



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

Interim Condensed Consolidated Financial Statements

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

Novi Sad, 11 May 2012

Interim Condensed Consolidated Financial Statements

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

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Interim Condensed Consolidated Financial Statements

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

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 March 2012	31 December 2011
		<i>(unaudited)</i>	
Non-current assets			
Intangible assets	5	7,042,773	4,708,964
Property, plant and equipment	6	132,801,204	129,217,516
Investment property		1,383,733	1,338,269
Investments in equity instruments		205,704	225,232
Other long-term investments		1,170,717	1,087,147
		142,604,131	136,577,128
Current assets			
Inventories	7	30,813,763	35,403,205
Non-current assets held for sale		16,238	181,608
Trade and other receivables	8	25,549,300	20,345,343
Short-term financial investments		2,339,649	2,416,899
Cash and cash equivalents	9	16,057,724	25,832,354
VAT and prepaid expenses	10	7,033,401	4,922,034
Deferred tax assets		7,875,578	7,875,479
		89,685,653	96,976,922
Total assets		232,289,784	233,554,050
Off-balance sheet assets		86,340,599	79,279,565
EQUITY AND LIABILITIES			
Equity			
Share and other capital	11	87,128,073	87,128,073
Reserves		872,400	884,368
Unrealized gains from securities		9,511	29,582
Unrealized losses from securities		(63,546)	(64,090)
Accumulated gain(loss)		7,858,444	(370,083)
		95,804,882	87,607,850
Minority interest		479	3,490
Total equity		95,805,361	87,611,340
Long-term provisions and liabilities			
Long-term provisions		13,496,600	13,371,651
Long-term loans	12	34,925,759	33,774,543
Other long-term liabilities		50,128,391	48,278,469
		98,550,750	95,424,663
Short-term liabilities			
Short-term financial liabilities	13	4,549,541	3,445,250
Trade and other payables	14	16,637,602	29,621,937
Other short-term liabilities	15	6,102,118	6,694,698
Liabilities for VAT, other taxes and deferred income		8,883,670	8,098,259
Income tax liabilities		417,044	1,493,849
		36,589,975	49,353,993
Deferred tax liabilities		1,343,698	1,164,054
Total equity and liabilities		232,289,784	233,554,050
Off-balance sheet liabilities		86,340,599	79,279,565

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Interim Condensed Consolidated Financial Statements

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

CONSOLIDATED INCOME STATEMENT

	Notes	Three-month period ended 31 March	
		2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Operating income			
Sales	16	45,611,373	36,776,852
Work performed by the entity and capitalized (Decrease) increase in inventories of finished goods and work in progress		911,197 (2,401,617)	338,641 62,465
Other operating income		105,223	62,980
		<u>44,226,176</u>	<u>37,240,938</u>
Operating expenses			
Cost of goods sold		(2,476,772)	(2,446,818)
Raw material and consumables used	17	(18,042,652)	(19,078,448)
Employee benefits expense	19	(5,263,444)	(5,373,930)
Depreciation, amortisation and provision	18	(1,783,224)	(2,011,322)
Other operating expenses	20	(3,436,260)	(2,878,964)
		<u>(31,002,352)</u>	<u>(31,789,482)</u>
Profit from operating activities		<u>13,223,824</u>	<u>5,451,456</u>
Financial income	21	1,890,112	5,355,314
Financial expenses	22	(6,449,956)	(1,155,620)
Other income		1,032,927	1,686,064
Other expenses		(728,645)	(1,133,395)
Profit before income tax		<u>8,968,262</u>	<u>10,203,819</u>
Income tax expense		(562,984)	(575,607)
Deferred tax (expense) income		(179,642)	173,416
Profit for the period		<u>8,225,636</u>	<u>9,801,628</u>
Net (loss) profit attributable to non-controlling equity holders		(2,347)	177
Net profit attributable to owners of parent		8,227,983	9,801,451
Earnings per share			
- Basic	23	0,05	0,06

