Quarterly Report
for third quarter of 2013

Contents

Quarterly Report of NIS a.d. Novi Sad for third quarter of 2013 represents a reliable account of group's business activity development and results accomplished in third quarter of 2013, as well as in first nine months. The report discloses data for NIS group which includes NIS a.d. Novi Sad and its subsidiaries. If data include only specific subsidiaries or only NIS a.d. Novi Sad this is particularly highlighted in the Report. Report, in compliance with the Capital Market Law, comprises three entities: business report, financial reports (stand-alone and consolidated), as well as the statements of persons responsible for report delivery.

Foreword

Results for the first nine months of operations in 2013 confirm our forecasts from the beginning of the year. Then we estimated it would be really difficult to maintain the Company`s financial indicators at last year`s level. Apart from negative macroeconomic trends and reduced consumption of petroleum products in all Balkan countries in which we do business, this year`s results were also influenced by greater tax and excise commitments.

At the end of the third quarter of 2013, we realised sales in the amount of 2,183 thousand tons, which is by 28% higher than in the same period last year and we increased the volume of refining from to 2,204 thousand tons, which is by 45% more than in the same period last year. An increase of 15% was marked in retail on domestic market. and we are particularly satisfied with the fact that the volume of high-quality "white" petroleum products` sales has been constantly growing during the year, including the third quarter. The good result in sales has been achieved owing to the consistent policy of modernising GAZPROM and NIS Petrol retail networks, which has also been recognised by our consumers outside Serbia – in Bosnia and Herzegovina, Bulgaria and Romania. Concerning the volume of sales of its goods abroad, NIS is in the second place in Serbia, with the exports of Euro 206.5 million in the first nine months of this year.

However, the trend of reduced consumption in the domestic fuel market has continued in the third quarter, which effected on the Company`s financial results, as well. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to RSD 47,7 billion, which is by 1 per cent higher than in the same period last year.

The volume of refining of crude oil and semi-finalized products has increased by 45 per cent and is now 2.2 million tons. The production of domestic oil and gas is by 3 per cent higher than last year, so in the first nine months of 2013 NIS produced 1,227 thousand tons of oil equivalent.

Operating cash flow (OCF) has produced better results for the relevant reporting period by 79%. NIS` OCF for the first nine months of 2013 amounted to RSD 49.6 billion.

According to the results for the first nine months of this year, NIS` net earnings were RSD 31.7 billion, which is by 3 per cent less than the results achieved in the same period last year. During this year NIS has remained the biggest investor in the country. The volume of investment has been increasing from quarter to quarter and amounted to RSD 37.8 billion at the end of the third quarter, which by 25 per cent more than in the same period last year. As this is the year of new technologies and innovations in all areas of operations, the largest amount was invested in exploration and production, followed by sales and refining.

We have reserved the implementation of an important project for the last quarter of this year – it is the transformation of the production unit in Novi Sad into a base oil production refinery. All current indicators, as well as market estimations, show that Serbia is to become the centre of base oil production for Europe and Asia in the foreseeable future.

In the upcoming period, we are also going to continue the diversification of our operations and transformation into an energy company via electricity generation projects in Plandište and Pančevo, and cogeneration in our units in the towns of Vojvodina. Nevertheless, we believe that the basis of our future growth is in our core business – refining and production of petroleum and sales of petroleum products.

Kirill Kravchenko,

CEO
NIS a.d. Novi Sad

BUSINESS REPORT

Key Events

July	• The first GAZPROM petrol station opened in Bulgaria • The first cogeneration module in the Sirakovo gathering and shipment station in the municipality of Veliko Gradište put into operation • NIS` Sustainable Development Report for 2012 presented • 27 GAZPROM petrol stations in B&H put into operation • Business results for the first six months of 2013 released
August	• NIS paid dividends for 2012 in the amount of 12.36 billion dinars which is by far the greatest dividend amount in the history of Belgrade Stock Exchange • NIS selected an authorised distributor for the sales of subsidised fuel for the sowing campaign
September	• NIS started building the first wind farm in Serbia – Plandište • Gazprom Energoholding and NIS signed a memorandum on the construction of the Steam and Gas Thermal Plant in Pančevo

Group Profile

NIS group is among major vertically-integrated energy systems in the South East Europe for exploration, extraction and refining of crude and natural gas as well as distribution and sale of a wide range of oil products. Company's HQ and main production facilities are based in the Republic of Serbia, a Balkan hub of trade and investments due to its geographic position.

In accordance with the Long-Term Development Strategy which foresees the expansion of the company core activity outside Serbia, in the period between 2010 and 2011, NIS has started the activities in this field. NIS has formed the company Jadran Naftagas in Republika Srpska, a company jointly established with company Neftegazinkor. Furthermore, the subsidiaries in Bosnia and Herzegovina, Bulgaria, Hungary and Romania are established. The representative office in Brussels is opened as a support to European integrations of Serbia. Representative offices of NIS also operate in Russia, Angola and Bulgaria.

General Information on parent company

Name:	NIS a.d. Novi Sad
ID Number:	20084693
Address:	Novi Sad. Narodnog fronta 12
Tax ID Number:	104052135
Web site:	www.nis.eu
e-mail address:	office@nis.eu
Activity:	0610 - exploitation of crude oil
Number and date of registration in BRA:	BD 92142, 29.09.2005
Total equity as of September, 30th 2013	159,487,369,000 RSD
Share capital as of September, 30th 2013	81,530,200,000 RSD
Number of employees as of September, 30th 2013	4,692[1]
Audit company that audited the last financial report (dated December 31st. 2012):	Pricewaterhouse Coopers d.o.o 88a, Omladinskih brigada str., Belgrade, Serbia
Organized market where shares of the Issuer are traded in	Belgrade Stock Exchange 1, Omladinskih brigada str., Belgrade, Serbia

General Information on Representative Offices and Branches

NIS Group consists of following representative offices and branches formed by parent company NIS a.d. Novi Sad:

- NIS a.d. Novi Sad branch – Balakanabat, Turkmenistan
- Representative office of NIS a.d. Novi Sad – Saint Petersburg, Russian Federation
- Representative office of NIS a.d. Novi Sad – Luanda, Angola
- Representative office of NIS a.d. Novi Sad – Brussels, Belgium
- Representative office of NIS a.d. Novi Sad – Sofia, Bulgaria
- Representative office of NIS a.d. Novi Sad – Budapest, Hungary
- Representative office of NIS a.d. Novi Sad – Zagreb, Croatia

[1] *without employees from servicing organizationsand employees from subsidiaries, representative offices and branches*

Business name	% of interest in the capital of the subsidiary held by the parent company
Joint-Stock Company for Hotel Management and Tourism O ZONE Belgrade	100.00%
Naftagas – naftni servisi d.o.o. Novi Sad	100.00%
Naftagas – tehnicki servisi d.o.o. Zrenjanin	100.00%
NTC NIS – Naftagas d.o.o. Novi Sad	100.00%
Naftagas-Transport d.o.o. Novi Sad	100.00%
NIS Oversiz o.o.o. Moscow, Russian Federation	100.00%
„NIS Petrol“ EOOD, Sofia, Bulgaria	100.00%
„NIS Petrol“ S.R.L., Bucharest, Romania	100.00%
„NIS Petrol“ d.o.o. Bosnia and Herzegovina	100.00%
Pannon Naftagas Kft, Budapest, Hungary	100.00%
Jadran–naftagas d.o.o., Banja Luka, Republic of Srpska, B&H	66.00%
NIS – Svetlost d.o.o. Bujanovac	51.32%
The companyfor digging, transport and processing of smelter slag and copper production JUBOS d.o.o, Bor	51.00%
LLC „SP Ranis“, Chernoglavka, Russian Federation (in the liquidation by the Decision of founders issued on 07/29/2013)	51.00%

NIS a.d. Novi Sad has ownership stakes of less than 51% in subsidiaries other than stated, but due to the fact that these stakes are not materially relevant they are not included in the consolidated financial statements.

In accordance with International Financial Reporting Standards (IFRS) in the consolidated financial statements include data for the company G-Petrol d.o.o. Sarajevo, Bosnia and Herzegovina, whose parent company is NIS Petrol d.o.o. Banja Luka, Bosnia and Herzegovina with 100% participation in the capital. The consolidated financial statements include the data for the Company for domestic and foreign trade, tourism and hotel management "ADRIA O Zone" Ltd. Budva, Montenegro, whose parent company is joint-stock company for hotel management and tourism O ZONE a.d. Belgrade with 100% share.

In 2013 the Group has acquired 50% of interest in a joint venture, Energowind d.o.o. which is intended to be used as a vehicle for operation of future wind farm ‘’Plandiste’’. The control over Energowind is divided equally between Group and Wind Power Company Delaware, USA and Original Solution Corporation

Joint-Stock Company for Hotel Management and Tourism O ZONE a.d, Belgrade	
Company ID	20094630
Tax ID	104104443
Head office	3-5 Marsala Birjuzova str., Belgrade, Serbia
Date of registration	31.10.2005
Web site:	www.ozone-hotels.com
e-mail:	office@ozone-hotels.com
Activity:	5510 – Hotels and similar accommodation
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	Registered and paid-in monetary capital 1,985,170 EUR Registered and brought-in non-monetary capital 38,417,000 EUR
Management	Dmitry Omelcenko, CEO and member of BoD Dmitry Fomenko, chairman of BoD Sergey Fominikh, member of BoD

NAFTAGAS – NAFTNI SERVISI d.o.o. Novi Sad

Company ID	20801786
Tax ID	107435822
Head office	9 Put Sajskaskog odreda str., Novi Sad, Serbia
Date of registration	8.2.2012
Web site:	/
e-mail:	NGS.Naftniservisi@nis.eu
Activity:	0910 - Services related to exploration and exploitation of oil and gas
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	Registered and paid-in monetary capital 52,581.30 RSD Registered and brought-in non-monetary capital 3,579,930,000.00 RSD
Management	Goran Stojkovski, CEO

NAFTAGAS – TEHNICKI SERVISI d.o.o. Zrenjanin

Company ID	20801794
Tax ID	107435919
Head office	26 Beogradska str., Zrenjanin, Serbia
Date of registration	8.2.2012
Web site:	/
e-mail:	NGS.Tehnickiservisi@nis.eu
Activity:	3312 - repair of machinery
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	Registered and paid-in monetary capital 52,581.30 RSD Brought-in non-monetary capital 1,044,501,000.00 RSD Brought-in non-monetary capital 983,300,055.63 RSD
Management	Oskar Toth, CEO

NTC NIS – NAFTAGAS d.o.o. Novi Sad

Company ID	20802421
Tax ID	107438656
Head office	12, Narodnog fronta str., Novi Sad, Serbia
Date of registration	10.2.2012
Web site:	/
e-mail:	ngs.ntc@nis.eu
Activity:	0910 - Services related to exploration and exploitation of oil and gas
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	Registered and paid-in monetary capital 52,883.70 RSD Registered and brought-in non-monetary capital 321,446,999.01 RSD
Management	Alexandr Kulagin, CEO until April 22nd 2013 Nikolay Zalevski, CEO from April 22nd 2013

Naftagas Transport d.o.o. Novi Sad

Company ID	20829923
Tax ID	107579980
Head office	12, Narodnog fronta str., Novi Sad, Serbia
Date of registration	22.5.2012
Web site:	/
e-mail:	NGS.Transport@nis.eu
Activity:	4941 - Road transport of cargo
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	Registered and paid-in monetary capital 55,369.00 RSD Registered and brought-in non-monetary capital 327,695,662.79 RSD
Management	Dragan Radovic, CEO

LLC “NIS OVERSIZ” Moscow, Russian Federation

Company ID	Main State Registration Number 5067746792306
Tax ID	7702619027
Head office	Bolshoy galovin pereulok 12, floor 2, Moscow, RF (until 14.1.2013) Nevsky Prospect 95, Saint Petersburg, RF (from 14.1.2013)
Founded	25.09.2006.
Web site:	Extraction of crude oil and gas
e-mail:	/
Activity:	/
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	550,000 RUR
Management	Dmitry Fomenko, CEO

NIS PETROL EOOD. Sofia, Bulgaria

Company ID	201703950
Tax ID	
Head office	51a Bul. Nikola Vapcarov, IV floor, Lozanec district, Sofia Bulgaria
Founded	213.09.2011
Web site:	/
e-mail:	/
Activity:	Trade in oil, liquefied petroleum gas (LPG) and oil products (wholesale and retail), import-export operations
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	50,000 BGN
Management	Jasna Radovanovic – Utornik, Director Jelena Pavlovic, Director Valery Pavlovich Gruzdov, Director

NIS PETROL S.R.L., Bucharest, Romania

Company ID	29111546
Tax ID	RO29111546
Head office	Barbu Vacarescu 241a., 5th and 6th floor, District 2, Bucharest, Romania
Founded	16.09.2011
Web site:	/
e-mail:	rou.office-ds@nis.eu
Activity:	4730- Retail sale of motor fuel in specialized stores
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	41,000 RON
Management	Corbu Mihai, Director until March 14th 2013 Zeljko Kirin, Director until March 14th 2013 Vadim Smirnov, Director from March 14th 2013

NIS PETROL d.o.o. Banja Luka, Bosnia and Herzegovina

Company ID	11081932
Tax ID	4403359860007
Head office	Mladena Stojanovica 29, Banja Luka, Republic of Srpska, Bosnia and Herzegovina
Founded	13.09.2011
Web site:	/
e-mail:	bih.petrol@nis.eu
Activity:	46.71 - wholesale of solid, liquid and gaseous fuels and related products
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	20,000 BAM
Management	Alexey Shabashov, Director until March 18th 2013 Branko Radujko, Direktor from March 18th 2013

Pannon Naftagas Kft, Budapest, Hungary

Company ID	01-09-969323
Tax ID	23516946-2-43
Head office	1093 Budapest, Hungary, Kozraktar u., 30-32
Founded	03.10.2011
Web site:	/
e-mail:	hun.pannon-naftagas@nis.eu
Activity:	0610'08 Extraction of crude oil
% of interest in the capital of the subsidiary company held by the parent company	100%
% of participation of the parent company in decision making	100%
Share capital	500,000 HUF
Management	Slavko Pecanac, CEO

Jadran-Naftagas d.o.o. Banja Luka

Company ID	11072046
Tax ID	4403248440009
Head office	7 Ivana Franje Jukica str., Banja Luka, Republic of Srpska, B&H
Founded	23.12.2010
Web site:	/
e-mail:	/
Activity:	06.10 crude oil extraction
% of interest in the capital of the subsidiary company held by the parent company	66%
% of participation of the parent company in decision making	66%
Share capital	2,000 BAM
Management	Predrag Radanovic, CEO

NIS-SVETLOST a.d. Bujanovac

Company ID	20125535
Tax ID	104234551
Head office	nn Industijska zona, Bujanovac, Serbia
Founded	19.1.2006
Web site:	/
e-mail:	/
Activity:	4671 – wholesale of solid, liquid and gaseous fuels and related products
% of interest in the capital of the subsidiary company held by the parent company	51,32%
% of participation of the parent company in decision making	51,32%
Share capital	Registered and paid-in monetary capital 43,587.90 RSD Registered non-monetary capital 546,080.00 EUR
Management	Davor Jančić, Director

JUBOS d.o.o. Bor

Company ID	20133597
Tax ID	104288627
Head office	29 Djordja Vajferta str., Bor, Serbia
Founded	16.1.2006
Web site:	/
e-mail:	/
Activity:	2444 – Copper production
% of interest in the capital of the subsidiary company held by the parent company	51%
% of participation of the parent company in decision making	51%
Share capital	Registered and paid-in monetary capital 1,743,704.00 RSD
Management	Snezana Djukic, chairman BOD Katarina Vukmirovic, member BOD Olivera Basta, member BOD Dragan Bojovic, member BOD Borivoje Stojadinovic, member BOD

LLC „Joint Venture RANIS“, Moscow Region, Chernogolovka, Russian Federation (in the liquidation by the Decision of founders issued on 07/29/2013)	
Company ID	Main State Registration Number 1045006116198
Tax ID	INN – identification number of the tax payer 5031030808
Head office	Institutski prospect 14, Moscow district, Russian Federation
Founded	08.04.1997.
Web site:	/
e-mail:	/
Activity:	Scientific R&D in the field of natural and technical sciences
% of interest in the capital of the subsidiary company held by the parent company	51%
% of participation of the parent company in decision making	51%
Share capital	76,000 RUR
Management	Maxim Voiscev, CEO

G-Petrol д.о.о., Sarajevo, Bosnia and Herzegovina	
Company ID	65-01-0638-11
Tax ID	4209277550009
Head office	Fra Andjela Zvizdovica 1, Sarajevo, Bosnia and Herzegovina
Founded	/
Web site:	/
e-mail:	/
Activity:	/
% of interest in the capital of the subsidiary company held by the parent company	100% NIS Petrol d.o.o. Banja Luka, Bosnia and Herzegovina
% of participation of the parent company in decision making	100% NIS Petrol d.o.o. Banja Luka, Bosnia and Herzegovina
Share capital	13,734,108.00 BAM
Management	Branko Radujko, CEO

„Adria O Zone“ Ltd., Budva, Montenegro	
Company ID	02645947
Tax ID	
Head office	6, Jadranski put, Becici, Budva
Founded	15.01.2007.
Web site:	/
e-mail:	/
Activity:	55110 – Hotels and similar accomodation
% of interest in the capital of the subsidiary company held by the parent company	100% O Zone j.s.c. Belgrade
% of participation of the parent company in decision making	100% O Zone j.s.c. Belgrade
Share capital	1 EUR
Management	Blazo Jaredic, executive manager

NIS ENERGOWIND d.o.o. Novi Beograd	
Company ID	20107901
Tax ID	104183426
Head office	Boulevard of Mihailo Pupin 115v VI
Founded	05.12.2005.
Web site:	/
e-mail:	/
Activity:	3511 – Production of electricity
% of interest in the capital of the subsidiary company held by the parent company	50% O Zone j.s.c. Belgrade
% of participation of the parent company in decision making	50% O Zone j.s.c. Belgrade
Share capital	Registered and paid-in monetary capital 224,574,591.93 RSD Registered non-monetary capital 2,313,710,590.61 RSD
Management	Goran Novakovic, director (restrictions to countersign with Ilya Kutyaev) Ilya Kutyaev, director (restrictions to countersign with Goran Novakovic)

Information on Shares of Parent Company[2]

Total number of ordinary shares:	163,060,400
Face value:	500.00 RSD
CFI code:	ESVUFR
ISIN number:	RSNISHE79420
Ticker	NISHAK9420
Listing	Prime Listing, Belgrade Stock Exchange

Shareholders of parent company[2]

Business name (Name and family name)	Number of shares	Interest in the share capital (%)
Gazprom neft	91,565,887	56.15%
Republic of Serbia	48,712,214	29.87%
UniCredit Bank Srbija a.d. – custody account	658,370	0.40%
UniCredit Bank Srbija a.d. – custody account	405,143	0.25%
UniCredit Bank Srbija a.d. – custody account	295,774	0.18%
Raiffeisenbank a.d. Beograd – custody account	261,702	0.16%
UniCredit Bank Srbija a.d. – total account	218,989	0.13%
Erste Bank a.d. Novi Sad - custody account	185,804	0.11%
AWLL Communications d.o.o.	158,056	0.10%
Julius Baer Multipartner - Balkan	150,000	0.09%
Other shareholders	20,448,461	12.54%
Total number of shareholders as of September, 30th 2013		**2,351,800**

[2] *Share capital of Joint-Stock Company for Hotel Management and Tourism O ZONE a.d, Belgrade consists of 345,757 shares with nominal value of 10,000.00 RSD per share. All 345,757 shares are owned by NIS a.d. Novi Sad. O Zone a.d. Belgrade is not listed on any stock exchange.*

Business Operation

In 2013 NIS gruop distributed its business activities in five blocks:

Upstream Block (Exploration and production) operates in the area of exploration and production of oil and gas, including the following activities: exploration, production, infrastructure and operational support, oil and gas reserves management, oil and gas field engineering management and major exploration and production projects.

The first steps in expanding of business activity in the region were taken in 2011, by executing the projects of exploration and production of hydrocarbon in the Republic of Srpska (Jadran naftagas d.o.o. Banja Luka), Hungary (Pannon Naftagas Kft., Budapest) and Romania. NIS has been operating in Angola since 1980, and the exploitation of oil started in 1985 in that country.

NTC NIS – Naftagas d.o.o. Novi Sad is formed in order to provide support in all phases of upstream activities, from designing and supervising geological-explorative works to creating models, monitoring development and designing the construction of infrastructural facilities and well arrangement. The plan for this subsidiary is to become a regional base, meeting the demands of NIS, Gazprom Neft and its subsidiary companies, and to provide external services to third parties.

Oilfield Services Block provides main support in exploration and production in all oil and gas upstream activities, from geophysical services, through drilling and overhaul of wells, to the transportation of the machinery and manpower, machinery maintenance as well as construction and maintenance of oil and gas systems and facilities.

NIS a.d. Novi Sad's subsidiaries (NIS Naftni servisi d.o.o. Novi Sad, NIS Tehnicki servisi d.o.o. Zrenjanin and NIS Transport d.o.o. Novi Sad), founded in 2012 in order to increase efficiency and provide ample offer of services, among which are toll processing of oil, transport and storage of oil products, conformity assessment services, performed by accredited conformity assessment bodies, such as testing laboratories, calibration laboratories and inspection bodies, laboratory testing and oilfield services (drilling, equipping and overhaul of oil, gas and geothermal wells, geophysical testing and measuring, maintenance and construction of oil and gas production systems, equipment maintenance and repair, construction and maintenance of transport pipelines, drilling, equipping and overhaul of drinking water wells, materials and equipment transportation).

Refining Block produces petroleum products. NIS produces a full range of petroleum products - engine fuels, raw materials for petrochemical industry, engine oils and other petroleum products.

Sales and Distribution Block covers foreign and domestic trade, wholesale and the retail of all oil derivatives, and accessory merchandise.

NIS a.d. Novi Sad subsidiaries – NIS Petrol d.o.o. Banja Luka and its subsidiary G-Petrol d.o.o. Sarajevo, NIS Petrol EOOD, Sofia and NIS Petrol S.R.L., Bucharest are in charge of sales and distribution development in Bosnia and Herzegovina, Bulgaria and Romania.

Energy Block was established in 2011 with the goal to produce and sell of electrical and thermal energy from various resources including traditional coal-gas, renewable resources (biomass, wind, geothermal resources) The Energy Block performs analysis and evaluation of investment and preliminary projects in the Serbian energy sector with the goal identifying NIS strategic partnerships.

Products and services

NIS' refineries produce a wide range of petroleum products, natural gas, and quality of those products is in compliance with the Regulations on technical and other requirements for liquid fuels from oil and Regulations on technical and other requirements for liquefied petroleum gas, international standards and refinery's specifications.

1. Fuel for internal combustion engines
2. Liquid petroleum gas
3. Aviation fuel
4. Jet fuel
5. Lubricants and grease
6. Fuel oil
7. Bitumen
8. Petrochemical products (virgin naphtha, propylene)
9. Distillates and raffinates
10. Other products (benzene, toluene, liquefied sulphur, special naphtha)

NIS also produces carbonated and non-carbonated natural spring water in a plant for the production of drinking water "Jazak".

Parent Company's Management

In accordance with the provisions of the Company Law, (Official Gazette of RS no. 36/2011 and 99/2011) and the Statute of NIS no. 70/IV-12a from June 25th 2012. In accordance with the new Statute, NIS j.s.c Novi Sad has been organized as one-tier Management Company with:

- The Shareholders' Assembly;
- Board of Directors and
- Chief Executive Officer.

In accordance with NIS j.s.c. Statute, the Company also has:

- The Shareholders' Assembly Board for Monitoring Business Operations and Reporting to Company Shareholders (Shareholders' Assembly Board) and
- The CEO Advisory Board.

Shareholders' Assembly

The Shareholders' Assembly is the body exercising the highest competence in NIS j.s.c. Novi Sad, through which shareholders adopt and approve basic corporate decisions.

Board of Directors

Board of Directors plays a central role in the corporate governance system and is collectively responsible for the long-term success of the company, including overseeing and setting the corporate strategy and establishing the business goals of the company.

At 5th regular session of Shareholders' Assembly held on June 18th, 2013 Igor Konstantinovich Antonov, Slobodan Milosavljević and Danica Drašković were dismissed from duty of member of NIS' Board of Directors, and new members of Board of Directors – Alexey Victrovich Yankevich, Nenad Mijailović and Negica Rajakov were appointed.

On 5 July 2013 Mr. Vladislav Valeryevich Baryshnikov resigned as a member of the Board of Directors of NIS, and on 22 July to fill a vacancy Mr Alexandar Arturovich Bobkov was appointed (by cooptation) member of the Board of Directors of NIS.

The Board of Directors members as of September 30th 2013 are as follows:

- Vadim Vladisavovich Yakovlev (Chairman)
- Kirill Albertovich Kravchenko (member)
- Alexandar Vladimirovich Krilov (member)
- Cherner Anatoly Moyseyevich (member)
- Alexey Victorovich Yankevich (member)
- Alexandar Arturovich Bobkov (member)
- Nenad Miajilović (member)
- Nikola Martinović (member)
- Negica Rajakov (member)
- Stanislav Vladimirovich Seksnya (independent member)
- Wolfgang Ruttenstorfer (independent member).

Vadim Vladisavovich Yakovlev

Deputy Chairman of the Executive Board of j.s.c. "Gazprom Neft",
First CEO Deputy, in charge of exploration and production, strategic planning and mergers and acquisitions.

Born on 30th September 1970. In 1993: graduated from Moscow Engineering Physics Institute (in applied nuclear physics). In 1995: graduated from High School of Finance at the International University in Moscow.

As of 1999: qualified as a member of the ACCA (Chartered Association of Certified Accountants). In 2009, he gained a diploma of the British Institute of Directors (ID).

From 1995 to 2000: worked with PricewaterhouseCoopers, starting his career as a consultant and being promoted to audit manager in 2000.

From 2001 - 2002: worked as Deputy Head, Financial and Economics Department, CJSC

YUKOS EP. From 2003 to 2004: Financial Director, JSC Yugansk Neftegaz (NK Yukos). From 2005-2006: Deputy General Director, LLC SIBUR-Russian Tyres.

Kirill Albertovich Kravchenko

Deputy CEO for Overseas Asset Management JSC "Gazprom Neft",
CEO of NIS j.s.c. Novi Sad,

Born on 13th May 1976 in Moscow. In 1998, he graduated from Lomonosov Moscow State University (sociology) with the highest grades. In 2002-2003 he studied at the Open British University (financial management), in 2003-2004 – at IMD Business School. He holds a PhD in Economic Science. Mr Kravchenko worked in consulting until 2000, in 2000-2004 - in YUKOS Company on various positions in Moscow and Western Siberia. Between 2001-2002, Mr Kravchenko was employed with Schlumberger (under partnership program with NK Yukos) in Europe and Latin America. In the period 2004-2007 he performed the function of an administrative director, JSC MHK Eurohim. Mr Kravchenko was elected member to the Board of Directors in different companies several times. In April 2007, he was appointed Vice-Chairman, JSC Gazprom Neft, and in January 2008 – Deputy Chairman of Management Board of JSC Gazprom Neft, Deputy General Manager for Organization. In February 2009 Kirill Kravchenko was appointed CEO of the Serbian Petroleum Company NIS controlled by JSC Gazprom Neft and member of the NIS Board of Directors. As of March 2009, he performs the function of Deputy General Director for Overseas Assets Management in JSC Gazprom Neft.

Alexandar Vladimirovich Krilov

Director of Division for regional sales in JSC Gazprom Neft

Born on 17.03.1971. in Leningrad. In 1992 he graduated from LMU (Saint Petersburg), in 2004 graduated from SpbGU Faculty of Law, and in 2007 Moscow International Business School „MIRBIS" MBA, specializing in: Strategic management and entrepreneurship. From 1994 to 2005 he performed management functions in the area of real estate sales (chief executive officer, chairman) in the following companies: Russian-Canadian SP "Petrobild"; c.j.s.c. "Alpol". From 2005 – 2007 he was deputy director in the Division for implementation in LLC "Sibur". Since April 2007 until present he performs the function of a manager in the Department for the supply of petroleum products, Head of Department for regional sales and Director of Division for regional sales in JSC Gazprom Neft.

Anatoly Moyseyevich Cherner

Deputy Chairman of the Executive Board, Deputy CEO for logistics, refining and sales JSC "Gazprom Neft"

Born on 27 August 1954. Graduated from Groznyy Oil Institute in 1976 with a degree in chemical oil and gas engineering. In the same year he was employed at the Sheripov Groznyy Refinery, starting as an operator to become refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of the company. He joined SibNeft (from June 2006 – Gazprom Neft') as Vice-Chairman for refining and marketing in April 2006.

Alexey Victorovich Yankevich

Deputy CEO for Economics and Finance j.s.c. "Gazprom Neft"

Born on 19th December 1973. In 1997 he graduated from Saint-Petersburg State Electrical Engineering University ("LETI"), majoring in optical and electronic instruments and systems. In 1998 he completed a course at LETI-Lovanium International School of Management in Saint-Petersburg. From 1998 to 2001 he worked at CARANA, a consulting company. From 2001 to 2005 he has performed the function of Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM (business unit responsible for logistics and downstream operations). In 2004 he became a Certified Management Accountant (CMA).

From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group).

From 2007 to 2011 he has performed the function of Head of Budgeting and Planning Department, Head of Economics and Corporate Planning Directorate at Gazprom Neft. Since August 2011 he is acting Deputy CEO for Economics and Finance at Gazprom Neft. Since March 2012 he is a member of the Management Board of Gazprom Neft and Deputy CEO for Economics and Finance.

