





### III AUDITOR'S OPINION ( PricewaterhouseCoopers d.o.o., Belgrade) ON FINANCIAL STATEMENTS:

Opinion:

In our opinion the accompanying financial statements present fairly in all material respects the financial position of the Company as of December 31st 2010 and of its financial performance and cash flows for the year then ended in accordance with the Law on Accounting and Auditing of Republic of Serbia.

### IV SIGNIFICANT CHANGES OF THE COMPANY'S LEGAL AND FINANCIAL STATUS AND OTHER MAJOR CHANGES OF THE DATA CONTAINED IN THE PROSPECT TO BE ISSUED, I.E. IN THE PROSPECT FOR ORGANIZED TRADING IN SECURITIES

\*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.

\*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 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, while minority shareholders own 22,775,169 ordinary shares, i.e. 13.97% share capital of NIS a.d. Novi Sad, and the number of shares held by the Republic of Serbia remained unchanged.

\*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:

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);

- 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 competition of the actual performance by Gazprom Neft of its obligation;

- There shall be no collateral.

### V TIME AND PLACE FOR REVIEW OF THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Insight into the financial statements and auditor's report can be made at the headquarters of NIS a.d. Novi Sad, Narodnog Fronta Street 12, Novi Sad, from 08:00 to 16:00 every day from Monday to Friday at the Office for dealing with minority shareholders and on the website of NIS a.d. Novi Sad - www.nis.rs.

### VI GENERAL INFORMATION ON COMPANIES THAT ARE SUBJECT TO CONSOLIDATION

Business name	Address		Company's ID number	Activity	Form of organization	Capital share of the parent company
O ZONE a.d. Belgrade	Marsala Birjuzova 3-5	Belgrade, Serbia	20094630	5510 – Hotels and accommodation	Close end joint stock company	100,00%
NIS-OIL Trading GmbH, Frankfurt am Main	Mendelssohnstr. 59	Frankfurt, Germany	HRB 29577	Wholesale and retail trade; import and export of crude oil, oil derivatives, chemicals and petrochemicals, etc.; mediation and representation activities in trade with above products.	Company is in process of liquidation upon Decision of founder made in 2010	100,00%
ООО „NIS OVERSIZ“, Moscow, Russian Federation	Bolshoi Golovin pereulok d.12, k.2	Moscow, Russian Federation	(OGRN-5067746792306)	Activities in accordance with the registered business activity of the founder.	Limited Company	100,00%
„Jadran - Naftagas“ d.o.o. Banja Luka	Ivana Franje Jukica 7	Banja Luka, Bosnia and Herzegovina	MBS: 57-01-0312-10	Exploration and production of oil and gas	Limited Company	66,00%
ООО „SP Ranis“, Moscow district, Chernogolovka, Russian Federation	Chernogolovka	Moscow, Russian Federation	(OGRN-1045006116198)	Scientific research and development in the field of natural and technical sciences	Limited Company	51,00%
NIS – SVETLOST d.o.o., Bujanovac	Industrijska zona bb	Bujanovac, Serbia	20125535	4671 – Wholesale of solid, liquid and gaseous fuels and similar products	Limited Company	51,32%
Jubos d.o.o. Bor	Djordja Vajferta 29	Bor, Serbia	20133597	2444 – Copper production	Limited Company	51,00%

### VII CONSOLIDATED FINANCIAL STATEMENTS

#### BALANCE SHEET (in 000 RSD)

ASSETS	2009	2010	LIABILITIES	2009	2010
<b>A. Non-current assets</b>	96.356.741	108.928.259	<b>A. Equity</b>	32.019.877	47.032.740
I Subscribed capital unpaid	4.800.245	4.841.418	I Share capital	87.148.593	87.148.630
II Goodwill			II Subscribed capital unpaid		
III Intangible assets			III Reserves	889.171	889.672
IV Property, plant and equipment	87.798.991	102.317.854	IV Revaluation reserves		
V Long term investments	3.757.505	1.768.987	V Unrealized gains from securities	130.243	48.417
<b>B. Current assets</b>	48.344.610	64.374.826	VI Unrealized losses from securities	-28.172	-49.236
I Inventories	23.031.345	34.016.869	VII Retained earnings		16.735.903
II Non-current assets held for sales	135.649	262.431	VIII Loss	-56.119.958	-57.740.646
III Кратк. потраживања, пласмани и готовина	25.177.616	30.095.526	IX Treasury shares		
IV Deferred tax assets		4.804.904	<b>B. Long-term provisions and liabilities</b>	110.749.419	129.616.714
<b>C. OPERATING ASSETS</b>	144.701.351	178.107.989	I Long-term provisions	16.111.675	18.574.652
<b>D. LOSS ABOVE EQUITY</b>			II Long-term liabilities	41.369.977	49.642.245
<b>E. TOTAL ASSETS</b>	144.701.351	178.107.989	III Short-term liabilities	53.267.767	61.399.817
<b>F. OFF-BALANCE SHEET ASSETS</b>	151.211.899	88.793.346	IV Deferred tax liabilities	1.932.055	1.458.535
			<b>C. TOTAL LIABILITIES</b>	144.701.351	178.107.989
			<b>D. OFF-BALANCE SHEET LIABILITIES</b>	151.211.899	88.793.346