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Interim Condensed Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three-month period ended	
	31 March	
	2012	2011
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Sales and advances received	57,882,312	53,639,286
Interest from operating activities	783,133	122
Other inflow from operating activities	105,222	62,980
<i>Cash inflow from operating activities</i>	<u>58,770,667</u>	<u>53,702,388</u>
Payments and prepayments to suppliers	(35,421,080)	(27,215,421)
Salaries, benefits and other personal expenses	(5,701,607)	(5,481,020)
Interest paid	(903,071)	(767,898)
Income tax paid	(1,638,476)	(825,691)
Payments for other public revenues	(17,280,967)	(20,469,696)
<i>Cash outflow from operating activities</i>	<u>(60,945,201)</u>	<u>(54,759,726)</u>
Net cash used in operating activities	<u>(2,174,534)</u>	<u>(1,057,338)</u>
Cash flows from investing activities		
Proceeds from sale of intangible assets and property, plant and equipment	766	661
<i>Cash inflow from investing activities</i>	<u>766</u>	<u>661</u>
Purchase of intangible assets, property, plant and equipment	(7,844,188)	(2,857,024)
<i>Cash outflow from investing activities</i>	<u>(7,844,188)</u>	<u>(2,857,024)</u>
Net cash used in investing activities	<u>(7,843,422)</u>	<u>(2,856,363)</u>
Cash flows from financing activities		
Proceeds from long-term and short term borrowings	-	2,560,684
<i>Cash inflow from financing activities</i>	<u>-</u>	<u>2,560,684</u>
Outflows from long-term, short-term and other liabilities	(340,479)	(1,733,184)
<i>Cash outflow from financing activities</i>	<u>(340,479)</u>	<u>(1,733,184)</u>
Net cash (used in) provided by financing activities	<u>(340,479)</u>	<u>827,500</u>
Decrease in cash and cash equivalents	(10,358,435)	(3,086,201)
Cash and cash equivalents at beginning of period	25,832,354	10,636,669
Currency translation gains on cash and cash equivalents	667,481	18,045
Currency translation losses on cash and cash equivalents	(83,676)	(476,396)
Cash and cash equivalents at end of period	<u>16,057,724</u>	<u>7,092,117</u>

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Interim Condensed Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the three-month period ended 31 March 2012 and 2011

<i>(unaudited)</i>	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Other capital	Reserves	Unrealised gains from securities	Unrealised losses from securities	Accumulated gain (loss)		
Balance as at 1 January 2011	81,530,200	5,597,873	888,587	48,417	(49,236)	(41,009,046)	25,945	47,032,740
Result for the period:								
- Profit	-	-	-	-	-	9,801,451	177	9,801,628
- Gain from securities	-	-	-	3,191	(2,863)	-	-	328
Other	-	-	1,625	-	-	(10,546)	(6)	(8,927)
Balance as at 31 March 2011	81,530,200	5,597,873	890,212	51,608	(52,099)	(31,218,141)	26,116	56,825,769
Balance as at 1 January 2012	81,530,200	5,597,873	884,368	29,582	(64,090)	(370,084)	3,491	87,611,340
Result for the period:								
- Profit	-	-	-	-	-	8,227,983	(2,347)	8,225,636
- Losses from securities	-	-	-	(20,071)	544	-	-	(19,527)
Other	-	-	(11,968)	-	-	544	(664)	(12,088)
Balance as at 31 March 2012	81,530,200	5,597,873	872,400	9,511	(63,546)	7,858,443	480	95,805,361

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Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***1. GENERAL INFORMATION**

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

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

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

The Parent is an open joint stock company, listed on the Belgrade Stock Exchange, Listing A (Prime Market).

The address of the Group’s registered office is in Novi Sad, no.12 Narodnog fronta Street.

The financial statements of below listed subsidiaries are consolidated as at 31 March 2012:

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

In 2012., the Parent established following companies:

- Naftagas-naftni servisi d.o.o., Novi Sad. As of 31 March 2012 the total equity of the new company amounts to 3,579,983 RSD (non-cash contribution 3,579,930 RSD) and the Parent’s share is 100%,
- NTC NIS-Naftagas d.o.o., Novi Sad. As of 31 March 2012 the total equity of the new company amounts to 321,500 RSD (non-cash contribution 321,447 RSD), and the Parent’s share is 100%.
- Naftagas-tehnicki servisi d.o.o., Zrenjanin. As of 31 March 2012 the total equity of the new company amounts to 1,044,554 RSD (non-cash contribution 1,044,501 RSD), and the Parent’s share is 100%.

