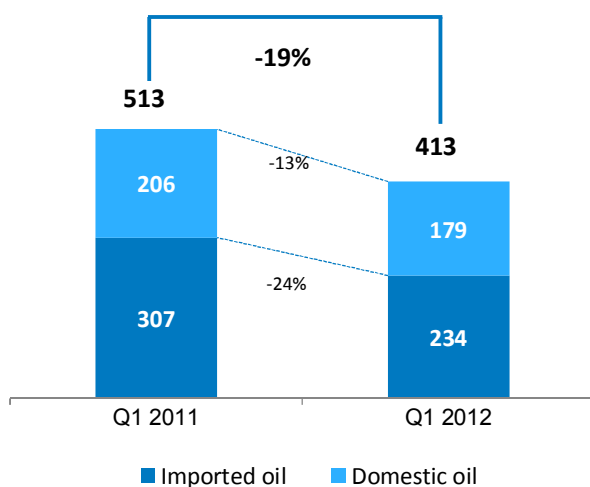


Figure2: Oil refining volume (in thousands of tons)

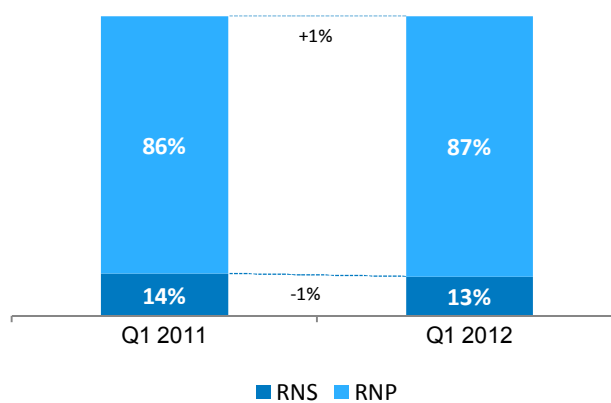


Figure7: Oil refining per refineries
RNP – Oil Refinery Pančevo, RNS – Oil Refinery Novi Sad

3. Sales and Distribution

- The reduction of overall sale and distribution of oil derivatives for 2% compared to Q1 2011
- Retail – decrease of sales volume by 1.2%
 - emergency situation in Serbia (extremely bad weather, low temperatures and abundant snowfall in February)
- Wholesales – decrease compared to the first quarter of the previous year by 5.1% due to reduced consumption of gasoline BMB95 and insufficient quantity of diesel for the realization in March
- Exports – increase of exports in first quarter of 2012 by 12.2%,
 - Realization of export of small quantities of intervention export of oil fuel due to optimizing of refining
 - Increased exports of gasoline components

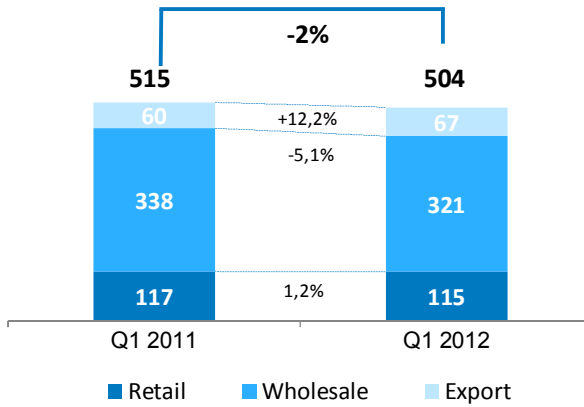


Figure8: Oil derivatives sales (in thousands of tons)

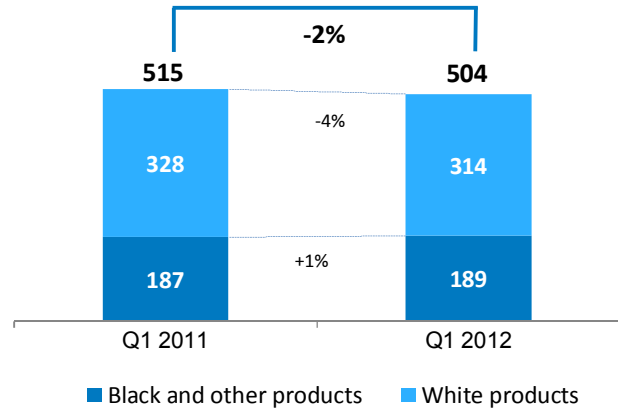


Figure9: Sales structure per oil derivatives (in thousands of tons)

