



According to Article 4 of the Rules on contents and manner of public companies' reporting and notification on holding of voting shares (Official Gazette of the RS, no. 100/2006, 116/2006 and 37/2009), NIS a.d. Novi Sad, publishes the following:

2010 ANNUAL BUSINESS REPORT

I. GENERAL DATA			
1.	Business name	Naftna industrija Srbije j.s.c. Novi Sad	
	Registered office and adress	Novi Sad, Narodnog fronta 12	
	Company identification number	20084693	
	Tax Identification number	104052135	
2.	Web site	www.nis.rs	
	E-mail address	office@nis.rs	
3.	Number and date of the Decision on entering into the Business Register	BD 92142 as of 29.09.2005.	
4.	Activity (code nad description)	0610 - exploitation of crude oil	
5.	Number of employees (on December 31, 2010)	10.041	
6.	Number of shareholders (on December 31, 2010)	4.186.620	
10 MAJOR SHAREHOLDERS			
7.	<u>Name and surname / Business name of a legal entity</u>	<u>Number of shares as of December 31, 2010</u>	<u>Share in the authorized capital as of December 31, 2010</u>
	Gazprom Neft	83.160.800	51,0000%
	Republic of Serbia	48.719.344	29,8781%
	Societe Generale Serbia – custody account	752.661	0,4616%
	BDD M&V Investments a.d.	223.202	0,1369%
	Unicredit Bank – custody account	220.000	0,1349%
	ZB Invest d.o.o.	201.871	0,1238%
	Societe Generale Serbia – custody account	190.330	0,1167%
	Hypo Kastodi 4	157.976	0,0969%
	Citadel financial advisory d.o.o.	103.503	0,0635%
Dunav Re a.d.	103.502	0,0635%	
8.	Value of the authorized capital as of December 31, 2010		
	87.128.024.000*		
*NOTE: Basic capital in the amount of RSD 87,128,024,000.00 is comprised of the share and the other capital. The value of the registered share capital in the amount of RSD 81,530,220,000, registered with the Business Registeres Agency is based on the assessment of the value of in kind contribution on 31 May 2005, that was made for the purpose of preparation of division balance and establishment of NIS a.d. Novi Sad by decision of the Government of the Republic of Serbia. Auditor of the financial statements for 2005 has determined that in the accountancy records of NIS a.d. Novi Sad the value of the share capital is higher for the amount of RSD 5,597,804,000 when compared to the amount registered with the Business Registers Agency. Upon order of the auditor this difference is presented as the other capital. In 2009, the amount of RSD 20,000 is moved to the position Other capital in order to bring into line position between the value of the share capital registered with the Central Registry (RSD 81,530,200,000) and the value in the business records (RSD 81,530,220,000) which is shown in the statement for 2009 as the changes in the capital. Therefore, on 31.12.2010. share capital amounts to RSD 81,530,200,000, and the other capital amounts to RSD 5,597,824,000.			
9.	Number of issued shares (ordinary)	163.060.400	
	Number of issued shares (preference)	/	
	ISIN number	ESVUFR	
	CFI code	RSNISHE79420	
DATA ON SUBSIDIARIES (up to five major entites being consolidated)			
10.	<u>Business name</u>	<u>Registered office and adress</u>	
	O Zone a.d. Belgrade	Marsala Birjuzova 3-5, Belgrade, Serbia	
	NIS-OIL Trading GmbH, Frankfurt am Main (The company is undergoing liquidation procedure on the basis of the founder's decision issued in 2010)	Mendelssohnstr. 59, Frankfurt, Germany	
	OOO „NIS OVERSIZ“, Moscow, Russian Federation	Bolsoi Golovin pereulok d. 12, Moscow, Russian Federation	
	„Jadran - Naftagas“ d.o.o. Banja Luka	Ivana Franje Jukica 7, Banja Luka, Bosnia and Herzegovina	
	NIS-SVETLOST BUJANOVAC	Industrijska zona bb, Bujanovac Srbija	