As of the date of issuance of these interim condensed consolidated financial statements, introduction of non-cash contribution of subsidiaries hasn’t been done.

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

Notes to the Interim Condensed Consolidated Financial Statements

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

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

These interim condensed consolidated 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 consolidated 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 Group has prepared these interim condensed consolidated financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia published in Official Gazette of the Republic of Serbia (no. 46/2006 and 111/2009), which requires full scope of IFRS to be applied, and the regulations issued by the Ministry of Finance of the Republic of Serbia. Due to the difference between these two regulations, these interim condensed consolidated financial statements differ from IFRS in the following respects:

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

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

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.

Notes to the Interim Condensed Consolidated Financial Statements

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

4. SEGMENT INFORMATION

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

In 2011 a new business segment within the Group - "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 Group are organized into five operating segments:

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

The reportable segments derive their revenue in following manner:

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

Reportable segment results for the three-month period ended 31 March 2012 are shown in the following table:

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	23,110,898	1,575,287	26,643,414	39,247,057	111,137	90,687,793
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	88,409	44,226,176
Depreciation	(501,614)	(205,138)	(501,787)	(181,193)	(232,825)	(1,622,557)
Impairment losses	(237)	-	(2,427)	(28,823)	-	(31,487)
Segment profit (loss) from operating activities	19,639,326	(244,078)	(4,015,193)	(489,083)	(1,667,148)	13,223,824
Financial income (expenses)	39,849	16,210	(864,015)	57,344	(3,809,232)	(4,559,844)
Other income (expenses)	313,656	11,746	57,981	(39,543)	(39,558)	304,282
Segment profit (loss) before tax	19,992,831	(216,122)	(4,821,227)	(471,282)	(5,515,938)	8,968,262
Deferred tax (expense) income	-	-	-	-	(179,642)	(179,642)
Income tax expense	-	-	-	-	(562,984)	(562,984)
Segment profit (loss)	19,992,831	(216,122)	(4,821,227)	(471,282)	(6,258,564)	8,225,636

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Notes to the Interim Condensed Consolidated Financial Statements

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4. SEGMENT INFORMATION (continued)

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

	Exploration and production	Oil field services	Refining	Trade	Other	Total
Segment revenue	16,626,956	820,991	25,103,452	34,629,298	86,995	77,267,692
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	86,995	37,240,938
Depreciation	(687,659)	(199,287)	(498,185)	(146,753)	(245,435)	(1,777,319)
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)	(1,594,023)	5,451,456
Financial income	40,249	4,962	1,653,286	197,289	2,303,908	4,199,694
Other income (expenses)	312,620	(34,469)	(70,395)	61,934	282,979	552,669
Segment profit (loss) before tax	13,829,912	(747,825)	(4,039,118)	167,986	992,864	10,203,819
Deferred tax income	-	-	-	-	173,416	173,416
Income tax expense	-	-	-	-	(575,607)	(575,607)
Segment profit (loss)	13,829,912	(747,825)	(4,039,118)	167,986	590,673	9,801,628

Inter-segment revenue are performed in accordance with the transfer pricing policy approved by the Board of Directors.

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

	Three-month period ended 31 March	
	2012	2011
Sales:		
Sale of crude oil	1,819,154	-
Sale of petroleum products	40,461,088	33,629,646
Sale of goods	2,997,763	2,837,905
Sale of services	333,368	309,301
	45,611,373	36,776,852
Work performed by the entity and capitalized	911,197	338,641
(Decrease) increase in inventories of finished goods and work in progress	(2,401,617)	62,465
Other operating income	105,223	62,980
Total Operating Income	44,226,176	37,240,938

