NIS A.D. – Naftna industrija Srbije
Novi Sad

Financial Statements and Independent Auditor's Report

31 December 2020

Novi Sad, 9 March 2021

This version of the financial statements is a translation from the original, which was prepared in the Serbian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original Serbian language version of the document takes precedence over this translation

Contents

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TRANSLATION

Independent Auditor's Report

To the Shareholders of Naftna industrija Srbije a.d., Novi Sad

Opinion

We have audited the accompanying separate financial statements of Naftna industrija Srbije a.d., Novi Sad (the “Company”), which comprise:

— the separate balance sheet as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

— the separate income statement;
— the separate statement of other comprehensive income;
— the separate statement of changes in equity;
— the separate cash flow statement;

and

— notes, comprising a summary of significant accounting policies and other explanatory information

(the “separate financial statements”).

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2020, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the accounting regulations effective in the Republic of Serbia.

Registration No.: 17148656
Tax Identity No.: 100058593
Bank Acc.: 265-1100310000190-61

Basis for Opinion

We conducted our audit in accordance with the Law on Auditing and the Law on Accounting of the Republic of Serbia and applicable auditing standards in the Republic of Serbia. Our responsibilities under those regulations are further described in the Auditor's Responsibility for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Decommissioning and restoration provisions

Accounting policies and financial disclosures with respect to provisions for decommissioning and restoration are disclosed in Notes 2.17, 3.5, 23, 27, 35 and 37 to the separate financial statements.

Carrying amount of decommissioning and restoration provisions as at 31 December 2020: RSD 10,338,464 thousand; New decommissioning provisions and changes in estimates in decommissioning liability amount to RSD 345,084 thousand for the year 2020; Effects of unwinding of discount on decommissioning provision for the year 2020 amount to RSD 88,078 thousand; Income from release of provisions for the year 2020 amount to RSD 695,704 thousand.

Key audit matter	*Our response*
Decommissioning and restoration provisions represent present value of estimated costs of removal of items of property, plant and equipment at the end of their useful life and restoration of the site (decommission assets). The obligation to remove the assets and to restore the site arises on installation of extraction equipment. Decommission assets are recorded in an amount equal to the estimated provision and depreciated in accordance with the adopted accounting policy. All changes in the decommissioning provision, other than changes resulting from the unwinding of the discount, which are recorded in profit or loss, are added to or deducted from the cost of the related decommission asset in the current period. Once an item of property, plant and equipment has been fully depreciated and the asset has a net carrying amount (gross	In this area, our procedures included, among other things, the following: — Obtaining understanding of the legal framework relating to the decommissioning and environmental protection and its effect on the Company's present or constructive obligation to decommission assets and to restore the site; — Evaluating the appropriateness of the accounting policies used against requirements of the relevant reporting framework and industry practice; — Testing the design and implementation of relevant internal controls over the identified business process for identifying obligating events, measurement and recognition of provision, subsequent

carrying amount less accumulated depreciation) of zero in the balance sheet, further changes in any related provision for decommissioning are recognised in profit or loss. The Company reviews decommissioning and restoration provisions on an annual basis. This review incorporates the effects of any changes in local regulations, management's plans with respect to decommissioning and restoration including their expected timing, cost estimates and discount rate. Determination of decommissioning and restoration provisions is the complex area and requires making a number of assumptions and judgments, in particular those relating to estimated costs and timing of decommissioning and restoration activities as well as discount rate. In addition, there is a large number of wells which make the estimation process time consuming and prone to errors. Due to the above, assessment of the appropriateness of these provisions required our increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.	changes in recognized provisions and use of provisions; — Assessing the Company's discounted cash flow model against the relevant financial reporting standards, market practice and for internal consistency; — Testing on a sample basis the accuracy of data with respect to the current status and depth of oil wells included in the provision to the underlying technical documentation; — Evaluating appropriateness of assumed timing for dismantling and restoration activities by reference to documented oil reserves and approved production plans; — Challenging the appropriateness of the discount rate by reference to publicly available market data; — Analysing the sensitivity of the Company's estimate to changes in the discount rate and assessing whether its level indicates management bias; — Examining whether the Company's disclosures in the separate financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Matter

The separate financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those financial statements on 26 February 2020.

Other Information

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2020. The Annual Business Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Business Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with the accounting regulations effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Auditing of the Republic of Serbia and applicable auditing standards in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with the Law on Auditing of the Republic of Serbia and applicable auditing standards in the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG d.o.o., Beograd

Signed on the Serbian original

Vladimir Savković
Engagement Partner
Licenced Certified Auditor

Belgrade, 10 March 2021

This is a translation of the original Independent Auditor's Report issued in the Serbian language.
All due care has been taken to produce a translation that is as faithful as possible to the original.
However, if any questions arise related to interpretation of the information
contained in the translation, the Serbian version of the document shall prevail.
We assume no responsibility for the correctness of the translation of the Company's separate financial statements.

KPMG d.o.o., Beograd

Владимир Савковић

DRUŠTVO ZA KONSALTING I REVIZIJU D.O.O. KPMG 1 BEOGRAD

Vladimir Savković
Engagement Partner
Licenced Certified Auditor

Belgrade, 10 March 2021

(All amounts are in RSD 000 unless otherwise stated)

BALANCE SHEET

	AOP	Note	31 December 2020	31 December 2019
A. SUBSCRIBED CAPITAL UNPAID	**0001**		-	-
B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)	**0002**		**321,970,723**	**320,839,098**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	**0003**	**8**	**16,678,505**	**17,158,823**
1. Development investments	0004		11,770,445	11,439,830
2. Concessions, licenses, software and other rights	0005		1,916,569	1,789,031
3. Goodwill	0006		-	-
4. Other intangible assets	0007		816,102	828,521
5. Intangible assets under development	0008		2,175,389	3,101,441
6. Advances for intangible assets	0009		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	**0010**	**9**	**266,141,584**	**264,872,407**
1. Land	0011		10,289,180	10,340,860
2. Buildings	0012		150,825,845	141,926,803
3. Machinery and equipment	0013		88,940,438	57,184,859
4. Investment property	0014		1,688,837	1,694,307
5. Other property, plant and equipment	0015		81,695	77,617
6. Construction in progress	0016		13,934,934	53,175,055
7. Investments in leased PP&E	0017		130,679	135,718
8. Advances for PP&E	0018		249,976	337,188
III. BIOLOGICAL ASSETS (0020+0021+0022+0023)	**0019**		-	-
1. Forest farming	0020		-	-
2. Livestock	0021		-	-
3. Biological assets in production	0022		-	-
4. Advances for biological assets	0023		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**		**39,065,482**	**38,573,684**
1. Investments in subsidiary	0025	10	13,425,627	13,425,586
2. Investments in joint ventures	0026	11	1,038,800	1,038,800
3. Investments in other legal entities and other available for sales financial assets	0027		95,316	95,662
4. Long term investments in parent and subsidiaries	0028	12	22,911,248	23,205,187
5. Long-term investments in other related parties	0029		-	-
6. Long-term investments - domestic	0030		-	-
7. Long-term investments - foreign	0031		-	-
8. Securities held to maturity	0032		-	-
9. Other long-term financial investments	0033	13	1,594,491	808,449
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**		**85,152**	**234,184**
1. Receivables from parent company and subsidiaries	0035		-	-
2. Receivables from other related parties	0036		-	-
3. Receivables from sale of goods on credit	0037		-	-
4. Receivables arising out of finance lease contracts	0038		9,515	9,515
5. Claims arising from guarantees	0039		-	-
6. Bad and doubtful receivables	0040		-	-
7. Other long-term receivables	0041		75,637	224,669
C. DEFFERED TAX ASSETS	**0042**	**14**	**2,565,957**	**962,195**

(continued)

(All amounts are in RSD 000 unless otherwise stated)

BALANCE SHEET (continued)

	AOP	Note	31 December 2020	31 December 2019
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**		**67,173,010**	**98,006,123**
I. INVENTORY (0045+0046+0047+0048+0049+0050)	**0044**	**15**	**24,123,563**	**44,495,986**
1. Materials, spare parts and tools	0045		10,772,971	27,586,180
2. Work in progress	0046		4,130,289	4,859,254
3. Finished goods	0047		7,391,813	9,636,535
4. Merchandise	0048		1,527,975	2,010,350
5. Assets held for sale	0049		42,631	91,901
6. Advances for inventory and services	0050		257,884	311,766
II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	**0051**	**16**	**22,531,568**	**28,372,063**
1. Domestic trade receivables - parents and subsidiaries	0052		393,139	378,770
2. Foreign trade receivables - parents and subsidiaries	0053		3,032,362	4,092,863
3. Domestic trade receivables - other related parties	0054		1,532,404	1,184,469
4. Foreign trade receivables - other related parties	0055		50,030	96,193
5. Trade receivables - domestic	0056		17,091,064	21,663,394
6. Trade receivables - foreign	0057		432,569	956,374
7. Other trade receivables	0058		-	-
III. RECEIVABLES FROM SPECIFIC OPERATIONS	**0059**		**255,870**	**266,456**
IV. OTHER RECEIVABLES	**0060**	**17**	**2,456,611**	**1,934,027**
V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS	**0061**		-	-
VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**	**18**	**5,342,977**	**5,433,722**
1. Short-term loans and investments - parent companies and subsidiaries	0063		167,941	48,185
2. Short-term loans and investments – other related parties	0064		-	-
3. Short-term loans and investments - domestic	0065		-	-
4. Short-term loans and investments - foreign	0066		-	-
5. Other short-term loans and investments	0067		5,175,036	5,385,537
VII. CASH AND CASH EQUIVALENTS	**0068**	**19**	**7,949,785**	**13,501,827**
VIII. VALUE ADDED TAX	**0069**		-	-
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	**20**	**4,512,636**	**4,002,042**
E. TOTAL ASSETS (0001+0002+0042+0043)	**0071**		**391,709,690**	**419,807,416**
F. OFF-BALANCE SHEET ASSETS	**0072**	**21**	**117,990,463**	**114,298,524**
A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)	**0401**		**250,108,611**	**260,463,602**
I. EQUITY (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**		**81,530,200**	**81,530,200**
1. Share capital	0403	22	81,530,200	81,530,200
2. Stakes of limited liability companies	0404		-	-
3. Stakes	0405		-	-
4. State owned capital	0406		-	-
5. Socially owned capital	0407		-	-
6. Stakes in cooperatives	0408		-	-
7. Share premium	0409		-	-
8. Other capital	0410		-	-
II. SUBSCRIBED CAPITAL UNPAID	**0411**		**-**	**-**
III. OWN SHARES	**0412**		**-**	**-**
IV. RESERVES	**0413**		**-**	**-**
V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT	**0414**		**152,143**	**152,143**
VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0415**		**96,435**	**117,174**
VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0416**		**58,478**	**58,183**
VIII. RETAINED EARNINGS (0418+0419)	**0417**		**174,296,809**	**178,722,268**
1. Retained earnings from previous years	0418		174,296,809	161,022,203
2. Retained earnings from current year	0419		-	17,700,065
IX. NON-CONTROLLING INTEREST	**0420**		**-**	**-**
X. LOSS (0422+0423)	**0421**		**5,908,498**	**-**
1. Loss from previous years	0422		-	-
2. Loss from current year	0423		5,908,498	-

(continued)

(All amounts are in RSD 000 unless otherwise stated)

BALANCE SHEET (continued)

	AOP	Note	31 December 2020	31 December 2019
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	**0424**		**83,208,132**	**94,487,675**
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)	**0425**	**23**	**10,132,664**	**11,251,613**
1. Provisions for warranty claims	0426		-	-
2. Provision for environmental rehabilitation	0427		9,541,537	9,862,043
3. Provisions for restructuring costs	0428		-	-
4. Provisions for employee benefits	0429		389,708	1,135,761
5. Provisions for litigations	0430		201,419	253,809
6. Other long term provisions	0431		-	-
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**	**24**	**73,075,468**	**83,236,062**
1. Liabilities convertible to equity	0433		-	-
2. Liabilities to parent and subsidiaries	0434		8,203,270	13,673,582
3. Liabilities to other related parties	0435		-	-
4. Liabilities for issued long-term securities	0436		-	-
5. Long term borrowings - domestic	0437		45,862,068	46,581,100
6. Long-term borrowings - foreign	0438		17,130,643	22,329,288
7. Finance lease liabilities	0439		1,037,640	652,092
8. Other long-term liabilities	0440		841,847	-
C. DEFFERED TAX LIABILITIES	**0441**	**14**	**-**	**-**
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**		**58,392,947**	**64,856,139**
I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**	**25**	**13,663,179**	**7,519,940**
1. Short term borrowings from parent and subsidiaries	0444		1,756,035	1,594,071
2. Short term borrowings from other related parties	0445		-	-
3. Short-term loans and borrowings - domestic	0446		-	-
4. Short-term loans and borrowings - foreign	0447		-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448		-	-
6. Other short term liabilities	0449		11,907,144	5,925,869
II. ADVANCES RECEIVED	**0450**		**4,051,170**	**2,040,024**
III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)	**0451**	**26**	**20,653,938**	**36,720,956**
1. Trade payables - parent and subsidiaries - domestic	0452		3,452,310	4,389,956
2. Trade payables - parent and subsidiaries - foreign	0453		3,214,518	10,596,754
3. Trade payables - other related parties - domestic	0454		957,606	1,208,375
4. Trade payables - other related parties - foreign	0455		158,061	503,451
5. Trade payables - domestic	0456		4,871,113	6,496,104
6. Trade payables - foreign	0457		7,833,988	13,449,126
7. Other operating liabilities	0458		166,342	77,190
IV. OTHER SHORT-TERM LIABILITIES	**0459**	**27**	**8,258,498**	**7,589,108**
V. LIABILITIES FOR VAT	**0460**		**1,952,868**	**935,984**
VI. LIABILITIES FOR OTHER TAXES	**0461**	**28**	**6,373,259**	**6,979,573**
VII. ACCRUED EXPENSES	**0462**	**29**	**3,440,035**	**3,070,554**
E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0	**0463**		**-**	**-**
F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0	**0464**		**391,709,690**	**419,807,416**
G. OFF-BALANCE SHEET LIABILITIES	**0465**	**21**	**117,990,463**	**114,298,524**

The accompanying notes on pages 10 to 65 are an integral part of these financial statements.