Alexandar Arturovich Bobkov

Born on 18.10.1966 in the city of Vinnica. He graduated in the field of politic economy in 1988 from the “Zhdanov” Leningrad State University. On 17.06.2011 he obtained PhD degree in Economy and on 16.06.2006 he obtained MBA degree in Economy. From 1991 to 2010 he worked at managing positions in the following fields: civil engineering, production, real estate and sales with the Leningrad Centre of Business Co-operation “Perekryostok”, «Proxima» j.s.c., “General Civil Engineering Corporation” ltd.

From 2010 to the present he is working as Executive director of “Public Business Centre “Okhta” c.j.s.c. and from 2012 to the present he is a Counselor to CEO of “Gazprom Neft” j.s.c.

Nenad Mijailović

Member of the Board of Directors of NIS j.s.c. Novi Sad

Born on 14.10.1980 in Čačak.

In 2003 graduated from the Faculty of Economy, University of Belgrade, in 2007 obtained MBA degree from the University of Lausanne, Switzerland. In 2010 started doctorate studies at the Faculty of Economy, University of Belgrade. As from 2011, he holds an international CFA license in the field of Finance. From 2003 to 2009 he worked as consultant and manager in the field of finance and banking in the following companies: Deloitte, Belgrade, AVS Fund de Compensation, Geneva, JP Morgan, London, KBC Securities Corporate Finance, Belgrade. From December 2009 to August 2012 he worked at the position of Minister Consultant in the Ministry of Economy and Regional Development, Department of Economy and Privatization. Since August 2012 to the present is working at the position of Deputy Minister of Finance and Economy of Republic of Serbia.

Nikola Martinović

Member of the Board of Directors of NIS j.s.c. Novi Sad

Born on 3 December 1947. Mr Martinović holds the MA degree in economics (MA Thesis “Transformation of Tax Administration System in Serbia by applying VAT”). He completed primary education in Feketic, and secondary in Srbobran. Graduated from Faculty of Economics in Subotica, where he also defended his Master Thesis titled “Transformation of Tax System in Serbia by implementing VAT”. From 1985 to 1990 he performed the function of the CEO of “Solid” company from Subotica, and from 1990 to 1992 he performed the function of Assistant Minister of Internal Affairs of the Republic of Serbia. From 1992 to 2000 he performed the function of Assistant CEO of the Serbian Petroleum Industry in charge of financial affairs, and as CEO of “Naftagas promet” from 1996 to 2000. As of 2005, until 31 August 2013 Mr Martinović performs the function of a special advisor in NIS j.s.c. From 1 September he performs a function of special advisor of CEO of O Zone j.s.c. He was a member of NIS j.s.c. BoD from 2004 to 2008 and re-appointed to the function in February 2009. He currently performs the function of a member of the NBS Governor Council.

Negica Rajakov

Member of the Board of Directors of NIS j.s.c. Novi Sad

Born on February 4, 1969 in Pančevo.

She graduated from Faculty for electrical engenereenig of Belgrade University in 1994 (master of electrical enginereenig)

She started the career as teaching assistant at the Department of Electrical Machinery at the Faculty of Electrical Engineering in Belgrade. Her professional work started in 1996 on the post of Electrical Engineer –trainee in JP Elektrovojvodina, ED Pancevo.

From 1997 to the present day she works in HIP Petrohemija a.d. Pancevo on the following posts: Engineer for Technical Safety, Chief Engineer of Technical Safety, Manager of Occupational Safety Department in OU Safety, Department Manager in OU Kibernetika, Director and Deputy Director of OU Electricity Supply.

Since 2010 until present she is Assistant Director of OU HIP-Petrohemija, a.d. Pančevo.

Since 2011 she is a Court expert in the field of Electrical Engineering.

Stanislav Vladimirovich Seksnya

Professor teaching the course in entrepreneur leadership at the International Business School INSEAD

He was born on 29 May 1964. Chief of practice in the Talent Performance and Leadership Development Consulting department. Director of Talent Equity Institute. Senior partner in the company Ward Howell. Professor teaching the course “Entrepreneur Leadership” at the International Business School INSEAD. He has more than 10 years of practical experience in management. He performed the following functions: CEO of Alfa Telecom, chairman and CEO of Millicom International Cellular, Russia and ZND, Chief Operational Director of Vimpelkom, Director of Personnel Management in OTIS Elevator, Central and East Europe. Currently, he is the Chairman of the Board for Personnel and Rewards of the DTEK Supervisory Board (Ukraine), he has been a member of LLC SUEK and c.j.s.c. Vimpelkom-R Boards of Directors.

Wolfgang Ruttenstorfer

Independent Member of the Board of Directors of NIS j.s.c. Novi Sad

Born on 15th October 1950 in Vienna, Austria. His career started in the Austrian company OMV. In 1985 he was transferred to the Planning and Control Department and in 1989 he assumed the responsibility for the strategic development of OMV Group. Since he was appointed Marketing Manager in 1990, he assumed the function of a member of the Executive Board in 1992 in charge of finance and chemical products.

He was a member in OMV EB by early 1997, when he assumed the function of Deputy Minister of Finance. On 1 January 2000 he was re-appointed to the function of a member to OMV EB in charge of finance, which function he performed by April 2002. He was in charge of gas affairs by December 2006. During the period from 1.1.2002. to 31.3.2011. he performed the function of Chairman of the Executive Board of OMV Group.

Number and % of NIS shares owned by BD members

Name and Surname	Number of shares	% share in total number of shares
Nikola Martinović	224	0.0001%
Negica Rajakov	5	0.000003066%
Nenad Mijailovic	5	0.000003066%

Membership in Board of Directors or Supervisory Boards of other companies

	Membership in Board of Directors or Supervisory Boards of other companies
Vadim Vladislavovich Yakovlev	• JSC NGK „Slavneft“; • JSC „SN.-MNG“; • LTD „Gazprom Neft Razvoj“; • JSC „Gazprom Neft-NNG“; • LTD „Gazprom Neft-Istok“; • LTD „Gazprom Neft-Hantos“; • LTD „Gazprom Neft -NTS“; • LLC „Gazprom Neft-Angara“; • o.j.s.c. „NK „Magma“; • c.j.s.c. „ Gazprom Neft-Orenburg“; • LLC „Gazprom neft Sahalin“ • Salim Petroleum Development N.V. (member of the Supervisory Board)
Kirill Albertovich Kravchenko	• Member of Club Council of FC Red Star; • Vice-Chairman of the National Petroleum Committee of the Republic of Serbia;Serbian Tennis Federation BoD member. • BoD member of SAM – Serbian Assosiation of Managers
Alexandar Vladimirovich Krilov	• c.j.s.c. „Gazprom Neft Kuzbass“; • JSC „Gazprom Neft Novosibirsk“; • JSC „Gazprom Neft Omsk“; • JSC „Gazprom Neft Tumen“; • JSC „Gazprom Neft Ural“ • JSC „Gazprom Neft Jaroslavlye“; • c.j.s.c. „Gazprom Neft –Severo-zapad“; • LTD „Gazprom Neft Asia“; • LTD „Gazprom Neft Tajikistan“; • LTD „Gazprom Neft Kazachstan“; • LTD „Gazprom Neft – Centre“; • LTD „MTK“; • LTD „Gazprom Neft – Terminal“. • LLC „Gazprom neft Chelyabinsk“ • LLC „Gazprom neft – regional sales“
Anatoly Moyseyevich Cherner	• JSC NGK „Slavneft“; • JSC „Gazprom Neft-ONPZ“; • JSC „Slavneft-JANOS „;

	• JSC „Gazprom Neft –MNPZ“; • C.J.S.C. „Gazprom Neft-Aero“; • C.J.S.C. „St. Petersburg's international commodities and resources exchange“; • FLLC „Gazprom Neft-Belnefteprodukt „; • LTD „Gazprom Neft –SM“; • LTD „Gazprom Neft Marin Bunker“; • LTD „Gazprom Neft – Logistics“; • JSC „Mozirski NPZ“.
Alexey Victorovich Yankevich	• JSC NGK „Slavneft“ ; • LTD „Gazprom neft – Aero“; • LCC „Gazprom neft – SM“ • LCC „Gazprom neft Business Service“ ; • Gazprom neft Lubricants, Italy; • LCC „Gazprom neft Marin Bunker“; • LTD „Gazprom neft – Orenburg“ ;
Alexandar Arturovich Bobkov	• “Public Business Centre “Okhta” c.j.s.c.
Nenad Mijailović	-
Nikola Martinović	-
Negica Rajakov	-
Stanislav Vladimirovich Seksnya	• Member of Strategy Comitte at Board of Directors of JSC „ROSNANO“
Wolfgang Ruttenstorfer	• „CA Immobilien“ AG, Vienna, Chairman of the Supervisory Board; • „Vienna Insurance Group“ AG, Vienna, Chairman of the Supervisory Board; • „Telekom Austria“ AG, Vienna, member of the Supervisory Board; • „Flughafen Wien“ AG, Vienna, member of the Supervisory Board; • „RHI“ AG, Vienna, member of the Supervisory Board.

Total reimbursements paid to members of Board of Directors (net), in RSD

CEO	5,628,594
Other BoD members	15,233,861

Shareholders' Assembly Board for supervision of business activities and the reporting procedure

Shareholders' Assembly Board for supervision of business activities and the reporting procedure is operating as supervisory and expert body of NIS j.s.c. Novi Sad Shareholders' Assembly, assisting with its activities and analysing matters within its scope of activities.

Members of Shareholders' Assembly Board for supervision of business activities and the reporting procedure as of September 30th 2013 are:

- Ljubomir Aksentijević (chairman),
- Radoslav Striković (member)
- Alexey Alexandrovich Urusov (member)

Ljubomir Aksentijević

Chairman of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

Born on 09 July 1940 in Belgrade. Graduated from the Faculty of Economics, Belgrade University in 1963. In the period from 1964 – 1997 he worked at various positions in the field of trading and banking, in the following companies: Interexport, Belgrade; Societe Generale bank Paris, Representative Office for Former Yugoslavia; Societe Generale Yugoslav Bank, Belgrade, Commercial Director.

In the period from 1997-2005 he was Representative of Societe Generale Bank, Paris, in Alma-Aty, Kazakhstan; Director of Societe Generale Bank, Paris, Representative Office in Baku, Azerbaijan. From 2005 - 2009 - Investment banking development Director for Southeast Europe, Societe Generale Bank, Paris, and Counselor to CEO Societe Generale bank Srbija a.d.

As from May 2010 to September 2011 - Counselor to Deputy Prime Minister of Republic of Serbia for economics and international finance issues. From 2012 - Special Counselor for development and finance issues to the Minister of energy, development and enviromental protection of Republic of Serbia.

Radoslav Striković

member of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

Born on Oct. 7, 1956 in Crvenka.

1980. graduated from the Faculty of Economy in Subotica, University of Novi Sad. Since 1982 to 1987 worked as an economist for plan and analysis in the area of economics and finance in Metalelektro, Agrovojvodina. In the period 1987 – 1989 Mr. Strikovic was the CFO on Tehnicka Roba, Agrovojvodina, and during 1989 – 2000, General Manager of D.D. ShiponS, Agrovojvodina. He was also a member of City Council of the city of Novi Sad from 2004 – 2006, and from 2006 – 2008 he was the chief expert in the area of industry in the city of Novi Sad. From 2008 to 2012 he was a member of the government of Vojvodina as the Secretary for Energy and Mineral Resources.

Alexey Alexandrovich Urusov

Director of Economics and Corporate Planning Department in JSC Gazprom Neft

Born on 17 November 1974 He graduated from the Tyumen State Oil and Gas University (major in finance and loans) and the University of Wolver Hampton in the United Kingdom (major in business administration).

From 2006 to 2008 he worked as executive vice-president for planning and business management in the Integra Group. From 2002 to 2006 he worked in TNK-VR. From 2002 to 2003 he is a member of TNK BoD's Group for monitoring and control, and in period from 2004 to 2006 he worked as CFO in TNK-VR Ukraine. From 2009 to 2012 he was employed at NIS j.s.c. Novi Sad (Serbia) as CFO

Number and % of NIS shares owned by SB members

First and last name	Number of shares	% in total number of shares
Ljubomir Aksentijevic	5	0.000003066%

Member of the BoD or SB in other legal entities

	Membership in Board of Directors or Supervisory Boards of other companies
Ljubomir Aksentijević	-
Radoslav Striković	-
Alexey Urusov	• Member of Supervisory Board in Gazpromneft Marine Bunker Balkan S.A.

Total reimbursements paid to members of Shareholders' Assembly Board (net), in RSD

Members of SAB	2,283,538

The CEO

The CEO coordinates the activities of members of the Board of Directors and organizes Company activities. The CEO also performs activities related to daily management and is authorized to make decisions on issues not within the competence of the Shareholders' Assembly and the Board of Directors.

The CEO is a legally authorized representative of NIS. NIS CEO is Kirill Albertovich Kravchenko.

Advisory Board of the CEO

Advisory Board of the CEO is established as a professional body that helps in the work of the CEO and considers issues from his scope of activities.

Besides the issues referring to the current business activities of the Company (monthly and quarterly results of business activities, annual business plans, monthly investment plans), the Advisory Board also deals with issues related to strategy and development policy whose bases are established by the Shareholders' Assembly and the Board of Directors.

The Advisory Board members were appointed by the CEO's Decision, so that now, it is comprised of directors of Blocks and Functions and also the Deputy CEO for petrochemical operations. and regional directors of NIS a.d. Novi Sad for Romania and Adriatic.

The Advisory Board of NIS includes:

- Deputy CEO – Director of Strategy and Investments
- Deputy CEO – Director of Corporate Security
- Deputy CEO – Director of Finances, Economics, Planning and Accounting
- Deputy CEO – Director of Legal and Corporate Affairs
- Deputy CEO – Director of Organizational Affairs
- Deputy CEO – Director of External and Governmental Relations
- Deputy CEO - Director of Function for Public Relations and Communications
- Deputy CEO – Director of MTSS and CC
- Deputy CEO for petrochemical operations
- Director of Function for Internal Audit
- Director of Function for HSE
- Director of „Upstream“ Block
- Director of „Sales and Distribution“ Block
- Director of „Refining“ Block
- Director of „Oilfield Services“ Block
- Director of „Energy“ Block
- Regional director NIS a.d. Novi Sad for RomaniaRegional director of NIS a.d. Novi Sad for Adriatic

The Advisory Board has a Council made by the NIS j.s.c. Novi Sad Blocks' Directors and the Deputy CEO for petrochemical operations.

Risk Management

Groupy defined objectives in the field of risk management and established an Integrated Risk Management System (IRMS). IRMS is a system, orderly, unified, continuous and on-going process of identification, assessment, defining and monitoring of the implementation of the risk management measures.

The objective of the NIS group in the field of risk management is to provide additional guarantees for the achievement of the strategic objectives of the Company through timely identification/risk prevention, definition of effective measures and the provision of maximum effectiveness of risk management.

Industrial risks

As the main business activity of the NIS group is production, refining and sales and distribution of petroleum products - ythe gruop is particularly exposed to the risks caused by:

- potential changes in prices of oil and petroleum products;
- risks in the area of exploration and production of oil.

Risks associated with potential changes in prices of oil and petroleum products

Due to its primary activity, the NIS gruop is exposed to risks of changes in prices of crude oil and petroleum products which affect the value of the stock; and the margins in oil refining, which further affect the future cash flows. Fluctuations in the prices of oil and petroleum products are not under the control of the group but depend on external factors such as global and changes in RS and the balance of supply and demand, the volume of consumption of these markets and the activities of the regulatory authorities.

In order to reduce the potential negative impact of these risks NIS group implements the following activities:

- annual planning scenario-based approach, monitoring of plans and timely correction of crude oil procurement plans;
- regular sessions of the Commission for the procurement of crude oil;
- daily monitoring of publications for crude oil "URAL (RCMB) and Brent DTD, as well as the contacts with international partners.

The above measures allow the group to reduce these risks to the acceptable level.

Risks in the area of exploration and production of oil

One of the important goals of NIS group is the increase in the resource base of the group by intensifying the exploration. This largely depends on the success of geological and exploratory activities aimed at the development of oil well fund in the country and abroad.

The main risk in the field of exploration and production is the non-confirmation of estimated reserves and consequently failure to achieve the planned increase in the resource base.

NIS group has extensive experience in conducting geological and exploratory works, it conducts the expertise of the program for geological and exploratory works internally and by the largest shareholder and uses the state-of-the-art methods of exploration, which all contributes to reduced probability of this risk.

Financial risks

Business activities of NIS group are exposed to various financial risks: market risk (including currency risk, price risk and interest rate risk), loan risk, and liquidity risk. Risk management in the group is directed to the efforts to bring down to the minimum potential negative effects of the volatile situation in financial markets on financial operations of NIS group.

In the normal course of its operations the group has exposure to the following financial risks:

(a) market risk (including foreign exchange risk, interest rate risk and commodity price risk);
(b) credit risk; and
(c) liquidity risk.

Market Risk

Foreign exchange risk - NIS Group conducts business on the international level and it exposed to the foreign currency exchange risk coming from conducting business with various currencies involved, USD and EUR in the first place. The risk comes from future trade transactions and acknowledged funds and commitments. Management has set up a policy to manage its foreign exchange risk against its functional currency.

Commodity price Risk - Due to its basic business activities group is exposed to price change risks, specifically, the crude oil and oil product price, affecting the stock value; and oil refining margins, which further affects future money flow. In the case of price risk, the level of exposure is determined by the amount of priced inventory carried at the end of the reporting period.

Interest Rate Risk - NIS group makes cash investments. Cash funds are invested only with the core banks with which group have loans and credit/documentary lines. Funds are invested as fixed-term investments, in RSD and foreign currency, on a short-term basis (up to 90 days) at fixed interest rates for such fixed-term investments. Therefore, the income of the group and cash flows are largely independent from the changes in market interest rates, for short-term investments, although interest rates that can be achieved in the market by the group depend a lot on basic interest rates at the time of investment (Belibor / The NBS reference interest rate).

Borrowings issued at variable interest rates expose the group to cash flow interest rate risk, whilst borrowings issued at fixed rates expose the group to fair value interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR) has a proportionate impact on the group's results.

Credit risk

Credit risk management is established at group level. Credit risk occurs in relation to: the cash and cash equivalents, deposits in banks and financial institutions, as well as to the exposure to risk in wholesale and retail trade, including outstanding receivables and undertaken commitments.

Banks are rated only in the case of collateralised receivables on various grounds, as well as based on the banks total exposure to the Group. For domestic banks, only the second criterion is applied. Sales to retail customers are settled in cash or using credit cards.

The group has provided for receivables from buyers who have exceeded their credit limits, or who have problems with liquidity.

Liquidity risk

The Company continuously checks liquidity so as to provide enough cash for the business purposes, while maintaining the level of unused credit lines so as not to allow a credit limit overdraft with banks or breaking terms of loan agreements. Such projections take into consideration the Company plans concerning debt settlement, compliance with terms of agreements, compliance with internal targets, and, if applicable, external legislative or legal requirements – e.g. currency restriction.

Business environment

World

Global economy continues to improve at a modest rate. Europe is still in recession, US growth is still considerably below expected, and the main developing markets are encountering a slower growth.

In the meantime, global financial markets reflect instability, primarily due to potential modification in the US monetary policy, a new policy in Japan and instability in China`s banking system.

European financial markets show signs of improvement largely due to the European Central Bank`s policy, but economy is still deep in recession even though slight growth has been recorded lately. It is becoming obvious that “austerity measures” are not yielding expected results.

Recovery prospects in Europe mostly depend on consumers` behaviour, which constitutes the majority of GDP in the Euro Area. However, European consumers have been facing difficult economic conditions for more than half a decade on the account of three crises: financial crisis, Euro crisis and recession. The European economy will have to find other markets in order to generate sustainable growth.

Serbia

The third quarter of 2013 in Serbia was marked by an extensive Government reorganisation and announced modification in the economic policy.

According to the information provided by the Statistical Office of the Republic of Serbia, the real growth of the Gross Domestic Product in the second quarter of 2013, compared to the prices in the corresponding period of the previous year, recorded a decrease from 0.7% to 0.2%, whereas the growth in the first quarter recorded an increase from 2.1% to 2.7%.

According to seasonally adjusted data, industrial production recorded a decrease of 0.5% in August in comparison to the previous month, while it recorded an increase of 5.7%in comparison to the same month of the previous year. All industrial sectors recorded growth in comparison to the same period of the previous year. Manufacturing industry recorded a growth of 1.8% and the sectors of mining, electricity, gas and steam supply recorded a growth of 10.2% and 19.5% respectively.

According to seasonally adjusted data, the manufacturing industry recorded a decrease of 1.1% in August. Within the manufacturing industry, the most positive contribution to the total industry is derived from the production of tobacco and chemical products. On the other hand, the most negative contribution to the total industry was given by motor vehicle production, which was expected, taking into consideration the production dynamics of *Fiat Automobili Srbija*.

Macroeconomic indicators

Exchange rate trend for USD/RSD and EUR/RSD

USD/RSD

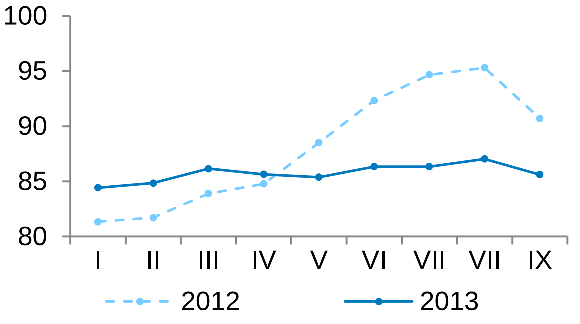


Chart 1: Exchange rate trend for USD/RSD

EUR/RSD

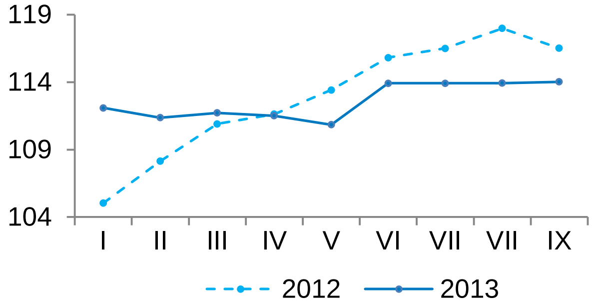


Chart 2: Exchange rate trend for EUR/RSD

- Decline of USD/RSD rate in first nine months of 2013 was -1.5% or +1.29 RSD (USD/RSD rate changed from 86.1763 RSD as of January 1st 2013; to 84.8859 RSD as of September 30th 2013)
- Incline of EUR/RSD rate in first nine months of 2013 was 0.78% or 0.8861 RSD (EUR/RSD rate changed from 113.7183 RSD as of January 1st 2013; to 114.6044 RSD as of September 30th 2013)
- Incline of USD/RSD rate in first nine months of 2012 was 9.98% or +8.07 RSD (USD/RSD rate changed from 80.8662 RSD as of January 1st 2012; to 88.9377 RSD as of September 30th 2012)
- Incline of EUR/RSD rate in first nine months of 2012 was 9.93% or +10.39 RSD (EUR/RSD rate changed from 104.6409 RSD as of January 1st 2012; to 115.0320 RSD as of September 30th 2012)

Oil price trends

Urals (USD/bbl)

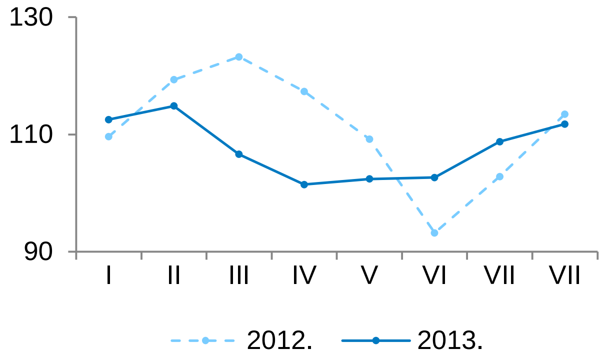
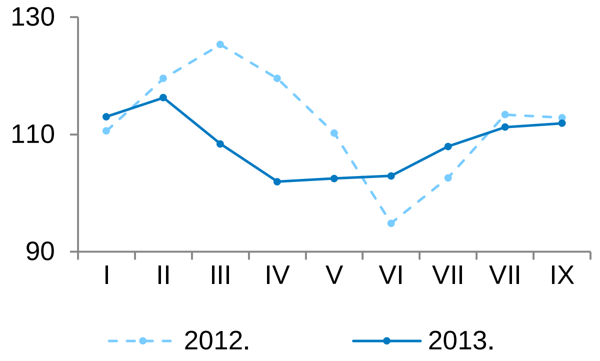


Chart 3: Price trend for Urals crude oil

Brent (USD/bbl)



Char. 4: Price trend for Brent crude oil

Average price of “Urals” crude oil in first nine months of 2013 was app. 108 USD/bbl

Market Share

Foreign direct investment is much lower than expected while insufficiently fast recovery of economic activities and delays in the implementation of investment projects affect lower consumption of motor fuels.

Although the real annual growth in GDP and industrial production for first 8 months of 2013 was 0.2% and 5.7%, respectively, motor fuel market is still falling. Purchasing power of the population is still very low and the rate of unemployment level is over 24%, and these two indicators, besides aforementioned, influence motor fuel consumption.

The reason behind the increase of the NIS share in the market lies in the substitution of imported fuel oil, naphtha and euro diesel with domestic products from Pancevo Rafinery, and in more active sales, more effective price policy, offering products through a network of warehouses, ect.

The retail market has seen a moderate decline in the market of motor fuels due to relocation of part of the scope of the wholesale channel to the retail channel in the segment of corporate clients.

The reasons for the constant increase of the market share lie in a continuous process of petrol stations modernization, improvement of the service as well as in positive effects of the rebranding and marketing activities. Seasonal increase in sales of subsidized fuels to farmers is also notable, although program for the fall is going on slower pace than expected.