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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	4,733,829	7,455,809
Accumulated depreciation and impairment	-	(184,431)	(1,698,294)	(731,666)	(2,614,391)
Net book amount	-	693,689	145,566	4,002,163	4,841,418
Period ended 31 March 2011					
Opening net book amount	-	693,689	145,566	4,002,163	4,841,418
Additions	-	-	203,527	-	203,527
Transfer from IA under development	-	20,312	(32,043)	11,731	-
Depreciation	-	(21,167)	-	(147,982)	(169,149)
Disposals	-	-	(43)	-	(43)
Other	-	-	(658)	(8)	(666)
Closing net book amount	-	692,834	316,349	3,865,904	4,875,087
As at 31 March 2011					
Cost	-	898,432	2,014,643	4,745,553	7,658,628
Accumulated depreciation and impairment	-	(205,598)	(1,698,294)	(879,649)	(2,783,541)
Net book amount	-	692,834	316,349	3,865,904	4,875,087
As at 1 January 2012					
Cost	182,322	956,792	413,952	4,761,744	6,314,810
Accumulated depreciation and impairment	-	(230,183)	(142,279)	(1,233,384)	(1,605,846)
Net book amount	182,322	726,609	271,673	3,528,360	4,708,964
Period ended 31 March 2012					
Opening net book amount	182,322	726,609	271,673	3,528,360	4,708,964
Additions	210,676	-	662,060	-	872,736
Transfer from IA under development	-	3,377	(13,249)	9,872	-
Transfer from PP&E	1,612,354	-	-	-	1,612,354
Depreciation	-	(23,262)	-	(147,139)	(170,401)
Impairment	-	-	(3,441)	-	(3,441)
Translation reserve	17,334	5,214	-	-	22,548
Other	-	-	-	13	13
Closing net book amount	2,022,686	711,938	917,043	3,391,106	7,042,773
As at 31 March 2012					
Cost	2,022,686	965,430	1,059,322	4,771,641	8,819,079
Accumulated depreciation and impairment	-	(253,492)	(142,279)	(1,380,535)	(1,776,306)
Net book amount	2,022,686	711,938	917,043	3,391,106	7,042,773

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) .

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Notes to the Interim Condensed Consolidated Financial Statements

*(All amounts are in 000 RSD, unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E
As at 1 January 2011						
Cost	11,505,502	63,318,757	55,614,069	15,994,254	94,782	129,318
Accumulated depreciation and impairment	(737,373)	(24,278,791)	(29,939,779)	(3,366,233)	(1,356)	(120,887)
Net book amount	10,768,129	39,039,966	25,674,290	12,628,021	93,426	8,431
Period ended 31 March 2011						
Opening net book amount	10,768,129	39,039,966	25,674,290	12,628,021	93,426	8,431
Additions	-	-	-	2,857,721	-	-
Transfer from CIP	-	1,292,466	242,823	(1,535,816)	527	-
Disposals and advances paid used	-	28,121	(794)	(1,512)	(325)	-
Depreciation	-	(811,472)	(795,944)	-	-	(754)
Impairment charge	-	(225)	-	(16,984)	-	-
Other	(328)	494,158	(481,263)	(12,838)	867	-
Closing net book amount	10,767,801	40,043,014	24,639,112	13,918,592	94,495	7,677
As at 31 March 2011						
Cost	11,505,502	65,348,946	55,110,830	17,315,275	94,984	129,318
Accumulated depreciation and impairment	(737,701)	(25,305,932)	(30,471,718)	(3,396,683)	(489)	(121,641)
Net book amount	10,767,801	40,043,014	24,639,112	13,918,592	94,495	7,677
As at 1 January 2012						
Cost	12,417,133	63,546,775	60,477,344	47,106,611	96,308	129,318
Accumulated depreciation and impairment	(695,565)	(24,435,060)	(35,063,390)	(2,981,943)	(5,020)	(123,897)
Net book amount	11,721,568	39,111,715	25,413,954	44,124,668	91,288	5,421
Period ended 31 March 2012						
Opening net book amount	11,721,568	39,111,715	25,413,954	44,124,668	91,288	5,421
Additions	-	-	-	8,036,636	-	-
Acquisitions through business combinations (note 25)	-	-	-	944,775	-	-
Transfer from CIP	439,540	436,536	1,588,855	(2,464,931)	-	-
Disposals and advances paid used	-	(8)	(18,850)	(250,171)	(1)	-
Translation reserve	-	(1,099)	(979)	18,228	-	-
Depreciation	-	(623,063)	(828,340)	-	-	(753)
Impairment charge	-	(9,131)	(22,356)	-	-	-
Transfer to intangible assets	-	-	-	(1,612,354)	-	-
Transfer to investment property	(37,737)	(7,765)	-	-	-	-
Other	-	(47,080)	(164,234)	211,702	(69)	-
Closing net book amount	12,123,371	38,860,105	25,968,050	49,008,553	91,218	4,668
As at 31 March 2012						
Cost	12,817,321	63,967,670	61,970,232	51,778,794	96,238	129,318
Accumulated depreciation and impairment	(693,950)	(25,107,565)	(36,002,182)	(2,770,241)	(5,020)	(124,650)
Net book amount	12,123,371	38,860,105	25,968,050	49,008,553	91,218	4,668