	OOO „SP Ranis“, Moscow area JUBOS d.o.o. Bor	Moscow area, Chernogolovka Russian Federation Djorda Vajferta 29, Bor, Serbia
11.	Business name, registered office and business address of an Audit firm that performed the audit of the latest financial report.	PricewaterhouseCoopers d.o.o. Omladinskih brigada 88a Belgrade, Serbia
12.	Business name of an organized market that includes trading of the shares	Belgrade Stock Exchange Omladinskih brigada 88a Belgrade, Serbia

II. DATA ON COMPANY MANAGEMENT		
MEMBERS OF THE MANAGEMENT (as of December 31, 2010)		
1.	Name, domicile adress	Education, current employment (company name and job position), membership to BoD and SB of other companies
	Chairman BoD, Yakovlev Vadim Vladislavovich	<u>Deputy Chairman of Executive Board, First Deputy CEO-CFO in JSC Gazprom Neft</u> *The Moscow Institute of Engineering-Physics (applied nuclear physics); Finance College of the International University of Moscow. *Vice President of the Executive Board „Gazprom Neft“ , GM Deputy for Economy and Finances; *Membership to BoD and SB of other companies: - NGK “Slavneft” -“MNGK” -Sibir Energy plc, -“Jamal development” - “Gazpromneft – Nojabrsknjeftegasv”
	Member of BoD, Kirill Kravchenko	<u>Member of Executive Board, Deputy CEO for Foreign Assets Management in JSC Gazprom Neft</u> *State University of Moscow M.B. Lomonosov (Sociology); he studied at British Open University (financial management) and IMD school of business. He has PhD in economic sciences and he is a professor. *Member of Executive Board of "Gazprom Neft", GM Deputy for Management of Foreign Activities „Gazprom Neft“ * Membership to BoD and SB of other companies: - MB President of associated company NIS a.d. Novi Sad, “O Zone” a.d. Beograd
	Member of BoD, Krilov Alexandar Vladimirovich	<u>Director of Division for regional sales in JSC Gazprom Neft</u> *LMU (Leningrad), Law Faculty SpbGU, Moscow international business school «MIRBIS» MBA, specialty: „Strategic management and entrepreneurship“ *Manager of Department for oil derivatives supply, Manager of Department for regional sales, and Director of Department for regional sales in „Gazprom neft“. *Membership to BoD and SB of other companies: - "Gazprom neft Kuzbass", - "Gazprom neft Novosibirsk", - "Gazprom neft Omsk", - "Gazprom neft Tumen", - "Gazprom neft Ural", - "Gazprom neft Jaroslavlje", - "Gazprom neft - North-West", - "Gazprom neft Asia" - "Gazprom neft Tadzikistan", - "Gazprom neft Kazahstan"
	Member of BoD, Barishnikov Vladislav Valeryevich	<u>Member of Executive Board, Deputy CEO for International Business Development in JSC Gazprom Neft</u> *Military Institute of Krasnozamsk; North/west Academy of state service at President of Russian Federation (department „State and Municipal Administration“) *GM Deputy, OAD „Gazprom Neft“ for development of international business; state consultant of Russian Federation of the 3rd category.
	Member of BoD, Cherner Anatoly	<u>Deputy Chairman of Executive Board, Deputy CEO for Logistics, Processing and Sales in JSC Gazprom Neft</u>