Total Market of motor fuels горива of Republic of Serbia[3], thou. tons

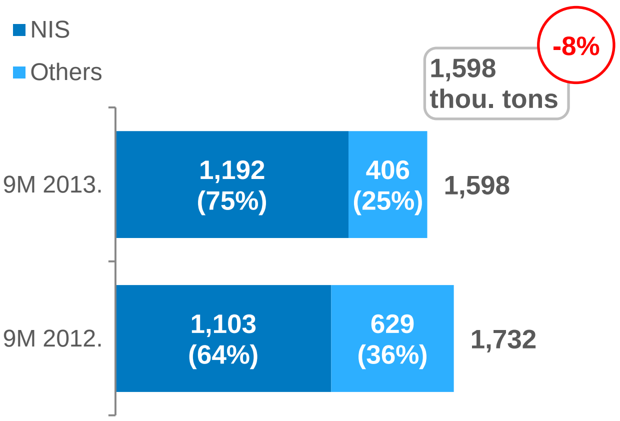


Chart 5: Total Market of Republic of Serbia

Retail Market of Republic of Serbia[3], thou. tons

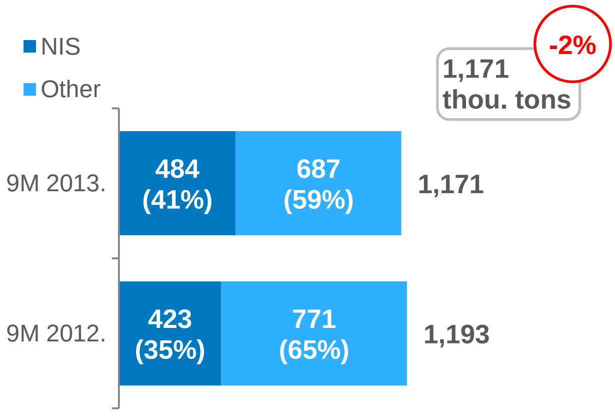


Chart 6: Retail Market of Republic of Serbia

[3] *Sales for NIS include motor fuels, heating oil EL and LPG bottles, and for others motor fuels, heating oil EL and euro EL*
Source: Serbian Chamber of Commerce, National Oil Committee of Serbia, reports from Sales and Distribution Blok

Analysis of results[4]

Key Performance Indicators

Q3 2013	Q3 2012	Δ $\frac{Q3\ 2013}{Q3\ 2012}$ (%)	Key Indicators	Measurement unit	9M 2013	9M 2012	Δ $\frac{9M\ 2013}{9M\ 2012}$ (%)[5]
110.7	109.3	1%	Urals	$/bbl	108.1	111.1	-3%
14.0	9.6	46%	Net profit	bln. RSD	31.7	30.8	3%
19.6	10.9	79%	EBITDA[6]	bln. RSD	47.7	47.3	1%
71.7	62.4	15%	Sales	bln. RSD	185	16 2.3	14%
27.5	8.4	228%	OCF	bln. RSD	49.6	27.7	79%
24.9	33.7	35%	Taxes and other fiscal obligations (Serbia)[7]	bln. RSD	86.4	63.3	37%
409	404	1%	Domestic oil and gas production[8]	thou. oil. eq.	1,227	1,189	3%
303	295	3%	Domestic oil production (with gazolin and TNG)[7]	thou. tons	896	858	4%
801	356	125%	Oil and semifinalized products refining volume	thou. tons	2,204	1,518	45%
833	639	30%	Total sales of oil products	thou. tons	2,183	1,706	28%
24	1.7	1,312%	Sales – abroad asset	thou. tons	49	2.1	2,233%
693	585	18%	Oil products local market sales	thou. tons	1,781	1,521	17%
167	153	9%	Retail	thou. tons	484	423	14%
594	463	28%	Light oil products sales	thou. tons	1,557	1,207	29%
0	4	-100%	CAPEX from GPN loan[9]	mln. EUR	0	12.1	-100%
13.8	9.2	50%	CAPEX from OCF	bln. RSD	37.8	18.3	107%
485	367	32%	Total bank indebtedness[10]	mln. USD	485	367	32%

[4] *Results, financial and operational indicators are shown for NIS group*
[5] *All possible discrepancies in percentage values and total values are due to rounding errors*
[6] *EBITDA = Sales (without excise tax)– inventories (of oil, oil products and other products) – operational expenditure (OPEX) – other costs, which management cannot affect*
[7] *Taxes and fiscal obligations includes taxes, duties, fees and other public revenues for reporting period.*
[8] *Due to chnages in methodology domestic oil production includes gazoline and LPG, and for gas production commodity production of gas is used.*
[9] *Under the Agreement of sale and purchase of shares of NIS a.d Novi Sad, clause 8.1.2, JSC Gazprom Neft (GPN) has an obligation to provide EUR 500 million to NIS a.d. Novi Sad by way of special purpose loans in order to implement NIS Novi Sad technological complex reconstruction and modernization program. CAPEX from GPN loan does not include letters of credit. All obligations of Gazprom Neft under the acquisition agreement were fully met in April 2012 and in the second half of 2012 NIS started with loan repayment. Values for CAPEX from GPN loan and CAPEX from OCF are without VAT*
[10] *Total bank indebtedness = Total debt to banks + letters of credit As of September 30th 2013 this amounts to 471 millions of USD of total debt to banks and 14 millions of USD of letters of credit*

EBITDA

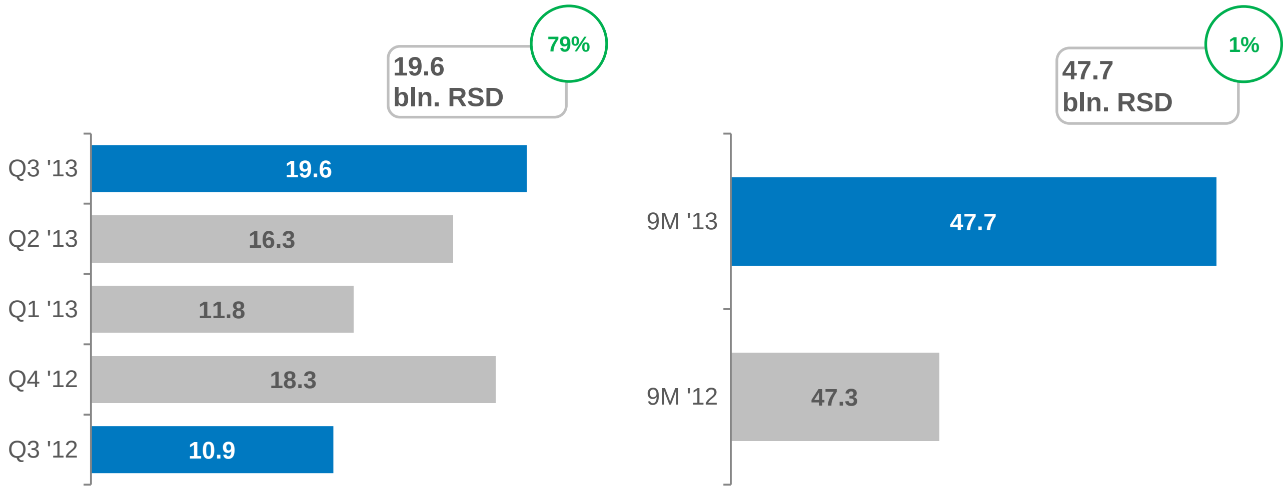


Chart 7: EBITDA

The increase in EBITDA of 79% in Q3 3013 compared to Q3 2012 caused that EBITDA for the first 9M 2013 is at the same level as the same period last year:

- MHC/DHT put in operation
- Increased volumes of refining and sales
- Increased business efficiency

Net profit

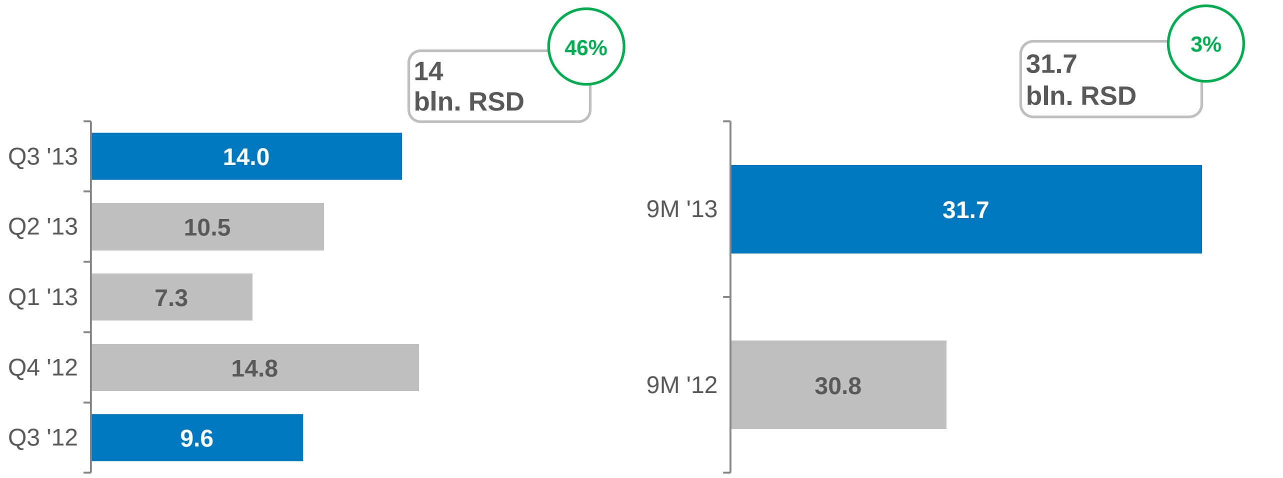


Chart 8: Net profit

Net profit in Q3 2013 is by 46% higher than net profit in Q3 2012, while the growth of net profit for first 9 months of 2013 compared to same period last year is 3%:

- MHC/DHT put in operation
- Increased volumes of refining and sales
- Increased business efficiency

Sales

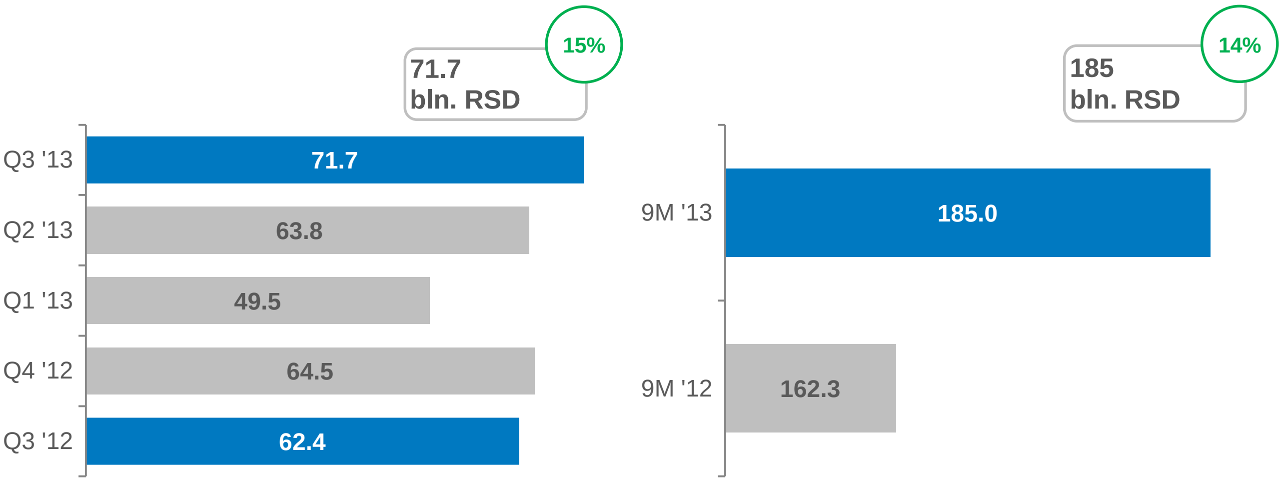


Chart 9: Sales

Declinein retail prices in Q3 2013 by app. -2,1% compared to Q3 2012, while in first 9M 2013 retail prices increased by +2,54% compared to first 9M 2012:

Changes in retail prices	$\Delta\frac{\text{Q3 2013.}}{\text{Q3 2012.}}$ (%)	$\Delta\frac{\text{9M 2013.}}{\text{9M 2012.}}$ (%)
BMB 95	-3.90	+1.78
Europremium BMB 95	-6.32	-0.56
D2	+3.21	+6.84
Eurodiesel	-0.75	+2.31

OCF

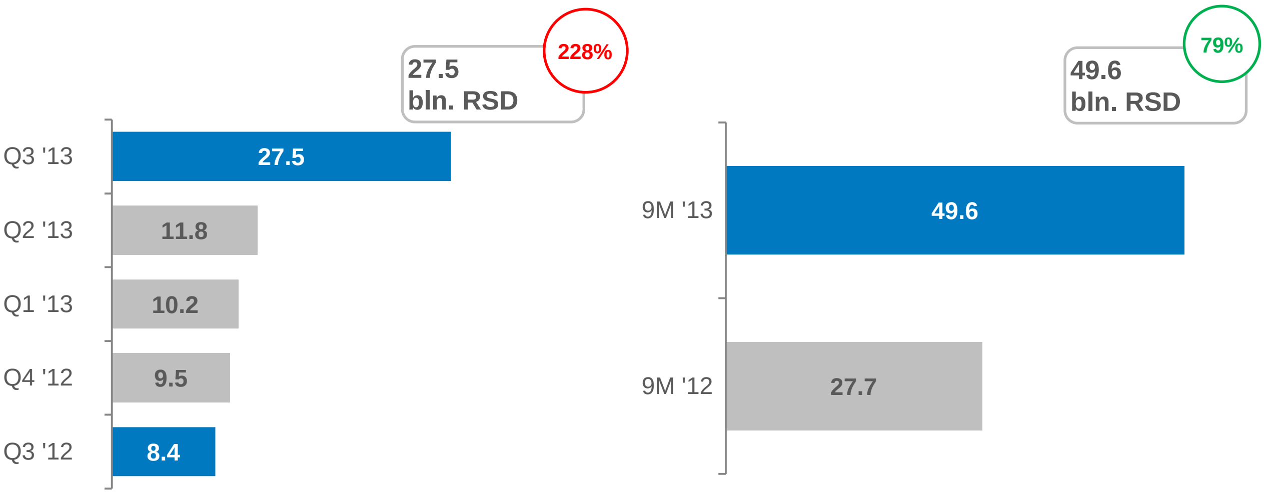


Chart 10: OCF

Increased OCF:

- Increase of income from buyers

Exploration and production

Increase of the domestic oil and gas production in first 9M 2013 amounts to 1,227 thousand t.o.e., which is by 3% higher in comparison to the same period last year:

- Increase in domestic oil production as a result of additional geological and technical activities implementation
- Gas production is -0.2% in comparison to the first nine months of 2012 due to duration of the repair of compressor stations, as well as the higher pressure in the main pipeline
- Change in the methodology for oil and gas production calculation - gasoil and LPG is included, and as for gas production, data on gas refining has been taken into account

Production of domestic oil and gas[11],
thou. t.o.e.

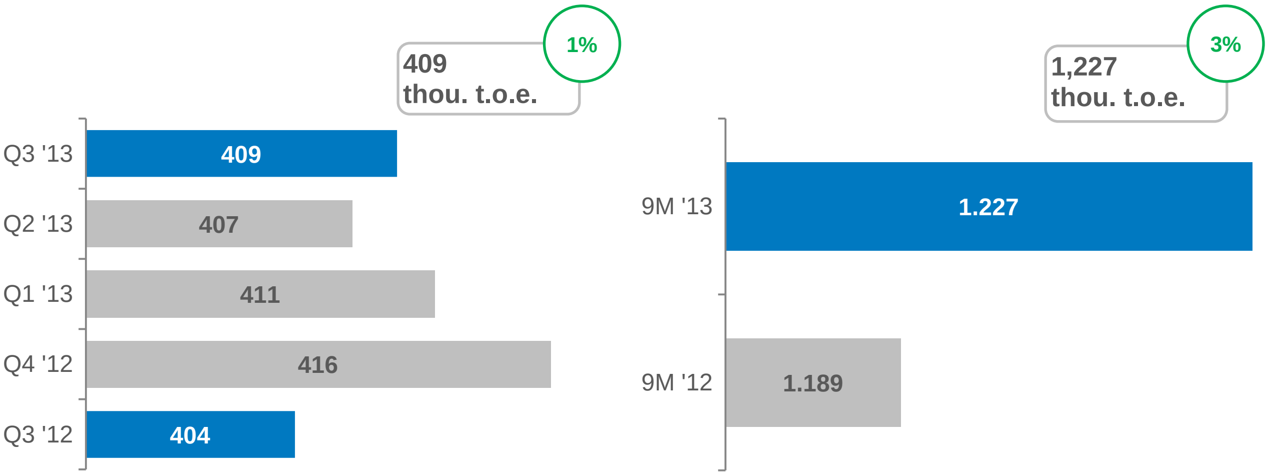


Chart 11: Production of domestic oil and gas

Production of domestic oil[12],
thou. tons

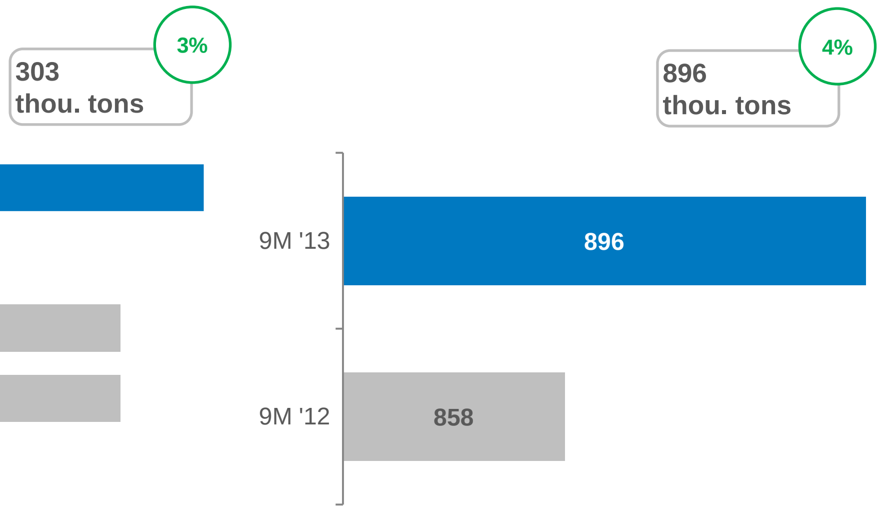


Chart 12: Production of domestic oil

[11] *Including gazoline and LPG*

The volume of refining is 45% higher in comparison to the 9M 2012:

- Increased refining of crude oil
- MHC/DHT plant operation in 2013:
- Increased the volume of refining according to market demands.

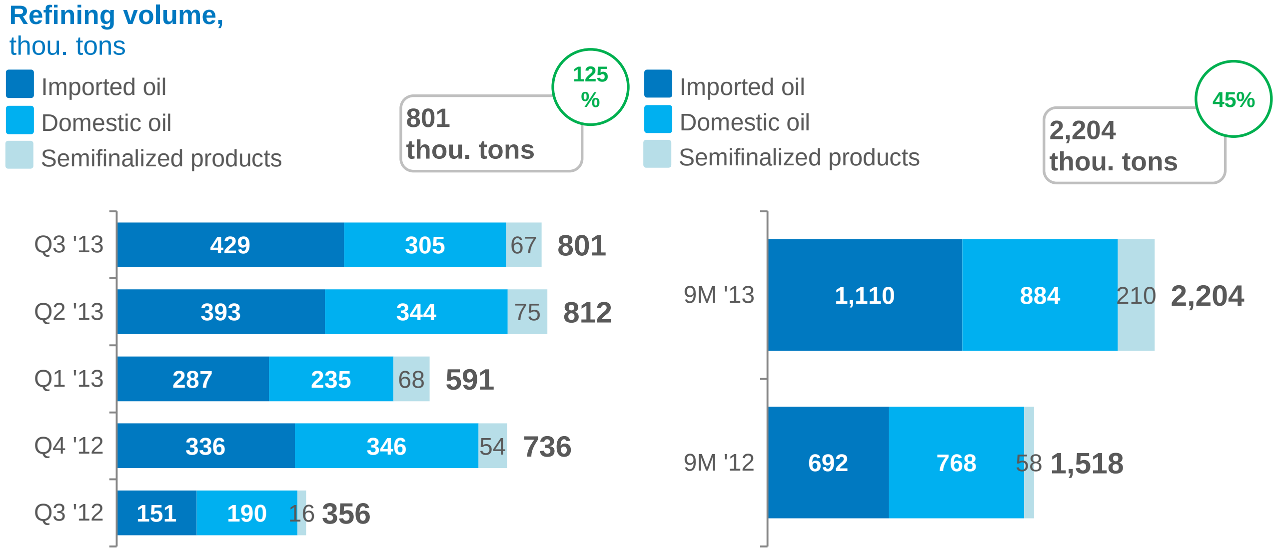


Chart 13: Refining volume

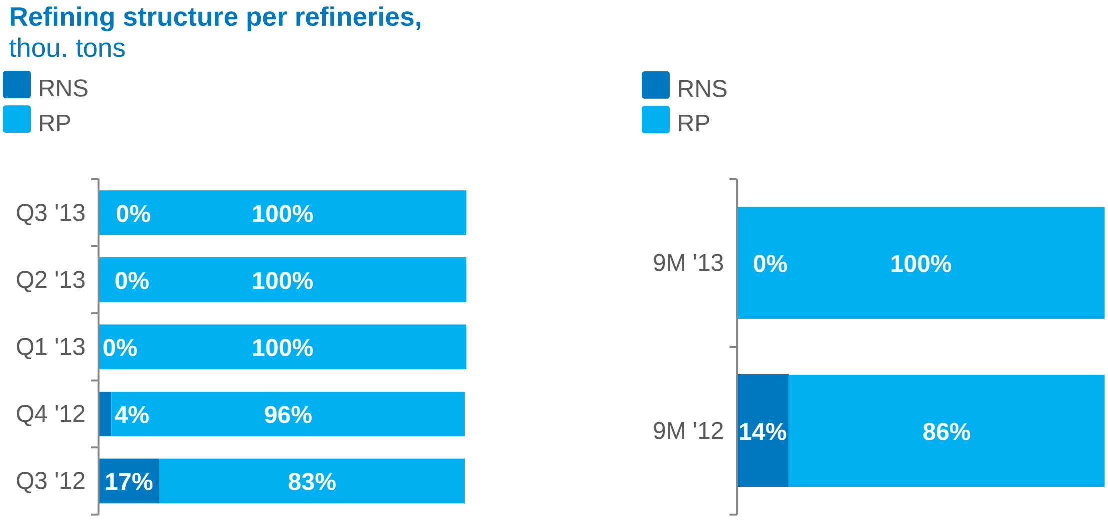


Chart 14:Refining structure per refineries

Increase of the total sale of petrol products for 28% in comparison to the first nine months of 2012:

- **Retail – increase by15%:**
  - Increase of euro quality petrol products sale
- **Abroad sales – increase by 24x**
  - In 9M 2012 there was no significant sale on abroad assets
- **Wholesale – increase by 18%:**
  - Increase in the sale of diesel fuel due to the increased placement of euro diesel from domestic production
  - Decrease in the sale of heavy fuel oil due to warm weather
  - Decrease in the sales of gasoline due reduced demand
- **Export – increase by 93%:**
  - Increase in the sale of heavy fuel oil and gasoline components
- Increase in the sale of white oil products share

Sales volume,
thou. tons

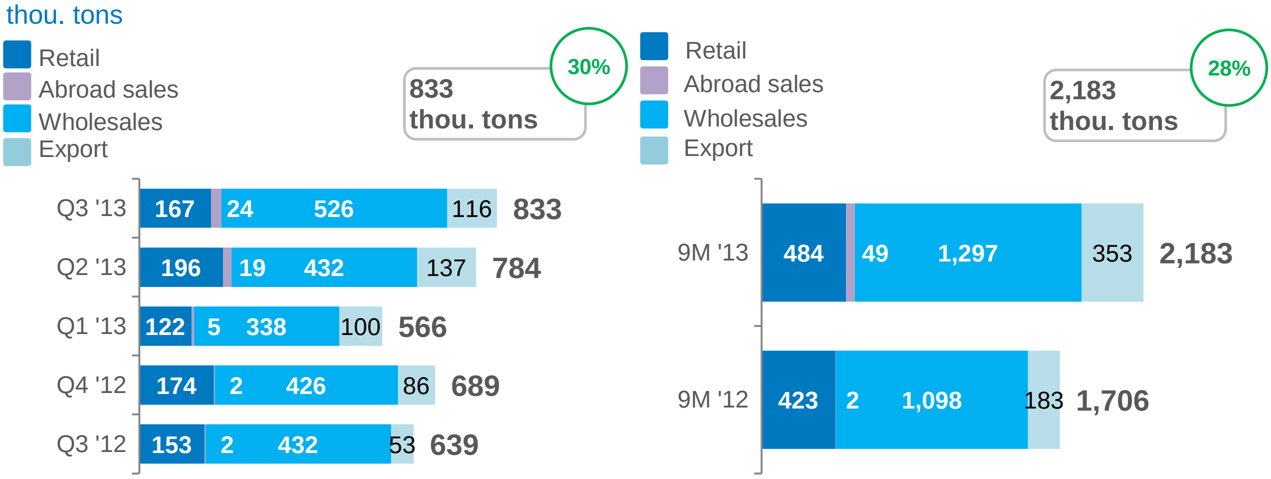


Chart 15: Sales volume[12]

Sales structure,
thou. tons

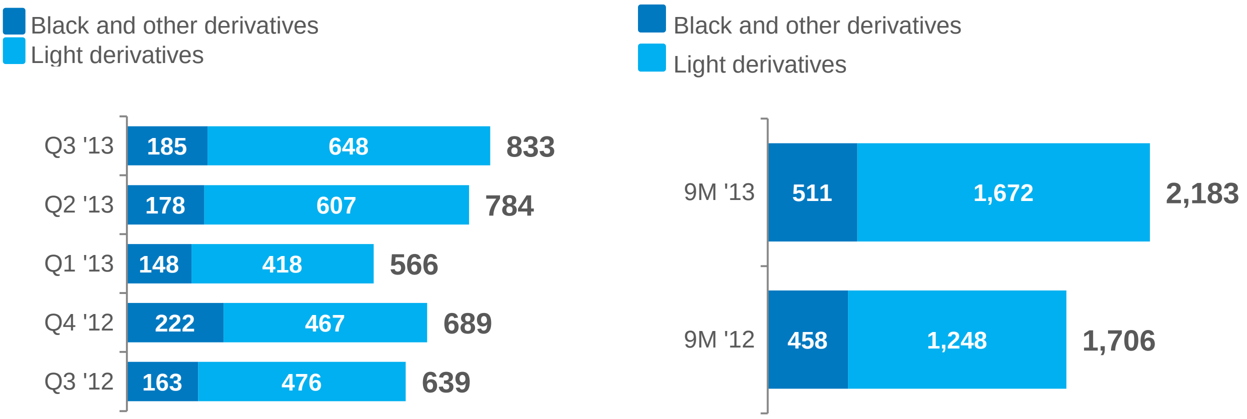


Chart 16: Sales structure

[12] *Abroad sales are quantities sold by NIS' subsidiaries. NIS delivered to its subsidiaries16 thousand tons in Q3 2013 and 25 thousand tons in 9M 2013, the rest quantities were delivered by other suppliers*

Ratios

	9M 2013.	FY 2012.
Return on total capital (Gross profit/total capital)	24%	24%
Net return on equity[13] (Net profit/shareholders equity[13])	39%	35%
Operating net profit (operating profit/net sales income)	23%	34%
Degree of leverage (short term and long term liabilities/equity)	97%	108%
Degree of leverage (short term and long term liabilities/ shareholders equity[13])	182%	165%
1st degree liquidity (cash and cash equivalents/short term liabilities)	9%	19%
2nd degree liquidity (working assets/stocks/short term liabilities)	89%	108%
Net working fund ratio (current assets – current liabilities/current assets)	15%	31%

Per share indicators in period from January 1st 2013 until September 30th 2013

Last price	837 RSD
High	1,020 RSD
Low	737 RSD
Total turnover	2,323,305,196 RSD
Total volume	2,667,437 shares
Total number of transactions	125,773 transactions
Market Capitalization as of September 30th 2013	136,481,.554,800 RSD
EPS for period 1.01.2013 – 30.09.2013	213.58 RSD
Consolidated EPS for period 1.01.2013 – 30.09.2013	194.78 RSD
EPS for period 1.01.2012 – 31.12.2012	303.30 RSD
Consolidated EPS for period 1.01.2012 – 31.12.2012	279.36 RSD
P/E	2.76
Consolidated P/E	3
Book Value as of September 30th 2013	978.09 RSD
Consolidated Book Value as of September 30th 2013	935.25 RSD
P/BV	0.86
Consolidated P/BV	0.89

Information about dividends paid out	2012	Parent Company reported net profit. Shareholders' Assembly on its session held on June 18th 2013 reached the Decision on on profit distribution for 2012, dividend payment and determining the amount of retained earnings of NIS j.s.c. Novi Sad according to which 25% of net profit for 2012 is to be distributed as dividends, i.e. 75.83 RSD per share in gross amount. Dividend for 2012 was paid out on August 20th 2013.
	2011	Parent Company reported net profit. On July 25th 2012 Shareholders Assembly reached the Decision on allocation of profit and/or coverage of accumulated losses for 2011 and according to decision entire net profit was used to cover accumulated losses and therefore no dividend was paid out.
	2010	Parent Company reported net profit. On July 27th 2011 Board of Directors[14] reached the Decision on allocation of profit and/or coverage of accumulated losses for 2010 and according to decision entire net profit was used to cover accumulated losses and therefore no dividend was paid out.

The Parent Company did not acquire treasury (its own) shares.