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Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT (continued)**

The additions to property, plant and equipment for the three-month period ended 31 March 2012 in the amount of 9,651,453 RSD (2011: 4,034,634 RSD) mostly relate to investments in MHC/DHT project (investments in construction of Mild Hydrocracking Complex and Hydrofinishing in Pancevo 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 Group 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. INVENTORIES

	31 March 2012	31 December 2011
Raw materials	19,265,740	23,275,562
Spare parts	2,849,049	2,783,196
Tools	122,498	137,703
Work in progress	5,941,563	5,808,325
Finished goods	6,013,337	8,548,192
Merchandise	3,903,434	2,272,222
	<u>38,095,621</u>	<u>42,825,200</u>
Advances	900,326	764,590
<i>Less provision:</i>		
- for inventories	(7,806,896)	(7,806,896)
- for advances	(375,288)	(379,689)
	<u>(8,182,184)</u>	<u>(8,186,585)</u>
Total inventories – net	<u>30,813,763</u>	<u>35,403,205</u>

Movement on inventory provision is as follows:

	2012	2011
As at January 1	(8,186,585)	(5,335,000)
Provision for impaired inventories charged to the period	(764)	(5,292)
Provision reversed	5,165	35,775
Other	-	20,154
As at March 31	<u>(8,182,184)</u>	<u>(5,284,363)</u>

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Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***8. TRADE AND OTHER RECEIVABLES**

	31 March 2012	31 December 2011
Trade receivables:		
- domestic	26,280,970	22,616,484
- foreign	2,347,423	1,055,870
- related parties	1,512,099	1,999,116
	<u>30,140,492</u>	<u>25,671,470</u>
Receivables from specific operations	<u>8,387,654</u>	<u>7,787,863</u>
Interest receivables	4,645,022	4,984,493
Receivables from employees	85,836	87,281
Other receivables	7,444,508	7,461,184
	<u>12,175,366</u>	<u>12,532,958</u>
	<u>50,703,512</u>	<u>45,992,291</u>
<i>Less provision:</i>		
- trade receivables	(4,882,156)	(5,695,782)
- receivables from specific operations	(8,382,167)	(7,767,667)
- interest receivables	(4,562,769)	(4,856,030)
- other receivables	(7,327,120)	(7,327,469)
	<u>(25,154,212)</u>	<u>(25,646,948)</u>
Total receivables – net	<u>25,549,300</u>	<u>20,345,343</u>

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

The ageing of trade receivables is as follows:

	31 March 2012	31 December 2011
Up to 3 months	23,847,303	19,780,737
Over 3 months	6,293,189	5,890,733
	<u>30,140,492</u>	<u>25,671,470</u>

As of 31 March 2012 trade receivables in the amount of 4,882,156 RSD (31 December 2011: 5,695,782 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:

	31 March 2012	31 December 2011
Up to 3 months	66,952	74,489
Over 3 months	4,815,204	5,621,293
	<u>4,882,156</u>	<u>5,695,782</u>

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Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***8. TRADE AND OTHER RECEIVABLES (continued)**

The carrying amounts of trade and other receivables relate to following currencies:

	31 March 2012	31 December 2011
RSD	47,113,300	44,834,760
EUR	942,744	241,141
USD	2,647,261	916,156
Other	207	234
	50,703,512	45,992,291

