



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

Interim Condensed Financial Statements

**As of 30 June 2012 and 31 December 2011 and
for the six month period ended 30 June 2012 and 2011
(unaudited)**

Novi Sad, 30 July 2012

Interim condensed financial statements

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

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Interim condensed financial statements

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BALANCE SHEET

	Notes	30 June 2012	31 December 2011
ASSETS		<i>(unaudited)</i>	
Non-current assets			
Intangible assets	5	6,545,282	4,441,599
Property, plant and equipment	6	129,588,619	124,923,027
Investment property		1,383,998	1,338,269
Investments in equity instruments	7	7,742,626	2,542,882
Other long-term investments	8	5,909,531	3,376,034
		151,170,056	136,621,811
Current assets			
Inventories	9	37,066,488	35,397,598
Non current assets held for sale		-	165,371
Trade and other receivables	10	31,909,087	20,373,239
Short-term financial investments		2,404,598	2,413,567
Cash and cash equivalents	11	25,194,731	25,228,726
VAT and prepaid expenses	12	4,792,754	4,626,921
Deferred tax assets		7,875,436	7,875,436
		109,243,094	96,080,858
Total assets		260,413,150	232,702,669
Off-balance sheet assets		75,354,513	79,279,565
EQUITY AND LIABILITIES			
Equity			
Share and other capital	13	87,128,024	87,128,024
Reserves		889,424	889,424
Revaluation reserves		12	12
Unrealized gains from securities		5,982	29,582
Unrealized losses from securities		(70,630)	(64,090)
Accumulated gain (loss)		21,608,790	(396,287)
		109,561,602	87,586,665
Long-term provisions and liabilities			
Long-term provisions		13,335,263	13,365,464
Long-term loans	14	31,524,814	33,774,543
Other long-term liabilities	15	53,911,674	47,666,041
		98,771,751	94,806,048
Short-term liabilities			
Short-term financial liabilities	16	5,143,372	3,444,922
Trade and other payables	17	28,339,198	29,458,654
Other short-term liabilities	18	5,687,137	6,666,892
Liabilities for VAT, other taxes and deferred income	19	11,598,290	8,087,096
Income tax liabilities		194,438	1,491,881
		50,962,435	49,149,445
Deferred tax liabilities		1,117,362	1,160,511
Total equity and liabilities		260,413,150	232,702,669
Off-balance sheet liabilities		75,354,513	79,279,565

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INCOME STATEMENT

	Notes	Six month period ended 30 June	
		2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Operating income			
Sales	20	99,727,759	83,057,785
Work performed by the entity and capitalized		1,928,880	1,356,198
Increase in inventories of finished goods and work in progress		3,643,305	2,983,189
Other operating income		190,143	132,587
		<u>105,490,087</u>	<u>87,529,759</u>
Operating expenses			
Cost of goods sold		(7,634,413)	(5,933,319)
Raw material and consumables used	21	(44,021,391)	(44,592,864)
Employee benefits expense	22	(10,592,618)	(10,026,035)
Depreciation, amortisation and provision	23	(3,603,136)	(3,757,377)
Other operating expenses	24	(7,423,280)	(6,446,799)
		<u>(73,274,838)</u>	<u>(70,756,394)</u>
Profit from operating activities		<u>32,215,249</u>	<u>16,773,365</u>
Financial income	25	4,971,297	7,999,286
Financial expenses	26	(14,653,294)	(2,261,011)
Other income		1,959,596	2,323,248
Other expenses		(1,405,412)	(1,994,762)
Profit before income tax		<u>23,087,436</u>	<u>22,840,126</u>
Income tax		<u>(1,082,359)</u>	<u>(1,427,282)</u>
Income tax expense		(1,125,508)	(1,021,333)
Deferred tax income (expense)		43,149	(405,949)
Profit for the period		<u>22,005,077</u>	<u>21,412,844</u>
Earnings per share			
- Basic	27	0.13	0.13

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Interim condensed financial statements

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STATEMENT OF CASH FLOWS

	Six month period ended 30 June	
	2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Cash flows from operating activities		
Sales and advances received	136,390,272	122,583,168
Interest from operating activities	1,169,172	415,996
Other inflow from operating activities	190,143	132,587
<i>Cash inflow from operating activities</i>	<u>137,749,587</u>	<u>123,131,751</u>
Payments and prepayments to suppliers	(61,873,687)	(49,977,741)
Salaries, benefits and other personal expenses	(11,404,786)	(10,740,273)
Interest paid	(1,772,248)	(1,557,824)
Income tax paid	(2,422,952)	(1,132,130)
Payments for other public revenues	(40,583,543)	(46,809,199)
<i>Cash outflow from operating activities</i>	<u>(118,057,216)</u>	<u>(110,217,167)</u>
Net cash provided by operating activities	<u>19,692,371</u>	<u>12,914,584</u>
Cash flows from investing activities		
Proceeds from sale of intangible assets and property, plant and equipment	194,385	7,303
Other financial investments (net inflow)	10,610	-
<i>Cash inflow from investing activities</i>	<u>204,995</u>	<u>7,303</u>
Purchase of shares (net outflow)	(213)	(19,011)
Purchase of intangible assets, property, plant and equipment	(15,247,481)	(10,723,029)
Other financial investments (net outflow)	(2,277,527)	-
<i>Cash outflow from investing activities</i>	<u>(17,525,221)</u>	<u>(10,742,040)</u>
Net cash used in investing activities	<u>(17,320,226)</u>	<u>(10,734,737)</u>
Cash flows from financing activities		
Proceeds from long-term and short term borrowings (net inflow)	-	3,193,380
Proceeds from other long term and short term liabilities	3,818,459	4,412,700
<i>Cash inflow from financing activities</i>	<u>3,818,459</u>	<u>7,606,080</u>
Outflows from long-term, short-term and other liabilities (net outflow)	(7,542,217)	(6,611,112)
<i>Cash outflow from financing activities</i>	<u>(7,542,217)</u>	<u>(6,611,112)</u>
Net cash (used in) provided by financing activities	<u>(3,723,758)</u>	<u>994,968</u>
(Decrease) Increase in cash and cash equivalents	<u>(1,351,613)</u>	<u>3,174,815</u>
Cash and cash equivalents at beginning of period	<u>25,228,726</u>	<u>10,595,830</u>
Currency translation gains on cash and cash equivalents	1,664,070	417,981
Currency translation losses on cash and cash equivalents	(346,452)	(958,163)
Cash and cash equivalents at end of period	<u>25,194,731</u>	<u>13,230,463</u>

