

According to Article 66 of the Law on market of securities and other financial instruments ("Official Gazette of the RS" no. 47/2006) and Article 3 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), we publish the following

EXCERPT FROM THE ANNUAL FINANCIAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2010

DRUŠTVO ZA ISTRAŽIVANJE, PROIZVODNJU, PRERADU, DISTRIBUCIJU I PROMET NAFTE I NAFTNIH DERIVATA I ISTRAŽIVANJE I PROIZVODNJU PRIRODNOG GASA NAFTNA INDUSTRIJA SRBIJE A.D. NOVI SAD, NARODNOG FRONTA12

I GENERAL INFORMATION

	Društvo za istraživanje, proizvodnju, preradu, distribuciju i promet nafte i naftnih derivata i istraživanje i proizvodnju prirodnog gasa Naftna industrija Srbije a.d. Novi Sad	3. Company's ID number:	20084693
2. Address:	Narodnog fronta 12, Novi Sad	4. Tax ID number:	104052135

II STANDALONE FINANCIAL STATEMENTS

II STANDALONE FINANCIAL STATEMENTS					
	BALAN	CE SHEET (in	000 RSD)		
ASSETS	2009.	2010.	LIABILITIES	2009.	2010.
A. Non-current assets	95.734.160	108.326.343	A. Equity	32.283.167	47.018.714
I Subscribed capital unpaid			I Share capital	87.128.024	87.128.024
II Goodwill			II Subscribed capital unpaid		
III Intangible assets	4.792.744	4.835.761	III Reserves	889.424	889.424
			IV Revaluation reserves	39	39
			V Unrealized gains from securities	130.243	48.417
IV Property, plant and equipment	84.632.483	99.407.561	VI Unrealized losses from securities	-28.172	-49.236
			VII Retained earnings	0	47.018.714 87.128.024 889.424 39
V Long term investments	6.308.933	4.083.021	VIII Loss	-55.836.391	-57.482.335
B. Current assets	48.317.155	63.995.754	IX Treasury shares		
I Inventories	23.056.296	33.999.967			
II Non-current assets held for sales	135.649	0	B. Long-term provisions and liabilities	109.836.132	128.649.752
III Short term receivables, investments and cash	25.125.210	29.995.787	I Long-term provisions	16.040.464	18.501.540
IV Deferred tax assets	0	4.804.904	II Long-term liabilities	40.653.678	48.927.154
C. OPERATING ASSETS	144.051.315	177.127.001	III Short-term liabilities	53.141.990	61.221.058
D. LOSS ABOVE EQUITY			IV Deferred tax liabilities	1.932.016	1.458.535
E. TOTAL ASSETS	144.051.315	177.127.001	C. TOTAL LIABILITIES	144.051.315	177.127.001
F. OFF-BALANCE SHEET ASSETS	151.211.899	88.793.346	D. OFF-BALANCE SHEET LIABILITIES	151.211.899	88.793.346
CASH FLOW STATEMENT (in 000 RSD)	-		INCOME STATEMENT (in 000	RSD)	
A Cash flows from onerating activities	2009	2010	A. Operating income and expenses	2009.	2010.