Novi Sad, 9 March 2021

The person responsible for the preparation of financial statements

M.P.

Legal representative

INCOME STATEMENT

	AOP	Note	Year ended 31 December 2020	2019
INCOME FROM REGULAR OPERATING ACTIVITIES				
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**	**7**	**169,802,824**	**245,288,826**
I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	**1002**		**8,668,186**	**29,317,171**
1. Income from sales of goods to parent and subsidiaries on domestic market	1003		5,134	227,251
2. Income from sales of goods to parent and subsidiaries on foreign market	1004		84,979	142,551
3. Income from the sale of goods to other related parties on domestic market	1005		4,015	1,283
4. Income from the sale of goods to other related parties on foreign market	1006		1,845	187,210
5. Income from sale of goods on domestic market	1007		8,505,669	27,314,442
6. Income from sale of goods on foreign market	1008		66,544	1,444,434
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	**1009**		**160,806,365**	**215,587,750**
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010		911,848	838,470
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011		12,136,646	18,431,398
3. Income from sales of products and services to other related parties on domestic market	1012		17,016,963	19,071,606
4. Income from sales of products and services to other related parties on foreign market	1013		147,612	385,054
5. Income from sales of products and services – domestic	1014		110,615,468	150,161,146
6. Income from sales of products and services – foreign	1015		19,977,828	26,700,076
III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	**1016**		**-**	**-**
IV. OTHER OPERATING INCOME	**1017**		**328,273**	**383,905**
EXPENSES FROM REGULAR OPERATING ACTIVITIES				
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>=0	**1018**		**176,878,956**	**222,587,880**
I. COST OF GOODS SOLD	1019		7,417,948	25,965,473
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020		1,511,825	2,343,286
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021		-	-
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022		2,973,687	3,470,567
V. COST OF MATERIAL	1023	**30**	103,099,166	130,509,980
VI. COST OF FUEL AND ENERGY	1024		3,636,226	3,139,822
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	**31**	17,074,338	15,593,065
VIII. COST OF PRODUCTION SERVICES	1026	32	13,295,670	15,108,734
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027	8,9	20,866,040	19,005,884
X. COST OF LONG-TERM PROVISIONING	1028		210,016	604,750
XI. NON-PRODUCTION COSTS	1029	33	9,817,690	11,532,891
C. OPERATING GAIN (1001-1018)>=0	**1030**		**-**	**22,700,946**
D. OPERATING LOSS (1018-1001)>=0	**1031**		**7,076,132**	**-**

(continued)

INCOME STATEMENT (continued)

	AOP	Note	Year ended 31 December 2020	2019
E. FINANCE INCOME (1033+1038+1039)	**1032**	**34**	**3,243,326**	**3,083,292**
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		1,690,272	1,774,064
1. Finance income - parent company and subsidiaries	1034		1,685,343	1,756,956
2. Finance income - other related parties	1035		513	5,522
3. Share of profit of associates and joint ventures	1036		-	-
4. Other financial income	1037		4,416	11,586
II. INTEREST INCOME (from third parties)	1038		292,710	478,114
III. FOREIGN EXCHANGE GAINS (third parties)	1039		1,260,344	831,114
F. FINANCE EXPENSES (1041+1046+1047)	**1040**	**35**	**4,122,889**	**3,527,458**
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		1,496,760	1,636,926
1. Finance expense - parent company and subsidiaries	1042		1,468,999	1,610,891
2. Finance expense - other related parties	1043		627	4,728
3. Share of loss of associates and joint ventures	1044		-	-
4. Other financial expense	1045		27,134	21,307
II. INTEREST EXPENSE (from third parties)	1046		1,491,628	1,446,602
III. FOREIGN EXCHANGE LOSSES (third parties)	1047		1,134,501	443,930
G. PROFIT FROM FINANCING OPERATIONS (1032-1040)	**1048**		-	-
H. LOSS FROM FINANCING OPERATIONS (1040-1032)	**1049**		**879,563**	**444,166**
I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1050**	**36**	**251,975**	**293,218**
J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1051**		**156,111**	**224,925**
K. OTHER INCOME	**1052**	**37**	**2,075,870**	**1,141,058**
L. OTHER EXPENSES	**1053**	**38**	**1,839,475**	**1,452,124**
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**		**-**	**22,014,007**
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**		**7,623,436**	**-**
O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1056**		**-**	**-**
P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1057**		**-**	**-**
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**		**-**	**22,014,007**
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**		**7,623,436**	**-**
II. INCOME TAX				
I. CURRENT INCOME TAX	1060	39	(111,229)	2,870,963
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061	39	-	1,442,979
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	39	1,603,709	-
S. PERSONAL INCOME PAID TO EMPLOYER	**1063**		**-**	**-**
T. NET PROFIT (1058-1059-1060-1061+1062)	**1064**		**-**	**17,700,065**
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**		**5,908,498**	**-**
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066		-	-
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067		-	17,700,065
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068		-	-
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069		5,908,498	-
V. EARNINGS PER SHARE				
1. Basic earnings per share	1070		(0.036)	0.109
2. Diluted earnings per share	1071		-	-

The accompanying notes on pages 10 to 65 are an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

	AOP	Note	Year ended 31 December 2020	2019
A. NET PROFIT/(LOSS)				
I. PROFIT, NET (AOP 1064)	**2001**		**-**	**17,700,065**
II. LOSS, NET (AOP 1065)	**2002**		**5,908,498**	**-**
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase in revaluation reserves	2003		-	-
b) decrease in revaluation reserves	2004		-	-
2. Actuarial gains (losses) of post employment benefit obligations				
a) gains	2005		-	-
b) losses	2006		20,739	29,837
3. Gains and losses arising from equity investments				
a) gains	2007		-	-
b) losses	2008		-	-
4. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
a) gains	2009		-	-
b) losses	2010		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains (losses) from currency translation differences				
a) gains	2011		-	-
b) losses	2012		-	-
2. Gains (losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
3. Gains and losses on cash flow hedges				
a) gains	2015		-	-
b) losses	2016		-	-
4. Gains (losses) from change in value of available-for-sale financial assets				
a) gains	2017		-	7,267
b) losses	2018		295	-
I. OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019		-	-
II. OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2009+2011+2013+2015+2017)>=0	2020		21,034	22,570
III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD	2021		-	-
IV. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021)>=0	**2022**		**-**	**-**
V. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021)>=0	**2023**		**21,034**	**22,570**
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2022-2023)>=0	2024		-	17,677,495
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2023-2022)>=0	2025		5,929,532	-
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2027+2028)=AOP 2024>=0 или AOP 2025>0	**2026**		**5,929,532**	**17,677,495**
1. Attributable to shareholders	2027		5,929,532	17,677,495
2. Attributable to non-controling interest	2028		**-**	**-**

The accompanying notes on pages 10 to 65 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	AOP	Note	Year ended 31 December 2020	2019
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 3)	**3001**		**363,097,125**	**458,104,310**
1. Sales and advances received	3002		362,320,551	456,750,061
2. Interest from operating activities	3003		448,301	970,344
3. Other inflow from operating activities	3004		328,273	383,905
II. Cash outflow from operating activities (1 to 5)	**3005**		**334,114,963**	**404,562,970**
1. Payments and prepayments to suppliers	3006		143,767,421	195,327,034
2. Salaries, benefits and other personal expenses	3007		15,694,561	14,281,098
3. Interest paid	3008		1,695,706	1,748,635
4. Income tax paid	3009		1,162,365	4,060,442
5. Payments for other public revenues	3010		171,794,910	189,145,761
III. Net cash inflow from operating activities (I - II)	**3011**		**28,982,162**	**53,541,340**
IV. Net cash outflow from operating activities (II - I)	**3012**		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3013**		**968,195**	**486,221**
1. Sale of shares (net inflow)	3014		-	26,968
2. Proceeds from sale of intangible assets, property, plant and equipment	3015		488,186	391,938
3. Other financial investments (net inflow)	3016		475,735	58,858
4. Interest from investing activities	3017		-	-
5. Dividend received	3018		4,274	8,457
II. Cash outflow from investing activities (1 to 3)	**3019**		**25,557,981**	**41,820,136**
1. Acquisition of subsidiaries or other business (net outflow)	3020		41	-
2. Purchase of intangible assets, property, plant and equipment	3021		25,557,940	41,820,136
3. Other financial investments (net outflow)	3022		-	-
III. Net cash inflow from investing activities (I - II)	**3023**		**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3024**		**24,589,786**	**41,333,915**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 5)	**3025**		**161,966**	**-**
1. Increase in share capital	3026		-	-
2. Proceeds from long-term borrowings (net inflow)	3027	24	-	-
3. Proceeds from short-term borrowings (net inflow)	3028	24	161,966	-
4. Other long-term liabilities	3029		-	-
5. Other short-term liabilities	3030		-	-
II. Cash outflow from financing activities (1 to 6)	**3031**		**10,185,885**	**10,968,984**
1. Purchase of own shares	3032		-	-
2. Repayment of long-term borrowings (net outflow)	3033	24	5,480,423	3,700,130
3. Repayment of short-term borrowings (net outflow)	3034	24	-	624,306
4. Repayment of other liabilities (net outflow)	3035		-	-
5. Financial lease	3036	24	280,003	127,024
6. Dividend distribution	3037	22	4,425,459	6,517,524
III. Net cash inflow from financing activities (I - II)	**3038**		**-**	**-**
IV Net cash outflow from financing activities (II - I)	**3039**		**10,023,919**	**10,968,984**
D. TOTAL CASH INFLOW (3001+3013+3025)	**3040**		**364,227,286**	**458,590,531**
E. TOTAL CASH OUTFLOW (3005+3019+3031)	**3041**		**369,858,829**	**457,352,090**
F. NET CASH INFLOW (340-341)	**3042**		**-**	**1,238,441**
G. NET CASH OUTFLOW (341-340)	**3043**		**5,631,543**	**-**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3044**		**13,501,827**	**12,222,578**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3045**		**309,535**	**256,962**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3046**		**230,034**	**216,154**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3042-3043+3044+3045-3046)	**3047**		**7,949,785**	**13,501,827**

The accompanying notes on pages 10 to 65 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings
Balance as at 1 January 2019								
a) debit	4001	**-**	4037	**-**	4055	**-**	4091	**-**
b) credit	4002	**81,530,200**	4038	**-**	4056	**-**	4092	**167,534,359**
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2019								
а) debit (1а+2а-2б)>=0	4005	**-**	4041	-	4059	**-**	4095	**-**
б) credit (1б-2а+2б)>=0	4006	**81,530,200**	4042	**-**	4060	**-**	4096	**167,534,359**
Changes in period								
a) debit	4007	-	4043	-	4061	-	4097	6,512,156
b) credit	4008	-	4044	-	4062	-	4098	17,700,065
Balance as at 31 December 2019								
а) debit (3а+4а-4б)>=0	4009	**-**	4045	-	4063	-	4099	**-**
б) credit (3б-4а+4б)>=0	4010	**81,530,200**	4046	-	4064	-	4100	**178,722,268**
Adjustments of material errors and changes in accounting policies								
a) debit	4011	-	4047	-	4065	-	4101	-
b) credit	4012	-	4048	-	4066	-	4102	-
Restated opening balance as at 1 January 2020								
а) debit (5а+6а-6б)>=0	4013	**-**	4049	**-**	4067	**-**	4103	**-**
б) credit (5б-6а+6б)>=0	4014	**81,530,200**	4050	**-**	4068	**-**	4104	**178,722,268**
Changes in period								
a) debit	4015	-	4051	-	4069	5,908,498	4105	4,425,459
b) credit	4016	-	4052	-	4070	-	4106	-
Balance as at 31 December 2020								
а) debit (7а+8а-8б)>=0	4017	**-**	4053	**-**	4071	5,908,498	4107	**-**
б) credit (7б-8а+8б)>=0	4018	**81,530,200**	4054	**-**	4072	-	4108	**174,296,809**

(continued)

(All amounts are in RSD 000 unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY (continued)

		Other comprehensive income components						
	AOP	Revaluation reserves	AOP	Acturial gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Balance as at 1 January 2019								
a) debit	**4109**	**-**	**4127**	**-**	**4217**	**60,082**		
b) credit	**4110**	**152,143**	**4128**	**147,011**	**4218**	**-**	**4235**	**249,303,631**
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4129	-	4219	-		
b) credit	4112	-	4130	-	4220	-	4236	-
Restated opening balance as at 1 January 2019								
a) debit (1а+2а-2б)>=0	**4113**	**-**	**4131**	**-**	**4221**	60,082		
b) credit (1б-2а+2б)>=0	**4114**	**152,143**	**4132**	**147,011**	**4222**	-	**4237**	**249,303,631**
Changes in period								
a) debit	4115	-	4133	29,837	4223	-		
b) credit	4116	-	4134	-	4224	1,899	4238	11,159,971
Balance as at 31 December 2019								
a) debit (3а+4а-4б)>=0	**4117**	**-**	**4135**	**-**	**4225**	**58,183**		
b) credit (3б-4а+4б)>=0	**4118**	**152,143**	**4136**	**117,174**	**4226**	-	**4239**	**260,463,602**
Adjustments of material errors and changes in accounting policies								
a) debit	4119	-	4137	-	4227	-		
b) credit	4120	-	4138	-	4228	-	4240	-
Restated opening balance as at 1 January 2020								
a) debit (5а+6а-6б)>=0	**4121**	**-**	**4139**	**-**	**4229**	**58,183**		
b) credit (5б-6а+6б)>=0	**4122**	**152,143**	**4140**	**117,174**	**4230**	**-**	**4241**	**260,463,602**
Changes in period								
a) debit	4123	-	4141	20,739	4231	295		
b) credit	4124	-	4142	-	4232	-	4242	(10,354,991)
Balance as at 31 December 2020								
a) debit (7а+8а-8б)>=0	**4125**	**-**	**4143**	**-**	**4233**	**58,478**		
б) credit (7б-8а+8б)>=0	**4126**	**152,143**	**4144**	**96,435**	**4234**	-	**4243**	**250,108,611**

The accompanying notes on pages 10 to 65 are an integral part of these 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 and
- Electric generation and trading.