Bank indebtedness

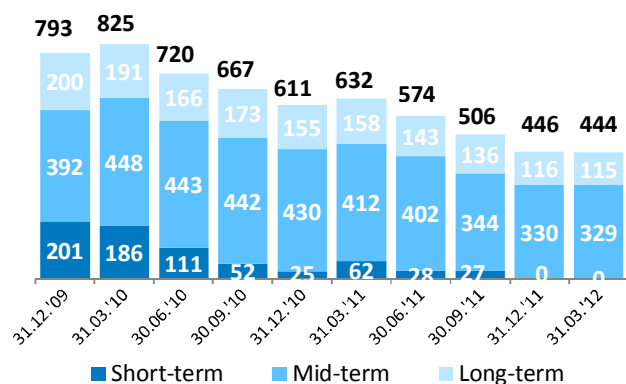


Figure10: Total debt to banks trend
(In millions of USD) *

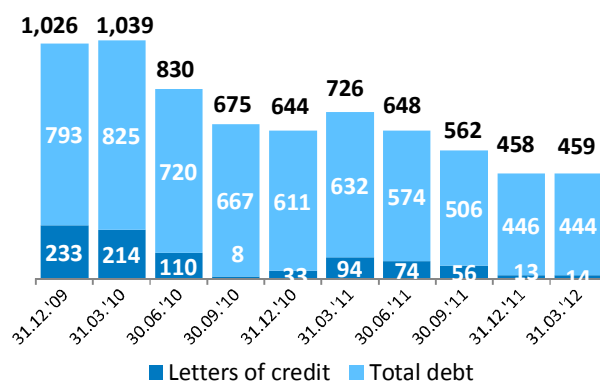


Figure11: Total bank indebtedness trend
(In millions of USD)

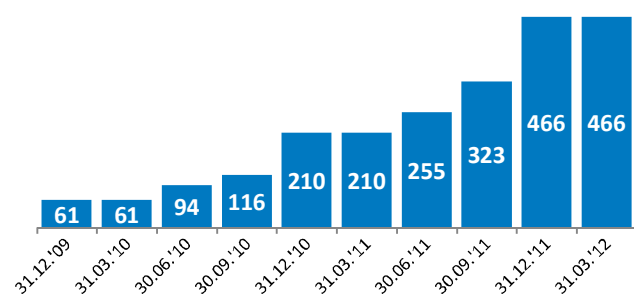


Figure12: GPN loan (in millions of EUR, VAT excluded and without letters of credit)

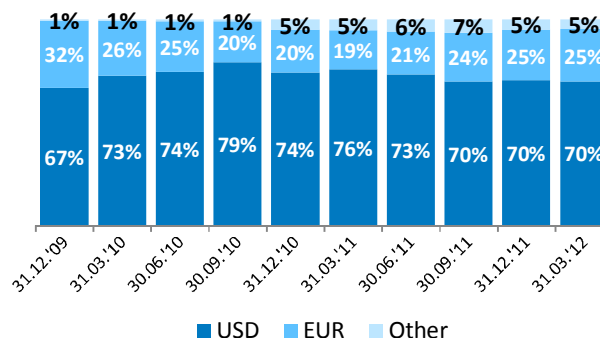


Figure13: Structure of the total debt to banks per currency

Term structure of the debt to banks is shown according to Contract terms and not by maturity of the debt as of September 30th, 2011

Ratios

Ratios	Q1 2011	Q1 2012	Change	
			Value	%
Return on total capital (Gross profit/total capital)	18%	10%	-8%	-47%
Net return on equity (Net profit/shareholders equity*)	11%	10%	-1%	-13%
Operating net profit (operating profit/net sales income)	16%	31%	15%	93%
Degree of leverage (short term and long term liabilities/total capital)	113%	126%	13%	12%
Degree of leverage (short term and long term liabilities/ shareholders equity*)	173%	139%	-34%	-20%
1st degree liquidity (cash and cash equivalents/short term liabilities)	13%	44%	31%	236%
2nd degree liquidity (working assets/stocks/short term liabilities)	55%	138%	83%	152%
Net working fund ratio	11%	55%	44%	401%

* shareholders equity = share capital + other capital

Per share indicators

(Period from January 1st until March 31st 2012)

Indicator	Value
Last price	685.00 RSD
High	748.00 RSD
Low	556.00 RSD
Market capitalization as of September 30 th , 2011.	161,727,564.00 RSD
EPS for period January 1 st - September 30 th , 2011	51.41 RSD
EPS for period January 1 st - December 31 st , 2010	248.99 RSD
P/E*	2.75
Book Value as of September 30 th , 2011	588.43 RSD
P/BV	1.16
Dividends paid (in last three years)	2011. Company reported net profit The amount of uncovered loss as of December 31 st 2011 is 0.4 billion of RSD. Decision on allocation of profit and/or cover of accumulated losses will be discussed at next Shareholders Assembly session 2010. Company reported net profit of 16,484,381,000.00 RSD.** 2009. Company reported loss of 37,636,111,000.00 RSD 2008. Company reported loss of 8,022,615,000.00 RSD

* Price as of March 31st 2012 in compare to EPS for period January 1st - December 31st 2011