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Interim condensed financial statements

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STATEMENT OF CHANGES IN EQUITY

for the six month period ended 30 June 2012 and 2011

<i>(unaudited)</i>	Share capital	Other capital	Reserves	Revaluation reserves	Unrealised gains from securities	Unrealised losses from securities	Accumulated profit (loss)	Total
Balance as at 1 January 2011	81,530,200	5,597,824	889,424	39	48,417	(49,236)	(40,997,954)	47,018,714
Result for the period:								
- Profit	-	-	-	-	-	-	21,412,844	21,412,844
- Losses from securities	-	-	-	-	(1,727)	(8,892)	-	(10,619)
Balance as at 30 June 2011	81,530,200	5,597,824	889,424	39	46,690	(58,128)	(19,585,110)	68,420,939
Balance as at 1 January 2012	81,530,200	5,597,824	889,424	12	29,582	(64,090)	(396,287)	87,586,665
Result for the period:								
- Profit	-	-	-	-	-	-	22,005,077	22,005,077
- Losses from securities	-	-	-	-	(23,600)	(6,540)	-	(30,140)
Balance as at 30 June 2012	81,530,200	5,597,824	889,424	12	5,982	(70,630)	21,608,790	109,561,602

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Notes to the interim condensed financial statements

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1. GENERAL INFORMATION

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

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

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

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

These interim condensed financial statements have been approved by CEO.

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

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

4. SEGMENT INFORMATION

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

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

As of 30 June 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.

Notes to the interim condensed financial statements

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

4. SEGMENT INFORMATION (continued)

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

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	48,234,340	3,204,502	74,476,489	88,680,867	4,791,123	219,387,321
Inter-segment revenue	(41,311,128)	(1,201,691)	(70,899,902)	(465,050)	(19,461)	(113,897,232)
Operating income – total	6,923,212	2,002,811	3,576,587	88,215,817	4,771,660	105,490,087
Depreciation	(1,022,576)	(350,829)	(996,999)	(359,440)	(458,419)	(3,188,263)
Impairment losses	(238)	(10,036)	(14,869)	(28,144)	(21,431)	(74,718)
Segment profit (loss) from operating activities	41,408,206	(49,855)	(4,467,604)	(855,183)	(3,820,315)	32,215,249
Financial income (expenses)	11,397	24,894	(1,977,344)	341,907	(8,082,851)	(9,681,997)
Other income (expenses)	637,035	5,127	17,476	(132,525)	27,071	554,184
Segment Profit (loss) before tax	42,056,638	(19,834)	(6,427,472)	(645,801)	(11,876,095)	23,087,436
Deferred tax income	-	-	-	-	43,149	43,149
Income tax expense	-	-	-	-	(1,125,508)	(1,125,508)
Segment profit (loss)	42,056,638	(19,834)	(6,427,472)	(645,801)	(12,958,454)	22,005,077

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

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	32,638,692	2,223,757	64,655,027	78,164,753	117,030	177,799,259
Inter-segment revenue	(26,079,101)	(796,891)	(63,085,159)	(308,349)	-	(90,269,500)
Operating income – total	6,559,591	1,426,866	1,569,868	77,856,404	117,030	87,529,759
Depreciation	(1,013,253)	(397,220)	(1,004,716)	(394,459)	(478,014)	(3,287,662)
Impairment losses	(7,164)	(17)	(9,888)	(6,231)	(2,230)	(25,530)
Segment profit (loss) from operating activities	26,651,062	(950,107)	(5,434,042)	(225,670)	(3,267,878)	16,773,365
Financial income	85,623	10,726	1,987,351	304,027	3,350,548	5,738,275
Other income (expenses)	229,171	(73,231)	(109,313)	54,556	227,303	328,486
Segment Profit (loss) before tax	26,965,856	(1,012,612)	(3,556,004)	132,913	309,973	22,840,126
Deferred tax expense	-	-	-	-	(405,949)	(405,949)
Income tax expense	-	-	-	-	(1,021,333)	(1,021,333)
Segment profit (loss)	26,965,856	(1,012,612)	(3,556,004)	132,913	(1,117,309)	21,412,844

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4. SEGMENT INFORMATION (continued)

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:

	Six month period ended	
	30 June	
	2012	2011
<i>Sales:</i>		
Sale of crude oil	2,901,744	-
Sale of petroleum products	87,852,436	75,977,225
Sale of goods	8,298,821	6,453,974
Sale of services	674,758	626,586
	99,727,759	83,057,785
Work performed by the entity and capitalized	1,928,880	1,356,198
Increase in inventories of finished goods and work in Progress	3,643,305	2,983,189
Other operating income	190,143	132,587
Total Operating Income	105,490,087	87,529,759