Other activities primarily include sales of other goods, works and services.

The Company was established in accordance with the Decision of the Government of the Republic of Serbia on 7 July 2005. On 2 February 2009, PJSC Gazprom Neft (''Gazprom Neft'') acquired a 51% of the share capital of NIS a.d. which became a subsidiary of Gazprom Neft. In March 2011, under the Company's Share Sale and Purchase Agreement, Gazprom Neft acquired additional 5.15% of shares, thereby increasing its percentage of ownership to 56.15%. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

The Company is an open joint stock company listed on the Belgrade Stock Exchange.

These financial statements are separate financial statements of the Company. The Company also prepares consolidated financial statements.

These Financial Statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Board of Directors for approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements for the year ended 31 December 2020 were prepared in accordance with the applicable Law on Accounting of the Republic of Serbia, which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

- The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,
- "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet. Such items do not meet the definition of either an asset or a liability under IFRS.

As a result, the accompanying financial statements cannot be considered as financial statements prepared in full compliance with IFRS.

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia 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 financial statements are disclosed in note 3.

The 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 (refer to note 3.1 for Going Concern and Implications of COVID-19) and, therefore, this principle should be applied in the preparation of these Financial Statements.

At the date of signing Financial Statements, crude oil price increased since 31 December 2020 from 50.485 $/barrel to 68.735 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. Basis of measurement

These Financial Statements are prepared on the historical cost basis, except certain financial assets and liabilities and investment properties measured at fair value.

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 Company as a whole is not subject to significant seasonal fluctuation.

2.5. Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Serbian dinars (“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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other monetary assets and liabilities are presented in the income statement within ‘finance income or cost’.

2.6. Intangible assets

(a) *Licenses and rights (concessions)*

Separately acquired licenses are shown 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 (average usefull life is 5 years).

Licenses and rights include Oil and Gas Upstream Exploration Rights, which are amortised in accordance with the terms and conditions of the rights.

(b) *Software*

These include primarily the costs of implementation the (SAP) computer software program. Acquired computer software licenses are capitalized 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 to exceed 8 years).

2.7. 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 proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven 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 construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

(c) *Oil and gas production assets*

Oil and gas production assets comprise exploration and evaluation 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.

2.8. 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 income statement during the financial period in which they are incurred.

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
Buildings	10 - 50
Machinery and Equipment:	
- Production equipment	2 - 35
- Furniture	3 - 10
- Vehicles	5 - 25
- Computers	3 - 10
Other PP&E	3 - 20

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 income statement (notes 37 and 38).

2.9. Leases

The Company leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	25
Buildings	2 - 22
Machinery	3 - 15
Motor vehicles	2 - 10

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

2.10. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11. Investment property

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

Investment property principally comprises of petrol stations and business facilities rented out for a period exceeding one year.

Investment property is carried at fair value. Changes in fair values are recorded in the income statement as part of other income/expenses (notes 37 and 38).

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.

2.12. Financial instruments

(a) *Key measurement terms*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.
Amortized cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*.

(b) ***Classification and measurement***

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

At initial recognition, the Company measures a financial asset as its fair value plus, in case of a financial assets not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit and loss. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Factors considered by the Company in determining the business model include the purpose and composition of portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest (''SPPI''), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. 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.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. 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.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

(c) ***Write-off***

Financial assets are written-off, in whole or in part, when the Company has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(d) ***Recognition and derecognition***

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

(e) ***Modification***

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

(f) ***Financial assets impairment***

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and recognises Net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

- General model of impairment of financial assets – three stage model

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

When defining default for the purposes of determining the risk of a default occurring, Company applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately.

Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

- Simplified approach for impairment of receivables and lease receivables

Company applies simplified approach for trade receivables and lease receivables and measure the loss allowance at an amount equal to lifetime expected credit losses ("Lifetime ECL").

Company uses a provision matrix in the calculation of the expected credit losses on trade receivables. Company use historical credit loss experience (adjusted as appropriate on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

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 income statement within selling, general and administrative expenses.

Impairment losses are reversed through profit or loss if the amount of the impairment loss decreases and the decrease can be attributed to an event occurring after the impairment was recognized.

2.13. 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. The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as Other expense (note 38).

2.14. Off-balance sheet assets and liabilities

Off-balance sheet assets/liabilities include: material received from third parties for further processing and other assets not owned by the Company, as well as receivables/payables relating to collaterals received/given such as guarantees and other warrants.

2.15. Share capital

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

2.16. 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.

2.17. Provisions

Provisions for environmental restoration, asset retirement obligation 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 cost of provision and charged to income statement.

2.18. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, 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 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.

2.19. 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 the Collective 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. The expected costs of these benefits are accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Serbian Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

(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.

In 2017, the Company has made decision to introduce new three-year (2018-2020) program for Company's managers which will be based on the Key Performance Indicators ("KPI") reached during the program (note 23).

2.20. Revenue recognition from contracts with customers

The Company recognizes revenue from sales of crude oil, petroleum products, gas and other products and services when it satisfies a performance obligation and control over goods and services is passed. For the most contracts control over goods or services passes to a customer at point of time and consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is shown net of returns, rebates and discounts.

Sales taxes

Revenue does not amount collected on behalf of tax authorities – value added taxes (VAT), excise duties and other sales taxes (fee for improvement of energy efficiency).

The accounting for excise duties is based on the Company's assessment whether it is primarily obligated for payment of excise duties or whether it collects the amount from the customer on behalf of the tax authorities.

Excise duties imposed during the inventory procurement process are included in the transaction price, revenue is determined on a gross basis and paid excise duties are also included in the cost of goods sold.

Excise duties incurred in production and sale of products are assessed as part of amounts collected on behalf of tax authorites and are accounted on a net basis.

(a) *Sales - wholesale*

The Company manufactures and sells oil, petrochemical products, liquefied natural gas and energy in the wholesale market. Sales of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts entitled to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of less than one year and is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(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 or by credit card. Company offers customer incentives mostly in the form of loyalty programs described under section d).

(c) *Sales of electricity*

The Company sells electricity on a short and long term basis with a contract terms generally accepted in the energy industry (via bilateral forward standardized general EFET agreements). Majority of sales are made on a wholesale market without structured trades.

In accordance with contract terms if Company expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis in financial statements. In general, delivery of electricity represent transfer of a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer over time. Accordingly, delivery of electricity is treated as a single performance obligation to which transaction price is allocated. Revenue is recognized by applying a single measure of progress to the identified single performance obligation.

(d) *Customer loyalty program*

The Company operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 29.

(e) *Interest income*

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Company relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.21. 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.

2.22. 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.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparing financial statements required Management to make estimates and assumptions that effect 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 experience and other facts 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 estimates 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.

Information on the effect of macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Financial Statements is provided below.

3.1. Going Concern and Implications of COVID-19

The spread of the coronavirus pandemic (COVID-19) and the preventive measures which led to decrease in the economic activity of market participants in the 2020, as well as significant volatility in the commodity markets since March 2020, have negatively affected the Company's results in the reporting period. These developments result in loss for the period of RSD 5,908,498 thousand and decline in EBITDA disclosed in note 7. On the other hand, local currency RSD maintained a relatively stable against the US dollar and EURO (note 6).

Given the recent volatility in global oil and commodity prices and potential impact on demand as a result of the COVID-19 virus management has considered the impact of the COVID-19 virus on the Company's future sales and specifically the Company's cash flow. The virus may result in a sustained low oil price which may impact the price of petroleum products and as well in short term decline in demand from customers which negatively impacts future cash inflows.

Management has performed the following assessment and concluded that there is no material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern:

- Assessment of going concern is based on cash flow projections and approved business plans. Cash flow projection is analysed under note 6 – section related to liquidity risk;
- Compliance with debt covenants (note 6 – liquidity risk section);
- Management assess ability to secure financing. Despite the situation with the COVID-19 pandemic, during 2020 additional optimization of the loan portfolio indicator was performed in terms of reducing the financing price by about 8% compared to the end of 2019, while maintaining the average maturity to 3.02 years, at the end of 2020. A significant part of loan portfolio was restructured (early repayment of existing loans with withdrawal of new ones on more favourable terms and correction of conditions of existing loans, in terms of lowering the interest rate and / or extending the maturity, as well as regular repayments);
- Management performed sensitivity analysis over their cash flow forecast to factor in the impact of a decline in both oil prices and production as a result of the effects of the COVID-19 virus on the global economy;
- During 2020, мanagement performed successfully optimisation of operational expenses and prioritization of the investments.

3.2. 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 and probable 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 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.

Detailed disclosure about Oil and gas reserves was not given as these data prescribed by the law of the Republic of Serbia are classified as a state secret.

3.3. 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.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2020 would be to increase/decrease it by RSD 1,886,343 thousand (2019: RSD 1,735,354 thousand).

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 Serbian Treasury 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.

If the discount rate used to calculate the present value of employee benefit obligations had been 5.30% (rather than 4.30%) per year, the past service liability (DBO) for the Company would decrease by about 7.04% for retirement indemnity and 5.0% for jubilee benefit. If pay increased by 1% higher than assumed on an annual basic, than the past service liability (DBO) for the Company would increase by amount 8.4% for the retirement indemnity.

3.5. Decommissioning and environmental protection provision

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.

If the discount rate used to calculate the present value of decommissioning obligations had been 5.30% (rather than 4.30%) per year, the present liability would have decreased by approx. RSD 721,372 thousand (31 December 2019: 5.40% (rather than 4.40%) per year the present liability would have decreased by approx. RSD 419,182 thousand).

3.6. Contingencies

Certain conditions may exist as of the date of these financial statements 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 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 40).

3.7. Recoverability of carrying amount of Property, Plant and Equipment

In the line with changes in the crude oil price on the world market, management of the Company performed stress sensitivity analysis of its impact on recoverability of the Company PPE and overall business performance. Based on the currently available information and crude oil price forecast obtained from a reputable firm management believe that at reporting date recoverable amount of Company's PPE exceed its carrying value.

The management reviewed external and internal sources of information for assessing potential impairment indicators such as changes in the Company's business plans, changes in oil and commodity prices leading to sustained unprofitable performance, low plant utilisation, evidence of physical damage, changes in market interest rates, worseining performance of particular assets or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. The Company realized EBITDA in the amount of RSD 14.1 bln in the current year (FY 2019: RSD 42.0 bln) and net loss in the amount of RSD 5.9 bln. Net loss in the current year was impacted by the covid-19 implications which primarily affected the first half of 2020 when net loss was reported in the amount of RSD 9.0 bln while the recovery of business performance was restored in the second half of 2020 when the Company reported net profit in the amount of RSD 3.1 bln. The business plan of the Company for the FY 2021 predicts profitable operatons and restoring EBITDA to the historical level with further stabilization in the period FY 2022-23. The price of oil significantly restored by year end (31 December 2020) and subsequent to that date, currently exceeding all medium forecast projections for the period 2020-2025. In addition, the Company completed major contruction project during the last quarter of FY 2020 which will significantly increase the utilization of oil refinery and increase the efficiency of operations in the future periods. Details on this, recognized impairment losses and the result of assessment of impairment indicators are presented in the Note 9.

The Company assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Company's PPE by 57.2 bln RSD (31 December 2019: 46.5 bln RSD).

Oil prices are based on the available forecasts from globally recognized research institutions such as Wood Mackenzie, Platts/PIRA, Energy Group and others.

Management will continue to monitor the crude oil price fluctuation and its influence on business performance in order to adequately take measure to mitigate impact if the negative trends on the market continue.

4. APPLICATION OF NEW IFRS

The following amendments to the existing standards which became effective did not have any material impact on the Financial Statements:

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business − Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Material − Amendments to IAS 1 and IAS 8 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform − Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020);
- COVID-19-Related Rent Concessions − Amendments to IFRS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 June 2020);
- Lease Incentives – Amendments to Illustrative Example 13 accompanying IFRS 16 (issued in May 2020).

5. NEW ACCOUNTING STANDARDS

The following new standards and amendments to the existing standards are not expected to have any material impact on the Financial Statements when adopted:

- IFRS 17 − Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current − Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Onerous Contracts − Cost of Fulfilling a Contract − Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use − Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework − Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
  - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities − Amendments to IFRS 9;
  - Subsidiary as a First-time Adopter − Amendment to IFRS 1;

- Taxation in Fair Value Measurements − Amendment to IAS 41;

- Interest Rate Benchmark Reform (Phase 2) − Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021);

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB).

6. FINANCIAL RISK MANAGEMENT

6.1. 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 and cash flow interest rate 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 and finance control department within the Company's Function for Finance, Economics, Planning and Accounting (further "FEPA") which under the policies approved by the Company 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 currency risk, interest rate risk and commodity price risk);
(b) credit risk and
(c) liquidity risk.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates (c) commodity price, all of which are exposed to general and specific market movements. Management analyse and monitoring risk that may be accepted, however, the use of this approach does not prevent losses in the event of more significant market movements.

Currency risk

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

Management has set up a policy to manage its currency risk against its functional currency. In order to manage its currency 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. Currency risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company functional currency.

The Company has borrowings denominated in foreign currency mainly in EUR which predominantly expose Company to the currency translation risk. Currency exposure arising from the borrowings is managed through the participation of the borrowing denominated in functional currency of the Company in the total credit portfolio.