2009.	2010.	A. Operating income and expenses	2009.	2010.
		I Operating income	118.275.185	169.539.523
185.017.980	254.607.167	II Operating expenses	-120.375.891	-143.349.664
-167.399.487	-236.816.567	III Operating profit/loss	-2.100.706	26.189.859
17.618.493	17.790.600	IV Financial income	11.121.612	6.311.641
		V Financial expenses	-15.878.008	-19.112.780
		VI Other income	5.858.173	5.204.757
6.953	45.850	VII Other expenses	-38.520.547	-6.555.506
-9.469.672	-17.913.248	VIII Profit/loss from business activities before income tax	-39.519.476	12.037.971
-9.462.719	-17.867.398	IX Net profit/loss from business activities to be ceased		
		B. Profit/loss before income tax	-39.519.476	12.037.971
82.002.205	27.471.347	C. Income taxT	1.883.365	4.446.410
-85.522.238	-25.529.860	D. Personal earnings/salaries paid to employer		
-3.520.033	1.941.487	E. NET PROFIT/LOSS	-37.636.111	16.484.381
267.027.138	282.124.364	F. Net profit belonging to minority shareholders		
-262.391.397	-280.259.675	G. NET PROFIT BELONGING TO OWNERS OF PARENT COMPANY	0	16.484.381
4.635.741				
		1. Basic earnings per share	-0,57	0,10
3.989.794	8.671.501	2. Diluted earnings per share		
45.966	59.640			
8.671.501	10.595.830			
	185.017.980 -167.399.487 17.618.493 -9.469.672 -9.469.672 -9.462.719 82.002.205 -85.522.238 -3.520.033 267.027.138 -262.391.397 4.635.741 3.989.794 45.966	105.017.980 254.607.167 185.017.980 254.607.167 -167.399.487 -236.816.567 17.618.493 17.790.600 -9.469.672 -17.913.248 -9.469.672 -17.913.248 -9.462.719 -17.867.398 -8.2002.205 27.471.347 -8.522.238 -25.529.860 -3.520.033 1.941.487 267.027.138 282.124.364 -262.391.397 -280.259.675 4.635.741 1.864.689 3.989.794 8.671.501 45.966 59.640	2009. 2010. I Operating income 185.017.980 254.607.167 II Operating profil/loss -167.399.487 -236.816.667 III Operating profil/loss 17.618.493 17.790.600 V Financial expenses V Financial expenses V Financial expenses -9.469.672 -17.913.248 VIII Profil/loss from business activities before income tax -9.469.672 -17.913.248 VIII Profil/loss from business activities to be ceased 82.002.205 27.471.347 C. Income tax 82.002.205 27.471.347 C. Income tax -3.520.033 1.941.487 E. NET PROFITALOSS 267.027.138 282.124.364 F. Net profit belonging to minority shareholders -262.391.397 -280.259.675 C.NET PROFIT BELONGING TO OWNERS OF PARENT -268.711 1.864.688 H. Earnings per share 3.989.794 8.671.501 2.Diuted earnings per share 4.5.966 59.640 -20.448	2009. 2010. 1 operating income 118.275.185 185.017.980 254.607.167 II Operating expenses .120.375.891 -167.399.487 -236.816.567 III Operating profil/loss .2.100.706 17.618.493 17.790.000 IV Financial income 11.121.612 V Financial expenses .15.878.008 .2.86.816.567 10.0erating profil/loss .2.100.706 11.121.612 V Financial expenses .15.878.008 .15.878.008 VI Other income .5.856.173 .3.8520.547 -9.469.672 .17.913.248 VIII Profil/loss from business activities before income tax .39.519.476 -9.462.719 -17.867.398 IX Net profil/loss from business activities to be ceased .39.519.476 82.002.205 27.471.347 C. Income taxT .39.519.476 -85.522.238 -25.529.860 D. Personal earnings/salaries paid to employer .37.636.111 267.027.138 282.124.364 F. Net profit belonging to minority shareholders .37.636.111 .262.239.1397 -280.259.675 G. NET PROFIT BELONGING TO OWNERS OF PARENT .0

STATEMENT OF CHANGES IN EQUITY (in 000 RSD)

		2009.				20	2010.			
	Opening balance	Increase in the	Decrease in	Closing balance	Opening balance	Increase in	Decrease in the	Closing balance		
		current year	the current			the current	current year			
			year			year				
Share capital	81.530.220		-20	81.530.200	81.530.200			81.530.200		
Other capital	5.597.804	20		5.597.824	5.597.824			5.597.824		
Subscribed capital unpaid										
Share premium										
Reserves	889.424			889.424	889.424			889.424		
Revaluation reserves	60.783		-60.744	39	39			39		
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						16.484.381		16.484.381		
Loss until equity	-18.200.280	-37.636.111		-55.836.391	-55.836.391	-1.645.944		-57.482.335		
Treasury shares										
TOTAL	69.981.542		-37.698.375	32.283.167	32.283.167	14.735.547		47.018.714		
Loss above equity										