[13] *shareholders equity = share capital*
[14] *In accordance with NIS' Articles of Association in force at the time Decision on the allocation of profit and/or coverage of accumulated losses was in the competence of the Board of Directors*

Bank indebtedness

Total bank indebteness,
mln. USD

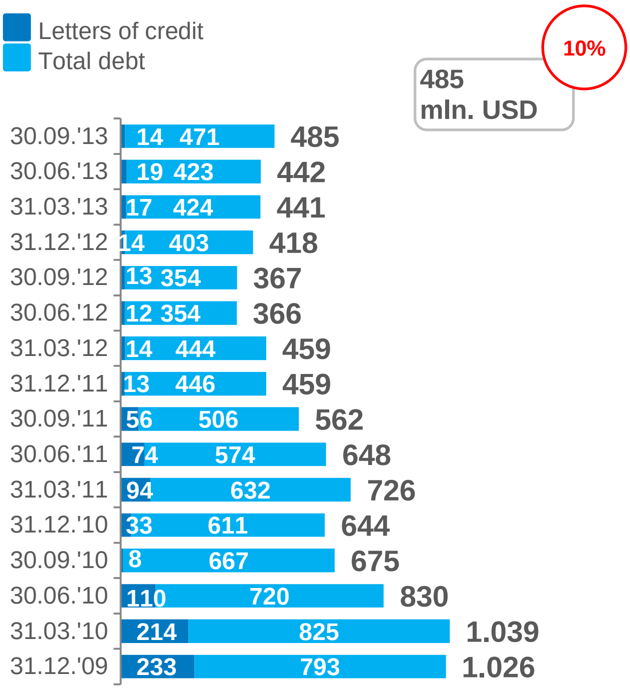


Chart 17: Total bank indebteness,

GPN loan,
mln. EUR

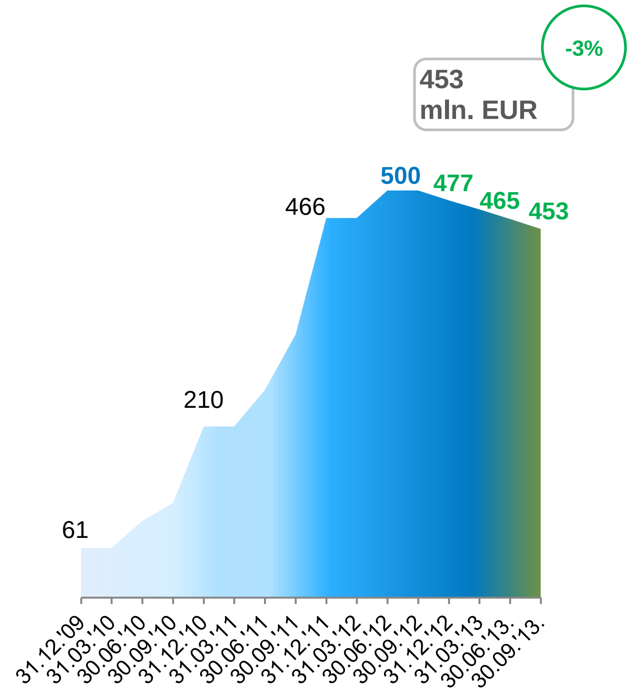


Chart 18: GPN loan

Total debt to banks,
mln. USD

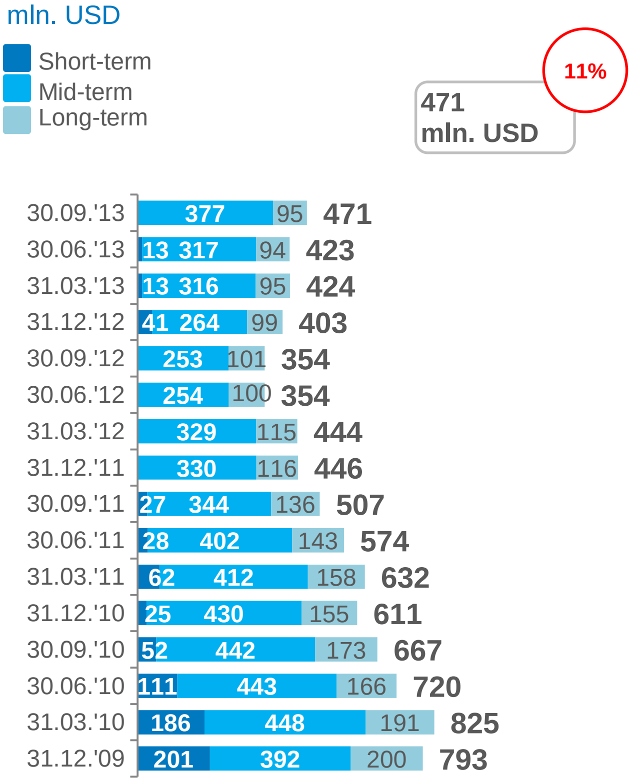


Chart 19: Total debt to banks

Structure of total debt to banks,
By currency, in%

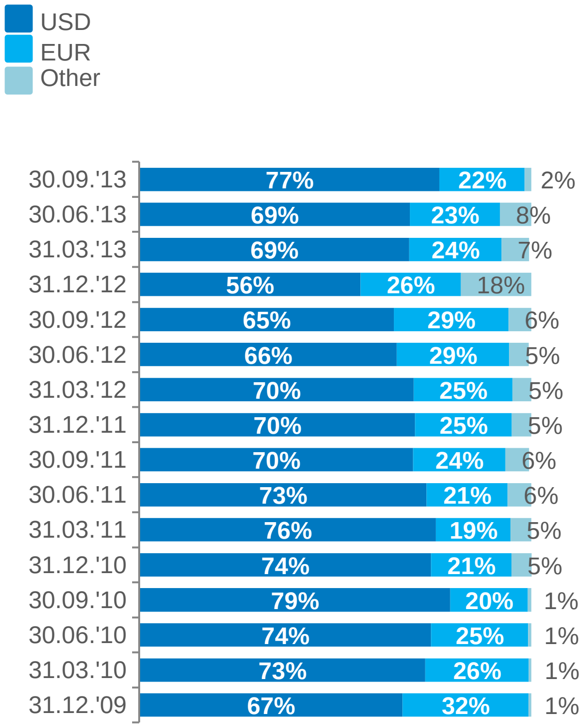


Chart 20: Structure of total debt to banks

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

Assets	Change (in %)	Explanation
Intangible assets	**38%**	Increase of intangible assets as of 30 September 2013 compared to 31 December 2012 is mainly related to new investments in research and development in the amount of RSD 2,893,842 thousand.
Goodwill	**178%**	Increase of goodwill in general refers to the difference between the net assets and the sum of the fees transferred for the acquisition of a business combinations (petrol station in the amount of RSD 108,760 thousand and acquisition of OMV BH RSD 1,107,320 thousand, valued at the exchange rate at the reporting date).
Property, plant and equipment	**18%**	Increase of property, plant and equipment as of 30, September 2013 compared to 31 December 2012 is mainly related to investments in new buildings in the amount of 14,477,244 and plant and equipment in the amount of RSD 12,058,692 thousand.
Equity investments	**582%**	In 2013, the Group acquired a 50% stake in the joint venture Energowind Ltd which is intended to manage the operations of future wind farm “Plandište” with total capacity of 102 MW and installed 34 wind turbines. Control over Energowind Ltd. has equally NIS Group, Wind Power Company of Delaware, USA, and Original Solution Corporation. As at the date of interim consolidated financial statements, there were no business activities. The book value of the investment at 30 September 2013 is RSD 1,008,221, and it is included in the condensed interim consolidated statement of financial position.
Inventories	**-18%**	Decrease in inventories as of 30, September 2013 compared to 31 December 2012 is mainly related to the reduction of crude oil in the amount of RSD 5,363,580 thousand and oil derivatives in the amount of RSD 1,843,426 thousand.
Current assets held for sale and assets of discontinued operations	**-61%**	Decrease in current assets held for sale as of 30, September 2013 compared to 31 December 2012 is mainly related to the sale of an office building in Sredačka Street in Belgrade.
Receivables	**28%**	Increase of receivables as at 30 September 2013. compared to 31 December 2012 is mainly related to the extension of maturities of receivables and an increase in receivables from Srbijagas, Novi Sad and HIP Petrohemija, Pancevo (amounting to RSD 2,693 million and RSD 4,420 million).
Short-term investments	**-64%**	On 28 February 2013 the Group acquired ownership and control of 100% capital of OMV B&H for the amount of RSD 3,623,811. The payment of this ammount have been recognized as short-term investments in the financial statements for 2012. By

		gaining control, Group is entitled to fair value of acquired assets and liabilities.
Cash and cash equivalents	**-41%**	Decrease in cash and cash equivalents as of 30 September 2013 compared to 31 December 2012 is mainly related to the decrease in cash in transaction accounts at the bank in the amount of RSD 2,963,816 thousand and the funds in the escrow account in the amount of RSD 1,031,868 thousand.
VAT and prepaid expenses	**-25%**	Decrease of VAT and prepaid expenses as of 30 September 2013 compared to 31 December 2012 is mainly related to the reduction of deferred tax in the amount of RSD 2,318,530 thousand.

Liabilities	Change (in %)	Explanation
Reserves	**-105%**	Reducing reserves with a balance as of 30 September, 2013 compared to 31 December 2012 is mostly related to abandoning reserve pursuant the Decision of the Shareholders' Assembly on Profit distribution for 2012, payments of dividends and determining the total amount of unallocated profits. The distribution of reserves with no allocation was realized for the benefit of unallocated profits.
Unrealized gains from securities	**274%**	The growth of the unrealized gains from securities as of 30 September, 2013 compared to 31 December 2012 is entirely relates to the growth of value of securities held for sales pursuant to balancing the investment values to the fair (market) value.
Retained earnings	**56%**	The net growth of the retained earnings as of 30 September 2013 mostly relates to the realized profits within the nine month period ending with 30 September 2013 in the amount 31,733,640 thousand RSD, allocation of reserves (in the amount of 889,424 thousand RSD) and other capital (in the amount of 5,597,824 thousand RSD) for the account of retained earnings and distribution of dividends (in the amount of 12,364,129 thousand RSD) and covering accumulated losses (in the amount of 396,287 thousand RSD) on the other hand, at the expense of above mentioned in compliance with the Decision of the Shareholders' Assembly on Profit distribution for 2012 payments of dividends and determining the total amount of the uretained earnings.
Loss	**-100%**	Decreased losses as of 30 September 2013 compared to 31 December 2012 completely relates to covering accumulated losses pursuant to the Decision of the Shareholders' Assembly on Profit distribution for 2012, payments of dividends and determining a total amount of unallocated profit. Covering of the accumulated losses was performed at the expense of retained earnings.
Long-term debt	**-17%**	Net decrease in long-term debt as of 30 September 2013 compared to 31 decembar 2012 is mainly related to allocation of current maturities of long-term

		debt (most notably from VUB (Banca Intesa), Slovakia in the amount of RSD 8,488,590 thousand and Erste Bank, Netherlands in the amount of RSD 3,438,132 thousand) and withdrawal of new loans from Erste Bank, Netherlands in the amount of RSD 5,522,848 thousand and NBG Bank, Greece in the amount of RSD 4,255,020 thousand, on the other hand.
Short-term financial liabilities	**115%**	Net increase of short-term financial liabilities as of 30 September, 2013 compared to 31 December 2012 is mostly related to issuing current long-term dues per loans (the most significant loan is with Erste Bank, Netherlands in the amount of 3,425,145 thousand RSD) and on the other side, the payment of short-term liabilities per loan at the UniCredit Bank in the amount of 1,400,000 thousand RSD and the Vojvodjanska Banka in the amount of 1,000,000 thousand RSD.
Other short-term liabilities	**-19%**	Decrease in other short-term liabilities as of 30, September 2013 compared to 31 December 2012 in general refers to the decrease in liabilities to employees in the amount of RSD 1,298,313 thousand.
Income tax	**331%**	Income tax liabilities as of 30 September 2013 in general refer to liabilities arising from income tax for the 2013th year.

Major buyers and suppliers[15]

Buyer	Turnover in millions RSD[16]	Share in total income
HIP Petrohemija a.d.	30,450	14%
Knez Petrol d.o.o.	18,533	8%
OMV Srbija d.o.o.	11,875	5%
Petrobart d.o.o.	11,679	5%
Total:	72,537	33%
Other buyers:	145,909	67%
Total:	**218,446**	**100%**

Suppliers	Total debt in mln. RSD[17]	Share in the total liabilities to suppliers
Gazprom neft Trading Gmbh	15,960	42%
Gazprom neft	9,815	26%
Directorate for Commodity Reserves of RS	2,794	7%
Naftagas – naftne servisi d.o.o.	1,895	5%
Total:	30,464	81%
Other suppliers:	7,332	19%
Total:	**37,796**	**100%**

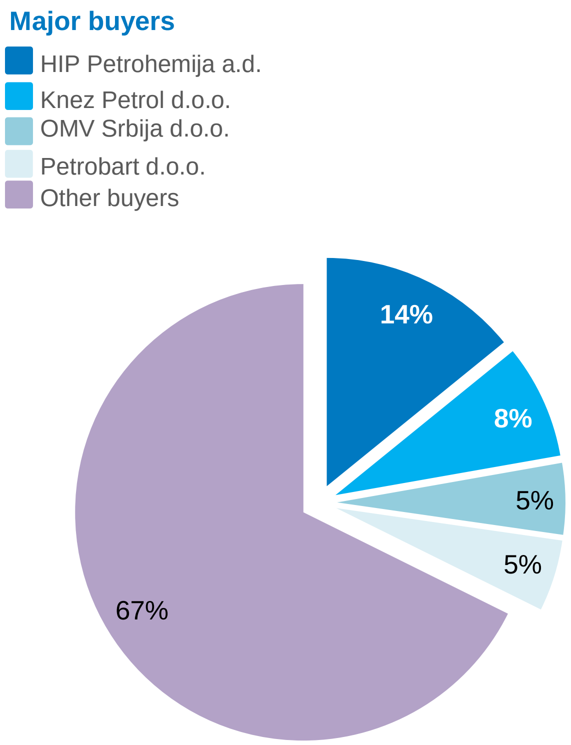


Chart 21: Major buyers

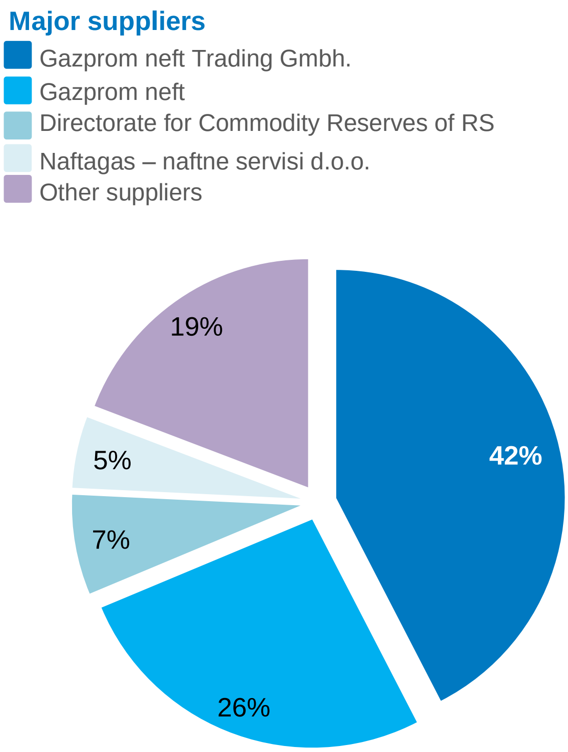


Chart 22:Major suppliers

[15] *Data for NIS a.d. Novi Sad*
[16] *For period from January 1st 2013 until September 30th 2013*
[17] *As of September 30th 2013*

Transfer prices

Transfer prices are in compliance with:

- „Transfer Prices Calculation Methodology for domestically-produced crude oil and natural gas in NIS j.s.c Novi Sad as required by management accounting“, and
- „Transfer Prices Calculation Methodology for domestically-produced oil products and natural gas products in NIS j.s.c Novi Sad as required by management accounting“

The concept of transfer prices calculation methodologies conform to „market principle“, as well as the principle „one product, one transfer price“.

Principle „one product, one transfer price“ means that the „movement“ of one product between different profit centres within NIS was valued according to one transfer price, regardless of profit centres between which this movement took place.

Transfer prices used to generate internal revenue between NIS business entities are defined in such a way to maintain the market position of each of these business entities.

There are transfer prices of the following types:

- Transfer price of domestic crude, (between Exploration and Production and Refining Blocks) defined pursuant to the so called „export terms“.
- natural gas transfer price (between Exploration and Production and Refining Blocks) equal to the natural gas selling price at which NIS sells the natural gas to the state-run Srbijagas company;
- oil products and natural gas products transfer price (between Refining and Sales and Distribution and between Exploration and Production and Sales and Distribution Blocks) are defined pursuant to the following principles:
    - Import terms - principle used to calculate transfer prices of freely-imported oil products and those oil products, which serve as their direct substitutes
    - Export terms apply to oil products, which are either completely or partially exported.
    - Remaining crude oil products comprise those oil products not falling into either of these two groups according to their characteristics (import terms, export terms). These crude oil products are characteristic for being purchased by a limited number of known buyers, their selling prices being stipulated by annual or even longer term contracts or they are alternative to the production of other oil products (straight-run naphtha, jet fuel, rafinatte, propylene).

Cases of uncertainty (uncertainty of collection)

As a part of the financial reports, the NIS j.s.c. Novi Sad management makes accounting estimates and assumptions related to the future. As a rule, the resulting estimations will hardly correspond to the accomplished results. The most significant estimations and assumptions are the estimated provisions for decrease in value of trade receivables, provisions for expected effects of negative litigation outcomes as well as provisions for environment protection.

Trade receivables are initially recognized as per their fair value. Provisions for decrease in value of receivables are determined when based on objective evidence the Company will not be able to collect all the receivables in accordance with the original terms.

For the first-class clients (clients representing 80% of total receivables by the total amount as at balance sheet date), receivables collectability risk is evaluated taking into consideration indicators of decrease in receivables' purchase value including as follows: receivables' age structure, estimated client debt collectability in accordance with his financial capabilities and existing history of late payments. In accordance with the previously stated, provisions for decrease in value of receivables are made and/or corrections of provisions charged to the expense of the relevant period.

For the second-class clients (clients representing 20% of total receivables by the total amount as at balance sheet date), receivables collectability risk is evaluated taking into consideration late payments thus corrections of provisions for these clients are made if the payment is not settled within sixty (60) days as of the maturity date and/or date of foreign currency influx in the country and/or within ninety (90) days as of the receivables maturity date for liquefied petroleum gas, delivered goods/energy to domestic consumers in the category „remote heating systems" (heating plants), trade receivables-clients financed from the budget (army, police, health service, educational service, railroads etc.).

The book value of receivables is decreased through provisions while the decreased value is recorded in the profit and loss account within the position 'other expenses'. When a receivable cannot be collected, it is written off and charged to the provisions for receivables. As at September 30th 2013, the Company made provisions for approximately 41% of gross value of total receivables.

The Company management evaluated and made provisions for environment protection as at balance sheet date in the amount of RSD 199,276 based on internal evaluation on the Company's compliance with the legislation of the Republic of Serbia. The management believes that, based on the existing legislation, expenses related to environmental protection are not significantly higher compared to the provisions made. However, the stated expenses could significantly increase in the future period in case the legislation becomes more restrictive.

As at September 30th 2013, the Company made provisions for potential loss which could emerge from tax liabilities evaluation by the Ministry of Finances of Angola to which the Company is to pay the difference in tax assessment including interest in the amount of 81 million USD related to additional profit oil for the period from 2002 to 2009. The management believes that, based on the terms set forth in the concession contracts with Angola and the opinions of legal consultants from Angola, such a request is not in accordance with the valid legal framework in Angola due to the fact that the government did not make correct oil profit calculations and that oil profit is a contractual obligation towards the national concessionaire which is opposite to the opinion of the Ministry of Finances of Angola. The management will file a complaint against any action of enforced tax collection by the Ministry of Finances of Angola and take all the necessary steps in order to postpone the collection of tax until the court in Angola reaches a final decision regarding the issue. Based on the experience of other concessionaires, the court in Angola has not yet reached a decision related to their complaints against the decision of the Ministry of Finances even though the complaints were filed three years ago. Taking all the previously stated into consideration, the Company management believes that as at September 30th 2013, there is a significant level of uncertainty as regards the time required to settle the request of the Ministry of Finances of Angola and the amount of additional tax on profit oil, if any.

Analytical report on government revenue-related liabilities

NIS a.d. Novi Sad	9M 2013.	9M 2012.	$\Delta\frac{9M\ 2013.}{9M\ 2012.}$ (%)
Contributions for social insurance paid by the employer	1,350.60	1,621.82	-16.72%
Income tax	4,595.77	1,688.26	172.22%
VAT	15,794.97	10,979.47	43.86%
Excise tax	59,369.84	44,499.77	33.42%
Custom duty	812.44	266.20	205.20%
Royalties	1,877.51	2,085.23	-9.96%
Other taxes	1,017.83	1,224.50	-16.88%
Total:	84,818.96	62,365.24	36.00%
NIS subsidiaries in Serbia[18],			
Contributions for social insurance paid by the employer	474.18	424.=,48	11.71%
Income tax	171.63	18.79	813.47%
VAT	811.16	363.13	123.38%
Excise tax	0.00	0.00	n/a
Custom duty	38.58	13.44	187.05%
Royalties	0.00	0.00	n/a
Other taxes	46.38	71.98	-35.57%
Total:	1,541.92	891.81	72.90%
Total NIS with subsidiaries in Serbia	**86,360.88**	**63,257.05**	**36.52%**

In millions RSD

The total amount of accrued liabilities related to governmet revenue that NIS a.d. Novi Sad with its subsidiaries originating from organizational structure[18] is to pay in Serbia for the first nine months of 2013 amounted to 86.4 billion, which is by 23 billion , ie. 36.5% more than in the same period last year.

NIS Group is also taxpayer for its operations in Angola where accrued liabilities related to government revenue amounted to 0.5 billion RSD in the first 9 months of 2013 (9M 2012: 0.4 billion RSD). Accrued liabilities related to government revenue of NIS daughters in the region totalled over 2 billion RSD for the first 9 months of 2013 (9M 2012: 0.06 billion RSD).

[18] *Subsidiaries include: NTC NIS - NAFTAGAS Ltd. , NAFTAGAS - Transport Ltd., NAFTAGAS - Technical Services Ltd. and NAFTAGAS - Oil Services Ltd., and do not include the O Zone ad, NIS Light Ltd. and Jubos Ltd.*

Investments

Investment projects

The business plan and mid-term investment program were adopted at the 93rd session of the Board of Directors held on 19 December 2012 (hereinafter referred to as: MIP) and the investment plan for CAPEX during the period 2013 – 2015 was presented.

Based on MIP, the main investment directions in 2013 will include - projects to increase efficiency in refining, projects on modernizing Pancevo Oil Refinery, construction of facilities for production of base oils in Refinery in Novi Sad, regional development of Sales and Distribution Block, projects to increase production of oil and gas, projects of Energy Block (CHP) and a number of projects in corporate centre.

In first nine months of 2013 37.8[19] billion RSD were invested, which is by 25% more compared to the same period 2012.

Major investments in oil and gas production in first nine months of 2013 were in following projects:

- Development drilling
- Investments in concession rights (Hungary, Romania)
- Geological explorations in the area of Vojvodina
- The construction of compressor stations on OGF Elemir
- GTM projects (GRP, ESP...)

The most significant capital investments in first nine months of 2013 related to environmental issues were made in Pančevo refinery within the following projects:

- Reconstruction of the wharf
- Reduction of NO_x in the flue gases from power stations
- Rehabilitation and reconstruction of facilities for treatment of waste water

Q3 2013	Q3 2012	Sources of investment funding[20]	9M 2013	9M 2012
0.00	**4.02**	**CAPEX under GPN loan**	**0.00**	**12.07**
0.00	0.76	Ecology	0.00	2.26
0.00	3.26	MHC/DHT	0.00	9.81
13.78	**9.17**	**CAPEX under NIS funds**	**37.86**	**18.27**
0.51	0.18	Ecology	1.27	0.33
0.19	0.43	MHC/DHT	2.85	1.43
0.19	0.24	Angola	0.53	0.32
9.03	6.26	Projects with direct economic effects	26.03	12.60
3.72	1.97	Projects without direct economic effects	6.53	3.47
0.14	0.08	PIW	0.65	0.12
13.78	**13.19**	**Total:**	**37.86**	**30.35**

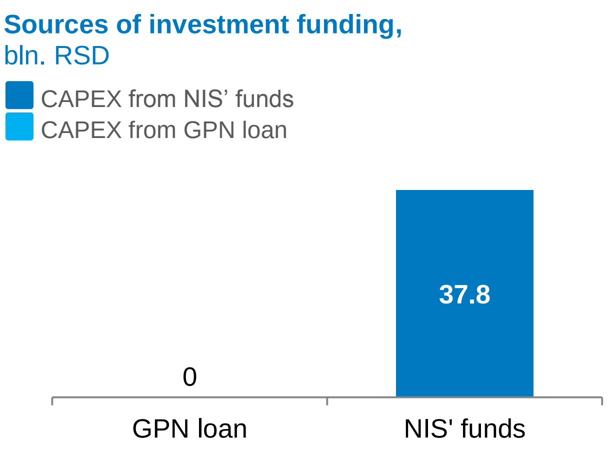


Chart 23: Sources of investment funding

[19] *For NISa.d. and its subsidiaries founded in 2012. (NTC NIS Naftagas d.o.o, Naftagas – naftni servisi d.o.o., Naftagas – tehnicki servisi d.o.o.and Naftagas – transport d.o.o .).*
[20] *In billion dinars and VAT excluded*

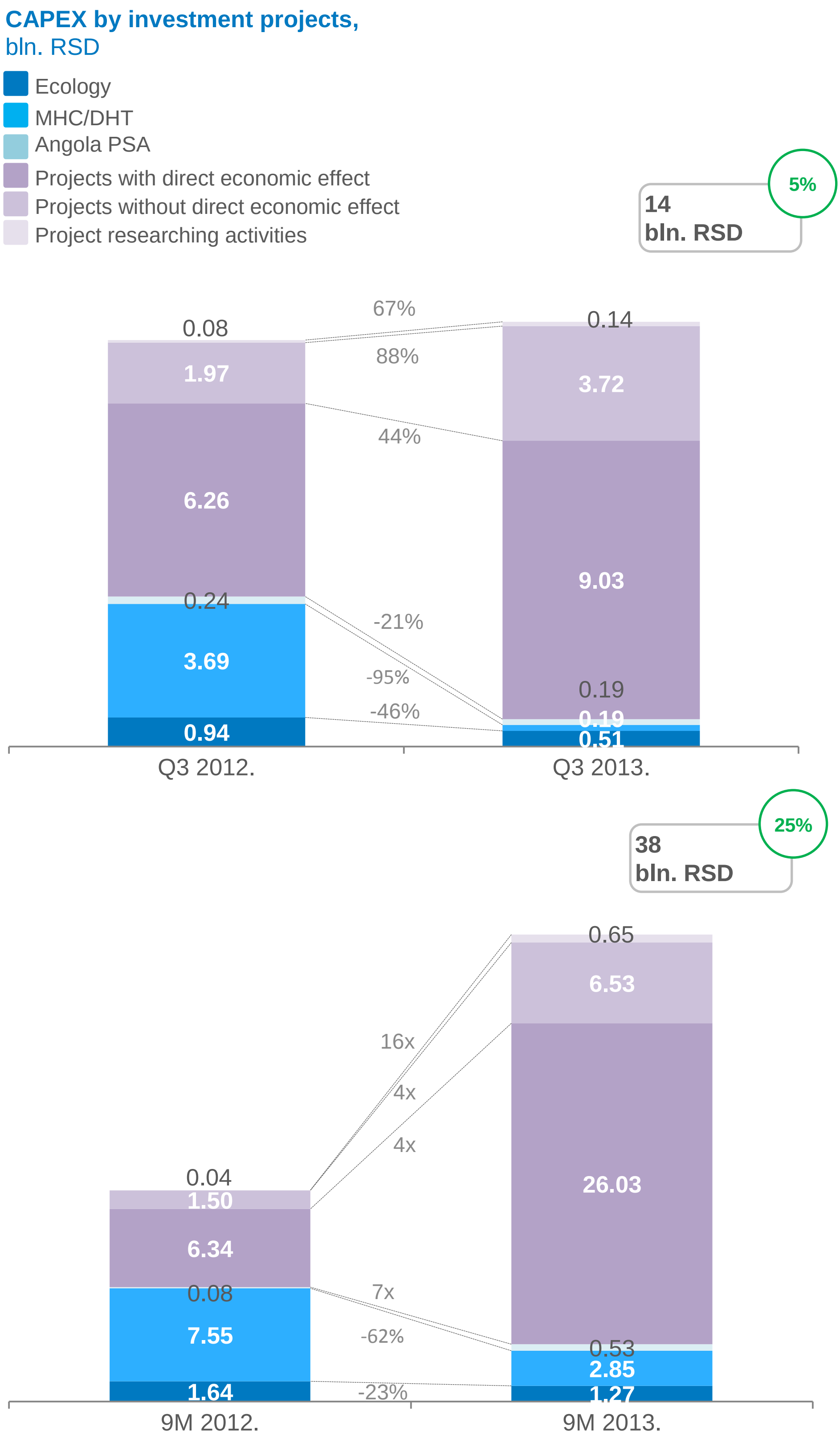


Chart 24: CAPEX by investment projects

The most important investments in Exploration and Production, Refining and Sales and Distribution in 9M 2013.

Exploration and production

15.7 bln. RSD

Increase of oil and gas production

Increase of reserves

- Geological exploration in Vojvodina region
- Investments in concession rights
- Additional geological and technological measures
- Drilling new development wells
- Production automatization
- Reconstruction of the infrastructure

Refining

8.9 bln. RSD

Reconstruction and modernization of the RNP

Ecological Projects

- Construction of MHC/DHT plant
- In-line blending of gasoline
- Industrial base oil production from the “Velebit” oil type
- Reconstruction of Pancevo docks
- Lower NOx emission in smoke gases from the Energy plant

Sales and distribution

11.1 bln. RSD

Retail sale network development

- Rebranding 33 PS in Serbia
- Construction of 1 PS in Serbia
- Reconstruction of 5 PS in Serbia
- Regional business development in Bosnia, Bulgaria and Romania

Number of employees' trend

Total number of employees on 30.09.2013 was 4,692 Number of employees from servicing organizations as of Septemebr 30th 2013 is 3,413, which makes total of 8,105 employees of NIS. In addition there are 25 more employees who work in representative offices.

In subsidiaries in Serbia, which are formed in 2012– НИС group[22], there are 1,628 employees as of Septemebr 30th 2013, and 1,188 employees from servicing organizations which makes total of 2,816 employees.

In subsidiaries formed in the region in 2011 and 2012 there are 453 employees, while in other subsidiaries there are 127 employees.

Organizational part	30.09.2013.			30.09.2012.		
	Directly[21]	Servicing organiz.	Total	Directly[21]	Servicing organiz.	Total
NIS a.d. Novi Sad	**4,692**	**3,413**	**8,105**	**6,546**	**2,013**	**8,559**
Upstream Block	734	179	913	924	48	972
Refining Block	954	22	976	1,291	37	1,328
Sales and Distribution Block	1,221	2,829	4,050	2,683	1,716	4,399
Oilfield Services Block	111	5	116	92	7	99
Energy Block	218	5	223	194	2	196
Corporate centre	1,454	373	1,827	1,362	203	1,565
Representative offices	**25**	**0**	**25**	**14**	**0**	**14**
Subsidiaries in Serbia	**1,628**	**1,188**	**2,816**	**2,082**	**704**	**2,786**
Naftagas – Naftni servisi	655	643	1,298	790	523	1,313
Naftagas – Tehnicki servisi	518	338	856	704	116	820
Naftagas – Transport	156	197	353	273	65	338
NTC NIS Naftagas	299	10	309	315		315
Subsidiaries abroad	**453**	**10**	**463**	**222**	**1**	**223**
NIS Petrol Bulgaria	301	0	301	185	0	185
NIS Petrol Romania	53	6	59	32	1	33
NIS Petrol Bosnia and Herzegovina	85	3	88	5	0	5
Jadran Naftagas B&H	8	0	8	0	0	0
Panon Naftagas- Hungary	6	1	7	0	0	0
Other subsidiaries	**127**	**14**	**141**	**53**	**7**	**60**
Jubos d.o.o. Bor	0	0	0	0	0	0
O Zone a.d. Belgrade	6	0	6	9	0	9
NIS Oversiz o.o.o. Moscow	82	0	82	27	0	27
SP Ranis o.o.o. Čhernoglavka	1	0	1	1	0	1
NIS Svetlost d.o.o. Bujanovac	15	7	22	16	7	23
G Petrol d.o.o. Sarajevo	23	7	30	/	/	/
TOTAL:	**6,925**	**4,625**	**11,550**	**8,917**	**2,725**	**11,642**

Grounds for termination of employment

During first nine months of 2013, totally 1,491 employees left the Company 3 employees of whom was retired, 1,163 left the Company upon consensual termination of employment, and for 325 employees, the basis for termination of employment was of some other nature (cancellation of the agreement on employment, termination of employment upon the employee's request, death of an employee, etc.).