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5. INTANGIBLE ASSETS

	Research and development	Concessions, patents, licenses and rights	Intangible assets under development	Other intangibles	Total
As at 1 January 2011					
Cost	-	878,120	1,843,860	4,721,726	7,443,706
Accumulated depreciation and impairment	-	(184,431)	(1,698,294)	(725,220)	(2,607,945)
Net book amount	-	693,689	145,566	3,996,506	4,835,761
Period ended 30 June 2011					
Opening net book amount	-	693,689	145,566	3,996,506	4,835,761
Additions	-	-	216,078	-	216,078
Transfer from IA under development	-	27,152	(27,152)	-	-
Transfer from PP&E	-	65,808	-	-	65,808
Depreciation	-	(42,783)	-	(295,358)	(338,141)
Other transfers	-	(2)	-	-	(2)
Closing net book amount	-	743,864	334,492	3,701,148	4,779,504
As at 30 June 2011					
Cost	-	971,080	2,032,786	4,721,726	7,725,592
Accumulated depreciation and impairment	-	(227,216)	(1,698,294)	(1,020,578)	(2,946,088)
Net book amount	-	743,864	334,492	3,701,148	4,779,504
As at 1 January 2012					
Cost	-	874,906	413,952	4,753,693	6,042,551
Accumulated depreciation and impairment	-	(229,452)	(142,279)	(1,229,221)	(1,600,952)
Net book amount	-	645,454	271,673	3,524,472	4,441,599
Period ended 30 June 2012					
Opening net book amount	-	645,454	271,673	3,524,472	4,441,599
Additions	220,413	-	747,917	-	968,330
Transfer to subsidiaries (note 7)	-	(2,291)	-	(58,983)	(61,274)
Transfer from IA under development	-	3,378	(20,355)	16,977	-
Transfer from PP&E	1,602,487	-	(8,733)	7,528	1,601,282
Depreciation	-	(42,797)	-	(294,667)	(337,464)
Impairment	(21,159)	-	-	-	(21,159)
Disposals	-	-	(3,442)	(28)	(3,470)
Other transfers	-	-	(35,062)	(7,500)	(42,562)
Closing net book amount	1,801,741	603,744	951,998	3,187,799	6,545,282
As at 30 June 2012					
Cost	1,822,900	875,693	1,136,867	4,616,180	8,451,640
Accumulated depreciation and impairment	(21,159)	(271,949)	(184,869)	(1,428,381)	(1,906,358)
Net book amount	1,801,741	603,744	951,998	3,187,799	6,545,282

Other intangible assets as of 30 June 2012 mostly relate to investment in SAP system in the amount of 3,137,006 RSD (31 December 2011: 3,401,832 RSD) .

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
As at 1 January 2011								
Cost	11,274,498	62,752,974	55,498,519	13,801,387	89,938	110,630	12,787,121	156,315,067
Accumulated depreciation and impairment	(737,373)	(24,160,797)	(29,850,236)	(3,366,233)	(1,426)	(109,910)	(74,701)	(58,300,676)
Net book amount	10,537,125	38,592,177	25,648,283	10,435,154	88,512	720	12,712,420	98,014,391
Period ended 30 June 2011								
Opening net book amount	10,537,125	38,592,177	25,648,283	10,435,154	88,512	720	12,712,420	98,014,391
Additions	1,024	1,797,719	695,772	6,438,892	527	-	4,741,458	13,675,392
Other transfers	(327)	433,879	(439,431)	45,582	867	-	-	40,570
Transfer to intangible assets	-	-	-	(65,808)	-	-	-	(65,808)
Disposals and advances paid used	(231)	(6,696)	(12,470)	(1,397)	(324)	-	(2,633,299)	(2,654,417)
Depreciation	-	(1,342,333)	(1,607,008)	-	-	(180)	-	(2,949,521)
Impairment charge	-	(5,812)	(2,717)	(16,983)	(18)	-	-	(25,530)
Transfer to investment property	(3,000)	(17,193)	-	-	-	-	-	(20,193)
Closing net book amount	10,534,591	39,451,741	24,282,429	16,835,440	89,564	540	14,820,579	106,014,884
As at 30 June 2011								
Cost	11,258,955	65,126,791	55,539,735	19,927,470	90,123	110,630	14,895,254	166,948,958
Accumulated depreciation and impairment	(724,364)	(25,675,050)	(31,257,306)	(3,092,030)	(559)	(110,090)	(74,675)	(60,934,074)
Net book amount	10,534,591	39,451,741	24,282,429	16,835,440	89,564	540	14,820,579	106,014,884
As at 1 January 2012								
Cost	11,185,907	62,832,533	60,387,999	44,639,338	93,279	110,630	8,770,320	188,020,006
Accumulated depreciation and impairment	(695,566)	(24,300,702)	(34,982,060)	(2,981,943)	(5,020)	(110,270)	(21,418)	(63,096,979)
Net book amount	10,490,341	38,531,831	25,405,939	41,657,395	88,259	360	8,748,902	124,923,027
Period ended 30 June 2012								
Opening net book amount	10,490,341	38,531,831	25,405,939	41,657,395	88,259	360	8,748,902	124,923,027
Additions	153,747	1,843,860	1,728,616	16,165,153	-	-	2,617,976	22,509,352
Transfer to subsidiaries (note 7)	(114,522)	(977,999)	(4,442,120)	-	(12,146)	-	-	(5,546,787)
Other transfers	-	(14,853)	10,368	-	4,485	-	-	-
Disposals and advances paid used	-	(10,555)	(20,926)	(460,835)	(4,488)	-	(7,247,569)	(7,744,373)
Depreciation	-	(1,245,555)	(1,605,064)	-	-	(180)	-	(2,850,799)
Impairment charge	-	(4,510)	(30,502)	(18,547)	-	-	-	(53,559)
Transfer to intangible assets	-	-	-	(1,601,282)	-	-	-	(1,601,282)
Transfer to investment property	(37,736)	(9,224)	-	-	-	-	-	(46,960)
Closing net book amount	10,491,830	38,112,995	21,046,311	55,741,884	76,110	180	4,119,309	129,588,619
As at 30 June 2012								
Cost	11,185,780	63,295,179	51,745,588	58,437,408	76,645	110,630	4,140,727	188,991,957
Accumulated depreciation and impairment	(693,950)	(25,182,184)	(30,699,277)	(2,695,524)	(535)	(110,450)	(21,418)	(59,403,338)
Net book amount	10,491,830	38,112,995	21,046,311	55,741,884	76,110	180	4,119,309	129,588,619

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Notes to the interim condensed financial statements

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The additions to property, plant and equipment for the six month period ended 30 June 2012 in the amount of 22,509,352 RSD (2011: 13,675,392 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 11,648,353 RSD. Advances paid to suppliers, related to the MHC/DHT project, as of 30 June 2012 amounted to 2,836,770 RSD.

In 2012 the Company has capitalized borrowing costs for construction of qualifying assets as part of their acquisition cost in the amount of 972,422 RSD (2011: 423,763 RSD).