Moyseyevich	<p>*Petroleum Institute of Grozensk (chemical processing of oil and gas)</p> <p>*Vice President of the Executive Board „Gazprom Neft“; GM Deputy for logistics, processing and trade „Gazprom Neft“;</p> <p>*Membership to BoD and SB of other companies:</p> <ul style="list-style-type: none"> -NGK „Slavneft“; - „Gazprom neft-ONPZ“; - „Gazprom neft-Janos“; - „Moskow NPZ“; - „Gazprom neft-Aero“; - „Sankt Peterburg International commodities exchange“
Member of BoD, Igor Antonov Konstantinovich	<p><u>Deputy CEO for Corporate Security in JSC Gazprom Neft</u></p> <p>*St. Petersburg Institute for Production of Airspace Devices</p> <p>*GM Deputy for safety issues in „Gazprom Neft“;</p>
Member of BoD, Dušan Petrović	<p><u>Vice President of Democracy Party</u></p> <p>*Belgrade Law Faculty</p> <p>*President Deputy of Democracy Party ;</p>
Member of BoD, Nikola Martinović	<p><u>Member of NIS a.d. Novi Sad Board of Directors</u></p> <p>*Faculty of Economics in Subotica;</p> <p>*Special Consultant in NIS a.d.</p>
Member of BoD, Danica Drašković	<p><u>Member of NIS a.d. Novi Sad Board of Directors</u></p> <p>*Belgrade Law Faculty</p> <p>*Director of publishing company „Srpska Reč“;</p>
Member of BoD, Šekšnja Stanislav	<p><u>Senior Partner of the company Ward Howell. Professor of the entrepreneur leadership of the international business school INSEAD</u></p> <p>*MBA, Northeastern University, Boston, USA</p> <p>*Director of „Talent Equity Institute“; Senior partner of company „Ward Howell“; Operating Chief in Department „Talent Performance and Leadership Development Consulting“; professor of enterprise leadership of the International School of Business INSEAD.</p> <p>*Membership to BoD and SB of other companies:</p> <ul style="list-style-type: none"> · SB Member of DTEK BV

Total amount of net reimbursements (salaries and other reimbursements) paid to members of Board of Directors in the period 01.01. – 31.12.2010. was 9.955.684,15 RSD

MEMBERS OF THE SUPERVISORY BOARD (as of December 31, 2010)	
Name, domicile adress	Education, current employment (company name and job position), membership to BoD and SB of other companies
2.	<p>Chairman of Supervisory Board, Milivoje Cvetanović</p> <p>*Faculty of Economics, Belgrade University</p> <p>*Consultant of practical application of MSFI, creation and implementation of information systems, including the system of internal control; member of Board of Examiners of the Chamber of Authorized Auditors for exams in „Auditing and professional ethics“ program for certificates in authorised revision; member of Chamber of Authorized Auditors; internal auditor in DIPOS DOO Company, Belgrade; owner of the company „Cvetanovic Consulting“ d.o.o. Belgrade;</p> <p>*Vice President of the Supervisory Board Tigar a.d. Pirot</p>
	<p>Member of SB, Božo Stanišić</p> <p>*Faculty of Technology-Metallurgy (Department of Technological Operations).</p> <p>*Consultant of the President of the Chamber of Commerce;</p> <p>* Membership to BoD and SB of other companies:</p> <ul style="list-style-type: none"> • MB Vice president of “Industry of machines and tractors“; (IMT) New Belgrade; • MB President of Association of Citizens Bicycle Race ‘Through Serbia“
	<p>Member of SB, Maxim Shahov Viktorovich</p> <p>*Faculty of Chemistry-Technology of the Technical University of Jaroslav (high level of technical education);</p> <p>*Employed in „Gazprom Neft“ as a head of Department for Methodology of the Sector for internal revision;</p> <p>* Membership to BoD and SB of other companies:</p> <ul style="list-style-type: none"> • "National oil consortium“ (Russian federation); • "Gazprom Neft aero“ (Russian federation)

Total amount of net reimbursements paid to members of Supervisory Board in the period 01.01. – 31.12.2010. was 7.403.110,40 RSD.

