

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Naftna Industrija Srbije a.d., Novi Sad

We have audited the accompanying consolidated financial statements of Naftna Industrija Srbije a.d., Novi Sad (the "Parent") and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2009 and the consolidated income statement, consolidated statement of changes in shareholder's equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The statistical annex is an integral part of these consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

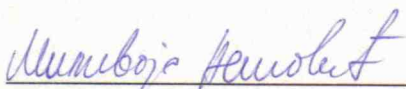
Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and Auditing of the Republic of Serbia and disclosures in the Note 2 to the consolidated financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

- (a) The Parent incurred a net loss of RSD 37,636,111 thousand during the year ended 31 December 2009 (31 December 2008 – RSD 8,022,615 thousand) and, as of that date the Parent's net assets are RSD 32,283,167 thousand (net assets as of 31 December 2008 – RSD 69,981,542) and the share capital amounts to RSD 87,128,024 thousand (31 December 2008 – RSD 87,128,024 thousand). Subsidiary O zone a.d. has also incurred losses in excess of 50% of its share capital. In accordance with the Company Law of the Republic of Serbia, if the company has incurred losses higher than 50% of its registered share capital, shareholders must be informed of this event in order to take the actions mandated by law. Furthermore, if the net asset value of the company is below the minimum share capital required by the Company Law for that form of company, and remains in that manner for a period of six months from the moment it becomes first apparent, adverse consequence may follow. The ultimate outcome of this matter cannot presently be determined and, consequently, the financial statements do not include adjustments or disclosures to reflect these issues.
- (b) In accordance with the Agreement of Sale and Purchase of Share of Parent, Republic of Serbia, as a Seller, is obliged to give written official consent for Parent to register its title or right of use to all immovable properties recorded in Fixed Assets Register as at 31 December 2007. Until 31 December 2009, such a written consent was not issued and transfer of ownership of properties on the Parent's name is still in progress.
- (c) In accordance with the Agreement of Sale and Purchase of Share of Parent, Republic of Serbia, as a Seller, is obliged to ensure that if operations of the Parent's equipment that existed at the date of the Agreement result in violations of environmental requirements due to obsolescence or physical wear, no sanctions are applied against Parent with respect to such non-compliance until such equipment is modernized or replaced. The Parent has engaged independent consultant to assess exposure of the Parent to environmental requirements of Republic of Serbia as of the date of the Agreement. The consultant's report is pending and as such the total environmental exposure of the Parent is still under evaluation.


Milivoje Nesovic
Licensed Auditor




PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 22 April 2010