Movements on provision for impairment of trade receivables and other receivables are as follows:

	2012	2011
As at January 1	(25,646,948)	(25,848,300)
Provision for impaired receivables	(440,325)	(352,870)
Written off	174,137	22,729
Unused amounts reversed	758,161	233,284
Other	763	(2,133)
As at March 31	(25,154,212)	(25,947,290)

9. CASH AND CASH EQUIVALENTS

	31 March 2012	31 December 2011
Cash in bank	15,417,730	25,397,340
Cash on hand	606,334	391,963
Other cash equivalents	33,660	43,051
	16,057,724	25,832,354

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

Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***10. VAT AND PREPAID EXPENSES**

	31 March 2012	31 December 2011
Prepayment for VAT	1,436,731	2,027,935
Prepaid expenses	193,079	56,682
Accrued revenue	3,163,516	484,112
Prepaid excise duty	870,011	1,119,985
Housing loans and other prepayments	1,370,064	1,233,320
	7,033,401	4,922,034

Prepayment for VAT as of 31 March 2012 in the amount of 1,436,731 RSD represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs and refunds 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 3,163,516 RSD (31 December 2011: 484,112 RSD) mostly relates to a receivable for current period sales of oil and oil products in total amount of 3,029,439 RSD that have not been billed by the Group in current period.

11. SHARE CAPITAL

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

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

Shareholders	Number of shares	Structure in %
Gazprom Neft	91,565,887	56.15%
Republic of Serbia	48,713,569	29.87%
Unicredit bank Serbia a.d. - custody account	612,951	0.38%
Erste bank a.d. Novi Sad - custody account	538,874	0.33%
Unicredit bank Serbia a.d. - 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 a.d. - custody account	128,264	0.08%
The Royal bank of Scotland	121,355	0.07%
Vojvodjanska banka a.d. Novi Sad - custody account	94,520	0.06%
Other	20,482,428	12.57%
	163,060,400	100.00%

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Notes to the Interim Condensed Consolidated Financial Statements

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

12. LONG-TERM LOANS

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

The maturity of non-current loans was as follows:

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

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

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

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Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***12. LONG-TERM LOANS (continued)**

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

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

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

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

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

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Notes to the Interim Condensed Consolidated Financial Statements

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

12. LONG-TERM LOANS (continued)

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

13. SHORT-TERM FINANCIAL LIABILITIES

	<u>31 March 2012</u>	<u>31 December 2011</u>
Short-term financial liabilities to Parent (current portion)	2,412,898	1,133,612
Current portion of long-term loans (note 12)	2,101,683	2,274,652
Current portion of financial lease	34,708	33,069
Other short-term liabilities	252	3,917
	<u>4,549,541</u>	<u>3,445,250</u>

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Notes to the Interim Condensed Consolidated Financial Statements

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

14. TRADE AND OTHER PAYABLES

	31 March 2012	31 December 2011
Advances received	740,570	871,127
Trade payables:		
- domestic	2,885,488	2,702,845
- foreign	1,971,136	7,060,646
Trade payables – parent and subsidiaries	7,368	-
Trade payables – other related parties	10,680,819	18,587,440
Liabilities from other operations	72,082	71,956
Liabilities from specific operations	280,139	327,923
	16,637,602	29,621,937

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).

15. OTHER SHORT-TERM LIABILITIES

	31 March 2012	31 December 2011
Liabilities for unpaid wages and salaries, gross	1,058,482	1,690,264
Liabilities to employees	7,908	46,973
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	96,649	116,095
	6,102,118	6,694,698

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Notes to the Interim Condensed Consolidated Financial Statements

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

16. SALES

	Three-month ended 31 March	
	2012	2011
Sales of products:		
- domestic	34,434,573	27,938,589
- foreign	6,581,309	3,484,319
- related parties	1,531,990	2,382,961
	<u>42,547,872</u>	<u>33,805,869</u>
Sales of goods:		
- domestic	2,726,303	2,661,268
- foreign	3,830	414
	<u>2,730,133</u>	<u>2,661,682</u>
Sales of services:		
- domestic	149,941	129,433
- foreign	183,396	179,868
- related parties	31	-
	<u>333,368</u>	<u>309,301</u>
	<u>45,611,373</u>	<u>36,776,852</u>