The carrying values (net of allowance) of the Company's financial instruments by currencies they are denominated are as follows:

As of 31 December 2020

	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	95,316	-	-	-	95,316
Long-term investments in subsidiaries	-	22,911,248	-	-	22,911,248
Other long-term investments	84,336	1,504,415	5,740	-	1,594,491
Long term receivables	9,374	75,778	-	-	85,152
Current					
Trade receivables	18,627,387	3,808,757	95,424	-	22,531,568
Receivables from specific operations	63,062	42,855	149,953	-	255,870
Other receivables	1,182,894	1,270,570	2,855	292	2,456,611
Short term financial investments	179,617	5,163,360	-	-	5,342,977
Cash and cash equivalents	4,526,215	3,173,675	243,184	6,711	7,949,785
Financial liabilities					
Non-current					
Long-term liabilities	(14,199)	(72,780,867)	(120,107)	(160,295)	(73,075,468)
Current					
Short-term financial liabilities	(1,770,865)	(11,801,674)	(37,751)	(52,889)	(13,663,179)
Trade payables	(9,462,425)	(7,834,253)	(3,324,991)	(32,269)	(20,653,938)
Other short-term liabilities	(8,024,143)	(79,851)	(152,390)	(2,114)	(8,258,498)
Net exposure	**5,496,569**	**(54,545,987)**	**(3,138,083)**	**(240,564)**	**(52,428,065)**

As of 31 December 2019

	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	95,662	-	-	-	95,662
Long-term investments in subsidiaries	-	23,205,187	-	-	23,205,187
Other long-term investments	73,592	729,893	4,964	-	808,449
Long term receivables	6,825	227,359	-	-	234,184
Current					
Trade receivables	23,075,088	5,168,855	128,120	-	28,372,063
Receivables from specific operations	59,001	42,976	164,460	19	266,456
Other receivables	837,217	1,093,045	3,215	550	1,934,027
Short term financial investments	49,444	5,384,278	-	-	5,433,722
Cash and cash equivalents	6,084,928	5,267,369	2,141,426	8,104	13,501,827
Financial liabilities					
Non-current					
Long-term liabilities	(12,490)	(82,824,750)	(173,130)	(225,692)	(83,236,062)
Current					
Short-term financial liabilities	(1,609,631)	(5,810,904)	(36,162)	(63,243)	(7,519,940)
Trade payables	(12,588,893)	(7,832,250)	(16,266,990)	(32,823)	(36,720,956)
Other short-term liabilities	(7,319,417)	(87,658)	(167,593)	(14,440)	(7,589,108)
Net exposure	**8,751,326**	**(55,436,600)**	**(14,201,690)**	**(327,525)**	**(61,214,489)**

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2020	**31 December 2019**
EUR	117.5802	117.5928
USD	95.6637	104.9186

Sensitivity analysis

The Company has chosen to provide information about market and potential exposure to hypothetical gain/(loss) from its use of financial instruments through sensitivity analysis disclosures.

The sensitivity analysis below reflects the hypothetical effect on the Company's financial instruments and the resulting hypothetical gains/losses that would occur assuming change in closing exchange rates and no changes in the portfolio of investments and other variables at the reporting dates.

As at 31 December 2020, if the currency had strengthened/weaken by 5% against the EUR with all other variables held constant, pre-tax profit for the year and equity would have been RSD 2,727,299 thousand (2019: RSD 2,771,830 thousand) higher/lower, mainly as a result of foreign exchange gains/(losses) on translation of EUR – denominated borrowings.

As at 31 December 2020, if the currency had strengthened/weaken by 10% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been RSD 313,808 thousand (2019: RSD 1,420,169 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Commodity price risk

The Company's financial performance relates directly to prices for crude oil and petroleum products. The Company is unable to fully control the prices of its products, which depend on the balance of supply and demand on global and domestic markets for crude oil and petroleum products, and on the actions of supervisory agencies.

The Company's planning system calculates different scenarious for key performance facors depending on global oil prices. This approach enables Management to adjust cost by reducing or rescheduling investment programs and other mechanisms. Such activities help to decrease risk to an acceptable level.

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Company to cash flow 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. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2020 would have been RSD 667,008 thousand (2019: RSD 718,111 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position is as follows:

	31 December 2020	2019
Financial instrument at FVTOCI	95,316	95,662
Long term investments in subsidiaries	22,911,248	23,205,187
Other long-term investments	1,594,491	808,449
Long term receivables	85,152	234,184
Trade receivables	22,531,568	28,372,063
Receivables from specific operations	255,870	266,456
Other receivables	2,456,611	1,934,027
Short term financial investments	5,342,977	5,433,722
Cash and cash equivalents	7,949,785	13,501,827
Total maximum exposure to credit risk	**63,223,018**	**73,851,577**

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. 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.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower**.** Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- scoring Serbian Business Register Agency, NIS and/or D&B reports;
- amount of registered pledges;
- data on customer's account blockade;
- history of relationships with the Company;
- planned sales volume;
- duration of relationship with the Company, including ageing profile, maturity and existence of any financial difficulties.

Trade, Specific and Other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance.

To measure the expected credit losses, trade,specific and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The credit loss allowance for trade, specific and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2020 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, specific and other receivables
Trade, specific and other receivables				
- current	0.03%	22,136,726	(5,769)	22,130,957
- less than 30 days overdue	0.17%	1,267,322	(2,175)	1,265,147
- 31 to 90 days overdue	0.88%	304,903	(2,698)	302,205
- 91 to 270 days overdue	3.69%	319,980	(11,792)	308,188
- over 270 days overdue	93.14%	18,040,589	(16,803,037)	1,237,552
Total trade, specific and other receivables		**42,069,520**	**(16,825,471)**	**25,244,049**

At 31 December 2019 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, specific and other receivables
Trade, specific and other receivables				
- current	0.05%	28,101,985	(13,606)	28,088,379
- less than 30 days overdue	0.18%	1,207,976	(2,179)	1,205,797
- 31 to 90 days overdue	1.10%	117,107	(1,292)	115,815
- 91 to 270 days overdue	2.58%	173,681	(4,479)	169,202
- over 270 days overdue	94.64%	18,540,231	(17,546,878)	993,353
Total trade, specific and other receivables		**48,140,980**	**(17,568,434)**	**30,572,546**

As a rule, an excess of receivables over approved credit limit is secured by either bank guarantee, advance payment or other security.

The Management of the Company regularly assesses the credit quality of trade, specific and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Company.

Management believes that not impaired trade, specific and other receivables are fully recoverable.

Movements on the Company's provision for impairment of trade receivables and lease receivables are as follows:	**Trade receivables**		**Lease receivables**	**Total**
	Individually impaired	Collectively impaired		
As at 1 January 2019	**2,442,854**	**3,539,446**	**59,609**	**6,041,909**
Provision for receivables impairment	-	74,646	2,321	76,967
Unused amounts reversed (note 36)	-	(73,383)	(7,867)	(81,250)
Receivables written-off during the year as uncollectible	-	(262,377)	(1,232)	(263,609)
Other	-	(1,806)	-	(1,806)
As at 31 December 2019	**2,442,854**	**3,276,526**	**52,831**	**5,772,211**
Provision for receivables impairment	-	90,356	5,126	95,482
Unused amounts reversed (note 36)	-	(112,728)	(11,634)	(124,362)
Receivables written-off during the year as uncollectible	-	(609,621)	(285)	(609,906)
Other	-	4	-	4
As at 31 December 2020	**2,442,854**	**2,644,537**	**46,038**	**5,133,429**

Expenses that have been provided for or written off are included in fair value measurement loss within the income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The other classes within trade, specific and other receivables do not contain impaired assets.

As of 31 December 2020 receivables from specific operations amounting RSD 2,177,080 thousand (31 December 2019: RSD 2,213,511 thousand) are mostly impaired in the amount of RSD 1,921,210 thousand (31 December 2019: RSD 1,947,055 thousand). 99.7% of these receivables are older than 5 years.

Movements on the provision for other receivables:

	Interest on long – term placements (current part)	Other Interest receivables	Other receivables	Total
As at 1 January 2019	**430,715**	**2,131,095**	**7,400,617**	**9,962,427**
Provision for other receivables impairment	-	4,802	9,342	14,144
Unused amounts reversed (note 36)	(5,951)	(12,914)	(1,088)	(19,953)
Reclassification from non-current to current part	(40,320)	-	-	(40,320)
Exchange differences	(2,226)	-	-	(2,226)
Receivables written off during the year as uncollectible and other	-	(57,932)	(6,971)	(64,903)
As at 31 December 2019	**382,218**	**2,065,051**	**7,401,900**	**9,849,169**
Provision for other receivables impairment	-	8,165	2,006	10,171
Unused amounts reversed (note 36)	-	(38,415)	(369)	(38,784)
Reclassification from non-current to current part	(2,365)	-	-	(2,365)
Exchange differences	(42)	-	-	(42)
Receivables written off during the year as uncollectible and other	-	(46,480)	(837)	(47,317)
As at 31 December 2020	**379,811**	**1,988,321**	**7,402,700**	**9,770,832**

Other financial assets at amortised cost

Movements on the provision for long-term placements to subsidiaries:

	Total
As at 1 January 2019	**4,043,046**
Remeasurement of expected credit losses	94,891
Reclassification from non-current to current part	(1,822,844)
Exchange differences	(14,939)
As at 31 December 2019	**2,300,154**
As at 1 January 2020	**2,300,154**
Remeasurement of expected credit losses	-
Reclassification from non-current to current part	1,359,610
Exchange differences	(344)
As at 31 December 2020	**3,659,420**

Movements on the provision for short-term placements:

	Short-term financial loans - subsidiaries	Short-term financial loans - Domestic	Current portion of long-term placements	Total
As at 1 January 2019	**-**	**2,019**	**5,686,160**	**5,688,179**
Remeasurement of expected credit losses	-	-	5,000	5,000
Unused amounts reversed	-	-	(172,425)	(172,425)
Reclassification from non-current to current part	-	-	1,863,164	1,863,164
Exchange differences	-	-	(34,393)	(34,393)
As at 31 December 2019	**-**	**2,019**	**7,347,506**	**7,349,525**
Remeasurement of expected credit losses	-	-	17,822	17,822
Unused amounts reversed	-	-	-	-
Reclassification from non-current to current part	-	-	(1,357,245)	(1,357,245)
Exchange differences	-	-	(685)	(685)
As at 31 December 2020	**-**	**2,019**	**6,007,398**	**6,009,417**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	BBB and higher	Less than BBB	Without rating	Total
As at December 2020				
Cash and cash equivalents	2,310,366	3,888,729	1,750,690	**7,949,785**
As at December 2019				
Cash and cash equivalents	3,926,559	5,109,275	4,465,993	**13,501,827**

As at December 2020 and 2019 there were no deposits with original maturity more than three months.

The Company uses lifetime expected credit loss approach to measure expected credit losses for most of its financial assets.

As of 31 December 2020 and 2019 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Company's level. The Company's finance function 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 time 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 the balance required for working capital management is invested as surplus cash in time deposits.

The table below analyses the Company's financial liabilities into relevant maturity groupings at the balance sheet.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2020	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 5 years**	**Over 5 years**
Financial liabilities (debt+lease)	85,896,800	90,216,843	15,008,689	62,413,869	12,794,285
Trade payables and dividends payable	24,438,955	24,438,955	24,438,955	-	-
	110,335,755	**114,655,798**	**39,447,644**	**62,413,869**	**12,794,285**
As at 31 December 2019					
Financial liabilities (debt+lease)	90,756,002	95,865,051	9,052,606	82,868,103	3,944,342
Trade payables and dividends payable	40,501,648	40,501,648	40,501,648	-	-
	131,257,650	**136,366,699**	**49,554,254**	**82,868,103**	**3,944,342**

6.2. 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, return capital to shareholders, issue new shares or sell assets to reduce debt.

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:

	31 December 2020	**31 December 2019**
Total borrowings	86,738,647	90,756,002
Less: cash and cash equivalents (note 19)	(7,949,785)	(13,501,827)
Net debt	**78,788,862**	**77,254,175**
EBITDA	14,110,653	42,093,360
Net debt to EBITDA	**5.58**	**1.84**

The Company has committed (at the level of Gazprom Neft Group) to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 3.0 during the terms of long-term borrowings agreements with certain commercial banks. Company is constantly monitoring the established commitments to maintain the height of debt cover ration and there has been no breach of these obligation.

There were no changes in the Company's approach to capital management during the year.

6.3. 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.

The carrying amount of trade, specific and other receivables and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current financial assets and non-current financial liabilities the fair values are also not significantly different to their carrying amounts.

7. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the years ended 31 December 2020 and 2019. Operating segments are components are engaged in business activities which 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 two 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. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre and Energy business activities 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 on-going 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 amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the year ended 31 December 2020 are shown in the table below:

	Upstream	**Downstream**	**Eliminations**	**Total**
Segment revenue	29,495,217	169,879,540	(29,571,933)	169,802,824
Intersegment	29,007,674	564,259	(29,571,933)	-
External	487,543	169,315,281		169,802,824
Adjused EBITDA (Segment results)	**15,334,689**	**(1,224,036)**	**-**	**14,110,653**
Depreciation, depletion and amortization	(11,455,129)	(9,410,911)	-	(20,866,040)
Impairment losses/ /Revaluation surpluses (note 37 and 38)	331	(721,373)	-	(721,042)
Write-off of exploration works (note 9)	(136,994)	-	-	(136,994)
Finance expenses, net	(79,509)	(800,054)	-	(879,563)
Income tax	(50,469)	1,765,407	-	1,714,938
Segment profit (loss)	**4,415,459**	**(10,323,957)**	**-**	**(5,908,498)**

Reportable segment results for the year ended 31 December 2019 are shown in the table below:

	Upstream	**Downstream**	**Eliminations**	**Total**
Segment revenue	47,931,163	245,511,573	(48,153,910)	245,288,826
Intersegment	47,212,926	940,984	(48,153,910)	-
External	718,237	244,570,589	-	245,288,826
Adjusted EBITDA (Segment results)	**33,009,472**	**9,083,888**	**-**	**42,093,360**
Depreciation, depletion and amortization	(10,446,800)	(8,559,084)	-	(19,005,884)
Impairment losses/ /Revaluation surpluses (note 37 and 38)	(17,482)	339,903	-	322,421
Write-off of exploration works (note 9)	(377,207)	-	-	(377,207)
Finance expenses, net	(145,912)	(298,254)	-	(444,166)
Income tax	(74,711)	(4,239,231)	-	(4,313,942)
Segment profit (loss)	**22,249,370**	**(4,549,305)**	**-**	**17,700,065**

Adjusted EBITA for the downstream segment includes Corporate centre EBITDA in the negative amount of RSD 6,150,081 thousand for the year ended 31 December 2020 (31 December 2019: negative EBITDA in the amount of RSD 6,679,539 thousand). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December	
	2020	**2019**
Adjusted EBITDA after allocation of Corporate centre	(1,224,036)	9,083,888
Corporate centre EBITDA	(6,150,081)	(6,679,539)
Adjusted EBITDA prior allocation of Corporate centre	4,926,045	15,763,427

Adjusted EBITDA for the year ended 31 December 2020 and 2019 is reconciled below:

	Year ended 31 December	
	2020	**2019**
Profit (loss) for the year	(5,908,498)	17,700,065
Income tax expenses	(1,714,938)	4,313,942
Other expenses	1,839,475	1,452,124
Other income	(2,075,870)	(1,141,058)
Loss from valuation of assets at fair value through profit and loss	156,111	224,925
Income from valuation of assets at fair value through profit and loss	(251,975)	(293,218)
Finance expense	4,122,889	3,527,458
Finance income	(3,243,326)	(3,083,292)
Depreciation, depletion and amortization	20,866,040	19,005,884
Other non operating expenses, net*	320,745	386,530
EBITDA	**14,110,653**	**42,093,360**

*Other non-operating expense, net mainly relate to reversal of impairment, decommissioning and site restoration cost, allowance of receivables and other.