7. INVESTMENTS IN EQUITY INSTRUMENTS

	30 June 2012	31 December 2011
Investments in subsidiaries	8,720,702	3,490,817
Investments in other related parties	61,886	69,145
Investments in other legal entities and other securities available for sale	2,119,529	2,142,411
Less: Provision	(3,159,491)	(3,159,491)
	7,742,626	2,542,882

Investments in subsidiaries

	30 June 2012	31 December 2011
In shares	3,457,576	3,457,576
In stakes	5,263,126	33,241
	8,720,702	3,490,817
Less: Provision	(1,173,167)	(1,173,167)
	7,547,535	2,317,650

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Notes to the interim condensed financial statements

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

7. INVESTMENTS IN EQUITY INSTRUMENTS (continued)

Investments in subsidiaries as at 30 Jun 2012 relate to the following companies:

Company	Investment	Impairment	Net book value	Share %
O Zone a.d. Belgrade, Serbia	3,457,576	(1,172,263)	2,285,313	100%
NIS Petrol e.o.o.d., Sofija, Bulgaria	997	-	997	100%
NIS Petrol SRL, Bucharest, Romania	2,632	-	2,632	100%
NIS Petrol d.o.o., Laktasi, BiH	1,030	-	1,030	100%
Pannon naftagas Kft, Budapest, Hungary	184	-	184	100%
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	321,500	-	321,500	100%
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	1,000,651	-	1,000,651	100%
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	3,579,983	-	3,579,983	100%
Naftagas-Transport d.o.o. Zrenjanin, Serbia	327,751	-	327,751	100%
NIS Oversiz, Moscow, Russian Federation	9,856	-	9,856	100%
Jadran-naftagas d.o.o. Banja Luka, BiH	71	-	71	66%
Svetlost d.o.o., Bujanovac, Serbia	17,045	-	17,045	51%
Ranis, Moscow region, Russian Federation	522	-	522	51%
Jubos, Bor, Serbia	904	(904)	-	51%
	8,720,702	(1,173,167)	7,547,535	

Movements on investments in equity instruments:

	30 June 2012	31 December 2011
As at 1 January	3,490,817	3,488,730
Other movements	5,229,885	19,010
Less: provision	(1,173,167)	(1,173,167)
As at 30 Jun	7,547,535	2,334,573

In 2012., the Company established following companies:

- Naftagas-Naftni servisi d.o.o., Novi Sad. As of 30 June 2012 the total equity of the new company amounts to 3,579,983 RSD (non-cash contribution 3,579,930 RSD).
- NTC NIS-Naftagas d.o.o., Novi Sad. As of 30 June 2012 the total equity of the new company amounts to 321,500 RSD (non-cash contribution 321,447 RSD).
- Naftagas-Tehnicki servisi d.o.o., Zrenjanin. As of 30 June 2012 the total equity of the new company amounts to 1,044,554 RSD (non-cash contribution 1,044,501 RSD).
- Naftagas-Transport d.o.o., Zrenjanin. As of 30 June 2012 the total equity of the new company amounts to 327,751 RSD (non-cash contribution 327,695 RSD).

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Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***7. INVESTMENTS IN EQUITY INSTRUMENTS (continued)**

In accordance with the Decision on founding and transfer of equity in kind to newly formed subsidiaries (Naftagas-Naftni servisi d.o.o. Novi Sad, Naftagas-Tehnicki servisi d.o.o. Zrenjanin, NTC NIS-Naftagas d.o.o. Novi Sad and Naftagas-Transport d.o.o. Zrenjanin), the Company has transferred intangible assets, property, plant and equipment in total of 5,608,062 RSD (notes 5 and 6) and inventories of material, tools and other assets in total of 704,943 RSD (note 9)

For the amount above the subscribed capital the Company has recognized receivable from sales of property, plant, equipment and inventories of material and tools in total of 1,083,335 RSD (note 10). The assets were sold at book value.

8. OTHER LONG-TERM INVESTMENTS

	30 June 2012	31 December 2011
Rescheduled receivables	4,727,234	5,601,478
Long-term loans to subsidiaries	4,673,428	2,289,198
Long-term loans to employees	1,194,461	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	868,526	769,623
	<u>13,227,987</u>	<u>11,477,008</u>
<i>Less provision:</i>		
- rescheduled receivables	(4,727,234)	(5,601,478)
- property finance lease receivables	(113,759)	(120,668)
- investments in Crni Vrh – O Zone	(1,616,295)	(1,616,295)
- other long-term financial assets	(861,168)	(762,533)
	<u>(7,318,456)</u>	<u>(8,100,974)</u>
Total – net	<u>5,909,531</u>	<u>3,376,034</u>

Long-term loans to subsidiaries

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

	Currency	30 June 2012	31 December 2011
NIS Petrol e.o.o.d., Sofija, Bulgaria	EUR	3,395,143	1,628,515
Jadran-Naftagas d.o.o., Banja Luka, BiH	EUR	705,103	387,571
NIS Petrol SRL, Bucharest, Romania	EUR	262,205	-
Pannon naftagas Kft, Budapest, Hungary	EUR	2,895	-
NIS Petrol d.o.o., Laktasi, BiH	EUR	308,082	273,112
		<u>4,673,428</u>	<u>2,289,198</u>

Long-term loans to subsidiaries are approved at the variable interest rates (3M and 6M Euribor + 7.5% and 3M Euribor + 5%), for a period of 7 years from the date of payment of the last tranche, with a grace period of 5 years. The carrying value of long-term loans is equal to their fair value.

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Notes to the interim condensed financial statements

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

9. INVENTORIES

	30 June 2012	31 December 2011
Raw materials	18,546,106	23,272,508
Spare parts	1,857,835	2,783,196
Tools	121,968	137,291
Work in progress	6,572,994	5,802,756
Finished goods	11,421,259	8,548,192
Merchandise	4,893,691	2,270,553
	<u>43,413,853</u>	<u>42,814,496</u>
Advances	789,009	764,659
<i>Less provision:</i>		
- for inventories	(6,764,245)	(7,801,869)
- for advances	(372,129)	(379,688)
	<u>(7,136,374)</u>	<u>(8,181,557)</u>
Total inventories – net	<u>37,066,488</u>	<u>35,397,598</u>

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)	(12,189)
Provision reversed	8,324	48,201
Transfer to subsidiaries (note 7)	1,037,624	-
Other	-	20,154
As at June 30	<u>(7,136,374)</u>	<u>(5,278,813)</u>

In accordance with the Decision on founding the subsidiaries, the Company has transferred inventories of material, spare parts, and tools in total net amount of 704,943 RSD. For the part of transferred assets above the subscribed capital the Company has recognized receivable from sales of assets in total of 334,735 RSD. The inventories were sold at book value.