** BoD reached the decision that profit is to be distributed for covering of accumulated losses from previous years

Per share indicators (historically)	
Last price	685.00 RSD
High	865.00 RSD
Low	442.00 RSD
Total turnover	7,836,997,593.00 RSD
Total volume	14.229,833
% Of total number of issued shares	8.73%
% Of total number of issued shares owned by minority shareholders	53.40%
Total number of transactions	2,065,827

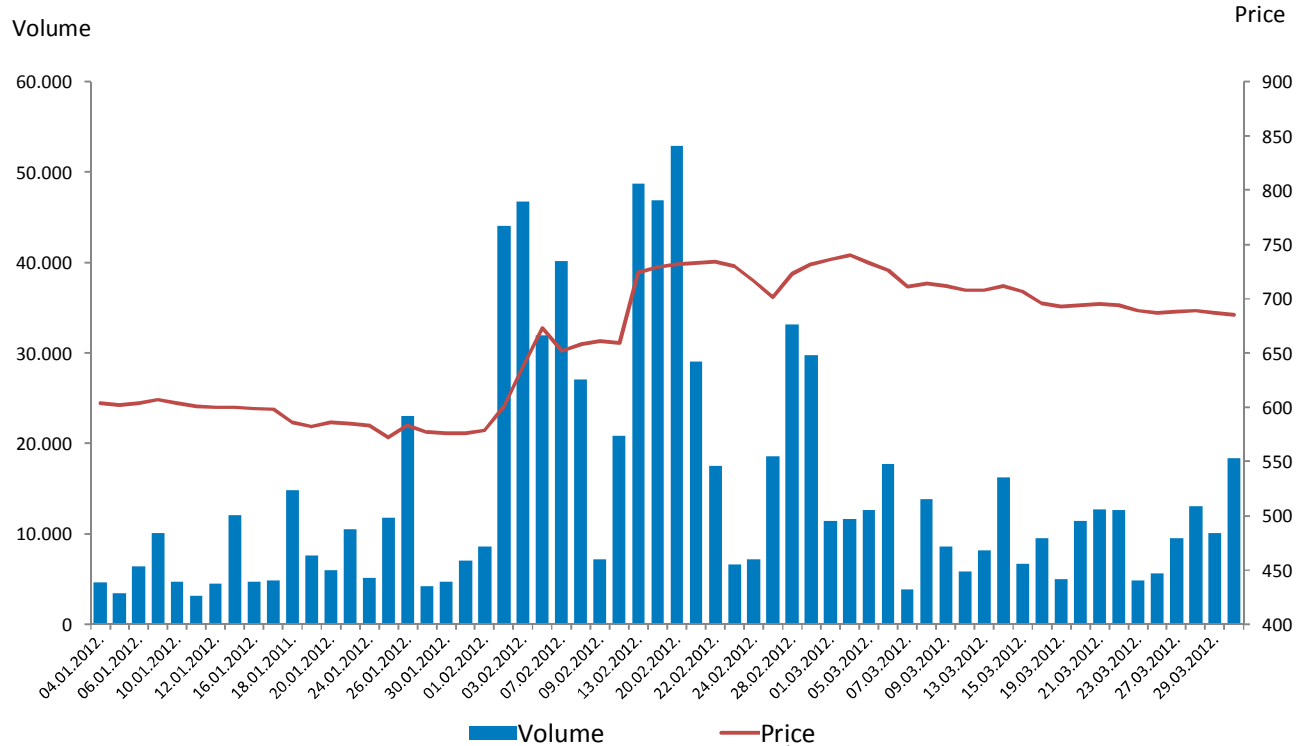


Figure14: Display of price and volume trends



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

Property	Changes larger than 10%	Explanation
Intangible Assets	47%	Increase in intangible investments as at March 31st 2012 compared to December 31st 2011 primarily refers to investments in exploration and development in the total amount of RSD 1.612.354 thousand, transferred from the account <i>Property, Plant and Equipment</i> .
Other Long-Term Investments	28%	Increase in other long-term investments as at March 31st 2012 compared to December 31st 2011 primarily refers to granting long-term loans to subsidiaries in the amount of RSD 865.356 thousand. Long-term loans to subsidiaries were granted at variable interest rates (3M Euribor + 7,5% and 3M Euribor + 5%) for the period of 7 years from the date of the last annuity payment, with the 3-5 year grace period. The carrying book value of long-term loans corresponds to their fair value.
Inventories	-13%	Decrease in inventories at March 31st 2012 compared to December 31st 2011 primarily refers to the decrease in the inventories of imported crude oil.
Non-current assets held for sale	-100%	Decrease in non-current assets held for sale as at March 31st 2012 compared to December 31st 2011 completely refers to the sale of Trn 2 Laktaši petrol station to the subsidiary NIS Petrol Bosnia and Herzegovina.
Receivables	26%	Increase in receivables as at March 31st 2012 compared to December 31st 2011 and the related increase in sales income in 2011 completely refers to the increase in sales of products and services of the Company, extension of receivables maturity dates, as well as to the increase in receivables from Srbijagas, Novi Sad and Nikola Tesla Power Plant (in the amount of RSD 3.050 million, i.e. RSD 1.956 million).
Cash and Cash Equivalents	-37%	Short-term bank deposits as at March 31st 2012 in the amount of RSD 9.735.462 (December 31st 2011: RSD 16.473.646) represent cash assets investments at business banks with 30 day maturity and are expressed as cash entries in the bank.
VAT and prepaid expenses	43%	Increase primarily refers to the increase in receivables for non-invoiced income of RSD 2.679.559 thousand. The greatest increase is based on sales of crude oil totaling RSD 1.819.154 thousand, while the rest refers to sales of petroleum and petroleum products.
Liabilities	Changes by more than 10%	Explanation
Unrealized gains from securities	-68%	The decrease in unrealized gains from securities as at March 31st 2012 compared to December 31st 2011 completely refers to decrease in investment in securities held for sales based on value reduction to fair (market) value (Linde Gas Srbija a.d. Bečej, Komercijalna banka a.d. Beograd, Jubmes banka a.d. Beograd)