	9M 2013.	
	NIS a.d..	NIS a.d. and its subsidiaries in Serbia[22]
Retirement	3	1
Consensual termination of employment	1,163	191
Other	325	13
Total:	1,491	205

[21] *„NIS chance" included, vacancies excluded*

[22] *Subsidiaries formed out of NIS business structure in 2012 (Naftagas – Naftni servisi, Naftagas – Tehnicki servisi, Naftagas – Transport and NTC NIS Naftagas)*

Joint-Stock Company for Hotel Management and Tourism O ZONE a.d, Belgrade

Financial indicators (in ,000 RSD)	2010	2011	2012	September 30th 2013 9M 2013
Total assets	5,072,036	2,965,394	3,371,146	3,374,110
Noncurrent assets	5,032,987	2,854,166	660,117	1,654,193
Current assets	39,049	111,185	2,710,982	1,719,917
Total equity	2,271,521	508,642	448,751	303,291
Net profit/loss	(150,262)	113,059	(59,960)	(156,109)
Sales	254,475	284,483	159,464	5.755

NAFTAGAS – NAFTNI SERVISI d.o.o. Novi Sad

Financial indicators (in ,000 RSD)	2010	2011	2012	September 30th 2013 9M 2013
Total assets	-	-	5,931,904	7,614,733
Noncurrent assets	-	-	3,834,602	4,109,556
Current assets	-	-	2,097,303	3,505,177
Total equity	-	-	3,208,861	3,986,592
Net profit/loss	-	-	(371,122)	777,731
Sales	-	-	3,569,455	6,257,976

NAFTAGAS – TEHNICKI SERVISI d.o.o. Zrenjanin

Financial indicators (in ,000 RSD)	2010	2011	2012	September 30th 2013 9M 2013
Total assets	-	-	1,716,034	1,622,100
Noncurrent assets	-	-	789,225	703,642
Current assets	-	-	926,809	918,458
Total equity	-	-	670,456	245,941
Net profit/loss	-	-	(347,098)	(363,314)
Sales	-	-	1,476,389	1,914,381

NTC NIS – NAFTAGAS d.o.o. Novi Sad

Financial indicators (in ,000 RSD)	2010	2011	2012	September 30th 2013 9M 2013
Total assets	-	-	1,001,479	1,001,067
Noncurrent assets	-	-	605,519	733,119
Current assets	-	-	395,960	367,948
Total equity	-	-	244,847	295,962
Net profit/loss	-	-	(76,653)	51,115
Sales	-	-	707,226	908,598

Naftagas Transport d.o.o. Novi Sad

Financial indicators (in ,000 RSD)	2010	2011	2012	September 30th 2013 9M 2013
Total assets	-	-	1,114,163	1,712,404
Noncurrent assets	-	-	518,911	1,145,384
Current assets	-	-	593,970	564,864
Total equity	-	-	252,398	17,048
Net profit/loss	-	-	(75,353)	(235,350)
Sales	-	-	1,055,067	1,329,263

LLC "NIS OVERSIZ" Moscow, Russian Federation (in the liquidation by the Decision of founders issued on 07/29/2013)				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	2,783	7,409	7,206	7,206
Noncurrent assets	-	-	-	-
Current assets	2,783	7,409	7,206	7,206
Total equity	1,748	4,536	1,590	1,591
Net profit/loss	-	6,324	(493)	-
Sales	-	-	38,827	-

NIS PETROL EOOD. Sofia, Bulgaria				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	-	1,631,223	6,798,880	7,579,157
Noncurrent assets	-	1,303,997	5,998,573	6,978,537
Current assets	-	327,226	800,307	600,620
Total equity	-	(49,068)	(641,686)	(1,359,751)
Net profit/loss	-	(51,743)	(585,495)	(701,016)
Sales	-	-	640,629	1,872,162

NIS PETROL S.R.L., Bucharest, Romania				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	-	1,027	1,396,339	6,706,134
Noncurrent assets	-	-	1,186,501	5,338,608
Current assets	-	1,027	209,838	1,367,526
Total equity	-	1,027	(443,110)	(1,268,806)
Net profit/loss	-	-	(440,797)	(824,227)
Sales	-	-	2,179	1,140,464

NIS PETROL d.o.o. Banja Luka, Bosnia and Herzegovina				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	-	273,553	4,571,738	6,983,339
Noncurrent assets	-	104,641	4,414,467	6,730,879
Current assets	-	168,912	157,271	252,460
Total equity	-	(271)	(221,932)	(727,261)
Net profit/loss	-	(1,307)	(220,941)	(427,466)
Sales	-	-	4,590	947,965

Pannon Naftagas Kft, Budapest, Hungary				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	-	168	2,010	604,399
Noncurrent assets	-	-	-	551,790
Current assets	-	168	2,010	52,609
Total equity	-	168	(7,091)	(117,546)
Net profit/loss	-	-	(7,011)	(109,703)
Sales	-	-	-	-

Jadran-Naftagas d.o.o. Banja Luka				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	108	542,741	1,175,947	1,662,100
Noncurrent assets	-	265,962	974,310	1,574,238
Current assets	108	276,779	201,637	87,862
Total equity	108	(24,480)	(89,487)	(173,874)
Net profit/loss	-	(23,958)	(62,469)	(82,296)
Sales	-	-	-	-

NIS-SVETLOST a.d. Bujanovac				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	82,707	137,628	96,411	69,111
Noncurrent assets	42,215	40,794	39,456	38,461
Current assets	40,492	96,834	56,995	30,650
Total equity	54,526	56,054	59,147	59,148
Net profit/loss	974	1,528	3,093	(11,082)
Sales	572,557	547,105	910,894	162,649

JUBOS d.o.o. Bor				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	1,744	1,744	1,744	1,744
Noncurrent assets	-	-	-	-
Current assets	1,744	1,744	1,744	1,744
Total equity	1,744	1,744	1,744	1,744
Net profit/loss	-	-	-	-
Sales	-	-	-	-

LLC „Joint Venture RANIS“, Moscow Region, Chernogolovka, Russian Federation				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	34,395	841	842	842
Noncurrent assets	-	-	-	-
Current assets	34,395	841	842	842
Total equity	4,297	(25,976)	(25,976)	(25,976)
Net profit/loss	-	(29,805)	-	-
Sales	-	-	-	-

G-Petrol d.o.o., Sarajevo, Bosnia and Herzegovina				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	-	-	-	5,463,839
Noncurrent assets	-	-	-	4,500,061
Current assets	-	-	-	963,778
Total equity	-	-	-	2,333,737
Net profit/loss	-	-	-	(249,485)
Sales	-	-	-	3,696,882

„Adria O Zone“ d.o.o., Budva, Montenegro				
Financial indicators (in ,000 RSD)	**2010**	**2011**	**2012**	**September 30th 2013 9M 2013**
Total assets	-	-	-	-
Noncurrent assets	-	-	-	-
Current assets	-	-	-	-
Total equity	-	-	-	-
Net profit/loss	-	-	-	-
Sales	-	-	-	-

Transactions with Affiliates

The majority owner of the NIS group is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of NIS a.d. Novi Sad. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest are owned by various minority shareholders. Gazprom, Russian Federation is the ultimate owner of the Group.

In the nine month period ended 30 September 2013 and in the same period in 2012, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, geophysical research and interpretation services.

Activities in which the personal interest is involved are subject to the approval of the NIS a.d. Novi Sad's Board of Directors.[23]

The overview of transactions with the affiliates is shown in the notes to the financial statements.

[23] *Board of Directors of NIS a.d. Novi Sad approves only transactions that NIS a.d. Novi Sad concludes with shareholders (GPN), or their related parties, and not other transactions concluded by affiliates of NIS group*

FINANCIAL STATEMENTS

NIS a.d. Novi Sad
Statement of financial position

Assets	Notes	30 September 2013 *(unaudited)*	31 December 2012
Current assets			
Cash and cash equivalents	6	3,897,244	8,311,266
Short-term financial assets		1,212,339	527,654
Trade and other receivables	7	56,555,372	45,432,599
Inventories	8	33,481,930	42,745,738
Other current assets	9	4,551,570	6,620,710
Assets classified as held for sale		6,468	41,746
Total current assets		99,704,923	103,679,713
Non-current assets			
Property, plant and equipment	10	163,475,887	146,309,406
Investment property		1,221,227	1,316,069
Other intangible assets	11	3,800,888	4,029,682
Investments in subsidiaries		7,530,236	7,530,236
Trade and other non-current receivables		7,328	9,662
Long-term financial assets	12	29,923,425	18,038,793
Deferred tax assets		9,786,958	9,786,958
Other non-current assets		8,746,553	4,731,177
Total non-current assets		224,492,502	191,751,983
Total assets		**324,197,425**	**295,431,696**
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt and current portion of long-term debt	13	20,253,609	9,630,829
Trade and other payables	14	41,642,090	39,370,624
Other current liabilities	15	3,745,209	4,403,470
Current income tax payable		2,007,685	512,454
Other taxes payable		8,440,036	8,224,581
Provisions for liabilities and charges		2,664,752	2,381,936
Total current liabilities		78,753,381	64,523,894
Non-current liabilities			
Long-term debt	16	71,931,589	80,991,651
Deferred tax liabilities		2,557,879	2,364,591
Provisions for liabilities and charges		11,467,207	10,548,399
Total non-current liabilities		85,956,675	93,904,641
Equity			
Share capital	17	81,530,200	81,530,200
Reserves		(52,773)	814,908
Retained earning		78,009,942	54,658,053
Total equity		159,487,369	137,003,161
Total liabilities and shareholder's equity		**324,197,425**	**295,431,696**

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements

	Notes	Nine month period ended 30 September 2013 (unaudited)	2012 (unaudited)
Sales of petroleum products and oil and gas sales		176,925,915	159,153,616
Other revenues		3,242,272	2,925,780
Total revenue from sales	5	180,168,187	162,079,396
Purchases of oil, gas and petroleum products	18	(96,991,350)	(75,634,347)
Production and manufacturing expenses	19	(12,160,943)	(10,385,116)
Selling, general and administrative expenses	20	(16,850,299)	(22,241,050)
Transportation expenses		(791,449)	(471,541)
Depreciation, depletion and amortization		(6,960,889)	(4,639,117)
Taxes other than income tax		(4,174,059)	(5,141,912)
Exploration expenses		(737,803)	(884,164)
Total operating expenses		(138,666,792)	(119,397,247)
Other (expenses) income, net		(875,257)	422,458
Operating profit		**40,626,138**	**43,104,607**
Net foreign exchange gain (loss)		847,570	(8,538,511)
Other finance income		1,228,795	1,114,144
Other finance expenses		(2,560,958)	(1,531,648)
Total finance expense		(484,593)	(8,956,015)
Profit before income tax		40,141,545	34,148,592
Current income tax expense		(5,121,663)	(2,093,894)
Deferred income tax expense		(193,288)	141,718
Total income tax		(5,314,951)	(1,952,176)
Profit for the period		**34,826,594**	**32,196,416**
Other comprehensive income (loss)			
Gain (loss) on remeasuring financial asset available for sale		21,755	(35,296)
Other comprehensive loss for the period		**21,755**	**(35,296)**
Total comprehensive income for the period		**34,848,349**	**32,161,120**
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		213.58	197.45
- Weighted average munber of ordinary shares in issue (in millions)		163	163

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements

Six month period ended 30 September 2013 and 2012

(unaudited)	Note	Share capital	Reserves	Retained earnings	Total equity
Balance as at 1 January 2012		81,530,200	854,928	5,201,537	87,586,665
Profit		-	-	32,196,416	32,196,416
Other comprehensive loss for the period		-	(35,296)	-	(35,296)
Total comprehensive income for the period		-	(35,296)	32,196,416	32,161,120
Balance as at 30 September 2012		**81,530,200**	**819,632**	**37,397,953**	**119,747,785**
Balance as at 1 January 2013		81,530,200	814,908	54,658,053	137,003,161
Profit		-	-	34,826,594	34,826,594
Other comprehensive loss for the period		-	21,755	-	21,755
Total comprehensive income for the period		-	21,755	34,826,594	34,848,349
Dividend distribution	14	-	-	(12,364,129)	(12,364,129)
Other	2.17.	-	(889,436)	889,424	(12)
Balance as at 30 September 2013		**81,530,200**	**(52,773)**	**78,009,942**	**159,487,369**

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements

	Notes	Nine month period ended 30 September 2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities			
Profit before income tax		40,141,545	34,148,592
Adjustments for:			
Finance costs recognised in profit or loss		2,560,958	1,531,648
Investment income recognised in profit or loss		(1,228,795)	(1,114,144)
Depreciation, depletion and amortization	10,11	6,960,889	4,639,117
Adjustments for other provisions		1,338,111	815,102
Allowance for doubtful accounts	20	3,463,923	8,519,867
Payables write off		(141,089)	(440,525)
Net unrealised foreign exchange (gain) losses, net		118,201	7,709,266
Other non/cash items		850,356	801,205
		13,922,554	22,461,536
Changes in working capital:			
Trade and other receivables		(11,120,657)	(23,976,959)
Inventories		9,263,808	205,583
Other current assets		(2,018,472)	788,919
Trade payables and other current liabilities		3,991,140	(5,142,237)
Other taxes payable		261,601	3,450,617
Cash used in operations		377,420	(24,674,077)
Income taxes paid		(3,672,592)	(3,398,368)
Interest paid		(2,289,188)	(2,636,978)
Interest received		624,612	1,535,384
		(5,337,168)	(4,499,962)
Net cash generated by operating activities		**49,104,351**	**27,436,089**
Cash flows from investing activities			
Acquisition and foundation of subsidiaries or other business, net of cash acquired		-	(213)
Loans issued		(10,756,221)	(7,308,979)
Loan proceeds received		404,734	663,524
Capital expenditures		(32,688,036)	(25,557,738)
Proceeds from sale of property, plant and equipment		145,781	236,698
Other inflows of cash		-	228
Net cash used in investing activities		**(42,893,742)**	**(31,966,480)**
zCash flows from financing activities			
Proceeds from borrowings		21,696,382	3,818,459
Repayment of borrowings		(20,109,484)	(7,838,425)
Dividend paid	14	(12,364,129)	-
Net cash generated by (used in) financing activities		**(10,777,231)**	**(4,019,966)**
Net decrease in cash and cash equivalents		(4,566,622)	(8,550,357)
Effect of foreign exchange on cash and cash equivalents		152,600	1,159,229
Cash and cash equivalents as of the beginning of the period		8,311,266	25,228,726
Cash and cash equivalents as of the end of the period		**3,897,244**	**17,837,598**

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the “Company”) is a vertically integrated oil company operating predominantly in Serbia. The Company’s principal activities include:

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

The Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 OAO Gazprom Neft (“Gazprom Neft”) acquired a 51% of the share capital of Naftna Industrija Srbije 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 Prime market on the Belgrade Stock Exchange.

These Interim Condensed Financial Statements have been approved and authorized for issue by CEO and will be presented to Board of Directors for approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

2.1. Basis of preparation

These Interim Condensed Financial Statements for the nine month period ended 30 September 2013 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 2012. These Interim Condensed Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are not the statutory accounts of Company. The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by Serbian legislation. The accompanying Interim Condensed Financial Statements were primarily derived from the Company’s statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (“IFRS”).

These Interim Condensed Financial Statements have been prepared on a historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

The Interim Condensed Financial Statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Company will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these Interim Condensed Financial Statements.

The preparation of Interim Condensed 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Interim Condensed Financial Statements are disclosed in note 3.

2.2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.3. Seasonality of Operations

The Company as a whole is not subject to significant seasonal fluctuations.

2.4. Foreign currency translation

(a) Functional and presentation currency

The Interim Condensed Financial Statements are presented in RSD, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end of the period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Interim Condensed Statement of Comprehensive Income, Profit or Loss.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and other monetary assets and liabilities are presented in the Interim Condensed Statement of Comprehensive Income within "Net foreign exchange gain / (loss)".

2.5. Goodwill and Other Intangible Assets

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, that the Company incurs in connection with a business combination are expensed as incurred.

2.6. Cash and cash equivalents

Cash represents cash on hand and in bank accounts, that can be effectively withdrawn at any time without prior notice. Cash equivalents include all highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase. They are initially recognised based on the cost of acquisition which approximates fair value.

2.7. Non-derivative financial assets

The Company has the following non-derivative financial assets: long-term loans and receivables and available for sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables'.

Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Alternatively, trade receivables are stated as long-term.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 90 days for state controlled companies and more than 60 days overdue for other customers) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Interim Condensed Statement of Comprehensive Income within 'Selling, general and administrative expenses' (note 20). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to 'Selling, general and administrative expenses' in the Interim Condensed Statement of Comprehensive Income (note 20).

(b) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date, in which case they are classified as current assets.

Available for sale investments are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in Interim Condensed Statement of Comprehensive Income as other finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss as other finance income when the Company's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from equity to profit and loss.

2.8. Non-Derivative Financial Liabilities

The Company initially recognises financial liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts for equipment used in production are stated at cost. The impairment tests of inventories i.e. spare parts due to damage or obsolescence is performed once a year. Impairment losses are recognized as production and manufacturing expenses (note 19).

2.10. Assets (or disposal groups) held for sale

Assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through a continuing use. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Company's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the sales plan will be made or that the plan will be withdrawn.

2.11. Intangible assets

(a) Licenses and rights

Separately acquired licenses are presented at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives.

Licenses and rights include Oil and Gas exploration rights, which are amortised over the exploration period in accordance with the terms and conditions of the licence.

(b) Computer software

These include primarily the costs of implementation the (SAP) computer software program. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not exceeding 8 years).

2.12. Property, plant and equipment

As of the date of establishment, the Company's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the Interim Condensed Statement of Comprehensive Income during the financial period in which they are incurred.

Advances made on Property, plant and equipment and Construction in progress are accounted for within other non-current assets as a part of non-current non-financial accounts receivable.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Refining assets	
Buildings	10 – 40
Machinery and Equipment	10 – 25
Marketing and distribution assets	
Buildings	10 – 50
Machinery and equipment	5 – 15
Other Assets	5 – 10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other income/expenses' in the Interim Condensed Statement of Comprehensive Income.

2.13. Oil and Gas properties

(a) Exploration and evaluation expenditure

The Company follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a ‘field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

(b) Development costs of fixed and intangible assets

Development costs are incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proved reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within oil and gas assets according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortization are charged during development.

(c) Oil and gas production assets

Oil and gas production assets comprise exploration and evaluation tangible assets as well as development costs associated with the production of proved reserves.

(d) Depreciation/amortization

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) Impairment – exploration and evaluation assets

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

(f) Impairment – proved oil and gas properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.14. Capitalisation of Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

2.15. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises petrol stations, business facilities and apartments rented out to current and former Company employees for a period exceeding one year.

Investment property is carried at fair value, representing open market value based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the Interim Condensed Statement of Comprehensive Income, Profit or Loss as part of other income/expense.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.16. Share capital

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.17. Reserves

Reserves fully relate to the reserves established in the past in accordance with the previous Law on Enterprises. In accordance with this Law, the Company was required to allocate 5% of profits until the reserve equals the amount defined by Company’s Act, and at least 10% of the share capital. In accordance with General Assembly Meeting Decision enacted on 18 June 2013 these reservas were credited to the retained earnings.

2.18. Earnings per share

The Company calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

2.19. Provisions

Provisions for environmental restoration, asset retirement obligation, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial expense and charged to Interim Condensed Statement of Comprehensive Income.

2.20. Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Interim Condensed Statement of Comprehensive Income, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Interim Condensed Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21. Employee benefits

(a) Pension obligations

The Company operates a defined contribution pension plan. The Company pays contributions to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee benefits provided by Collective Labour Agreement

The Company provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period.

(c) Bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

2.23. Leases

Leases under the terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Company's Interim Condensed Statement of Financial Position. The total lease payments are charged to profit or loss on a straight-line basis over the lease term.

2.24. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of crude oil and gas, as well as petroleum products, materials, goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, excise duty, returns, rebates and discounts after eliminating sales witnin the Company.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales - wholesale

The Company manufactures and sells oil, petrochemical products and liquefied natural gas in the wholesale market. Sales of goods are recognised when the Company has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 90 days for state owned companies and 60 days for other companies, which is consistent with the market practice.

(b) Sales– retail

The Company operates a chain of Petrol Stations. Sales of goods are recognised when the Company sells a product to the customer. Retail sales are usually in cash, fuel coupons or by credit card.

Sales of services

The Company sells oil engineering services. These services are provided on a time and material basis or as a fixed price contract, with contract terms generally accepted in the industry.

Revenue from time and material contracts, typically from delivering engineering services, is recognised under the percentage of completion method. Revenue is generally recognized at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours determined as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of, and direct expenses are incurred as, a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering engineering services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Income from work performed by the Company and capitalized

Income from work performed by the Company and capitalised relates to the capitalisation of costs of own products and services.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25. Transportation Costs

Transportation expenses recognised in profit and loss represent expenses incurred to transport crude oil and oil products through the pipeline network, costs incurred to transport crude oil and oil products by maritime vessel and railway and all other shipping and handling costs.

2.26. Maintenance and Repair

Costs for maintenance and repair that do not represent significant improvements are expensed when incurred.

Costs of turnarounds and preventive maintenance performed with respect to oil refining assets are expensed when incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Preparing financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experiences and other factors that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Company’s accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Judgments and estimates that have the most significant effect on the amounts reported in these Interim Condensed Financial Statements and have a risk of causing a material adjustment to the carrying amount of assets and liabilities are described below.

3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. The Company estimates its oil and gas reserves in accordance with rules promulgated by the US Securities and Exchange Commission (SEC) for proved reserves. Accounting measures such as depreciation, depletion and amortization charges and impairment assessments that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the Interim Condensed Financial Statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

3.2. Useful Lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

3.3. Impairment of Non-Derivative Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

3.4. Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Company takes into consideration the interest rates of high-quality corporate bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

3.5. Decommissioning Obligations

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Company's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

3.6. Contingencies

Certain conditions may exist as of the reporting date are issued that may result in a loss to the Company, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Company or unasserted claims that may result in such proceedings, the Company, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's Interim Condensed Financial Statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 22).

3.7. Financial crisis

The Republic of Serbia displays certain characteristics of an emerging market. The tax, currency and customs legislation is subject to varying interpretations which contribute to the challenges faced by companies operating in Serbia.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Serbian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

The future economic development of the Republic of Serbia is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Company's business in the current business and economic environment.

Impact on liquidity:

The volume of wholesale financing has significantly reduced since September 2008. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Impact on customers/ borrowers:

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers (or borrowers) may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the finance department within the Company's Function for Economics, Finance and Accounting (further "FEPA") under policies approved by the Board of Directors. The Company's finance department identifies and evaluates financial risks in close co-operation with the Company's operating units.

In the normal course of its operations the Company has exposure to the following financial risks:

a) market risk (including foreign exchange risk, interest rate risk and commodity price risk);
b) credit risk; and
c) liquidity risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to manage its foreign exchange risk against its functional currency. In order to manage its foreign exchange risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made.

Commodity Price risk

The Company's primary activity expose it to the following commodity price risks: crude oil and oil derivatives price levels which affect the value of inventory; and refining margins which in turn affect the future cash flows of the business.

In the case of price risk, the level of exposure is determined by the amount of priced inventory carried at the end of the reporting period. In periods of sharp price decline, as the Company policy is to report its inventory at the lower of historic cost and net realisable value, the results are affected by the reduction in the carrying value of the inventory. The extent of the exposure relates directly to the level of stocks and the rate of price decrease.

Cash flow and fair value interest rate risk

As at 30 September 2013 the Company had significant amounts of cash and cash equivalents. The cash was deposited only in banks with which the Company has passive business relationships i.e. loans and credit/documentary lines. Also, RSD and foreign currency fixed term deposits are short term (up to 60 days) and bear fixed interest rates. Based on the above information, the Company's revenues and cash flows are to a great extent independent of changes in market interest rates on fixed term deposits, although the interest rates that the Company can achieve in the market to a great extent depend on the level of basic interest rates at the time when cash has been deposited (Belibor / NBS key policy rate).

Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk, whilst borrowings issued at fixed rates expose the Company to fair value interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR) has a proportionate impact on the Company's results.

Credit risk

Credit risk is managed on the Company's level basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Banks are rated only in the case of collateralised receivables on various grounds, as well as based on the banks total exposure to the Company. For domestic banks, only the second criterion is applied. Sales to retail customers are settled in cash or using credit cards.

The Company has provided for receivables from customers who have exceeded their credit limits or are undergoing liquidity problems.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Company's level. The FEPA monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Company over and above balance required for working capital management are invested as surplus cash in time deposits.

4.2. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Company level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Company's net debt to EBITDA ratios at the end of the reporting periods were as follows:

	Nine month period ended 30 September	
	2013	**2012**
Long-term debt	71,931,589	80,991,651
Short-term debt and current portion of long-term debt	20,253,609	9,630,829
Less: cash and cash equivalents	(3,897,244)	(8,311,266)
Net debt	88,287,954	82,311,214
EBITDA	48,214,912	48,114,091
Net debt to EBITDA at the end of the reporting period	**1.83**	**1.71**

4.3. Fair value estimation

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

5. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for nine month period ended 30 September 2013 and 2012. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Company manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Company operations: exploration, development and production of crude oil and natural gas and oil field services (which are formed as separate legal entities during 2012). Downstream segment (refining and marketing) processes crude into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Company's EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Company's ongoing operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the nine month period ended 30 September 2013 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	67,336,521	176,619,316	(63,787,650)	180,168,187
Intersegment	63,652,547	135,103	(63,787,650)	-
External	3,683,974	176,484,213	-	180,168,187
EBITDA (Segment results)	57,548,497	(9,333,585)	-	48,214,912
Depreciation, depletion and amortization	(1,722,301)	(5,238,588)	-	(6,960,889)
Impairment losses	-	(9,634)	-	(9,634)
Other finance expenses, net	(257,695)	(1,074,468)	-	(1,332,163)
Income tax	(525,892)	(4,789,059)	-	(5,314,951)
Segment profit (loss)	**54.567.564**	**(19.740.970)**	**-**	**34.826.594**

Reportable segments results for the nine month period ended 30 September 2012 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	73,767,052	154,996,622	(66,684,278)	162,079,396
Intersegment	66,463,418	220,860	(66,684,278)	-
External	7,303,634	154,775,762	-	162,079,396
EBITDA (Segment results)	65,559,534	(17,445,443)	-	48,114,091
Depreciation, depletion and amortization	(1,875,027)	(2,764,090)	-	(4,639,117)
Impairment losses	(19,627)	(102,591)	-	(122,218)
Other finance expenses, net	(244,555)	(172,949)	-	(417,504)
Income tax	(405,632)	(1,546,544)	-	(1,952,176)
Segment profit (loss)	**62,960,924**	**(30,764,508)**	**-**	**32,196,416**

EBITDA for the nine month period ended 30 September 2013 and 2012 is reconciled below:

	Nine month period ended 30 September	
	2013	**2012**
Profit for the period	34,826,594	32,196,416
Income tax expenses	5,314,951	1,952,176
Other finance expenses	2,560,958	1,531,648
Other finance income	(1,228,795)	(1,114,144)
Depreciation, depletion and amortization	6,960,889	4,639,117
Net foreign exchange (gain) loss	(847,570)	8,538,511
Other expense (income), net	875,257	(422,458)
Other non-operating (income) expense, net*	(247,372)	792,825
EBITDA	**48,214,912**	**48,114,091**

*Other non-operating (income) expenses, net mainly relate to finance expenses on decommissioning provision, reversal of litigation provisions and other.

Oil and gas and petroleum products sales comprise the following (based on the country of customer incorporation):

	Nine month period ended 30 September 2013		
	Domestic market	**Export and international sales**	**Total**
Sale of crude oil	-	3,548,453	3,548,453
Sale of gas	2,738,764	-	2,738,764
Through a retail network	-	-	-
Wholesale activities	2,738,764	-	2,738,764
Sale of petroleum products	147,462,098	23,176,600	170,638,698
Through a retail network	46,549,522	-	46,549,522
Wholesale activities	100,912,576	23,176,600	124,089,176
Other sales	3,236,133	6,139	3,242,272
Total Sales	**153,436,995**	**26,731,192**	**180,168,187**

	Nine month period ended 30 September 2012		
	Domestic market	**Export and international sales**	**Total**
Sale of crude oil	-	2,914,185	2,914,185
Sale of gas	13,272,540	-	13,272,540
Through a retail network	-	-	-
Wholesale activities	13,272,540	-	13,272,540
Sale of petroleum products	129,999,918	12,966,973	142,966,891
Through a retail network	41,327,316	-	41,327,316
Wholesale activities	88,672,602	12,966,973	101,639,575
Other sales	2,600,997	324,783	2,925,780
Total Sales	**145,873,455**	**16,205,941**	**162,079,396**

Revenue amounted 25,374,764 RSD (2012: 6,674,057 RSD) are derived from a single domestic customer HIP Petrohemija (note 23). These revenues are attributable to wholesale activities within Downstream segment.