3.	Code of conduct in the written form	NIS has adopted Code of conduct.
-----------	--	----------------------------------



Code of conduct is published on corporate web site – www.nis.rs

III. DATA ON COMPANY OPERATIONS

1.	Management's report on adopted business policy implementation	In last year we actively worked on creation of elements for long term stability of Company: NIS has consolidated its position in the market, expanded resource base, increased internal efficiency and began a series of major projects in production, refining and sales of oil derivatives. One of the main challenges - effective management of costs and increase of business profitability has been successfully realized. 2010 was the first positive year in the new history of NIS: we managed to end the year with a financial result of 16,5 billions RSD.
ANALYSIS OF THE OPERATIONS In 000 RSD		
Total income/revenues		181.055.921
Total expenditures		169.017.950
Profit from operations		16.484.381
Sales		161.148.850
MAIN PRODUCTS AND SERVICES		
NIS produces wide spectra of oil derivatives and natural gas derivatives in its refineries in line with international quality standards and production specifications of the refineries:		
<ol style="list-style-type: none"> 1. Automotive fuel 2. Liquid Petroleum Gas 3. Aviation fuel 4. Lubricating oil and grease 5. Fuel oil 6. Bitumen 7. Petrochemical products (primary petrol, propylene) 8. Distillates and rafinates 9. Other products (benzene, toluene, liquefied sulphur, special petrols) 		
NIS also produces drinking mineral water "Jazak"		
In addition, NIS offers to its customers a range of services, including: oil refining, transportation and storage of oil derivatives, the services of accredited laboratories for testing and calibration, oilfield services (drilling, equipping and maintenance of oil, gas and geothermal wells, geophysical research and measurement, maintenance and construction of oil and gas production systems, maintenance and repair of equipment, construction and maintenance of transport pipelines, drilling, equipping and maintenance of wells for drinking water, transport of materials and equipment) and services of scientific and technical center (designing of exploring geological and geophysical works and reservoir development, designing and other engineering services)		
Market value of the company as of December 31, 2010		77.453.690.000 РСД
Effects of the company's legal status change		/
OPERATIONS INDICES		
Work productivity I (revenues/number of employees)		18.031,66
Work productivity II (Net profit/number of employees)		1.198,88
Business efficiency (operating income/operating expenses)		118%
Productivity index (Net profit/total gross income)		7%
Return on total capital (Gross profit/ total capital)		26%
Net return on equity (net profit/shareholder's equity)		19%
Net business profit (operating profit/ net revenues from sales)		17%
Debt to Equity ratio (total liability/equity)		126%
Debt to Capital ratio (total liabilities/total capital)		234%
1st level of liquidity/cash ratio (cash and cash equivalents/current liabilities)		17%
2nd level of liquidity/Quick Ratio (liquid assets/current liabilities)		57%
Net working capital (current assets - current liabilities)		7.579.600
Highest share price in 2010		30.08.2010: 550 RSD
Lowest share price in 2010		14.09.2010: 442 RSD
Market capitalization on December 31, 2010		77.453.690.000 RSD
Earnings/profit per share		2010: 101,09 RSD

2.



	Dividends paid per ordinary and preference share (in the last three years, separately by year)	<u>2008. година</u> The company has conducted business with losses in the amount of RSD 8,022,615,000. <u>2009. година</u> The company has conducted business with losses in the amount of RSD 37,636,111,000. <u>2010. година</u> The company has conducted business with profit of RSD 16,484,381,000 that is not distributed.
3.	Information on company's revenues by segments (production or geography-based) according to IAS 14 requirements	
	Revenue from sales made to external customers	161.148.850
	Segment revenue/ sales from one segment to another within the same company	/
	Results of each segment in 000 RSD (2010)	
	Exploration and production	Segment revenue 73.738.878 Inter-segment revenue 57.190.252 Total revenue 16.548.626 Operating income (expenses) 38.759.193 Financial income (expenses) 631.213 Other income (expenses) (218.167) Profit / loss before tax 39.172.239 Deferred tax - Income tax expense - Net profit / (loss) 39.172.23
	Oilfield Services	Segment revenue 9.701.895 Inter-segment revenue 8.707.271 Total revenue 994.624 Operating income (expenses) (3.020.299) Financial income (expenses) 7.836 Other income (expenses) 487.647 Profit / loss before tax (2.524.816) Deferred tax - Income tax expense - Net profit / (loss) (2.524.816)
	Refining	Segment revenue 163.312.877 Inter-segment revenue 151.024.922 Total revenue 12.287.955 Operating income (expenses) (6.731.034) Financial income (expenses) (168.270) Other income (expenses) 30.209 Profit / loss before tax (6.869.095) Deferred tax - Income tax expense - Net profit / (loss) (6.869.095)
	Sales & Distribution	Segment revenue 211.107.264 Inter-segment revenue 74.914.378 Total revenue 136.192.886 Operating income (expenses) 1.526.090 Financial income (expenses) 1.880.385 Other income (expenses) (1.172.603) Profit / loss before tax 2.233.872 Deferred tax - Income tax expense - Net profit / (loss) 2.233.872