Retained Earnings	21%	Retained earnings as at March 31st 2012 completely refer to the generated income during the period ending on March 31st 2012
Liabilities for VAT, other taxes and deferred income	10%	Increase in VAT liabilities and other taxes and deferred income as at March 31st 2012 compared to December 31st 2011 refers to the increase in liabilities from excise duties in the amount of RSD 1.522.462 thousand.
Short-term financial liabilities	32%	Increase in short-term financial liabilities as at March 31st 2012 compared to December 31st 2011 refers to transfer of a portion of short-term liabilities based on long-term loans to parent company.
Trade and other payables	-44%	Decrease in trade and other payables as at March 31st 2012 compared to December 31st 2011 mostly refers to the decrease in liabilities for crude oil towards suppliers Gazprom Neft Trading, Austria (decrease of RSD 7.683 million) and Glencore Energy (decrease of RSD 5.366 million).
Income Tax Liabilities	-72%	Decrease in income tax liabilities as at March 31st 2012 compared to December 31st 2011 refers to payment of income tax liabilities for 2011.
Deferred Tax Liabilities	15%	Increase in deferred tax liabilities as at March 31st 2012 compared to December 31st 2011 refers to provisional differences based on calculated depreciation for accounting purposes and depreciation recognized for tax purposes.
Net Profit (loss)*	-15%	Decrease in net profit is the result of domestic currency weakening and a significant increase in currency losses compared to the same period in 2011. Currency gains in 2012 are lower by RSD 3.704.845 thousand while currency losses are higher by RSD 5.368.208 thousand for the same period.

*comparable data of March 31st 2011

Major Byers

Buyer	Turnover in mln. RSD	Share in total income
Srbijagas JP, Novi Sad	4,308	12%
OMV Serbia d.o.o.	3,224	9%
Thermal power plant Nikola Tesla	2,384	6%
Knez petrol d.o.o.	2,212	6%
Total:	12,128	33%
Other buyers	24,936	67%
Total:	37,064	100%

**from January 1st until March 31st 2012.*

Major Suppliers

Suppliers	Total debt in mln. RSD	Share in the total liabilities to suppliers
Gazprom Neft Trading GMBH	10,433	63%
Master Chem Oil LTD	962	6%
OMV Serbia DOO	418	3%
Elpetra Energy S.A.	404	2%
Total:	12,217	74%
Other suppliers	4,312	26%
Total:	16,529	100%

**as of March 31st 2012*

Investments

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

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

In the first quarter of 2012, as much as 7.7 billion RSD was put into investments, which are by +196% more on the same period in 2011.

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

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

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

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

Sources of investment funding	Q1 2011	Q1 2012
CAPEX from GPN loan (without letters of credit)	0.94	2.68
Ecology	0.14	0.82
MHC/DHT	0.80	1.85
CAPEX from OCF (NIS funds)	1.65	5.01
Ecology	0.00	0.07
MHC/DHT	0.02	0.48
Angola	0.17	0.04
Projects with direct economic effect	0.84	3.88
Projects without direct economic effect	0.62	0.53
Project research works	0.01	0.01
TOTAL:	2.60	7.69