Notes to the interim condensed financial statements

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

10. TRADE AND OTHER RECEIVABLES

	30 June 2012	31 December 2011
Trade receivables:		
- domestic	31,139,621	22,564,614
- foreign	1,248,485	1,054,202
- related parties	2,739,359	2,096,242
	<u>35,127,465</u>	<u>25,715,058</u>
Receivables from specific operations	8,594,023	7,998,971
Receivables from sales of assets to subsidiaries (note 7)	1,083,335	-
Interest receivables	5,103,629	4,984,235
Receivables from employees	80,908	86,656
Other receivables	7,439,805	7,428,788
	<u>12,624,342</u>	<u>12,499,679</u>
	<u>57,429,165</u>	<u>46,213,708</u>
<i>Less provision:</i>		
- trade receivables	(4,792,692)	(5,684,020)
- receivables from specific operations	(8,590,049)	(7,978,573)
- interest receivables	(4,814,264)	(4,854,318)
- other receivables	(7,323,073)	(7,323,558)
	<u>(25,520,078)</u>	<u>(25,840,469)</u>
Total receivables – net	<u>31,909,087</u>	<u>20,373,239</u>

In accordance with the Agreement on debt repayment with JP Srbijagas, Novi Sad, on 25 Jun 2012 the Company has rescheduled its receivable from sales of natural gas in total of 10,360,842 RSD which will be collected in four equal monthly installments. The last installment is due on 31 December 2012.

Trade receivables as of 30 June 2012 in the amount of 4,905,990 RSD that are more than 90 days overdue are considered as impaired, except for receivables in the amount of 166,774 RSD (31 December 2011: 269,440 RSD) which relate to receivables to a certain number of customers which have not defaulted recently.

The ageing of trade receivables is as follows:

	30 June 2012	31 December 2011
Up to 3 months	30,221,475	19,824,325
Over 3 months	4,905,990	5,890,733
	<u>35,127,465</u>	<u>25,715,058</u>

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Notes to the interim condensed financial statements

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

10. TRADE AND OTHER RECEIVABLES (continued)

As of 30 June 2012 trade receivables in the amount of 4,792,692 RSD (31 December 2011: 5,684,020 RSD) were completely impaired and provided for. The individually impaired receivables mainly relate to customers which are assessed as uncollectable. The ageing of receivables provided for is as follows:

	30 June 2012	31 December 2011
Up to 3 months	53,476	62,727
Over 3 months	4,739,216	5,621,293
	4,792,692	5,684,020

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

	30 June 2012	31 December 2011
RSD	54,915,115	45,056,177
EUR	176,617	241,141
USD	2,336,216	916,156
Other	1,217	234
	57,429,165	46,213,708

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

	2012	2011
As at January 1	(25,840,469)	(26,103,844)
Provision for impaired receivables	(725,246)	(737,234)
Written off	211,227	33,790
Unused amounts reversed	834,410	415,133
Other	-	(2,172)
As at 30 Jun	(25,520,078)	(26,394,327)

11. CASH AND CASH EQUIVALENTS

	30 June 2012	31 December 2011
Cash in bank	24,500,963	24,793,781
Cash on hand	460,021	391,896
Other cash equivalents	233,747	43,049
	25,194,731	25,228,726

As at 30 June 2012 short-term bank deposits with maturity up to 90 days in amount of 15,169,475 RSD (31 December 2011: 16,473,646 RSD) are presented as Cash in bank.

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Notes to the interim condensed financial statements

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

12. VAT AND PREPAID EXPENSES

	30 June 2012	31 December 2011
Prepayment for VAT	853,344	1,746,469
Prepaid expenses	221,809	55,361
Accrued revenue	1,458,496	483,920
Prepaid excise duty	790,857	1,119,985
Housing loans and other prepayments	1,468,248	1,221,186
	4,792,754	4,626,921

Prepayment for VAT as of 30 June 2012 in the amount of 853,344 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.

Accrued revenue as of 30 June 2012 in the amount of 1,458,496 RSD (31 December 2011: 483,920 RSD) mainly relates to un-invoiced receivables from sales of crude oil during the current period in the amount of 1,072,633 RSD.

Prepaid excise duty amounting to 790,857 RSD (31 December 2011: 1,119,985 RSD) refers to the excise paid for finished products stored in non-excise warehouse.

13. SHARE CAPITAL

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

The structure of the share capital as at 30 June 2012 was:

Shareholders	Number of shares	Structure in %
Gazprom Neft, St Petersburg, Russian Federation	91,565,887	56.15%
Republic of Serbia	48,712,869	29.87%
Unicredit bank Serbia ad - custody account	612,951	0.38%
Unicredit bank Serbia ad - custody account	538,817	0.33%
Erste bank a.d. Novi Sad - custody account	451,071	0.28%
Societe Generale Bank Serbia - custody account	151,539	0.09%
Julius Baer Multipartner	133,686	0.08%
Unicredit bank Serbia ad - custody account	128,264	0.08%
Raiffeisenbank ad Beograd - custody account	114,351	0.07%
AWLL Communications d.o.o. Beograd	110,603	0.07%
Other	20,540,362	12.60%
	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)

14. LONG-TERM LOANS

	30 June 2012	31 December 2011
Domestic	17,468,923	19,064,657
Foreign	15,122,830	16,984,538
	<u>32,591,753</u>	<u>36,049,195</u>
Current portion of long-term loans	(1,066,939)	(2,274,652)
Total	<u>31,524,814</u>	<u>33,774,543</u>

The maturity of non-current loans was as follows:

	30 June 2012	31 December 2011
Between 1 and 2 years	5,771,877	4,538,604
Between 2 and 5 years	19,101,655	22,487,295
Over 5 years	6,651,282	6,748,644
	<u>31,524,814</u>	<u>33,774,543</u>

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

	30 June 2012	31 December 2011
RSD	1,281,306	1,281,436
EUR	9,342,390	8,900,998
USD	21,404,841	25,352,982
JPY	563,216	513,779
	<u>32,591,753</u>	<u>36,049,195</u>

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.