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

	Year ended 31 December 2020		
	Domestic market	**Export and international sales**	**Total**
Sale of crude oil	-	445,567	445,567
Sale of gas	375,908	-	375,908
Through a retail network	-	-	-
Wholesale activities	375,908	-	375,908
Sale of petroleum products	127,562,408	31,581,906	159,144,314
Through a retail network	49,100,165	-	49,100,165
Wholesale activities	78,462,243	31,581,906	110,044,149
Lease revenue	312,087	4,642	316,729
Sales of electricity	1,160,202	80,034	1,240,236
Other sales	7,976,765	303,305	8,280,070
Total sales	**137,387,370**	**32,415,454**	**169,802,824**

	Year ended 31 December 2019		
	Domestic market	**Export and international sales**	**Total**
Sale of crude oil	824,056	665,186	1,489,242
Sale of gas	1,408,299	-	1,408,299
Through a retail network	-	-	-
Wholesale activities	1,408,299	-	1,408,299
Sale of petroleum products	187,113,944	46,228,751	233,342,695
Through a retail network	66,171,840	-	66,171,840
Wholesale activities	120,942,104	46,228,751	167,170,855
Lease revenue	374,599	1,967	376,566
Sales of electricity	782,645	205,143	987,788
Other sales	7,494,560	189,676	7,684,236
Total sales	**197,998,103**	**47,290,723**	**245,288,826**

Out of the amount of RSD 110,044,149 thousand (2019: RSD 167,170,855 thousand) revenue from sale of petroleum products (wholesale), the amount of RSD 16,743,010 thousand (2019: RSD 19,070,224 thousand) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Network for Trading d.o.o. Belgrade in the amount of RSD 504,652 thousand (2019: Network for Trading in the amount of RSD 309,224 thousand).

Other sales mainly relate to sales of non-fuel products at petrol stations.

All performance obligations related to customers are satisfied at point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation

The Company is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is RSD 137,387,370 thousand (2019: 197,998,103 thousand), and the total of revenue from external customer from other countries is RSD 32,415,454 thousand (2019: RSD 47,290,723 thousand).

The breakdown of the major component of the total revenue from external customers from other countries is disclosed below:

	Year ended 31 December	
	2020	**2019**
Sale of crude oil	445,567	665,186
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	10,627,713	16,294,267
Bulgaria	6,741,459	7,793,206
Romania	4,398,452	6,018,001
Croatia	1,656,265	2,431,173
Great Britain	903,215	1,063,213
Northern Macedonia	790,710	1,343,723
Hungary	779,414	1,610,845
Switzerland	453,057	1,888,635
All other markets	5,231,621	7,785,688
	31,581,906	46,228,751
Lease revenue	4,642	1,967
Sales of electricity	80,034	205,143
Other sales	303,305	189,676
	32,415,454	**47,290,723**

Revenues from the individual countries included in all other markets are not material.

Presentation of excise duties

The following table presents sales revenue earned and related calculated excise duties for 2020 and 2019:

	Year ended 31 December	
	2020	**2019**
Sales revenue	297,313,937	383,367,247
Excise duties	(127,511,113)	(138,078,421)
Net sales revenue	**169,802,824**	**245,288,826**

In the Republic of Serbia excise duties become payable when products subject of excise duties exit from excise warehouse. This incurs when the goods are loaded for transport either for direct sales to customers (wholesale) or for transport to own retail network. Calculated excise duties are payable in 15 days. The Company assessed that for excise duties levied in wholesale it bears no inventory risk nor significant credit risk. In retail sales, the Company estimates that average turnover of inventories approximates payment period for excise duties, and that there are no significant inventory or credit risk. Accordingly, since the Company bears no significant risks in both cases, excise duties are collected on behalf of tax authority and consequently deducted from revenue.

8. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Other intangibles	Intangible assets under development	Total
At 1 January 2019					
Cost	11,630,139	8,301,639	968,089	4,951,217	25,851,084
Accumulated amortisation and impairment	(2,323,773)	(6,823,199)	(119,180)	(45,506)	(9,311,658)
Net book amount	**9,306,366**	**1,478,440**	**848,909**	**4,905,711**	**16,539,426**
Year ended 31 December 2019					
Additions	-	-	-	2,232,327	2,232,327
Transfer from assets under development	3,139,293	795,980	-	(3,935,273)	-
Amortization	(1,005,829)	(485,018)	(20,388)	-	(1,511,235)
Transfer to PP&E (note 9)	-	-	-	(47,459)	(47,459)
Disposals and write-off	-	(371)	-	(53,865)	(54,236)
Closing net book amount	**11,439,830**	**1,789,031**	**828,521**	**3,101,441**	**17,158,823**
As at 31 December 2019					
Cost	14,769,431	9,013,191	967,444	3,125,788	27,875,854
Accumulated amortization and impairment	(3,329,601)	(7,224,160)	(138,923)	(24,347)	(10,717,031)
Net book amount	**11,439,830**	**1,789,031**	**828,521**	**3,101,441**	**17,158,823**
At 1 January 2020					
Cost	14,769,431	9,013,191	967,444	3,125,788	27,875,854
Accumulated amortization and impairment	(3,329,601)	(7,224,160)	(138,923)	(24,347)	(10,717,031)
Net book amount	**11,439,830**	**1,789,031**	**828,521**	**3,101,441**	**17,158,823**
Year ended 31 December 2020					
Additions	-	-	-	1,095,013	1,095,013
Transfer from assets under development	1,474,226	655,092	6,635	(2,135,953)	-
Amortization	(1,143,611)	(527,554)	(19,054)	-	(1,690,219)
Impairment (note 38)	-	-	-	(58,941)	(58,941)
Transfer to PP&E (note 9)	-	-	-	173,829	173,829
Closing net book amount	**11,770,445**	**1,916,569**	**816,102**	**2,175,389**	**16,678,505**
As at 31 December 2020					
Cost	16,243,658	9,664,728	973,761	2,258,677	29,140,824
Accumulated amortization and impairment	(4,473,213)	(7,748,159)	(157,659)	(83,288)	(12,462,319)
Net book amount	**11,770,445**	**1,916,569**	**816,102**	**2,175,389**	**16,678,505**

Intangible assets under development as at 31 December 2020 amounting to RSD 2,175,389 thousand (31 December 2019: RSD 3,101,441 thousand) mostly relate to investments in explorations (unproved reserves) in the amount of RSD 1,887,368 thousand (31 December 2019: RSD 2,841,508 thousand).

9. PROPERTY, PLANT AND EQUIPMENT

a) *Property, plant and equipment carried at cost*

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
At 1 January 2019								
Cost	10,660,018	198,580,407	117,308,009	41,282,441	77,653	496,173	790,744	369,195,445
Accumulated depreciation and impairment	(298,333)	(63,339,863)	(58,178,109)	(2,000,174)	(1,117)	(296,369)	(32,576)	(124,146,541)
Net book amount	**10,361,685**	**135,240,544**	**59,129,900**	**39,282,267**	**76,536**	**199,804**	**758,168**	**245,048,904**
Year ended 31 December 2019								
Additions	-	777,397	-	36,110,411	-	-	2,047,039	38,934,847
Transfer from assets under development	35,821	16,004,521	5,470,872	(21,512,305)	1,091	-	-	-
Impairment charge (note 38)	-	(98,929)	-	(141,530)	-	-	-	(240,459)
Depreciation	-	(9,949,991)	(7,339,460)	-	-	(64,086)	-	(17,353,537)
Transfer from intangible assets (note 8)	-	-	-	47,459	-	-	-	47,459
Transfer to assets held for sale	(56,573)	(18,619)	(30,607)	-	-	-	-	(105,799)
Disposals and write-off	(73)	(61,976)	(136,427)	(611,234)	(10)	-	(2,468,019)	(3,277,739)
Transfer to right-of-use assets	-	(456,413)	(362,992)	-	-	-	-	(819,405)
Other transfers	-	970	(963)	(13)	-	-	-	(6)
Closing net book amount	**10,340,860**	**141,437,504**	**56,730,323**	**53,175,055**	**77,617**	**135,718**	**337,188**	**262,234,265**
At 31 December 2019								
Cost	10,639,193	213,989,196	121,515,375	55,160,985	78,734	496,173	358,551	402,238,207
Accumulated depreciation and impairment	(298,333)	(72,551,692)	(64,785,052)	(1,985,930)	(1,117)	(360,455)	(21,363)	(140,003,942)
Net book amount	**10,340,860**	**141,437,504**	**56,730,323**	**53,175,055**	**77,617**	**135,718**	**337,188**	**262,234,265**
Year ended 31 December 2020								
Additions	-	345,084	-	20,756,791	-	-	1,010,635	22,112,510
Transfer from assets under development	17,882	19,093,734	39,789,691	(58,915,497)	4,090	10,100	-	-
Impairment charge (note 38)	-	(3,025)	-	(655,359)	-	-	-	(658,384)
Depreciation	-	(10,695,994)	(8,152,301)	-	-	(15,139)	-	(18,863,434)
Transfer from intangible assets (note 8)	-	-	-	(173,829)	-	-	-	(173,829)
Transfer to assets held for sale	(77,770)	(1,284)	(70,190)	-	-	-	-	(149,244)
Disposals and write-off	(1,205)	(32,944)	(87,776)	(252,227)	(12)	-	(1,097,847)	(1,472,011)
Other transfers	4,407	163,089	(167,496)	-	-	-	-	-
Closing net book amount	**10,284,174**	**150,306,164**	**88,042,251**	**13,934,934**	**81,695**	**130,679**	**249,976**	**263,029,873**
At 31 December 2020								
Cost	10,578,355	233,341,485	159,941,116	16,442,597	82,811	506,273	271,339	421,163,976
Accumulated depreciation and impairment	(294,181)	(83,035,321)	(71,898,865)	(2,507,663)	(1,116)	(375,594)	(21,363)	(158,134,103)
Net book amount	**10,284,174**	**150,306,164**	**88,042,251**	**13,934,934**	**81,695**	**130,679**	**249,976**	**263,029,873**
Investment property (note 9c)	-	1,688,837	-	-	-	-	-	1,688,837
Right of use assets (note 9b)	5,006	519,681	898,187	-	-	-	-	1,422,874
Total	**10,289,180**	**152,514,682**	**88,940,438**	**13,934,934**	**81,695**	**130,679**	**249,976**	**266,141,584**

In 2020, the Company capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to RSD 118,773 thousand (2019: RSD 160,017 thousand).

Of the total amount of activations in 2020 in the amount of RSD 58,915,497 thousand, the most significant part refers to the completion and commissioning of the Bottom of the Barrel Project at the Pancevo Refinery in the amount of RSD 38,844,486 thousand. The Bottom of the Barrel Project ensure optimal utilization of the capacities of the Pancevo Oil Refinery and an increase in the depth of refining to 99.2 per cent (up from 86 per cent in 2017). This implies increased output of high-quality fuels – diesel, gasoline and liquid petroleum gas, as well as the start of production of petroleum coke. This will give Company a competitive edge in the market and trigger its further growth

The management of the Company assesses at each reporting date whether there is an indication that the recoverable amount of property, plant and equipment fell below its book value.

As at 31 December 2020, the Company assessed impairment indicators. In addition the Company considered value-in-use of cash generating units ("CGU") grouped on the segment level (upstream and downstream). Based on cash flow projections for the period of 20 years (2021-2040) the Company determined that recoverable amount of CGUs belonging to the Upstream and Downstream segment is higher than its carrying amount as at 31 December 2020. Cash flow projections were based on real terms, nominal WACC of 7.97% used as discount rate is reduced to 5.70%. Accordingly based on this and based on other factors considered in the note 3.7, the Company concluded that impaiarment indicators do not exist as at reporting date which would require detail impairment testing of the PPE. In addition, Company has assessed and recognized impairment losses in amount RSD 658,384 thousand (2019: RSD 240,459 thousand) for the individual asset which has disposed due to obsolete, physically damage or for assets under constructions for which exist indication that expected recoverable amounts would not recover carrying value of the assets. The most significant amount refers to the partial impairment of the temporary suspended Base Oil Project in Refinery Novi Sad in amount of RSD 683,196 thousand of which RSD 58,941 thousand relates to impairment of intangible assets (as at 31 December 2020 outstanding amount is RSD 731,532 thousand). Decisions on the project's perspective are expected during 2021.

b) Right of use of assets

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2019	**-**	**-**	**-**	**-**	**-**
Changes in opening balances	-	540,388	324,713	54,331	919,432
Additions	-	30	48,222	116,789	165,041
Depreciation	-	(51,593)	(78,398)	(11,121)	(141,112)
Transfers	-	-	(19,911)	19,911	-
Effect of contract modifications and changes in estimates	-	474	-	-	474
As at 31 December 2019	**-**	**489,299**	**274,626**	**179,910**	**943,835**
As at 1 January 2020	**-**	**489,299**	**274,626**	**179,910**	**943,835**
Additions	7,509	83,270	215,988	495,615	802,382
Depreciation	(2,503)	(51,532)	(99,763)	(158,589)	(312,387)
Transfers	-	-	(223,326)	223,326	-
Effect of contract modifications and changes in estimates	-	(1,356)	-	(9,600)	(10,956)
As at 31 December 2020	**5,006**	**519,681**	**167,525**	**730,662**	**1,422,874**

c) Investment property – carried at fair value

Investment properties are valued at the reporting date at fair value representing the investment property market value.