**in bln RSD, VAT excluded*

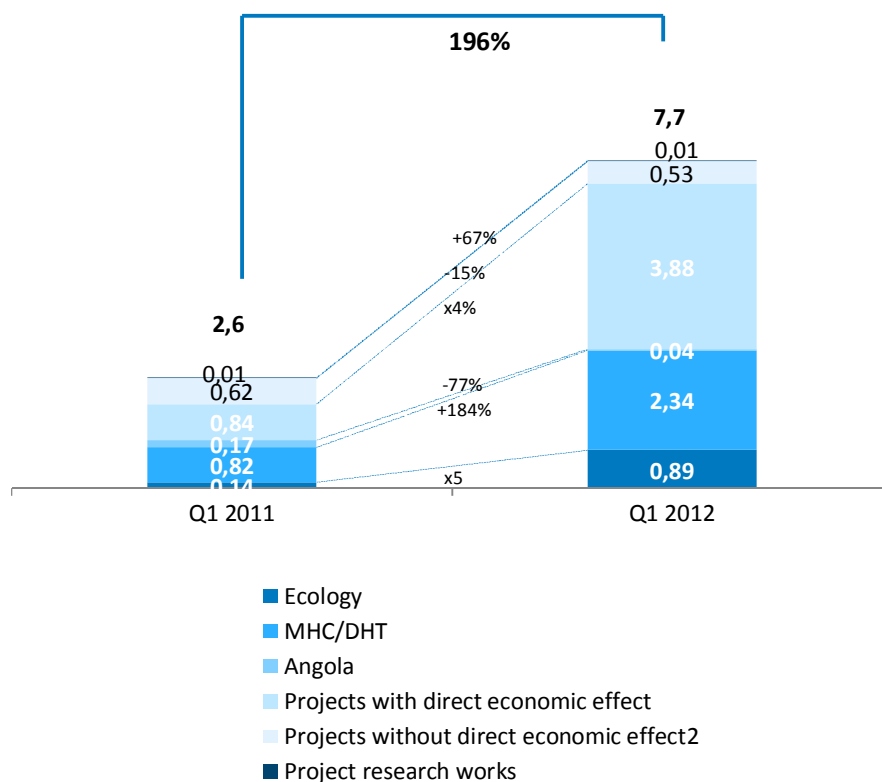
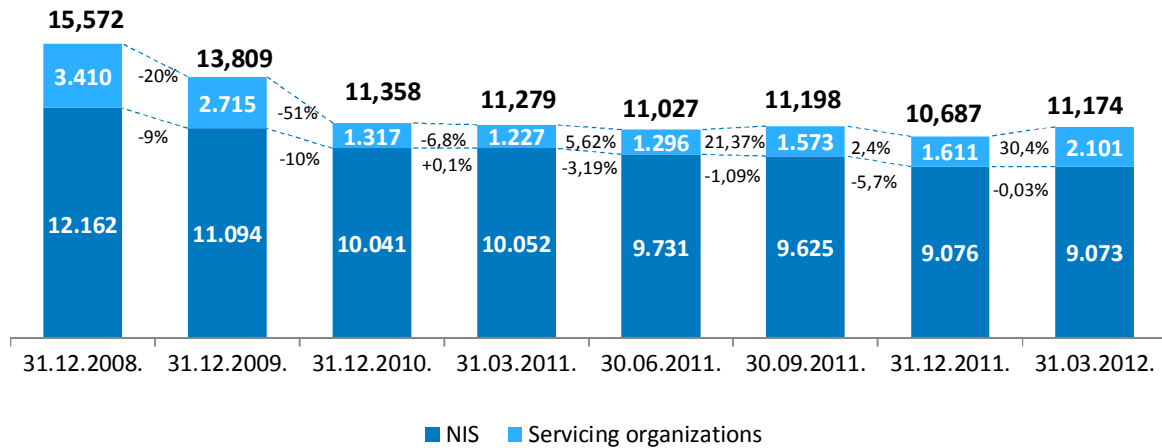


Figure15: Graph of investments realized from GPN loan and OCF (in billions of RSD, VAT and letters of credit excluded)

Number of employees

Organizational part	As of December 31 st , 2011			As of March 31 st , 2012.			Change (%)
	NIS	Servicing organizations	Total	NIS	Servicing organizations	Total	
1	2	3	4(2+3)	5	6	7(5+6)	8(7:4)
Block Upstream	1,140	26	1,166	1,154	36	1,190	2.1%
Block Oilfield services	1,812	270	2,082	1,821	573	2,394	15.0%
Block Sales and Distribution	3,204	1,298	4,502	3,130	1,335	4,465	-0.8%
Block Refining	1,697	-	1,697	1,658	56	1,714	1.0%
Block of Energy	12	-	12	15	0	15	25.0%
NIS Corporate headquarters	1,211	17	1,228	1,295	101	1,396	13.7%
TOTAL	9,076	1,611	10,687	9,073	2,101	11,174	4.6%



Total number of employees that left the company by accepting stimulating programs in first quarter of 2012 was 57.