Other	Segment revenue	10.800.727
	Inter-segment revenue	7.285.295
	Total revenue	3.515.432
	Operating income (expenses)	(4.344.091)
	Financial income (expenses)	(15.152.303)
	Other income (expenses)	(477.835)
	Profit / loss before tax	(19.974.229)
	Deferred tax	5.278.385
	Income tax expense	(831.975)
Net profit / (loss)	(15.527.819)	
Total	Segment revenue	468.661.641
	Inter-segment revenue	299.122.118
	Total revenue	169.539.523
	Operating income (expenses)	26.189.859
	Financial income (expenses)	(12.801.139)
	Other income (expenses)	(1.350.749)
	Profit / loss before tax	12.037.971
	Deferred tax	5.278.385
	Income tax expense	(831.975)
Net profit / (loss)	16.484.381	
Assets and liabilities of segments as of 31 December 2011		
Exploration and production	Assets	30.433.074
	Liabilities	(12.943.710)
	Net Assets	18.835.075
Oilfield Services	Assets	7.765.691
	Liabilities	(1.345.711)
	Net Assets	6.419.980
Refining	Assets	74.665.749
	Liabilities	(23.261.474)
	Net Assets	51.404.275
Sales & Distribution	Assets	32.569.271
	Liabilities	(10.445.114)
	Net Assets	22.124.157
Other	Assets	31.693.216
	Liabilities	(83.457.989)
	Net Assets	(51.764.773)
Total	Assets	177.127.001
	Liabilities	(130.108.287)
	Net Assets	47.018.714
Main customers (with more than 10% share in the total revenues of the company) -in period 01.01. - 31.12.2010.		% of total revenues
OMV Serbia		6%
Lukoil-Beopetrol		6%
Srbijagas		6%
HIP Petrohemija		5%
Main suppliers (with more than 10% share in total accounts payable) as of 31. December 2010		% of total accounts payable
Gazprom neft trading		82%
Srbijagas		1%
Method of determining transfer prices		
Transfer prices in 2010 are defined with "NIS methodology of calculation of transfer prices for domestic production of oil, oil derivatives, natural gas derivatives, natural gas, oils and lubricants and water Jazak for management accounting", which is applicable from 01.01.2010.		
The transfer pricing methodology in 2010 uses "market principle", and also the principle of "one product, one transfer price."		
The principle of "one product, one transfer price" means that if a product has two or more wholesale prices		