Movements on the account were as follows:

	2020	2019
As at 1 January	1,694,307	1,730,100
Fair value loss (note 38)	-	(8,290)
Disposals	(5,470)	(27,503)
As at 31 December	**1,688,837**	**1,694,307**

As at 31 December 2020, investment properties amounting to RSD 1,688,837 thousand (31 December 2019: RSD 1,694,307 thousand) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Company's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2020 and 2019. The revaluation loss was debited to other expenses (note 38).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements at 31 December 2020 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
− Shops and other facilities for rents	-	953,396	-
− Gas stations	-	-	735,442
Total	**-**	**953,396**	**735,442**

Fair value measurements at 31 December 2019 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
− Shops and other facilities for rents	-	958,865	-
− Gas stations	-	-	735,442
Total	**-**	**958,865**	**735,442**

Valuation techniques used to derive level 2 fair values

Level 2 fair values of shops, apartments and other properties for rent have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Fair value measurements using significant unobservable inputs (Level 3)

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the Company based on long-term rental contracts. The most significant input into this valuation approach is rental price per gas station.

The key assumptions used for value-in-use calculations:

	2020	2019
Long term growth rate	0%	0%
Discount rate	12%	12%

Reconciliation of changes in fair value measurement, assets categorised within Level 3 of the fair value hierarchy:

	2020	2019
Assets as at 1 January	**735,442**	**743,682**
Changes in fair value measurement:		
Loss/Gains recognised in profit or loss, fair value measurement	-	(8,290)
Other	-	50
Total (decrease) increase in fair value measurement, assets	-	(8,240)
Assets as at 31 December	**735,442**	**735,442**

d) Oil and gas production assets

Oil and gas production assets comprise of aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves (note 2.7).

Oil and gas production assets are presented in balance sheet within property, plant and equipment and intangible assets, as presented below:

	31 December 2020			**31 December 2019**		
	Oil and gas assets	**Other assets**	**Total**	**Oil and gas assets**	**Other assets**	**Total**
Ingangible asset (note 8)						
Development investments	11,770,445	-	11,770,445	11,439,830	-	11,439,830
Concessions, licenses, software and other rights	54,115	1,862,454	1,916,569	65,923	1,723,108	1,789,031
Other intangible assets	-	816,102	816,102	-	828,521	828,521
Intangible assets under development	1,887,368	288,021	2,175,389	2,841,508	259,933	3,101,441
	13,711,928	**2,966,577**	**16,678,505**	**14,347,261**	**2,811,562**	**17,158,823**
Property, plant and equipment (note 9a)						
Land	535,628	9,753,552	10,289,180	530,843	9,810,017	10,340,860
Buildings	100,887,246	49,938,599	150,825,845	96,845,396	45,081,407	141,926,803
Machinery and equipment	12,586,996	76,353,442	88,940,438	13,067,383	44,117,476	57,184,859
Investment property	-	1,688,837	1,688,837	-	1,694,307	1,694,307
Other property, plant and equipment	4,413	77,282	81,695	4,030	73,587	77,617
Construction in progress	9,346,244	4,588,690	13,934,934	12,438,926	40,736,129	53,175,055
Investments in leased PP&E	-	130,679	130,679	-	135,718	135,718
Advances for PP&E	-	249,976	249,976	-	337,188	337,188
	123,360,527	**142,781,057**	**266,141,584**	**122,886,578**	**141,985,829**	**264,872,407**
Net book amount	**137,072,455**	**145,747,634**	**282,820,089**	**137,233,839**	**144,797,391**	**282,031,230**

	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 2019						
Cost	14,401,241	1,103,654	15,504,895	156,367,336	22,742	171,894,973
Depreciation and impairment	-	(2,428)	(2,428)	(42,496,555)	(20,321)	(42,519,304)
Net book amount	**14,401,241**	**1,101,226**	**15,502,467**	**113,870,781**	**2,421**	**129,375,669**
Year ended 31 December 2019						
Additions	4,496,878	13,559,151	18,056,029	777,397	-	18,833,426
Transfer from asset under construction	(6,747,789)	(11,223,519)	(17,971,308)	17,971,308	-	-
Other transfers	120,288	102,175	222,463	(173,746)	1,620	50,337
Impairment	-	-	-	(17,482)	-	(17,482)
Depreciation and depletion	-	-	-	(10,376,256)	-	(10,376,256)
Unsuccessful exploration expenditures derecognised (note 7)	(377,207)	-	(377,207)	-	-	(377,207)
Disposals and write-off	(151,518)	(491)	(152,009)	(102,629)	(10)	(254,648)
	11,741,893	**3,538,542**	**15,280,435**	**121,949,373**	**4,031**	**137,233,839**
As at 31 December 2019						
Cost	11,741,893	3,538,542	15,280,435	174,428,161	24,376	189,732,972
Depreciation and impairment	-	-	-	(52,478,788)	(20,345)	(52,499,133)
Net book amount	**11,741,893**	**3,538,542**	**15,280,435**	**121,949,373**	**4,031**	**137,233,839**
Year ended 31 December 2020						
Additions	1,351,329	9,462,898	10,814,227	345,084	-	11,159,311
Transfer from asset under construction	(2,772,074)	(12,233,741)	(15,005,815)	15,005,815	-	-
Other transfers	30,446	290,724	321,170	(44,287)	382	277,265
Impairment	-	(431)	(431)	-	-	(431)
Depreciation and depletion	-	-	-	(11,331,021)	-	(11,331,021)
Unsuccessful exploration expenditures derecognised (note 7)	(136,994)	-	(136,994)	-	-	(136,994)
Disposals and write-off	(32,469)	(6,511)	(38,980)	(90,534)	-	(129,514)
	10,182,131	**1,051,481**	**11,233,612**	**125,834,430**	**4,413**	**137,072,455**
As at 31 December 2020						
Cost	10,182,131	1,051,481	11,233,612	189,297,948	24,761	200,556,321
Depreciation and impairment	-	-	-	(63,463,518)	(20,348)	(63,483,866)
Net book amount	**10,182,131**	**1,051,481**	**11,233,612**	**125,834,430**	**4,413**	**137,072,455**

Unsuccessful exploration expenditures derecognised in the amount of RSD 136,994 thousand (2019: RSD 377,207 thousand) mainly relate to exploration assets located in Serbia due to uncertain viability of commercial production.

10. INVESTMENTS IN SUBSIDIARY

	31 December 2020	31 December 2019
Investments in subsidiaries:		
- In shares	3,457,576	3,457,576
- In stakes	11,157,359	13,389,990
	14,614,935	16,847,566
Less: Provision	(1,189,308)	(3,421,980)
	13,425,627	**13,425,586**

Investments in subsidiaries as at 31 December 2020 relate to the following companies:

Company	Share %	Investment	Impairment	Net book value
NIS Petrol a.d., Belgrade, Serbia	100%	3,457,576	(1,172,263)	2,285,313
NIS Petrol e.o.o.d. Sofija, Bulgaria	100%	28,938	-	28,938
NIS Petrol SRL, Bucharest, Romania	100%	997	-	997
NIS Petrol doo, Banja Luka, BiH	100%	1,030	-	1,030
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	100%	905,000	-	905,000
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	100%	1,177,032	-	1,177,032
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	100%	7,300,000	-	7,300,000
Naftagas-Transport d.o.o. Novi Sad, Serbia	100%	1,717,349	-	1,717,349
NIS Oversiz, Moscow, Russia	100%	9,856	-	9,856
Jadran-Naftagas d.o.o. Banja Luka, BiH	100%	112	-	112
Svetlost, Bujanovac, Serbia	51%	17,045	(17,045)	-
		14,614,935	**(1,189,308)**	**13,425,627**

During 2020 subsidiary Pannon Naftagas Kft, Budapest was liquidated. Also, in 2020 the Company acquired additional 34% of share in Jadran Naftagas.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying value of the investments in associates and joint ventures as of 31 December 2020 and 2019 is presented below:

		Ownership percentage	31 December 2020	31 December 2019
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	1,038,800	1,038,800
HIP Petrohemija ad Pančevo	Associate	20.86%	11,572,197	11,572,197
Less: Provision			(11,572,197)	(11,572,197)
			1,038,800	**1,038,800**

The principal place of business of joint venture disclosed above is Republic of Serbia.

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

<u>Gazprom Energoholding Serbia d.o.o. Novi Sad</u>

In 2015, the Company and Centrenergoholding OAO Russian Federation established the holding company Gazprom Energoholding, through which they will jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years and corporate loan from CEH in amount of 41 mln EUR. Handing over CHP TE-TO Pancevo is expected to be completed during 2021. Analysis of the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby Company increased its equity interest. After conversion, Company holds, directly more than 20,86% per cent of the voting power of the HIP Petrohemija. Also, Company has representatives on the BoD and Supervisory boards.

The summarised financial information for the joint ventures as of 31 December 2020 and 2019 and for the years ended 31 December 2020 and 2019 is presented in the table below:

	Gazprom Energoholding Serbia
31 December 2020	
Current assets	399,874
Non-current assets	16,016,723
Current liabilities	211,951
Non-current liabilities	14,563,190
Revenue	17,193
Loss for the year	(149,762)
31 December 2019	
Current assets	698,256
Non-current assets	12,154,427
Current liabilities	71,219
Non-current liabilities	10,963,037
Revenue	44,430
Loss for the year	(146,948)

12. LONG-TERM INVESTMENTS IN PARENT AND SUBSIDIARIES

	31 December 2020	31 December 2019
LT loans - Subsidiaries - Domestic	79,697	79,077
LT loans - Subsidiaries - Foreign	26,490,971	25,426,264
	26,570,668	25,505,341
Less: Impairment	(3,659,420)	(2,300,154)
	22,911,248	**23,205,187**

Long-term loans to subsidiaries denominated in RSD relate to:

	Currency	31 December 2020	31 December 2019
Domestic			
Petrol a.d. Belgrade, Serbia	EUR	79,697	79,077
		79,697	79,077
Foreign			
NIS Petrol e.o.o.d. Sofija, Bulgaria	EUR	5,794,933	5,806,390
NIS Petrol SRL, Bucharest, Romania	EUR	17,896,740	16,798,944
NIS Petrol d.o.o. Banja Luka, BiH	EUR	2,681,713	2,703,332
Jadran - Naftagas d.o.o. Banja Luka, BiH	EUR	117,585	117,598
		26,490,971	25,426,264
		26,570,668	**25,505,341**

Long-term loans to foreign subsidiaries are approved at the fixed rate (2,1% p.a.) for a period of 7 to 11 years from the date of payment of the last tranche. Long-term loan to domestic subsidiary NIS Petrol a.d. Beograd is approved at variable interest rate (3M Euribor + 1,15%), for a period of 3 years. The carrying value of long-term loans is equal to their fair value.

13. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31 December 2020	31 December 2019
Other LT investments	8,621	9,176
LT loans given to employees	1,126,857	1,153,957
Other LT investments at FV	841,847	-
Less: Impairment	(382,834)	(354,684)
	1,594,491	**808,449**

Loans to employees as at 31 December 2020 amounting to RSD 1,126,857 thousand (31 December 2019: RSD 1,153,957 thousand) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of RSD 382,775 thousand.

Other long-term investments at fair value in the amount of RSD 841,847 thousand (31 December 2019: RSD 0 thousand) are recognised in accordance with Novation agreement and Assignement agreement concluded between ZN, NIS and Jadran Naftagas (note 24).

14. DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	31 December 2020	31 December 2019
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	2,606,230	2,783,455
- Deferred tax assets to be recovered within 12 months	-	-
	2,606,230	2,783,455
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(40,273)	(1,821,259)
	(40,273)	(1,821,259)
Deferred tax assets (net)	**2,565,957**	**962,196**

The gross movement on the deferred income tax account is as follows:

	2020	2019
At 1 January	**962,196**	**2,405,175**
Charged to the income statement (note 39)	1,603,709	(1,442,979)
Charged to other comprehensive income	52	-
31 December	**2,565,957**	**962,196**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	Carrying value of PP&E vs Tax base	Revaluation reserve	Total
Deferred tax liabilities			
As at 1 January 2019	**(2,111,733)**	**(26,848)**	**(2,138,581)**
Charged to the income statement (note 39)	317,322	-	317,322
As at 31 December 2019	**(1,794,411)**	**(26,848)**	**(1,821,259)**
Charged to the income statement (note 39)	1,780,986	-	1,780,986
As at 31 December 2020	**(13,425)**	**(26,848)**	**(40,273)**

	Provisions	Impairment loss	Investment credit	Tax losses	Fair value loss	Total
Deferred tax assets						
As at 1 January 2019	**921,476**	**2,515,217**	**1,096,461**	**-**	**10,602**	**4,543,756**
Charged to the income statement (note 39)	(6,637)	(657,203)	(1,096,461)	-	-	(1,760,301)
As at 31 December 2019	**914,839**	**1,858,014**	**-**	**-**	**10,602**	**2,783,455**
Charged to the income statement (note 39)	(12,580)	(653,180)	-	488,483	-	(177,277)
Charged to other comprehensive income	-	-	-	-	52	52
As at 31 December 2020	**902,259**	**1,204,834**	**-**	**488,483**	**10,654**	**2,606,230**

The recognition of deferred tax assets was based on a five-year business plan of the Company and the actual results achieved to date which have given the management strong indications that the income tax credits carried forward will be utilised.

The Company recognized deferred tax assets in respect of unused tax loss carry forwards in the amount of RSD 488,483 thousand which are available for offsetting against future taxable profits.