Subsidiaries and related parties transactions

Subsidiaries

Name	Head office	% of share capital
O Zone a.d. Beograd	ul. Maršala Birjuzova br. 3-5, Belgrade, Serbia	100%
NAFTAGAS – NAFTNI SERVISI d.o.o. Novi Sad	Put Šajkaškog Odreda 9, Novi Sad, Serbia	100%
NAFTAGAS – TEHNIČKI SERVISI d.o.o. Zrenjanin	Beogradska 26, Zrenjanin, Serbia	100%
NTC NIS – NAFTAGAS d.o.o Novi Sad	Narodnog Fronta 12, Novi Sad, Serbia	100%
NIS Oversiz o.o.o.	Balyshoy golovin perulok 12, Moscow, Russian Federation	100%
„NIS Petrol“ EOOD Bulgaria	Oborište br. 10, Stolična, Sofia, Bulgaria	100%
„NIS Petrol“ S.R.L. Romania	Daniel Danielopolu 4-6/3, bucharest, Romania	100%
„NIS Petrol“ d.o.o., Laktaši, Republika Srpska	Prijedorska bb; Laktaši, Bosnia and herzegovina	100%
„Panon Naftagas“ kft. Budapest, Hungary	1093 Budapest, Hungary, Kozraktar u., 30-32	100%
Jadran–naftagasd.o.o. BanjaLuka	IvanaFranjeJukića 7, Banja Luka, B&H	66%
NIS– Svetlostd.o.o. Bujanovac	Industrijskazonabb, Bujanovac, Serbia	51.32%
JUBOS d.o.o Bor	Đorđa Vajferta 29, Bor, Serbia	51%
OOO „SP Ranis“	Moscow district, Chernogolovka, Russian federation	51%

Related parties transactions

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

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

Overview of related parties' transactions if given in Notes to financial statements.



Cases of uncertainty (uncertainty of collection)

While preparing the annual financial statements, NIS a.d. Novi Sad management adopts accounting estimates and assumptions for the future. By definition, the resulting estimates will rarely match achieved results. The most important estimates and assumptions refer to estimated provisions for decreasing the value of receivables from customers, provisions based on expected effects of negative legal disputes outcomes, as well as provisions for environmental protection.

Customer receivables are initially acknowledged at fair value. Provisions for decreased values of receivables are determined when and there exists objective evidence that the Company will not be able to collect all receivables in accordance with initial terms.

In relation to the first class customers (customers which at the day of compilation of balance sheet account for 80% of total receivables), the risk of receivables collection is assessed, taking into account the indicators of reducing sales value of receivables as follows: receivables maturity, assessed debt collectability in accordance with customer financial abilities, and existing customer collection history delay. In accordance with this, provisions are made for reduced receivables value, and/or the value adjustment debited to the expenditures of the period item.

In relation to the second class customers (customers which at the day of compilation of balance sheet account for 20% of total receivables), the risk of receivables collection is assessed, taking into account payment delay, and the adjustment of customer value is posted if the payment is not made: within sixty (60) days as of the maturity date, i.e., due date for foreign currency transfer into the country, or ninety (90) days from maturity date for liquefied petroleum gas receivables, delivered goods/energy products to domestic consumers in the category "remote heating systems" (heating plants), receivables from customers funded from the budget (military, police, health institutions, educational institutions, railways etc.)

Receivables book value is reduced by value adjustment, and the amount of reduction is entered in the income statement as "other expenses". When the receivable is not collectible, it is written down and debited to the account of receivable value adjustment.

As at March 31st 2012, the Company made the value adjustment for about 50% of gross value of total receivables.

The Company management has made an assessment and provisions for environmental protection on the date of balance sheet compilation in the amount of RSD 998.607 based on internal evaluation on harmonization between the Company and Serbian legislation. The Management holds that, based on current legislation, the expenses regarding environmental protection, are not significantly higher compared to the amount of provisions. However, it is possible that the said cost will considerably increase in the upcoming period if the legislation becomes more restrictive.

As at March 31st 2012, the Company did not make provisions for potential loss that might be incurred based on tax liabilities assessment by Ministry of Finance in Angola, according to which the Company needs to pay the difference in tax assessment, including an interest rate of USD 40 million regarding additional oil profit for the period from 2002 to 2007. The management holds that, based on terms under the signed concession contracts with Angola and based on opinions of legal consultants from Angola, this type of request is not in accordance with the current legal framework in Angola, due to the fact that the authorities did not calculate the oil profit and that the oil profit is a contractual obligation toward the national concessioner, which is opposite to the opinion from Ministry of Finance of Angola. The Company management will file a complaint against any action of forceful tax collection by the Ministry of Finance, and shall take all necessary steps in postponing tax collection until the Angolan court makes a final decision on this matter. Based on the experience of other concessioners, the Angolan court has still not made a decision regarding their complaints on the same decision by Ministry of Finance, although the complaints were filed three years ago. Taking all that into account, the Company management presumes that as at March 31st 2012 there is a significant level of uncertainty regarding the time needed for resolving the requests from Ministry of Finance of Angola, and if needed, the additional oil profit tax amount.