6. CASH AND CASH EQUIVALENTS

	30 September 2013	31 December 2012
Cash in bank and in hand	3,894,580	7,226,572
Deposits with original maturity of less than three months	-	1,081,515
Cash equivalents	2,664	3,179
	3,897,244	**8,311,266**

7. TRADE AND OTHER RECEIVABLES

	30 September 2013	31 December 2012
Trade receivables:		
- related parties	2,819,231	1,737,579
- third parties	71,827,901	60,933,890
	74,647,132	62,671,469
Accrued assets	1,264,488	2,342,103
Other receivables	9,820,029	7,799,629
	85,731,649	72,813,201
Less impairment provision	(29,176,277)	(27,380,602)
Total trade and other receivables	**56,555,372**	**45,432,599**

The ageing of trade receivables is as follows:

	30 September 2013	31 December 2012
Up to 3 months	40,287,166	31,143,920
Over 3 months	34,359,966	31,527,549
	74,647,132	**62,671,469**

Trade receivables as at 30 September 2013 amounting to 34,359,966 RSD that are more than 90 days overdue are considered as impaired, except for receivables of 13,022,074 RSD (31 December 2012: 9,989,315 RSD) from a number of independent customers for whom management believes that will make payments in the near futures or for whom there is no recent history of default.

As at 30 September 2013 trade receivables of 21,351,237 RSD (31 December 2012: 21,560,538 RSD) were assessed as uncollectable and fully provided for. The ageing of receivables provided for is as follows:

	30 September 2013	31 December 2012
Up to 3 months	13,345	22,304
Over 3 months	21,337,892	21,538,234
	21,351,237	**21,560,538**

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

	30 September 2013	31 December 2012
RSD	72,448,673	61,649,162
EUR	10,112,534	7,895,051
USD	3,170,420	3,268,965
Other	22	23
	85,731,649	**72,813,201**

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

	Trade receivables	Other receivables	Total
As at 1 January 2012	13,662,593	2,994,249	16,656,842
Provision for receivables impairment (note 20)	8,658,387	-	8,658,387
Unused amounts reversed (note 20)	(403,267)	(22,570)	(425,837)
Transfer from non-current to current part	-	1,591,471	1,591,471
Write off	(187,324)	-	(187,324)
Exchange differences and other	2,074	672,683	674,757
As at 30 September 2012	**21,732,463**	**5,235,833**	**26,968,296**
As at 1 January 2013	21,560,538	5,820,064	27,380,602
Provision for receivables impairment (note 20)	548,992	-	548,992
Unused amounts reversed (note 20)	(757,345)	-	(757,345)
Transfer from non-current to current part	-	1,591,471	1,591,471
Write off	(948)	-	(948)
Exchange differences and other	-	413,505	413,505
As at 30 September 2013	**21,351,237**	**7,825,040**	**29,176,277**

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Interim Condensed Statement of Comprehensive Income. The amounts charged to provision for impairment are written off when their collection is not expected.

8. INVENTORIES

	30 September 2013	31 December 2012
Crude oil	18,700,435	24,064,015
Gas	130,102	-
Petroleum products	14,949,596	17,341,467
Materials and supplies	5,590,003	6,107,234
Other	558,919	1,680,147
Less impairment provision	(6,447,125)	(6,447,125)
	33,481,930	**42,745,738**

9. OTHER CURRENT ASSETS

	30 September 2013	31 December 2012
Advances paid	1,063,514	1,234,319
Deferred VAT	1,437,383	3,840,968
Prepaid expenses	208,121	135,363
Prepaid custom duties	53,582	46,267
Prepaid excise	1,303,942	1,419,092
Other current assets	17,693,076	13,506,192
Less impairment provision	(17,208,048)	(13,561,491)
	4,551,570	**6,620,710**

Deferred VAT as at 30 September 2013 amounting to 1,437,383 RSD represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2013 amounting to 1,303,942 (31 December 2012: 1,419,092 RSD) relates to the excise paid to the state for finished products stored in non-excise warehouse.

Movements on the Company's provision for impairment of other current assets are as follows:

	Advances paid	Other current assets	Total
As at 1 January 2012	379,688	12,177,876	12,557,564
Provision for other current assets impairment (note 20)	3,685	758,466	762,151
Unused amounts reversed (note 20)	(9,303)	(466,201)	(475,504)
Write off	-	(79,325)	(79,325)
Other	-	(2,075)	(2,075)
As at 30 September 2012	**374,070**	**12,388,741**	**12,762,811**
As at 1 January 2013	373,071	13,188,420	13,561,491
Provision for other current assets impairment (note 20)	12,460	3,778,140	3,790,600
Unused amounts reversed (note 20)	(2,492)	(116,050)	(118,542)
Write off	-	(25,501)	(25,501)
As at 30 September 2013	**383,039**	**16,825,009**	**17,208,048**

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2012						
Cost	48,560,040	47,644,386	24,848,078	13,771,355	44,639,338	179,463,197
Depreciation and impairment	(18,552,391)	(23,301,793)	(12,758,963)	(5,536,543)	(2,981,943)	(63,131,633)
Net book value	**30,007,649**	**24,342,593**	**12,089,115**	**8,234,812**	**41,657,395**	**116,331,564**
Period ended 30 September 2012						
Additions	5,518,703	4,588,033	1,270,011	146,240	19,916,121	31,439,108
Investments in subsidiaries	(5,502,088)	(203,520)	(37,115)	(12,242)	-	(5,754,965)
Impairment	(23,693)	(2,427)	(28,741)	(274)	(22,239)	(77,374)
Depreciation	(1,912,442)	(1,405,381)	(536,764)	(287,438)	-	(4,142,025)
Transfer to intangible assets	(15,252)	-	-	-	-	(15,252)
Transfer to investment property	-	-	(45,731)	-	-	(45,731)
Transfer from assets classified as held for sale	-	-	-	-	146	146
Disposals and write offs	(105,567)	(1,051)	(1,449)	(2,522)	(652,967)	(763,556)
Other transfers	4,653,140	(3,354,606)	141,116	285,275	(1,737,906)	(12,981)
	32,620,450	**23,963,641**	**12,850,442**	**8,363,851**	**59,160,550**	**136,958,934**
As at 30 September 2012						
Cost	48,903,319	45,495,118	26,440,719	14,503,769	62,486,589	197,829,514
Depreciation and impairment	(16,282,869)	(21,531,477)	(13,590,277)	(6,139,918)	(3,326,039)	(60,870,580)
Net book value	**32,620,450**	**23,963,641**	**12,850,442**	**8,363,851**	**59,160,550**	**136,958,934**
As at 1 January 2013						
Cost	45,900,639	96,895,807	27,042,790	16,309,345	22,673,221	208,821,802
Depreciation and impairment	(14,457,735)	(23,887,053)	(13,010,240)	(6,841,476)	(4,315,892)	(62,512,396)
Net book value	**31,442,904**	**73,008,754**	**14,032,550**	**9,467,869**	**18,357,329**	**146,309,406**
Period ended 30 September 2013						
Additions	10,886,397	10,119,486	2,872,154	457,665	1,760,591	26,096,293
Impairment	-	-	(8,341)	-	(932)	(9,273)
Depreciation	(1,715,902)	(3,654,588)	(708,565)	(357,902)	-	(6,436,957)
Transfer to intangible assets	(1,840)	-	-	-	(63,191)	(65,031)
Transfer to investment property	-	-	(1,195)	(2,455)	(4,810)	(8,460)
Disposals and write offs	(1,275,482)	(30,956)	(160,406)	(7,934)	(935,313)	(2,410,091)
Other transfers	(333)	(10,132)	4,616	5,849	-	-
	39,335,744	**79,432,564**	**16,030,813**	**9,563,092**	**19,113,674**	**163,475,887**
As at 30 September 2013						
Cost	54,934,534	106,418,741	29,438,986	17,145,472	23,407,144	231,344,877
Depreciation and impairment	(15,598,790)	(26,986,177)	(13,408,173)	(7,582,380)	(4,293,470)	(67,868,990)
Net book value	**39,335,744**	**79,432,564**	**16,030,813**	**9,563,092**	**19,113,674**	**163,475,887**

In the nine month period ended 30 September 2013, in accordance with revised IAS 23 'Borrowing Costs', the Company capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to 61,935 RSD (2012: 1,484,512 RSD).

Oil and gas production assets

Oil and gas production assets comprise aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves.

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2012						
Cost	2,056,678	3,455,790	5,512,468	48,205,627	129,810	53,847,905
Depreciation and impairment	-	(299,997)	(299,997)	(18,287,475)	(114,755)	(18,702,227)
Net book amount	**2,056,678**	**3,155,793**	**5,212,471**	**29,918,152**	**15,055**	**35,145,678**
Period ended 30 September 2012						
Additions	1,783,137	4,884,717	6,667,854	-	-	6,667,854
Transfer from asset under construction	248,154	(4,960,412)	(4,712,258)	4,712,258	-	-
Other transfers	(6,702)	723,667	716,965	129,018	(390)	845,593
Impairment charge	-	-	-	(19,627)	-	(19,627)
Depreciation and depletion	-	-	-	(1,858,944)	(270)	(1,859,214)
Investments in subsidiaries	-	-	-	(5,502,088)	(12,149)	(5,514,237)
Disposals and write offs	(714,755)	(19,095)	(733,850)	2,555	(1)	(731,296)
	3,366,512	**3,784,670**	**7,151,182**	**27,381,324**	**2,245**	**34,534,751**
As at 30 September 2012						
Cost	3,373,213	4,082,183	7,455,396	41,292,499	112,786	48,860,681
Depreciation and impairment	(6,701)	(297,513)	(304,214)	(13,911,175)	(110,541)	(14,325,930)
Net book amount	**3,366,512**	**3,784,670**	**7,151,182**	**27,381,324**	**2,245**	**34,534,751**
As at 1 January 2013						
Cost	5,304,044	5,097,738	10,401,782	42,567,439	112,666	53,081,887
Depreciation and impairment	-	(304,214)	(304,214)	(14,450,258)	(110,630)	(14,865,102)
Net book amount	**5,304,044**	**4,793,524**	**10,097,568**	**28,117,181**	**2,036**	**38,216,785**
Period ended 30 September 2013						
Additions	4,586,579	9,806,659	14,393,238	-	-	14,393,238
Transfer from asset under construction	(50,789)	(8,127,687)	(8,178,476)	8,178,476	-	-
Other transfers	(3)	(9,220)	(9,223)	(343)	(46)	(9,612)
Depreciation and depletion	-	-	-	(1,715,725)	-	(1,715,725)
Disposals and write offs	(704,774)	(9,971)	(714,745)	(1,267,973)	-	(1,982,718)
	9,135,057	**6,453,305**	**15,588,362**	**33,311,616**	**1,990**	**48,901,968**
As at 30 September 2013						
Cost	9,126,996	6,756,469	15,883,465	48,902,909	110,820	64,897,194
Depreciation and impairment	8,061	(303,164)	(295,103)	(15,591,293)	(108,830)	(15,995,226)
Net book amount	**9,135,057**	**6,453,305**	**15,588,362**	**33,311,616**	**1,990**	**48,901,968**

11. OTHER INTANGIBLE ASSETS

	Licenses, other than related to O&G activity	Software	IA under development	Other IA	Total
As at 1 January 2012					
Cost	661,396	4,693,975	413,952	59,718	5,829,041
Amortization and impairment	(173,380)	(1,183,366)	(142,279)	(45,855)	(1,544,880)
Net book value	**488,016**	**3,510,609**	**271,673**	**13,863**	**4,284,161**
Period ended 30 September 2012					
Additions	46,101	78,898	209,226	-	334,225
Impairment	-	-	(43,867)	-	(43,867)
Amortization	(59,741)	(433,769)	-	(3,582)	(497,092)
Transfer from PPE	-	-	15,252	-	15,252
Disposals	-	-	(186)	-	(186)
Other transfers	(4,876)	(61,759)	(42,592)	2,016	(107,211)
	469,500	**3,093,979**	**409,506**	**12,297**	**3,985,282**
As at 30 September 2012					
Cost	704,907	4,590,462	638,244	77,780	6,011,393
Amortization and impairment	(235,407)	(1,496,483)	(228,738)	(65,483)	(2,026,111)
Net book value	**469,500**	**3,093,979**	**409,506**	**12,297**	**3,985,282**
As at 1 January 2013					
Cost	757,628	4,691,361	429,813	326,313	6,205,115
Amortization and impairment	(259,419)	(1,662,984)	(206,029)	(47,001)	(2,175,433)
Net book value	**498,209**	**3,028,377**	**223,784**	**279,312**	**4,029,682**
Period ended 30 September 2013					
Additions	22,585	69,379	144,145	4,696	240,805
Amortization	(77,100)	(388,976)	-	(57,856)	(523,932)
Transfer from PPE	-	-	65,031	-	65,031
Disposals and write offs	-	-	(1,255)	-	(1,255)
Other transfers	-	(56,727)	3	47,281	(9,443)
	443,694	**2,652,053**	**431,708**	**273,433**	**3,800,888**
As at 30 September 2013					
Cost	780,212	4,751,296	637,737	331,009	6,500,254
Amortization and impairment	(336,518)	(2,099,243)	(206,029)	(57,576)	(2,699,366)
Net book value	**443,694**	**2,652,053**	**431,708**	**273,433**	**3,800,888**

12. LONG –TERM FINANCIAL ASSETS

	30 September 2013	31 December 2012
Long - term loans issued – related parties	27,279,684	16,629,612
Other long term - placements	2,470,218	1,289,244
Available for sale financial assets	2,187,297	2,161,005
Less impairment provision	(2,013,774)	(2,041,068)
	29,923,425	**18,038,793**

13. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	30 September 2013	31 December 2012
Short-term loans	-	3,500,000
Interest liabilities	160,355	271,521
Other Short-term financial liabilities	209	474
Current portion of long-term loans (note 16)	20,062,165	5,822,690
Current portion of finance lease liabilities (note 16)	30,880	36,144
	20,253,609	**9,630,829**

14. TRADE AND OTHER PAYABLES

	30 September 2013	31 December 2012
Trade payables		
- related parties	28,524,062	27,290,498
- third parties	9,275,031	8,236,228
Dividends payable	3,772,308	3,772,308
Other accounts payable	70,689	71,590
	41,642,090	**39,370,624**

As at 30 September 2013 payables to related parties amounting to 28,524,062 RSD (31 December 2012: 27,290,498 RSD) mainly relate to liabilities to the supplier Gazprom Neft Trading, Austria in the amount of 15,960,330 RSD (31 December 2012: 25,464,826 RSD), mostly for the purchase of crude oil.

A dividend in respect of the year ended 31 December 2012 of 75.83 RSD per share, amounting to a total dividend of 12,364,129 RSD is approved by the General Assembly Meeting and settled during August 2013.

15. OTHER CURRENT LIABILITIES

	30 September 2013	31 December 2012
Advances received	991,284	953,509
Payables to employees	2,705,011	3,404,025
Accruals and deferred income	23,559	36,440
Other current non-financial liabilities	25,355	9,496
	3,745,209	**4,403,470**

16. LONG-TERM DEBT

	30 September 2013	31 December 2012
Long-term loans - Gazprom Neft	51,971,763	55,536,845
Bank loans	40,020,782	31,254,805
Finance lease liabilities	30,880	57,626
Other long-term borrowings	1,209	1,209
Less Current portion	(20,093,045)	(5,858,834)
	71,931,589	**80,991,651**

(a) Long-term loans - Gazprom Neft

As at 30 September 2013 long-term loans - Gazprom Neft amounting to 51,971,763 RSD (453,488,378 EUR), with current portion of 5,330,437 RSD, relate to borrowings from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares concluded on 24 December 2008. Under this agreement, Gazprom Neft shall grant loans for financing a 500 million EUR reconstruction and modernization of the technology complex programme which is finalized during 2012. The stated liabilities shall be settled in quarterly installments starting from December 2012 until 15 May 2023.

(b) Bank loans

	30 September 2013	31 December 2012
Domestic	12,311,376	14,627,940
Foreign	27,709,406	16,626,865
	40,020,782	31,254,805
Current portion of long-term loans	(14,731,728)	(533,466)
	25,289,054	**30,721,339**

The maturity of bank loans was as follows:

	30 September 2013	31 December 2012
Between 1 and 2 years	12,599,851	22,184,094
Between 2 and 5 years	7,003,862	2,405,694
Over 5 years	5,685,341	6,131,551
	25,289,054	**30,721,339**

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

	30 September 2013	31 December 2012
USD	30,642,972	19,607,409
EUR	8,700,765	8,889,704
RSD	280,872	2,281,108
JPY	396,173	476,584
	40,020,782	**31,254,805**

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

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

The carrying amounts of the Company's bank loans as at 30 September 2013 and 31 December 2012 are presented in the table below:

Creditor	Currency	30 September 2013	31 December 2012
Domestic long-term loans			
Erste bank, Novi Sad	USD	285,814	301,856
Erste bank, Novi Sad	EUR	454,750	469,403
Bank Postanska stedionica, Belgrade	EUR	225,267	236,111
Bank Postanska stedionica, Belgrade	USD	1,558,675	1,670,920
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,582,616	4,670,317
Vojvodjanska bank, Novi Sad	RSD	-	1,000,000
UniCredit bank, Belgrade	USD	4,923,382	4,998,225
UniCredit bank, Belgrade	RSD	278,900	1,278,900
Other loans	RSD	1,972	2,208
		12,311,376	**14,627,940**
Foreign long-term loans			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	531,478	565,419
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	396,173	476,584
Erste bank, Holland	EUR	3,438,132	3,411,549
Erste bank, Holland	USD	5,517,584	-
VUB (Bank Intesa), Slovakia	USD	8,488,590	8,617,630
NBG bank, London	USD	4,244,295	6,307
NBG bank, London	EUR	-	102,324
Alpha bank, London	USD	3,395,436	1,723,526
Piraeusbank, Great Britain	USD	1,697,718	1,723,526
		27,709,406	**16,626,865**
Less current portion of long-term loans		(14,731,728)	(533,466)
		25,289,054	**30,721,339**

		Current portion		Long-term	
	Currency	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Domestic long - term loans					
Erste bank, Novi Sad	USD	13,346	11,881	272,468	289,975
Erste bank, Novi Sad	EUR	20,965	18,169	433,785	451,234
Bank Postanska stedionica, Belgrade	EUR	12,144	12,586	213,123	223,525
Bank Postanska stedionica, Belgrade	USD	83,765	88,550	1,474,910	1,582,370
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	248,186	246,267	4,334,430	4,424,050
Vojvodjanska bank, Novi Sad	RSD	-	-	-	1,000,000
UniCredit bank, Belgrade	USD	679,087	-	4,244,295	4,998,225
UniCredit bank, Belgrade	RSD	-	-	278,900	1,278,900
Other loans	RSD	364	390	1,608	1,818
		1,057,857	377,843	11,253,519	14,250,097
Foreign long-term loans					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	30,836	27,790	500,642	537,629
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	18,595	19,202	377,578	457,382
Erste bank, Holland	EUR	3,438,132	-	-	3,411,549
Erste bank, Holland	USD	-	-	5,517,584	-
VUB (Bank Intesa), Slovakia	USD	8,488,590	-	-	8,617,630
NBG bank, London	USD	-	6,307	4,244,295	-
NBG bank, London	EUR	-	102,324	-	-
Alpha bank, London	USD	-	-	3,395,436	1,723,526
Piraeusbank, Great Britain	USD	1,697,718	-	-	1,723,526
		13,673,871	155,623	14,035,535	16,471,242
		14,731,728	**533,466**	**25,289,054**	**30,721,339**

17. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is 500 RSD.

Share capital as of 30 September 2013 and 31 December 2012 comprise of 163,060,400 of shares.

18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Nine month period ended 30 September	
	2013	2012
Crude oil	86,957,443	51,155,060
Petroleum products	9,527,217	24,479,287
Gas	506,690	-
	96,991,350	**75,634,347**

19. PRODUCTION AND MANUFACTURING EXPENSES

	Nine month period ended 30 September	
	2013	2012
Employee costs	3,064,359	4,590,220
Materials and supplies (other than purchased oil, petroleum products and gas)	548,829	745,479
Repair and maintenance services	1,995,193	1,189,246
Electricity and utilities	1,121,527	678,774
Safety and security expense	74,679	120,179
Transportation expense	398,058	391,685
Cost of other sales and other expenses	4,958,298	2,669,533
	12,160,943	**10,385,116**

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine month period ended 30 September	
	2013	2012
Employee costs	9,847,713	9,752,678
Charitable contributions	159,396	129,403
Legal, audit, and consulting services	857,440	531,698
Rent expense	85,285	61,131
Business trips expense	252,861	353,047
Safety and security expense	231,192	280,702
Insurance expense	192,870	136,862
Transportation and storage	925,958	590,360
Allowance for doubtful accounts	3,463,705	8,519,197
Other	833,879	1,885,972
	16,850,299	**22,241,050**

21. PERSONNEL COSTS

	Nine month period ended 30 September	
	2013	2012
Wages and salaries	9,269,644	11,309,436
Employee benefits	652,054	1,216,824
Other costs	2,990,374	1,816,638
Total employee costs	**12,912,072**	**14,342,898**
Social security contributions (social taxes)	1,350,602	1,835,660
	14,262,674	**16,178,558**

22. CONTINGENT LIABILITIES

Finance Guarantees

As at 30 September 2013 the total amount of outstanding guarantees given by the Company amounted to 3,135,869 RSD mostly related to customs duties in the amount of 1,600,000 RSD (31 December 2012: 2,403,960 RSD).

Other contingent liabilities

As at 30 September 2013, the Company did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Company has to pay the difference in tax calculation including interest of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Company's Management believes that, based on the concession agreements signed with Angola and an the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit Oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Company's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed three years ago. Taking all of the above into consideration, the Company's Management is of the view that as at 30 September 2013 outflow of resources embodying economic benefits is remote due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

23. RELATED PARTY TRANSACTIONS

The majority owner of the Company is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest owned by various minority shareholders are traded on the Belgrade Stock Exchange and are owned by various shareholders. Gazprom, Russian Federation is the ultimate owner of the Company.

In the nine month period ended 30 September 2013 and in the same period in 2012, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, geophysical research and interpretation services.

As at 30 September 2013 and 31 December 2012 the outstanding balances with related parties were as follows:

	Subsidiary	Parent	Entities under common control	Total
As at 30 September 2013				
Short-term financial assets	1,203,231	-	-	1,203,231
Trade and other receivables	2,819,231	-	-	2,819,231
Other current assets	12,823	-	23	12,846
Investments in subsidiaries	8,703,403	-	-	8,703,403
Long-term financial assets	29,706,942	-	-	29,706,942
Other non-current assets	145,565	-	-	145,565
Trade and other payables	(2,732,805)	(9,660,642)	(16,130,615)	(28,524,062)
Other current liabilities	(127)	-	(4,336)	(4,463)
Short-term debt and current portion of long-term debt	-	(5,330,437)	-	(5,330,437)
Long-term debt	-	(46,641,326)	-	(46,641,326)
	40,615,427	**(61,632,405)**	**(16,134,928)**	**(37,151,906)**
As at 31 December 2012				
Short-term financial assets	485,516	-	-	485,516
Trade and other receivables	1,804,049	-	4,960	1,809,009
Other current assets	68,453	-	20	68,473
Investments in subsidiaries	8,703,403	-	-	8,703,403
Long-term financial assets	17,840,666	-	-	17,840,666
Trade and other payables	(1,815,444)	-	(25,475,054)	(27,290,498)
Other current liabilities	(3,261)	-	-	(3,261)
Short-term debt and current portion of long-term debt	-	(5,404,426)	-	(5,404,426)
Long-term debt	-	(50,247,622)	-	(50,247,622)
	27,083,382	**(55,652,048)**	**(25,470,074)**	**(54,038,740)**

For the nine month period ended 30 September 2013 and 2012 the following transaction occurred with related parties:

	Subsidiary	Parent	Entities under common control	Total
Nine month period ended 30 September 2013				
Petroleum products and oil and gas sales	3,061,555	-	85,602	3,147,157
Other revenues	416,333	-	-	416,333
Purchases of oil, gas and petroleum products	(1,691,634)	-	(77,668,797)	(79,360,431)
Production and manufacturing expenses	(2,316,909)	(3,879)	(14,741)	(2,335,529)
Selling, general and administrative expenses	(719,329)	(28,909)	-	(748,238)
Transportation expenses	(10,237)	-	-	(10,273)
Other expenses, net	(2,483)	(4,437)	(92,329)	(99,249)
Other finance income	935,354	-	-	935,354
Other finance expense	-	(921,464)	-	(921,464)
	(327,386)	**(958,689)**	**(77,690,265)**	**(78,976,340)**
Nine month period ended 30 September 2012				
Petroleum products and oil and gas sales	978,339	-	82,273	1,060,612
Other revenues	193,255	-	-	193,255
Purchases of oil, gas and petroleum products	(15,236)	-	(43,523,410)	(43,538,646)
Production and manufacturing expenses	(844,225)	(3,148)	(10,300)	(857,673)
Selling, general and administrative expenses	(260,671)	(36,312)	-	(296,983)
Other expenses, net	(122)	(4,664)	(45,309)	(50,095)
Other finance income	192,973	-	-	192,973
Other finance expenses	-	(97,373)	-	(97,373)
	244,313	**(141,497)**	**(43,496,746)**	**(43,393,930)**

Main balances and transactions with state owned companies:

	30 September 2013	31 December 2012
Receivables	11,727,290	7,307,595
HIP Petrohemija	26,266,621	23,573,467
Srbijagas	37,993,911	30,881,062
Liabilities	(1,204,320)	(561,438)
HIP Petrohemija	(113,124)	(554,138)
Srbijagas	(1,317,444)	(1,115,576)
Advances received	(6,772)	(7,743)
HIP Petrohemija	(12,798)	(12,806)
Srbijagas	(19,570)	(20,549)
	11,727,290	7,307,595

	Nine month period ended 30 September 2013	2012
Income from sales of goods		
HIP Petrohemija	25,374,764	25,374,764
Srbijagas	1,606,076	1,606,076
	26,980,840	26,980,840
Cost of purchased raw materials and services		
HIP Petrohemija	(30,317)	(30,317)
Srbijagas	(924,646)	(924,646)
	(954,963)	(954,963)

24. TAX RISKS

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 30 September 2013 .

25. EVENTS AFTER THE REPORTING DATE

No significant events, which required disclosure in these Interim Condensed Financial Statements, occurred after the reporting date.

Subsequent events occurring after 30 September 2013 were evaluated through 25 October 2013, the date these Interim Condensed Financial Statements were authorised for issue.

Novi Sad, 25 October 2013.

The person responsible for the preparation of Financial Statements	Legal representative
Branko Mitrovic	Kirill Kravchenko

NIS Group
Consolidated statement of financial position

Assets	Notes	30 September 2013 *(unaudited)*	31 December 2012 *(restated)*
Current assets			
Cash and cash equivalents	6	7,076,488	12,069,897
Short-term financial assets		14,765	3,707,912
Trade and other receivables	7	54,136,035	43,942,667
Inventories	8	35,728,231	43,894,302
Current income tax prepayments		37,033	13,862
Other current assets	9	6,122,338	7,524,946
Assets classified as held for sale		22,706	57,983
Total current assets		103,137,596	111,211,569
Non-current assets			
Property, plant and equipment	10	186,521,557	159,921,565
Investment property		1,272,400	1,367,378
Goodwill and other intangible assets	11	6,852,127	5,614,959
Investments in joint venture	12	1,008,221	-
Trade and other non-current receivables		76,195	9,973
Long-term financial assets		216,483	198,127
Deferred tax assets		9,789,114	9,788,287
Other non-current assets		9,798,700	4,771,354
Total non-current assets		215,534,797	181,671,643
Total assets		**318,672,393**	**292,883,212**
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt and current portion of long-term debt	13	20,253,657	9,630,880
Trade and other payables	14	40,317,975	38,345,858
Other current liabilities	15	4,654,592	5,205,531
Current income tax payable		2,181,403	519,689
Other taxes payable		8,890,236	8,593,652
Provisions for liabilities and charges		2,710,464	2,428,078
Total current liabilities		79,008,327	64,723,688
Non-current liabilities			
Long-term debt	16	72,344,179	81,383,810
Deferred tax liabilities		2,629,820	2,422,241
Provisions for liabilities and charges		12,232,846	11,262,813
Total non-current liabilities		87,206,845	95,068,864
Equity			
Share capital	17	81,530,200	81,530,200
Reserves		(94,451)	794,352
Retained earnings		71,067,268	50,783,214
Equity attributable to the Company's owners		152,503,017	133,107,766
Non-controlling interest		(45,796)	(17,106)
Total equity		152,457,221	133,090,660
Total liabilities and shareholder's equity		**318,672,393**	**292,883,212**

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements NIS a.d.