17. RAW MATERIAL AND CONSUMABLES USED

	Three-month ended 31 March	
	2012	2011
Cost of raw materials	17,373,882	18,421,028
Cost of office and other material	151,659	203,862
Other fuel and energy expenses	517,111	453,558
	<u>18,042,652</u>	<u>19,078,448</u>

18. DEPRECIATION, AMORTISATION AND PROVISIONS

	Three-month ended 31 March	
	2012	2011
Depreciation and amortisation expenses	1,622,557	1,777,319
Provision for :		
- asset retirement obligation and environmental protection	-	79,872
- salaries and employees benefits	112,888	154,131
- legal cases	47,779	-
	<u>1,783,224</u>	<u>2,011,322</u>

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Notes to the Interim Condensed Consolidated Financial Statements

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

19. EMPLOYEE BENEFITS EXPENSE

	Three-month ended 31 March	
	2012	2011
Wages and salaries (gross)	4,081,973	3,514,101
Taxes and contributions on wages and salaries paid by employer	682,786	581,420
Costs of temporary service agreement	91,549	71,963
Cost of other temporary service agreements	7,150	4,127
Fees paid to management and supervisory board members	7,065	7,379
Cost for employees termination payments	103,923	753,671
Other personal expenses and benefits	288,998	441,269
	5,263,444	5,373,930

Termination costs in the amount of 103,923 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 59 (2011: 297 employees).

	Three-month ended 31 March	
	2012	2011
Average number of people employed	9,239	10,197

Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***20. OTHER OPERATING EXPENSES**

	Three-month ended 31 March	
	2012	2011
Production services	466,389	452,179
Transportation services	355,633	387,717
Maintenance	139,332	233,422
Rental costs	137,834	102,374
Fairs	-	2,438
Advertising costs	88,124	43,725
Research costs	8,775	26,890
Cost of other services	173,042	227,342
Costs of non-production services	569,472	404,446
Representation costs	11,307	41,582
Insurance premium	53,389	63,126
Bank charges	38,281	30,510
Cost of custom duties, property taxes and other taxes	527,438	252,220
Fee for emergency situations	78,345	-
Mineral extraction tax	657,738	464,008
Cost of legal and consulting services	9,920	34,625
Administrative and other taxes	38,288	44,827
Other	82,953	67,533
	3,436,260	2,878,964

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 569,472 RSD (2011: 404,446 RSD) mostly relate to costs incurred for: security and cleaning costs in the amount of 391,839 RSD, project management costs in the amount of 46,224 RSD, certification and supervision costs in amount 10,651 RSD.

21. FINANCIAL INCOME

	Three-month ended 31 March	
	2012	2011
Interest income	544,796	307,393
Foreign exchange gains	1,344,226	5,047,578
Other financial income	1,090	343
	1,890,112	5,355,314

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Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***22. FINANCIAL EXPENSES**

	Three-month ended 31 March	
	2012	2011
Financial expenses – parent	61,804	32,885
Interest expenses	460,286	645,380
Amortization of long-term liabilities	80,896	-
Foreign exchange losses	5,845,739	477,259
Other financial expenses	1,231	96
	6,449,956	1,155,620

23. EARNINGS PER SHARE

	Three-month ended 31 March	
	2012	2011
Profit attributable to owners of parent	8,227,983	9,801,628
Weighted average number of shares outstanding	163,060,400	163,060,400
Basic Earnings per share	0.05	0.06

24. RELATED PARTIES TRANSACTIONS

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

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

	31 March 2012	31 December 2011	Category
<i>Receivables</i>			
Gazprom Neft Aero JSC, Moscow, Russia	-	3,717	Other
Total receivables:	-	3,717	

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Notes to the Interim Condensed Consolidated Financial Statements