15. INVENTORY

	31 December 2020	31 December 2019
Materials, spare parts and tools	15,401,060	32,249,441
Work in progress	4,130,289	4,859,254
Finished goods	7,391,813	9,636,535
Goods for sale	1,560,961	2,017,721
Advances	407,864	461,016
Less: impairment of inventory	(4,661,075)	(4,670,632)
Less: impairment of advances	(149,980)	(149,250)
	24,080,932	**44,404,085**
Non-current assets held for sale	80,625	135,670
Less: impairment of assets held for sale	(37,994)	(43,769)
	24,123,563	**44,495,986**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Impairment of Assets held for sale	Total
Balance as of 1 January 2019	**4,830,527**	**217,327**	**5,823**	**5,053,677**
Provision for inventories and advances (note 38)	287	543	-	830
Unused amounts reversed (note 37)	(117,575)	(51)	-	(117,626)
Write-off and other	(42,607)	(68,569)	37,946	(73,230)
Balance as of 31 December 2019	**4,670,632**	**149,250**	**43,769**	**4,863,651**
Provision for inventories and advances (note 38)	55,080	3,453	-	58,533
Unused amounts reversed (note 37)	(36,147)	(31)	-	(36,178)
Write-off and other	(28,490)	(2,692)	(5,775)	(36,957)
Balance as of 31 December 2020	**4,661,075**	**149,980**	**37,994**	**4,849,049**

16. TRADE RECEIVABLES

	31 December 2020	31 December 2019
Parents and subsidiaries - domestic	396,649	382,280
Parents and subsidiaries - foreign	3,032,362	4,092,863
Other related parties - domestic	1,563,227	1,215,292
Other related parties - foreign	50,030	96,193
Trade receivables domestic – third parties	22,171,216	27,383,247
Trade receivables foreign – third parties	451,513	974,399
	27,664,997	**34,144,274**
Less: Impairment	(5,133,429)	(5,772,211)
	22,531,568	**28,372,063**

17. OTHER RECEIVABLES

	31 December 2020	31 December 2019
Interest receivables	3,631,461	3,547,652
Receivables from employees	75,712	78,384
Income tax prepayment	1,034,617	647,660
Other receivables	7,485,653	7,509,500
Less: Impairment	(9,770,832)	(9,849,169)
	2,456,611	**1,934,027**

18. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2020	31 December 2019
ST loans and placements - Parent and subsidiaries	167,941	48,185
ST loans and placements - Domestic	2,019	2,019
Current portion of LT placements - Parent and subsidiaries	11,105,589	12,656,088
Other ST financial placements	76,845	76,955
Less: Impairment	(6,009,417)	(7,349,525)
	5,342,977	**5,433,722**

19. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in bank and in hand	5,151,570	9,730,067
Deposits with original maturity of less than three months	2,530,000	3,493,536
Cash with restriction	8,071	13,716
Cash equivalents	260,144	264,508
	7,949,785	**13,501,827**

20. PREPAYMENTS AND ACCRUED INCOME

	31 December 2020	31 December 2019
Deferred input VAT	1,823,813	1,713,617
Prepaid expenses	186,100	222,038
Accrued revenue	44,896	37,062
Prepaid excise duty	2,188,620	1,701,028
Housing loans and other prepayments	269,207	328,297
	4,512,636	**4,002,042**

Deferred input VAT as at 31 December 2020 amounting to RSD 1,823,813 thousand (31 December 2019: RSD 1,713,617 thousand) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2020 amounting to RSD 2,188,620 thousand (31 December 2019: RSD 1,701,028 thousand) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

21. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Issued warranties and bills of exchange	79,165,987	74,704,889
Received warranties and bills of exchange	14,817,223	15,078,163
Properties in ex-Republics of Yugoslavia	5,357,687	5,357,689
Receivables from companies from ex-Yugoslavia	5,873,647	6,441,861
Third party merchandise in NIS warehouses	9,302,871	9,749,090
Assets for oil fields liquidation in Angola	1,361,966	1,361,966
Mortgages and pladges recived	1,880,676	1,398,288
Other off-balance sheet assets and liabilities	230,406	206,578
	117,990,463	**114,298,524**

22. SHARE CAPITAL

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

Share capital as of 31 December 2020 and 31 December 2019 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2019, amounted to RSD 4,425,459 thousand or 27.14 RSD per share (31 December 2018: RSD 6,517,524 thousand or 39.97 RSD per share) were approved on the General Assembly Meeting held on 30 June 2020 and paid on 27 November 2020.

Calculation of basic earnings per share is disclosed in the following table:

	Year ended 31 December 2020	2019
Profit/(loss) attributable to the ordinary equity holder	(5,908,498)	17,700,065
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD 000)	**(0.036)**	**0.109**

The Company does not have any convertible instruments, options or warrants accordingly, diluted earnings per share is equal to the basic earnings per share as stated in the table above.

23. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommi-ssioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
As at 1 January 2019	**10,041,518**	**637,414**	**334,935**	**494,021**	**499,633**	**12,007,521**
Charged to the income statement	147,500	197,704	80,118	294,414	32,514	752,250
New obligation incurred and change in estimates	777,397	-	-	-	-	777,397
Actuarial loss charged to other comprehensive income	-	-	29,837	-	-	29,837
Settlement and other	(294,701)	(346,260)	(47,957)	-	(53,931)	(742,849)
As at 31 December 2019	**10,671,714**	**488,858**	**396,933**	**788,435**	**478,216**	**12,824,156**
As at 1 January 2020	**10,671,714**	**488,858**	**396,933**	**788,435**	**478,216**	**12,824,156**
Charged to the income statement	88,078	-	84,032	125,984	-	298,094
New obligation incurred and change in estimates	345,084	-	-	-	-	345,084
Release of provision (note 37)	(695,704)	-	-	-	(1,582)	(697,286)
Actuarial loss charged to other comprehensive income	-	-	20,739	-	-	20,739
Settlement and other	(70,708)	(80,317)	(58,783)	-	(99,019)	(308,827)
As at 31 December 2020	**10,338,464**	**408,541**	**442,921**	**914,419**	**377,615**	**12,481,960**

Analysis of total provisions:

	31 December 2020	31 December 2019
Non-current	10,132,664	11,251,613
Current	2,349,296	1,572,543
	12,481,960	**12,824,156**

(a) *Decommissioning*

The Company's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects. The Company released provision in amount of RSD 695,704 thousand for ARO decommissioning mostly due to extension of the period by which the wells are expected to be in operation (note 37).

(b) *Environmental protection*

The Company has to comply with environmental protection regulations. At the reporting date Company recorded provision for environmental protection of RSD 408,541 thousand (31 December 2019: RSD 488,858 thousand) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

(c) *Long-term incentive program*

In 2011, the Company started setting-up a long-term incentive program for Company managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2020 the management made an assessment of present value of liabilities related to new three-year employee incentives (2018-2020) in the total amount of RSD 914,419 thousand (2019: RSD 788,435 thousand).

(d) *Legal claims provisions*

As at 31 December 2020, the Company assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Company released provision for litigation amounting to RSD 1,582 thousand (charged provision in 2019: RSD 32,514 thousand) for proceedings which were assessed to have positive (in 2019 negative) outcome. The Company estimated that the outcome of all legal proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2020.

(e) *Provision for employee benefits*

Employee benefits:	**31 December 2020**	**31 December 2019**
Retirement allowances	150,464	123,679
Jubilee awards	292,457	273,254
	442,921	**396,933**

The principal actuarial assumptions used were as follows:

	31 December 2020	**31 December 2019**
Discount rate	4.3%	4.4%
Future salary increases	0.07%	2.0%
Future average years of service	15	15

	Retirement allowances	**Jubilee awards**	**Total**
Balances as at 1 January 2019	**96,176**	**238,759**	**334,935**
Benefits paid directly	(14,304)	(33,653)	(47,957)
Actuarial loss charged to other comprehensive income	29,837	-	29,837
Debited to the income statement	11,970	68,148	80,118
Balances as at 31 December 2019	**123,679**	**273,254**	**396,933**
Benefits paid directly	(34,844)	(23,939)	(58,783)
Actuarial loss charged to other comprehensive income	20,739	-	20,739
Debited to the income statement	40,890	43,142	84,032
Balances as at 31 December 2020	**150,464**	**292,457**	**442,921**

The amounts recognized in the Income Statement are as follows:

	Year ended 31 December	
	2020	**2019**
Current service cost	72,825	24,673
Interest cost	17,942	18,678
Curtailment loss	35,126	840
Actuarial (gain)/loss (jubilee awards)	(41,861)	35,927
	84,032	**80,118**

24. LONG-TERM LIABILITIES

	31 December 2020	31 December 2019
Long-term loan - Gazprom Neft	13,672,117	19,143,014
Bank loans	69,109,853	69,207,492
Lease liabilities	1,358,795	811,424
Other non-current financial liabilities	841,847	-
	84,982,612	89,161,930
Less Current portion (note 25)	(11,907,144)	(5,925,868)
	73,075,468	**83,236,062**

Movements on the Company's liabilities from finance activities are as follows:

	Long-term loans	Short-term loans (note 25)	Lease	Total
As at 1 January 2019	**92,646,847**	**2,218,378**	**644,611**	**95,509,836**
Change in opening balance	-	-	100,027	100,027
Proceeds	15,060,454	12,564,054	-	27,624,508
Repayment	(18,760,584)	(13,188,360)	(127,024)	(32,075,968)
Non-cash transactions	-	-	192,294	192,294
Foreign exchange difference	(596,211)	-	1,516	(594,695)
As at 31 December 2019	**88,350,506**	**1,594,072**	**811,424**	**90,756,002**
As at 1 January 2020	**88,350,506**	**1,594,072**	**811,424**	**90,756,002**
Proceeds	6,182,780	23,666,126	-	29,848,906
Repayment	(11,663,203)	(23,504,160)	(280,003)	(35,447,366)
Non-cash transactions	(53,824)	(3)	830,606	776,779
Foreign exchange difference	(34,289)	-	(3,232)	(37,521)
As at 31 December 2020	**82,781,970**	**1,756,035**	**1,358,795**	**85,896,800**

a) Long-term loan - Gazprom Neft

As at 31 December 2020 long-term loan - Gazprom Neft amounting to RSD 13,672,117 thousand (31 December 2019: RSD 19,143,014 thousand), with current portion of RSD 5,468,847 thousand (31 December 2019: RSD 5,469,432 thousand), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

b) Bank loans

	31 December 2020	31 December 2019
Domestic	51,785,404	46,832,414
Foreign	17,324,449	22,375,078
	69,109,853	69,207,492
Current portion of long-term loans	(6,117,142)	(297,104)
	62,992,711	**68,910,388**

The maturity of non-current loans was as follows:

	31 December 2020	31 December 2019
Between 1 and 2 years	9,920,841	10,845,263
Between 2 and 5 years	41,197,751	54,737,906
Over 5 years	11,874,119	3,327,219
	62,992,711	**68,910,388**

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

	31 December 2020	31 December 2019
USD	157,858	209,292
EUR	68,740,979	68,732,685
RSD	338	498
JPY	210,678	265,017
	69,109,853	**69,207,492**

The Company repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Company has 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 loan agreements contain financial covenants that require the Company's ratio (GPN Group ratio) of indebtedness to EBITDA (note 6). The Company is in compliance with these covenants as of 31 December 2020 and 31 December 2019 respectively.

c) Lease liabilities

Amounts recognized in profit and loss:

	2020	2019
Interest expense (included in finance cost) (note 35)	30,967	20,604
Expense relating to short-term leases (note 32)	342,528	289,710
Expense relating to leases of low value assets that are not shown above as short-term leases (note 32)	126,666	87,343
Expense relating to variable lease payments not included in lease liabilities (note 32)	780,141	1,348,818

d) Other non-current financial liabilities

Other non-current financial liabilities in the amount of RSD 841,847 thousand in total represent deferred consideration to PJSC Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obiligation depends on occurance of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignement agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

In addition, Company acquired additional 34% of share in Jadran Naftagas for consideration of RSD 41 thousand. These transactions of shares acquisition and transfer of liabilities should be consider together.

25. SHORT-TERM FINANCE LIABILITIES

	31 December 2020	31 December 2019
Short-term loans from subsidiaries	1,756,035	1,594,072
Current portion of long-term loans (note 24)	11,907,144	5,925,868
	13,663,179	**7,519,940**

26. TRADE PAYABLES

As at 31 December 2020 payables in a amount of RSD 20,653,938 thousand (31 December 2019: RSD 36,720,956 thousand) include payables to parents and subsidiaries in amount of RSD 6,666,828 thousand (31 December 2019: RSD 14,986,710 thousand), mainly relate to payables to the supplier Gazprom Neft, St Petersburg in amount of RSD 3,204,199 thousand (31 December 2019: RSD 10,498,354 thousand), mostly based on purchase of crude oil and trade payables – foreign amounting to RSD 7,833,988 thousand (31 December 2019: RSD 13,449,126 thousand) mostly relate to payables for crude oil IPLOM S.P.A. Italy 2,869,608 (31 December 2019 0 RSD) and Petraco Oil Company LLP, London in the amount of RSD 2,641,621 thousand (31 December 2019 0 RSD thousand).

27. OTHER SHORT-TERM LIABILITIES

	31 December 2020	31 December 2019
Specific liabilities	166,877	175,275
Liabilities for unpaid wages and salaries, gross	1,125,281	928,258
Interest liabilities	216,927	588,170
Dividends payable	3,785,017	3,780,692
Other payables to employees	1,523,876	518,686
Decommissioning and site restoration costs	1,091,258	1,170,430
Environmental provision	114,210	128,099
Litigation and claims	176,196	224,407
Other current liabilities	58,856	75,091
	8,258,498	**7,589,108**

28. LIABILITIES FOR OTHER TAXES

	31 December 2020	31 December 2019
Excise tax	5,379,743	5,301,814
Contribution for buffer stocks	257,505	280,070
Energy efficiency fee	30,168	32,299
Income tax	-	-
Other taxes payables	705,843	1,365,390
	6,373,259	**6,979,573**

29. ACCRUED EXPENSES

Accrued expenses as at 31 December 2020 amounting to RSD 3,440,035 thousand (31 December 2019: RSD 3,070,554 thousand) mainly relate to accrued employee bonuses of RSD 2,033,852 thousand (31 December 2019: RSD 1,827,611 thousand), and contract liabilities arising from contracts with customers related to customer loyalty programme in amount RSD 693,356 thousand (31 December 2019: RSD 635,355 thousand).