	<p>lowest price is applied as transfer price. Transfer prices that are used to generate internal revenues between NIS segments are defined to reflect the market position of each segment. Transfer prices are as follows: - Transfer price for domestic oil and it is determined by the so-called. "Export parity". The calculation of transfer prices of domestic oil: oil price benchmark quote in the global market + premium/discount for the quality of the reference oil - the cost of transport to regional markets; - Transfer price for natural gas (between Exploration and Production and Refining) - sale price of natural gas at which NIS sells natural gas to Srbijagas; - Transfer price for oil derivatives (between Refining and Trade) is the minimum wholesale prices in the domestic market i.e. price that Refining would achieve on the domestic market if it was separate legal entity.</p>	
	Changes increased by 10% compared to the previous year (state and explain)	
	ASSETS (presented by items in the financial statements)	Change larger than 10% compared to 2009* (in 000 RSD)
	Property, plant and equipment	17%
	<i>Increase in property, plant and equipment in 2010 amounting to 23,766,875 RSD is mainly related to investments in the MHC/DHT project (investment in plant for mild hydrocracking and hydrotreating) in the amount of 2,882,742 RSD. Balance of advances paid to suppliers on that basis as of 31 December 2010 amounted to 6,589,809 RSD. Also, provision for reclamation of active wells for the year ended on 31 December 2010. in total amount of 2,636,353 RSD is recognized as increase in property, plant and equipment.</i>	
	Investment property	179%
	<i>Increase in value of Investment property as of 31 December 2010. compared to 31 December 2009. mainly is related to gains arising from the fair valuation of investment property in the amount of RSD 575,786 thousand RSD as well as to transfer to Property, plant and equipment in amount of 455 926 thousand RSD.</i>	
	Investments in equity instruments	-12%
	<i>In 2010 Company made impairments of the investment in O Zone a.d. Belgrade in the amount of 410,992 RSD by taking into account the fact that subsidiary continued to operate with loss in 2010.</i>	
	Other long term investments	-56%
	<i>Decrease of other long-term financial investments as of 31 December 2010 compared to 31 December 2009. is mainly related to the exclusion of rescheduled receivables, which mature in period up to one year.</i>	
	Inventories	47%
	<i>Increase of Inventories as of 31 December 2010. compared to 31 December 2009 is mainly related to the Increase in the value of finished goods and work in progress caused by both increase in production and increase in cost og finished goods</i>	
	Trade receivables	14%
4.	<i>The increase of receivables as of 31 December 2010. compared to 31 December 2009. and sales increase in 2010. Is completely related to increase in sales of products and services.</i>	
	Short term financial investments	187%
	<i>The increase in short-term financial investments as of 31 December 2010. compared to 31 December 2009. s mainly related to the exclusion of part of reprogrammed receivables due within one year</i>	
	Cash and cash equivalents	22%
	<i>Increase in cash and cash equivalents as of 31 December 2010. compared to 31 December 2009. is mainly related to the increase of term deposits at commercial banks, with maturities up to 30 days</i>	
	LIABILITIES (presented by items in the financial statements)	Change larger than 10% compared to 2009* (in 000 RSD)
	Unrealized gains from securities	-63%
	<i>Decrease of the unrealized gains from securities as of 31 December 2010. compared to 31 December 2009. year completely relates to increase of value of investments in securities available for sale on the basis of reducing the value of investments at fair (market) value.</i>	
	Unrealized losses from securities	75%
	<i>Increasing of the amount of unrealized losses from securities as of 31 December 2010. compared to 31 December 2009. in general refers to the reduction in value of investments in securities available for sale on the basis of reducing the value of investments at fair (market) value.</i>	
	Long-term provisions	15%
	<i>In accordance with the applicable legislation, the Company has obligations under the Law on Environment Protection. At the balance sheet date the Company has made provisions for the above-mentioned obligations in amount of 962,968 RSD, based on management's estimates of the amount of necessary costs of cleaning and remediation of contaminated facilities of the Company. In addition, the Company made a provision for the reclamation of active wells for the year ended on 31 December 2010. in total amount of 2,636,353 RSD. The provision is recognized as an increase of property, plant and equipment.</i>	
	Long-term loans	20%
	<i>Increase of long-term liabilities as of 31 December 2010. compared to 31 December 2009. is mainly related to the withdrawal of new tranches of loans granted by parent company Gazprom Neft in the amount of 15,708 million RSD and the new withdrawals from banks in the country and abroad.</i>	