Notes to the interim condensed financial statements

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

14. LONG-TERM LOANS (continued)

The carrying amounts of the Company's long-term loans as of 30 June 2012 and 31 December 2011 are presented below:

Creditor	Currency	30 June 2012	31 December 2011
Domestic long-term loans			
NLB bank, Novi Sad (London club)	USD	51,554	47,052
NLB bank, Novi Sad (Paris club)	USD	566,638	506,761
NLB bank, Novi Sad (Paris club)	JPY	563,216	513,779
Erste bank, Novi Sad (London club)	USD	4,903	4,475
Erste bank, Novi Sad (Paris club)	EUR	486,448	446,569
Erste bank, Novi Sad (Paris club)	USD	323,632	288,582
Hypo Alpe Adria Bank, Belgrade	EUR	44,398	280,786
Piraeus bank, Belgrade	USD	1,842,952	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	246,450	227,822
Bank Postanska stedionica, Belgrade (Paris club)	USD	1,830,811	1,643,661
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,882,054	4,524,125
Government of Republic of Serbia, Agency for deposit assurance	USD	-	566,059
UniCredit bank, Belgrade	USD	5,344,561	4,690,240
UniCredit bank, Belgrade	RSD	1,278,900	1,278,900
Other loans	RSD	2,406	2,536
		17,468,923	19,064,657
Foreign long-term loans			
Erste Bank, Holland	EUR	3,474,609	3,139,227
VUB (Bank Intesa), Slovakia	USD	9,214,760	8,086,620
NBG Bank, London	USD	382,078	1,432,912
NBG Bank, London	EUR	208,431	282,469
Alpha Bank, London	USD	1,842,952	4,043,310
		15,122,830	16,984,538
Less current portion of long-term loans		(1,066,939)	(2,274,652)
		31,524,814	33,774,543

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

14. LONG-TERM LOANS (continued)

	Currency	Current portion		Long-term	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
Domestic long - term loans					
NLB bank, Novi Sad (London club)	USD	4,124	3,619	47,430	43,433
NLB bank, Novi Sad (Paris club)	USD	23,907	19,615	542,731	487,146
NLB bank, Novi Sad (Paris club)	JPY	20,922	17,603	542,294	496,176
Erste bank, Novi Sad (London club)	USD	392	344	4,511	4,131
Erste bank, Novi Sad (Paris club)	EUR	17,325	14,635	469,123	431,934
Erste bank, Novi Sad (Paris club)	USD	11,526	9,458	312,106	279,124
Hypo Alpe Adria Bank, Belgrade	EUR	44,398	280,786	-	-
Piraeus bank, Belgrade	USD	-	-	1,842,952	4,043,310
Bank Postanska stedionica, Belgrade (Paris club)	EUR	12,239	10,558	234,211	217,264
Bank Postanska stedionica, Belgrade (Paris club)	USD	90,376	75,702	1,740,435	1,567,959
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	250,819	226,609	4,631,235	4,297,516
Government of Republic of Serbia, Agency for deposit assurance	USD	-	-	-	566,059
UniCredit bank, Belgrade	USD	-	-	5,344,561	4,690,240
UniCredit bank, Belgrade	RSD	-	-	1,278,900	1,278,900
Other loans	RSD	402	415	2,004	2,121
		476,430	659,344	16,992,493	18,405,313
Foreign long-term loans					
Erste Bank, Holland	EUR	-	-	3,474,609	3,139,227
VUB (Bank Intesa), Slovakia	USD	-	-	9,214,760	8,086,620
NBG Bank, London	USD	382,078	1,426,995	-	5,917
NBG Bank, London	EUR	208,431	188,313	-	94,156
Alpha Bank, London	USD	-	-	1,842,952	4,043,310
		590,509	1,615,308	14,532,321	15,369,230
		1,066,939	2,274,652	31,524,814	33,774,543

15. OTHER LONG-TERM LIABILITIES

	30 June 2012	31 December 2011
Liabilities to the Parent	53,869,908	47,611,714
Financial lease liabilities	40,557	53,117
Other long-term liabilities	1,209	1,210
	53,911,674	47,666,041

16. SHORT-TERM FINANCIAL LIABILITIES

	30 June 2012	31 December 2011
Short-term financial liabilities to Parent (current portion)	4,040,242	1,133,612
Current portion of long-term loans (note 14)	1,066,939	2,274,652
Current portion of financial lease	36,033	33,069
Other short-term liabilities	158	3,589
	5,143,372	3,444,922

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Notes to the interim condensed financial statements

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17. TRADE AND OTHER PAYABLES

	30 June 2012	31 December 2011
Advances received	944,418	872,581
Trade payables:		
- domestic	2,688,784	2,724,233
- foreign	1,946,932	6,861,872
Trade payables – parents and subsidiaries	1,979	12,505
Trade payables – other related parties	22,397,372	18,587,440
Liabilities from other operations	69,342	71,956
Liabilities from specific operations	290,371	328,067
	28,339,198	29,458,654

Trade payables - other related parties mostly relate to liabilities for crude oil delivered by Gazprom Neft Trading, Austria in the amount of 21,506,633 RSD (31 December 2011: 18,116,245 RSD).

18. OTHER SHORT-TERM LIABILITIES

	30 June 2012	31 December 2011
Liabilities for unpaid wages and salaries, gross	680,488	1,663,691
Liabilities to employees	5,719	46,715
Liabilities for interest – domestic	387,416	354,633
Liabilities for dividends	3,772,308	3,772,308
Unused holiday accrual	711,029	714,425
Other liabilities	130,177	115,120
	5,687,137	6,666,892

19. LIABILITIES FOR VAT ,OTHER TAXES AND DEFERRED INCOME

	30 June 2012	31 December 2011
Liabilities for VAT	2,408,539	1,161,309
Liabilities for excise	4,263,596	2,421,670
Liabilities for taxes and custom duties	1,724,520	1,770,644
Other liabilities for taxes and contributions	291,404	47,752
Accrued liabilities	1,340,244	1,150,705
Other accruals	1,569,987	1,535,016
	11,598,290	8,087,096

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Notes to the interim condensed financial statements