NIS Group
Consolidated statement of comprehensive income

	Notes	Nine month period ended 30 September 2013 (unaudited)	2012 (unaudited)
Sales of petroleum products and oil and gas sales		181,358,805	159,311,284
Other revenues		3,603,962	2,953,469
Total revenue from sales	5	184,962,767	162,264,753
Purchases of oil, gas and petroleum products	18	(101,048,663)	(76,147,428)
Production and manufacturing expenses	19	(10,644,677)	(9,819,662)
Selling, general and administrative expenses	20	(18,936,242)	(22,993,806)
Transportation expenses		(805,000)	(477,310)
Depreciation, depletion and amortization		(8,038,736)	(4,972,497)
Taxes other than income tax		(4,870,314)	(5,433,855)
Exploration expenses		(737,803)	(884,164)
Total operating expenses		(145,081,435)	(120,728,722)
Other (expenses) income, net		(1,076,601)	392,716
Operating profit		38,804,731	41,928,747
Net foreign exchange gain (loss)		753,285	(8,569,344)
Other finance income		324,346	928,750
Other finance expenses		(2,648,688)	(1,532,304)
Total finance expense		(1,571,057)	(9,172,898)
Profit before income tax		**37,233,674**	**32,755,849**
Current income tax expense		(5,293,285)	(2,112,932)
Deferred income tax expense		(206,751)	135,374
Total income tax		(5,500,036)	(1,977,558)
Profit for the period		**31,733,638**	**30,778,291**
Other comprehensive loss			
Currency translation differences		(21,844)	(14,835)
Gain (loss) on remeasuring financial asset available for sale		21,755	(35,296)
Other comprehensive loss for the period		(89)	(50,131)
Total comprehensive income for the period		**31,733,549**	**30,728,160**
Profit attributable to:			
- Shareholders of Naftna Industrija Srbije		31,761,618	30,793,053
- Non-controlling interest		(27,980)	(14,762)
Profit for the period		31,733,638	30,778,291
Total comprehensive income attributable to:			
- Shareholders of Naftna Industrija Srbije		31,762,239	30,742,922
- Non-controlling interest		(28,690)	(14,762)
Total comprehensive income for the period		31,733,549	30,728,160
Earnings per share attributable to shareholders of Naftna Industrija Srbije			
- Basic earnings (RSD per share)		194.78	188.84
Weighted average number of ordinary shares in issue (in millions)		163	163

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

Nine month period ended 30 September 2013 and 2012

		Equity attributable to the Company's owners				Non-controling	
(unaudited)	**Notes**	**Share capital**	**Reserves**	**Retained earnings**	**Total**	**interest**	**Total equity**
Balance as at 1 January 2012		81,530,200	849,860	5,227,789	87,607,849	3,491	87,611,340
Profit		-	-	30,793,053	30,793,053	(14,762)	30,778,291
Other comprehensive loss for the period		-	(50,131)	-	(50,131)	-	(50,131)
Total comprehensive income for the period		-	(50,131)	30,793,053	30,742,922	(14,762)	30,728,160
Other		-	-	(1,783)	(1,783)	(1,144)	(2,927)
Balance as at 30 September 2012		**81,530,200**	**799,729**	**36,019,059**	**118,348,988**	**(12,415)**	**118,336,573**
Balance as at 1 January 2013		81,530,200	794,352	50,783,214	133,107,766	(17,106)	133,090,660
Profit		-	-	31,761,618	31,761,618	(27,980)	31,733,638
Other comprehensive loss for the period		-	621	-	621	(710)	(89)
Total comprehensive income for the period		-	621	31,761,618	31,762,239	(28,690)	31,733,549
Dividend distribution	**14**	-	-	(12,364,129)	(12,364,129)	-	(12,364,129)
Other	**2.20.**	-	(889,424)	886,565	(2,859)	-	(2,859)
Balance as at 30 September 2013		**81,530,200**	**(94,451)**	**71,067,268**	**152,503,017**	**(45,796)**	**152,457,221**

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements

	Notes	Nine month period ended 30 September 2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities			
Profit before income tax		**37,233,674**	**32,755,849**
Adjustments for:			
Finance costs		2,648,688	1,532,304
Finance income		(324,346)	(928,750)
Depreciation, depletion and amortization	10,11	8,038,736	4,972,497
Adjustments for other provisions		1,419,545	815,101
Allowance for doubtful accounts	20	3,471,811	8,518,257
Payables write off		(160,162)	(440,525)
Net unrealised foreign exchange (gain) losses, net		89,735	9,254,378
Other non-cash items		908,412	817,255
		16,092,419	**24,540,517**
Changes in working capital:			
Trade and other receivables		(10,259,957)	(23,371,524)
Inventories		8,166,071	(629,883)
Other current assets		(2,727,572)	1,317,200
Trade payables and other current liabilities		6,111,484	(6,075,207)
Other taxes payable		325,487	2,883,839
Cash used in operations		**1,615,513**	**(25,875,575)**
Income taxes paid		(3,708,348)	(2,573,649)
Interest paid		(2,291,924)	(2,623,419)
Interest received		658,736	1,489,632
		(5,341,536)	(3,707,436)
Net cash generated byoperating activities		**49,600,070**	**27,713,355**
Cash flows from investing activities			
Acquisition and foundation of subsidiaries or other business, net of cash acquired		(798,469)	(2,734,579)
Acquisition of equity accounted investments	12	(1,008,221)	-
Loan proceeds received		32,000	-
Capital expenditures		(42,862,653)	(29,470,406)
Proceeds from sale of property, plant and equipment		145,781	73,895
Other inflow		534,325	-
Net cash used in investing activities		**(43,957,237)**	**(32,131,090)**
Cash flows from financing activities			
Proceeds from borrowings		21,696,382	4,023,561
Repayment of borrowings		(20,109,484)	(7,838,425)
Dividends paid	14	(12,364,129)	-
Net cash used in financing activities		**(10,777,231)**	**(3,814,864)**
Net decrease in cash and cash equivalents		(5,134,398)	(8,232,599)
Effect of foreign exchange on cash and cash equivalents		140,989	1,159,324
Cash and cash equivalents as of the beginning of the period		12,069,897	25,832,354
Cash and cash equivalents as of the end of the period		**7,076,488**	**18,759,079**

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the “Company”) and its subsidiaries (together refer to as the “Group”) is a 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 Company was established in accordance with the Decision of Government of Republic of Serbia on 7 July 2005. On 2 February 2009 OAO Gazprom Neft (“Gazprom Neft”) acquired a 51% of the share capital of Naftna Industrija Srbije 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 Prime market on the Belgrade Stock Exchange.

These Interim Condensed Consolidated Financial Statements have been approved and authorized for issue by CEO and will be presented to Board of Directors for approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

2.1. Basis of preparation

These Interim Condensed Consolidated Financial Statements for the nine month period ended 30 September 2013 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The Interim Condensed 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 2012. These Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are not the statutory accounts of Group. The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by Serbian legislation. The accompanying Interim Condensed Consolidated Financial Statements were primarily derived from the Group’s statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS).

These Interim Condensed Consolidated Financial Statements have been prepared on a historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

The Interim Condensed Consolidated Financial Statements have been prepared based on the going concern principle, which assumes that the Group will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Group will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these Interim Condensed Consolidated Financial Statements.

The preparation of Interim Condensed Consolidated 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Interim Condensed Consolidated Financial Statements are disclosed in note 3.

2.2. Comparative figures

	31 December 2012	31 December 2012 Marketing and distribution assets	*Adjusted*
Property, plant and equipment	160,416,687	(495,122)	159,921,565
Goodwill and other intangible assets	5,119,837	495,122	5,614,959
Net assets	**165,536,524**	**-**	**165,536,524**

As of 30 Septemeber 2013 Group was obtained all information about facts and circumstainces that existed as of PS station acquistion date (PS Petroliv, XXL Oil and Eso Oil) which allowed to finalise provisional amounts previously recognised as business combination. Above has resulted in additional goodwill recognition in the Interim Condesed Consolidated Statement of Financial Position in amount of 495,122 RSD, and decrease in value of PPE in the same amount.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.4. Seasonality of Operations

The Group as a whole is not subject to significant seasonal fluctuations.

2.5. Foreign currency translation

(a) Functional and presentation currency

Items included in the Interim Condensed Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Interim Condensed Consolidated Financial Statements are presented in RSD, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end of the period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Interim Condensed Consolidated Statement of Comprehensive Income, Profit or Loss.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and other monetary assets and liabilities are presented in the Interim Condensed Consolidated Statement of Comprehensive Income within "Net foreign exchange gain / (loss)".

(c) Group's Companies

The result and financial position of all group companies whose functional currency is different from the Group's presentation currency are calculated as follows:

I. assets and liabilities are translated into the RSD using the exchange rate as at reporting date;
II. income and expenses are translated at average exchange rates and all resulting foreign exchange differences are recognized in reserves as separate items in equity.

2.6. Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Company has power to govern the financial and operating policies in order to make profit from their activity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases.

Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated during the preparation of Interim Condensed Consolidated Financial Statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Investments in Associates and Joint Ventures (Equity Accounted Investees)

Investments in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The Interim Condensed Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(c) Non-controlling interests

In Interim Condensed Consolidated Financial Statements, non-controlling interests in subsidiaries are presented separately from Group equity as non-controlling interests.

2.7. Business combinations

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and recognised goodwill or a gain from a bargain purchase. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

2.8. Goodwill and Other Intangible Assets

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, that the Group incurs in connection with a business combination are expensed as incurred.

2.9. Cash and cash equivalents

Cash represents cash on hand and in bank accounts, that can be effectively withdrawn at any time without prior notice. Cash equivalents include all highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase. They are initially recognised based on the cost of acquisition which approximates fair value.

2.10. Non-derivative financial assets

The Group has the following non-derivative financial assets: long-term loans and receivables and available for sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables'.

Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Alternatively, trade receivables are stated as long-term.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 90 days for state controlled companies and more than 60 days overdue for other customers) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Interim Condensed Consolidated Statement of Comprehensive Income within 'Selling, general and administrative expenses' (note 20). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to 'Selling, general and administrative expenses' in the Interim Condensed Consolidated Statement of Comprehensive Income (note 20).

(b) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date, in which case they are classified as current assets.

Available for sale investments are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in Interim Condensed Consolidated Statement of Comprehensive Income as other finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss as other finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from equity to profit and loss.

2.11. Non-Derivative Financial Liabilities

The Group initially recognises financial liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date on which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts for equipment used in production are stated at cost. The impairment tests of inventories i.e. spare parts due to damage or obsolescence is performed once a year. Impairment losses are recognized as production and manufacturing expenses (note 19).

2.13. Assets (or disposal groups) held for sale

Assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through a continuing use. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the sales plan will be made or that the plan will be withdrawn.

2.14. Intangible assets

(a) Licenses and rights

Separately acquired licenses are presented at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortization is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives.

Licenses and rights include Oil and Gas exploration rights, which are amortized over the exploration period in accordance with the terms and conditions of the licence.

(b) Computer software

These include primarily the costs of implementation the (SAP) computer software program. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not exceeding 8 years).

2.15. Property, plant and equipment

As of the date of establishment, the Group's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the Interim Condensed Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Advances made on Property, plant and equipment and Construction in progress are accounted for within other non-current assets as a part of non-current non-financial accounts receivable.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Description	Useful lives
Refining assets	
Buildings	10 - 40
Machinery and equipment	10 - 25
Marketing and distribution assets	
Buildings	10 - 50
Machinery and equipment	5 - 15
Other Assets	5 - 10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other income/expenses' in the Interim Condensed Consolidated Statement of Comprehensive Income.

2.16. Oil and Gas properties

(a) Exploration and evaluation expenditure

The Group follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a 'field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

(b) Development costs of fixed and intangible assets

Development costs are incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proved reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within oil and gas assets according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortization are charged during development.

(c) Oil and gas production assets

Oil and gas production assets comprise exploration and evaluation tangible assets as well as development costs associated with the production of proved reserves.

(d) Depreciation/amortization

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) Impairment – exploration and evaluation assets

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

(f) Impairment – proved oil and gas properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.17. Capitalisation of Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

2.18. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property principally comprises petrol stations, business facilities and apartments rented out to current and former Group employees for a period exceeding one year.

Investment property is carried at fair value, representing open market value based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the Interim Condensed Consolidated Statement of Comprehensive Income, Profit or Loss as part of other income/expense.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.19. Share capital

The Company is registered as open joint stock company. Ordinary shares are classified as share capital.

2.20. Reserves

Reserves fully relate to the reserves established in the past in accordance with the previous Law on Enterprises. In accordance with this Law, the Company was required to allocate 5% of profits until the reserve equals the amount defined by Company's Act, and at least 10% of the share capital. In accordance with General Assembly Meeting Decision enacted on 18 June 2013 these reservas were credited to the retained earnings. Additionally, translation reserves are recorded in this line.

2.21. Earnings per share

The Group calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Group, by the weighted average number of ordinary shares issued during the period.

2.22. Provisions

Provisions for environmental restoration, asset retirement obligation, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial expense and charged to Interim Condensed Consolidate Statement of Comprehensive Income.

2.23. Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Interim Condensed Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Group operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Interim Condensed Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24. Employee benefits

(a) Pension obligations

The Group operates a defined contribution pension plan. The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee benefits provided by Collective Labour Agreement

The Group provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.25. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the Group's shareholders.

2.26. Leases

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's Interim Condensed Consolidated Statement of Financial Position. The total lease payments are charged to profit or loss on a straight-line basis over the lease term.

2.27. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of crude oil and gas, as well as petroleum products, materials, goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, excise duty, returns, rebates and discounts after eliminating sales witnin the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales - wholesale

The Group manufactures and sells oil, petrochemical products and liquefied natural gas in the wholesale market. Sales of goods are recognised when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 90 days for state owned companies and 60 days for other companies, which is consistent with the market practice.

(b) Sales– retail

The Group operates a chain of Petrol Stations. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash, fuel coupons or by credit card.

(c) Sales of services

The Group sells oil engineering services. These services are provided on a time and material basis or as a fixed price contract, with contract terms generally accepted in the industry.

Revenue from time and material contracts, typically from delivering engineering services, is recognised under the percentage of completion method. Revenue is generally recognized at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours determined as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of, and direct expenses are incurred as, a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering engineering services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Income from work performed by the Group and capitalized

Income from work performed by the Group and capitalised relates to the capitalisation of costs of own products and services.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.28. Transportation expenses

Transportation expenses recognised in profit and loss represent expenses incurred to transport crude oil and oil products through the pipeline network, costs incurred to transport crude oil and oil products by maritime vessel and railway and all other shipping and handling costs.

2.29. Maintenance and Repair

Costs for maintenance and repair that do not represent significant improvements are expensed when incurred.

Costs of turnarounds and preventive maintenance performed with respect to oil refining assets are expensed when incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Preparing financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experiences and other factors that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Group's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

Judgments and estimates that have the most significant effect on the amounts reported in these Interim Condensed Consolidated Financial Statements and have a risk of causing a material adjustment to the carrying amount of assets and liabilities are described below.

3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. The Group estimates its oil and gas reserves in accordance with rules promulgated by the US Securities and Exchange Commission (SEC) for proved reserves. Accounting measures such as depreciation, depletion and amortization charges and impairment assessments that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the Interim Condensed Consolidated Financial Statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

3.2. Useful Lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

3.3. Impairment of Non-Derivative Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

3.4. Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Group takes into consideration the interest rates of high-quality corporate bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

3.5. Decommissioning Obligations

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

3.6. Contingencies

Certain conditions may exist as of the reporting date are issued that may result in a loss to the Group, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's Interim Condensed Consolidated Financial Statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 23).

3.7. Financial crisis

The Republic of Serbia displays certain characteristics of an emerging market. The tax, currency and customs legislation is subject to varying interpretations which contribute to the challenges faced by companies operating in Serbia.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Serbian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

The future economic development of the Republic of Serbia is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

Impact on liquidity:

The volume of wholesale financing has significantly reduced since September 2008. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Impact on customers/ borrowers:

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers (or borrowers) may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

Risk management is carried out by the finance department within the Company’s Function for Economics, Finance and Accounting (further “FEPA”) under policies approved by the Board of Directors. The Company’s finance department identifies and evaluates financial risks in close co-operation with the Group’s operating units.

In the normal course of its operations the Group has exposure to the following financial risks:

a) market risk (including foreign exchange risk, interest rate risk and commodity price risk);
b) credit risk; and
c) liquidity risk.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to manage its foreign exchange risk against its functional currency. In order to manage its foreign exchange risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made.

Commodity Price risk

The Group’s primary activity expose it to the following commodity price risks: crude oil and oil derivatives price levels which affect the value of inventory; and refining margins which in turn affect the future cash flows of the business.

In the case of price risk, the level of exposure is determined by the amount of priced inventory carried at the end of the reporting period. In periods of sharp price decline, as the Group policy is to report its inventory at the lower of historic cost and net realisable value, the results are affected by the reduction in the carrying value of the inventory. The extent of the exposure relates directly to the level of stocks and the rate of price decrease.

Cash flow and fair value interest rate risk

As at 30 September 2013 the Group had significant amounts of cash and cash equivalents. The cash was deposited only in banks with which the Group has passive business relationships i.e. loans and credit/documentary lines. Also, RSD and foreign currency fixed term deposits are short term (up to 60 days) and bear fixed interest rates. Based on the above information, the Group's revenues and cash flows are to a great extent independent of changes in market interest rates on fixed term deposits, although the interest rates that the Group can achieve in the market to a great extent depend on the level of basic interest rates at the time when cash has been deposited (Belibor / NBS key policy rate).

Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk, whilst borrowings issued at fixed rates expose the Group to fair value interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR) has a proportionate impact on the Group's results.

Credit risk

Credit risk is managed on the Group's level basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Banks are rated only in the case of collateralised receivables on various grounds, as well as based on the banks total exposure to the Group. For domestic banks, only the second criterion is applied. Sales to retail customers are settled in cash or using credit cards.

The Group has provided for receivables from customers who have exceeded their credit limits or are undergoing liquidity problems.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Group's level. The FEPA monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Group over and above balance required for working capital management are invested as surplus cash in time deposits.

4.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Group level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, other finance income (expenses) net, other non-operating income (expenses).

The Group’s net debt to EBITDA ratios at the end of the reporting periods were as follows:

	Nine month period ended 30 September	
	2013	**2012**
Long-term debt	72,344,179	81,383,810
Short-term debt and current portion of long-term debt	20,253,657	9,630,880
Less: cash and cash equivalents	(7,076,488)	(12,069,897)
Net debt	85,521,348	78,944,793
EBITDA	47,657,985	47,267,116
Net debt to EBITDA	**1.79**	**1.67**

4.3. Fair value estimation

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

5. SEGMENT INFORMATION

Presented below is information about the Group’s operating segments for nine month period ended 30 September 2013 and 2012. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Group’s EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Group's ongoing operating activities, as it reflects the Group's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, other finance income (expenses) net, other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the nine month period ended 30 September 2013 are shown in the table below:

	Upstream	**Downstream**	**Eliminations**	**Total**
Segment revenue	67,815,567	180,934,850	(63,787,650)	184,962,767
Intersegment	63,652,547	135,103	(63,787,650)	-
External	4,163,020	180,799,747	-	184,962,767
EBITDA (Segment results)	58,534,397	(10,876,412)	-	47,657,985
Depreciation, depletion and amortization	(2,479,932)	(5,558,804)	-	(8,038,736)
Impairment losses	(108)	(11,690)	-	(11,798)
Other finance expenses, net	(234,673)	(2,089,669)	-	(2,324,342)
Income tax	(710,976)	(4,789,060)	-	(5,500,036)
Segment profit (loss)	**54,436,317**	**(22,702,679)**		**31,733,638**

Reportable segments results for the nine month period ended 30 September 2012 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	73,848,255	155,100,776	(66,684,278)	162,264,753
Intersegment	66,463,418	220,860	(66,684,278)	-
External	7,384,837	154,879,916	-	162,264,753
EBITDA (Segment results)	65,099,208	(17,832,092)	-	47,267,116
Depreciation, depletion and amortization	(2,165,496)	(2,807,001)	-	(4,972,497)
Impairment losses	(19,627)	(119,370)	-	(138,997)
Other finance expenses, net	(240,786)	(362,768)	-	(603,554)
Income tax	(430,768)	(1,546,790)	-	(1,977,558)
Segment profit (loss)	**61,859,038**	**(31,080,747)**	**-**	**30,778,291**

EBITDA for the nine month period ended 30 September 2013 and 2012 is reconciled below:

	Nine month period ended 30 September	
	2013	2012
Profit for the period	31,733,638	30,778,291
Income tax expenses	5,500,036	1,977,558
Other finance expenses	2,648,688	1,532,304
Other finance income	(324,346)	(928,750)
Depreciation, depletion and amortization	8,038,736	4,972,497
Net foreign exchange loss	(753,285)	8,569,344
Other expense (income), net	1,076,601	(392,716)
Other non-operating (income) expense, net*	(262,083)	758,588
EBITDA	**47,657,985**	**47,267,116**

*Other non-operating expenses, net mainly relate to finance expenses on decommissioning provision, reversal of litigation provisions and other.

Oil, gas and petroleum products sales comprise the following (based on the country of customer incorporation):

	Nine month period ended 30 September 2013		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	3,548,453	3,548,453
Sale of gas	2,738,764	-	2,738,764
Through a retail network	-	-	-
Wholesale activities	2,738,764	-	2,738,764
Sale of petroleum products	147,675,011	27,396,577	175,071,588
Through a retail network	46,549,522	-	46,549,522
Wholesale activities	101,125,489	27,396,577	128,522,066
Other sales	3,597,823	6,139	3,603,962
Total Sales	**154,011,598**	**30,951,169**	**184,962,767**

	Nine month period ended 30 September 2012		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	2,914,185	2,914,185
Sale of gas	13,272,540	-	13,272,540
Through a retail network	-	-	-
Wholesale activities	13,272,540	-	13,272,540
Sale of petroleum products	129,972,229	13,152,330	143,124,559
Through a retail network	41,327,316	-	41,327,316
Wholesale activities	88,644,913	13,152,330	101,797,243
Other sales	2,628,686	324,783	2,953,469
Total Sales	**145,873,455**	**16,391,298**	**162,264,753**

Revenues amounting to 25,374,764 RSD (2012: 6,674,057 RSD) are derived from a single domestic customer HIP Petrohemija (note 25). These revenues are attributable to wholesale activities within Downstream segment.

6. CASH AND CASH EQUIVALENTS

	30 September 2013	31 December 2012
Cash in bank and in hand	5,268,967	8,232,783
Deposits with original maturity of less than three months	154,506	1,151,718
Cash held on escrow account	1,650,153	2,682,021
Cash equivalents	2,862	3,375
	7,076,488	**12,069,897**

7. TRADE AND OTHER RECEIVABLES

	30 September 2013	31 December 2012
Trade receivables:		
- related parties	-	4,960
- third parties	72,091,277	61,046,135
	72,091,277	61,051,095
Accrued assets	1,264,526	2,272,765
Other receivables	9,820,029	7,799,629
	83,175,832	71,123,489
Less impairment provision	(29,039,797)	(27,180,822)
Total trade and other receivables	**54,136,035**	**43,942,667**

The ageing of trade receivables is as follows:

	30 September 2013	31 December 2012
Up to 3 months	38,317,758	30,118,327
Over 3 months	33,773,519	30,932,768
	72,091,277	**61,051,095**

Trade receivables as at 30 September 2013 amounting to 33,773,519 RSD that are more than 90 days overdue are considered as impaired, except for receivables of 12,639,164 RSD (31 December 2012: 9,622,375 RSD) from a number of independent customers for whom management believes that will make payments in the near futures or for whom there is no recent history of default.

As at 30 September 2013 trade receivables of 21,214,757 RSD (31 December 2012: 21,360,758 RSD) were assessed as uncollectable and fully provided for. The ageing of receivables provided for is as follows:

	30 September 2013	31 December 2012
Up to 3 months	80,402	50,365
Over 3 months	21,134,355	21,310,393
	21,214,757	**21,360,758**

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

	30 September 2013	31 December 2012
RSD	70,712,847	59,944,899
EUR	10,060,054	7,890,832
USD	2,271,862	3,265,717
Other	131,069	22,041
	83,175,832	**71,123,489**

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

	Trade receivables	Other receivables	Total
As at 1 January 2012	13,463,449	2,994,249	16,457,698
Provision for receivables impairment (note 20)	8,658,387	-	8,658,387
Unused amounts reversed (note 20)	(403,267)	(22,570)	(425,837)
Transfer from non-current to current part	-	1,591,471	1,591,471
Other	(186,872)	672,683	485,811
As at 30 September 2012	**21,531,697**	**5,235,833**	**26,767,530**
As at 1 January 2013	21,360,758	5,820,064	27,180,822
Provision for receivables impairment (note 20)	554,563	-	554,563
Unused amounts reversed (note 20)	(757,345)	-	(757,345)
Transfer from non-current to current part	-	1,591,471	1,591,471
Other	56,781	413,505	470,286
As at 30 September 2013	**21,214,757**	**7,825,040**	**29,039,797**

Expenses that have been provided for or written off are included in selling, general and administrative expenses within the Interim Condensed Consolidated Statement of Comprehensive Income. The amounts charged to provision for impairment are written off when their collection is not expected.

8. INVENTORIES

	30 September 2013	31 December 2012
Crude oil	18,700,435	24,064,015
Gas	130,102	-
Petroleum products	15,647,112	17,490,538
Materials and supplies	7,824,114	7,989,640
Other	769,997	1,745,061
Less impairment provision	(7,343,529)	(7,394,952)
	35,728,231	**43,894,302**

9. OTHER CURRENT ASSETS

	30 September 2013	31 December 2012
Advances paid	1,200,623	1,220,357
VAT receivables	1,164,992	819,129
Deferred VAT	1,607,239	3,925,769
Prepaid expenses	226,046	100,557
Prepaid custom duties	63,790	54,310
Prepaid excise	1,314,164	1,419,092
Other current assets	17,771,216	13,552,712
Less impairment provision	(17,225,732)	(13,566,980)
	6,122,338	**7,524,946**

Deferred VAT as at 30 September 2013 amounting to 1,607,239 RSD represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 30 September 2013 amounting to 1,314,164 RSD (31 December 2012: 1,419,092 RSD) relates to the excise paid to the state for finished products stored in non-excise warehouse.

Movements on the Group's provision for impairment of other current assets are as follows:

	Advances paid	Other current assets	Total
As at 1 January 2012	379,688	12,183,500	12,563,188
Provision for other current assets impairment (note 20)	3,685	758,466	762,151
Unused amounts reversed (note 20)	(9,303)	(466,201)	(475,504)
Other	-	(81,554)	(81,554)
As at 30 September 2012	**374,070**	**12,394,211**	**12,768,281**
As at 1 January 2013	373,071	13,193,909	13,566,980
Provision for other current assets impairment (note 20)	12,460	3,778,140	3,790,600
Unused amounts reversed (note 20)	(2,492)	(116,050)	(118,542)
Other	-	(13,306)	(13,306)
As at 30 September 2013	**383,039**	**16,842,693**	**17,225,732**

10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
As at 1 January 2012						
Cost	48,744,990	47,644,386	26,044,400	14,628,920	46,747,622	183,810,318
Depreciation and impairment	(18,552,532)	(23,301,793)	(12,787,656)	(5,737,007)	(2,982,674)	(63,361,662)
Net book value	**30,192,458**	**24,342,593**	**13,256,744**	**8,891,913**	**43,764,948**	**120,448,656**
Period ended 30 September 2012						
Additions	6,076,159	4,628,085	3,236,025	146,369	20,526,419	34,613,057
Acquisitions through business combinations	-	-	-	-	1,847,594	1,847,594
Impairment	(19,627)	(5,167)	(45,519)	(1,601)	(22,239)	(94,153)
Depreciation	(2,139,309)	(1,446,440)	(569,256)	(309,259)	(2,369)	(4,466,633)
Transfer to investment property	-	-	(45,731)	-	-	(45,731)
Transfer from assets classified as held for sale	-	-	-	-	162,926	162,926
Disposals and write-offs	(105,204)	(1,416)	(1,449)	(3,108)	(659,371)	(770,548)
Other transfers	1,998,100	(1,246,271)	(327,896)	853,842	(1,306,010)	(28,235)
Translation differences	27,308	-	60,679	485	27,457	115,929
	36,029,885	**26,271,384**	**15,563,597**	**9,578,641**	**64,339,355**	**151,782,862**
As at 30 September 2012						
Cost	57,257,977	49,877,576	29,235,242	15,978,275	67,668,609	220,017,679
Depreciation and impairment	(21,228,092)	(23,606,192)	(13,671,645)	(6,399,634)	(3,329,254)	(68,234,817)
Net book value	**36,029,885**	**26,271,384**	**15,563,597**	**9,578,641**	**64,339,355**	**151,782,862**
As at 1 January 2013						
Cost	57,601,104	96,895,806	33,016,407	18,926,624	23,573,891	230,013,832
Depreciation and impairment	(20,474,513)	(23,887,053)	(13,125,313)	(8,285,523)	(4,319,865)	(70,092,267)
Net book value	**37,126,591**	**73,008,753**	**19,891,094**	**10,641,101**	**19,254,026**	**159,921,565**
Period ended 30 September 2013						
Additions	10,737,051	10,088,829	5,689,888	947,268	3,624,928	31,087,964
Acquisitions through business combinations	-	-	3,815,388	-	257,771	4,073,159
Impairment	-	-	(8,341)	-	(932)	(9,273)
Depreciation	(2,248,308)	(3,654,588)	(1,011,449)	(501,540)	(3,029)	(7,418,914)
Transfer to investment property	-	-	(1,195)	(2,455)	(4,810)	(8,460)
Disposals and write-offs	(1,619)	(299)	(253,787)	(12,687)	(953,002)	(1,221,394)
Other transfers	(58,286)	(10,132)	6,686	5,847	(51,879)	(107,764)
Translation differences	16,712	-	182,325	(4,862)	10,499	204,674
	45,572,141	**79,432,563**	**28,310,609**	**11,072,672**	**22,133,572**	**186,521,557**
As at 30 September 2013						
Cost	62,102,041	106,418,740	42,200,499	19,068,671	26,442,079	256,232,030
Depreciation and impairment	(16,529,900)	(26,986,177)	(13,889,890)	(7,995,999)	(4,308,507)	(69,710,473)
Net book value	**45,572,141**	**79,432,563**	**28,310,609**	**11,072,672**	**22,133,572**	**186,521,557**

In the nine month period ended 30 September 2013, in accordance with revised IAS 23 'Borrowing Costs', the Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to 68,895 RSD (2012: 1,487,222 RSD).