In 2011 the Company started the approval procedure for long-term manager incentive programme. Upon approval, the cash incentives will be performed based on set key performance indicators (KPI) within three years. On March 31st 2012 due to key performance indicators (KPI) not being approved, and due to the manner of implementing the programme itself, it was not possible to assess the amount of future liabilities with certainty and the Company did not make any provisions on these grounds whatsoever. A significant outflow of funds is not expected.



FINANCIAL STATEMENTS

Balance Sheet

	Notes	March 31st 2012 (unaudited)	December 31st 2011
ASSETS			
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

*in, 000.00 RSD

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

Income Statement

	Notes	Three-month period ended March 31st	
		2012	2011
		<i>(unaudited)</i>	<i>(unaudited)</i>
Operating income			
Sales	17	45.597.285	36.742.340
Work performed by the entity and capitalized		908.441	338.547
(Decrease) increase in inventories of finished		(2.401.617)	62.465
Other operating income		97.274	63.082
		44.201.383	37.206.434
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, amortization and provision	19	(1.771.966)	(2.005.402)
Other operating expenses	21	(3.360.450)	(2.830.794)
		(30.875.556)	(31.719.523)
Profit from operating activities		13.325.827	5.486.911
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		9.125.271	10.232.205
Income tax		(742.394)	(402.082)
Income tax expense		(562.754)	(575.504)
Deferred tax income		(179.640)	173.422
Profit for the period		8.382.877	9.830.123
Earnings per share			
- Basic	24	0,05	0,06

*in ,000.00 RSD

Statement of Cash Flows

	Three-month period ended March 31st	
	2012. <i>(unaudited)</i>	2011. <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>	58.723.888	53.711.242
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>	(60.771.675)	(54.759.724)
Net cash used in operating activities	(2.047.787)	(1.048.482)
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>	165.991	661
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>	(7.633.227)	(2.876.035)
Net cash used in investing activities	(7.467.236)	(2.875.374)
Cash flows from financing activities		
Proceeds from long-term and short term borrowings	-	2.560.684
<i>Cash inflow from financing activities</i>	-	2.560.684
Outflows from long-term, short-term and other liabilities	(340.479)	(1.733.184)
<i>Cash outflow from financing activities</i>	(340.479)	(1.733.184)
Net cash (used in) provided by financing activities	(340.479)	827.500
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	15.957.029	7.041.122

*in, 000.00 RSD

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	Unrealized gains from securities	Unrealized 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

*in, 000.00 RSD



Notes to Financial Statements

1. GENERAL INFORMATION

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

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

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

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

These interim condensed financial statements have been approved by 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.

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			Other	Total
			Refining	Trade		
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

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

	Exploration and production	Oil field services			Other	Total
			Refining	Trade		
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 (expenses)	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 expense	-	-	-	-	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	
	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

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) .

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 as at 31 march 2011	10.536.797	39.597.866	24.615.347	11.725.725	89.581	630	13.159.726	99.725.672
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)	-	(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

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

	March 31 2012	December 31 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
<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)
	(7.749.393)	(8.100.974)
Total – net	4.324.961	3.376.034

Long-term loans to subsidiaries

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

	Currency	March 31 2012	December 31 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
		3.154.555	2.289.198

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.

8. INVENTORIES

	March 31 2012	December 31 2011
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
	38.084.273	42.814.496
Advances	900.218	764.659
<i>Less provision:</i>		
- for inventories	(7.801.869)	(7.801.869)
- for advances	(375.289)	(379.688)
	(8.177.158)	(8.181.557)
Total inventories – net	30.807.333	35.397.598

Movement on inventory provision is as follows:

	2012	2011
As at January 1	(8.181.557)	(5.334.979)
Provision for impaired inventories charged to the period	(765)	(5.292)
Provision reversed	5.164	35.775
Other	-	20.154
As at March 31	(8.177.158)	(5.284.342)

9. TRADE AND OTHER RECEIVABLES

	March 31 2012	December 31 2011
Trade receivables:		
- domestic	26.226.716	22.564.614
- foreign	2.346.107	1.054.202
- related parties	1.545.318	2.096.242
	30.118.141	25.715.058
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
	12.208.977	12.499.679
	50.925.606	46.213.708
<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)
	(25.348.497)	(25.840.469)
Total receivables – net	25.577.109	20.373.239

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:

	March 31 2012	December 31 2011
Up to 3 months	23.824.952	19.824.325
Over 3 months	6.293.189	5.890.733
	30.118.141	25.715.058

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:

	March 31 2012	December 31 2011
Up to 3 months	55.956	62.727
Over 3 months	4.815.204	5.621.293
	4.871.160	5.684.020

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

	March 31 2012	December 31 2011
RSD	47.335.394	45.056.177
EUR	942.744	241.141
USD	2.647.261	916.156
Other	207	234
	50.925.606	46.213.708

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

	2012	2011
As at January 1	(25.840.469)	(26.103.844)
Provision for impaired receivables	(440.326)	(352.870)
Written off	174.137	22.729

Unused amounts reversed	758.161	233.284
Other	-	(2.173)
As at March 31	(25.348.497)	(26.202.874)

10. CASH AND CASH EQUIVALENTS

	March 31 2012	December 31 2011
Cash in bank	15.317.043	24.793.781
Cash on hand	606.328	391.896
Other cash equivalents	33.658	43.049
	15.957.029	25.228.726

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.