	Short-term liabilities	15%
	<i>Increase of short-term liabilities as of 31 December 2010. compared to 31 December 2009. is mainly related to increase of short-term financial obligations based on allocations of long-term liabilities falling due in the period of one year. Also, this increase has affected the increase of other current liabilities and obligations for the dividend. In 2010, the majority shareholder acknowledged liability for dividend distribution from 2008 profit in accordance with the Decision adopted by Shareholders on January 29, 2009. The Decision was adopted before the acquisition of shares by Gazpromneft and relates to distribution of dividends to companies controlled by the Government of the Republic of Serbia at that time the sole shareholder of NIS a.d. The additional liability for dividends in the amount of 1.645.944 thousand RSD was formed towards the Government of the Republic of Serbia in accordance with the decision.</i>	
	NET PROFIT (LOSS)	Change larger than 10% compared to 2009*
	Net profit (loss)	144%
	<i>Positive trend of financial results is mainly related to the improvement of operational efficiency as well as cost optimization of the Company, then to the improvements in product range and transfer of know-how from parent company Gazprom Neft to the Company.</i>	
	<i>* Compared to corrected financial statements as of 31. Decembar 2009</i>	
5.	<p>Cases in which there is uncertainty of collection of receivables or possibility of future expenses that could significantly affect the financial position of the company</p> <p>As a part of NIS a.d. Novi Sad Financial Statements, company management makes accounting estimates and assumptions regarding the future events. The results of the estimates will, by definition, rarely be equal to actual results. The most significant estimates and assumptions are estimated provisions for decrease of value of receivables, provisions for expected effects of negative outcome of litigations as well as provisions for environment protection.</p> <p>Receivables from customers are initially recognized at fair value. Provisions for reduction in value of receivables are established when there is actual evidence that the Company will be unable to collect all receivable amounts in conformity with initial conditions.</p> <p>For the first class of clients (clients whose receivables represent 80% of total receivables on the balance date) payment risk is estimated by taking into account indicators of decrease of selling value of receivables including: term structure of receivables, estimated collectability of receivables according to client's financial capabilities and current history of delayed payments. Accordingly, provision is made for impairment of receivables on account of expenses for the period.</p> <p>For the second class of clients (clients whose receivables represent 20% of total receivables at the balance date) payment risk is estimated by taking into account delay in the execution of payments, and allowance for impairment for these clients is formed if the payment is not executed: in sixty (60) days after due date for entry of foreign currency into the country or, in ninety (90) days after the due date for receivables for liquid gas, delivered goods/energy to domestic consumers that fall in category "remote heating systems" (heating plants), receivables from budgeted financed clients (military, police, health, education, railways, etc.).</p> <p>Accounting value of receivables is decreased with impairment, and amount of reduction is recognized in Profit and Loss Statement, under the item "other expenses". When receivables are uncollectible, they are written-off on account of impairment of receivables' value. On December 31st, 2010 Company formed impairment for roughly 67% of gross value of total receivables.</p> <p>On December 31st, 2010 Company reserved totally RSD 4.533.590 thousands (2009: RSD 5.936.069 thousands) on the basis of the expected effects of negative results of litigations. The estimation of the Management of Company is that litigations will not cause significant losses over amounts for which provisions were made on December 31st, 2010.</p> <p>Management of Company estimated and made provisions for environment protection which on balance sheet date amounts to 962.968 thousands RSD based on internal estimate of the level of compliance with legislative of Republic of Serbia. Accordant to sales and purchase agreement Company hired independent consultant - D'Appolonia, Italy in order to estimate compliance of company's activities with Law on Environmental Protection of Republic of Serbia and international legislative. D'Appolonia Report is still not finished. Management of Company thinks that, based on current legislative on environmental protection, expenses related to issues of environmental protection will not be significantly over expenses already taken into account. If D'Appolonia Report shows incompliance of activities with Law on Environment Protection of republic of Serbia, which were not predicted by Mmanagement, additional provisions are possible.</p>	
	Own shares	
6.	Number and % of own shares	/
	Acquisition of own shares	/
	Sale of own shares	/
	Cancellation of own shares	/
7.	Investments (in billions RSD):	
	Ecology	1,61