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

1n 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, as well as on NIS employees and ex-employees in NIS a.d. Novi Sad was transfered to the citizens of the Republic of Serbia, as well as on NIS employees and ex-employees in NIS a.d. Novi Sad was transfered to the citizens of the Republic of Serbia, as well as on NIS employees and ex-employees in NIS a.d. Novi Sad. Novi Sad. Novi Sad. Novi Sad was transfered to the citizens of the Republic of Serbia, as well as on NIS employees and ex-employees in NIS a.d. Novi Sad. Novi Sad. Novi Sad. Novi Sad has on 21 June 2010 issued the decision on thansformation 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 tehnological 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 provide 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		Close end joint stock company	100,00%
NIS-OIL Trading GmbH, Frankfurt am Main	Mendelssohnstr. 59	Frankfurt, Germany	HRB 29577	oil derivatives, chemicals and petrochemicals, etc.; mediation and representation activities in	Company is in process of liquidation upon Decision of founder made in 2010	100,00%
OOO "NIS OVERSIZ", Moskow, 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%
OOO "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		2010	LIABILITIES	2009	2010
A. Non-current assets	96.356.741	108.928.259	A. Equity	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 Revaluation reserves		
IV Property, plant and equipment	87.798.991	102.317.854	V Unrealized gains from securities	130.243	48.417
TV Property, plant and equipment	07.790.991	102.317.034	VI Unrealized losses from securities	-28.172	-49.236
			VII Retained earnings		16.735.903
V Long term investments	3.757.505	1.768.987	VIII Loss	-56.119.958	-57.740.646
B. Current assets	48.344.610	64.374.826	IX Treasury shares		
I Inventories	23.031.345	34.016.869		110.749.419	
II Non-current assets held for sales	135.649	262.431	B. Long-term provisions and liabilities		129.616.714
III Кратк. потраживања,пласмани и готовина	25.177.616	30.095.526	I Long-term provisions	16.111.675	18.574.652
IV Deferred tax assets		4.804.904	II Long-term liabilities	41.369.977	49.642.245
C. OPERATING ASSETS	144.701.351	178.107.989	III Short-term liabilities	53.267.767	61.399.817
D. LOSS ABOVE EQUITY			IV Deferred tax liabilities	1.932.055	1.458.535
E. TOTAL ASSETS	144.701.351	178.107.989		444 704 054	470 407 000
F. OFF-BALANCE SHEET ASSETS	151.211.899	88.793.346	C. TOTAL LIABILITIES	144.701.351	178.107.989
			D. OFF-BALANCE SHEET LIABILITIES	151.211.899	88.793.346

CASH FLOW STATEMENT (in 000 RSD)			INCOME STATEMENT (in 000 RSD)			
A. Cash flows from operating activities	2009.	2010.	A. Operating income and expenses	2009.	2010.	
			I Operating income	118.701.874	874 169.778.652 777 -143.752.598 900 26.026.054 507 6.320.537 833 -19.116.265 260 5.177.533 706 -6.117.785 672 12.290.074 672 12.290.074 670 4.445.829	
I Cash inflow from operating activities	185.401.228	254.422.420	II Operating expenses	-121.009.774	-143.752.598	
II Cash outflow from operating activities	-167.901.422	-236.816.567	III Operating profit/loss	-2.307.900	26.026.054	
III Net cash inflow from operating activities	17.499.806	17.605.853	IV Financial income	11.124.507	6.320.537	
B. Cash flows from investing activities			V Financial expenses	-15.884.833	-19.116.265	
B. Cash flows from investing activities			VI Other income	5.880.260	5.177.533	
I Cash inflow from investing activities	8.911	45.850	VII Other expenses	-38.527.706	-6.117.785	
II Cash outflow from investing activities	-9.371.622	-17.739.476	VIII Profit/loss from business activities before income tax	-39.715.672	12.290.074	
III Net cash inflow from operating activities	-9.362.711	-17.693.626	IX Net profit/loss from business activities to be ceased			
C. Cash flows from financing activities			B. Profit/loss before income tax	-39.715.672	12.290.074	
I Cash inflow from financing activities	82.002.205	27.471.384	C. Income tax	1.949.700	4.445.829	
II Cash outflow from financing activities	-85.522.238	-25.529.860	D. Personal earnings/salaries paid to employer			
III Net cash (outflow) inflow from financing activities	-3.520.033	1.941.524	E. NET PROFIT/LOSS	-37.765.972	16.735.903	
D. NET CASH INFLOWS	267.412.344	281.939.654	F. Net profit belonging to minority shareholders		268	
E. NET CASH OUTFLOWS	262.795.282	280.085.903	G. NET PROFIT BELONGING TO OWNERS OF PARENT COMPANY		16.735.635	
F. NET CASH FLOWS	4.617.062	1.853.751	H. Earnings per share			
G. Cash and cash equivalents at beginning of period	4.060.250	8.723.278	1. Basic earnings per share			
G. Cash and cash equivalents at beginning of period	4.060.250	0.723.278	2. Diluted earnings per share			
H. Currency translation gains on cash and cash equivalents	45.966	59.640				
I. Cash and cash equivalents at end of period	8.723.278	10.636.669				

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									
TOTAL	69.633.845			-37.613.968	32.019.877	32.019.877	15.012.863		47.032.740
Loss above equity									

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

Opinion: In our opinion the accompanying consolidated financial statements present fairly in all material respects the financial position of the Group 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.

IX 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 Subject to point IV

X 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.

General Manager Kirill Kravchenko