Oil and gas production assets

Oil and gas production assets comprise aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves.

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2012						
Cost	2,320,886	3,455,790	5,776,676	48,208,255	129,810	54,114,741
Depreciation and impairment	(731)	(299,997)	(300,728)	(18,287,618)	(114,755)	(18,703,101)
Net book amount	**2,320,155**	**3,155,793**	**5,475,948**	**29,920,637**	**15,055**	**35,411,640**
Period ended 30 September 2012						
Additions	2,419,761	4,887,082	7,306,843	252	-	7,307,095
Transfer to assets other than O&G	-	(24,353)	(24,353)	-	-	(24,353)
Transfer from asset under construction	19,275	(4,731,533)	(4,712,258)	4,712,258	-	-
Other transfers	222,177	519,141	741,318	372.208	(296)	1.113.230
Impairment	-	-	-	(19,627)	-	(19,627)
Depreciation and depletion	(2,369)	-	(2,369)	(2,139,175)	(270)	(2,141,814)
Disposals and write-offs	(714,755)	(19,094)	(733,849)	-	-	(733.849)
Translation differences	34,308	-	34,308	240	-	34,548
	4,298,552	**3,787,036**	**8,085,588**	**32,846,793**	**14,489**	**40,946,870**
As at 30 September 2012						
Cost	4,308,469	4,084,548	8,393,017	53,831,801	125,031	62,349,849
Depreciation and impairment	(9,917)	(297,512)	(307,429)	(20,985,008)	(110,542)	(21,402,979)
Net book amount	**4,298,552**	**3,787,036**	**8,085,588**	**32,846,793**	**14,489**	**40,946,870**
As at 1 January 2013						
Cost	6,354,587	5,315,398	11,669,985	53,371,094	123,953	65,165,032
Depreciation and impairment	(3,973)	(304,214)	(308,187)	(20,461,490)	(110,641)	(20,880,318)
Net book amount	**6,350,614**	**5,011,184**	**11,361,798**	**32,909,604**	**13,312**	**44,284,714**
Period ended 30 September 2013						
Additions	5,367,659	11,222,678	16,590,337	-	-	16,590,337
Transfer to assets other than O&G	671	(6,162)	(5,491)	(699,233)	-	(704,724)
Transfer from asset under construction	(50,904)	(8,534,940)	(8,585,844)	8,585,826	18	-
Other transfers	(3)	(17,466)	(17,469)	5.548	(46)	(11.967)
Depreciation and depletion	(2,362)	-	(2,362)	(2,247,735)	-	(2,250,097)
Disposals and write-offs	(704,773)	(10,230)	(715,003)	-	-	(715.003)
Translation differences	26,539	-	26,539	19	-	26,558
	10,987,441	**7,665,064**	**18,652,505**	**38,554,029**	**13,284**	**57,219,818**
As at 30 September 2013						
Cost	10,994,417	7,968,228	18,962,645	55,075,809	122,115	74,160,569
Depreciation and impairment	(6,976)	(303,164)	(310,140)	(16,521,780)	(108,831)	(16,940,751)
Net book amount	**10,987,441**	**7,665,064**	**18,652,505**	**38,554,029**	**13,284**	**57,219,818**

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Licenses, other than related to O&G activity	Software	IA under development	Other IA	Total
As at 1 January 2012						
Cost	440,874	661,396	4,693,975	413,952	67,769	6,277,966
Amortization and impairment	-	(173,380)	(1,183,366)	(142,279)	(50,019)	(1,549,044)
Net book value	**440,874**	**488,016**	**3,510,609**	**271,673**	**17,750**	**4,728,922**
Period ended 30 September 2012						
Additions	-	46,206	78,898	209,226	-	334,330
Acquisitions through business combinations	835,721	-	-	-	-	835,721
Impairment	-	-	-	(43,867)	-	(43,867)
Amortization	-	(59,836)	(441,530)	-	(4,498)	(505,864)
Disposals	-	-	-	(187)	-	(187)
Other transfers	-	(4,410)	(877)	(27,339)	2,346	(30,280)
Translation differences	34,131	(3)	-	-	19	34,147
	1,310,726	**469,973**	**3,147,100**	**409,506**	**15,617**	**5,352,922**
As at 30 September 2012						
Cost	1,310,726	707,600	4,754,443	638,244	86,237	7,497,250
Amortization and impairment	-	(237,627)	(1,607,343)	(228,738)	(70,620)	(2,144,328)
Net book value	**1,310,726**	**469,973**	**3,147,100**	**409,506**	**15,617**	**5,352,922**
As at 1 January 2013						
Cost	1,464,062	829,812	4,856,080	429,983	334,398	7,914,335
Amortization and impairment	-	(261,788)	(1,779,197)	(206,029)	(52,362)	(2,299,376)
Net book value	**1,464,062**	**568,024**	**3,076,883**	**223,954**	**282,036**	**5,614,959**
Period ended 30 September 2013						
Additions	-	32,629	211,582	151,877	137,305	533,393
Acquisitions through business combinations	1,216,080	1,667	17,485	-	-	1,235,232
Amortization	-	(80,502)	(423,106)	-	(116,214)	(619,822)
Transfer from PPE	-	-	1,772	79,436	-	81,208
Disposals	-	-	-	(1,257)	-	(1,257)
Other transfers	-	(64,439)	7,503	3	47,490	(9,443)
Translation differences	17,815	27	336	-	(321)	17,857
	2,697,957	**457,406**	**2,892,455**	**454,013**	**350,296**	**6,852,127**
As at 30 September 2013						
Cost	2,697,957	798,062	5,040,383	660,042	472,119	9,668,563
Amortization and impairment	-	(340,656)	(2,147,928)	(206,029)	(121,823)	(2,816,436)
Net book value	**2,697,957**	**457,406**	**2,892,455**	**454,013**	**350,296**	**6,852,127**

Goodwill acquired through business combinations has been allocated to Downstream (as at 30 September 2013: 2,697,957 RSD and 31 December 2012: 1,464,062 RSD) related CGUs.

12. INVESTMENTS IN JOINT VENTURE

In 2013 the Group has acquired 50% of interest in a joint venture, Energowind doo which is intended to be used as a vehicle for operation of future wind farm ‘’Plandiste’’ with installation of 34 wind generator with total capacity of 102 MW. The control over Energowind is divided equally between Group and Wind Power Company Delaware, USA and Original Solution Corporation. On the date of the issuance of these Interim Condensed Consolidated Financial Statements there were no business activities. The carrying value of the investments as of 30 September 2013 is 1,008,221 RSD. They are included in the Interim Condensed Consolidated Statement of Financial Position.

There are no contingent liabilities relating to the Group’s interest in the joint venture, and no contingent liabilities of the venture itself.

13. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	30 September 2013	31 December 2012
Short-term loans	-	3,500,000
Interest liabilities	160,355	271,522
Other Short-term financial liabilities	257	525
Current portion of long-term loans (note 16)	20,062,165	5,822,689
Current portion of finance lease liabilities (note 16)	30,880	36,144
	20,253,657	**9,630,880**

14. TRADE AND OTHER PAYABLES

	30 September 2013	31 December 2012
Trade payables		
- related parties	25,791,257	25,475,054
- third parties	10,683,525	9,026,497
Dividends payable	3,772,308	3,772,308
Other accounts payable	70,885	71,999
	40,317,975	**38,345,858**

As at 30 September 2013 payables to related parties amounting to 25,791,257 RSD (31 December 2012: 25,475,054 RSD) mainly relate to liabilities to the supplier Gazprom Neft Trading, Austria in the amount of 15,960,330 RSD (31 December 2012: 25,464,826 RSD), mostly for the purchase of crude oil.

A dividend in respect of the year ended 31 December 2012 of 75.83 RSD per share, amounting to a total dividend of 12,364,129 RSD is approved by the General Assembly Meeting and settled during August 2013.

15. OTHER CURRENT LIABILITIES

	30 September 2013	31 December 2012
Advances received	1,013,827	962,634
Payables to employees	3,591,282	4,190,851
Accruals and deferred income	23,572	40,450
Other current non-financial liabilities	25,911	11,596
	4,654,592	**5,205,531**

16. LONG-TERM DEBT

	30 September 2013	31 December 2012
Long-term loans - Gazprom Neft	51,971,763	55,536,845
Bank loans	40,403,103	31,634,169
Finance lease liabilities	30,880	57,626
Other long-term borrowings	31,478	14,003
Less Current portion	(20,093,045)	(5,858,833)
	72,344,179	**81,383,810**

(a) Long-term loans - Gazprom Neft

As at 30 September 2013 long-term loans - Gazprom Neft amounting to 51,971,763 RSD (453,488,378 EUR), with current portion of 5,330,437 RSD, relate to borrowings from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares concluded on 24 December 2008. Under this agreement, Gazprom Neft shall grant loans for financing a 500 million EUR reconstruction and modernization of the technology complex programme which is finalized during 2012. The stated liabilities shall be settled in quarterly installments starting from December 2012 until 15 May 2023.

(b) Bank loans

	30 September 2013	31 December 2012
Domestic	12,311,376	14,627,940
Foreign	28,091,727	17,006,229
	40,403,103	31,634,169
Current portion of long-term loans	(14,731,728)	(533,466)
	25,671,375	**31,100,703**

The maturity of bank loans was as follows:

	30 September 2013	31 December 2012
Between 1 and 2 years	12,599,851	22,184,094
Between 2 and 5 years	7,178,320	2,405,694
Over 5 years	5,893,204	6,510,915
	25,671,375	**31,100,703**

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

	30 September 2013	31 December 2012
USD	30,642,972	19,607,409
EUR	9,083,086	9,269,068
RSD	280,872	2,281,108
JPY	396,173	476,584
	40,403,103	**31,634,169**

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

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

The carrying amounts of the Group's bank loans as at 30 September 2013 and 31 December 2012 are presented in the table below:

Creditor	Currency	30 September 2013	31 December 2012
Domestic long-term loans			
Erste bank, Novi Sad	USD	285,814	301,856
Erste bank, Novi Sad	EUR	454,750	469,403
Bank Postanska stedionica, Belgrade	EUR	225,267	236,111
Bank Postanska stedionica, Belgrade	USD	1,558,675	1,670,920
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	4,582,616	4,670,317
Vojvodjanska bank, Novi Sad	RSD	-	1,000,000
UniCredit bank, Belgrade	USD	4,923,382	4,998,225
UniCredit bank, Belgrade	RSD	278,900	1,278,900
Other loans	RSD	1,972	2,208
		12,311,376	**14,627,940**
Foreign long-term loans			
NLB Nova Ljubljanska bank d.d., Slovenia	USD	531,478	565,419
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	396,173	476,584
Erste bank, Holland	EUR	3,438,132	3,411,549
Erste bank, Holland	USD	5,517,584	-
VUB (Bank Intesa), Slovakia	USD	8,488,590	8,617,630
NBG bank, Great Britain	USD	4,244,295	6,307
NBG bank, Great Britain	EUR	-	102,324
Alpha bank, Great Britain	USD	3,395,436	1,723,526
Piraeus bank, Great Britain	USD	1,697,718	1,723,526
Neftegazovaja Inovacionnaja Korporacija, Russian Federation	EUR	382,321	379,364
		28,091,727	**17,006,229**
Less current portion of long-term loans		(14,731,728)	(533,466)
		25,671,375	**31,100,703**

		Current portion		Long-term	
	Currency	**30 September 2013**	**31 December 2012**	**30 September 2013**	**31 December 2012**
Domestic long - term loans					
Erste bank, Novi Sad	USD	13,346	11,881	272,468	289,975
Erste bank, Novi Sad	EUR	20,965	18,169	433,785	451,234
Bank Postanska stedionica, Belgrade	EUR	12,144	12,586	213,123	223,525
Bank Postanska stedionica, Belgrade	USD	83,765	88,550	1,474,910	1,582,370
Government of Republic of Serbia, Agency for deposit assurance (IBRD)	EUR	248,186	246,267	4,334,430	4,424,050
Vojvodjanska bank, Novi Sad	RSD	-	-	-	1,000,000
UniCredit bank, Belgrade	USD	679,087	-	4,244,295	4,998,225
UniCredit bank, Belgrade	RSD	-	-	278,900	1,278,900
Other loans	RSD	364	390	1,608	1,818
		1,057,857	377,843	11,253,519	14,250,097
Foreign long-term loans					
NLB Nova Ljubljanska bank d.d., Slovenia	USD	30,836	27,790	500,642	537,629
NLB Nova Ljubljanska bank d.d., Slovenia	JPY	18,595	19,202	377,578	457,382
Erste bank, Holland	EUR	3,438,132	-	-	3,411,549
Erste bank, Holland	USD	-	-	5,517,584	-
VUB (Bank Intesa), Slovakia	USD	8,488,590	-	-	8,617,630
NBG bank, Great Britain	USD	-	6,307	4,244,295	-
NBG bank, Great Britain	EUR	-	102,324	-	-
Alpha bank, Great Britain	USD	-	-	3,395,436	1,723,526
Piraeus bank, Great Britain	USD	1,697,718	-	-	1,723,526
Neftegazovaja Inovacionnaja Korporacija, Russian Federation	EUR	-	-	382,321	379,364
		13,673,871	155,623	14,417,856	16,850,606
		14,731,728	**533,466**	**25,671,375**	**31,100,703**

17. SHARE CAPITAL

Share capital represents share capital of the Company, which is listed on Belgrade Stock Exchange. Par value per share is 500 RSD.

Share capital as of 30 September 2013 and 31 December 2012 comprise of 163,060,400 shares.

18. PURCHASES OF OIL, GAS AND PETROLEUM PRODUCTS

	Nine month period ended 30 September	
	2013	2012
Crude oil	86,958,898	51,158,719
Petroleum products	13,583,076	24,988,709
Other	506,689	-
	101,048,663	**76,147,428**

19. PRODUCTION AND MANUFACTURING EXPENSES

	Nine month period ended 30 September	
	2013	2012
Employee costs	5,825,105	5,774,661
Materials and supplies (other than purchased oil, petroleum products and gas)	1,204,996	791,259
Repair and maintenance services	1,244,102	1,046,561
Electricity and utilities	1,163,944	684,556
Safety and security expense	113,016	112,493
Transportation expense	467,387	297,553
Other	626,127	1,112,579
	10,644,677	**9,819,662**

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine month period ended 30 September	
	2013	2012
Employee costs	11,380,629	10,302,541
Charitable contributions	160,816	128,622
Legal, audit, and consulting services	1,015,933	587,716
Rent expense	273,965	184,005
Business trips expense	331,460	361,554
Safety and security expense	298,038	303,005
Insurance expense	196,458	138,372
Transportation and storage	331,880	517,209
Allowance for doubtful accounts	3,469,276	8,519,197
Other	1,477,787	1,951,585
	18,936,242	**22,993,806**

21. PERSONNEL COSTS

	Nine month period ended 30 September	
	2013	2012
Wages and salaries	12,574,062	12,956,443
Employee benefits	728,988	1,251,162
Other costs	3,902,684	1,869,597
Total employee costs	17,205,734	16,077,202
Social security contributions (social taxes)	1,950,220	2,073,623
	19,155,954	**18,150,825**

22. BUSINESS COMBINATIONS

Acquisition of petrol stations

In 2013, as a part of regional expansion the Group has acquired 3 petrol stations (PS), one in Bulgaria and two in Romania. As a result of the acquisitions, the Group is expected to further increase its presence in these markets.

Name of acquiree	Date of acquisition	Percentage of equity interests acquired
Bulgaria		
PS Lovech	07/03/2013	100%
Romania		
PS Arad	26/04/2013	100%
PS Ovidiu SA	30/07/2013	100%

The following table summarises the consideration paid for acquired PS in the nine month period ended 30 September 2013, the fair value of assets acquired and liabilities assumed.

	Nine month period ended 30 September 2013		
	Bulgaria	**Romania**	**Total**
Purchase consideration:			
Cash paid	122,626	189,810	312,436
Additional consideration	2,839	-	2,839
Total purchase consideration	125,465	189,810	315,275
Fair value of net identifiable assets acquired (see below)	115,153	91,362	206,515
Goodwill	**10,312**	**98,448**	**108,760**
Amounts recognized as at acquisition date for each major class of assets acquired and liabilities assumed			
Property, plant and equipment	115,153	91,362	206,515
Net identifiable assets acquired	**115,153**	**91,362**	**206,515**

The acquisition agreements include only acquisition of properties of PS and do not contain any contingent consideration.

The following table summarises the consideration paid for acquired PS in the nine month period ended 30 September 2012, the fair value of assets acquired and liabilities assumed:

	Nine month period ended 30 September 2012			
	Bulgaria	**Romania**	**B&H**	**Total**
Purchase consideration:				
Cash paid	1,293,095	1,008,286	338,607	2,639,988
Additional consideration	33,864	-	958	34,822
Total purchase consideration	**1,326,959**	**1,008,286**	**339,565**	**2,674,810**
Fair value of net identifiable assets acquired (see below)	982,160	517,362	348,456	1,847,978
Goodwill	**344,799**	**490,924**	**-**	**835,723**
Gain on bargain purchase	**-**	**-**	**(8,891)**	**(8,891)**
Amounts recognized as at acquisition date for each major class of assets acquired and liabilities assumed				
Inventory	-	384	-	384
Property, plant and equipment	982,160	516,978	348,456	1,847,594
Net identifiable assets acquired	**982,160**	**517,362**	**348,456**	**1,847,978**

Acquistion of OMV BH

On 28 February 2013, the Group acquired 100% of the share capital and obtain control of OMV BH for 3,623,811 RSD, which operates thrue chain of 28 PS in Bosnia and Hercegovina. As a result of the acquisition, the Group is expected to increase it's presence in this market.

The following table summarises the consideration paid for OMV BH, the fair value of assets acquired and liabilities assumed at the acquisition date.

		As at the acquisition date (28 February 2013)
Assets		
	Current assets	1,048,327
	Property, plant and equipment	3,866,644
	Intangible assets other than goodwill	19,152
	Other non-current assets	66,912
	Total assets acquired	**5,001,035**
Liabilities		
	Current liabilities	(238,370)
	Non-current liabilities	(2,246,274)
	Total liabilities assumed	**(2,484,644)**
	Total identifiable net assets	**2,516,391**
	Consideration paid	3,623,811
	Goodwill	1,107,320

The fair value of assets was recognised based on provisional amounts on acquisition date in accordance with IFRS 3.

23. CONTINGENT LIABILITIES

Finance Guarantees

As at 30 September 2013 the total amount of outstanding guarantees given by the Group amounted to 3,135,869 RSD mostly related to customs duties in the amount of 1,600,000 RSD (31 December 2012: 2,403,960 RSD).

Other contingent liabilities

As at 30 September 2013, the Company did not make a provision for a potential loss that may arise based on the Angolan Ministry of Finance tax assessment according to which the Company has to pay the difference in tax calculation including interest of USD 81 million related to the additional profit oil for the period from 2002 to 2009. The Group's Management believes that, based on the concession agreements signed with Angola and an the opinion of Angolan legal consultants, such claim is not in accordance with the current applicable legal framework in Angola due to the fact that the calculation of profit oil is not performed correctly by the authorities and that profit Oil is an obligation of a contractual nature that should be fulfilled towards the National Concessionaire, as opposed to the opinion of the Ministry of Finance. The Group's Management will lodge a complaint against any tax enforcement action from the Angolan Ministry of Finance and will take all necessary steps which will enable it to suspend tax enforcement until Angolan courts make a final decision on this issue. Based on the experience of other concessionaries, the Angolan Court has not made any ruling yet regarding their complaints against the same decision of the Ministry of Finance that was served upon them, although complaints were filed three years ago. Taking all of the above into consideration, the Group's Management is of the view that as at 30 September 2013 outflow of resources embodying economic benefits is remote due to high level of uncertainty relating to the timing of the resolution of the request from the Angolan Ministry of Finance and the amount payable for additional tax on profit oil.

24. GROUP ENTITIES

The financial statements of below listed subsidiaries are consolidated as at 30 September 2013 and 31 December 2012:

Subsidiary	Country of incorporation	Share % 30 September 2013	Share % 31 December 2012
O Zone a.d., Belgrade	Serbia	100	100
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	100	100
NIS Petrol SRL, Bucharest	Romania	100	100
Pannon naftagas Kft, Budapest	Hungary	100	100
NIS Oversiz, Moscow	Russia	100	100
Naftagas-naftni servisi d.o.o., Novi Sad	Serbia	100	100
NTC NIS-Naftagas d.o.o., Novi Sad	Serbia	100	100
Naftagas-tehnicki servisi d.o.o., Zrenjanin	Serbia	100	100
Naftagas-Transport d.o.o., Novi Sad	Serbia	100	100
G Petrol d.o.o. Sarajevo (ex. OMV BH)	Bosnia and Herzegovina	100	-
Jadran - Naftagas d.o.o., Banja Luka	Bosnia and Herzegovina	66	66
Ranis, Moscow region	Russia	51	51
Jubos, Bor	Serbia	51	51
Svetlost, Bujanovac	Serbia	51	51

25. RELATED PARTY TRANSACTIONS

The majority owner of the Group is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest owned by various minority shareholders are traded on the Belgrade Stock Exchange and are owned by various shareholders. Gazprom, Russian Federation is the ultimate owner of the Group.

In the nine month period ended 30 September 2013 and in the same period in 2012, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, geophysical research and interpretation services.

As at 30 September 2013 and 31 December 2012 the outstanding balances with related parties were as follows:

	Joint venture	Parent	Entities under common control	Total
As at 30 September 2013				
Investments in joint venture	1,008,221	-	-	1,008,221
Other current assets	-	-	23	23
Trade and other payables	-	(9,660,642)	(16,130,615)	(25,791,257)
Other current liabilities	-	-	(4,336)	(4,336)
Short-term debt and current portion of long-term debt	-	(5,330,437)	-	(5,330,437)
Long-term debt		(46,641,326)	-	(46,641,326)
	1,008,221	**(61,632,405)**	**(16,134,928)**	**(76,759,112)**
As at 31 December 2012				
Trade and other receivables	-	-	4,960	4,960
Other current assets	-	-	20	20
Trade and other payables	-	-	(25,475,054)	(25,475,054)
Short-term debt and current portion of long-term debt	-	(5,404,426)	-	(5,404,426)
Long-term debt	-	(50,247,622)	-	(50,247,622)
	-	**(55,652,048)**	**(25,470,074)**	**(81,122,122)**

For the nine month period ended 30 September 2013 and 2012 the following transaction occurred with related parties:

	Joint venture	Parent	Entities under common control	Total
Nine month period ended 30 September 2013				
Petroleum products and oil and gas sales	-	-	85,602	85,602
Purchases of oil, gas and petroleum products	-	-	(77,668,797)	(77,668,797)
Production and manufacturing expenses	-	(3,879)	(14,741)	(18,620)
Selling, general and administrative expenses	-	(28,909)	-	(28,909)
Other expenses, net	-	(4,437)	(92,329)	(96,766)
Other finance expense	-	(921,464)	-	(921,464)
	-	**(958,689)**	**(77,690,265)**	**(78,648,954)**

	Joint venture	Parent	Entities under common control	Total
Nine month period ended 30 September 2012				
Petroleum products and oil and gas sales	-	-	82,273	82,273
Purchases of oil, gas and petroleum products	-	-	(43,523,410)	(43,523,410)
Production and manufacturing expenses	-	(3,148)	(10,300)	(13,448)
Selling, general and administrative expenses	-	(36,312)	-	(36,312)
Other expenses, net	-	(4,664)	(45,309)	(49,973)
Other finance expenses	-	(97,373)	-	(97,373)
	-	**(141,497)**	**(43,496,746)**	**(43,638,243)**

Main balances and transactions with state owned companies:

	30 September 2013	31 December 2012
Receivables		
HIP Petrohemija	11,727,290	7,307,595
Srbijagas	26,266,621	23,573,467
	37,993,911	30,881,062
Liabilities		
HIP Petrohemija	(1,204,320)	(561,438)
Srbijagas	(113,124)	(554,138)
	(1,317,444)	(1,115,576)
Advances received		
HIP Petrohemija	(6,772)	(7,743)
Srbijagas	(12,798)	(12,806)
	(19,570)	(20,549)

	Nine month period ended 30 September	
	2013	2012
Income from sales of goods		
HIP Petrohemija	25,374,764	6,674,057
Srbijagas	1,606,076	12,217,907
	26,980,840	18,891,964
Cost of purchased raw materials and services		
HIP Petrohemija	(30,317)	(113,494)
Srbijagas	(924,646)	(151,999)
	(954,963)	(265,493)

26. TAX RISKS

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 30 September 2013 .

27. COMMITMENTS

Farm-out agreement with East West Petroleum Corporation, Canada

In October 2011, the Group entered into a Farm-out agreement with East West Petroleum Corporation, Canada for exploration and production of hydrocarbons in the Timisoara region in Romania. Under the Contract, the Group shall finance 85% of total exploration costs on four blocks in the region. Depending on the success of exploration, the Group will be entitled to 85% of the total production volume of hydrocarbons. Moreover, under the Joint Operation Agreement signed with East West Petroleum Corporation, Canada, Group will act as the Operator and will be in charge of and shall conduct all Joint Operations. In December 2012 exploration licence for Block 2 was ratified by Romania Government. Exploration activities are underway. On 30 September 2013 drilling and exploration works for Block 2 were estimated to 15.5 USD million.

Farm-in agreement with RAG Hungary limited

In December 2011, the Group entered into a Farm-in agreement with RAG Hungary limited for exploration and production of hydrocarbons in the Kiskunhalas area in Hungary. Under the contract, the Group committed to finance 50% of total exploration costs on at least three oil wells in the area covered by the exploration license. Depending on success of the exploration, the Group will be entitled to 50% of total production volume of hydrocarbons. Under the Joint Operation Agreement signed with RAG Hungary Limited, RAG will act as the Operator and will be in charge of and shall conduct all Joint Operations. On 30 September 2013 drilling and exploration works were estimated to 1.9 USD million.

Call Option agreement with RAG Hungary limited

In December 2012, the Group entered into a Call Option agreement with RAG Hungary limited for exploration and production of hydrocarbons in the Kelebia area in Hungary. Under the agreement NIS has an option to become equal owner in a jointly owned company (JOC) together with Rag Hungary, Rag Kiha, which will hold the Kelebia Licence by becoming a 50 % quota holder in the JOC. On 30 September 2013 drilling and exploration works were estimated to 1.4 USD million.

Farm-out agreement with Zeta Petroleum S.R.L. Romania

In August 2012, the Group has entered into Farm-out agreement with Zeta Petroleum S.R.L Romania for exploration and production of hydrocarbons in Timis region in Romania. According to the Contract, the Group is committed to finance 51% of total exploration costs in the area covered by the exploration license. Depending on the success of exploration, the Group will be entitled to 51% of total production volume of hydrocarbons. Exploration activities are underway. On 30 September 2013 drilling and exploration works were estimated to 1.3 USD million.

Farm-out agreement with Moesia Oil and Gas PLC Ireland

In June 2012, the Group has entered into a Farm-out agreement with Moesia Oil and Gas PLC Ireland for exploration and production of hydrocarbons in Romania. According to the Contract, the Group is committed to finance sunk costs and 75% of total exploration costs of Phase 1 of the Programme. Depending on the success of exploration, the Group will be entitled to 50% of total production volume of hydrocarbons and committed to finance 50% of further exploration and production costs. Exploration activities were started in November 2012. On 30 September 2013 drilling and exploration works were estimated to 0.7 USD million.

Oil field service contract with Falcon Oil & Gas LTD

In January 2013, the Group entered into a Multi-well drilling exploration program with Falcon Oil & Gas Ltd. to target the shallower Algyö Formation in Hungary. Under the contract, the Group committed to drill three exploration wells targeting the shallow ‘Algyö Play’ reservoir covered by the Mako trough production license in the Pannonian Basin held by Falcon Oil & Gas limited, Hungary. Depending on success of the exploration, the Group will be entitled to 50% of any net production revenue from the three wells. On 30 September 2013 drilling and exploration works were estimated to 15.3 USD million.

28. EVENTS AFTER THE REPORTING DATE

No significant events, which required disclosure in these Interim Condensed Consolidated Financial Statements, occurred after the reporting date.

Subsequent events occurring after 30 September 2013 were evaluated through 25 October 2013, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

Novi Sad, 25 October 2013.

The person responsible for the preparation of Financial Statements	**Legal representative**
Branko Mitrovic	Kirill Kravchenko

STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING OF QUARTERLY REPORT

We hereby state that, to our best knowledge, the interim financial reports have been made by applying the International Financial Reporting Standards and that they show true and objective data on the assets, liabilities, profit and loss, financial position and business of the public company, including the subsidiaris included in consolidated financial statements.

Anton Fyodorov

CEO Deputy
Head of Function for Finance, Economics,
Planning and Accounting

NIS a.d. Novi Sad

Disclaimer

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

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

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

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

It is considered that by taking over and reviewing this document you are familiar with the above stated restrictions.