CASH FLOW STATEMENT (in 000 RSD)			INCOME STATEMENT (in 000 RSD)		
	2009.	2010.		2009.	2010.
<b>A. Cash flows from operating activities</b>			<b>A. Operating income and expenses</b>		
I Cash inflow from operating activities	185.401.228	254.422.420	I Operating income	118.701.874	169.778.652
II Cash outflow from operating activities	-167.901.422	-236.816.567	II Operating expenses	-121.009.774	-143.752.598
III Net cash inflow from operating activities	17.499.806	17.605.853	III Operating profit/loss	-2.307.900	26.026.054
<b>B. Cash flows from investing activities</b>			IV Financial income	11.124.507	6.320.537
I Cash inflow from investing activities	8.911	45.850	V Financial expenses	-15.884.833	-19.116.265
II Cash outflow from investing activities	-9.371.622	-17.739.476	VI Other income	5.880.280	5.177.533
III Net cash inflow from investing activities	-9.362.711	-17.693.626	VII Other expenses	-38.527.706	-6.117.785
<b>C. Cash flows from financing activities</b>			VIII Profit/loss from business activities before income tax	-39.715.672	12.290.074
I Cash inflow from financing activities	82.002.205	27.471.384	IX Net profit/loss from business activities to be ceased		
II Cash outflow from financing activities	-85.522.238	-25.529.860	<b>B. Profit/loss before income tax</b>	-39.715.672	12.290.074
III Net cash (outflow) inflow from financing activities	-3.520.033	1.941.524	<b>C. Income tax</b>	1.949.700	4.445.829
<b>D. NET CASH INFLOWS</b>	267.412.344	281.939.654	<b>D. Personal earnings/salaries paid to employer</b>		
<b>E. NET CASH OUTFLOWS</b>	262.795.282	280.085.903	<b>E. NET PROFIT/LOSS</b>	-37.765.972	16.735.903
<b>F. NET CASH FLOWS</b>	4.617.062	1.853.751	<b>F. Net profit belonging to minority shareholders</b>		268
<b>G. Cash and cash equivalents at beginning of period</b>	4.060.250	8.723.278	<b>G. NET PROFIT BELONGING TO OWNERS OF PARENT COMPANY</b>		16.735.635
<b>H. Currency translation gains on cash and cash equivalents</b>	45.966	59.640	<b>H. Earnings per share</b>		
<b>I. Cash and cash equivalents at end of period</b>	8.723.278	10.636.669	<b>1. Basic earnings per share</b>		
			<b>2. Diluted earnings per share</b>		

STATEMENT OF CHANGES IN EQUITY (in 000 RSD)									
	2009					2010			
	Opening balance	Correction of materially significant errors and changes in accounting policies over the year – increase/decrease	Increase in the current year	Decrease in the current year	Closing balance	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital	81.530.220	20.520		-20	81.550.720	81.550.720	37		81.550.757
Other capital	5.621.430	-23.577	20		5.597.873	5.597.873			5.597.873
Subscribed capital unpaid									
Share premium									
Reserves	889.211			-40	889.171	889.171	501		889.672
Revaluation reserves	61.362			-61.362					
Unrealized gains from securities	136.760			-6.517	130.243	130.243		-81.826	48.417
Unrealized losses from securities	33.169			4.997	-28.172	-28.172	-21.064		-49.236
Retained earnings							16.735.903		16.735.903
Loss until equity	18.571.969	-3.057	-37.765.972	214.926	-56.119.958	-56.119.958	-1.620.688		-57.740.646
Treasury shares									
<b>TOTAL</b>	<b>69.633.845</b>			<b>-37.613.968</b>	<b>32.019.877</b>	<b>32.019.877</b>	<b>15.012.863</b>		<b>47.032.740</b>
Loss above equity									

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Subject to point IV

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**General Manager**  
Kirill Kravchenko