	MHC/DHT project		10,33
	Angola		0,64
	Projects with direct economic effect		2,44
	Projects without direct economic effect		1,56
	Other		0,39
	Human resources	NIS is dedicated to continuous development of its employees, as they are one of Company's most important resources. In 2010 NIS has allocated approximately 81,2 billion RSD for professional development of its employees.	
8.	Reserves (in thousands RSD)		
	Reserves	2010	2009
	Amount	889.424	889.424
	Revaluation reserves	39	39
	Method of creation	Reserves in the amount of 889.424 thousand RSD completely refer to the legal reserves formed in the previous period in compliance with previously valid Company Law. Pursuant to the foregoing law the Company was liable to set aside 5% of net profit each year until the legal reserve reaches at least at least 10% of share capital.	
	Use	-	
9.	Key business events that occurred from the balance date to the report date.		
	<p><u>Decision on free import of oil and petroleum products</u> On January 1, 2011 Serbian Government has adopted a decision on the abolition of customs restrictions and introducing the free import of oil and petroleum products, based on the on Central European Free Trade Agreement (CEFTA), as well as the Decision on termination of Decision on free pricing of petroleum products in the market of the Republic of Serbia.</p> <p><u>Publishing takeover bid to minority shareholders by the Gazprom Neft</u> Gazprom Neft has, in accordance with the Agreement for Sale and Purchase of shares of NIS a.d. Novi Sad, on 31 January 2011 announced Takeover bid for NIS a.d. Novi Sad shares held by minority shareholders, i.e. 31,180,256 ordinary shares which in total amounts to 19,12% of the total number of ordinary shares. The bid was valid for 45 days, i.e. until 16 March 2011 And 8,405,087 shares is acquired, i.e. 5.15% of the total number of ordinary shares from the price of RSD 506.48 per share which is counter value of EUR 4.80996 per share on 13 January 2011. After the bid completion Gazprom Neft holds 91,565,887 ordinary shares, i.e. 56.15% share capital of NIS a.d. Novi Sad.</p>		
10.	Other important changes of data comprised in the prospect that have not been mentioned above		
	<ul style="list-style-type: none"> • In accordance with the criteria that are defined in the Law on Right on Distribution of Free Shares and Monetary Compensation Exercised by Citizens in the Privatization Process (Official Gazette of RS, nos. 123/07 and 30/10) and the conducted procedure for collecting the applications for registration in the registry of right holders by the Privatization Agency of the Republic of Serbia, on the basis of the Decision of the Government of the Republic of Serbia, 19.08% of share capital of NIS a.d. Novi Sad was transferred to the citizens of the Republic of Serbia, as well as on NIS employees and ex-employees in NIS a.d. Novi Sad. • The Shareholders Assembly of NIS a.d. Novi Sad has on 21 June 2010 issued the decision on transformation on NIS into open joint stock company. • Listing and Quotation Committee of the Belgrade Stock Exchange has on 23 August 2010 issued decision on admission of shares on listing A - Prime Market of Belgrade Stock Exchange, wherein as the first trading day it has determined 30 August 2010. • In accordance with the Agreement for Sale and Purchase of shares of NIS a.d. Novi Sad, Gazprom Neft has the commitment to provide NIS a.d. the amount of EUR 500,000,000 by way of special purpose loans for purpose of implementing the program for reconstruction and modernization of the technological complex of NIS a.d. Novi Sad on the following terms: <ul style="list-style-type: none"> - Obligation to provide EUR 500,000,000 as the principle amount of the loan shall be fully performed in the period between the day the transfer closing and 31 December 2012; - The interest accruing the principal of the loan provided to the NIS shall accrue quarterly and for each quarter shall equal to 12 month EUR LIBOR + 2% (no further charges or commissions shall); 		



- | |
|--|
| <ul style="list-style-type: none">- The term of the loan shall be 14 years as of the first disbursement date;- The grace period shall be the later of 31 December 2012 or the completion of the actual performance by Gazprom Neft of its obligation;- There shall be no collateral. |
|--|

I. OTHER

Items that have not been include above, while being of importance for better understanding of the legal, finance and yield position of the joint stock company and valuation of its securities

In the Remarks on financial reports for the year that ended on 31 December 2010, at the relevant disclosures are provided in accordance with the International Accounting Standards.
--

The company is responsible for accuracy and validity of all data stated in the Report, as well as for the accuracy and validity of the data stated in the Prospect.

Kirill Kravchenko, General Manager