Revenue in the amount of RSD 1,916,116 thousand (31 December 2019: RSD 1,532,390 thousand) was recognized in the current reporting period related to the contract liabilities as at 1 January 2020, of which RSD 1,488,701 thousand (31 December 2019: RSD 1,170,838 thousand) related to advances and RSD 427,415 thousand (31 December 2019: RSD 361,552 thousand) to customer loyalty programme.

30. COST OF MATERIAL

	Year ended 31 December	
	2020	2019
Costs of raw materials	102,579,543	129,772,094
Overheads and other costs	183,886	232,219
Other	335,737	505,667
	103,099,166	**130,509,980**

31. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	Year ended 31 December	
	2020	**2019**
Wages and salaries (gross)	14,342,015	12,963,207
Taxes and contributions on wages and salaries paid by employer	1,885,100	1,655,663
Cost of service agreement	111,215	181,734
Cost of other personal wages	9,497	33,077
Fees paid to board of directors and general assembly board	132,140	103,981
Termination costs	38,976	37,513
Other personal expenses	555,395	617,890
	17,074,338	**15,593,065**

In 2020, there was a change in the structure of employee costs and costs of service organizations (note 35) due to new Agency employee low and company strategic decisions

32. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2020	**2019**
Cost of production services	2,167,321	2,495,924
Transportation services	3,034,457	3,225,168
Maintenance	4,730,810	4,814,010
Rental costs	1,249,335	1,725,871
Fairs	-	10,091
Advertising costs	529,421	887,139
Exploration expenses	218,527	436,927
Cost of other services	1,365,799	1,513,604
	13,295,670	**15,108,734**

33. NON-PRODUCTION COSTS

	Year ended 31 December	
	2020	**2019**
Costs of non-production services	3,419,462	6,983,488
Representation costs	45,766	152,954
Insurance premium	472,343	510,600
Bank charges	271,923	333,400
Cost of taxes	1,101,105	1,133,800
Mineral extraction tax	872,606	1,402,477
Other non-production expenses	3,634,485	1,016,172
	9,817,690	**11,532,891**

Cost of non-production services for the year ended 31 December 2020 amounting to RSD 3,419,462 thousand (2019: RSD 6,983,488 thousand) mainly relate to costs of service organizations of RSD 1,306,370 thousand (2019: RSD 4,467,605 thousand), project management costs of RSD 1,101,821 thousand (2019: RSD 1,166,221 thousand), security costs of RSD 369,595 thousand (2019: RSD 533,601 thousand) and consulting service costs of RSD 143,504 thousand (2019: RSD 325,438 thousand).

34. FINANCE INCOME

	Year ended 31 December 2020	2019
Finance income - related parties		
- foreign exchange differences	1,004,211	1,085,351
- other finance income	681,645	677,127
Interest income	200,692	328,287
Modification gain	53,673	149,827
Income from discounting of receivables	38,345	-
Foreign exchange gains	1,260,345	831,114
Other finance income	4,415	11,586
	3,243,326	**3,083,292**

35. FINANCE EXPENSE

	Year ended 31 December 2020	2019
Finance expenses – related parties		
- foreign exchange differences	1,083,427	1,076,794
- modification loss	66,293	99,107
- other finance expense	319,905	439,718
Interest expenses	1,403,550	1,279,841
Decommissioning provision: unwinding of the present value discount	88,078	147,500
Amortization of non-current finacial instruments	-	19,261
Foreign exchange losses	1,134,501	443,930
Other finance expense	27,135	21,307
	4,122,889	**3,527,458**

36. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 December 2020	2019
Reversal of impairment of LT financial investments	88,363	16,522
Income from valuation:		
- trade and specific receivables (note 6)	124,828	84,318
- short-term investments	-	178,376
- other receivables (note 6)	38,784	14,002
	251,975	**293,218**

37. OTHER INCOME

	Year ended 31 December 2020	2019
Gains on disposal – PPE	45,557	21,681
Gains on disposal – materials	21,552	43,845
Surpluses from stock count	176,298	282,887
Payables written off	965,918	77,508
Release of long-term provisions (note 23)	697,286	-
Release of impairment:		
- Inventory (note 15)	36,147	117,575
- PPE and other property	52,713	454,425
Penalty interest	51,673	49,490
Other income	28,726	93,647
	2,075,870	**1,141,058**

Payables written off in amount of RSD 965,918 thousand refers to the write-off of liabilities for which there is no legal basis for repayment.

38. OTHER EXPENSES

	Year ended 31 December	
	2020	**2019**
Loss on disposal - PPE	107,666	305,520
Shortages from stock count	355,234	552,845
Write-off receivables	17,253	6,694
Write-off inventories	35,247	41,221
Impairment:		
- Intangible assets (note 8)	58,941	-
- PPE (note 9)	658,384	240,459
- Investment property and asset held for sale	34,044	8,290
- Inventory (note 15)	55,080	287
- Other property	3,453	543
Other expenses	514,173	296,265
	1,839,475	**1,452,124**

39. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2020	**2019**
Income tax for the year	(111,229)	2,870,963
Deferred income tax for the period		
Origination and reversal of temporary differences (note 14)	(1,603,709)	1,442,979
	(1,714,938)	**4,313,942**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Company's profits as follows:

	Year ended 31 December	
	2020	**2019**
Profit (loss) before tax	**(7,623,436)**	**22,014,007**
Tax calculated at domestic tax rates – 15%	(1,143,515)	3,302,101
Tax effect on:		
Revenues exempt from taxation	(325,200)	(222)
Expenses not deductible for tax purposes		
- Tax paid in Angola	(50,469)	74,711
- Other expenses not deductable	(135,256)	1,306,972
Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	262	(40,924)
Other tax effects for reconciliation between accounting profit and tax expense	(60,760)	(328,696)
	(1,714,938)	**4,313,942**
Effective income tax rate	0%	19.60%

40. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The Company operates primarily in the Republic of Serbia and is therefore exposed to risks related to the state of the economy and financial markets of the Republic of Serbia. Before the pandemic crisis, the country's credit rating was at BB+ level with stabile national currency rate. The development of the coronavirus pandemic (COVID-19) in 2020 and the measures taken in this regard to prevent the spread of coronavirus infection lead to negative economic consequences. The Government of the Republic of Serbia has prepared a set of measures to mitigate these negative impacts through delays in payment of tax liabilities, grants and credit arrangements. The situation in the financial markets is currently stable. This operating environment has a significant impact on the Company's operations and financial position.

The management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company 's management recognised an environmental provision in the amount of RSD 408,541 thousand (31 December 2019: RSD 488,858 thousand).

The Company's Management believes that cash outflows related to provision will not be significantly higher than the ones already provided for. However, it is possible that these costs will increase significantly in the future, should the legislation become more restrictive.

Taxes

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 31 December 2020.

Capital commitments

As of 31 December 2020 the Company has entered into contracts to purchase property, plant and equipment for RSD 1,536,920 thousand (31 December 2019: RSD 2,818,801 thousand).

There were no other material commitments and contingent liabilities of the Company.

41. RELATED PARTIES 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. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

During 2020 and 2019, 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, petroleum products and energy.

As of 31 December 2020 and 31 December 2019 the outstanding balances with related parties were as follows:

	Subsidiary	**Parent**	**Entities under comon control and associates**	**Total**
As at 31 December 2020				
Right of use assets	46,395	-	125	46,520
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800	14,464,427
Long-term loans	22,911,248	-	-	22,911,248
Other long-term investments	841,847	-	-	841,847
Advances for inventory and services	2,359	-	25,095	27,454
Trade receivables	3,425,501	-	1,582,434	5,007,935
Receivables from specific operations	60,188	-	299	60,487
Other receivables	1,256,747	-	4	1,256,751
Short-term investments	5,266,132	-	-	5,266,132
Long-term liabilities	(46,076)	(8,203,270)	-	(8,249,346)
Short-term financial liabilities	(1,758,283)	(5,468,847)	(84)	(7,227,214)
Advances received	(54,151)	-	(4,530)	(58,681)
Trade payables	(3,462,629)	(3,204,199)	(1,115,667)	(7,782,495)
Other short-term liabilities	(1,423)	-	-	(1,423)
Other current liabilities	(3,239)	-	-	(3,239)
	41,910,243	**(16,876,316)**	**1,526,476**	**26,560,403**

	Subsidiary	**Parent**	**Entities under comon control and associates**	**Total**
As at 31 December 2019				
Right of use assets	52,049	-	-	52,049
Investments in subsidiaries, associates and joint ventures	13,425,586	-	1,038,800	14,464,386
Long-term loans	23,205,187	-	-	23,205,187
Advances for inventory and services	15,998	-	34,371	50,369
Trade receivables	4,471,633	-	1,280,662	5,752,295
Receivables from specific operations	71,121	-	44	71,165
Other receivables	1,089,170	-	-	1,089,170
Short-term investments	5,356,767	-	-	5,356,767
Long-term liabilities	(48,010)	(13,673,582)	(128)	(13,721,720)
Short-term financial liabilities	(1,599,147)	(5,469,432)	(159)	(7,068,738)
Advances received	(3,148)	-	(3,080)	(6,228)
Trade payables	(4,488,356)	(10,498,354)	(1,711,826)	(16,698,536)
Other short-term liabilities	(2,283)	-	-	(2,283)
	41,546,567	**(29,641,368)**	**638,684**	**12,543,883**

For the year ended 31 December 2020 and 2019 the following transaction occurred with related parties:

	Subsidiary	Parent	Entities under comon control and associates	Total
Year ended 31 December 2020				
Sales revenue	13,138,607	-	17,170,435	30,309,042
Other operating income	36,852	-	8,602	45,454
Cost of goods sold	(53,346)	-	(236,321)	(289,667)
Cost of material	(382,798)	(24,674,912)	(996,914)	(26,054,624)
Fuel and energy expenses	(89)	-	-	(89)
Employee benefits expenses	(19,814)	-	-	(19,814)
Production services	(4,003,482)	-	(198,978)	(4,202,460)
Depreciation	(4,298)	-	(188)	(4,486)
Non-material expense	(3,783,590)	(3,118)	(34,079)	(3,820,787)
Finance income	681,591	-	56	681,645
Finance expense	(90,795)	(295,405)	-	(386,198)
Loss from valuation of assets at fair value through profit and loss	(17,822)	-	-	(17,822)
Other income	285	6,475	-	6,760
Other expenses	(797)	(50,164)	(260)	(51,221)
	5,500,504	**(25,017,124)**	**15,712,353**	**(3,804,267)**

	Subsidiary	Parent	Entities under comon control and associates	Total
Year ended 31 December 2019				
Sales revenue	19,639,670	-	19,645,153	39,284,823
Other operating income	45,790	-	144	45,934
Cost of goods sold	(311,040)	-	(384,815)	(695,855)
Cost of material	(302,423)	(51,345,851)	(333,140)	(51,981,414)
Fuel and energy expenses	(313)	-	-	(313)
Employee benefits expenses	(114,348)	-	-	(114,348)
Production services	(4,601,967)	-	(200,399)	(4,802,366)
Depreciation	(9,143)	-	-	(9,143)
Non-material expense	(905,958)	-	(35,435)	(941,393)
Finance income	677,127	-	-	677,127
Finance expense	(144,935)	(393,887)	(3)	(538,825)
Income from valuation of assets at fair value through profit and loss	178,375	-	-	178,375
Loss from valuation of assets at fair value through profit and loss	(99,891)	-	-	(99,891)
Other income	435	40,230	-	40,665
Other expenses	(2,423)	(111,235)	(593)	(114,251)
	14,048,956	**(51,810,743)**	**18,690,912**	**(19,070,875)**

Main balances and transactions with state and mayor state owned companies:

	Entities under comon control and associates	Other
As at 31 December 2020		
Trade and other receivables (gross)		
• *HIP Petrohemija*	1,461,095	-
• *Srbijagas*	-	256,036
• *AIR Serbia*	-	87,447
Trade and other payables		
• *HIP Petrohemija*	(942,412)	-
• *Srbijagas*	-	(302,531)
Other current liabilities		
• *HIP Petrohemija*	(3,532)	-
	515,151	**40,952**
As at 31 December 2019		
Trade and other receivables (gross)		
• *HIP Petrohemija*	1,183,648	-
• *Srbijagas*	-	418,784
• *AIR Serbia*	-	371,395
Trade and other payables		
• *HIP Petrohemija*	(1,208,375)	-
• *Srbijagas*	-	(361,934)
Other current liabilities		
• *HIP Petrohemija*	(3,064)	-
	(27,791)	**428,245**

	Entities under comon control and associates	Other
As at 31 December 2020		
Operating income		
• *HIP Petrohemija*	16,746,580	-
• *Srbijagas*	-	380,042
• *AIR Serbia*	-	1,685,134
Operating expenses		
• *HIP Petrohemija*	(193,856)	-
• *Srbijagas*	-	(782,731)
	16,552,724	**1,282,445**
As at 31 December 2019		
Operating income		
• *HIP Petrohemija*	19,070,224	-
• *Srbijagas*	-	1,419,220
• *AIR Serbia*	-	5,124,131
Operating expenses		
• *HIP Petrohemija*	(198,691)	-
• *Srbijagas*	-	(912,530)
	18,871,533	**5,630,821**

Transactions with state controlled entities mainly relates to sales of petroleum products based on the price lists in force and terms that would be available to third parties.

Transactions with Key Management Personnel

In the year ended 31 December 2020 and 2019 the Company recognized RSD 997,434 thousand and RSD 943,715 thousand respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

42. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with the Accounting Law, the Company reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. The total amount of unreconciled account receivables amounts to RSD 367,326 thousand (44 customers) which is 1.46% of the total amount of receivables (trade, from specific business operations and other receivables). The total amount of unreconciled account payables amounts to RSD 275,882 thousand (71 suppliers) which is 1.34% of the total amount of trade payables.

43. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2020 were evaluated through 9 March 2021, the date these Financial Statements were authorised for issue.

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