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

20. SALES

	Six month period ended 30 June	
	2012	2011
Sales of products:		
- domestic	73,394,995	62,220,670
- foreign	12,157,773	8,251,754
- related parties	5,201,412	5,504,801
	90,754,180	75,977,225
Sales of goods:		
- domestic	8,258,097	6,447,256
- foreign	12,593	6,718
- related parties	28,131	-
	8,298,821	6,453,974
Sales of services:		
- domestic	294,146	250,279
- foreign	328,912	376,307
- related parties	51,700	-
	674,758	626,586
	99,727,759	83,057,785

21. RAW MATERIAL AND CONSUMABLES USED

	Six month period ended 30 June	
	2012	2011
Cost of raw materials	42,728,963	43,268,016
Cost of office and other material	320,393	408,004
Other fuel and energy expenses	972,035	916,844
	44,021,391	44,592,864

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Notes to the interim condensed financial statements

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

22. EMPLOYEE BENEFITS EXPENSE

	Six month period ended 30 June	
	2012	2011
Wages and salaries (gross)	7,975,700	7,049,463
Taxes and contributions on wages and salaries paid by employer	1,321,468	1,152,787
Costs of temporary service agreement	243,350	148,824
Cost of other temporary service agreements	11,948	7,190
Fees paid to board of directors and general assembly board	16,248	14,213
Cost for employees termination payments	525,002	1,061,046
Other personal expenses and benefits	498,902	592,512
	10,592,618	10,026,035

Termination costs in the amount of 525,002 RSD (2011: 1,061,046 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 290 (2011: 417 employees).

	Six month period ended 30 June	
	2012	2011
Average number of people employed	8,727	9,899

23. DEPRECIATION, AMORTISATION AND PROVISIONS

	Six month period ended 30 June	
	2012	2011
Depreciation and amortisation expenses	3,188,263	3,287,662
Provision for :		
- asset retirement obligation and environmental protection	-	161,453
- salaries and employees benefits	414,873	308,262
	3,603,136	3,757,377

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

	Six month period ended 30 June	
	2012	2011
Cost of production services	957,515	902,135
Transportation services	795,334	797,841
Maintenance	481,961	455,542
Rental costs	248,820	124,241
Fairs	1,741	2,072
Advertising costs	184,477	107,000
Research costs	20,346	114,598
Cost of other services	394,783	486,737
Costs of non production services	1,292,097	838,593
Representation costs	36,141	88,518
Insurance premium	111,749	114,697
Bank charges	94,311	70,901
Cost of custom duties, property taxes and other taxes	1,011,571	558,059
Fee for emergency situations	156,690	481,462
Mineral extraction tax	1,369,028	998,529
Cost of legal and consulting services	20,447	69,711
Administrative and other taxes	80,807	81,964
Other	165,462	154,199
	7,423,280	6,446,799

Fee for emergency situations in the amount of 156,690 RSD represents fee calculated in accordance with the Emergency situations law.

Cost of non-production services for six month period ended 30 June 2012 in the amount of 1,292,097 RSD (2011: 838,593 RSD) mostly relate to costs incurred for: security and cleaning costs in the amount of 867,259 RSD, project management costs in the amount of 54,767 RSD, certification and supervision costs in amount 69,772 RSD.

25. FINANCIAL INCOME

	Six month period ended 30 June	
	2012	2011
Financial income – parent and subsidiaries	96,138	-
Interest income	1,263,359	685,812
Foreign exchange gains	3,611,513	7,313,127
Other financial income	287	347
	4,971,297	7,999,286

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Notes to the interim condensed financial statements

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

26. FINANCIAL EXPENSES

	Six month period ended 30 June	
	2012	2011
Financial expenses – parent	101,616	26,054
Interest expenses	850,830	1,275,193
Amortization of long-term liabilities	163,206	-
Foreign exchange losses	13,537,236	958,163
Other financial expenses	406	1,601
	14,653,294	2,261,011

27. EARNING PER SHARE

	Six month period ended 30 June	
	2012	2011
Profit	22,005,077	21,412,844
Weighted average number of shares outstanding	163,060,400	163,060,400
Basic Earning per share	0.13	0.13

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Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***28. RELATED PARTIES TRANSACTIONS**

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

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

	30 June 2012	31 December 2011	Category
<i>Long-term loans</i>			
NIS Petrol e.o.o.d., Sofija, Bulgaria	3,395,143	1,628,515	Subsidiary
Jadran-Naftagas d.o.o. Banja Luka, BiH	705,103	387,571	Subsidiary
NIS Petrol SRL, Bucharest, Romania	262,205	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	2,895	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	308,082	273,112	Subsidiary
	<u>4,673,428</u>	<u>2,289,198</u>	
<i>Advances</i>			
NIS Oversiz, Moscow, Russian Federation	1,750	1,544	Subsidiary
<i>Receivables</i>			
O Zone a.d. Belgrade, Serbia	215,672	216,045	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	25,276	79,746	Subsidiary
Ranis, Moscow area, Russian Federation	140	126	Subsidiary
Jadran-naftagas d.o.o. Banja Luka, BiH	9,843	15,175	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	59,745	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	11,900	-	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russian Federation	2,632	3,717	Other
NIS Petrol SRL, Bucharest, Romania	229	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	28	-	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	372,616	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	872,764	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	38,342	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	52,193	-	Subsidiary
NIS Oversiz, Moscow, Russian Federation	22	22	Subsidiary
	<u>1,661,402</u>	<u>314,831</u>	
Total receivables:	<u>6,336,580</u>	<u>2,605,573</u>	

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Notes to the interim condensed financial statements

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

28. RELATED PARTIES TRANSACTIONS (continued)

	30 June 2012	31 December 2011	Category
<i>Liabilities</i>			
Gazprom Neft, St Petersburg, Russian Federation	(58,058,909)	(48,887,946)	Parent
Gazprom Neft Trading, Austria	(21,506,633)	(18,116,245)	Other
O Zone a.d. Belgrade, Serbia	(2,139)	(9,148)	Subsidiary
Gazprom Neft Lubricants, Italia	(12,674)	(5,594)	Other
Naftagas-Transport d.o.o. Zrenjanin, Serbia	(784)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(427)	-	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	(4)	(4)	Subsidiary
NIS Oversiz, Moscow, Russian Federation	-	(3,522)	Subsidiary
	<u>(79,581,570)</u>	<u>(67,022,459)</u>	
<i>Advances received</i>			
O Zone a.d. Belgrade, Serbia	(126)	(126)	Subsidiary
Svetlost d.o.o., Bujanovac, Serbia	(463)	(1,966)	Subsidiary
	<u>(589)</u>	<u>(2,092)</u>	
<i>Accruals</i>			
O Zone a.d. Belgrade, Serbia	(426)	(748)	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	(18,840)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(189,445)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(169,274)	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	(29,785)	-	Subsidiary
	<u>(407,770)</u>	<u>(748)</u>	
Total liabilities:	<u>(79,989,929)</u>	<u>(67,025,299)</u>	
Liabilities, net:	<u>(73,653,349)</u>	<u>(64,419,726)</u>	