11. VAT AND PREPAID EXPENSES

	March 31 2012	December 31 2011
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
	6.594.982	4.626.921

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 which is listed on Belgrade Stock Exchange.

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

Shareholders	Number of shares	Structure in %
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%
	163.060.400	100,00%

13. LONG-TERM LOANS

	March 31 2012	December 31 2011
Domestic	19.558.490	19.064.657
Foreign	17.468.952	16.984.538
	37.027.442	36.049.195

Current portion of long-term loans	(2.101.683)	(2.274.652)
Total	34.925.759	33.774.543

The maturity of non-current loans was as follows:

	March 31 2012	December 31 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
	34.925.759	33.774.543

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

	March 31 2012	December 31 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
	37.027.442	36.049.195

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

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

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

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

Creditor	Currency	March 31 2012	December 31 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

	Currency	Current portion		Long-term	
		March 31 2012	December 31 2011	March 31 2012	December 31 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

	March 31 2012	December 31 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

15. TRADE AND OTHER PAYABLES

	March 31 2012	December 31 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

	March 31 2012	December 31 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

17. SALES

	Three-month period ended	
	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
	42.533.784	33.801.938
Sales of goods:		
- domestic	2.726.303	2.661.268
- foreign	3.830	414
- related parties	23	-
	2.730.156	2.661.682
Sales of services:		
- domestic	149.918	98.852
- foreign	183.396	179.868
- related parties	31	-
	333.345	278.720
	45.597.285	36.742.340

18. RAW MATERIAL AND CONSUMABLES USED

	Three-month period ended	
	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
	18.036.333	19.073.201

19. DEPRECIATION, AMORTISATION AND PROVISIONS

	Three-month period ended	
	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	-
	1.771.966	2.005.402

20. EMPLOYEE BENEFITS EXPENSE

	Three-month period ended	
	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 period ended	
	2012.	2011.
Average number of people employed	9.080	10.051

21. OTHER OPERATING EXPENSES

	Three-month period ended	
	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 period ended	
	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

23. FINANCIAL EXPENSES

	Three-month period ended	
	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 period ended	
	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.

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.

	March 31 2012	December 31 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
	3.154.555	2.289.198	
<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
	286.157	314.831	
Total receivables:	3.442.369	2.605.573	
<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
	(62.460.394)	(67.022.459)	
<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
	(943)	(2.092)	
<i>Accruals</i>			
O Zone a.d. Belgrade, Serbia	(426)	(748)	Subsidiary


Total liabilities::	(62.461.763)	(67.025.299)
Liabilities, net:	(59.019.394)	(64.419.726)

	2012.	Three-month period ended 2011.	Category
<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
	279.703	172.542	
<i>Other operating income</i>			
O Zone a.d. Belgrade, Serbia	62	374	Subsidiary
<i>Purchases of raw materials</i>			
Gazprom Neft Trading, Austria	(12.051.470)	(15.720.294)	Other
<i>Cost of salaries, benefits and other personnel expenses</i>			
O Zone a.d. Belgrade, Serbia	(51.639)	(28.797)	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	(2.778)	(1.022)	Subsidiary
	(14.824)	(17.965)	
	(11.838.168)	(15.594.140)	
<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
	41.364	-	
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russia	(61.804)	(32.885)	Parent
	(20.440)	(32.885)	
<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
	(39.932)	(66.947)	
	(39.475)	(45.530)	

Main transaction with state owned companies

	March 31 2012	December 31 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)

	2012.	Three-month period ended 2011.
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<i>Income</i>		
HIP Petrohemija	1.511.745	2.382.961
Srbijagas	3.650.739	2.385.995
	5.162.484	4.768.956
<i>Costs</i>		
HIP Petrohemija	(46.252)	(44.335)
Srbijagas	(61.060)	(45.492)
	(107.312)	(89.827)

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.





STATEMENT OF PERSONS RESPONSIBLE FOR DELIVERY OF QUATERLY REPORTS

We hereby state that, to our best knowledge, the quarterly report has been made by applying the appropriate international accounting standards of financial reporting and that it gives true and objective data on the property, obligations and financial position and business, profits and losses, cash flows and changes in the capital of the public company.

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



Disclaimer

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

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

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

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

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