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

24. RELATED PARTIES TRANSACTIONS (continued)

	31 March 2012	31 December 2011	Category
<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
Gazprom Neft Lubricants, Italia	-	(5,594)	Other
	<u>(62,452,490)</u>	<u>(67,009,785)</u>	
<i>Advances received</i>			
Gazprom Neft Aero JSC, Moscow, Russia	(797)	-	Other
Total liabilities:	<u>(62,453,287)</u>	<u>(67,009,785)</u>	
Liabilities, net:	<u>(62,453,287)</u>	<u>(67,006,068)</u>	
Three-month period ended			
	31 March 2012	2011	Category
<i>Sales</i>			
Gazprom Neft Aero JSC, Moscow, Russia	20,276	-	Other
<i>Purchases of raw materials</i>			
Gazprom Neft Trading, Austria	(12,051,470)	(15,720,294)	Other
<i>Other operating expenses</i>			
Gazprom Neft, St Petersburg, Russia	(12,046)	(12,665)	Parent
	<u>(12,043,240)</u>	<u>(15,732,959)</u>	
<i>Financial expenses</i>			
Gazprom Neft, St Petersburg, Russia	(61,804)	(32,885)	Parent
	<u>(61,804)</u>	<u>(32,885)</u>	
<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
	(38,532)	(59,098)	
	<u>(38,075)</u>	<u>(37,681)</u>	

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Notes to the Interim Condensed Consolidated Financial Statements*(All amounts are in 000 RSD, unless otherwise stated)***24. RELATED PARTIES TRANSACTIONS (continued)***Main transaction with state owned companies*

	31 March 2012	31 December 2011
<i>Receivables</i>		
HIP Petrohemija	1,512,099	1,995,294
Srbijagas	10,464,784	7,414,404
	11,976,883	9,409,698
<i>Liabilities</i>		
HIP Petrohemija	(173,620)	(471,195)
Srbijagas	(81,309)	(272,661)
	(254,929)	(743,856)
<i>Advances received</i>		
Srbijagas	(12,806)	(12,796)
	Three-month period ended 31 March 2012	2011
<i>Income</i>		
HIP Petrohemija	1,511,745	2,382,961
Srbijagas	3,650,739	2,385,995
	5,162,484	4,768,956
<i>Costs</i>		
HIP Petrohemija	(46,252)	(44,335)
Srbijagas	(61,060)	(45,492)
	(107,312)	(89,827)

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Notes to the Interim Condensed Consolidated Financial Statements

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

25. BUSINESS COMBINATIONS

In 2012, as a part of regional expansion the Group acquired three petrol and gas stations (P&G Station) in Bulgaria. As the result of the aquisition, the Group is expected to further increase its presence in this market.

Name of acquiree	Date of acquisition	Percentage of equity interests acquired
<i>Bulgaria</i>		
P&G station Tsvetan Lazarov	25/01/2012	100%
P&G station Blagoevgrad	20/02/2012	100%
P&G station Priseltsi	14/03/2012	100%

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

	Bulgaria	Total
Purchase consideration:		
Cash paid	921,335	921,335
Additional consideration	23,440	23,440
Total purchase consideration	944,775	944,775
Fair value of net identifiable assets acquired (see below)	944,775	944,775
Goodwill	-	-
<i>Amounts recognised as of acquisition date for each major class of assets acquired and liabilities assumed</i>		
Property, plant and equipment	944,775	944,775
Net identifiable assets acquired	944,775	944,775

Aquisition related costs of 10,459 RSD have been charged to expenses in the consolidated Income Statements for the three months period ended ended 31 March 2012.

The aquisition agreements includes only acquisition of properties of P&G Station and do not contain any contingent consideration.

Notes to the Interim Condensed Consolidated Financial Statements

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

26. CONTINGENT LIABILITIES

Transfer of property ownership

Until 31 March 2012 the ownership of 5,085 and the use and possession of 2,312 items of properties has been transferred in favour of Parent, which makes 60% and 27% of the total number of items of Parent'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 Group amounted to 3,575,793 RSD and it was mostly related to customs duties in the amount of 2,400,000 RSD (31 December 2011: 3,200,000 RSD).

27. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Kirill Kravchenko

CEO

11 May 2012

Branko Mitrovic

The person responsible for the preparation of financial statements

11 May 2012