	Six month period ended 30 June		Category
	2012	2011	
<i>Sales</i>			
Svetlost d.o.o., Bujanovac, Serbia	491,982	349,064	Subsidiary
Gazprom Neft Aero JSC, Moscow, Russian Federation	50,694	-	Other
Jadran-naftagas d.o.o. Banja Luka, BiH	5,617	18,956	Subsidiary
Gazprom Neft NTC, Moscow, Russian Federation	-	4,981	Other
NIS Petrol e.o.o.d., Sofija, Bulgaria	799	-	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	31,829	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	36,579	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	14,695	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	4,967	-	Subsidiary
O Zone a.d. Belgrade, Serbia	46	3,461	Subsidiary
	<u>637,208</u>	<u>376,462</u>	

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Notes to the interim condensed financial statements

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

28. RELATED PARTIES TRANSACTIONS (continued)

	Six month period ended 30 June		Category
	2012	2011	
<i>Other operating income</i>			
O Zone a.d. Belgrade, Serbia	62	609	Subsidiary
<i>Cost of goods sold</i>			
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(10,474)	-	Subsidiary
Gazprom Neft Lubricants, Italia	(5,453)	-	Other
	(15,927)	-	
<i>Purchases of raw materials</i>			
Gazprom Neft Trading, Austria	(32,658,528)	(32,357,065)	Other
Gazprom Neft Lubricants, Italia	(3,571)	-	Other
	(32,662,099)	(32,357,065)	
<i>Cost of salaries, benefits and other personnel expenses</i>			
O Zone a.d. Belgrade, Serbia	(72,779)	(66,909)	Subsidiary
<i>Other operating expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	(25,698)	(18,233)	Parent
NIS Oversiz, Moscow, Russian Federation	(18,128)	(11,206)	Subsidiary
O Zone a.d. Belgrade, Serbia	(117)	(1,821)	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	(18,130)	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	(56,528)	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	(105,677)	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	(12,300)	-	Subsidiary
	(236,578)	(31,260)	
Operating expenses, net	(32,350,113)	(32,078,163)	
<i>Financial income</i>			
Jadran-naftagas d.o.o. Banja Luka, BiH	19,438	-	Subsidiary
NIS Petrol e.o.o.d., Sofija, Bulgaria	63,306	-	Subsidiary
NIS Petrol d.o.o., Laktasi, BiH	11,463	-	Subsidiary
Pannon naftagas Kft, Budapest, Hungary	59	-	Subsidiary
NIS Petrol SRL, Bucharest, Romania	1,310	-	Subsidiary
Naftagas-Transport d.o.o. Zrenjanin, Serbia	27	-	Subsidiary
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	432	-	Subsidiary
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	67	-	Subsidiary
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	36	-	Subsidiary
	96,138	-	
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russian Federation	(101,616)	(26,054)	Parent
Financial expenses, net	(5,478)	(26,054)	

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Notes to the interim condensed financial statements

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

28. RELATED PARTIES TRANSACTIONS (continued)

	Six month period ended 30 June		Category
	2012	2011	
<i>Other income</i>			
Gazprom Neft Trading, Austria	814	29,426	Other
<i>Other expenses</i>			
Gazprom Neft Trading, Austria	(80,583)	(68,527)	Other
Gazprom Neft, St Petersburg, Russian Federation	(4,664)	(21,250)	Parent
Svetlost d.o.o., Bujanovac, Serbia	-	(8,187)	Subsidiary
O Zone a.d. Belgrade, Serbia	(137)	(776)	Subsidiary
Gazprom Neft Lubricants, Italia	(4)	-	Subsidiary
	<u>(85,388)</u>	<u>(98,740)</u>	
Other expenses, net	<u>(84,574)</u>	<u>(69,314)</u>	

Main transaction with state owned companies

	30 June 2012	31 December 2011
<i>Receivables</i>		
HIP Petrohemija	2,635,619	1,995,294
Srbijagas	15,461,093	7,414,404
	<u>18,096,712</u>	<u>9,409,698</u>
<i>Liabilities</i>		
HIP Petrohemija	(562,639)	(471,195)
Srbijagas	(96,230)	(272,661)
	<u>(658,869)</u>	<u>(743,856)</u>
<i>Advances received</i>		
HIP Petrohemija	(4,259)	(5,386)
Srbijagas	(12,806)	(12,796)
	<u>(17,065)</u>	<u>(18,182)</u>

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Notes to the interim condensed financial statements*(All amounts are in 000 RSD, unless otherwise stated)***28. RELATED PARTIES TRANSACTIONS (continued)***Main transaction with state owned companies (continued)*

	Six month period ended 30 June	
	2012	2011
<i>Income</i>		
HIP Petrohemija	4,644,035	5,128,339
Srbijagas	9,988,567	5,079,386
	14,632,602	10,207,725
<i>Costs</i>		
HIP Petrohemija	(78,990)	(82,043)
Srbijagas	(112,641)	(109,501)
	(191,631)	(191,544)

29. CONTINGENT LIABILITIES*Transfer of property ownership*

Until 30 Jun 2012, the Company had ownership of 5,549 and the right to use and possess 2,027 items of properties, which make up 65% and 24% of the total number of items of Company's properties (buildings and land), respectively.

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

Financial Guarantees

As of 30 June 2012 the total amount of outstanding financial guarantees given by the Company amounted to 3,781,794 RSD mostly related to customs duties in the amount of 2,401,200 RSD (31 December 2011: 3,200,000 RSD).

30. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Kirill Kravchenko
CEO

30 July 2012

Branko Mitrovic
The person responsible for the
preparation of financial statements

30 July 2012

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